NATIONWIDE HEALTH PROPERTIES INC
Form S-3
July 01, 2003
Table of Contents

As filed with the Securities and Exchange Commission on July 1, 2003

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-3

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

NATIONWIDE HEALTH PROPERTIES, INC.

(Exact Name of Registrant as Specified in its Charter)

Maryland	**95-3997619**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**

610 Newport Center Drive, Suite 1150

Newport Beach, California 92660-6429

(949) 718-4400

(Address, Including Zip Code, and Telephone Number, Including

Area Code, of Registrant s Principal Executive Offices)

R. Bruce Andrews

President and Chief Executive Officer

Nationwide Health Properties, Inc.

610 Newport Center Drive, Suite 1150

Newport Beach, California 92660-6429

(949) 718-4400

(Name, Address, Including Zip Code, and Telephone Number,

Including Area Code, of Agent for Service)

Copy To:

Gary J. Singer, Esq.

O Melveny & Myers LLP

610 Newport Center Drive, Suite 1700

Newport Beach, CA 92660-6429

Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this registration statement.

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, check the following box. ¨

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. x

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. ¨

Table of Contents

CALCULATION OF REGISTRATION FEE

Title of shares to be registered	Amount to be registered	Proposed maximum offering price per share (1)	Proposed maximum aggregate offering price (1)(2)	Amount of registration fee
Common Stock, par value $0.10 per share	5,000,000	$ 15.85	$ 79,250,000	$ 6,412

(1) Calculated pursuant to Rule 457(c) of the rules and regulations under the Securities Act of 1933, as amended, based on the average of the high and low prices of our common stock as reported on the New York Stock Exchange on June 26, 2003.

(2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457 of the Securities Act of 1933, as amended.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

Table of Contents

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION DATED JULY 1, 2003

PROSPECTUS

5,000,000 Shares

Common Stock

We have adopted a dividend reinvestment and stock purchase plan to provide both existing stockholders and interested new investors a convenient and cost effective method to purchase shares of our common stock. Stockholders and other investors may begin participating in the plan by completing a plan enrollment form and returning it to The Bank of New York, as agent, who will administer the plan. Our common stock is listed on the New York Stock Exchange under the symbol NHP. On June 26, 2003, the closing price of our common stock was $15.95.

Some of the significant features of the plan are as follows:

- If you are an existing stockholder, you may purchase additional shares of common stock by automatically reinvesting all or any part of the cash dividends paid on your shares of common stock. There is no minimum or maximum limitation on the amount of dividends you may reinvest in the plan.

- If you are an existing stockholder, you may purchase additional shares of common stock by making optional cash purchases of between $100 and $10,000 in any calendar month. Optional cash purchases of our common stock in excess of this maximum may only be made with our prior written consent.

- If you are not an existing stockholder, you may make an initial cash purchase of common stock of at least $750 with a maximum of $10,000. Initial optional cash purchases of our common stock in excess of this maximum may only be made with our prior written consent.

- We may sell newly issued shares directly to the agent or instruct the agent to purchase shares in the open market or privately negotiated transactions, or elect a combination of these alternatives.

- You can purchase shares of our common stock without brokerage fees, commissions or charges. We will bear the expenses for open market purchases.

The purchase price for newly issued shares of common stock purchased directly from us will be the market price less a discount ranging from 0% to 5%, determined from time to time by us in accordance with the plan. The discount is initially expected to be 2%, but we may adjust that discount in our discretion at any time. This discount applies to either optional cash purchases or reinvested dividends. However, no discount will be available for common stock purchased in the open market or in privately negotiated transactions.

Holders of shares in broker or nominee names may participate in the plan by instructing their brokers or nominees to reinvest dividends and make optional cash purchases on their behalf.

You may also make automatic monthly investments by authorizing electronic funds to be transferred from your banking or checking accounts. You may make an electronic fund transfer for as little as $100 per month, after the initial investment, but in no case for more than $10,000 per month.

Participation in the plan is entirely voluntary, and you may terminate your participation at any time. If you do not choose to participate in the plan you will continue to receive cash dividends, as declared, in the usual manner.

Investing in our common stock involves risks that are described under Risk Factors beginning on page 2 of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is , 2003

Table of Contents

TABLE OF CONTENTS

Table of Contents

SUMMARY

The following summary may not contain all the information that may be important to you. You should read the entire prospectus and the documents incorporated by reference in the prospectus before making a decision to invest in our common stock.

Whenever we refer herein to NHP, us, we or our, we are referring to Nationwide Health Properties, Inc. and its subsidiaries.

ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the SEC. As permitted by the rules and regulations of the SEC, this prospectus omits various information, exhibits, schedules and undertakings included in the registration statement. For further information pertaining to us and our common stock offered under this prospectus, we refer you to the registration statement and the attached exhibits and schedules, which you can obtain from the SEC as described below under Additional Information, as well as on our website at http://www.nhp-reit.com. Information on our website is not incorporated by reference herein and our web address is included as an inactive textual reference only. Although required material information has been presented in this prospectus, statements contained in this prospectus as to the contents and provisions of any contract or other document referred to in this prospectus may be summary in nature, and in each instance reference is made to the copy of that contract or other document filed as an exhibit to the registration statement, and each statement is qualified in all respects by this reference.

THE COMPANY

Nationwide Health Properties, Inc., a Maryland corporation organized in October 1985, is a real estate investment trust, or REIT, that invests in senior housing and long-term care properties primarily independent and assisted living facilities, skilled nursing facilities and continuing care retirement communities. As of March 31, 2003, our gross investment in our properties, including mortgage loans receivable and our investment in an unconsolidated joint venture, was approximately $1.6 billion. As of March 31, 2003, we had investments in 389 facilities in 38 states, consisting of:

- 185 skilled nursing facilities;
- 137 assisted and independent living facilities;
- 12 continuing care retirement communities;
- one rehabilitation hospital;
- one long-term acute care hospital;

- four buildings held for sale; and
- 49 assisted living facilities operated by an unconsolidated joint venture in which we have a 25% interest.

Other than the four buildings held for sale, substantially all of our owned facilities are leased under triple-net leases, which are accounted for as operating leases, to 69 healthcare providers.

Our principal executive offices are located at 610 Newport Center Drive, Suite 1150, Newport Beach, California 92660, and our telephone number is (949) 718-4400.

Table of Contents

RISK FACTORS

Before you decide to participate in the plan and invest in shares of our common stock, you should be aware of the following material risks in making such an investment. You should carefully consider the risks described below before you decide to participate in the plan and purchase shares of common stock. In addition, you should consult your own financial and legal advisors before making an investment.

RISKS ASSOCIATED WITH THE PLAN

You will not know the price of the shares you are purchasing under the plan at the time you authorize the investment or elect to have your dividends reinvested.

The price of our shares may fluctuate between the time you decide to purchase shares under the plan and the time of actual purchase. In addition, during this time period, you may become aware of additional information that might affect your investment decision.

If you instruct the administrator to sell shares under the plan, you will not be able to direct the time or price at which your shares are sold. The price of our shares may decline between the time you decide to sell shares and the time of actual sale.

RISKS FACING OUR COMPANY

Generally speaking, the risks facing our company fall into two categories: risks associated with the operations of our operators; and other risks unique to our operations. These risks and uncertainties are not the only ones facing us and there may be additional matters that we are unaware of or that we currently consider immaterial. All of these could adversely affect our business, financial condition, results of operations and cash flows and, thus, an investment in our company.

OPERATOR RISKS

Our financial position and ability to make distributions would be adversely affected if any of our major operators were unable to meet their obligations to us or failed to renew or extend their relationship with us as their lease terms expire, or if we were unable to lease or re-lease our facilities or make mortgage loans on economically favorable terms. These adverse developments could arise due to a number of factors, including those listed below.

Financial Difficulties

We are exposed to the risk that our operators may not be able to meet their obligations, which may result in their bankruptcy or insolvency. Although our leases and loans provide us the right to terminate an investment, evict an operator, demand immediate repayment and other remedies, the bankruptcy laws afford certain rights to a party that has filed for bankruptcy or reorganization. An operator in bankruptcy may be able to restrict our ability to collect unpaid rent and interest during the bankruptcy proceeding.

Leases. If one of our lessees seeks bankruptcy protection, the lessee can either assume or reject the lease. Generally, the operator is required to make rent payments to us during their bankruptcy until they reject the lease. If the lessee assumes the lease, the court cannot change the rental amount or any other lease provision that could financially impact us. However, if the lessee rejects the lease, the facility would be returned to us. If the facility is returned to us, our financial condition could be adversely affected by delays in or the terms of re-leasing the facility to a new operator.

Table of Contents

Mortgage Loans. If an operator defaults under one of our mortgage loans, we may have to foreclose on the mortgage or protect our interest by acquiring title to a property and thereafter making substantial improvements or repairs in order to maximize the facility s investment potential. Operators may contest enforcement of foreclosure or other remedies, seek bankruptcy protection against an enforcement and/or bring claims for lender liability in response to actions to enforce mortgage obligations. If an operator seeks bankruptcy protection, the automatic stay of the federal bankruptcy law would preclude us from enforcing foreclosure or other remedies against the operator unless relief is obtained from the court. High loan to value ratios or declines in the value of the facility may prevent us from realizing an amount equal to our mortgage loan upon foreclosure.

The receipt of liquidation proceeds or the replacement of an operator that has defaulted on its lease or loan could be delayed by the approval process of any federal, state or local agency necessary for the replacement of the operator licensed to manage the facility. In some instances, we may take possession of a property that may expose us to successor liabilities. If any of these events occur, our revenue and operating cash flow could be adversely affected.

Governmental Regulations

Our operators are subject to numerous federal, state and local laws and regulations that are subject to frequent and substantial changes (sometimes applied retroactively) resulting from legislation, adoption of rules and regulations, and administrative and judicial interpretations of existing law. The ultimate timing or effect of these changes cannot be predicted. These changes may have a dramatic effect on our operators costs of doing business and the amount of reimbursement by both government and other third-party payors. The failure of any of our operators to comply with these laws, requirements and regulations could adversely affect their ability to meet their obligations to us. In particular:

Medicare and Medicaid. A significant portion of our skilled nursing facility operators revenue is derived from governmentally funded reimbursement programs, such as Medicare and Medicaid, and failure to maintain certification and accreditation in these programs would result in a loss of funding from them. Moreover, federal and state governments have adopted and continue to consider various reform proposals to control health care costs. In recent years, there have been fundamental changes in the Medicare program that have resulted in reduced levels of payment for a substantial portion of health care services. In many instances, revenues from Medicaid programs are already insufficient to cover the actual costs incurred in providing care to those patients. In addition, reimbursement from private payors has in many cases effectively been reduced to levels approaching those of government payors. Governmental concern regarding health care costs and their budgetary impact may result in significant reductions in payment to health care facilities, and future reimbursement rates for either governmental or private payors may not be sufficient to cover cost increases in providing services to patients. Loss of certification or accreditation or any changes in reimbursement policies that reduce reimbursement to levels that are insufficient to cover the cost of providing patient care, could adversely affect revenues of our operators and thereby adversely affect their ability to meet their obligations to us and the value of our affected properties.

Licensing and Certification. Our operators and facilities are subject to regulatory and licensing requirements of federal, state and local authorities and are periodically audited by them to confirm compliance. Failure to obtain licensure or loss of licensure would prevent a facility from operating. Our skilled nursing facilities require governmental approval, in the form of a certificate of need that generally varies by state and is subject to change, prior to the addition or construction of new beds, the addition of services or certain capital expenditures. Our facilities may not be able to satisfy current and future certificate of need requirements and this could adversely affect our operators and facilities. Any of these events could adversely affect the facility operator s ability to meet its obligations to us.

Table of Contents

Fraud and Abuse Regulations. There are various extremely complex and largely uninterpreted federal and state laws governing a wide array of referrals, relationships and arrangements and prohibiting fraud by healthcare providers, including criminal provisions that prohibit filing false claims or making false statements to receive payment or certification under Medicare and Medicaid, or failing to refund overpayments or improper payments. Governments are devoting increasing attention and resources to anti-fraud initiatives against health care providers. The Health Insurance Portability and Accountability Act of 1996 and the Balanced Budget Act of 1997 expand the penalties for health care fraud, including broader provisions for the exclusion of providers from the Medicare and Medicaid programs. Further, under Operation Restore Trust, a major anti-fraud demonstration project, the Office of Inspector General of the U.S. Department of Health and Human Services, in cooperation with other federal and state agencies, has focused on the activities of skilled nursing facilities in certain states in which we have properties. If one of our operators violates any of these regulations, that may jeopardize its ability to operate a facility or to make lease and mortgage payments, thereby potentially adversely affecting us.

Legislative Developments. Each year, legislative proposals are introduced or proposed in Congress and in some state legislatures that would affect major changes in the healthcare system, either nationally or at the state level. Among the proposals under consideration are cost controls on state Medicaid reimbursements, a Patient Bill of Rights to increase the liability of insurance companies as well as the ability of patients to sue in the event of a wrongful denial of claim, a Medicare prescription drug benefit, hospital cost-containment initiatives by public and private payors, uniform electronic data transmission standards for healthcare claims and payment transactions, and higher standards to protect the security and privacy of health-related information. We cannot predict whether any proposals will be adopted or, if adopted, what effect, if any, these proposals would have on operators and, thus, our business.

Litigation and Increasing Insurance Costs

In some states, advocacy groups have been created to monitor the quality of care at skilled nursing facilities, and these groups have brought litigation against operators. Also, in several instances, private litigation by skilled nursing facility patients has succeeded in winning very large damage awards for alleged abuses. To a lesser extent, this litigation also has spilled over and affected assisted living facilities. The effect of this litigation and potential litigation has been to materially increase the costs of monitoring and reporting quality of care compliance incurred by our tenants. In addition, the cost of liability and medical malpractice insurance has increased and may continue to increase so long as the present litigation environment continues. Continued cost increases could adversely affect our tenants abilities to pay their lease or mortgage payments.

Competition

The healthcare industry is highly competitive and we expect that it may become more competitive in the future. Our operators are competing with numerous other companies providing similar health care services or alternatives such as home health agencies, life care at home, community-based service programs, retirement communities and convalescent centers. In addition, overbuilding in the assisted and independent living market has caused a slow-down in the fill-rate of newly constructed buildings and a reduction in the monthly rate many newly built and previously existing facilities were able to obtain for their services. This resulted in lower revenues for the operators of certain of our facilities. It may also have contributed to the financial difficulties of some of our operators. While we believe that overbuilt markets should reach stabilization in the next couple of years due to minimal new development, we cannot be certain the operators of all of our facilities will be able to achieve occupancy and rate levels that will enable them to meet all of their obligations to us. Our operators may encounter increased competition in the future that could limit their ability to attract residents or expand their businesses and therefore affect their ability to meet their obligations to us.

