

AMERICAN PUBLIC EDUCATION INC
Form DEF 14A
April 20, 2018

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

SCHEDULE 14A

(Rule 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

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 14-(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to Section 240.14a-12

American Public Education, Inc.

(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 paid previously with preliminary materials.
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(2) Aggregate number of securities to which transaction applies:

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AMERICAN PUBLIC EDUCATION, INC.

111 W. Congress Street
Charles Town, West Virginia 25414

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

The 2018 Annual Meeting of Stockholders of American Public Education, Inc. (the Company) will be held on Friday, June 1, 2018 at 7:30 a.m. local time, at the Gaylord National Resort and Convention Center, 201 Waterfront Street, National Harbor, Maryland 20745, for the following purposes:

to elect to the Company's Board of Directors the seven nominees set forth in the accompanying proxy statement; to approve, on an advisory basis, the compensation of our named executive officers as disclosed in our Proxy Statement for the 2018 Annual Meeting; and to consider any other matters that properly come before the Annual Meeting or any adjournment or postponement thereof.

Each outstanding share of American Public Education, Inc. common stock (NASDAQ: APEI) entitles the holder of record at the close of business on April 5, 2018, to receive notice of and to vote at the Annual Meeting or any adjournment or postponement of the Annual Meeting.

We are pleased to take advantage of Securities and Exchange Commission rules that allow us to post these materials on the Internet, which enables us to provide stockholders with the information that they need more quickly, while lowering our costs of printing and delivery and reducing the environmental impact of our Annual Meeting.

WHETHER OR NOT YOU EXPECT TO ATTEND THE MEETING, WE URGE YOU TO VOTE YOUR SHARES BY INTERNET, TELEPHONE, OR BY SIGNING, DATING AND RETURNING THE PROXY CARD YOU WILL RECEIVE IF YOU REQUEST PRINTED MATERIALS. IF YOU CHOOSE TO ATTEND THE ANNUAL MEETING, YOU MAY STILL VOTE YOUR SHARES IN PERSON, EVEN THOUGH YOU HAVE PREVIOUSLY VOTED OR RETURNED YOUR PROXY BY ANY OF THE METHODS DESCRIBED IN OUR PROXY STATEMENT. IF YOUR SHARES ARE HELD IN A BANK OR BROKERAGE ACCOUNT, PLEASE REFER TO THE MATERIALS PROVIDED BY YOUR BANK OR BROKER FOR VOTING INSTRUCTIONS.

All stockholders are extended a cordial invitation to attend the meeting.

By Order of the Board of Directors

Dr. Wallace E. Boston, Jr.
President and Chief Executive Officer
April 20, 2018

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AMERICAN PUBLIC EDUCATION INC.

111 W. Congress Street
Charles Town, West Virginia 25414

PROXY STATEMENT FOR ANNUAL MEETING OF STOCKHOLDERS

To Be Held On June 1, 2018

This Proxy Statement (the Proxy Statement) and the accompanying proxy are furnished to the stockholders of American Public Education, Inc. (hereinafter, we, us, APEI and the Company) in connection with the solicitation proxies by the Board of Directors (the Board), to be voted at the Annual Meeting of Stockholders (the Annual Meeting) and at any adjournment or postponement of the Annual Meeting, which will be held at 7:30 a.m. local time on June 1, 2018, at the Gaylord National Resort and Convention Center, 201 Waterfront Street, National Harbor, Maryland 20745, for the purposes set forth in the accompanying Notice of Annual Meeting of Stockholders. The Board has made this Proxy Statement and the accompanying Notice of Annual Meeting available on the Internet at <http://phx.corporate-ir.net/phoenix.zhtml?c=214618&p=proxy>. The Company mailed a Notice of Internet Availability of Proxy Materials to each of the Company s stockholders entitled to vote at the Annual Meeting on or about April 20, 2018.

ABOUT THE ANNUAL MEETING

Purpose of the Annual Meeting

The purpose of the Annual Meeting is for our stockholders to consider and act upon the proposals described in this Proxy Statement and any other matters that properly come before the Annual Meeting or any adjournment or postponement thereof. In addition, management will report on the performance of the Company and respond to questions from stockholders.

Proposals to be Voted Upon at the Annual Meeting

At the Annual Meeting, our stockholders will be asked to consider and vote upon the following two proposals:

Proposal No. 1: To elect to the Board the seven nominees set forth in this Proxy Statement, each of whom will hold office until the next annual meeting of stockholders and until his or her successor is elected and qualified or until his or her earlier death, resignation or removal.

Proposal No. 2: To approve, on an advisory basis, the compensation of our named executive officers as disclosed in these proxy materials.

In addition, any other matters that properly come before the Annual Meeting or any adjournment or postponement thereof will be considered. Management is presently aware of no other business to come before the Annual Meeting.

Recommendation of the Board

The Board recommends that you vote FOR each of the nominees to the Board (Proposal No. 1) and FOR the approval of the compensation of our named executive officers (Proposal No. 2).

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Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting To Be Held on June 1, 2018

Pursuant to the notice and access rules adopted by the Securities and Exchange Commission (the SEC), we have elected to provide stockholders access to our proxy materials over the Internet. Accordingly, we sent a Notice of Internet Availability of Proxy Materials (the Notice) on or about April 20, 2018 to all of our stockholders as of the close of business on April 5, 2018 (the Record Date). The Notice includes instructions on how to access our proxy materials over the Internet and how to request a printed copy of these materials. In addition, by following instructions in the Notice, stockholders may request to receive proxy materials in printed form by mail or electronically by e-mail on an ongoing basis.

Choosing to receive your future proxy materials by e-mail will save the Company the cost of printing and mailing documents to you and will reduce the impact of the Company's annual meetings on the environment. If you choose to receive future proxy materials by e-mail, you will receive an e-mail next year with instructions containing a link to those materials and a link to the proxy voting site. Your election to receive proxy materials by e-mail will remain in effect until you terminate it.

Our Annual Report to Stockholders and this Proxy Statement are available at <http://phx.corporate-ir.net/phoenix.zhtml?c=214618&p=proxy>.

Voting at the Annual Meeting

Stockholders will be entitled to vote at the Annual Meeting on the basis of each share held of record at the close of business on the Record Date.

If on the Record Date you hold shares of our common stock that are represented by stock certificates or registered directly in your name with our transfer agent, American Stock Transfer & Trust Company (AST), you are considered the stockholder of record with respect to those shares, and AST is sending these proxy materials directly to you on our behalf. As a stockholder of record, you may vote in person at the meeting or by proxy. Whether or not you plan to attend the Annual Meeting in person, you may vote over the Internet by following the instructions in the Notice. If you request printed copies of the proxy materials by mail, you may also vote by signing and submitting your proxy card or by submitting your vote by telephone. Whether or not you plan to attend the Annual Meeting, we urge you to vote by way of the Internet, by telephone, or by filling out and returning the proxy card you will receive upon request of printed materials. If you submit a proxy but do not give voting instructions as to how your shares should be voted on a particular proposal at the Annual Meeting, your shares will be voted in accordance with the recommendations of the Board stated in this Proxy Statement. Any proxy given pursuant to this solicitation may be revoked by the person giving it at any time before its use by (1) delivering a written notice of revocation addressed to American Public Education, Inc., Attn: Corporate Secretary, 111 W. Congress Street, Charles Town, West Virginia 25414, (2) submitting a duly executed proxy bearing a later date, (3) voting again by Internet or by telephone, or (4) attending the Annual Meeting and voting in person. Your last vote or proxy will be the vote or proxy that is counted. Attendance at the Annual Meeting will not cause your previously granted proxy to be revoked unless you vote or specifically so request.

