

CORPORATE OFFICE PROPERTIES TRUST  
Form PRE 14A  
March 08, 2017

Use these links to rapidly review the document

[TABLE OF CONTENTS](#)

[Table of Contents](#)

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

**SCHEDULE 14A**

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

Filed by the Registrant ☒

Filed by a Party other than the Registrant ☐

Check the appropriate box:

- ☒ Preliminary Proxy Statement
- ☐ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- ☐ Definitive Proxy Statement
- ☐ Definitive Additional Materials
- ☐ Soliciting Material Pursuant to §240.14a-12

**CORPORATE OFFICE PROPERTIES TRUST**

---

(Name of Registrant as Specified In Its Charter)

---

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

Payment of Filing Fee (Check the appropriate box):

- ☒ No fee required.
- ☐ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
- (1) Title of each class of securities to which transaction applies:
- (2) Aggregate number of securities to which transaction applies:
- (3)

## Edgar Filing: CORPORATE OFFICE PROPERTIES TRUST - Form PRE 14A

Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

---

## Edgar Filing: CORPORATE OFFICE PROPERTIES TRUST - Form PRE 14A

### Table of Contents

In accordance with Rule 14a-6(d) under the Securities Exchange Act of 1934, as amended, please be advised that Corporate Office Properties Trust intends to release definitive copies of its proxy materials to its shareholders on March 27, 2017.

6711 Columbia Gateway Drive, Suite 300  
Columbia, Maryland 21046-2104  
Telephone 443-285-5400  
Facsimile 443-285-7650  
[www.copt.com](http://www.copt.com)  
NYSE: OFC

To: Our Shareholders

From: Stephen E. Budorick

Subject: Invitation to the Corporate Office Properties Trust 2017 Annual Meeting of Shareholders

You are cordially invited to attend our 2017 Annual Meeting of Shareholders to be held on May 11, 2017 at 9:30 a.m. at 6711 Columbia Gateway Drive, First Floor Sustainability Suite, Columbia, Maryland 21046, our corporate headquarters.

At this year's meeting, you will be asked to vote on the following:

election of nine people to our Board of Trustees;

approval of an amendment to the Amended and Restated Declaration of Trust granting shareholders the right to amend the Company's bylaws;

the ratification of PricewaterhouseCoopers LLP's appointment as our independent registered public accounting firm for the current fiscal year;

approval, on an advisory basis, of the frequency of future advisory votes on executive compensation;

approval, on an advisory basis, of the compensation of our named executive officers as disclosed in the proxy statement for this meeting; and

approval of the 2017 Omnibus Equity and Incentive Plan.

The notice of annual meeting and proxy statement accompanying this letter contain further information about these items and the meeting itself, including the different methods you can use to vote your proxy.

In addition to the formal business to be transacted, we will make a brief presentation regarding our accomplishments in 2016 and other recent developments. You will have the opportunity at this meeting to ask questions and make comments.

We have elected to use the Securities and Exchange Commission rules that allow issuers to furnish proxy materials to their shareholders via the Internet. We believe that these rules allow us to provide our shareholders with the information they need, while lowering the costs of printing and delivery and reducing the environmental impact of our annual meeting.

I hope to see you at the meeting.

Stephen E. Budorick  
*President and Chief Executive Officer*

---

# Edgar Filing: CORPORATE OFFICE PROPERTIES TRUST - Form PRE 14A

## Table of Contents

6711 Columbia Gateway Drive, Suite 300  
Columbia, Maryland 21046-2104  
Telephone 443-285-5400  
Facsimile 443-285-7650  
www.copt.com

March 27, 2017

### Notice of Annual Meeting of Shareholders

Date: Thursday, May 11, 2017  
Time: 9:30 a.m.  
Place: Corporate Office Properties Trust  
6711 Columbia Gateway Drive  
First Floor Sustainability Suite  
Columbia, Maryland 21046

We will hold our 2017 Annual Meeting of Shareholders on May 11, 2017 at 9:30 a.m. at our corporate headquarters. During the Annual Meeting, we will consider and take action on proposals to:

1. Elect nine Trustees;
2. Approve an amendment to the Amended and Restated Declaration of Trust granting shareholders the right to amend the Company's bylaws;
3. Ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the current fiscal year;
4. Approve, on an advisory basis, the frequency of future advisory votes on executive compensation;
5. Approve, on an advisory basis, the compensation of our named executive officers as disclosed in the proxy statement for this meeting;
6. Approve the 2017 Omnibus Equity and Incentive Plan; and
7. Transact any other business properly brought before the Annual Meeting.

You may vote on these proposals if you were a shareholder of record at the close of business on March 14, 2017.

By order of the Board of Trustees,

David L. Finch  
*Vice President, General Counsel and Secretary*



Table of Contents

**PROXY STATEMENT**

This proxy is being used to permit all holders of the common shares of beneficial interest ("common shares") of Corporate Office Properties Trust (the "Company") to vote since many may be unable to attend the 2017 Annual Meeting of Shareholders (the "Annual Meeting") in person. Our Board of Trustees (the "Board") encourages you to read this document thoroughly and to take this opportunity to vote on the matters to be decided at the Annual Meeting. We will begin distribution and electronic availability of this proxy statement and proxy card on or about March 27, 2017.

In accordance with the rules of the Securities and Exchange Commission (the "SEC"), instead of mailing a printed copy of our proxy materials to each shareholder of record or beneficial owner, we are furnishing our proxy materials (proxy statement for Annual Meeting, proxy card and 2016 Annual Report) by providing access to these materials on the Internet. Our shareholders will not receive printed copies of the proxy materials unless they request this form of delivery. Printed copies will be provided upon request at no charge.

A Notice of Meeting and Internet Availability of Proxy Materials ("Notice of Internet Availability") will be mailed to our shareholders on or about March 27, 2017. We are providing the Notice of Internet Availability in lieu of mailing the printed proxy materials and are instructing our shareholders as to how they may: (1) access and review our proxy materials on the Internet; (2) submit their proxy; and (3) receive printed proxy materials. Shareholders may request to receive printed proxy materials by mail or electronically by e-mail on an ongoing basis by following the instructions in the Notice of Internet Availability. We believe that providing future proxy materials by e-mail will save us some of the costs associated with printing and delivering the materials and reduce the environmental impact of our annual meetings. A request to receive proxy materials in printed form by mail or by e-mail will remain in effect until such time as the shareholder elects to terminate it.

Our mailing address is 6711 Columbia Gateway Drive, Suite 300, Columbia, Maryland 21046-2104 and our Internet address is [www.copt.com](http://www.copt.com). The information on our Internet site is not part of this proxy statement.

Table of Contents

CONTENTS

	Page Number
<u>General Information</u>	<u>4</u>
<b><u>Proposal 1 Election of Trustees</u></b>	<u>8</u>
<u>Our Board of Trustees</u>	<u>12</u>
<u>Our Executive Officers</u>	<u>19</u>
<u>Share Ownership of our Trustees, Executive Officers and 5% Beneficial Owners</u>	<u>20</u>
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	<u>21</u>
<u>Code of Ethics; Review and Approval of Related Party Transactions</u>	<u>21</u>
<b><u>Proposal 2 Amendment to Amended and Restated Declaration of Trust Granting Shareholders the Right to Amend the Company's Bylaws</u></b>	<u>23</u>
<u>Report of the Audit Committee</u>	<u>23</u>
<u>Independent Registered Public Accounting Firm</u>	<u>25</u>
<b><u>Proposal 3 Ratification of the Appointment of Independent Auditor</u></b>	<u>27</u>
<b><u>Proposal 4 Advisory Vote on Frequency of Future Advisory Votes on Executive Compensation</u></b>	<u>28</u>
<b><u>Proposal 5 Advisory Vote to Approve Executive Compensation</u></b>	<u>29</u>
<u>Compensation Committee Interlocks and Insider Participation</u>	<u>30</u>
<u>Report of the Compensation Committee</u>	<u>30</u>
<u>Compensation Discussion and Analysis</u>	<u>31</u>
<u>Compensation and Risk</u>	<u>48</u>
<u>Summary Compensation Table</u>	<u>49</u>
<u>All Other Compensation</u>	<u>50</u>
<u>2016 Grants of Plan Based Awards</u>	<u>51</u>
<u>Outstanding Equity Awards at December 31, 2016</u>	<u>52</u>
<u>Stock Vested in 2016</u>	<u>53</u>
<u>Nonqualified Deferred Compensation</u>	<u>53</u>
<u>Potential Payments on Termination, Change in Control, Death or Disability</u>	<u>54</u>
<b><u>Proposal 6 Approval of the 2017 Omnibus Equity and Incentive Plan</u></b>	<u>56</u>
<u>Equity Compensation Plan Information</u>	<u>63</u>
<u>Annex A Amendment to Amended and Restated Declaration of Trust</u>	<u>A-1</u>
<u>Annex B 2017 Omnibus Equity and Incentive Plan</u>	<u>B-1</u>



Table of Contents

**General Information**

**What will shareholders be voting on at the Annual Meeting?**

1. The election of nine Trustees.
2. Amend the Amended and Restated Declaration of Trust to grant shareholders the right to amend the Company's Bylaws.
3. The ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm (the "Independent Auditor") for the current fiscal year.
4. Advisory vote on frequency of future advisory votes on executive compensation.
5. Advisory vote to approve the compensation of our named executive officers as disclosed in this proxy statement.
6. Approval of the 2017 Omnibus Equity and Incentive Plan.
7. Any other business that properly comes before the Annual Meeting for a vote.