Table of Contents

Risks Unique to Us and Our Operations

In addition to the operator related risks discussed above, there are a number of risks directly associated with our company and operations.

External Sources of Capital

In order to qualify as a REIT under the Internal Revenue Code, we are required, among other things, each year to distribute to our stockholders at least 90% of our REIT taxable income. Because of this distribution requirement, we will not be able to fund, from cash retained from operations, all future capital needs, including capital needs to satisfy or refinance maturing commitments and to make investments. As a result, we rely on external sources of capital that may be unavailable on favorable terms or at all, which depending on the circumstances could have a material adverse affect on our financial position, such as in the case of maturing commitments. Our access to capital depends upon a number of factors, including general market conditions and the market s perception of our growth potential and our current and potential future earnings and cash distributions and the market price of the shares of our capital stock. Generally speaking, difficult capital market conditions in our industry during the past several years have limited our access to capital. As a result, while we have been able to meet our maturing commitments, the level of our new investments has decreased except in 2002. We currently expect difficult market conditions to prevail during 2003, which could limit our access to capital for the coming year. While we do not expect this to affect our ability to meet our maturing commitments, it could limit our ability to make future investments. Our potential capital sources include:

Equity Financing. As with other publicly-traded companies, the availability of equity capital will depend, in part, on the market price of our common stock which, in turn, will depend upon various market conditions that may change from time to time. Among the market conditions and other factors that may affect the market price of our common stock are:

- the extent of investor interest;
- the general reputation of REITs and the attractiveness of their equity securities in comparison to other equity securities, including securities issued by other real estate-based companies;
- our financial performance and that of our operators;
- the contents of analyst reports about us and the REIT industry;
- general stock and bond market conditions, including changes in interest rates on fixed income securities, which may lead prospective purchasers of our common stock to demand a higher annual yield from future distributions;
- our failure to maintain or increase our dividend, which is dependent, to a large part, on growth of funds from operations which in turn depends upon increased revenues from additional investments and rental increases; and
- other factors such as governmental regulatory action and changes in REIT tax laws.

The market value of the equity securities of a REIT is generally based upon the market s perception of the REIT s growth potential and its current and potential future earnings and cash distributions. Our failure to meet the market s expectation with regard to future earnings and cash distributions likely would adversely affect the market price of our common stock.

Debt Financing/Leverage. Financing for our maturing commitments and future investments may be provided by borrowings under our bank line of credit, private or public offerings of debt, the assumption of secured indebtedness, mortgage financing on a portion of our owned portfolio or through joint ventures. We are subject to risks normally associated with debt financing, including the risks that our cash flow will be insufficient to make distributions to our stockholders, that we will be unable to refinance existing indebtedness and that the terms of refinancing will not be as favorable as the terms of existing indebtedness. If we are unable to refinance or extend principal payments due at maturity or pay

Table of Contents

them with proceeds from other capital transactions, our cash flow may not be sufficient in all years to pay distributions to our stockholders and to repay all maturing debt. Furthermore, if prevailing interest rates, changes in our debt ratings or other factors at the time of refinancing result in higher interest rates upon refinancing, the interest expense relating to that refinanced indebtedness would increase. This increased interest expense would adversely affect our financial condition and results of operations. Moreover, additional debt financing increases the amount of our leverage. The degree of leverage could have important consequences to stockholders, including affecting our investment grade ratings, our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, development or other general corporate purposes and making us more vulnerable to a downturn in business or the economy generally.

Concentration of Revenues

Two of the operators of our facilities account for 10% or more of our revenues. As of the end of 2002, as adjusted for facilities acquired and disposed during 2002, Alterra Healthcare Corporation accounted for 14% of our revenues and American Retirement Corporation, or ARC, accounted for 12% of our revenues. In January 2003, Alterra filed for protection under the United States bankruptcy laws. Alterra operates 59 of our facilities and all 49 of the facilities owned by our joint venture, in which we are a 25% equity partner. ARC operates 16 of our facilities. If Alterra decides to reject our leases in bankruptcy or if ARC experiences financial difficulties, our revenues and operating cash flow could be adversely affected.

REIT Status

We intend to operate in a manner to qualify as a REIT under the Internal Revenue Code. While we believe that we have been organized and have operated in a manner which would allow us to qualify as a REIT under the Internal Revenue Code, it is possible that is not the case or that our future operations could cause us to fail to qualify. Qualification as a REIT requires us to satisfy numerous requirements established under highly technical and complex Internal Revenue Code provisions. For example, in order to qualify as a REIT, at least 95% of our gross income in any year must be derived from qualifying sources, and we must pay dividends to stockholders aggregating at least 90% of our annual REIT taxable income. While we are not aware of anything significant that is pending, legislation, new regulations, administrative interpretations or court decisions could significantly change the tax laws with respect to qualification as a REIT or the federal income tax consequences of qualification as a REIT. If we fail to qualify as a REIT in any taxable year, we will be subject to federal income tax on our taxable income at regular corporate rates. Unless we are entitled to relief under statutory provisions, we would be disqualified from treatment as a REIT for the four taxable years following the year during which we lost qualification. If we lose our REIT status, our net earnings available for distribution to stockholders or investments would be significantly reduced for each of the years involved. In addition, we would no longer be required to make distributions to stockholders.

Our Acquisitions May be Unsuccessful

Our business strategy contemplates future acquisitions that may not prove to be successful. For example, we might encounter unanticipated difficulties and expenditures relating to any acquired properties, including contingent liabilities, or newly acquired properties might require significant management attention that would otherwise be devoted to our ongoing business. If we agree to provide funding to enable healthcare operators to build, expand or renovate facilities on our properties and the project is not completed, we could be forced to become involved in the development to ensure completion or we could lose the property. Moreover, if we issue equity securities or incur additional debt, or both, to finance future acquisitions, that may reduce our per share financial results.

Key Personnel

We depend on the efforts of our executive officers, particularly Mr. R. Bruce Andrews, Mr. Mark L. Desmond and Mr. Donald D. Bradley. While we believe that we could find suitable replacements for these key

Table of Contents

personnel, the loss of their services or the limitation of their availability could have an adverse impact on our operations. Although we have entered into employment and security agreements with these executive officers, these agreements may not assure their continued service.

Environmental Matters

Under various laws, owners of real estate may be required to investigate and clean up hazardous substances present at a property, and may be held liable for property damage or personal injuries that result from environmental contamination. These laws also expose us to the possibility that we become liable to reimburse the government for damages and costs it incurs in connection with the contamination. We review environmental surveys of the facilities we own prior to their purchase. Based upon those surveys we do not believe that any of our properties are subject to material environmental contamination. However, environmental liabilities may be present in our properties and we may incur costs to remediate contamination that could have a material adverse effect on our business or financial condition.

Change of Control Provisions

Our charter and bylaws contain provisions that may delay, defer or prevent a change in control or other transactions that could provide stockholders with the opportunity to realize a premium over the then-prevailing market price for our common stock.

Ownership Limitations. In order to protect us against the risk of losing our REIT status for federal income tax purposes, our charter prohibits the ownership by any single person of more than 9.9% of the issued and outstanding shares of our voting stock. We can redeem shares acquired or held in excess of the ownership limit. In addition, any acquisition of our common stock or preferred stock that would result in our disqualification as a REIT is null and void. The ownership limit may have the effect of delaying, deferring or preventing a change in control and, therefore, could adversely affect our stockholders ability to realize a premium over the then-prevailing market price for the shares of our common stock in connection with a stock transaction. The Board of Directors has increased the ownership limit applicable to our voting stock to 20% with respect to Cohen & Steers Capital Management, Inc. As of May 2, 2003, Cohen & Steers Capital Management, Inc. owned approximately 3,900,700 of our shares, which is approximately 6.63% of our current outstanding shares of common stock.

Preferred Stock. Our charter authorizes us to issue additional shares of common stock and one or more series of preferred stock and to establish the preferences, rights and other terms of any series of preferred stock that we issue. Although our Board of Directors has no intention to do so at the present time, it could establish a series of preferred stock that could delay, defer or prevent a transaction or a change in control that might involve a premium price for our common stock or otherwise be in the best interests of our stockholders.

Other. Our charter also contains other provisions that may impede various actions by stockholders without approval of our Board of Directors or preferred stockholders entitled to vote, which in turn may delay, defer or prevent a transaction, including a change in control, that might involve payment of a premium price for our common stock or otherwise be in the best interests of our stockholders. Those provisions include the following:

- in certain circumstances, a proposed consolidation, merger, share exchange or transfer must be approved by two-thirds of the votes of our preferred stockholders entitled to be cast on the matter;

- the requirement that any business combination be approved by 90% of the outstanding shares unless the transaction receives a unanimous vote or a consent of the Board of Directors or is a combination solely with a wholly-owned subsidiary; and the Board of Directors is classified into three groups whereby each group of Directors is elected for successive terms ending at the annual meeting of stockholders the third year after election.

Table of Contents

STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain information contained in this prospectus includes forward-looking statements. Forward-looking statements include statements regarding our expectations, beliefs, intentions, plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements which are other than statements of historical facts. These statements may be identified, without limitation, by the use of forward-looking terminology such as may , will , anticipates , expects , believes , intends , should or comparable terms or the negative ther forward-looking statements included in this prospectus are based on information available to us on the date of the applicable document. These statements speak only as of the date of the applicable document and we assume no obligation to update the forward-looking statements for any reason, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future. These statements involve risks and uncertainties that could cause actual results to differ materially from those described in the statements. These risks and uncertainties include, without limitation, the following:

- continued deterioration of the operating results or financial condition, including bankruptcies, of our tenants;
- occupancy levels at certain facilities;
- changes in the ratings of our debt securities;
- access to the capital markets and the cost of capital;
- government regulations, including changes in the reimbursement levels under the Medicare and Medicaid programs;
- the general distress of the healthcare industry;
- the effect of economic and market conditions and changes in interest rates;
- the amount and yield of any additional investments;
- the ability of our operators to repay deferred rent or loans in future periods;
- our ability to attract new operators for certain facilities;
- our ability to sell certain facilities for their book value;
- changes in tax laws and regulations affecting REITs; and
- the risk factors set forth under the caption Risk Factors in Item 1 of our annual report on Form 10-K for the year ended December 31, 2002.

Other risks, uncertainties and factors, including those discussed under Risk Factors in this prospectus, could cause our actual results to differ materially from those projected in any forward-looking statement we make.

Table of Contents

USE OF PROCEEDS

We will receive the net proceeds from any sale of common stock purchased by the plan s agent directly from us. We will use these proceeds for general corporate purposes, including the repayment of our bank line of credit and investments in health care related properties. We use our existing revolving bank credit facility for general corporate purposes, including the acquisition or construction of health care related facilities, the repayment of maturing debt and the funding of mortgage loans secured by health care related facilities. The precise amount and timing of the application of the net proceeds will depend upon our capital requirements and the availability of other funds. We will not receive any proceeds from purchases of common stock by the agent in the open market or in privately negotiated transactions.

Table of Contents

THE PLAN

The following description of the dividend reinvestment and stock purchase plan is set forth in a question and answer format. In addition to reading this description, we encourage you to read and consider the plan, which we have filed as an exhibit to the registration statement which includes this prospectus, and the information contained in the documents identified under the heading Additional Information in this prospectus.

1. What is the purpose of this plan?

The purpose of this plan is to provide our stockholders and other investors with a convenient and economical method of purchasing shares of our common stock and/or investing all or a portion of their cash dividends in additional shares of our common stock.

The plan also provides us with a means of raising additional capital if we elect to directly sell newly issued shares of common stock.

2. What are the benefits of the plan?

There are no fees or brokerage commissions on purchases and we will bear the expenses for open market purchases.

Participation is voluntary and automatic. All or any part of your quarterly stock dividends may be reinvested.

The automatic reinvestment of dividends will enable you to add to your investment in our company in a timely and systematic fashion.

In addition to being able to reinvest your dividends, if you are an existing stockholder, you may purchase additional shares of our common stock by making optional cash purchases of between $100 and $10,000 per calendar month. These optional cash purchases may be made occasionally or at regular intervals, subject to the restrictions described above. You may make optional cash purchases even if dividends on your shares are not being reinvested under the plan. We may waive the maximum in our sole discretion and permit a larger investment.

If you are not presently one of our stockholders, you may become a participant in the plan by making an initial cash investment in our common stock of not less than $750 and not more than $10,000. We may waive this maximum, in our sole discretion, and permit a larger investment.

The purchase price for newly issued shares of our common stock purchased directly from us either through dividend reinvestment or optional cash purchases may be issued at a discount from the market price. We will periodically establish a discount rate ranging from 0% to 5%. The discount is initially expected to be 2%, but we may adjust that discount in our discretion at any time.

You may purchase fractional shares of our common stock under the plan. This means that you may fully invest your dividends and any optional cash purchases. Dividends will be paid on the fractional shares of our common stock which also may be reinvested in additional shares.

You may direct the agent to transfer, at any time and at no cost to you, all or a portion of your shares in the plan to a plan account for another person.

You can avoid the need for safekeeping of certificates for shares of common stock credited to your plan account and may submit to the plan s agent, for safekeeping, certificates held by you and registered in your name. You do not have to worry about the stock certificates for your shares of common stock issued under the plan being lost or stolen or wonder where they are located.

You or any other person that is a holder of record of shares of our common stock may direct the agent to sell or transfer all or a portion of your shares held in the plan.

Table of Contents

You will receive periodic statements reflecting all current activity in your plan accounts, including purchases, sales and latest balances, to simplify your record keeping.

3. What are the disadvantages of the plan?

Cash dividends that you reinvest will be treated for federal income tax purposes as a dividend received by you on the date we pay dividends and may create a liability for the payment of income tax without providing you with immediate cash to pay this tax when it becomes due.

We may, without giving you prior notice, change our determination as to whether the agent will purchase shares of our common stock directly from us or in the open market or in privately negotiated transactions from third parties which will affect whether such shares will be sold to you at a discount. We will not, however, change our determination more than once in any three-month period.

You will not know the actual number of shares purchased in any month on your behalf under the plan until after the applicable investment date.

You will have limited control regarding the timing of sales under the plan. Because the agent will effect sales under the plan only as soon as practicable after it receives instructions from you, you may not be able to control the timing of sales as you might for investments made outside the plan. The market price of the shares of our common stock may fluctuate between the time the agent receives an investment instruction and the time at which the shares of our common stock are sold. Because purchases under the plan are only made as of the dividend payment date, in the case of dividends, or the applicable investment date, in the case of optional cash purchases, you have no control regarding the timing of your purchases under the plan. No discount will be available for shares acquired in the open market or in privately negotiated transactions. While a discount from market prices of up to 5% may be established for a particular month for shares purchased directly from us, a discount for one month will not insure the availability of a discount or the same discount in future months. Each month we may, without giving you prior notice, change or eliminate the discount. Further, in no event may we issue shares at a price less than 95% of the market price of our common stock on the date of issuance.