If on the Record Date you hold shares of our common stock in an account with a brokerage firm, bank, or other nominee, then you are a beneficial owner of the shares and hold such shares in street name, and these proxy materials will be forwarded to you by that organization. As a beneficial owner, you have the right to direct your broker, bank, or

other nominee on how to vote the shares held in their account, and the nominee has enclosed or provided voting instructions for you to use in directing it how to vote your shares. The nominee that holds your shares, however, is considered the stockholder of record for purposes of voting at the Annual Meeting. Because you are not the stockholder of record, you may not vote your shares in person at the Annual Meeting unless you bring to the Annual Meeting a letter from your broker, bank or other nominee confirming your beneficial ownership of the shares.

Whether or not you plan to attend the Annual Meeting, we urge you to vote by following the voting instructions provided to you to ensure that your vote is counted.

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If you are a beneficial owner and do not vote, and your broker, bank or other nominee does not have discretionary power to vote your shares, your unvoted shares may constitute broker non-votes. Unvoted shares that constitute broker non-votes will be counted for the purpose of establishing a quorum at the Annual Meeting. Voting results will be tabulated and certified by the inspector of elections appointed for the Annual Meeting. If you receive more than one Notice, it is because your shares are registered in more than one name or are registered in different accounts. Please follow the instructions on each Notice received to ensure that all of your shares are voted.

A list of stockholders of record as of the Record Date will be available for inspection during ordinary business hours at our offices located at 111 W. Congress Street, Charles Town, West Virginia 25414, from May 22, 2018 to the date of our Annual Meeting. The list will also be available for inspection at the Annual Meeting.

Quorum Requirement for the Annual Meeting

The presence at the Annual Meeting, whether in person or by valid proxy, of the persons holding a majority of shares of common stock outstanding on the Record Date will constitute a quorum, permitting us to conduct our business at the Annual Meeting. On the Record Date, there were 16,399,199 shares of common stock outstanding, held by 496 stockholders of record. Abstentions (i.e., if you or your broker mark **ABSTAIN** on a proxy) and broker non-votes will be considered to be shares present at the meeting for purposes of a quorum. Broker non-votes occur when shares held by a broker for a beneficial owner are not voted with respect to a particular proposal and generally occur because the broker (1) does not receive voting instructions from the beneficial owner and (2) lacks discretionary authority to vote the shares. Brokers and other nominees have discretionary authority to vote on routine matters, such as the ratification of an independent public accounting firm, for clients who have not provided voting instructions. However, without voting instructions from their clients, they cannot vote on non-routine proposals, including the election of directors and matters related to executive compensation.

Required Votes

Election of Directors. Each director will be elected by the vote of the majority of the votes cast with respect to that director's election. For purposes of electing directors, a majority of the votes cast means that the number of shares voted **FOR** a director's election exceeds the number of the votes cast against that director's election. Abstentions and broker non-votes are not taken into account in determining the outcome of the election of directors.

Advisory vote on executive compensation. The advisory vote on compensation of our named executive officers requires the affirmative vote of the holders of at least a majority of the shares of common stock present in person or represented by proxy at the Annual Meeting and entitled to vote. Broker non-votes are not taken into account in determining the outcome of this proposal, and abstentions will have the effect of a vote against this proposal.

Solicitation of Proxies

We will bear the cost of solicitation of proxies. This includes the charges and expenses of brokerage firms and others for forwarding solicitation material to beneficial owners of our outstanding common stock. We may solicit proxies by mail, personal interview, telephone or via the Internet through our officers, directors and other management employees, who will receive no additional compensation for their services.

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CORPORATE GOVERNANCE STANDARDS AND DIRECTOR INDEPENDENCE

The Board has adopted Corporate Governance Guidelines (the Guidelines), a Code of Business Conduct and Ethics (the Code of Ethics), and a Policy for Related Person Transactions as part of our corporate governance practices and in accordance with rules of the SEC and the listing standards of The NASDAQ Stock Market (NASDAQ).

Corporate Governance Matters

The Guidelines set forth a framework to assist the Board in the exercise of its responsibilities. The Guidelines cover, among other things, the composition and certain functions of the Board, director independence, stock ownership by our non-employee directors, management succession and review, Board committees, the selection of new directors, and director expectations.

The Code of Ethics covers, among other things, compliance with laws, rules and regulations, conflicts of interest, corporate opportunities, confidentiality, protection and proper use of company assets, and the reporting process for any illegal or unethical conduct. The Code of Ethics is applicable to all of our officers, directors and employees. The Code of Ethics includes provisions specifically applicable to our Chief Executive Officer, Chief Financial Officer and other Principal Officers (as defined in the Code of Ethics).

In September 2017, the Board updated and consolidated the Code of Ethics. The amended Code of Ethics is more user friendly for employees and enhances guidance for employees, officers, and directors on compliance with law and Company policy. The amended Code of Ethics did not relate to or result in any waiver, explicit or implicit, of any provision of the previous Code of Ethics.

Any waiver of the Code of Ethics for our directors, executive officers or Principal Officers may be made only by the Board and will be promptly disclosed as may be required by law, regulation, or rule of the SEC or NASDAQ listing standards. If we further amend our Code of Ethics or waive the Code of Ethics with respect to our Chief Executive Officer, Chief Financial Officer or other Principal Officers, we will post the amendment or waiver on our corporate website, which is www.americanpubliceducation.com. The information on our corporate website is not incorporated by reference into this Proxy Statement.

The Guidelines and Code of Ethics are each available in the Governance section of our corporate website. The Guidelines, Code of Ethics, and Policy for Related Person Transactions are reviewed periodically by our Nominating and Corporate Governance Committee, and changes are recommended to the Board for approval as appropriate.

Certain Relationships and Related Person Transactions

Policies and Procedures for Related Person Transactions

As a supplement to and extension of our Code of Ethics, the Board has adopted a Policy for Related Person Transactions pursuant to which our Nominating and Corporate Governance Committee, another independent committee of the Board or the full Board, must give prior consent before we may enter into a related person transaction with our executive officers, directors, nominees for director and principal stockholders, including their immediate family members and affiliates. Any request for us to enter into a related person transaction with an

executive officer, director, nominee for director, principal stockholder or any of such persons' immediate family members or affiliates must first be presented to our Nominating and Corporate Governance Committee for review, consideration and approval. A related person transaction is a transaction in which the Company is or will be a participant and in which a related person has or will have a direct or indirect material interest, other than (i) a transaction involving \$120,000 or less when aggregated with all related transactions, (ii) a transaction involving compensation to an executive officer that is approved by the Board or the Compensation Committee, (iii) a transaction involving compensation to a director or director nominee that is approved by the Board, the Compensation Committee or the Nominating and Corporate Governance Committee, and (iv) any other transaction that is not required to be reported pursuant to Item 404(a) of Regulation S-K under the Securities Exchange Act of 1934. All of our directors, executive officers and employees are required to report to our Nominating and Corporate Governance Committee any such related person transaction. In approving or rejecting the proposed

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agreement, our Nominating and Corporate Governance Committee shall consider the facts and circumstances available and deemed relevant to the Nominating and Corporate Governance Committee, including, but not limited to the risks, costs and benefits to us, the terms of the transaction, the availability of other sources for comparable services or products, and, if applicable, the impact on a director's independence. Our Nominating and Corporate Governance Committee shall approve only those agreements that, in light of known circumstances, are in, or are not inconsistent with, our best interests, as our Nominating and Corporate Governance Committee determines in the good faith exercise of its discretion. Under the policy, if we should discover related person transactions that have not been approved, the Nominating and Corporate Governance Committee will be notified and will determine the appropriate action, including ratification, rescission or amendment of the transaction.

Related Person Transactions

There were no related person transactions in 2017.

Stock Ownership Guidelines

To further align the interest of our executive officers and directors with the interests of our stockholders, and after evaluation of best practices and consultation by the Compensation Committee with Willis Towers Watson Public Limited Company (Willis Towers Watson), its independent consultant, the Board has implemented stock ownership guidelines applicable to our executive officers and directors. Each executive officer is expected to hold shares of common stock with an aggregate value greater than or equal to a multiple of the executive officer's base salary as set forth below:

the Company's Chief Executive Officer six times base salary; the Company's Executive Vice President two times base salary; and

the Company's Senior Vice Presidents one times base salary.