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

Common shareholders of record at the close of business on March 14, 2017 may vote at the Annual Meeting. Each share has one vote. There were 98,849,553 common shares outstanding on March 2, 2017.

**How do I vote?**

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

**What is a proxy?**

A proxy is a person you appoint to vote on your behalf. If you vote by Internet, telephone or proxy card, your shares will be voted by the identified proxies.

You can vote in one of three ways:

1. *By Internet.* To vote using the Internet, go to the website listed on your Notice of Internet Availability or proxy card. You will need to follow the instructions on that website.
2. *By telephone.* To vote by telephone, call the toll free number listed on your Notice of Internet Availability or proxy card. You will need to follow the instructions and the prompts from the telephone voting system.
3. *By mail.* If you requested printed proxy materials and wish to vote by mail, simply mark, sign and date the proxy card and return it in the postage-paid envelope provided.

## Edgar Filing: CORPORATE OFFICE PROPERTIES TRUST - Form PRE 14A

If you vote by Internet or telephone, you should not return your proxy card.

If you hold your shares through a broker, bank or other nominee, you will receive separate instructions from the nominee describing how to vote your shares.

## Edgar Filing: CORPORATE OFFICE PROPERTIES TRUST - Form PRE 14A

### Table of Contents

#### **How will my proxies vote my shares?**

Your proxies will vote according to your voting instructions. **If you provide voting instructions but the instructions you provide do not indicate your vote on business matters, your proxies will vote as follows:**

"FOR" each of the nominees for Trustee listed in Proposal 1;

"FOR" the amendment to the Amended and Restated Declaration of Trust granting shareholders the right to amend the Company's bylaws;

"FOR" the ratification of the appointment of PricewaterhouseCoopers LLP as our Independent Auditor for the current fiscal year;

"1 Year" with respect to the vote, on an advisory basis, of how frequently we will submit to our shareholders for future advisory votes on executive compensation;

"FOR" approval, on an advisory basis, of the compensation of our named executive officers as disclosed in this proxy statement; and

"FOR" approval of the 2017 Omnibus Equity and Incentive Plan.

We do not intend to bring any other matter for a vote at the Annual Meeting, and we do not know of anyone else who intends to do so. However, your proxies are authorized to vote on your behalf, in their discretion, on any other business that properly comes before the Annual Meeting.

#### **How do I revoke my proxy?**

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

Notifying our Vice President, General Counsel and Secretary, David L. Finch, in writing at our mailing address set forth on the first page of this proxy statement, that you are revoking your proxy;

Executing a later dated proxy card;

If previous instructions were given through the Internet or by telephone, by providing new instructions by the same means; or

Attending and voting by ballot at the Annual Meeting.

#### **Who will count the votes?**

An officer of Corporate Office Properties Trust will act as the Inspector of Election and will count the votes.

#### **What constitutes a quorum?**

## Edgar Filing: CORPORATE OFFICE PROPERTIES TRUST - Form PRE 14A

As of March 2, 2017, Corporate Office Properties Trust had 98,849,553 common shares outstanding. A majority of the outstanding shares present or represented by proxy constitutes a quorum. If you complete the voting process by Internet or telephone or sign and return your proxy card, your shares will be counted in determining the presence of a quorum, even if you abstain or otherwise withhold your vote. If a quorum is not present at the Annual Meeting, the shareholders present in person or by proxy may adjourn the meeting to a date not more than 120 days after March 14, 2017 until a quorum is present.

Table of Contents

**What vote is required to elect Trustees?**

Our Bylaws provide that, in an uncontested election, a nominee for Trustee is elected only if such nominee receives the affirmative vote of a majority of the total votes cast for and against such nominee. The majority voting standard would not apply in contested elections.

The majority voting standard will apply to the election of Trustees at the Annual Meeting. Accordingly, a nominee for Trustee will be elected if such nominee receives the affirmative vote of a majority of the total votes cast for and against such nominee. Broker non-votes, if any, and abstentions will not be treated as votes cast for the election of a Trustee.

Our Board of Trustees has also adopted a resignation policy which is included in our Bylaws, under which a Trustee nominated for re-election who fails to receive the required number of votes for re-election will tender his or her resignation to our Board of Trustees for its consideration. The Nominating and Corporate Governance Committee will act on an expedited basis to determine whether it is advisable to accept the Trustee's resignation and will submit the recommendation for prompt consideration by our Board. Our Board will act on the tendered resignation within 90 days following certification of the shareholder vote and will promptly and publicly disclose its decision. The Trustee whose resignation is under consideration will abstain from participating in any decision regarding his or her resignation. If the resignation is not accepted, the Trustee will continue to serve until the next annual meeting of shareholders and until the Trustee's successor is duly elected and qualified or until the Trustee's earlier resignation or removal. The Nominating and Corporate Governance Committee and our Board may consider any factors they deem relevant in deciding whether to accept a Trustee's resignation.

**What vote is required on other matters?**

In general, a majority of the votes cast at a meeting of shareholders is required to approve any other matter unless a greater vote is required by law or by the Company's Declaration of Trust. With respect to the Proposals to be voted on at the Annual Meeting, the required votes are as follows: for Proposal 2, the affirmative vote of at least two-thirds of all the votes entitled to be cast on such proposal is required to approve such proposal; for Proposals 3, 5 and 6 a majority of the votes cast on each of the proposals will be required to approve each of the proposals; and for Proposal 4, because there are three alternatives, it is possible that none of the three alternatives will receive a majority of the votes cast. However, shareholders will still be able to communicate their preference with respect to this vote by choosing from among the three alternatives. See "How Will My Vote Be Counted" for more detail on the treatment of abstentions and "broker non-votes" on Proposals 2, 3, 4, 5 and 6.

**What is a broker non-vote?**

A "broker non-vote" occurs when a nominee (such as a custodian or bank) holding shares for a beneficial owner returns a signed proxy but does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that item and has not received instructions from the beneficial owner.

**How will my vote be counted?**

With respect to Proposal 1, the election of Trustees, votes may be cast for or against each nominee. You may also abstain with respect to each nominee. Because abstentions and broker non-votes are not considered votes cast, they will have no effect on the outcome of the vote on election of Trustees.

With respect to Proposal 2, abstentions and broker non-votes will have the same effect as a vote against the proposal.

## Edgar Filing: CORPORATE OFFICE PROPERTIES TRUST - Form PRE 14A

### Table of Contents

With respect to each of Proposals 3, 4 and 5, you may abstain, and your abstention will have no effect on the outcome of the vote, because no vote will have been cast with respect to your shares. Broker non-votes will have no effect on the outcome of Proposals 3, 4 and 5, because no vote will have been cast with respect to your shares.

With respect to Proposal 6, the approval of our 2017 Omnibus Equity and Incentive Plan, you may abstain and because this proposal is required to be approved by shareholders under the rules of the New York Stock Exchange, your abstention will be treated as a vote cast and thus will have the same effect as a vote against adoption of the plan. Broker non-votes will have no effect on the outcome of Proposal 6 because no vote will have been cast with respect to your shares.

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

Our Trustees and executive officers owned less than 1.0% of our outstanding common shares as of March 2, 2017. Our Trustees and executive officers beneficially owned in the aggregate approximately 0.6% of our common shares as of March 2, 2017 (see the discussion under the heading "Share Ownership of our Trustees, Executive Officers and 5% Beneficial Owners" for more details).