Shares deposited in a plan account may not be pledged until the shares are withdrawn from the plan.

Your investment in the shares of common stock held in your account is no different than a direct investment in shares of our common stock. You bear the risk of loss and the benefits of gain from market price changes for all of your shares of common stock. Neither we nor the agent can assure you that shares of our common stock purchased under the plan will, at any particular time, be worth more or less than the amount you paid for them.

4. Who will administer the plan?

The plan will be administered by our transfer agent and registrar, The Bank of New York. We may designate a successor administrator as agent. The agent acts as agent for you, keeps records of your accounts, sends you regular account statements, and performs other duties relating to the plan. Common stock purchased for you under the plan will be held by the agent and may be registered in the name of the agent or its nominee on your behalf, unless and until you request that a stock certificate for all or part of the shares be issued, as more fully described under Question 22, Will certificates be issued for share purchases?

The address for the agent concerning any inquiries is:

The Bank of New York

c/o Investor Relations Department

P.O. Box 11258

Church Street Station

New York, New York 10286-1258

11

Table of Contents

The address for the agent concerning any financial transaction processing, including enrollments, sales, withdrawals, deposits and optional cash payment, is:

The Bank of New York

Dividend Reinvestment Services

P.O. Box 1958

Newark, New Jersey 07101-1958

You may also contact the agent by telephone for general inquiries at the following number. Please note that most transactions can be conducted over the telephone using the agent s automated telephone system. Using the automated telephone system to issue certificates and sell plan shares provides private and automated transactions.

Telephone Number: (800) 524-4458

You may also contact the agent via e-mail at the following address: shareowners@bankofny.com. The agent s website provides on-line transactions at the following address: www.stockbny.com.

Unless directed otherwise by The Bank of New York, purchases and sales under the plan usually will be made through BNY Brokerage, Inc., a full-service brokerage and wholly owned subsidiary of The Bank of New York Company, Inc. BNY Brokerage, Inc. will receive brokerage commissions from these transactions.

We may remove the agent, or the agent may resign, upon 30 calendar days prior written notice.

5. Who is eligible to participate?

Any stockholder whose shares of common stock are registered on our stock transfer books in his or her name, also referred to as a registered holder, or any stockholder whose shares of common stock are registered in a name other than his or her name, for example, in the name of a broker, bank or other nominee, also referred to as a beneficial owner, may participate in the plan. If you are a registered holder, you may participate in the plan directly. If you are a beneficial owner, you must either become a registered holder by having those shares transferred so that they are registered under your name or you must make arrangements with your broker, bank or other nominee to participate in the plan on your behalf.

In addition, if you are an interested investor who is not a stockholder, you may participate in the plan by making an initial optional cash purchase of common stock of not less than $750 or more than $10,000, unless we approve in writing your request for a waiver of this limit. See Question 15, May a stockholder request a waiver of the purchase limitation?

Your right to participate in the plan is not transferable to another person apart from your transfer of the underlying shares of common stock. We reserve the right to exclude from participation in the plan anyone who utilizes the plan to engage in short-term trading activities that cause aberrations in the trading volume of our common stock.

If you reside in a jurisdiction in which your participation in the plan would be unlawful, you will not be eligible to participate in the plan.

6. What if I am already enrolled in your dividend reinvestment plan?

If you are already reinvesting your stock s dividends under our dividend reinvestment plan, you do not need to take any action to stay enrolled in the plan.

Table of Contents

7. How do I enroll in the plan and become a participant?

You must complete and sign the dividend reinvestment and stock purchase plan enrollment form and return it to the agent. We have enclosed an enrollment form and postage-paid envelope with the prospectus for this purpose. Also, you may obtain an enrollment form at any time by requesting one from the agent at the address and telephone number set forth above. If you register shares in more than one name (e.g., joint tenants, trustees), all registered holders of those shares must sign the enrollment form exactly as their names appear on the account registration. If your securities are registered in the name of a broker, bank or other nominee, you must contact the broker, bank or nominee and request that they complete an enrollment form on your behalf.

If you are an interested investor who is not presently one of our stockholders, but desire to become a participant by making an initial investment in common stock, you may join the plan by completing an enrollment form and forwarding it, together with the initial investment in U.S. funds by check payable to the agent, to the agent at the address on the enrollment form.

8. What does the enrollment form provide?

The enrollment form appoints the plan s agent as your agent for purposes of the plan and directs the agent to apply to the purchase of additional shares of common stock all of the cash dividends on the specified number of shares of common stock owned by you on the applicable record date and designated by you to be reinvested through the plan. The enrollment form also directs the agent to purchase additional shares of common stock with any optional cash purchases that you may elect to make.

While the enrollment form directs the agent to reinvest cash dividends on all shares enrolled in the plan, you may elect partial dividend reinvestment or optional cash purchases only. You may change the dividend reinvestment option at any time by submitting a newly executed enrollment form to the agent or by writing to the agent. If you do not make an election on your enrollment form, the agent will reinvest all dividends paid on your shares. Any change in the number of shares with respect to which the agent is authorized to reinvest dividends must be received by the agent prior to the record date for a dividend to permit the new number of shares to apply to that dividend. For each method of dividend reinvestment, cash dividends will be reinvested on all shares other than those designated for payment of cash dividends in the manner specified above until you specify otherwise or withdraw from the plan altogether, or until the plan is terminated.

9. When will my participation in the plan begin?

If you are not already a participant in our dividend reinvestment plan, you may join the plan at any time.

Your participation in the dividend reinvestment portion of the plan will commence on the next date we pay dividends, provided the agent receives your enrollment form on or before the record date for the payment of the dividend.

Your participation in the optional cash purchase portion of the plan will commence on the next investment date, which will be the 26th day of the calendar month (unless the 26th calendar day is a Saturday, Sunday or bank holiday, in which case the investment date will be the first business day following the 26th calendar day of that month); provided sufficient funds to be invested are received on or before the business day immediately prior to the investment date. Should the funds to be invested arrive after the applicable optional cash investment due date, those funds will be held without interest until they can be invested on the next investment date unless you request a refund from the agent.

Once enrolled, you will remain enrolled until you discontinue participation or until we terminate the plan.

10. How do I get a refund of an optional cash purchase if I change my mind?

You may obtain a refund of any optional cash purchase payment not yet invested by requesting, in writing, the agent to refund your payment. The agent must receive your request not later than five business days prior to the next investment date. If the agent receives your request later than the specified date, your cash purchase payment will be applied to the purchase of shares of common stock.

11. Will I be paid interest on funds held for optional cash purchases prior to investment?

You will not be paid interest on funds you send to the agent for optional cash purchases. Consequently, we strongly suggest that you deliver funds to the agent to be used for investment in optional cash purchases shortly prior to but not after the applicable optional cash investment due date so that they are not held over to the following investment date. If you have any questions regarding the applicable investment dates or the dates as of which funds should be delivered to the agent, you should write or telephone the agent at the address and telephone number included above.

You should be aware that because investments under the plan are made as of specified dates, you may lose any advantage that you otherwise might have from being able to control the timing of an investment. Neither we nor the agent can assure you a profit or protect you against a loss on shares of common stock purchased under the plan.

12. How many shares may be purchased by a participant during any month or year?

to review and monitor management development and succession plans and activities.

The Investment Committee approves all of our acquisitions, dispositions, development projects, financings, joint ventures, equity issuances and other investments that are individually in excess of $10 million, and any of such items that are greater than $100 million must also be approved by the full Bo

The Nominating and Corporate Governance Committee serves the following purposes:

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

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

Table of Contents

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

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

reviews and monitors management development and succession planning activities; and

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

All members of the Audit, Nominating and Corporate Governance and Compensation Committees are independent Trustees. The practices of the Audit Nominating and Corporate Governance and Compensation Committees are outlined in their respective charters, which are available on our Internet we in the subsection entitled "Corporate Governance" or in print to any shareholder upon request. To the extent modifications are made to the charters, suc modifications will be reflected on our Internet website.

The committees on which Trustees served and the number of meetings held during 2010 are set forth below.

Board Member	Audit	Compensation	Investment	Nominating and Corporate Governance
Jay H. Shidler			C	ü
Clay W. Hamlin, III			ü	
Thomas F. Brady		C		ü
Robert L. Denton	ü			C
Douglas M. Firstenberg		ü	ü	
David M. Jacobstein	ü		ü	
Steven D. Kesler	ü		ü	
Kenneth S. Sweet, Jr.		ü	ü	
Richard Szafranski		ü		ü
Kenneth D. Wethe	C		ü	
Meetings Held in 2010	11	8	12	4

C = Chairman of the Committee.

ü = Member of the Committee.

During 2010, the Board held four quarterly meetings and five special meetings. Each incumbent Trustee in 2010 attended at least 75% of the aggr of the meetings of the Board and meetings held by all committees on which such Trustee served.

How are our Trustees nominated?

The Nominating and Corporate Governance Committee of the Board is responsible for recommending nominations to the Board and shareholders arriving at nominations, the Nominating and Corporate Governance Committee reviews with the Board the size, function, and needs of the Board and, doing so, takes into account the principle that the Board as a whole should be competent in the following areas: (1) industry knowledge; (2) accounting finance; (3) business judgment; (4) management; (5) leadership; (6) public real estate investment trusts ("REITs") and commercial real estate business; (7) business strategy; (8) crisis management; (9) corporate governance; and (10) risk management. The Board also see members from diverse backgrounds. Trustees should have experience in positions with a high degree of responsibility, be leaders in the companies or institutions with which they are or were affiliated, and be selected based upon contributions that they can make to the Company. In determining whethe recommend a Trustee for re-election, the Nominating and Corporate Governance Committee also considers the Trustee's past attendance at meetings ar participation in and contributions to the activities of the Board and its committees.

Our Board does not have an explicit diversity policy. Nevertheless, diversity of race, ethnicity, gender, age, cultural background and professional experiences is considered in evaluating candidates for nomination. The Board believes that its members should have reputations for integrity and ethica behavior and that they should collectively represent a broad spectrum of experience and expertise. Diversity is important because a variety of points of contribute to a more effective decision-making process.

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

> The Committee considers nominees recommended by the Company's common shareholders using the same criteria it employs in identifying own nominees. Any shareholder wishing to make a recommendation should send the following information to the Chairman of the Nominatir and Corporate Governance Committee, care of Karen M. Singer, Senior Vice President, General Counsel and Secretary, at our mailing addre forth on the first page of this proxy statement, no later than the date that is 120 days prior to the one-year anniversary of the date of the mailir 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 unde 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 sh have been owned; and
- a separate statement of the candidate's qualifications relating to the Board's membership criteria.

What is the Board's approach to risk oversight?

The Board plays an important role in the risk oversight of the Company. The Board establishes and monitors the Company's risk tolerance and ove its risk management activities primarily by:

- maintaining for itself and its committees direct decision-making authority with respect to matters with significant inherent risks, including material acquisition, development and financing activities and the appointment, retention and compensation of senior management;
- reviewing and discussing regular periodic reports relating to the performance of the Company and risks to the achievement of its objectives;
- approving the Company's annual budget and capital plan; and

overseeing specific areas of the Company's business by the Compensation, Audit and Nominating and Corporate Governance Committees.

The Board and its Committees also rely on management to bring significant matters to their attention.

16

Table of Contents

Pursuant to its charter, the Audit Committee is responsible for the review of the Company's risk assessment and management activities. The Comm discharges these responsibilities by reviewing and discussing with management, the Company's internal audit function and the Company's independent registered public accounting firm any significant risks or exposures faced by the Company, the steps taken to identify, minimize, monitor or control suc risks or exposures, and the Company's underlying policies with respect to risk assessment and risk management. Consistent with NYSE Rules, the Aud Committee also provides oversight at the Board level with respect to risk assessment and risk management, particularly regarding the activities of the Company's internal audit function and integrity of the Company's financial statements and internal control over financial reporting. The Company's inte audit function reports to the Audit Committee regarding such activities on an ongoing basis, including at each of the Audit Committee's meetings. The Board is informed regarding these risk oversight activities at the quarterly meetings of the Board.

In addition, the Board believes that because its leadership and management functions are separated, the Board's ability to take a more objective, independent approach to overseeing risk is enhanced.

Our Named Executive Officers

Below is information with respect to our named executive officers (in addition to Randall M. Griffin) who are not Trustees (sometimes referred to herein as our "executive officers" or "executives").

Roger A. Waesche, Jr., 56, has been our President since September 2010, after holding the position of Executive Vice President since January 20 and the position of Senior Vice President from September 1998 through December 2003. Mr. Waesche became our Chief Operating Officer in August after serving as 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 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 Healt System. Mr. Waesche is also a member on the Maryland Industrial Development Financing Authority and a board member of the Economic Alliance o Greater Baltimore, the Fort Meade Alliance and the Board of Sponsors of the Loyola University Maryland's Sellinger School of Business.

Stephen E. Riffee, 53, has been our Executive Vice President and Chief Financial Officer since August 2006. Prior to that time, Mr. Riffee served CarrAmerica Realty Corporation, a real estate investment trust, as Chief Financial Officer from April 2002 to July 2006 and Senior Vice President, Controller and Treasurer from July 1999 to March 2002. Prior to joining CarrAmerica Realty Corporation, Mr. Riffee held positions with Marriott International, Inc. and Burlington Northern Railroad and practiced as a Certified Public Accountant with KPMG Peat Marwick.

Wayne Lingafelter, 51, has been our Executive Vice President, Development & Construction Services since January 2009, previously serving as Senior Vice President-Development & Construction since May 2008. Prior to joining us, Mr. Lingafelter served Duke Realty Corporation, a real estate investment trust, for 20 years in several positions, the most recent of which included Senior Vice President of Government Solutions from February 20 May 2008 and Senior Vice President of Cleveland Operations from 2002 to February 2006.

Karen M. Singer, 46, has been our Senior Vice President, General Counsel and Secretary since September 2006, after holding the position of Vic President, General Counsel and Secretary since January 2004. Ms. Singer served as Assistant Secretary and Associate General Counsel of the Compan

Table of Contents

from September 1998 through December 2003. From August 1996 through August 1998, Ms. Singer was Assistant General Counsel of Constellation R 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 Director Art With a Heart, Inc., the Maryland Zoological Society, Inc. and the Esophageal Cancer Action Network, Inc.