Each of the Company's non-employee directors is expected to hold shares of common stock with an aggregate value greater than or equal to at least three times the amount of the annual retainer paid to non-employee directors for service on the Board, excluding additional committee retainers, if any.

Under the stock ownership guidelines, common stock held directly, including shares of common stock held in a separate brokerage account or in a 401(k) account, and common stock held indirectly (*e.g.*, by a spouse, minor dependent, or a trust for the benefit of the executive or director, or the executive's or director's spouse or minor dependent), count toward satisfaction of the levels set forth in the guidelines. For purposes of the guidelines, the value of the common stock is based on the closing price of the common stock on the day on which a determination under the guidelines is being made. The determination of compliance with the guidelines is measured annually on the last business day of each year.

Our executives and non-employee directors are expected to comply with these guidelines within five years of the date the person first became an executive or non-employee director, as applicable. If an executive officer has not achieved the stock ownership level as outlined above by that date, the executive officer will be required to retain 50% of the net shares of common stock acquired pursuant to equity awards made after the adoption of the guidelines until such levels are achieved. Net shares are those shares that remain after shares are sold or withheld to pay withholding taxes and/or the exercise price of stock options (if applicable).

Restrictions on Hedging

We have adopted a policy prohibiting our directors, officers and employees from engaging in short sales, transactions in derivative securities (including put and call options), or other forms of hedging and monetization transactions, such as zero-cost collars, equity swaps, exchange funds and forward sale contracts, that allow the holder to limit or eliminate the risk of a decrease in the value of our securities. We have adopted this policy in order to align the interests and objectives of individuals subject to the policy with those of our stockholders.

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Restrictions on Pledging

We have adopted a policy prohibiting our directors and officers from holding our securities in margin accounts, pledging our securities as collateral or maintaining an automatic rebalance feature in savings plans, deferred compensation or deferred fee plans. This prohibition is to avoid sales of our securities on behalf of an individual related to margin calls, loan defaults and automatic rebalances, which may occur when the individual has material nonpublic information regarding the Company.

Board Independence and Leadership Structure

The Board believes, and our Guidelines require, that a substantial majority of its members should be independent directors. In addition, the respective charters of the Audit, Compensation and Nominating and Corporate Governance Committees currently require that each member of such committees be independent directors. Consistent with NASDAQ's independence criteria, the Board has affirmatively determined that all of our directors are independent, with the exception of Dr. Boston, who is our President and Chief Executive Officer. NASDAQ's independence criteria includes a series of objective tests, such as that the director is not an employee of the Company and has not engaged in various types of business dealings with us. In addition, as further required by NASDAQ rules, the Board has made a subjective determination as to each independent director that no relationship exists that, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. In making these determinations, the Board reviewed and discussed information provided by the directors and management with regard to each director's business and personal activities as they may relate to us and our management.

In accordance with our Guidelines, the independent members of the Board will hold at least two executive session meetings each year. If the Chairperson of the Board is not an independent director, an independent chairperson will be selected for each executive session. In general, these meetings are intended to be used as a forum to discuss the annual evaluation of the Chief Executive Officer's performance, the annual review of the Chief Executive Officer's plan for management succession and such other topics as the independent directors deem necessary or appropriate.

Our Guidelines specify that the Board shall select its Chairperson based on the Board's determination of what is then in the best interests of the Company. Historically, the Company has split the positions of the Chairperson of the Board and Chief Executive Officer because we believe that this structure is appropriate given the differences between the two roles in our management structure. Our Chief Executive Officer, among other duties, is responsible for implementing the strategic direction for the Company and for the day-to-day leadership and performance of the Company, while the Chairperson of the Board, among other responsibilities, provides guidance to the Chief Executive Officer, and presides over meetings of the full Board. Currently, Dr. Boston serves as our Chief Executive Officer and MG (Ret) Fast serves as the Chairperson of the Board.

Board's Role in Risk Oversight

Our management is responsible for managing risks in our business, including by developing processes to monitor and control risks. The Board views its role as one of oversight and of responsibility for setting a tone that risk management should be properly integrated with our strategy and culture. The Board focuses on understanding management's risk management processes, the effectiveness of those processes and the way in which management proactively manages risks. The Board regularly meets with our management, particularly our Chief Executive Officer, Chief Financial Officer and our General Counsel to receive updates on how management is assessing and managing risk in particular contractual amounts to be received pursuant to the acquired leases (using a discount rate that reflects the risks

associated with the acquired leases) and the Company's estimate of the market lease rates measured over a period equal to the remaining term of the leases plus the term of any below-market fixed rate renewal options. The above and below-market lease values are amortized to rental revenues over the remaining initial term plus the term of any below-market fixed rate renewal options that are considered bargain renewal options of the respective leases. The total net impact to rental revenues due to the amortization of above and below-market leases was a net increase of approximately \$0.2 million and \$0.1 million, respectively, for the three months ended March 31, 2014 and 2013. The origination value of in-place leases is based on costs to execute similar leases including commissions and other related costs. The origination value of in-place leases also includes real estate taxes, insurance and an estimate of lost rental revenue at market rates during the estimated time required to lease up the property from vacant to the occupancy level at the date of acquisition. The remaining weighted average lease term related to these intangible assets and liabilities as of March 31, 2014 is 3.6 years. As of March 31, 2014 and December 31, 2013, the Company's intangible assets and liabilities consisted of the following (dollars in thousands):

	March 31, 2014			December 31, 2013		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
In-place leases	\$ 30,695	\$ (12,612)	\$ 18,083	\$ 28,601	\$ (10,886)	\$ 17,715
Above-market leases	\$ 3,492	\$ (2,107)	\$ 1,385	\$ 3,492	\$ (1,922)	\$ 1,570
Below-market leases	\$ (6,138)	\$ 2,283	\$ (3,855)	\$ (5,860)	\$ 1,871	\$ (3,989)

Depreciation and Useful Lives of Real Estate and Intangible Assets. Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the related assets or liabilities. The following table reflects the standard depreciable lives typically used to compute depreciation and amortization. However, such depreciable lives may be different based on the estimated useful life of such assets or liabilities.

Description	Standard Depreciable Life
Land	Not depreciated
Building	40 years
Building Improvements	5-40 years
Tenant Improvements	Shorter of lease term or useful life
Leasing Costs	Lease term
In-place leases	Lease term
Above/Below Market Leases	Lease term

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Discontinued Operations. Effective January 1, 2014, the Company adopted Accounting Standards Update 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant and Equipment (Topic 360), Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. See footnote 5 for further discussion. Prior to January 1, 2014, the Company separately reported as discontinued operations the historical operating results attributable to properties sold or held for sale and the applicable gain or loss on the disposition of the properties. Although this application may affect the presentation of the Company's results of operations for the periods that it has already reported, there will be no effect on its previously reported consolidated financial position, net income (loss) or cash flows.

Cash and Cash Equivalents. Cash and cash equivalents is comprised of cash held in a major banking institution and other highly liquid short-term investments with original maturities of three months or less. Cash equivalents are generally invested in U.S. government securities, government agency securities or money market accounts.

Restricted Cash. Restricted cash includes cash held in escrow in connection with property acquisitions and reserves for certain capital improvements, leasing, interest and real estate tax and insurance payments as required by certain mortgage loan obligations.