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

Our Board is soliciting your proxy. The solicitation process is being conducted primarily by mail. However, proxies may also be solicited in person, by telephone or facsimile. Broadridge Financial Solutions, Inc., our proxy distribution and tabulation agent, will be assisting us for a fee of approximately \$30,000 plus out-of-pocket expenses. We pay any cost incurred for soliciting proxies and also reimburse stockbrokers and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy and solicitation material to the owners of common shares.

### **Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Shareholders to be Held on May 11, 2017**

The proxy materials are available at [www.copt.com](http://www.copt.com) under "Investor Relations," under the subheading "Annual Meeting and Proxy Materials."

### **When are shareholder proposals and Trustee nominations for our 2018 Annual Meeting due?**

In accordance with our Bylaws, notice relating to nominations for Trustees or proposed business to be considered at the 2018 Annual Meeting must be given no earlier than February 10, 2018, and no later than March 12, 2018. These requirements do not affect the deadline for submitting shareholder proposals for inclusion in the proxy statement for the 2018 Annual Meeting (discussed in the question and answer below), nor do they apply to questions a shareholder may wish to ask at that meeting.

### **When are shareholder proposals intended to be included in the proxy statement for the 2018 Annual Meeting due?**

Shareholders who wish to include proposals in the proxy statement must submit such proposals in accordance with regulations adopted by the Securities and Exchange Commission. Shareholder proposals for the 2018 Annual Meeting must be submitted in writing by November 27, 2017. In addition, shareholders may wish to have a proposal presented at the 2018 Annual Meeting but not to have such proposal included in the proxy statement for the 2018 Annual Meeting. Pursuant to our Bylaws, notice of any such proposal must be received by us between February 10, 2018, and no later than March 12, 2018. If it is not received during this period, such proposal shall be deemed "untimely" for purposes of Rule 14a-4(c) under the Exchange Act, and, therefore, the proxies will have the right to exercise discretionary voting authority with respect to such proposal.

## Edgar Filing: CORPORATE OFFICE PROPERTIES TRUST - Form PRE 14A

### Table of Contents

Any shareholder proposals must be submitted to David L. Finch, Vice President, General Counsel and Secretary, at our mailing address set forth on the front page of this proxy statement. You should submit any proposal by a method that permits you to prove the date of delivery to us.

#### **How can interested parties send communications to the Board?**

Any interested parties who wish to communicate with the members of our Board may communicate with the independent Trustees or the chairperson of any of the committees of the Board by e-mail or regular mail. Communications by e-mail should be sent to david.finch@copt.com. Communications by regular mail should be sent to the attention of the Chairperson, Audit Committee; Chairperson, Compensation Committee; Chairperson, Nominating and Corporate Governance Committee; Chairperson, Investment Committee; or, for communications intended for the independent Trustees as a group, to the Independent Trustees. In each case, the communication should be sent care of David L. Finch, Vice President, General Counsel and Secretary, at our mailing address set forth on the front page of this proxy statement.

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

#### **How can interested parties obtain information regarding our Corporate Governance Guidelines?**

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

### **Proposal 1 Election of Trustees**

Our Bylaws provide for the annual election of Trustees at the Annual Meeting of Shareholders. Our Board, at the recommendation of its Nominating and Corporate Governance Committee, has nominated nine of our current Trustees for re-election at the Annual Meeting. Each nominee has agreed to serve a one-year term. If any of the nominees is unable to stand for election, the Board may provide for a lesser number of Trustees or designate a substitute. In the latter event, shares represented by proxies will be voted for a substitute nominee.

The following biographies set forth certain information with respect to the nominees for election as Trustees, all of whom currently serve as Trustees. These descriptions include, in the second paragraph of each, the specific experience, qualifications, attributes and skills that led the Board to nominate each of them for re-election.

**Thomas F. Brady**, 67, has been Chairman of our Board since May 2013 and has been a member of our Board since January 2002. Since 2009, he has advised Opower, Inc. and served as Chairman of the Opower Advisory Board until 2016. Opower, founded in 2007 and publicly listed in 2014 (NYSE: OPWR), now part of Oracle Corporation (NYSE:ORCL), is a leading provider of customer engagement and energy efficiency cloud-based software to the utility industry. He is the former Chairman of the Board of Directors of Baltimore Gas & Electric Company ("BGE") and Executive Vice President-Corporate Strategy at Constellation Energy Group ("CEG") (NYSE: CEG), a position

Table of Contents

he assumed in 1999. Prior to 1999, Mr. Brady held various positions at BGE, including Vice President and Chief Accounting Officer. Prior to its acquisition by Exelon, CEG was a Fortune 200 company owning energy related businesses, including BGE. BGE is the largest electric and gas utility in Maryland. Mr. Brady continued to serve on the Board of Directors of BGE through 2012. He previously served as: a Trustee and Treasurer of the Board of Stevenson University; Chairman of the Maryland Public Broadcasting Commission and Maryland Public Television; and a member of the Board of Directors of the Maryland Chamber of Commerce. Mr. Brady received a BS in Accounting from the University of Baltimore and an MBA in finance from Loyola University, completed an Advanced Executive Program at Penn State University and was a Certified Public Accountant.

Mr. Brady's extensive career in key financial and strategic executive positions at a larger public company, and experiences with privately-owned, venture capital funded start-up companies, qualifies him to lead our Board and assess our strategic initiatives, both qualitatively and quantitatively. Mr. Brady's utility operations experience and significant civic involvement also complement and enhance the perspectives which he brings to his role as Chairman of the Board.

**Stephen E. Budorick**, 56, has been our President, Chief Executive Officer and a member of our Board since May 2016. Prior to becoming President and CEO of the Company, Mr. Budorick held the position of Executive Vice President and Chief Operating Officer from September 2011 to May 2016. Prior to joining the Company, Mr. Budorick served as Executive Vice President of Asset Management at Callahan Partners, LLC, a private real estate owner and developer, for five years. From 1997 to 2006, Mr. Budorick was Executive Vice President in charge of Trizec Properties, Inc.'s Central Region and from 1991 to 1997, he was Executive Vice President responsible for third-party management at Miglin Beitler Management Company. Mr. Budorick also worked in asset management at LaSalle Partners, Inc. from 1988 to 1991 and facilities management and planning at American Hospital Association from 1983 to 1988. He earned a B.S. in Industrial Engineering from the University of Illinois and an MBA in Finance from the University of Chicago.

Mr. Budorick's experience as the President and Chief Executive Officer of the Company and his prior experience as the Company's Chief Operating Officer, as well as his depth of both operational and financial expertise, make him highly qualified to serve as a valued member of our Board. In his role as Chief Executive Officer, Mr. Budorick is a critical link between the Board and management. His experience at initiating and implementing strategic initiatives and continued engagement in the commercial real estate community are valuable assets to the Board.

**Robert L. Denton, Sr.**, 64, has been a member of our Board since May 1999. Mr. Denton's background includes significant real estate and finance experience. He retired as a Managing Partner of The Shidler Group in 2013, which he joined in 1994. He was responsible for the implementation of the group's new investment vehicles and companies. Mr. Denton was a co-founder of several Shidler Group sponsored companies, including First Industrial Realty Trust, Inc. (NYSE: FR) and Primus Guaranty, Ltd. (OTC: PRSG). Mr. Denton was also responsible for the structuring and execution of the initial public offering for TriNet Corporate Realty Trust. From 1991 to 1994, Mr. Denton was a Managing Director with Providence Capital, Inc., an investment banking firm that he co-founded. Mr. Denton served on the Board of Trustees of Pacific Office Property Trust, Inc. from March 2008 until January 2013. Mr. Denton received a BS in Economics and an MBA from The Wharton School at the University of Pennsylvania.

Mr. Denton's extensive real estate and financial career, including as a senior executive in a significant private real estate investment and acquisition company, enables him to provide meaningful insight and leadership into our strategic initiatives, with specific focus on the analysis of our proposed investment, development and capital market initiatives. Mr. Denton has continued to be very informed in the arena of corporate governance from his continuing education efforts.