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

The following table shows certain information as of March 15, 2011 (unless otherwise noted) regarding the beneficial ownership of our common s 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 be the beneficial owner of more than 5% of our outstanding common shares. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and means sole or shared voting or dispositive power with respect to securities. Each party named in the table be has sole voting and dispositive 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 after March 15, 2011
The Vanguard Group, Inc.(3)	6,453,189	9.6%	
APG Asset Management US Inc.(4)	5,758,870	8.6	
BlackRock, Inc.(5)	5,453,299	8.1	
LaSalle Investment Management, Inc.(6)	4,107,961	6.1	
Jay H. Shidler(7)	1,870,317	2.7	20,000
Clay W. Hamlin, III(8)	1,571,110	2.3	25,000
Thomas F. Brady	42,000	*	40,000
Robert L. Denton(9)	368,000	*	20,000
Randall M. Griffin(10)	635,024	*	138,068
Elizabeth A. Hight	667	*	
David M. Jacobstein	7,500	*	5,000
Steven D. Kesler	51,666	*	40,000
Kenneth S. Sweet, Jr.	47,000	*	15,000
Richard Szafranski.	7,000	*	5,000
Kenneth D. Wethe(11)	85,242	*	15,000
Roger A. Waesche, Jr.	253,685	*	
Stephen E. Riffee.	111,834	*	
Wayne H. Lingafelter	32,852	*	
Karen M. Singer	56,286	*	
All Trustees and Executive Officers as a Group (15 persons)(12)	5,140,183	7.2%	323,068

*
Represents less than one percent.

(1)
With respect to each shareholder (or group thereof), assumes that all units in our operating partnership, Corporate Office Properties, L.P. (the "Operating Partnership"), owned by such shareholder(s) listed are exchanged for common shares and assumes we elect to issue common shar rather than pay cash upon exchange of partnership units. Also includes common shares

issuable under options held by such shareholder(s) exercisable within 60 days after March 15, 2011, as reflected in the third column of this ta

(2)

Common shares issuable upon the conversion of units in the Operating Partnership and the exercise of options exercisable currently or withir 60 days after March 15, 2011 are deemed outstanding and to be beneficially owned by the person holding such units or options for purposes c computing such person's percentage ownership, but are not deemed outstanding for the purpose of computing the percentage ownership of an other person.

(3)

The Vanguard Group ("Vanguard") has sole voting power with respect to 43,924 shares, sole investment power with respect to 6,409,265 sha and shared investment power with respect to 43,924 shares. Vanguard is located at 100 Vanguard Blvd., Malvern, Pennsylvania 19355. The information in this note was derived from a Schedule 13G/A filed with the Securities and Exchange Commission by Vanguard on February 1 2011.

(4)

APG Asset Management US Inc. ("APG") has sole voting and investment power with respect to 5,758,870 shares. APG is located at 666 Thi Avenue, New York, New York 10017. The information in this note was derived from a Schedule 13G filed with the Securities and Exchange Commission by APG on February 14, 2011.

(5)

BlackRock, Inc. ("BlackRock") has sole voting and investment power with respect to 5,453,299 shares. BlackRock is located at 40 East 52nd Street, New York, New York 10022. The information in this note was derived from a Schedule 13G/A filed with the Securities and Exch Commission by BlackRock on February 3, 2011.

(6)

LaSalle Investment Management, Inc. ("LaSalle Inc.") has sole investment power with respect to 266,711 shares. LaSalle Investment Management, L.P. ("LaSalle L.P.") has sole voting power with respect to 867,521 shares and sole investment power with respect to 3,841,25 shares. The table above includes the total common shares beneficially owned by LaSalle Inc. and LaSalle L.P. since they are members of a g but the shares of ownership and investment power reported in the prior sentence for each of LaSalle Inc. and LaSalle, L.P. exclude the shares each other member of such group. LaSalle Inc. is located at 200 East Randolph Drive, Chicago, Illinois 60601. LaSalle L.P. is located at 100 Pratt Street, Baltimore, Maryland 21202. The information in this note was derived from a Schedule 13G filed with the Securities and Exchan Commission by LaSalle Inc. and LaSalle L.P. on February 11, 2011.

(7)

Jay H. Shidler's common shares beneficially owned include 1,848,317 common units in the 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 1,544,110 common units in the Operating Partnership exchangeable for common shares; Mr. Hamlin has sole investment power with respect to 91,592 of these units and shared investment power for the remainder these units. Mr. Hamlin's address is 40 Morris Avenue, Suite 100, Bryn Mawr, Pennsylvania 19010.

(9)

Robert L. Denton's common shares beneficially owned include 346,000 common units in the Operating Partnership exchangeable for commo shares, 90,000 of which were pledged as security for a loan. Mr. Denton's address is 9 West 57th Street, Suite 1670, New York, New York 1

(10)

Randall M. Griffin's common shares beneficially owned include 70,000 shares owned through the Griffin Retained Annuity Trust, for which Mr. Griffin has shared voting and investment power.

(11)

Kenneth D. Wethe's common shares beneficially owned include 63,621 shares held through Enterprise Education Foundation, for which Mr. Wethe serves as Chairman of the Board of Trustees. Mr. Wethe has shared voting and investment power with respect to these shares.

(12)

Includes 3,738,427 common units in the Operating Partnership exchangeable for common shares. These common units are beneficially owne Mr. Shidler, Mr. Hamlin and Mr. Denton as described in Notes 7, 8 and 9 above.

Table of Contents

Compensation Committee Interlocks and Insider Participation

The Compensation Committee is comprised entirely of the three independent Trustees listed below. The Committee members do not have any non-trivial professional, familial or financial relationship with the Chief Executive Officer, other executive officers or the Company, other than their relationships as Trustees.

Report of the Compensation Committee

The Compensation Committee has reviewed the Compensation Discussion and Analysis and discussed with management. Based on its review and discussions with management, the Committee recommended to our Board that the Compensation Discussion and Analysis be included in the Company Annual Report on Form 10-K for 2010 and the Company's 2011 proxy statement. This report is provided by the following independent Trustees, who comprise the Committee.

COMPENSATION COMMITTEE

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

Compensation Discussion and Analysis

Executive Summary

In order to deliver exceptional results to our shareholders, we must attract, retain and motivate superior talent. Our compensation programs are designed to clearly link annual and long-term financial results and total shareholder return to executive compensation. The majority of each executive's is tied directly to goal achievement; this pay for performance approach ensures that the financial interests of our executives are aligned with those of ou shareholders.

Pay for Performance 2010:

- Our CEO's annual cash incentive award is entirely tied to our financial results, the objectives of which are equally weighted betwee diluted funds from operations per share, excluding operating property acquisition costs (defined herein as "diluted FFO per share") diluted adjusted funds from operations per share (defined herein as "diluted AFFO per share"). We achieved diluted FFO per share $2.36 relative to the established target of $2.42, and diluted AFFO per share of $1.75, relative to the established target of $1.70. Therefore, Mr. Griffin's annual cash incentive payout was 91.4% of his target of 175% of base salary.

- Our other executives are additionally measured against functional objectives, with annual cash incentive award targets ranging fron 100% to 125% of base salary. They each earned an annual cash incentive award between 85.4% and 102.4% of their targets, with th variation due to the weighting of their specific functional objectives and their performance against those objectives.

- We redesigned our long-term equity incentive plan during 2009 to motivate our executives to assist the Company in outperforming peers, and in achieving share price and dividend growth. Initial awards under this plan occurred in March 2010. Under this plan, th Company's total shareholder return is measured against that of a defined group of our peers over a three-year period. The number o shares awarded at the end of the period depends entirely on relative performance, and if the Company's results are in the bottom qu no shares will be earned. The value of the shares ultimately depends on our share price, and thus executives are also motivated to achieve strong returns over a sustained period of time.

- We use the same defined peer group for compensation benchmarking purposes as we do for measuring relative total shareholder re under the long-term equity incentive plan.

Other Compensation Program Highlights:

The Compensation Committee annually reviews in detail all elements of our compensation program to ensure its alignment with our philosophy a corporate governance approach. Some highlights include:

- Risk oversight: The Compensation Committee carefully considers the risks associated with all of our compensation programs.

- Annual pay for performance analysis: We compare our pay and performance against those of peers to ensure that actual results re our philosophy of aligning payouts with results.

- Succession Planning: The Board proactively engages in succession planning activities. Effective September 16, 2010, Mr. Waesc was promoted to President and Chief Operating Officer. He did not receive an increase in salary or other compensation at that time Mr. Griffin continued in his role as Chief Executive Officer.

- Tax gross-ups: We will not enter into any new, or materially amended, employment agreements that provide for gross-up paymen the event of a change in control.

Clawback: The Committee unanimously agreed to adopt a clawback policy, which will be structured following finalization of the applicable Securities and Exchange Commission regulations.

Hedging: We have in place a policy on securities trading which, among other things, prohibits any hedging activity of Company issued securities by executives or Trustees.

Stock ownership guidelines: Guidelines for both executives and Trustees have been in place since March 2009. Executive guideli range from two times to five times salary, and guidelines for outside Trustees are three times the sum of their retainer plus committ fees. These guidelines are validated against market practice biennially.

Independent compensation consultant: The Compensation Committee uses an independent consultant that is precluded from performing any work directly for the management of the Company, unless pre-approved by the Committee. No such additional wor was requested or performed in 2010.

Named Executive Officers

This Compensation Discussion and Analysis describes the material elements of compensation for our Named Executive Officers, also referred to herein as executives, as listed in the section of this proxy statement entitled "Our Named Executive Officers."

Compensation Objectives

The compensation of each executive is significantly affected by the Company's performance and the executive's individual performance. We gene target compensation to be commensurate with that of executives performing similar responsibilities for an appropriate peer group of companies. The Committee reviews the composition of the peer group at least annually. An executive's compensation relative to that of counterparts in the peer group c vary based on the executive's skill and experience in the position (both overall and with the Company), the performance of the executive and his or her business unit, the amount that we pay other executives and the competition in the marketplace for the talents of the executive. We believe that providin opportunity to earn a higher relative level of total compensation when warranted by superior performance is important in order for us to retain and mot our executives.

Our incentive programs provide compensation in the form of both annual cash and long-term equity awards in order to reward both short and long performance. The allocation of total compensation between cash and long-term equity awards is reviewed annually in comparison to the peer group to in determining the compensation of our executives both in total and by component. Long-term equity awards represent a significant, if not the largest, component of our executives' incentive compensation, as further described in the section below entitled "Long-Term Equity Incentive Awards."

Role of the Compensation Committee of the Board

The Compensation Committee (the "Committee") of the Board is appointed by, and acts on behalf of, the Board. The Committee's general purpose includes establishing and periodically reviewing the Company's compensation philosophy and the adequacy of compensation plans and programs for executive officers and other Company employees. Other responsibilities of the Committee are described in the section entitled "Our Board of Trustees" this proxy statement.

Compensation decisions for our executives must be approved by the independent non-management members of the Board after recommendation b Compensation Committee. The Board is responsible for oversight of the Compensation Committee's activities, except where the Compensation

Table of Contents

Committee has sole authority to act as required by an NYSE listing standard or applicable law or regulation. The Compensation Committee has comple and open access to management and any other resources of the Company required to assist it in carrying out its duties and responsibilities, including so authority, in its discretion, to retain, set compensation for and terminate any consultants, legal counsel or other advisors.

Use of Independent Consultants

The Compensation Committee makes use of analyses provided, at its request, by external consultants in determining executive compensation. The Committee used Towers Watson until October 2010 when it engaged Pay Governance LLC. These consultants provide data relevant to benchmark executive compensation, discuss compensation practices and provide observations to the Committee regarding compensation programs and pay levels. consultants did not perform any work for the Company at the direction of management during 2010. As appropriate, the Committee meets with its independent consultant in executive session without management present.

Role of Management

Mr. Griffin meets with the Compensation Committee to make recommendations to the Committee, present analyses based on the Committee's req and discuss the Committee's recommendations to the Board. He discusses the impact of business results on compensation recommendations, reviews executive benchmarking data, and informs the Committee of the other executives' performance. He also presents management's perspective on business objectives and discusses his perspective on succession planning for the Company. Mr. Griffin attends Committee meetings and general meetings of the Board, but he does not attend those portions of Board and Compensation Committee meetings intended to be held without members of management pr including those relating to his compensation.

Holly G. Edington, our Senior Vice President, Human Resources, who reports directly to Mr. Griffin, also takes direction from, and provides suggestions to, the Compensation Committee, oversees the formulation of compensation plans incorporating the recommendations of the Committee ar assists the Chairman of the Compensation Committee in preparing the agenda for meetings.

Compensation Benchmarking

To meet our objectives of attracting and retaining superior talent, we annually conduct benchmarking analyses against our peers. We review our p group at least annually, seeking to include companies that are similar in size and business structure to us. Within these peers, we then focus on executiv with responsibilities similar to our executives. In order to provide data for this benchmarking analysis, the independent consultant obtains an understan of the goals, objectives and responsibilities of each executive position based on reviews of job descriptions and discussions with management and the Compensation Committee.

The Committee, with the assistance of its independent consultant, developed a peer group comprised of 20 companies for 2010 to use for purposes benchmarking the compensation of our executives. The peer group is not expected to vary significantly from year to year, and represents a blend of publicly-traded office, diversified, and industrial REITs. Inclusion is based on the following criteria: market capitalization; geographic location; comparability of management structure; and level of performance (in terms of growth in key earnings metrics and total shareholder return). In general,

Table of Contents

companies are selected such that we fall near the median with regard to market capitalization. The companies included in the 2010 peer group are set fo below:

Alexandria Real Estate Equities, Inc.	EastGroup Properties, Inc.
AMB Property Corporation	Highwoods Properties, Inc.
BioMed Realty Trust, Inc.	Kilroy Realty Corporation
Boston Properties, Inc.	Lexington Realty Trust
Brandywine Realty Trust	Liberty Property Trust
Brookfield Properties Corporation	Mack-Cali Realty Corporation
Cousins Properties, Incorporated	PS Business Parks, Inc.
Digital Realty Trust, Inc.	SL Green Realty Corp.
Douglas Emmett, Inc.	Vornado Realty Trust
Duke Realty Corporation	Washington Real Estate Investment Trust

The independent consultant provided peer group compensation data to the Committee. Base salaries, annual cash incentive awards, long-term equ awards and total compensation for our executives were compared to compensation information for comparable positions in each of the companies in th peer group. The independent consultant provided detailed benchmarking information at the 25th, 50th, and 75th percentiles and the average in order to the Compensation Committee in understanding how the Company's executive compensation compared to that of peers. The consultant also provided th Committee with data drawn from executive compensation surveys, such as that prepared by the National Association of Real Estate Investment Trusts.

As in prior years, the independent consultant also conducted a comprehensive pay for performance assessment of the Company's executive compensation program and the linkage between organizational performance and the value of the compensation delivered to the executives. The assessm demonstrated that the Company's 2009 total direct compensation levels were generally consistent with its strong performance relative to the peer group with both actual pay and performance in the upper quartile.