Revenue Recognition. The Company records rental revenue from operating leases on a straight-line basis over the term of the leases and maintains an allowance for estimated losses that may result from the inability of its tenants to make required payments. If tenants fail to make contractual lease payments that are greater than the Company's allowance for doubtful accounts, security deposits and letters of credit, then the Company may have to recognize additional doubtful account charges in future periods. The Company monitors the liquidity and creditworthiness of its tenants on an on-going basis by reviewing their financial condition periodically as appropriate. Each period the Company reviews its outstanding accounts receivable, including straight-line rents, for doubtful accounts and provides allowances as needed. The Company also records lease termination fees when a tenant has executed a definitive termination agreement with the Company and the payment of the termination fee is not subject to any conditions that must be met or waived before the fee is due to the Company. If a tenant remains in the leased space following the execution of a definitive termination agreement, the applicable termination will be deferred and recognized over the term of such tenant's occupancy.

Tenant expense reimbursement income includes payments and amounts due from tenants pursuant to their leases for real estate taxes, insurance and other recoverable property operating expenses and is recognized as revenues during the same period the related expenses are incurred.

As of March 31, 2014 and December 31, 2013, approximately \$8.8 million and \$7.2 million, respectively, of straight-line rent and accounts receivable, net of allowances were included as a component of other assets in the accompanying consolidated balance sheets.

Deferred Financing Costs. Costs incurred in connection with financings are capitalized and amortized to interest expense using the effective interest method over the term of the related loan. Deferred financing costs in the accompanying consolidated balance sheets are shown at cost, net of accumulated amortization of approximately \$2.1 million and \$1.9 million as of March 31, 2014 and December 31, 2013, respectively.

Mortgage Premiums. Mortgage premiums represent the excess of the fair value of debt assumed over the principal value of debt assumed in connection with property acquisitions. The mortgage premiums are being amortized to interest expense over the term of the related debt instrument using the effective interest method. As of both March 31, 2014 and December 31, 2013, the net unamortized mortgage premiums were approximately \$0.6 million, and were included as a component of mortgage loans payable on the accompanying consolidated balance sheets.

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Income Taxes. The Company elected to be taxed as a REIT under the Code and operates as such beginning with its taxable year ended December 31, 2010. To qualify as a REIT, the Company must meet certain organizational and operational requirements, including a requirement to distribute at least 90% of its annual REIT taxable income to its stockholders (which is computed without regard to the dividends paid deduction or net capital gain and which does not necessarily equal net income as calculated in accordance with GAAP). As a REIT, the Company generally will not be subject to federal income tax to the extent it distributes qualifying dividends to its stockholders. If it fails to qualify as a REIT in any taxable year, it will be subject to federal income tax on its taxable income at regular corporate income tax rates and generally will not be permitted to qualify for treatment as a REIT for federal income tax purposes for the four taxable years following the year during which qualification is lost unless the IRS grants it relief under certain statutory provisions. Such an event could materially adversely affect the Company's net income and net cash available for distribution to stockholders. However, the Company believes it is organized and operates in such a manner as to qualify for treatment as a REIT.

ASC 740-10, *Income Taxes*, provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. ASC 740-10 requires the evaluation of tax positions taken in the course of preparing the Company's tax returns to determine whether the tax positions are more-likely-than-not of being sustained by the applicable tax authority. Tax benefits of positions not deemed to meet the more-likely-than-not threshold are recorded as a tax expense in the current year. As of March 31, 2014 and December 31, 2013, the Company did not have any unrecognized tax benefits and does not believe that there will be any material changes in unrecognized tax positions over the next 12 months. The Company's tax returns are subject to examination by federal, state and local tax jurisdictions beginning with the 2010 calendar year.

Stock-Based Compensation and Other Long-Term Incentive Compensation. The Company follows the provisions of ASC 718, *Compensation-Stock Compensation*, to account for its stock-based compensation plan, which requires that the compensation cost relating to stock-based payment transactions be recognized in the financial statements and that the cost be measured on the fair value of the equity or liability instruments issued. The Company has adopted the 2010 Equity Incentive Plan, which provides for the grant of restricted stock awards, performance share awards, unrestricted shares or any combination of the foregoing. Stock-based compensation is recognized as a general and administrative expense in the accompanying consolidated statements of operations and measured at the fair value of the award on the date of grant. The Company estimates the forfeiture rate based on historical experience as well as expected behavior. The amount of the expense may be subject to adjustment in future periods depending on the specific characteristics of the stock-based award.

In addition, the Company has awarded long-term incentive target awards (the LTIP awards) to its executives that may be payable in shares of the Company's common stock after the conclusion of each pre-established performance measurement period. The amount that may be earned under the LTIP awards is variable depending on the relative total shareholder return of the Company's common stock as compared to the total shareholder return of the MSCI U.S. REIT Index and the FTSE NAREIT Equity Industrial Index over the pre-established performance measurement period. The Company estimates the fair value of the LTIP awards using a Monte Carlo simulation model on the date of grant and at each reporting period. The LTIP awards are recognized as compensation expense over the requisite performance period based on the fair value of the LTIP awards at the balance sheet date.

Fair Value of Financial Instruments. ASC 820, *Fair Value Measurements and Disclosures*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 also provides guidance for using fair value to measure financial assets and liabilities. ASC 820 requires disclosure of the level within the fair value hierarchy in which the fair value measurements fall, including measurements using quoted prices in active markets for identical assets or liabilities (Level 1), quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments

in markets that are not active (Level 2), and significant valuation assumptions that are not readily observable in the market (Level 3).

As of March 31, 2014 and December 31, 2013, the fair values of cash and cash equivalents and accounts payable approximated their carrying values because of the short-term nature of these investments or liabilities based on Level 1 inputs. As of March 31, 2014 and December 31, 2013, based on borrowing rates available to the Company, which are Level 2 inputs, the estimated fair values of the mortgage loans payable were approximately \$103.8 million and \$107.7 million, respectively.

Segment Disclosure. ASC 280, *Segment Reporting*, establishes standards for reporting financial and descriptive information about an enterprise's reportable segment. The Company has determined that it has one reportable segment, with activities related to investing in real estate. The Company's investments in real estate are geographically diversified and the chief operating decision makers evaluate operating performance on an individual asset level. As each of the Company's assets has similar economic characteristics, the assets have been aggregated into one reportable segment.

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Note 3. Concentration of Credit Risk

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash and cash equivalents. The Company may maintain deposits in federally insured financial institutions in excess of federally insured limits. However, the Company's management believes the Company is not exposed to significant credit risk due to the financial position of the depository institutions in which those deposits are held.

As of March 31, 2014, the Company owned 37 buildings and 2.3 million square feet located in Northern New Jersey/New York City, which accounted for approximately 34.4% of its annualized base rent, which is based on contractual base rent from leases in effect as of March 31, 2014, excluding any partial or full rent abatements.

Other real estate companies compete with the Company in its real estate markets. This results in competition for tenants to occupy space. The existence of competing properties could have a material impact on the Company's ability to lease space and on the level of rent that can be achieved. The Company had no tenants that accounted for greater than 10% of the rental revenues for the three months ended March 31, 2014.

Note 4. Investments in Real Estate

During the three months ended March 31, 2014, the Company acquired three industrial buildings containing 318,822 square feet, including the assumption of a mortgage loan with a total principal amount of approximately \$2.8 million with a fixed interest rate of 5.09% that matures in August 2015. The total aggregate initial investment was approximately \$33.9 million, of which \$11.5 million was recorded to land, \$20.3 million to buildings and improvements, \$2.1 million to intangible assets and \$0.3 million to intangible liabilities.

The Company recorded revenues and net income for the three months ended March 31, 2014 of approximately \$0.1 million and \$16,000, respectively, related to the 2014 acquisitions.

During the three months ended March 31, 2013, the Company acquired two industrial buildings containing 117,867 square feet. The total aggregate initial investment was approximately \$11.9 million, of which \$5.3 million was recorded to land, \$6.1 million to buildings and improvements, \$0.5 million to intangible assets and \$0.4 million to intangible liabilities.

The Company recorded revenues and net income for the three months ended March 31, 2013 of approximately \$0.1 million and \$33,000, respectively, related to the 2013 acquisitions.