## Edgar Filing: CORPORATE OFFICE PROPERTIES TRUST - Form PRE 14A

### Table of Contents

**Philip L. Hawkins**, 61, has been a member of our Board since January 2014. Since 2006, Mr. Hawkins has been the Chief Executive Officer, President and a member of the Board of Directors of DCT Industrial Trust Inc. (NYSE: DCT), a Denver-based industrial REIT that owns, acquires, operates and develops bulk distribution and light industrial properties in high-volume distribution markets in the U.S. From 2002 to 2006, Mr. Hawkins was President and Chief Operating Officer and a member of the Board of Directors of CarrAmerica Realty Corporation (formerly NYSE: CRE, prior to its acquisition by The Blackstone Group). Also at CarrAmerica, he served as Chief Operating Officer from 1998 to 2002 and Managing Director of Asset Management from 1996 to 1998. From 1982 to 1995, Mr. Hawkins held a series of senior executive positions in real estate investment, development, leasing and management with LaSalle Partners, Ltd. (now known as Jones Lang LaSalle, Inc.). Mr. Hawkins is a member of NAREIT and serves on its Board of Governors. He received his MBA from the University of Chicago and his BA from Hamilton College.

Mr. Hawkins' lengthy real estate career and current and past executive positions, both in the office and industrial sectors, with publicly traded companies, qualifies him to provide an experienced perspective on our strategic initiatives, to assess capital allocation and other investment decisions, as well as to evaluate compensation matters. In addition, Mr. Hawkins' existing public company board service enhances the insights he brings as a Board member.

**U.S. Rear Admiral (Ret.) Elizabeth A. Hight**, 63, has been a member of our Board since February 2011. From October 2010 until January 2014, RADM Hight served as Vice President of the Hewlett-Packard Company's ("HP") Enterprise Services U.S. Public Sector Cybersecurity Practice. From January 2010 to October 2010, she served as Vice President of HP's U.S. Public Sector DoD Command and Control Infrastructure. From July 2008 until December 2008, RADM Hight served as the Acting Director of the Defense Information Systems Agency ("DISA") and Acting Commander of the Joint Task Force-Global Network Operations ("JTF GNO"). She also served as DISA's Vice Director from April 2007 until October 2009 and as Principal Director for Operations and Deputy Commander, JTF GNO from 2005 to 2007. In her DISA role, she was responsible for providing global command, control, communications and computer support to the nation's warfighters, and in her JTF GNO role, she was responsible for directing the operation and defense of the DoD's Global Information Grid. RADM Hight joined the Navy in March 1977. Throughout her career in the Navy, she served in numerous roles, including as a program sponsor on the Chief of Naval Operations staff, Assistant Program Manager for the UHF Follow-on communications satellite program, Commanding Officer, Fleet Surveillance Support Command and Commanding Officer, Navy Computer and Telecommunications Area Master Station Atlantic. RADM Hight serves on the Board of Directors of iNovex Information Systems, Inc., a private information technology company headquartered in Maryland, and Virtual Security Systems, a private cybersecurity company headquartered in Boston, Massachusetts. RADM Hight has a Masters in Telecommunications Systems from the Naval Postgraduate School and a Masters in Information Systems from The George Washington University.

Because of her lengthy Navy career spanning various substantive areas that complement our strategy and her subsequent transition to the private sector, RADM Hight is qualified to contribute significantly to our strategic objectives. She is also especially qualified to assist in evaluating potential data and cyber security initiatives in support of our strategy.

**David M. Jacobstein**, 70, has been a member of our Board since August 2009. He has more than 30 years of real estate experience. Since 2009, Mr. Jacobstein has provided consulting services to real estate related businesses. Mr. Jacobstein was the senior advisor to Deloitte LLP's real estate industry group from 2007 to 2009, where he advised Deloitte's real estate practitioners on strategy, maintained and developed key client relationships and shaped thought leadership that addressed key industry and market trends. From 1999 to 2007, he was President and Chief Operating Officer of Developers Diversified Realty Corporation, now known as DDR Corp. (NYSE: DDR), an owner, developer and manager of market-dominant community shopping centers. Mr. Jacobstein also served on DDR's Board

## Edgar Filing: CORPORATE OFFICE PROPERTIES TRUST - Form PRE 14A

### Table of Contents

of Directors from 2000 to 2004. Prior to DDR, he was Vice Chairman and Chief Operating Officer of Wilmorite, Inc., a Rochester, New York based developer of regional shopping malls. Mr. Jacobstein currently serves on the Board of Broadstone Net Lease, Inc., a private REIT focused on single tenant net lease real estate, and on the Advisory Board of The Pike Company, a general contractor and construction management company based in Rochester, New York. Mr. Jacobstein served on the Advisory Board of The Marcus & Millichap Company, a diversified real estate holding company based in Palo Alto, CA, from 2007 to 2013, and on the Advisory Board of White Oak Partners, Inc., a private equity firm concentrating in real estate investments based in Columbus, Ohio, from 2013 to 2015. Mr. Jacobstein began his career as a corporate and securities lawyer. He graduated from Colgate University with a Bachelors of Arts degree and from The George Washington University Law Center with a Juris Doctor degree.

Mr. Jacobstein's experience as a senior executive and board member of a publicly traded REIT enables him to provide insight in a variety of areas affecting our operational and strategic functions, including proposed real estate investments, corporate level investments, financial matters, risk management and corporate governance. In addition, his background as a corporate and securities lawyer is valuable to our Board in its assessment of legal matters.

**Steven D. Kesler**, 65, has been a member of our Board since September 1998. Mr. Kesler has served as Chief Financial Officer for CRP (Chesapeake Realty Partners) Operations, LLC, a private company that is actively engaged in the development of residential land and the construction and operation of commercial properties and residential rental communities since 2006. He served as a Managing Director of The Casey Group, a regional consulting firm that helps clients find solutions to operating and financial management issues from 2005 to 2006. Mr. Kesler also served as the Chief Executive Officer and/or President of Constellation Investments, Inc. and the Chief Executive Officer and President of Constellation Real Estate, Inc. and Constellation Health Services, Inc. from 1998 until his retirement in 2003; all of these entities were wholly-owned indirect subsidiaries of CEG. In these roles, Mr. Kesler managed a corporate investment entity, CEG's pension plan, nuclear decommissioning trust and a portfolio of real estate assets, including assisted living facilities. Mr. Kesler currently serves as a Trustee and Chair of the Investment Committee of the Board of McDaniel College. Mr. Kesler previously served as a Director on the Boards of Atapco, Inc., a private real estate and investment company, and Ace Guaranty Corporation, a financial guaranty subsidiary of Ace, Limited, a public company. Mr. Kesler received an MBA in finance from The Wharton School at the University of Pennsylvania and previously worked in public accounting.

Mr. Kesler's executive positions at both private real estate companies and real estate subsidiaries of public companies as well as his Board service on both private and public companies adds to the value of his contributions to our Board in the areas of investment and financial oversight.

**C. Taylor Pickett**, 55, has been a member of our Board since November 2013. Since 2001, Mr. Pickett has been the Chief Executive Officer and since 2002, a member of the Board of Directors of Omega Healthcare Investors, Inc. (NYSE: OHI), a healthcare REIT that invests in healthcare facilities in the U.S. and provides lease or mortgage financing to qualified operators of skilled nursing facilities, assisted living facilities, independent living facilities and rehabilitation and acute care facilities. From 1998 to 2001, Mr. Pickett was Executive Vice President and Chief Financial Officer of Integrated Health Services, Inc., where he also held a series of executive positions in mergers and acquisitions from 1993 to 1998. From 1991 to 1993, Mr. Pickett was Vice President of Taxes for PHH Corporation and, from 1984 to 1991, he was a practicing certified public accountant with KPMG. He received his bachelor's degree in accounting from the University of Delaware and a Juris Doctor degree from the University of Maryland School of Law.

Mr. Pickett's extensive executive experience at various public companies and his financial expertise are assets to considering our strategic initiatives, capital allocation decisions and compensation matters,

## Edgar Filing: CORPORATE OFFICE PROPERTIES TRUST - Form PRE 14A

### Table of Contents

and supplement our financial oversight. In addition, his active role as a chief executive officer serves as a valuable resource for both management and the Board.

**Richard Szafranski**, 69, has been a member of our Board since August 2009. His background includes over 40 years of experience in national security and expertise in pay for performance, strategic planning, scenario planning, market assessments and business development. Formerly, he was a senior fellow and managing partner at Toffler Associates, a strategy and management consulting firm, where he provided consulting services for senior executives in U.S. Government agencies, including the U.S. intelligence community, and commercial firms in the global defense, communications and aerospace sectors. He retired from active service in the United States Air Force as a colonel in 1996. He currently serves on the Board of Directors for two privately held software companies: Expert System-USA, a semantic technology company, and Virtual Software Systems, a cybersecurity solutions provider. Mr. Szafranski served on the Boards of Directors for Ceridian Corporation from 2006 to 2007 and SBS Technologies, Inc. from 2002 to 2005, where he chaired the Compensation Committee. He has a Master of Arts in Human Resources Management from Central Michigan University and has completed executive education on corporate governance at the Harvard Business School and Robert H. Smith School of Business Directors' Institute at the University of Maryland. Mr. Szafranski has been designated a "Board Leadership Fellow" by the National Association of Corporate Directors.