Base Salary

We view base salary as the fixed rate of pay throughout the year that is required to attract and retain executives. The base salaries of executives ar determined in consideration of their position's scope of responsibilities and their personal skills and experience. Executives are eligible for periodic increases in their base salary as a result of individual performance and significant increases in their duties and responsibilities. Executives' salary levels also influenced by a variety of factors considered by the Committee, including budget considerations, the desire to create an appropriate level of differentiation between the base salaries of the executives and peer group data. The Committee reviewed a summary of base salaries for executives in o peer group which included, among other things, compensation information at the 50^{th} and 75^{th} percentiles.

Executive annual base salary actions in 2010 included the following:

Name of Executive	2009 Base Salary	2010 Base Salary	% Increase
Randall M. Griffin	$ 625,000	$ 645,000	3.2%
Roger A. Waesche, Jr.	$ 475,000	$ 485,000	2.1%
Stephen E. Riffee	$ 400,000	$ 415,000	3.8%
Wayne H. Lingafelter	$ 325,000	$ 350,000	7.7%
Karen M. Singer	$ 305,000	$ 305,000	0.0%

Table of Contents

The increases received by Mr. Griffin, Mr. Waesche and Mr. Riffee were considered appropriate to bring their annual base salaries at or slightly a the 75th percentile of our peer group, reflective of their experience and contributions in these roles. The increase received by Mr. Lingafelter was to bri his base salary to a level deemed appropriate by the Committee for his role and contributions to the Company. Ms. Singer was deemed to be adequately compensated at her current level; therefore, her base salary was not adjusted.

Annual Cash Incentive Awards

Executives receive annual cash incentive awards based on the Company's overall financial performance and, in most cases, each executive's performance against individual objectives. In the first quarter of each year, the Compensation Committee approves both performance goals for the annu cash incentive plan and associated potential award payouts. Each executive's potential annual cash incentive award is set as a percentage of his/her sala and three levels of performance objectives and associated payouts are established: threshold, target, and maximum. The target performance objectives approximate management's estimate of the related objectives set forth in the annual budget as approved by the Board; this level of performance is inten to be challenging yet attainable. The maximum level of performance for objectives is intended to have a much lower likelihood of being attained, but is intended to still be attainable with superior performance. The threshold level of performance for objectives is established at a level that is somewhat hig than the lower range of the objectives set forth in the budget and, therefore, has a higher likelihood of being attained than the target. Actual awards are determined once actual performance with respect to these objectives is known, and results are interpolated between the performance levels as appropria prior years, the Committee used its discretion to recommend that the Board consider other factors not captured by the objectives established at the start the year and provide for discretionary adjustments to the annual cash incentive award. After review and discussion, no discretionary adjustments were applied to the 2010 annual cash incentive award calculations.

2010 Performance Objectives for Annual Cash Incentive Awards

The Company sets both Company financial objectives and individual objectives which may be qualitative or quantitative. The mix between these objectives varies by executive based on their responsibilities, and reinforces executive accountability for results:

	Weight of Objectives on 2010 Annual Cash Incentive Award			
	Company Objectives			
Name of Executive	**Diluted FFO per Share**	**Diluted AFFO per Share**	**Individual Objectives**	**Total**
Randall M. Griffin	50.0%	50.0%	N/A	100.0%
Roger A. Waesche, Jr.	37.5%	37.5%	25.0%	100.0%
Stephen E. Riffee	37.5%	37.5%	25.0%	100.0%
Wayne H. Lingafelter(1)	37.5%	37.5%	25.0%	100.0%
Karen M. Singer	25.0%	25.0%	50.0%	100.0%

(1) Mr. Lingafelter's weighting for objectives was changed in 2010 to reflect his increased level of responsibility for corporate results. His Comp objectives are weighted at 75% of his total award, compared to the 2009 level of 50%.

The Compensation Committee, with the assistance of management, developed the 2010 Company and individual objectives using the Company's annual budget and information regarding other related business and operations initiatives. The corporate financial measures used in 2010 were diluted

FFO per share, excluding operating property acquisition costs, and diluted AFFO per share. Both measures are frequently used by equity REITs to eval financial performance. We use these financial Company measures because they are useful measures in evaluating the effectiveness of our operations ar core objectives in our annual budgets. Further, we believe that growth in these measures in the long run contributes to the creation of shareholder value as a result, linking compensation to these measures helps to align the interests of our executives with those of our shareholders. The Company objective were calculated in the same manner as in our reported financial results and for 2010 were:

Company Objective	Threshold Level	Target Level	Maximum Level
Diluted FFO per share	$ 2.35	$ 2.42	$ 2.53
Diluted AFFO per share	$ 1.59	$ 1.70	$ 1.81

Mr. Griffin's annual cash incentive award was based solely on achievement of the Company's financial performance objectives described above.

Individual performance objectives for the other executives were tailored to the operations of the business unit for which the executive was respons As appropriate, individual objectives are either quantitative or qualitative in nature. Individual objectives include the following:

Mr. Waesche: value creation measures (such as net operating income, acquisition activity, capital expenditures and growth in same-office property cash net operating income); and property management objectives (including occupancy rates, customer satisfa survey results and organizational realignments). The weightings of these objectives as a percentage of his total individual objective ranged from 5% to 20%, with value creating objectives weighted at the highest end of that range;

Mr. Riffee: continuous improvement in processes and capabilities, and reporting and analysis in a number of areas (including finan reporting, budgeting, forecasting and analysis); effectiveness in capital planning and plan execution; expansion of capital partner relationships; leadership development in the finance team; and continued progress and results associated with technology implementations and system administration. The weightings of these objectives as a percentage of his total individual objectives ra from 10% to 20%, with objectives relating to improvements in budgeting, forecasting and analysis, capital plan execution and lead development in the finance team weighted at the highest end of that range;

Mr. Lingafelter: value creation through development and delivery of new and renovated buildings; executive sponsorship of a majo Company initiative; and implementation of organizational changes. The weightings of these objectives as a percentage of his total individual objectives ranged from 10% to 50%, with the value creation objective weighted at the highest end of that range; and

Ms. Singer: evaluation of the structure and operations of the Legal Department, ensuring appropriate positioning for future Compa growth; implementing process improvements relating to the Corporate Secretary role; and effectiveness in oversight of the Compa internal audit function. The weightings of these objectives as a percentage of her total individual objectives ranged from 10% to 40 with her objective to reposition the Legal Department for future growth given the highest weighting.

Table of Contents

2010 Annual Cash Incentive Award Targets

The Committee generally sets target payouts comparable to peer levels. This is the level to be paid when target performance is achieved. The expectation is that actual payouts will approximate the 75th percentile of peer results when performance is exceptional. The table below sets forth the potential award payouts as a percentage of base salary:

Name of Executive	Threshold Level Payout	Target Level Payout	Maximum Level Payout
Randall M. Griffin	100%	175%	250%
Roger A. Waesche, Jr.	85%	125%	175%
Stephen E. Riffee	85%	115%	140%
Wayne H. Lingafelter	80%	105%	130%
Karen M. Singer	75%	100%	125%

2010 Annual Cash Incentive Award Results

The Company achieved diluted FFO per share of $2.36, relative to the established target of $2.42, and diluted AFFO per share of $1.75, relative to established target of $1.70. Our executives (except for our CEO) achieved between 55.4% and 123.8% of target performance based on their individual objectives. The table below sets forth the actual annual cash incentive awards:

	2010 Actual Cash Incentive Award		Percentage of Award Attributable to:	
Name of Executive	Amount	% of Base Salary	Company Objectives	Individual Objectives
Randall M. Griffin	$ 1,031,372	159.9%	100.0%	0.0%
Roger A. Waesche, Jr.	517,675	106.7%	83.8%	16.2%
Stephen E. Riffee	455,332	109.7%	73.7%	26.3%
Wayne H. Lingafelter	376,165	107.5%	69.8%	30.2%
Karen M. Singer	283,150	92.8%	51.2%	48.8%

Long-Term Equity Incentive Awards

Long-term equity incentive awards are designed to align the interests of the executives with those of our shareholders by rewarding executives for sustained performance. Since these awards typically vest over a period of time, they also encourage the executives to remain with the Company. The Company's practice is generally to issue such awards to executives on the date of the first quarterly Board meeting of each year.

In the past, the Company typically granted restricted shares to executives generally upon the achievement of performance criteria each year. Restr shares have also been granted to new executives upon their hiring. Once granted, restricted shares vest over a defined period of time as long as the exec remains employed by the Company. Recipients of restricted share grants are entitled to receive dividends on such shares and can cast votes on sharehol matters for such shares prior to share vesting. Prior to 2005, the Company also made use of option grants.

During 2009, the Compensation Committee developed a new plan for executive long-term incentive equity awards, resulting in the grant of a new award type called performance share units ("PSUs") effective in 2010. The actual awards earned will be a function entirely of the Company's total shareholder return performance over a three year period in comparison to peers. The Compensation

Committee believes that the approach for executive long-term equity incentive awards under the 2010 plan provides a number of improvements over th Company's prior approach, including the following:

- executive and shareholder risks and rewards are more closely aligned by a long-term, forward-looking plan focused entirely on rela total shareholder return;
- retention of key executives is enhanced due to the payout opportunities available in the event of superior relative performance;
- grants and potential awards under the plan are clearly determined and communicated to the executives at the beginning of the performance period; and
- dividends are accrued but not paid out until the performance shares are earned at the end of the defined performance period, thus pu additional compensation at risk based on performance.

Awards Made in 2010

On March 4, 2010, the Board granted PSUs as set forth below, which were determined as a percentage of executive salaries. These target award percentages were developed using a broad perspective and multiple data points, including: (1) peer long-term equity award data; (2) the Company's historical long-term equity award levels; and (3) the target total compensation to be delivered to executives. The number of PSUs granted was derived b first multiplying the executives' base salaries by their respective target award percentages, and dividing the result by the average of the closing price of common shares on the NYSE over the 15 successive trading days ending with the grant date. These initial grants have a performance period beginning the grant date and concluding the earlier of: (1) three years from the grant date; (2) the date of termination by the Company without cause, the death or disability of the executive or the constructive discharge of the executive (collectively, "qualified termination"); or (3) a sale event. The PSUs granted or March 4, 2010 were:

Name of Executive	Target Award as a % of Base Salary	Target Number of PSUs
Randall M. Griffin	250%	42,540
Roger A. Waesche, Jr.	200%	25,864
Stephen E. Riffee	150%	16,335
Wayne H. Lingafelter	100%	8,848
Karen M. Singer	85%	7,058

The above table represents the target award. The actual number of these PSUs that will be distributed at the end of the three year performance peri ("earned PSUs") will be determined based on the percentile rank of the Company's total shareholder return relative to those of the companies in the 201 peer group, as set forth in the following schedule, with interpolation between points:

Percentile Rank	Earned PSUs Payout %
75th or greater	200% of PSUs granted
50th	100% of PSUs granted
25th	50% of PSUs granted
Below 25th	0% of PSUs granted

At the end of the performance period, the Company, in settlement of the award, will issue a number of fully-vested common shares equal to the su (1) the number of earned PSUs in settlement of the award plan; and (2) the aggregate dividends that would have been paid with respect to the common shares issued in settlement of the earned PSUs through the date of settlement had such shares been issued on the grant date, divided by the share price o such settlement date, as defined under the terms of the agreement. PSUs do not carry voting rights.

Table of Contents

If a performance period ends due to a sale event or qualified termination, the number of earned PSUs is prorated based on the portion of the three-performance period that has elapsed. If employment is terminated by the employee or the Company for cause, all PSUs are forfeited.

On March 4, 2010, the Board also approved grants to the executives of restricted shares as set forth below:

Name of Executive	Number of Shares Awarded
Randall M. Griffin	55,056
Roger A. Waesche, Jr.	25,105
Stephen E. Riffee	15,856
Wayne H. Lingafelter	8,588
Karen M. Singer	6,851

These awards were made in connection with the transition to the new plan. These restricted shares vest in equal one-third increments annually ove three-year period provided that the executives remain employed by the Company. These grants were designed to recognize:

- the Company's total shareholder return performance ranking above the 75th percentile of the companies in the 2010 peer group for three years ended December 31, 2009; and

- the Company's transition to the new PSU-based plan type under which awards will not, absent a sale event or qualified termination event defined in the plan agreement, be distributed for three years.

Retirement Benefits

Our retirement benefits are designed to assist executives in accumulating sufficient wealth to provide income during their retirement years. The retirement benefits are designed to attract and retain executives and to encourage such executives to save money for their retirement, while allowing us maintain a competitive cost structure. Information pertaining to our retirement benefits is set forth below.

401(k) Plan

Our executives participate in a 401(k) defined contribution plan covering substantially all of our employees. The plan provides for Company matc contributions in an amount equal to an aggregate of 3.5% on the first 6% of participant pre-tax and/or after tax contributions to the plan.

Nonqualified Deferred Compensation Plan

We offer our senior management team (director level and above) a nonqualified deferred compensation plan. This plan allows for the deferral of u 100% of a participant's cash compensation on a pre-tax basis and enables such participants to receive a tax-deferred return on such deferrals. The plan a provides, at the Company's sole discretion, for us to match the participant's contribution in an amount equal to 50% of the participant's elective deferral the plan up to a maximum of 6% of a participant's annual compensation after deducting contributions, if any, made under our 401(k) plan. Participants diversify their investments among a wide array of investment alternatives, including mutual funds and brokerage accounts. The plan does not guarantee return or provide for above-market preferential earnings. The plan is not qualified under the Employee Retirement and Income Security Act of 1974. T deferral account balances increase or decrease in value based on the performance of the investments selected by the participants. Participants in this pla defer their contributions for three years from the beginning of the calendar year following the year in

Table of Contents

which the deferral election is made. Participants may choose to receive account balances in a lump sum or in five, ten or fifteen annual installments. Up termination of employment, a participant's account balance will be distributed within 60 days of separation unless the participant is a "specified employ as defined in the plan, in which case such distribution shall not be made for six months. Payments are due to parties designated by the participant in lur sum upon the death of a participant. Participant account balances become fully vested in the event of a "change in control" of the Company, as defined the plan, or in the event that a participant becomes permanently disabled. Participation in the deferred compensation plan is voluntary. Information abo executives' participation in our deferred compensation plans is set forth below in the tables entitled "All Other Compensation" and "Nonqualified Defer Compensation Table."

Severance and Change-in-Control Benefits

All executive employment agreements have termination of employment clauses related to: (1) premature termination; (2) constructive termination (3) cause; (4) death; (5) disability; (6) change in control; and (7) voluntary termination. The terms of our employment agreements reflect negotiations v our executives in order to recruit and retain their services. We periodically review these clauses against market practice to ensure the terms of these agreements remain competitive.

The employment agreements of our executives provide for severance payments and accelerated vesting of long-term equity incentive awards in th event of termination by us without cause (premature termination) or by the executives based upon constructive termination. The employment agreemen provide for these items in order to assist employees in their transition to new employment.