The above assets and liabilities were recorded at fair value, which uses Level 3 inputs. The properties were acquired from unrelated third parties using existing cash on hand and borrowings under the credit facility and were accounted for as business combinations.

Pro Forma Financial Information:

The following supplementary pro forma financial information presents the results of operations of the Company for the three months ended March 31, 2014 and 2013 as if all of the Company's acquisitions during the three months ended March 31, 2014 occurred on January 1, 2013. The following pro forma results for the three months ended March 31, 2014 and 2013 have been presented for comparative purposes only and are not necessarily indicative of the results of operations that would have actually occurred had all transactions taken place on January 1, 2013, or of future results of operations (dollars in thousands, except per share data).

*For the Three Months Ended
March 31,
2014 2013
(Unaudited)*

Total revenues	\$ 16,172	\$ 10,489
Net and comprehensive income available to common stockholders, net of preferred stock dividends	1,353	(1,381)
Basic and diluted net income available to common stockholders per share, net of preferred stock dividends	\$ 0.05	\$ (0.09)

Table of Contents**Note 5. Discontinued Operations**

The Company separately reported as discontinued operations the historical operating results attributable to properties sold prior to January 1, 2014 and the applicable gain or loss on the disposition of the properties. Although this application may affect the presentation prior to January 1, 2014 of the Company's results of operations for the periods that it has already reported, there will be no effect on its previously reported consolidated financial position, net income (loss) or cash flows.

In April 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360), Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity, which amends the requirements for reporting discontinued operations. Under ASU 2014-08, a disposal of a component of an entity or a group of components of an entity is required to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results when the component or group of components meets the criteria to be classified as held for sale or when the component or group of components is disposed of by sale or other than by sale. In addition, this ASU requires additional disclosures about both discontinued operations and the disposal of an individually significant component of an entity that does not qualify for discontinued operations presentation in the financial statements. The Company has adopted the provisions of ASU 2014-08 beginning with the interim period beginning January 1, 2014 and will apply the provisions prospectively.

The following summarizes the condensed results of operations of the property sold in 2013 for the three months ended March 31, 2014 and 2013 (dollars in thousands):

	<i>For the Three Months Ended</i>	
	<i>March 31,</i>	
	<i>2014</i>	<i>2013</i>
Rental revenues	\$	\$ 361
Tenant expense reimbursements		97
Property operating expenses		(147)
Depreciation and amortization		(101)
Income from discontinued operations	\$	\$ 210

Note 6. Debt

The Company has a Second Amended and Restated Senior Credit Agreement (the Facility) which includes a five-year \$50.0 million term loan (the Term Loan) and a \$100.0 million revolving credit facility. The five-year \$50.0 million Term Loan maturity date under the Facility is January 16, 2018 and the maturity date of the revolving credit facility under the Facility is January 2016, with one 12-month extension option exercisable by the Company, subject, among other things, to there being an absence of an event of default under the Facility and to the payment of an extension fee. The aggregate amount of the Facility may be increased to a total of up to \$300.0 million, subject to the approval of the administrative agent and the identification of lenders willing to make available additional amounts. Outstanding borrowings under the Facility are limited to the lesser of (i) the sum of the \$100.0 million revolving credit facility and the \$50.0 million Term Loan amount or (ii) 60.0% of the value of the borrowing base properties. The Facility is secured by a pledge of the borrower's equity interests in the subsidiaries that hold each of the borrowing base

properties. Interest on the Facility, including the Term Loan, is generally to be paid based upon, at the Company's option, either (i) LIBOR plus the applicable LIBOR margin or (ii) the applicable base rate which is the greater of the administrative agent's prime rate plus 1.00%, 0.50% above the federal funds effective rate, or thirty-day LIBOR plus the applicable LIBOR margin for LIBOR rate loans under the Facility. The applicable LIBOR margin will range from 1.65% to 2.65% (1.65% as of March 31, 2014), depending on the ratio of the Company's outstanding consolidated indebtedness to the value of the Company's consolidated gross asset value. The Facility requires quarterly payments of an annual unused facility fee in an amount equal to 0.25% or 0.35% depending on the unused portion of the Facility.

The Facility is guaranteed by the Company and by substantially all of the borrower's current and to-be-formed subsidiaries that own a borrowing base property. The Facility includes a series of financial and other covenants that the Company must comply with in order to borrow under the Facility. As of March 31, 2014, there were \$67.5 million of borrowings outstanding on the revolving credit facility and \$50.0 million of borrowings outstanding on the Term Loan, under the Facility and 24 properties were in the borrowing base. As of December 31, 2013, there were \$31.0 million of borrowings outstanding on the revolving credit facility and \$50.0 million of borrowings outstanding on the Term Loan, under the Facility and 19 properties were in the borrowing base. The Company was in compliance with the covenants under the Facility at March 31, 2014 and December 31, 2013.

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The mortgage loans payable are collateralized by certain of the properties and require monthly interest and principal payments until maturity and are generally non-recourse. The mortgage loans mature between 2014 and 2021. As of March 31, 2014, the Company had nine mortgage loans payable totaling approximately \$104.4 million, which bear interest at a weighted average fixed annual rate of 4.5%. As of December 31, 2013 the Company had nine mortgage loans payable totaling approximately \$108.3 million, which bore interest at a weighted average fixed annual interest rate of 4.5%. As of March 31, 2014 and December 31, 2013, the total net investment book value of the properties securing the debt was \$211.7 million and \$218.0 million, respectively.

During the three months ended March 31, 2014 and 2013, the Company capitalized approximately \$0.3 million and \$0.1 million, respectively of interest associated with redevelopment and expansion activities.

The scheduled principal payments of the Company's debt as of March 31, 2014 were as follows (dollars in thousands):

	Credit Facility	Term Loan	Mortgage Loans Payable	Total Debt
2014 (9 months)	\$	\$	\$ 5,599	\$ 5,599
2015			24,585	24,585
2016	67,500		6,649	74,149
2017			1,916	1,916
2018		50,000	1,910	51,910
Thereafter			63,153	63,153
Subtotal	67,500	50,000	103,812	221,312
Unamortized net premiums			572	572
Total Debt	\$ 67,500	\$ 50,000	\$ 104,384	\$ 221,884
Weighted Average Interest Rate	2.1%	1.8%	4.5%	3.1%

Note 7. Stockholders Equity

The Company's authorized capital stock consists of 400,000,000 shares of common stock, \$0.01 par value per share, and 100,000,000 shares of preferred stock, \$0.01 par value per share. On February 28, 2014, the Company established an at-the-market equity offering program (the ATM Program) pursuant to which the Company may issue and sell shares of its common stock having an aggregate offering price of up to \$100,000,000 in amounts and at times to be determined by the Company from time to time. Actual sales, if any, will depend on a variety of factors to be determined by the Company from time to time, including, among others, market conditions, the trading price of the Company's common stock, determinations by the Company of the appropriate sources of funding for the Company and potential uses of funding available to the Company. The Company intends to use the net proceeds from the offering of the shares under the ATM Program, if any, for general corporate purposes, which may include future acquisitions and repayment of indebtedness, including borrowings under the Facility. During the three months ended March 31, 2014, the Company did not issue any shares of common stock under the ATM Program.