Mr. Szafranski's extensive background in matters of national security positions him to contribute significantly to our core strategic initiatives. In addition, Mr. Szafranski's current and past board service and consulting service experience create a strong foundation for him to assess corporate governance initiatives and risk management matters.

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

### **Our Board of Trustees**

#### **How do we determine whether our Trustees are independent?**

We believe that in order for our Board to effectively serve in its capacity, it is important, and the NYSE mandates, that at least a majority of our Trustees be independent as defined by the applicable rules of the NYSE. Therefore, we require that a substantial majority of the Board be independent, as so defined. No Trustee will be considered independent unless the Board affirmatively determines that the Trustee has no material relationship with the Company (directly or as a partner, shareholder or officer of an organization that has a relationship with the Company). A Trustee will not be deemed independent if: (1) the Trustee is, or within the last three years, has been, employed by the Company or a member of his/her immediate family is, or within the last three years has been, an executive officer of the Company; (2) the Trustee or a member of his/her immediate family receives, or during any 12-month period within the last three years received, more than \$120,000 in direct compensation from the Company (other than Trustee and committee fees and pension or other forms of deferred compensation for prior service, provided such compensation is not contingent in any way on continued service); (3) the Trustee is a current partner or employee of the Company's internal auditors or outside independent registered public accounting firm serving as the Company's auditors, or a member of the Trustee's immediate family is a current partner of such auditors or firm, or is a current employee of such auditors or such firm and personally works on the Company's audit, or the Trustee or a member of the Trustee's immediate family was within the last three years a partner or employee of such auditors or firm and personally worked on the Company's audit during that time; (4) the Trustee or a member of his/her immediate family is, or within the last three years has been, employed as an executive officer of another entity of which any of the Company's present executive officers at the time serves or served on that other entity's compensation committee; (5) the Trustee is a current employee, or a member of his/her immediate family is a current executive officer, of another company that has made payments to, or received payments from, the Company for property or services in an amount

Table of Contents

which, in any of the last three fiscal years, exceeded the greater of \$1 million or 2% of such other company's consolidated gross revenues; or (6) the Trustee is a current executive officer or compensated employee, or an immediate family member of the Trustee is a current executive officer, of a charitable organization to which the Company has made donations in an amount which, in any of the last three fiscal years, exceeded the greater of \$1 million or 2% of such charitable organization's donations.

**Are our Trustees independent of Corporate Office Properties Trust?**

The Board has determined that each of our nominees for Trustee meets the independence guidelines described above except for Mr. Budorick, our President and Chief Executive Officer.

**What is the leadership structure of our Board of Trustees?**

Our governance documents provide the Board with flexibility to select the appropriate leadership structure for the Company. In making leadership structure determinations, the Board considers many factors, including the specific needs of our business and what is in the best interests of the Company's shareholders. Our current leadership structure is comprised of an independent Chairman of the Board separate from the Chief Executive Officer. Among other things, the Board believes that having an independent Chairman enhances the ability of non-management Trustees to raise issues and concerns for Board consideration without immediately involving management and has determined that this structure is the most appropriate structure at this time.

Under our Bylaws, the Chairman of the Board shall preside over the meetings of the Board and of the shareholders at which he or she shall be present and shall in general oversee all of the business and affairs of the Company. In the absence of the Chairman, the Chief Executive Officer shall preside over the meetings of the Trustees and of the shareholders at which he shall be present. The Chairman shall perform such other duties as may be assigned by the Trustees. The Chief Executive Officer shall have responsibility for implementation of the policies of the Company, as determined by the Board, and for the administration of the business affairs of the Company.

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

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

Trustees are expected to be present at our annual meeting of shareholders. All of our Trustees serving as Trustees at the time of the 2016 Annual Meeting of Shareholders were in attendance at the meeting.

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

The non-management Trustees meet in executive session at least annually without management. The Chairman of the Board presides at the executive sessions. The non-management Trustees may meet in executive session at any time to consider issues that they deem important to address without management present.

Table of Contents

**How are the Trustees compensated?**

Employee Trustees receive no compensation, other than their compensation as an employee, for serving on the Board or its committees.

Non-employee Trustees received the following:

- Fees, paid in cash, set forth below:

Annual Trustee fee	\$ 64,000
Annual Chair of Board fee	50,000
Annual committee chair fee	
Audit	15,000
Compensation	10,000
Investment	10,000
Nominating and Corporate Governance	10,000
Annual committee fees	
Audit	12,000
Compensation	9,500
Investment	9,000
Nominating and Corporate Governance	6,000
Fee for each Board meeting attended after first 12 per calendar year	2,000
Fee for each committee meeting attended after first 12 per calendar year (tracked for each individual committee, not on an aggregated basis)	1,500

The fees set forth above did not change from 2015. Our Trustee compensation is reviewed against market and our peers bi-annually in consultation with our external compensation consultant and no changes were made for either 2016 or 2017.

- Reimbursement for out-of-pocket expenses, such as travel and lodging costs incurred in connection with meeting attendance; and
- Annual grants of deferred shares in an award value of not more than \$82,500 (using the 15-day trailing average share price as of the grant date). Deferred shares vest on the first anniversary of the grant date, provided that the Trustee remains in his or her position. We settle deferred shares by issuing an equivalent number of common shares upon the vesting of the awards or a later date elected by the Trustee. Holders of deferred shares are entitled to receive dividends on such shares but cannot cast votes for such shares.

## Edgar Filing: CORPORATE OFFICE PROPERTIES TRUST - Form PRE 14A

### Table of Contents

The table below sets forth the total amounts of compensation earned by our non-employee Trustees during 2016:

Name of Trustee	Fees Earned (Paid in Cash)(1)	Deferred Share Awards(2)	Total
Thomas F. Brady	\$ 138,500	\$ 83,843	\$ 222,343
Robert L. Denton, Sr.	101,000	83,843	184,843
Philip L. Hawkins	92,500	83,843	176,343
Elizabeth A. Hight	79,500	83,843	163,343
David M. Jacobstein	100,000	83,843	183,843
Steven D. Kesler	85,000	83,843	168,843
C. Taylor Pickett	92,500	83,843	176,343
Richard Szafranski	82,000	83,843	165,843

(1) This column reports the amount of cash compensation earned in 2016 for Board and committee service.

(2) Represents the grant date fair value of deferred shares awarded to the Trustees in 2016. The grant-date fair value of deferred shares granted in 2016 to the non-employee Trustees was \$26.89 per share. As of December 31, 2016, the aggregate numbers of outstanding options held by non-employee Trustees were: Mr. Brady: 15,000 options; Mr. Denton: 15,000 options; Mr. Jacobstein: 5,000 options; Mr. Kesler: 15,000 options; and Mr. Szafranski: 5,000 options. See Notes 2 and 15 to our consolidated financial statements included in our Annual Report on Form 10-K for additional information regarding share-based compensation, including assumptions made in determining values for the options and deferred shares.

### **What are the committees of our Board?**

The Board has four committees: (1) the Audit Committee; (2) the Compensation Committee; (3) the Investment Committee; and (4) the Nominating and Corporate Governance Committee. Descriptions of these committees are set forth below:

The Audit Committee oversees the following for the Company:

- integrity of financial statements and other financial information provided to shareholders and the investment community;
- compliance with legal and regulatory requirements and ethical behavior;
- retention of our Independent Auditor, including oversight of its performance, qualifications and independence, approval of audit and non-audit services and input into the selection of the lead engagement partner with each rotation;
- accounting and financial reporting processes, internal control systems and the internal audit function; and
- risk management activities.

The Committee also provides an avenue for communication among our Independent Auditor, internal auditors, management and the Board.