The employment agreements also provide for payments to executives and accelerated vesting of long-term equity incentive awards in the event of change in control of the Company. We adopted the change in control provisions to increase the likelihood that, in the event that the Company is consid a change in control transaction, the employees involved in considering the offer will act in the interest of the shareholders. If a change in control were t occur, the employees would likely no longer be in a position to influence our performance and may not be in a position to earn their incentive awards o in their equity awards. Therefore, the change-in-control provisions are designed to make a transaction as neutral to the employees' economic interests a possible. All executives have gross-up provisions as part of their employment agreements. In 2010, the Committee agreed not to enter into any new, or materially amended, employment agreements that provide for gross-up payments in the event of a change in control.

The terms of severance and change in control benefits are described in detail in the section below entitled "Potential Payments on Termination, Ch in Control, Death or Disability."

Due to the authority vested with the executives and the knowledge of Company proprietary information held by such executives, the Company mu protect its real estate interests in each of its major markets. For this reason, executive employment agreements include non-compete provisions for eith 12 or 24-month period following termination of employment of executives.

Other Benefits and Perquisites

As employees, our executive officers are eligible to participate in employee benefit programs generally available to our other employees, includin medical, dental, life and disability insurance. In addition, we compensate our executive officers with certain personal benefits and perquisites that are n available to our other employees; these benefits and perquisites include the following:

- reimbursement for a defined amount of personal financial and tax preparation fees; and supplemental long-term disability insurance coverage in the case of our Chief Executive Officer, Chief Operating Officer and Chief Financial Officer (our Chief Operating Officer has elected not to receive such coverage).

Our executives also receive certain benefits that are offered to other management level employees, such as auto allowances and participation in an Executive Wellness Program. As with all other employees of the Company, they also receive a monetary award for achieving service anniversary milestones. The value of these benefits that our executives receive is essentially equivalent to that offered to the broader management and/or employee group.

The value of these benefits is included in the tables entitled "Summary Compensation Table" and "All Other Compensation." The Compensation Committee believes that these benefits are aligned with our desire to attract and retain superior management talent for the benefit of the Company.

Accounting for Compensation Elements

The tax and accounting implications associated with the key elements of our executive compensation are set forth below:

Salary is expensed as incurred.

Annual cash incentive awards are recognized over the period to which such awards relate.

Option, restricted share and PSU grants are recognized over the period during which the employee is required to provide service in exchange for the award (generally the vesting or performance period).

Tax Compliance Policy

Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), limits the deductibility on certain corporations' income tax return compensation of $1 million for Named Executive Officers. Certain performance-based compensation plans are excluded from this limitation provided t the shareholders approve the plan and certain other requirements are met. The Compensation Committee's policy with respect to Section 162(m) is to m 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. We did not pay any compensation in 2010 that was not deductible under Section 162(m) of the Internal Rev Code, and we do not believe that any future nondeductible compensation that is paid will have a material impact on the Company.

Section 409A of the Code relates to the tax treatment of earnings when a payment the Company is obligated to make to an executive is deferred to future tax year. The Company, with the assistance of external counsel, completed a review of all its various executive compensation and benefits plans, well as employment agreements, to ensure compliance with Section 409A.

Sections 280G and 4999 of the Code relate to a 20% excise tax that may be levied on a payment made to an executive as a result of a change-in-co if the payment exceeds three times the executive's base earnings (as defined by the Code section). The Company seeks to minimize the tax consequence might arise under a potential change-in-control of the Company. The current employment agreements include provisions that provide executives with a gross-up if subject to the excise tax imposed by 280G. The Company has determined that it will not enter into any new or materially amended, employ agreements that provide for such tax gross-ups.

Executive Ownership and Capital Accumulation

We believe that the ownership of shares in the Company by executives assists in aligning executive interests with those of our shareholders. On February 26, 2009, the Board approved share ownership guidelines for our Trustees and executives. The ownership guidelines are as follows:

Role	Value of Common Shares to be Owned
Trustees	3 times sum of annual retainer and committee fees
Chief Executive Officer	5 times base salary
Chief Operating Officer	3 times base salary
Chief Financial Officer	3 times base salary
Executive Vice President Development & Construction Services	2 times base salary
General Counsel	2 times base salary

The ownership guidelines generally include common shares beneficially owned by the respective individuals, including unvested restricted shares certain share equivalents under Company sponsored plans and units in the Company's Operating Partnership owned by such individuals, although the guidelines exclude outstanding stock options.

For Trustees and executives in office as of March 1, 2009, the effective date of these Ownership Guidelines was March 1, 2009. For those individu the share ownership goal was determined using their retainers or base salaries in effect as of that date and a common share price of $26.18 per share. Th share ownership goal under the ownership guidelines for persons assuming a Trustee or executive level position after March 1, 2009 is determined usin their retainers or base salaries as of the date they become subject to the ownership guidelines and using the average closing price of our common shares the NYSE for the 60 trading days prior to such date. Once established, a person's share ownership goal will not change because of changes in his or her retainer or base salary or fluctuations in our common share price. An individual's share ownership goal will only be re-established upon a change to a different executive position. Generally, individuals will have a five-year period to attain their share ownership goals. Trustees and executives subject to Ownership Guidelines as of March 1, 2009 have until March 1, 2014 to achieve the ownership guidelines. If an individual's share ownership goal incre because of a change in position, a five-year period to achieve the incremental amount of shares will begin on the effective date of the change in positio

The Committee currently does not explicitly consider the accumulated wealth of executive officers from prior years' awards under our long-term e plan in making compensation decisions.

Trading Controls

Executives and Trustees are required to receive the permission of Karen M. Singer, Senior Vice President, General Counsel and Secretary, prior to entering into transactions in Company shares or share equivalents. Executives and Trustees are subject to black-out periods on the trading of Company shares for a period of time before the completion of each quarter end and a period of time following the release of earnings for each quarter end.

Executives and Trustees bear full responsibility if they violate the Company Policy Statement on Securities Trading by permitting shares to be bou or sold without pre-approval by Ms. Singer or when trading is restricted. The Policy Statement on Securities Trading also specifically prohibits executi and Trustees from participating in any hedging activities in Company shares.

Table of Contents

Compensation and Risk

We reviewed the elements of executive and non-executive compensation to determine whether they encourage excessive or unintended risk-taking concluded that:

- significant weighting toward long-term equity compensation discourages short-term risk taking;
- vesting schedules for restricted shares and PSUs cause management to have a significant amount of unvested awards at any time;
- performance goals are set based on a business plan approved by the Board and their achievement does not automatically entitle management to annual cash incentive awards or equity awards, which are at the discretion of the Board;
- the Board exercises approval rights over significant investment decisions that could expose the Company to long-term risks; and
- share ownership guidelines suggest management hold a certain amount of our stock such that the executives' interests are aligned w shareholders.

Accordingly, we concluded that risks arising from our policies and practices for compensating employees are not reasonably likely to have a material adverse effect on the Company.

Summary Compensation Table

The following table summarizes the compensation earned by our named executive officers for 2010, 2009 and 2008.

Name and Principal Position	Year	Salary	Bonus(1)	Share-Based Compensation Awards(2)	Non-Equity Incentive Plan Compensation(3)	All Other Compensation(4)	Total
Randall M. Griffin	2010	$ 645,000	$	$ 4,351,126	$ 1,031,372	$ 25,512	$ 6,053,010
Chief Executive Officer(5)	2009	625,000	35,062	1,952,296	1,523,438	25,706	4,161,502
	2008	600,000		1,933,467	1,325,000	19,072	3,877,539
Roger A. Waesche, Jr.	2010	485,000		2,328,783	517,675	13,364	3,344,822
President and Chief	2009	475,000		1,300,216	720,000	16,342	2,511,558
Operating Officer(5)	2008	450,000		914,653	618,000	11,488	1,994,141
Stephen E. Riffee	2010	415,000		1,470,810	455,332	21,775	2,362,917
Executive Vice President	2009	400,000		735,047	526,000	23,610	1,684,657
and Chief Financial Officer	2008	370,000	23,000	1,492,139	462,000	20,100	2,367,239
Wayne H. Lingafelter	2010	350,000		796,657	376,165	21,775	1,544,597
Executive Vice President of	2009	325,000	34,250	98,125	385,750	24,093	867,218
Development & Construction Services(6)	2008	N/A	N/A	N/A	N/A	N/A	N/A
Karen M. Singer	2010	305,000		635,504	283,150	18,775	1,242,429

Senior Vice President,	2009	305,000		512,479	315,000	20,654	1,153,133
General Counsel and	2008	280,000	12,000	422,971	308,000	18,225	1,041,196
Secretary							

(1) The amounts included in this column represent additional cash amounts awarded in 2010 and 2009 above the awards determined by results relative to established performance objectives for services performed during 2009 and 2008, respectively, and, in the case of Mr. Lingafelter, $20,000 paid in 2009 representing a prorated portion of a signing bonus agreed to by the Company at the commencement of his employment.

33

Table of Contents

(2)

Represents the grant date fair value of Performance Share Units ("PSUs") and restricted shares awarded during the calendar year. The settlem value of the PSU award, if any, will be realized by the executive in 2013 based on relative total shareholder return performance over the thre years ending March 3, 2013. See Notes 2 and 14 to the Company's consolidated financial statements included in the Company's Annual Repo Form 10-K for the year ended December 31, 2010 for additional information regarding PSUs and restricted shares.

(3)

Represents cash annual incentive awards determined by actual performance against the pre-established performance objectives paid in 2011, and 2009 as compensation for services performed during 2010, 2009 and 2008, respectively.

(4)

Refer to the table below entitled "All Other Compensation" for details on these amounts, which include perquisites, auto allowances and pers financial and tax preparation fees paid by the Company on behalf of the officers, Company match on employee contributions to the Company 401(k) and nonqualified deferred compensation plans and milestone service awards received for attaining a certain length of employment wit Company under a program available to the Company's other employees.

(5)

On September 16, 2010, the Board elected Mr. Waesche as President, in addition to his previous duties as Chief Operating Officer. Mr. Griff who had served as President, continued in his role as Chief Executive Officer.

(6)

Mr. Lingafelter became an executive officer effective January 2, 2009 with his appointment to Executive Vice President Development and Construction Services.

All Other Compensation

Name	Year	Financial Advice and Tax Preparation Benefits	Auto Allowance and Lease Costs	Johns Hopkins Wellness Program Participation	Matching of Contributions to 401(k) and Deferred Compensation Plans	Service Milestone Award	Total
Randall M. Griffin	2010	$ 9,105	$ 7,832	$	$ 8,575	$	$ 25,512
	2009	10,767	6,364		8,575		25,706
	2008	6,360	5,812		6,900		19,072
Roger A. Waesche, Jr.	2010		4,789		8,575		13,364
	2009		4,207		8,575	3,560	16,342
	2008		4,588		6,900		11,488
Stephen E. Riffee	2010		13,200		8,575		21,775
	2009		13,200	1,683	8,575	152	23,610
	2008		13,200		6,900		20,100
Wayne H. Lingafelter	2010		13,200		8,575		21,775
	2009		13,154	2,758	8,130	51	24,093
	2008	N/A	N/A	N/A	N/A	N/A	N/A
Karen M. Singer	2010		10,200		8,575		18,775
	2009		10,200	1,879	8,575		20,654
	2008	1,125	10,200		6,900		18,225

Table of Contents

Employment Agreements

Employment agreements with our named executive officers establish various parameters of their compensation, particularly their base salaries and certain benefit entitlements. A description of material terms of these agreements follows:

Randall M. Griffin is party to an agreement that commenced on April 1, 2005 and expires on March 31, 2012;

Roger A. Waesche, Jr. is party to an agreement that commenced on July 1, 2002 and expires on June 30, 2013;

Stephen E. Riffee is party to an agreement that commenced on August 14, 2006 and expires on August 13, 2012; and

Wayne H. Lingafelter is party to an agreement that commenced on January 2, 2009 and expires on January 1, 2015.

Each of these agreements, except for Mr. Griffin's, has a continuous and self-renewing one-year term after the basic term unless otherwise indicated by either the Company or the executive prior to a specified point in time during the then current term. These agreements may be terminated by either the Company or the executive at any time on one day's prior notice. Under the employment agreements, the executive officers are required to devote their f business time to our affairs and are prohibited from competing directly or indirectly with us during the term of the agreement and for a period thereafte The agreements provide that incentive compensation shall be set by the Board upon the Compensation Committee's recommendation. The Board may t action in future years to increase the executive officers' base salaries. Base salary and allowance for automobile, personal financial planning and incom preparation as of December 31, 2010 provided for under the agreements of named executive officers are set forth below:

Name of Executive	Base Salary as of December 31, 2010	Allowance for Automobile, Personal Financial Planning and Income Tax Preparation
Randall M. Griffin	$ 645,000	$ 21,000
Roger A. Waesche, Jr.	485,000	18,200
Stephen E. Riffee	415,000	18,200
Wayne H. Lingafelter	350,000	18,200

These employment agreements provide for severance packages in the event of (1) termination by us without cause or by the executive based upon constructive termination or (2) a change of control of Corporate Office Properties Trust, as defined in the agreements. These provisions are discussed f in the section below entitled "Potential Payments on Termination, Change in Control, Death or Disability."

2010 Grants of Plan-Based Awards

The following table sets forth information about equity and non-equity awards granted to the named executive officers for 2010.

			Estimated Possible Payouts Under Non-Equity Incentive Plan Awards ($)(2)			Estimated Possible Payouts Under Equity Incentive Plan Awards (#)(3)			All Other Stock Awards: Number of Shares of Stock	Grant Date Fair Value of Stock Awards
Name	**Grant Type**	**Grant Date(1)**	**Threshold ($)**	**Target ($)**	**Maximum ($)**	**Threshold**	**Target**	**Maximum**	**(#)(4)**	**($)(3)(4)(5)**
Randall M. Griffin	Annual	3/4/2010	$ 645,000	$ 1,128,750	$ 1,612,500					
	Performance	3/4/2010				21,270	42,540	85,080		$ 2,267,807
	Restricted	3/4/2010							55,056	2,083,319
Roger A. Waesche, Jr.	Annual	3/4/2010	412,250	606,250	848,750					
	Performance	3/4/2010				12,932	25,864	51,728		1,378,810
	Restricted	3/4/2010							25,105	949,973
Stephen E. Riffee	Annual	3/4/2010	352,750	477,250	581,000					
	Performance	3/4/2010				8,168	16,335	32,670		870,819
	Restricted	3/4/2010							15,856	599,991
Wayne H. Lingafelter	Annual	3/4/2010	280,000	367,500	455,000					
	Performance	3/4/2010				4,424	8,848	17,696		471,687
	Restricted	3/4/2010							8,588	324,970
Karen M. Singer	Annual	3/4/2010	228,750	305,000	381,250					
	Performance	3/4/2010				3,529	7,058	14,116		376,262
	Restricted	3/4/2010							6,851	259,242

(1)
March 4, 2010 is the date on which the Board established the range of potential cash annual incentive awards for 2010 performance by named executive office March 4, 2010 is also the date on which the Board made grants of PSUs and restricted shares under the long-term equity incentive program for such executives

(2)
As described in the section entitled "Compensation Discussion and Analysis," the Board approved annual cash incentive awards for the executive officers, as a percentage of base salary, for three levels of performance. These columns show the estimated future payouts of annual incentive awards for the three levels of performance approved by the Board for 2010, as converted from the percentages of 2010 base salary. The table below sets forth the actual annual non-equity incentive award payouts approved by the Board on March 3, 2011.