On July 11, 2013, the Company completed a public follow-on offering of 5,750,000 shares of its common stock at a price per share of \$18.25 including 43,250 shares that were sold in the offering to the Company's executive and senior

officers and members of the board of directors. No underwriting discount or commission was paid on the shares sold to such officers and directors. The net proceeds of the follow-on offering were approximately \$99.9 million after deducting the underwriting discount and offering costs of approximately \$5.0 million. The Company used approximately \$6.5 million of the net proceeds to repay outstanding borrowings under the Facility and the remaining net proceeds to acquire industrial properties and for general business purposes. On February 19, 2013, the Company completed a public follow-on offering of 5,750,000 shares of its common stock at a price per share of \$16.60 including 90,325 shares that were sold in the offering to the Company's executive and senior officers and members of the board of directors. No underwriting discount or commission was paid on the shares sold to such officers and directors. The net proceeds of the follow-on offering were approximately \$90.8 million after deducting the underwriting discount and offering costs of approximately \$4.6 million. The Company used approximately \$65.4 million of the net proceeds to repay outstanding borrowings under the revolving credit facility and the

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remaining net proceeds to invest in industrial properties and for general business purposes. As of March 31, 2014, 25,028,649 shares of common stock were issued and outstanding, including 157,357 non-vested restricted stock awards. As of December 31, 2013, 24,990,120 shares of common stock were issued and outstanding, including 156,568 non-vested restricted stock awards.

In connection with the annual meeting of stockholders on May 7, 2013, the Company granted a total of 15,793 shares of unrestricted common stock to its independent directors under the Company's 2010 Equity Incentive Plan with a grant date fair value per share of \$19.00. The grant date fair value of the unrestricted common stock was determined using the closing price of the Company's common stock on the date of the grant. The Company recognized approximately \$0.3 million in compensation costs for the year ended December 31, 2013 related to this issuance.

As of March 31, 2014 and December 31, 2013, 1,840,000 shares of 7.75% Series A Cumulative Redeemable Preferred Stock (the Series A Preferred Stock) were issued and outstanding. Dividends on the Series A Preferred Stock are payable when, as and if authorized by the Company's board of directors quarterly in arrears on or about the last day of March, June, September and December of each year. The Series A Preferred Stock ranks, with respect to dividend rights and rights upon the Company's liquidation, dissolution or winding-up, senior to the Company's common stock.

Generally, the Company may not redeem the Series A Preferred Stock prior to July 19, 2017, except in limited circumstances relating to the Company's ability to qualify as a REIT, and pursuant to a special optional redemption related to a specified change of control (as defined in the articles supplementary for the Series A Preferred Stock). On and after July 19, 2017, the Company may, at its option, redeem the Series A Preferred Stock, in whole or in part, at any time or from time to time, for cash at a redemption price of \$25.00 per share, plus any accrued and unpaid dividends (whether or not authorized or declared) up to but excluding the redemption date.

As of March 31, 2014, there were 455,000 shares of common stock authorized for issuance as restricted stock grants, unrestricted stock awards or LTIP awards under the Company's 2010 Equity Incentive Plan, of which 70,980 were remaining to be issued. The grant date fair value per share of restricted stock awards issued during the period from February 16, 2010 (commencement of operations) to March 31, 2014 ranged from \$14.20 to \$20.00. The grant date fair value of the restricted stock was determined using the initial public offering price of \$20.00 for grants issued on February 16, 2010 (commencement of operations) and for all grants issued after the commencement of operations, the Company uses the closing price of the Company's common stock on the date of grant. The fair value of the restricted stock that was granted during the three months ended March 31, 2014 was \$1.0 million and the vesting period for the restricted stock is five years. As of March 31, 2014, the Company had approximately \$2.7 million of total unrecognized compensation costs related to restricted stock issuances, which is expected to be recognized over a remaining weighted average period of approximately 3.4 years. The Company recognized compensation costs of approximately \$0.3 million and \$0.2 million for the three months ended March 31, 2014 and 2013, respectively, related to the restricted stock issuances. The following is a summary of the total restricted shares granted to the Company's executive officers and employees with the related weighted average grant date fair value share prices for the three months ended March 31, 2014.

Restricted Stock Activity:

	Weighted Average Shares Grant Date Fair Value	
Non-vested shares outstanding as of December 31, 2013	156,568	17.43
Granted	51,146	18.38

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Forfeited	(12,617)	18.33
Vested	(37,740)	18.33
Non-vested shares outstanding as of March 31, 2014	157,357	\$ 17.45

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The following is a vesting schedule of the total non-vested shares of restricted stock outstanding as of March 31, 2014:

Non-vested Shares Vesting Schedule	Number of Shares
2014 (9 months)	870
2015	61,103
2016	35,198
2017	29,531
2018	20,158
Thereafter	10,497
Total Non-vested Shares	157,357

Long-Term Incentive Plan:

As of March 31, 2014, there are three open performance measurement periods for the LTIP awards: January 1, 2012 to December 31, 2014, January 1, 2013 to December 31, 2015 and January 1, 2014 to December 31, 2016. The LTIP awards related to the performance measurement periods from February 16, 2010 to December 31, 2013 resulted in no compensation expense as the compensation committee determined that the Company's total shareholder return did not exceed the applicable metrics during the performance measurement period. The Company recorded compensation costs of approximately \$0.3 million and \$0.2 million, respectively, for the three months ended March 31, 2014 and 2013 related to the LTIP awards.

Dividends:

The following table sets forth the cash dividends paid or payable per share during the three months ended March 31, 2014:

For the Three Months Ended	Security	Dividend per Share	Declaration Date	Record Date	Date Paid
March 31, 2014	Common stock	\$ 0.130000	February 19, 2014	April 7, 2014	April 21, 2014
March 31, 2014	Preferred stock	\$ 0.484375	February 19, 2014	March 10, 2014	March 31, 2014

Note 8. Net Income (Loss) Per Share

Pursuant to ASC 260-10-45, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities*, unvested share-based payment awards that contain non-forfeitable rights to dividends are participating securities and are included in the computation of earnings per share pursuant to the two-class method.

The two-class method of computing earnings per share allocates earnings per share for common stock and any participating securities according to dividends declared (whether paid or unpaid) and participation rights in undistributed earnings. Under the two-class method, earnings per common share are computed by dividing the sum of distributed earnings to common stockholders and undistributed earnings allocated to common stockholders by the weighted average number of common shares outstanding for the period. The Company's non-vested shares of restricted stock are considered participating securities since these share-based awards contain non-forfeitable rights to

dividends irrespective of whether the awards ultimately vest or expire. The Company had no dilutive restricted stock awards outstanding for both the three months ended March 31, 2014 and 2013.

In accordance with the Company's policies of determining whether instruments granted in share-based payment transactions are participating securities and accounting for earnings per share, the net and comprehensive income (loss) per common share is adjusted for earnings distributed through declared dividends (if any) and allocated to all participating securities (weighted average common shares outstanding and unvested restricted shares outstanding) under the two-class method. Under this method, allocations were made to 157,957 and 0 of weighted average unvested restricted shares outstanding for the three months ended March 31, 2014 and 2013, respectively.

Table of Contents**Note 9. Commitments and Contingencies**

Contractual Commitments. As of May 12, 2014, the Company had five outstanding contracts with third-party sellers to acquire five industrial properties consisting of 494,726 square feet. There is no assurance that the Company will acquire the properties under contract because the proposed acquisitions are subject to the completion of satisfactory due diligence, various closing conditions and with respect to one of the properties, the consent of the mortgage lender. The following table summarizes certain information with respect to the properties the Company has under contract¹:

Market	Number of Buildings	Square Feet	Purchase Price (in thousands)	Assumed Debt (in thousands)
Los Angeles	2	113,497	\$ 11,835	\$
Northern New Jersey/New York City				
San Francisco Bay Area	3	129,279	13,328	
Seattle	1	113,170	10,025	5,813
Miami				
Washington, D.C./Baltimore	1	138,780	18,050	
Total	7	494,726	\$ 53,238	\$ 5,813

¹ Excludes unfunded capital commitments of \$7.5 million to expand an existing 413,000 square foot facility by approximately 190,000 square feet.