The Compensation Committee's primary responsibilities are set forth below:

- establish and periodically review the Company's compensation philosophy and the adequacy of compensation plans and programs for executive officers and other Company employees and to make recommendations to the Board with respect to such compensation;

## Edgar Filing: CORPORATE OFFICE PROPERTIES TRUST - Form PRE 14A

### Table of Contents

- establish compensation arrangements and incentive goals (Company financial measures, business metrics and individual goals) for executive officers and to administer such compensation plans and programs;
- review and approve goals and objectives relevant to the Chief Executive Officer's compensation, evaluate the CEO's performance in light of those goals and objectives and, either as a Committee or together with the other independent Trustees (as directed by the Board), recommend to the Board for approval the CEO's compensation level based on this evaluation;
- review the performance of all other executive officers and award incentive compensation and adjust compensation arrangements as appropriate based upon performance;
- review and consider risks relating to the Company's compensation policies; and
- review compensation arrangements for Trustees and make appropriate recommendations to the Board for approval.

The Board has delegated to the Investment Committee the authority to approve various matters (acquisitions, dispositions, development/redevelopment projects, data center activity, financings, joint ventures, equity issuances and other investments) when the matters are below certain threshold amounts. However, any matters that are greater than \$75 million require the approval of the full Board.

The Nominating and Corporate Governance Committee serves the following purposes:

- recommend to the Board the structure and operations of the Board;
- identify individuals qualified to serve as Trustees and recommend that the Board select the Trustee nominees identified by the Committee for election at the next annual meeting of shareholders;
- recommend to the Board the responsibilities of each Board committee, the structure and operation of each committee and the Trustee nominees for assignment to each committee, including the recommendation of the chair for each Board committee;
- oversee the Board's annual evaluation of its performance and the performance of all Board committees;
- develop and recommend to the Board for adoption a set of Corporate Governance Guidelines applicable to the Company and periodically reviews the same; and
- review and monitor management development and succession plans and activities.

All members of the Audit, Nominating and Corporate Governance and Compensation Committees are independent Trustees and meet the applicable requirements for committee membership under the NYSE rules. The practices of the Audit, Nominating and Corporate Governance and Compensation Committees are outlined in their respective charters, which are available on our Internet website in the subsection entitled "Corporate Governance" or in print to any shareholder upon request. To the extent modifications are made to the charters, such modifications will be reflected on our Internet website.





# Edgar Filing: CORPORATE OFFICE PROPERTIES TRUST - Form PRE 14A

## Table of Contents

The committees on which Trustees served and the number of meetings held during 2016 are set forth below:

Board Member	Audit	Compensation	Investment	Nominating and Corporate Governance
Thomas F. Brady		ü	ü	ü
Robert L. Denton, Sr.	ü		ü	C
Philip L. Hawkins		ü	C	
Elizabeth A. Hight		ü		ü
David M. Jacobstein	C		ü	
Steven D. Kesler	ü		ü	
C. Taylor Pickett		C	ü	
Richard Szafranski	ü			ü
Meetings Held in 2016	11	5	4	4

C = Chairman of the Committee

ü = Member of the Committee

During 2016, the Board held four quarterly meetings. Each incumbent Trustee in 2016 attended at least 75% of the aggregate 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. In arriving at nominations, the Nominating and Corporate Governance Committee reviews with the Board the size, function, and needs of the Board and, in 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 and finance; (3) business judgment; (4) management and communication skills; (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 seeks 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 whether to recommend a Trustee for re-election, the Nominating and Corporate Governance Committee also considers the Trustee's past attendance at meetings and participation in, and contributions to, the activities of the Board and its committees.

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

## Edgar Filing: CORPORATE OFFICE PROPERTIES TRUST - Form PRE 14A

### Table of Contents

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

The Committee considers nominees recommended by the Company's common shareholders using the same criteria it employs in identifying its own nominees. Any shareholder wishing to make a recommendation should send the following information to the Chairman of the Nominating and Corporate Governance Committee, care of David L. Finch, General Counsel and Secretary, at our mailing address set 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 mailing of the Company's proxy statement for its most recent annual meeting of shareholders:

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

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

the consent of the candidate to serve as a Trustee;

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

a separate statement of the candidate's qualifications relating to 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 oversees its risk management activities primarily by:

approving the strategic direction of the Company on an annual basis;

maintaining for itself and its committees direct decision-making authority with respect to matters with significant inherent risks, including material acquisition, disposition, development and financing activities and the appointment, retention and compensation of certain members of senior management;

reviewing and discussing regular periodic reports relating to the performance of the Company and enterprise risk assessments relating 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, Investment and Nominating and Corporate Governance Committees.

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

Pursuant to its charter, the Audit Committee is responsible for the review of the Company's risk assessment and management activities, including the Company's enterprise risk management ("ERM") assessment. The Committee discharges these responsibilities by reviewing and discussing with management, the Company's internal audit and information technology functions and our Independent Auditor any significant risks or exposures faced by the Company, the steps taken to identify, minimize, monitor or control such risks or exposures and the Company's underlying policies with respect to risk assessment and risk management. The Company's information technology function reports to the Audit

## Edgar Filing: CORPORATE OFFICE PROPERTIES TRUST - Form PRE 14A

Committee, on a periodic basis, management's assessment of the cyber risks of the Company and the actions taken by the Company to mitigate those risks. Consistent with NYSE Rules, the Audit Committee also provides oversight 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 controls over financial reporting. The Company's internal audit

Table of Contents

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 Executive Officers**

Below is information with respect to our executive officers (in addition to Stephen E. Budorick, COPT's president and CEO) (sometimes referred to herein as our "executive officers" or "executives").

**Paul R. Adkins**, 58, was appointed as our Executive Vice President and Chief Operating Officer on November 28, 2016. He has overall responsibility for leasing, asset management, property management, government services and commercial development, as well as the development and execution of strategies to expand investment opportunities, predominately regarding new development at our existing Defense/IT locations. From 2011 until joining COPT, Mr. Adkins served as Principal at The JBG Companies, a privately owned real estate investment and management firm at which he was responsible for large tenant and development leasing. Before his tenure at The JBG Companies, he was Executive Vice President and Managing Director of the Washington, DC region for Grubb & Ellis Company from 2010 to 2011. Mr. Adkins also served 21 years at CarrAmerica Realty Corporation (formerly NYSE: CRE) from 1982 to 2003 in leasing, acquisitions, and private equity.

**Anthony Mifsud**, 52, has been our Executive Vice President & Chief Financial Officer since February 2015, after serving as Senior Vice President, Finance and Treasurer since January 2011 and having joined the Company in 2007 as Vice President, Financial Planning & Analysis. Prior to joining us, Mr. Mifsud served as Senior Vice President & Treasurer for Municipal Mortgage & Equity, LLC (MMA) and prior to joining MMA, was Vice President, Financial Management at Enterprise Social Investment Corporation. From 1990-2005, Mr. Mifsud held various accounting and corporate finance positions at The Rouse Company (formerly NYSE: RSE), culminating as Vice President, Finance from 1999-2005. Prior to that time, Mr. Mifsud practiced as a CPA and auditor at KPMG Peat Marwick.

Table of Contents

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

The following table shows certain information as of March 2, 2017 (unless otherwise noted) regarding the beneficial ownership of our common shares by each Trustee, each nominee for election as Trustee, each executive officer, all Trustees and executive officers as a group and each person known to us to be the beneficial owner of more than 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 below 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)	Awards Available within 60 days after March 2, 2017(3)
The Vanguard Group, Inc.(4)	14,568,420	14.7%	
BlackRock, Inc.(5)	9,531,459	9.6%	
Cohen & Steers, Inc.(6)	5,238,453	5.3%	
Thomas F. Brady	25,390	*	15,000
Robert L. Denton, Sr.(7)	311,500	*	15,000
Philip L. Hawkins	1,036	*	
Elizabeth A. Hight	12,154	*	
David M. Jacobstein	11,125	*	5,000
Steven D. Kesler	42,314	*	15,000
C. Taylor Pickett(8)	16,798	*	
Richard Szafranski	21,494	*	5,000
Stephen E. Budorick	77,571	*	
Anthony Mifsud	47,235	*	
Paul R. Adkins	20,529	*	
All Trustees and executive officers as a group (11 persons)(7)	587,146	0.6%	55,000

\*

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 shares rather than pay cash upon exchange of partnership units. Also includes shares issuable under awards held by such shareholder(s) available within 60 days after March 2, 2017, as reflected in the third column of this table.
- (2) Common shares issuable upon the conversion of units in the Operating Partnership and the exercise of options exercisable currently or within 60 days after March 2, 2017 are deemed outstanding and to be beneficially owned by the person holding such units or options for purposes of computing such person's percentage ownership, but are not deemed outstanding for the purpose of computing the percentage ownership of any other person.
- (3) Includes common shares issuable under options held by such shareholder(s) exercisable within 60 days after March 2, 2017 and deferred share awards held by such shareholder(s) with a settlement date within 60 days after March 2, 2017.
- (4) The Vanguard Group ("Vanguard") has sole voting power with respect to 178,179 shares, shared voting power with respect to 110,146 shares, sole investment power with respect to 14,406,216

## Edgar Filing: CORPORATE OFFICE PROPERTIES TRUST - Form PRE 14A

### Table of Contents

shares and shared investment power with respect to 162,204 shares. Of these shares, the Vanguard REIT Index Fund (the "Index Fund") has sole voting power over 7,195,568 shares. Vanguard and the Index Fund are 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 10, 2017 and a Schedule 13G/A filed with the Securities and Exchange Commission by the Index Fund on February 13, 2017.