Name of Executive	Actual Amount Approved	Actual Amount Approved as % of Base Salary
Randall M. Griffin	$ 1,031,372	159.9%
Roger A. Waesche, Jr.	517,675	106.7%
Stephen E. Riffee	455,332	109.7%
Wayne H. Lingafelter	376,165	107.5%
Karen M. Singer	283,150	92.8%

(3)
The Target column reflects the PSU awards made under the long-term incentive plan approved by the Board on March 4, 2010. The Threshold and Maximum columns reflect the estimated payout at those levels as indicated by the terms of the PSU award agreement described in the section of this proxy statement enti "Compensation Discussion and Analysis." The actual awards distributed in 2013 will be a function entirely of the Company's total shareholder return performa over the defined performance year period in comparison to peers. At the end of the performance period, the Company, in settlement of the award, will issue a number of fully-vested common shares equal to the sum of: (1) the number of earned PSUs in settlement of the award plan; and (2) the aggregate dividends tha would have been paid with respect to the common shares issued in settlement of the earned PSUs through the date of settlement had such shares been issued o grant date, divided by the share price on such settlement date, as defined under the terms of the agreement.

(4)
This column reflects the restricted share awards made under the long-term incentive plan. These shares vest in equal one-third increments annually over a three
period provided that the executives remain employed by the Company.

(5)
The grant date fair value of PSUs was $53.31 per PSU as calculated using a Monte Carlo model, which included assumptions of, among other things, the follo
baseline common share value of $37.84; expected volatility for our common shares of 62.2%; and risk-free interest rate of 1.38%. The grant date fair value of
restricted shares was calculated using the closing common share price on the NYSE on March 4, 2010 of $37.84.

36

Table of Contents

Outstanding Equity Awards at December 31, 2010

The table below provides information about unexercised common share options and unvested restricted shares and unearned PSUs at December 3 2010 for the named executive officers.

		Option Awards				Stock Awards			
		Number of Securities Underlying Unexercised Options							
Name	Grant Date	Exercisable	Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of Shares That Have Not Vested(1)	Market Value of Shares That Have Not Vested ($)(2)	Equity Incentive Plan Awards: Number of Unearned Units(3)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Units(4)
Randall M. Griffin	3/7/2002	138,068		$ 12.45	3/7/2012		$		$
	3/9/2006				N/A	11,496	401,785		
	2/28/2008				N/A	20,403	713,085		
	2/26/2009				N/A	52,145	1,822,468		
	3/4/2010				N/A	55,056	1,924,207	22,250	777,638
Roger A. Waesche, Jr.	3/9/2006				N/A	4,311	150,669		
	2/28/2008				N/A	9,653	337,372		
	2/26/2009				N/A	34,728	1,213,744		
	3/4/2010				N/A	25,105	877,420	13,528	472,804
Stephen E. Riffee	8/14/2006				N/A	7,200	251,640		
	2/28/2008				N/A	5,727	200,159		
	2/28/2008				N/A	30,000	1,048,500		
	2/26/2009				N/A	19,633	686,173		
	3/4/2010				N/A	15,856	554,167	8,544	298,595
Wayne H. Lingafelter	5/31/2008				N/A	12,000	419,400		
	3/1/2009				N/A	2,617	91,464		
	3/4/2010				N/A	8,588	300,151	4,628	161,749
Karen M. Singer	1/1/2004	7,500		20.34	1/1/2014				
	3/9/2006				N/A	984	34,391		
	2/28/2008				N/A	4,464	156,017		
	2/26/2009				N/A	13,688	478,396		
	3/4/2010				N/A	6,851	239,442	3,692	129,035

(1)
This column includes restricted share awards. The forfeiture restrictions on these awards that were unvested at December 31, 2010 lapsed or will lapse on the following dates:

Grant Date	Vesting Schedule
3/9/2006	100% vested on 3/9/2011.
8/14/2006	100% vest on 8/14/2011.
2/28/2008	Mr. Riffee's 30,000 share award vests 100% on 2/28/2013 and for other shares, 100% vested on 2/28/2011
5/31/2008	One-third of the award vest on each of the following dates: 5/31/2011, 5/31/2012 and 5/31/2013.
2/26/2009	50% of the award vested on 3/1/2011 and 50% vests on 3/1/2012.
3/1/2009	50% of the award vested on 3/1/2011 and 50% vests on 3/1/2012.
3/4/2010	One third vested on 3/4/2011 and one-third vests on each of the following dates: 3/4/2012 and 3/4/2013.

(2)

This column includes restricted share awards. The value is calculated by multiplying the number of shares subject to vesting or issuable by $34.95, the closing of our common shares on the NYSE on December 31, 2010.

(3)

This column includes PSU awards. The PSUs have a performance period beginning on the grant date and concluding on the earlier of: (1) the date that is three from the grant date; (2) the date of termination by the Company without cause, the death or disability of the executive or the constructive discharge of the exec (collectively, "qualified termination"); or (3) the date of a sale event. At the end of the performance period, the Company, in settlement of the award, will issue number of fully-vested common shares equal to the sum of: (1) the number of earned PSUs in settlement of the award plan; and (2) the aggregate dividends tha would have been paid with respect to the common shares issued in settlement of the earned PSUs through the date of settlement had such shares been issued or grant date, divided by the share price on such settlement date, as defined under the terms of the agreement. The amount reported in this column represents the number of common shares that would be issuable in settlement of the PSUs at the threshold level of performance, including the effect of aggregate dividends declared through December 31, 2010.

(4)

This column includes PSU awards. The value is calculated by multiplying the number of common shares that would be issuable in settlement of the PSUs at th threshold level of performance, as reported in the previous column, by $34.95, the closing price of our common shares on the NYSE on December 31, 2010.

Table of Contents

Option Exercises and Stock Vested in 2010

The table below provides information about the value realized on options exercised and restricted shares vesting during 2010 for the named execu officers.

Name	Option Awards: Number of Shares Acquired on Exercise	Option Awards: Value Realized on Exercise(1)	Restricted Share Awards: Number of Shares Acquired on Vesting	Restricted Share Awards: Value Realized on Vesting(2)
Randall M. Griffin	30,000	$ 767,032	76,939	$ 2,873,145
Roger A. Waesche, Jr.	50,000	1,187,630	41,354	1,540,591
Stephen E. Riffee			23,356	866,147
Wayne H. Lingafelter			5,308	198,140
Karen M. Singer	4,000	104,124	15,431	574,225

(1) Value realized on options exercised is calculated by multiplying the difference between the option exercise price and the common share price upon exercise of options by the number of common shares underlying the options.

(2) Value realized on vesting of restricted shares is calculated by multiplying the average of the high and low common share prices, as reported b NYSE on the vesting date, by the number of shares vesting.

Nonqualified Deferred Compensation

The following table shows the contributions, earnings and account balances for the named executive officers in the Company's nonqualified defer compensation plan:

Named Executive	Executive Contributions in 2010(1)	Aggregate Earnings in 2010(2)	Aggregate Balance at 12/31/10(3)
Randall M. Griffin	$ 209,784	$ 345,945	$ 2,445,603
Roger A. Waesche, Jr.	39,173	159,251	931,983
Stephen E. Riffee	10,000	9,093	86,894
Wayne H. Lingafelter			
Karen M. Singer	128,019	63,889	509,036

(1) The amounts in this column include amounts reflected in the Summary Compensation Table in the salary column, as well as non-equity incer plan compensation paid in 2010 for 2009.

(2) The amounts in this column reflect aggregate earnings on participant-directed investments. The nonqualified deferred compensation plan doe pay above-market interest rates.

Table of Contents

(3)
The table below sets forth the portions of the amounts included in this column that were reported in the Summary Compensation Table appea in the Company's proxy statements in this year or in prior years:

	Amounts Reported as Compensation		
Named Executive	**Current Year**	**Prior Years**	**Total**
Randall M. Griffin	$ 53,934	$ 1,912,847	$ 1,966,781
Roger A. Waesche, Jr.	39,173	499,728	538,901
Stephen E. Riffee	10,000	63,555	73,555
Karen M. Singer	49,269	400,836	450,105

Potential Payments on Termination, Change in Control, Death or Disability

The employment agreement of Mr. Griffin provides for the following severance package in the event of (1) termination by us without cause or by executive based upon constructive termination or (2) a change in control of the Company or Mr. Griffin's employer:

- in the event of termination by us without cause or by Mr. Griffin based upon constructive termination, payment equal to his base an salary multiplied by three plus the average of his three most recent annual incentive awards multiplied by three;
- in the event of a change in control of the Company or Mr. Griffin's employer, payment equal to his base annual salary multiplied by number of years then remaining in the employment agreement term (but not less than three years) plus the average of his three mos recent annual incentive awards multiplied by the number of years then remaining in the employment agreement term (but not less t three years);
- perquisites and benefits for 24 months following termination unless such benefits are available to him through other employment a termination;
- full vesting of previously unvested share options and restricted shares subject to time-based vesting with the right to exercise optio up to 18 months following termination;
- vesting of performance based awards in accordance with the terms of the applicable award agreements; and
- in the case of a change in control, reimbursement for any parachute excise taxes and all Federal and state income or other taxes wit respect to payment of the amount of such excise tax, including all such taxes with respect to any such grossing-up amount.

The employment agreement of Mr. Waesche provides for the following severance package in the event of (1) termination by us without cause or b Mr. Waesche based upon constructive termination or (2) a change in control of the Company or Mr. Waesche's employer:

- payment equal to his base annual salary multiplied by three;
- payment equal to the average of his three most recent annual incentive awards multiplied by three;
- perquisites and benefits for 24 months following termination unless such benefits are available to him through other employment a termination;

full vesting of previously unvested share options and restricted shares subject to time-based vesting with the right to exercise option
up to 18 months following termination;

vesting of performance based awards in accordance with the terms of the applicable award agreements; and

Table of Contents

in the case of a change in control, reimbursement for any parachute excise taxes and all Federal and state income or other taxes wit respect to payment of the amount of such excise tax, including all such taxes with respect to any such grossing-up amount.

The employment agreements of Mr. Riffee and Mr. Lingafelter provide for the following severance package in the event of (1) termination by us without cause or by the executive based upon constructive termination or (2) a change in control of the Company or the executive's employer:

payment equal to his base annual salary multiplied by three;

payment equal to the average of his three most recent annual incentive awards multiplied by three;

perquisites and benefits for 12 months following termination unless such benefits are available to him through other employment a termination;

full vesting of previously unvested share options and restricted shares subject to time-based vesting with the right to exercise optio up to 18 months following termination;

vesting of performance based awards in accordance with the terms of the applicable award agreements; and

in the case of a change in control, reimbursement for any parachute excise taxes and all Federal and state income or other taxes wit respect to payment of the amount of such excise tax, including all such taxes with respect to any such grossing-up amount.

Under the employment agreements, a termination by us without cause is termination of employment for any reason other than (1) expiration of the of the executive's employment agreement or any renewal term; (2) termination upon disability; or (3) a "for-cause" termination. A "for-cause" terminat the termination of employment by us on the basis or as a result of (1) a violation by the executive of any applicable law or regulation respecting the Company's business; (2) the executive's conviction of a felony or any crime involving moral turpitude; (3) any act of dishonesty or fraud, or the executi commission of an act which in the opinion of the Board disqualifies the executive from serving as an executive or Trustee; (4) the willful or negligent failure of the executive to perform his duties under the employment agreement, which failure continues for a period of 30 days after written notice there given to the executive; or (5) a violation of any provision of the Company's Code of Business Conduct and Ethics by the executive.

Under the employment agreements, constructive termination is termination initiated by the executive upon such executive being "constructively discharged" by us, which means the occurrence of any of the following events (not in connection with a "for-cause" termination): (1) the executive is n re-elected to, or is removed from, his or her position, other than as a result of the executive's election or appointment to positions of equal or superior s and responsibility; (2) the executive shall fail to be vested by the Company with the powers, authority and support services normally attendant to any o offices; (3) the Company notifies the executive that the employment of the executive will be terminated or materially modified in the future or that the executive will be constructively discharged in the future; (4) the Company changes the primary employment location of the executive to a place that is than 50 miles from the primary employment location as of the date of the employment agreement; or (5) the Company otherwise commits a material b of its obligations under the employment agreement.

Under the employment agreements, a change in control means the occurrence of any of the following during the term of the employment agreeme (1) the consummation of the acquisition by any person, (as such term is defined in Section 13(d) or 14(d) of the Exchange Act of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 50% or more of the combined voting power embodied in the then outstand voting securities of the Company or

Table of Contents

the executive's employer; (2) the consummation of: (a) a merger or consolidation of the Company or the executive's employer, if the shareholders of the Company or the employer of the executive immediately before such merger or consolidation do not, as a result of such merger or consolidation, own, directly or indirectly, more than 50% of the combined voting power of the then outstanding voting securities of the entity resulting from such merger or consolidation in substantially the same proportion as was represented by their ownership of the combined voting power of the voting securities of the Company or the executive's employer outstanding immediately before such merger or consolidation; or (b) the sale or other disposition of all or substantially all of the assets of the Company or the employer of the executive; or (3) approval by the shareholders of the Company or the employer of executive of a complete or substantial liquidation or dissolution of the Company or the employer of the executive.

In the event of death or disability, the employment agreements provide for the full vesting of all options and restricted shares subject to time-based vesting granted to executive officers under any stock plan or similar program. Vesting of performance based awards is in accordance with the terms of applicable award agreements.

The table below reflects the payments that may be made to the named executive officers pursuant to the provisions discussed above, assuming tha termination event described occurred on December 31, 2010.