As of May 12, 2014, the Company has executed four non-binding letters of intent with third-party sellers to acquire four industrial properties consisting of 255,070 square feet. The total purchase price for these industrial properties is approximately \$27.8 million. In the normal course of its business, the Company enters into non-binding letters of intent to purchase properties from third parties that may obligate the Company to make payments or perform other obligations upon the occurrence of certain events, including the execution of a purchase and sale agreement and satisfactory completion of various due diligence matters. There can be no assurance that the Company will enter into purchase and sale agreements with respect to these properties or otherwise complete any such prospective purchases on the terms described or at all.

Note 10. Subsequent Events

On April 22, 2014, the Company acquired one industrial building located in Inglewood, California containing 19,326 square feet for a total purchase price of approximately \$3.5 million. The property was acquired from an unrelated third party using existing cash on hand.

On May 8, 2014, the Company entered into a Third Amended and Restated Senior Credit Agreement (the Amended Facility) with KeyBank National Association, as administrative agent and as a lender, KeyBanc Capital Markets, as a lead arranger and PNC Bank, National Association, Union Bank, N.A. and Regions Bank as lenders (collectively the Lenders) to, among other matters, add a seven-year \$50.0 million term loan to the existing \$150.0 million Facility, which included a \$100.0 million revolving credit facility and a \$50.0 million term loan. The seven-year \$50.0 million term loan maturity date under the Facility is May 7, 2021 and the Company will have up to six months to borrow the full \$50.0 million. The five-year \$50.0 million term loan maturity date under the Amended Facility was extended to

May 7, 2019 (previously January 16, 2019) and the maturity date of the revolving credit facility was extended to May 7, 2018 (previously January 2016) with one 12-month extension option exercisable by the Company, subject, among other things, to there being an absence of an event of default under the Amended Facility and to the payment of an extension fee. The aggregate amount of the Amended Facility may be increased to a total of up to \$500.0 million, subject to the approval of the administrative agent and the identification of lenders willing to make available additional amounts. Outstanding borrowings under the Amended Facility are limited to the lesser of (i) the sum of the \$100.0 million revolving credit facility, the \$50.0 million five-year term loan and the \$50.0 million seven-year term loan or (ii) 60.0% of the value of the unencumbered properties. Interest on the Amended Facility, including the five-year and seven-year term loans, is generally to be paid based upon, at the Company's option, either (i) LIBOR plus the applicable LIBOR margin or (ii) the applicable base rate which is the greatest of the administrative agent's prime rate 0.50% above the federal funds effective rate, or thirty-day LIBOR plus the applicable LIBOR margin for LIBOR rate loans under the Amended Facility plus 1.25%. The applicable LIBOR margin will range from 1.50% to 2.05% for the revolving credit facility and the five-year term loan (previously 1.65% to 2.65%) and 1.75% to 2.30% for the seven-year term loan, depending on the ratio of the Company's outstanding consolidated indebtedness to the value of the Company's consolidated gross asset value. The Amended Facility requires quarterly payments of an annual unused facility fee in an amount equal to 0.20% or 0.25% depending on the unused portion of the Amended Facility. The Amended Facility is guaranteed by the Company and by substantially all of the current and to-be-formed subsidiaries of the borrower (a wholly-owned subsidiary of the Company) that own an unencumbered property. The Amended Facility has been modified to be unsecured by the Company's properties or by equity interests in the subsidiaries that hold such properties. The Amended Facility includes a series of financial and other covenants that the Company must comply with in order to borrow under the Amended Facility.

On May 9, 2014, the Company's board of directors declared a cash dividend in the amount of \$0.14 per share of its common stock payable on July 21, 2014 to the stockholders of record as of the close of business on July 7, 2014.

On May 9, 2014, the Company's board of directors declared a cash dividend in the amount of \$0.484375 per share of its Series A Preferred Stock payable on June 30, 2014 to the preferred stockholders of record as of the close of business on June 11, 2014.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended (the Securities Act) and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). We caution investors that forward-looking statements are based on management's beliefs and on assumptions made by, and information currently available to, management. When used, the words anticipate, believe, estimate, expect, intend, may, might, project, result, should, will, seek, target, see, likely, position, opportunity and similar expressions solely to historical matters are intended to identify forward-looking statements. These statements are subject to risks, uncertainties, and assumptions and are not guarantees of future performance, which may be affected by known and unknown risks, trends, uncertainties, and factors that are beyond our control. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated, or projected. We expressly disclaim any responsibility to update our forward-looking statements, whether as a result of new information, future events, or otherwise. Accordingly, investors should use caution in relying on past forward-looking statements, which are based on results and trends at the time they are made, to anticipate future results or trends.

Some of the risks and uncertainties that may cause our actual results, performance, or achievements to differ materially from those expressed or implied by forward-looking statements include, among others, the following:

the factors included under the headings Risk Factors and Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2013, which was filed with the Securities and Exchange Commission on February 19, 2014 and in our other public filings;

our ability to identify and acquire industrial properties on terms favorable to us;

general volatility of the capital markets and the market price of our common stock;

adverse economic or real estate conditions or developments in the industrial real estate sector and/or in the markets in which we acquire properties;

our dependence on key personnel and our reliance on third parties to property manage the majority of our industrial properties;

our inability to comply with the laws, rules and regulations applicable to companies, and in particular, public companies;

our ability to manage our growth effectively;

tenant bankruptcies and defaults on or non-renewal of leases by tenants;

decreased rental rates or increased vacancy rates;

increased interest rates and operating costs;

declining real estate valuations and impairment charges;

our expected leverage, our failure to obtain necessary outside financing, and future debt service obligations;

our ability to make distributions to our stockholders;

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our failure to successfully hedge against interest rate increases;

our failure to successfully operate acquired properties;

our failure to qualify or maintain our status as a real estate investment trust, or REIT, and possible adverse changes to tax laws;

uninsured or underinsured losses relating to our properties;

environmental uncertainties and risks related to natural disasters;

financial market fluctuations; and

changes in real estate and zoning laws and increases in real property tax rates.

Overview

Terreno Realty Corporation (Terreno , and together with its subsidiaries, we , us , our , our Company , or the Company) acquires, owns and operates industrial real estate in six major coastal U.S. markets: Los Angeles; Northern New Jersey/New York City; San Francisco Bay Area; Seattle; Miami; and Washington, D.C./Baltimore. We invest in several types of industrial real estate, including warehouse/distribution, flex (including light industrial and research and development, or R&D) and trans-shipment. We target functional buildings in infill locations that may be shared by multiple tenants and that cater to customer demand within the various submarkets in which we operate. Infill locations are geographic locations surrounded by high concentrations of already developed land and existing buildings. As of March 31, 2014, we owned a total of 99 buildings aggregating approximately 7.1 million square feet, which we purchased for an aggregate purchase price of approximately \$649.6 million, including the assumption of mortgage loans payable of approximately \$57.9 million, which includes mortgage premiums of approximately \$1.6 million. As of March 31, 2014, our properties were approximately 93.5% leased to 220 tenants, the largest of which accounted for approximately 6.9% of our total annualized based rent. We are an internally managed Maryland corporation and elected to be taxed as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended, or the Code, commencing with our taxable year ended December 31, 2010.

The following table summarizes by market our investments in real estate as of March 31, 2014:

Market	Number of Buildings	Rentable Square Feet	% of Total	Occupancy % as of March 31, 2014	Annualized Base Rent (000 \$)	% of Total	Weighted Annualized Average Base Remaining Rent Per Lease Occupied Term (Years) ²		Gross Book Value (000 \$)
							Foot		

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Los Angeles	13	1,136,422	16.0%	98.6%	\$ 6,994	14.5%	\$ 6.24	3.3	\$ 121,514
Northern New Jersey/New York City	37	2,250,328	31.6%	91.7%	16,666	34.4%	8.08	6.0	240,237
San Francisco Bay Area	15	744,483	10.5%	85.8%	6,661	13.8%	10.42	7.2	97,213
Seattle	6	554,873	7.8%	97.9%	3,284	6.8%	6.05	6.5	47,512
Miami	17	1,248,243	17.6%	97.4%	8,059	16.6%	6.63	5.3	94,172
Washington, D.C./Baltimore	11	1,176,686	16.5%	90.9%	6,729	13.9%	6.29	7.9	88,381
Total/Weighted Average	99	7,111,035	100.0%	93.5%	\$ 48,393	100.0%	\$ 7.28	6.2	\$ 689,029

¹ Annualized base rent is calculated as monthly base rent per the leases, excluding any partial or full rent abatements, as of March 31, 2014, multiplied by 12.