- (5) BlackRock, Inc. ("BlackRock") has sole voting power with respect to 9,162,228 shares and sole investment power with respect to 9,531,459 shares. BlackRock is located at 55 East 52<sup>nd</sup> Street, New York, New York 10022. The information in this note was derived from a Schedule 13G/A filed with the Securities and Exchange Commission by BlackRock on February 8, 2017.
- (6) Cohen & Steers, Inc. ("Cohen & Steers") has sole voting power with respect to 4,266,344 shares and sole investment power with respect to 5,238,453 shares. Cohen & Steers is located at 280 Park Avenue, 10<sup>th</sup> Floor, New York, New York 10017. The information in this note was derived from a Schedule 13G filed with the Securities and Exchange Commission by Cohen & Steers on February 14, 2017.
- (7) Includes 296,500 common units in the Operating Partnership exchangeable for common shares, 90,000 (30.3% of Mr. Denton's total common unit and common share holdings) of which were pledged as security for a line of credit. In 2014, the Company adopted an anti-pledging policy and grandfathered this pre-existing pledge. The pledged shares are excluded from the computation of Mr. Denton's shares as required by our share ownership guidelines.
- (8) Includes 5,000 shares held through the C. Taylor Pickett Family Trust. Mr. Pickett does not have voting or investment power with respect to these shares.

### **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 changes in share ownership by our Trustees, officers and greater than 10% shareholders. Our Trustees, officers and greater than 10% shareholders are required by those rules to furnish us with copies of the reports of share ownership (and changes in share ownership) they file with the Securities and Exchange Commission. Based solely on our review of the copies of such reports received by us and other information provided by these parties, we believe that during the year ended December 31, 2016, 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 codes of ethics documents are available in the investor relations section of the Company's Internet website in the subsection entitled "Corporate Governance." The Company's Internet website address is [www.copt.com](http://www.copt.com). We will make available on our Internet website any future amendments or waivers to our Code of Business Conduct and Ethics and Code of Ethics for Financial Officers within four business days after any such amendments are adopted or waivers are granted. 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](mailto:ir@copt.com) or at our mailing address.

Our Code of Business Conduct and Ethics mandates that the Audit Committee must review and approve any "related party transaction," as defined by relevant SEC rules (generally, transactions involving amounts exceeding \$120,000 in which a related person has a direct or indirect material interest). In considering the transaction, the Audit Committee will consider all relevant factors,

## Edgar Filing: CORPORATE OFFICE PROPERTIES TRUST - Form PRE 14A

### Table of Contents

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 Vice President, Secretary and General Counsel. If a member of the Audit Committee is involved in the transaction, he/she will be recused from all discussions and decisions about the transaction. The transaction must be approved in advance whenever practicable, and if not practicable, must be ratified as promptly as practicable.



Table of Contents

**Proposal 2 Amendment to the Amended and Restated Declaration of Trust  
Granting Shareholders the Right to Amend the Company's Bylaws**

The Board of Trustees unanimously adopted, and now recommends for shareholder approval, a proposal to amend Article VI, Section 6.9 of the Amended and Restated Declaration of Trust to grant shareholders the right to amend the Company's bylaws (the "Declaration Amendment"). Article VI, Section 6.9 of the Amended and Restated Declaration of Trust currently provides that only the Board of Trustees has the right to adopt, amend or modify the Company's bylaws.

If the Declaration Amendment is approved by the shareholders, the shareholders will have the right, along with the Board of Trustees, to adopt amendments to the Company's Amended and Restated Bylaws (the "Amended Bylaws"). The Board of Trustees has also acted to amend the Amended Bylaws, effective upon the adoption of the Declaration Amendment to provide shareholders the right to adopt by simple majority vote amendments to the Company's Amended Bylaws (the "Bylaws Amendment").

The texts of the proposed Declaration Amendment and Bylaws Amendment are attached as ***Annex A*** to this proxy statement.

If the Declaration Amendment is approved by the shareholders, then under the provisions of the Amended Bylaws, shareholders will have the right to propose amendments or modifications to the Amended Bylaws and to approve such amendments or modifications by a simple majority of the shares entitled to vote on such proposal.

***Vote Required.*** If a quorum is present at the Annual Meeting, a vote of two-thirds of all of the common shares outstanding and entitled to vote at the Annual Meeting will be required to approve the proposal to amend the Amended and Restated Declaration of Trust to grant shareholders the right to adopt amendments to the Company's Amended Bylaws. Abstentions and broker non-votes will have the same effect as a vote against the proposal.

**The Board of Trustees recommends a vote "FOR" approval of the Amendment to the Amended and Restated Declaration of Trust to grant shareholders the right to adopt amendments or modifications to the Company's bylaws.**

**Report of the Audit Committee**

The Audit Committee of our 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 for members of audit committees. The Board has determined that Steven D. Kesler and David M. Jacobstein are each an "audit committee financial expert" as defined by the Securities and Exchange Commission. The Audit Committee adopted and the Board approved, a charter outlining the Audit Committee's practices. A copy of the charter is available in the investor relations section of the Company's Internet website in the subsection entitled "Corporate Governance." The Audit Committee's charter is also available in print to any shareholder upon request. To the extent modifications are made to the Audit Committee's charter, such modifications will be reflected on the Company's Internet website.

Management is responsible for the Company's financial statements, financial reporting process, internal control over financial reporting, compliance with legal and regulatory requirements and ethical behavior. Our Independent Auditor is responsible for expressing opinions on the conformity of the Company's consolidated financial statements with generally accepted accounting principles, the fairness of the presentation of the Company's financial statement schedules and the effectiveness of the Company's internal control over financial reporting in accordance with the Public Company Accounting Oversight Board ("PCAOB"). 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

## Edgar Filing: CORPORATE OFFICE PROPERTIES TRUST - Form PRE 14A

### Table of Contents

processes, and identifying opportunities to assist in improving the Company's operations. The role of the Audit Committee is to oversee these activities.

Management completed its evaluation of the Company's system of internal control over financial reporting pursuant to the requirements set forth in Section 404 of the Sarbanes-Oxley Act of 2002 and related regulations. The Audit Committee was kept apprised of the progress of the evaluation and provided oversight during the process. In connection with this oversight, the Committee received periodic updates provided by management and the internal audit function at each regularly scheduled Committee meeting. At the conclusion of the process, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2016 and reported its conclusion to the Audit Committee. The Committee reviewed Management's Report on Internal Control over Financial Reporting contained in the Company's and the Operating Partnership's Annual Report on Form 10-K for the year ended December 31, 2016 filed with the Securities and Exchange Commission, as well as the Independent Auditor's Report of Independent Registered Public Accounting Firm included in the Company's and the Operating Partnership'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 included in the Annual Report on Form 10-K; and (2) the effectiveness of internal control over financial reporting. The Committee continues to oversee the Company's efforts related to its internal control over financial reporting and management's preparations for the evaluation in 2017.

The Audit Committee met with the Company's accounting and financial management team, the internal audit function and the Independent Auditor to review the Company's annual and quarterly periodic filings containing 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 audit function and with the Independent Auditor, without the presence of management, to discuss their respective audits and projects.

Management represented to the Audit Committee that the Company's and the Operating Partnership's consolidated financial statements for the year ended December 31, 2016 were prepared in accordance with generally accepted accounting principles. The Audit Committee discussed with the Independent Auditor the matters required to be discussed under Statement on Auditing Standards No. 16, as amended, which addresses communication between audit committees and independent registered public accounting firms. The Audit Committee received from the Independent Auditor the written disclosures and letter required by PCAOB Rule 3526, which addresses independence discussions between auditors and audit committees. The Audit Committee also held discussions with the Independent Auditor regarding its independence from the Company and its management and considered whether Independent Auditor's provision of audit and non-audit services provided to the Company during 2016 was compatible with maintaining the firm's independence.