Name	Cash Severance Payments(1)	Continuation of Medical/ Welfare Benefits(2)	Value of Restricted Share Vestings(3)	Parachute Excise Tax Gross-Up Payment(4)	Total Termination Benefits
Randall M. Griffin					
Premature/Constructive Termination	$ 5,818,501	$ 57,154	$ 4,861,545	$	$ 10,737,200
Change in Control	$ 5,818,501	$ 57,154	$ 4,861,545	$	$ 10,737,200
Death or Disability	$	$	$ 4,861,545	$	$ 4,861,545
Roger A. Waesche, Jr.					
Premature/Constructive Termination	$ 3,325,000	$ 63,064	$ 2,579,205	$	$ 5,967,269
Change in Control	$ 3,325,000	$ 63,064	$ 2,579,205	$	$ 5,967,269
Death or Disability	$	$	$ 2,579,205	$	$ 2,579,205
Stephen E. Riffee					
Premature/Constructive Termination	$ 2,611,000	$ 31,532	$ 2,740,639	$	$ 5,383,171
Change in Control	$ 2,611,000	$ 31,532	$ 2,740,639	$ 1,181,893	$ 6,565,064
Death or Disability	$	$	$ 2,740,639	$	$ 2,740,639
Wayne H. Lingafelter					
Premature/Constructive Termination	$ 1,928,066	$ 31,532	$ 811,015	$	$ 2,770,613
Change in Control	$ 1,928,066	$ 31,532	$ 811,015	$ 842,053	$ 3,612,666
Death or Disability	$	$	$ 811,015	$	$ 811,015
Karen M. Singer					
Premature/Constructive Termination	$	$	$ 908,246	$	$ 908,246
Change in Control	$	$	$ 908,246	$	$ 908,246
Death or Disability	$	$	$	$	$

(1) Cash payments due to the named executive officers upon separation from service within the meaning of Section 409A of the Code would be considered deferred compensation, and as such shall not be payable until the date that is the earlier of: (a) the executive's death; or (b) the late (i) six months and one day after the executive's separation from service or (ii) March 16, 2012.

(2) These benefits were computed based on the monthly medical and welfare benefits, auto allowances, and financial planning allowances for the named executive officers as of December 31, 2010 multiplied by the number of months over which such benefits are to continue beyond such executives' employment termination.

Table of Contents

(3)
Value on restricted share vestings is calculated by multiplying the number of shares subject to vesting as of December 31, 2010 by $34.95, th closing price of our common shares on the NYSE on December 31, 2010.

(4)
The gross-up payments do not take account of mitigation for payments being paid in consideration of non-competition agreements or as reasonable compensation. The amounts in the table are based on an excise tax rate of 20%, a Federal income tax rate of 35%, a Medicare tax of 1.45% and a state income tax rate of 5.75% for Mr. Riffee and 6.25% for Mr. Lingafelter. While the employment agreements of Mr. Griffi Mr. Waesche provide for reimbursement of parachute excise taxes and related tax gross-ups, we determined that no excise taxes were due fo executives in the periods used in the computation.

Proposal 2 Non-Binding, Advisory Vote on Executive Compensation

The recently enacted Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, or the Dodd-Frank Act, enables our shareholders to to approve, on a non-binding, advisory basis, the compensation of our named executive officers as disclosed in this proxy statement in accordance with Securities and Exchange Commission's rules. This is commonly known as, and is referred to herein as, a "say-on-pay" proposal or resolution.

Our compensation programs are designed to clearly link annual and long-term financial results and shareholder return to executive rewards. The majority of each executive's pay is tied directly to goal achievement; this pay for performance approach ensures that the financial interests of our execu are aligned with those of our shareholders. Please refer to the section entitled "Compensation Discussion and Analysis" for additional details about our executive compensation programs, including information about the compensation of our named executive officers for 2010.

The Compensation Committee annually reviews all elements of our compensation program for named executive officers to ensure its alignment w our philosophy and corporate governance approach, including its effectiveness in aligning the financial interests of our executives with those of our shareholders. Accordingly, pursuant to Section 14A(a)(1) of the Exchange Act, we are providing shareholders with the opportunity to approve the follo non-binding, advisory resolution:

"RESOLVED, that the compensation paid to the Company's named executive officers, as disclosed in this proxy statement pursuant to Item 402 o Regulation S-K promulgated by the Securities and Exchange Commission, including the section entitled "Compensation Discussion and Analysis," compensation tables and narrative discussion, is hereby APPROVED."

The Board recommends a vote "FOR" the approval of this resolution.

We are asking our shareholders to indicate their support for our named executive officers' compensation as described in this proxy statement. This say-on-pay proposal gives our shareholders the opportunity to express their views on our named executive officers' compensation. This vote is not limi any specific item of compensation, but rather addresses the overall compensation of our named executive officers and our philosophy, policies and prac relating to their compensation as described in this proxy statement pursuant to Item 402 of Regulation S-K promulgated by the Securities and Exchang Commission.

Vote Required; Effect of Vote

The affirmative vote of a majority of the votes cast on this proposal will be required for approval.

The say-on-pay resolution is advisory, and therefore will not have any binding legal effect on us or the Compensation Committee. However, the Compensation Committee does value the opinions of our shareholders and will take the results of the vote on this proposal into account in its future decisions regarding the compensation of our named executive officers.

Table of Contents

Proposal 3 Non-Binding, Advisory Vote on Frequency of Future Non-Binding, Advisory Votes on Executive Compensation

The Dodd-Frank Act enables our shareholders to vote to approve, on a non-binding, advisory basis, how frequently we will submit say-on-pay proposals to our shareholders in the future. Our shareholders will have the following three alternatives to choose from: (1) every year ("1 year" on the p card), (2) every two years ("2 years" on the proxy card) or (3) every three years ("3 years" on the proxy card). In addition, shareholders may choose to abstain from voting on this proposal.

The Board recommends a vote for a frequency of EVERY YEAR ("1 year" on the proxy card) with respect to this proposal.

The Board believes that, of the three choices, submitting a non-binding, advisory say-on-pay resolution to shareholders every year is preferable. T primary focus of the disclosure of the compensation of our named executive officers required to be included in our proxy statements is compensation granted in or for the prior fiscal year. Additionally, the Compensation Committee re-evaluates the compensation of our named executive officers annua An annual say-on-pay resolution will match the annual focus of this proxy statement disclosure and provide us with the clearest and most timely feedba the three options. This feedback will be considered by the Compensation Committee in its next annual decision-making process. Additionally, the administrative process of submitting a non-binding, advisory say-on-pay resolution to shareholders on an annual basis is not expected to impose any substantial additional costs on us.

Vote Required; Effect of Vote

In order for any of the three alternatives set forth above to be approved, it must receive a majority of the votes cast on this proposal. By selecting o these alternatives, shareholders are voting to approve their chosen alternative and are not voting to approve or disapprove of the Board's recommendati Because there are three alternatives, it is possible that none of the three alternatives will receive a majority of the votes cast. However, shareholders wil be able to communicate their preference with respect to this vote by choosing from among these three alternatives. In addition, shareholders may choos abstain from voting on this proposal. The vote on this proposal is advisory. Although non-binding, the Board does value the opinions of our sharehold and will take the results of the vote on this proposal into account in its decision regarding the frequency with which we submit future say-on-pay propo

Table of Contents

Report of the Audit Committee

The Audit Committee of Corporate Office Properties Trust's Board is comprised of the four Trustees named below. Each of the Trustees meets the independence and experience requirements of the NYSE and satisfies the Securities and Exchange Commission's additional independence requirements members of audit committees. The Board has determined that Kenneth D. Wethe is an "audit committee financial expert" as defined by the Securities a Exchange Commission. The Audit Committee adopted and the Board approved, a charter outlining the Audit Committee's practices. A copy of the char 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 modifica 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 a regulatory requirements and ethical behavior. The Company's independent registered public accounting firm is responsible for expressing opinions on t conformity of the Company's consolidated financial statements with generally accepted accounting principles, the fairness of the presentation of the Company's financial statement schedule and the effectiveness of the Company's internal control over financial reporting. The Company's internal audit function is responsible for, among other things, helping to evaluate and improve the effectiveness of risk management, control and governance processe and identifying opportunities to assist in improving the Company's operations. The role of the Audit Committee is to oversee these activities.

Management completed the documentation, testing and evaluation of the Company's system of internal control over financial reporting in respons 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 pro of the evaluation and provided oversight and advice to management during the process. In connection with this oversight, the Committee received perio updates provided by management, the internal audit function and the independent registered public accounting firm at each regularly scheduled Commi meeting. At the conclusion of the process, management provided the Committee with a report on the effectiveness of the Company's internal control ov financial reporting, and represented to the Audit Committee that the Company's internal control over financial reporting was effective as of December 3 2010 based on the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadw Commission. The Committee also reviewed Management's Report on Internal Control over Financial Reporting contained in the Company's Annual Re on Form 10-K for the year ended December 31, 2010 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: (1) the consolidated financial statements and financial statement schedule inclu in Form 10-K; and (2) the effectiveness of internal control over financial reporting. The Committee continues to oversee the Company's efforts related internal control over financial reporting and management's preparations for the evaluation in 2011.

The Audit Committee met with the Company's accounting and financial management team, the internal audit function and the independent registe 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. In addition, the Audit Committee met with the internal a function and with the independent registered public accounting firm without the presence of management.

Management represented to the Audit Committee that the Company's consolidated financial statements for the year ended December 31, 2010 wer 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 und Statement on Auditing Standards No. 61, as amended, 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 Public Company Oversight Board Rule 3526, which addresses independence discussions between auditors and audit committees. The Audit Committe 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 201 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 that the Company's audited consoli financial statements for the year ended December 31, 2010 be included in the Company's Annual Report on Form 10-K for the year ended December 3 2010 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
Robert L. Denton
David M. Jacobstein
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 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 ex that the Company specifically incorporates this information by reference, and shall not otherwise be deemed filed under such acts.

Independent Registered Public Accounting Firm

PricewaterhouseCoopers LLP ("PwC") served as our independent registered public accounting firm for the years ended December 31, 2010 and 2 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 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, management contacts the Audit Committee Chair regarding the potential need for a service from PwC. PwC then provides an engagement letter to management pertaining to the service, which management reviews for the service description and proposed fee. Once management agrees with the engagement letter, it forwards the engagement letter to the Audit Committee Chair. The Audit Committee Chair then reviews the engagement letter for the criteria described in the previo paragraph and if, based on such review, he approves of the terms of the engagement letter, he forwards the letter to the other Audit Committee member requesting that they respond within a certain period of time should they not approve of the engagement letter. The Audit Committee has delegated pre-approval authority to the Chair for certain audit-related services. All fees paid to PwC in 2010 were approved by the Audit Committee in accordan with this policy.

Table of Contents

For the years ended December 31, 2010 and 2009, we incurred the approximate fees and expenses set forth below with PwC:

	2010	2009
Audit fees(1)	$ 914,334	$ 845,480
Audit-related fees(2)	89,633	60,425
Tax fees(3)	130,650	227,628
Total	$ 1,134,617	$ 1,133,533

(1) Audit fees include fees billed for services rendered in connection with audits of (i) our consolidated financial statements and financial schedu included in Form 10-K and (ii) the effectiveness of the Company's internal control over financial reporting, as well as reviews of quarterly consolidated financial statements included in Forms 10-Q. These fees totaled $775,834 in 2010 and $754,372 in 2009. Audit fees also includ issuances of comfort letters on filings associated with offerings and consents on registration statements.

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

(3) Tax fees consist of fees billed for professional services rendered for tax compliance, tax advice, tax planning and services in connection with technology used for tax compliance in 2010 and 2009.

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.

We expect that PwC will serve as our independent registered public accounting firm for 2011, though we have asked that our shareholders ratify P service as discussed under Proposal 4 below. We expect that a representative of PwC will be present at the 2011 Annual Meeting. The representative w have an opportunity to make a statement if he or she desires to do so and to answer appropriate questions.

Proposal 4 Ratification of the Appointment of Independent Registered Public Accounting Firm

The Audit Committee of the Board of Directors has selected and appointed PwC as our independent registered public accounting firm to audit our consolidated financial statements for the year ending December 31, 2011. Although ratification by shareholders is not required by law or by our Bylaw Audit Committee believes that submission of its selection to shareholders is a matter of good corporate governance. Even if the appointment is ratified, Audit Committee, in its discretion, may select a different independent registered public accounting firm at any time if the Audit Committee believes tha such a change would be in the best interests of the Company and its shareholders. If our shareholders do not ratify the appointment of PwC, the Audit Committee will take that fact into consideration, together with such other factors it deems relevant, in determining its next selection of independent registered public accounting firm.

The Board recommends a vote "FOR" approval of the ratification of the appointment of PricewaterhouseCoopers LLP as our independe registered public accounting firm for the current fiscal year.

Table of Contents

Equity Compensation Plan Information

The table below provides information as of December 31, 2010 regarding our compensation plans under which equity securities are authorized for issuance to employees or non-employees in exchange for consideration in the form of goods and services.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities in Column (a)) (c)
Equity compensation plans approved by security holders	1,188,284	$ 33.07	3,809,275(1)
Equity compensation plans not approved by security holders		N/A	
Total	1,188,284	$ 33.07	3,809,275

(1) Represents awards available to be issued under the Amended and Restated 2008 Omnibus Equity and Incentive Plan; the Plan provides for a maximum of 5,900,000 of the Registrant's common shares of beneficial interest to be issued in the form of share options, share appreciation r deferred share awards, restricted share awards, unrestricted share awards, performance shares, dividend equivalent rights and other equity-ba awards and for the granting of cash-based awards.

Section 16(a) Beneficial Ownership Reporting Compliance

The rules of the Securities and Exchange Commission require that we disclose late filings of initial reports of share ownership and reports of chan in share ownership by our Trustees, officers and greater than 10% shareholders. Our Trustees, officers and greater than 10% shareholders are required l 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 d the year ended December 31, 2010, our Trustees, officers and greater than 10% shareholders filed all required reports on a timely basis.

Code of Ethics; Review and Approval of Related Party Transactions

The Company has a Code of Business Conduct and Ethics for all employees and Trustees and a Code of Ethics for Financial Officers. These code ethics documents are available in the investor relations section of the Company's Internet website in the subsection entitled "Corporate Governance." T Company's Internet website address is www.copt.com. We intend to make available on our Internet website any future amendments or waivers to our C of Business Conduct and Ethics and Code of Ethics for Financial Officers within four business days after any such amendments or waivers. In addition shareholders may request a copy of these codes of ethics documents, free of charge, by making this request in writing to our Vice President, Investor Relations at ir@copt.com or at our mailing address.

Table of Contents

Our Code of Business Conduct and Ethics mandates that the Audit Committee must review and approve any "related party transaction," as defined relevant SEC rules (generally, transactions involving amounts exceeding $120,000 in which a related person has a direct or indirect material interest). I considering the transaction, the Audit Committee will consider all relevant factors, including, among others, our business rationale for entering into the transaction, any potential alternatives to entering into the transaction, whether the transaction is on terms that would be comparable to those available to third parties and the overall fairness of the transaction to the Company.

In general, either management or the affected Trustee or executive officer will bring the matter to the attention of either the chairman of the Audit Committee or our Senior Vice President, Secretary and General Counsel. If a member of the Audit Committee is involved in the transaction, he will be recused from all discussions and decisions about the transaction. The transaction must be approved in advance whenever practicable, and if not practica must be ratified as promptly as practicable.