The Audit Committee has an established practice of requiring pre-approval of all audit and permissible non-audit services provided by the Independent Auditor. The Audit Committee must consider whether the services it is approving impair the Independent Auditor's independence. All services were approved by the Audit Committee prior to the services being rendered.

In determining whether to reappoint PricewaterhouseCoopers LLP ("PwC") as the Company's Independent Auditor, the Audit Committee took into account a number of factors, including: the length of time that PwC has been engaged; PwC's independence and objectivity; PwC's capability and expertise in handling the Company's industry, including the expertise and capability of the lead audit partner; historic and recent performance, including the extent and quality of PwC's communications with the Audit Committee, and the results of a management survey of PwC's overall performance; data related to audit quality and performance, including recent PCAOB inspection reports on the firm; and the appropriateness of PwC's fees, both on an absolute basis and as compared with its peers.

Table of Contents

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board that the Company's and the Operating Partnership's audited consolidated financial statements for the year ended December 31, 2016 be included in the Company's and the Operating Partnership's Annual Report on Form 10-K for the year ended December 31, 2016 for filing with the Securities and Exchange Commission. This report is provided by the following independent Trustees, who constitute the Audit Committee.

AUDIT COMMITTEE

David M. Jacobstein, Chair  
Robert L. Denton, Sr.  
Steven D. Kesler  
Richard Szafranski

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

**Independent Registered Public Accounting Firm**

PwC served as our Independent Auditor for the years ended December 31, 2016 and 2015. PwC also provided us 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 Auditor. As a result, our Audit Committee restricted the services for which PwC can be engaged to those services that could not impair or appear to impair PwC's independence and objectivity. In making this determination, the Audit Committee contemplates the nature of the services, the benefits that PwC performing such services brings both to the services and to their audit and PwC's proposed cost for providing such services.

The Audit Committee has procedures in place regarding the pre-approval of all services provided by PwC. Specifically, 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 previous 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 members 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 2016 were approved by the Audit Committee in accordance with this policy.

## Edgar Filing: CORPORATE OFFICE PROPERTIES TRUST - Form PRE 14A

### Table of Contents

For the years ended December 31, 2016 and 2015, we incurred the approximate fees and expenses set forth below with PwC:

	2016	2015
Audit fees(1)	\$ 1,425,216	\$ 1,247,690
Audit-related fees(2)	54,679	54,992
Tax fees(3)	244,510	230,065
Total	\$ 1,724,405	\$ 1,532,747

- 
- (1) Audit fees include fees billed for services rendered in connection with audits of (i) the Company's and the Operating Partnership's consolidated financial statements and financial schedules included in the Annual Report on Form 10-K; and (ii) the effectiveness of the Company's and the Operating Partnership's internal control over financial reporting. These fees totaled \$1,338,016 in 2016 and \$1,164,690 in 2015. Audit fees also include issuances of comfort letters on filings associated with debt issuances and 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 review of 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.
- (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 2016 and 2015.

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 a representative of PwC will be present at the 2017 Annual Meeting. The representative will have an opportunity to make a statement if he or she desires to do so and to answer appropriate questions.

Table of Contents

**Proposal 3 Ratification of the Appointment of Independent Auditor**

The Audit Committee has selected and appointed PwC as our Independent Auditor to audit our consolidated financial statements for the year ending December 31, 2017. Although ratification by shareholders is not required by law or by our Bylaws, the Audit Committee believes that submission of its selection to shareholders is a matter of good corporate governance. PwC has been our auditor since 1997 and the Audit Committee considered the factors mentioned above in determining to reappoint PwC. Even if the appointment is ratified, the Audit Committee, in its discretion, may select a different Independent Auditor at any time if the Audit Committee believes that 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 Auditor. Representatives of PwC will be present at the Annual Meeting and will have an opportunity to make a statement if such representative so desires and will have an opportunity to respond to appropriate questions by shareholders.

**The Board recommends a vote "FOR" approval of the ratification of the appointment of PricewaterhouseCoopers LLP as our Independent Auditor for the current fiscal year.**

Table of Contents

**Proposal 4 Advisory Vote on Frequency of Future  
Advisory Votes on Executive Compensation**

The Dodd-Frank Act enables our shareholders to vote to approve, on an 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 proxy 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 the proposal.**

We currently submit an advisory say-on-pay resolution to our shareholders on an annual basis, and the Board continues to believe that, of the three choices, submitting advisory say-on-pay resolutions to shareholders every year is preferable. The 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 evaluates the compensation of our named executive officers annually. Annual say-on-pay resolutions match the annual focus of this proxy statement disclosure and provide us with the clearest and most timely feedback of the three options. This feedback will be considered by the Compensation Committee in its annual decision-making process. Additionally, the administrative process of submitting an advisory say-on-pay resolution to shareholders on an annual basis has not historically imposed, and is not expected to impose in the future, any substantial additional costs on the Company.

*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 one of these alternatives, shareholders are voting to approve their chosen alternative and are not voting to approve or disapprove of the Board's recommendation. Because there are three alternatives, it is possible that none of the three alternatives will receive a majority of the votes cast. However, shareholders will still be able to communicate their preference with respect to this vote by choosing from among these three alternatives. In addition, shareholders may choose to abstain from voting on this proposal. The vote on this proposal is advisory. Although non-binding, the Board does value the opinions of our shareholders 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 proposals.

Table of Contents

**Proposal 5 Advisory Vote to Approve Executive Compensation**

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, or the Dodd-Frank Act, enables our shareholders to vote to approve, on an advisory basis, the compensation of our named executive officers as disclosed in this proxy statement in accordance with the 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 total compensation is tied directly to goal achievement; this pay for performance approach ensures that the financial interests of our executives 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 2016.

The Compensation Committee annually reviews all elements of our compensation program for named executive officers to ensure its alignment with 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 following advisory resolution:

"RESOLVED, that the compensation paid to the Company's named executive officers, as disclosed in this proxy statement pursuant to Item 402 of 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 limited to any specific item of compensation, but rather addresses the overall compensation of our named executive officers and our philosophy, policies and practices relating to their compensation as described in this proxy statement pursuant to Item 402 of Regulation S-K promulgated by the Securities and Exchange 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

**Compensation Committee Interlocks and Insider Participation**

The Compensation Committee is comprised of the four 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 it 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's and the Operating Partnership's Annual Report on Form 10-K for 2016 and the Company's 2017 proxy statement. This report is provided by the following independent Trustees, who comprise the Committee.

**COMPENSATION COMMITTEE**

C. Taylor Pickett, Chair  
Thomas F. Brady  
Philip L. Hawkins  
Elizabeth A. Hight

30

---



Table of Contents

**Compensation Discussion and Analysis**

**Executive Summary**

In 2016, our Company achieved a total shareholder return (TSR) of 48.7%, placing us:

1<sup>st</sup> of the 27 REITs in the REIT index office sector and above the median TSR which was 21.5%;

9<sup>th</sup> among the 173 publically traded REITs in the United States and outperforming the TSR of the MCSI US REIT index of 8.6%; and

1<sup>st</sup> among our proxy peer group, which had a median TSR of 25.7%.

We continued to strengthen our balance sheet and reposition our portfolio successfully in 2016, as we disposed of, or contractually committed to sell, approximately \$408 million of assets considered non-core to our strategy of owning properties in locations that support the United States Government and its contractors, most of whom engage in national security, defense and information technology related activities. We expanded strategic customer relationships and we have a defined development strategy that we believe positions the Company well to continue to deliver value to our shareholders in the coming years.

*Strong Governance Related to Executive Compensation:*

Our compensation programs are specifically designed to link executive compensation to annual financial results and TSR. Our pay for performance approach is designed to ensure that the financial interests of our executives are closely aligned with those of our shareholders by tying the majority of each executive's pay directly to the achievement of objectives. The Company's compensation structure and corporate governance policies and practices are designed to mitigate compensation-related risk without diminishing the effectiveness of the incentives provided to our executives.

**The Company's Executive  
Compensation Practices**

**Executive Compensation Practices  
the Company Does Not Engage In**

ü

**Pay for Performance:** Our CEO's compensation is tied to performance by setting clear and challenging Company goals, with the majority of total target compensation consisting of performance based components.

ü

**Multiple Performance Metrics:** We use different performance measures for short and long-term incentives, with multi-year vesting or measurement periods.