² Weighted average remaining lease term is calculated by summing the remaining lease term of each lease as of March 31, 2014, weighted by the respective square footage.

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The following table summarizes our capital expenditures incurred during the three months ended March 31, 2014 and 2013 (dollars in thousands):

	<i>For the Three Months Ended</i>	
	<i>March 31,</i>	
	<i>2014</i>	<i>2013</i>
Building improvements	\$ 913	\$ 1,653
Tenant improvements	1,527	185
Leasing commissions	868	626
Total capital expenditures ¹	\$ 3,308	\$ 2,464

¹ Includes approximately \$2.4 million and \$1.5 million for the three months ended March 31, 2014 and 2013, respectively, related to leasing acquired vacancy and renovation and expansion projects (stabilization capital) at eight properties for the three months ended March 31, 2014 and four properties for the three months ended March 31, 2013.

Our industrial properties are typically subject to leases on a triple net basis, in which tenants pay their proportionate share of real estate taxes, insurance and operating costs, or are subject to leases on a modified gross basis, in which tenants pay expenses over certain threshold levels. In addition, approximately 75.4% of our leased space includes fixed rental increases or Consumer Price Index-based rental increases. Lease terms typically range from three to ten years. We monitor the liquidity and creditworthiness of our tenants on an on-going basis by reviewing outstanding accounts receivable balances, and as provided under the respective lease agreements, review the tenant's financial condition periodically as appropriate. As needed, we hold discussions with the tenant's management about their business and we conduct site visits of the tenant's operations.

Our top 20 tenants based on annualized base rent as of March 31, 2014 are as follows:

				Annualized	% of	
		Rentable	% of Total	Base	Total	
	Tenant	Square	Rentable	Rent	Annualized	
		Feet	Square Feet	(000 \$)	Base	
					Rent	
1	FedEx Corporation	5	241,783	3.4%	\$ 3,331	6.9%
2	Cepheid	3	171,707	2.4%	2,742	5.7%
3	H.D. Smith Wholesale Drug Company	1	211,418	3.0%	2,070	4.3%
4	Home Depot	1	413,092	5.8%	1,809	3.7%
5	United States Government	2	152,099	2.1%	1,439	3.0%
6	YRC Worldwide	2	61,252	0.9%	1,298	2.7%
7	Miami International Freight Solutions	1	192,454	2.7%	1,139	2.4%
8	Avborne Accessory Group	1	137,594	1.9%	1,048	2.2%
9	Northrop Grumman Systems	1	103,200	1.4%	998	2.1%
10	Sohnen Enterprises	1	161,610	2.3%	994	2.0%

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11	Banah International Group ²	1	301,983	4.2%	906	1.9%
12	JAM N Logistics	1	110,336	1.6%	690	1.4%
13	Monarch Electric Company	1	92,913	1.3%	688	1.4%
14	International Paper Company	1	137,872	1.9%	673	1.4%
15	Maines Paper & Food Service	1	98,745	1.4%	642	1.3%
16	Con-way Freight	1	57,682	0.8%	606	1.2%
17	Vista Color	1	74,786	1.1%	600	1.2%
18	HD Supply	1	84,961	1.2%	598	1.2%
19	Kuehne & Nagel	1	44,499	0.6%	570	1.2%
20	Bakeco	1	68,989	1.0%	569	1.2%
	Total	28	2,918,975	41.0%	\$ 23,410	48.4%

¹ Annualized base rent is calculated as monthly base rent per the leases, excluding any partial or full rent abatements, as of March 31, 2014, multiplied by 12.

² Represents a month-to-month lease related to the tenant default described under the heading Recent Developments Tenant Default.

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The following table summarizes the anticipated lease expirations for leases in place at March 31, 2014, without giving effect to the exercise of unexercised renewal options or termination rights, if any, at or prior to the scheduled expirations:

Year	Rentable Square Feet¹	% of Total Rentable Square Feet	Annualized Base Rent (000 s)^{1, 2}	% of Total Annualized Base Rent¹
2014 (9 months)	983,604	13.8%	\$ 5,640	10.5%
2015	1,736,597	24.4%	10,609	19.7%
2016	488,700	6.9%	4,223	7.9%
2017	449,916	6.3%	4,133	7.7%
2018	630,067	8.9%	6,408	11.9%
Thereafter	2,362,155	33.2%	22,779	42.3%
Total	6,651,039	93.5%	\$ 53,792	100.0%

¹ Includes leases that expire on or after March 31, 2014 and month-to-month leases totaling 324,223 square feet.

² Annualized base rent is calculated as monthly base rent per the leases at expiration, excluding any partial or full rent abatements, as of March 31, 2014, multiplied by 12.

Our ability to re-lease or renew expiring space at rental rates equal to or in excess of current rental rates will impact our results of operations. As of March 31, 2014, leases representing approximately 13.8% of the total rentable square footage of our portfolio are scheduled to expire during the remaining nine months of the year ending December 31, 2014. We currently expect that, on average, the rental rates we are likely to achieve on any new (re-leased) or renewed leases for our 2014 expirations will generally be at or above the rates currently being paid for the same space. Our past performance may not be indicative of future results, and we cannot assure you that leases will be renewed or that our properties will be re-leased at all or at rental rates equal to or slightly above the current average rental rates. Further, re-leased/renewed rental rates in a particular market may not be consistent with rental rates across our portfolio as a whole and re-leased/renewed rental rates for particular properties within a market may not be consistent with rental rates across our portfolio within a particular market, in each case due to a number of factors, including local real estate conditions, local supply and demand for industrial space, the condition of the property, the impact of leasing incentives, including free rent and tenant improvements and whether the property, or space within the property, has been redeveloped.

Recent Developments

Acquisition Activity

During the three months ended March 31, 2014, we acquired three industrial buildings containing 318,822 square feet for a total purchase price of approximately \$33.8 million including the assumption of a mortgage loan with a total principal amount of approximately \$2.8 million with a fixed interest rate of 5.09% that matures in August 2015. The properties were acquired from unrelated third parties using existing cash on hand, net of an assumed mortgage loan payable and borrowings under our credit facility. The following table sets forth the industrial properties we acquired during the three months ended March 31, 2014:

Property Name	Location	Acquisition Date	Number of Buildings	Square Feet	Purchase Price (in thousands)	Stabilized Cap Rate ²
SW 34th Street	Renton, WA	February 11, 2014	1	62,004	6,600	7.1%
Parkway	Hanover, MD	March 26, 2014	1	158,769	18,000	7.1%
Pulaski	Bayonne, NJ	March 31, 2014	1	98,049	9,200	5.9%
Total/Weighted Average			3	318,822	\$ 33,800	6.8%

¹ Excludes intangible liabilities and mortgage premiums. The total aggregate investment was approximately \$33.9 million.

² Stabilized cap rates are calculated, at the time of acquisition, as annualized cash basis net operating income for the property stabilized to market occupancy (generally 95%) divided by the total acquisition cost for the property. Total acquisition cost basis for the property includes the initial purchase price, the effects of marking assumed debt to market, buyer's due diligence and closing costs, estimated near-term capital expenditures and leasing costs necessary to achieve stabilization. We define cash basis net operating income for the property as net operating income excluding straight-line rents and amortization of lease intangibles. These stabilized cap rates are subject to risks, uncertainties, and assumptions and are not guarantees of future performance, which may be affected by known and unknown risks, trends, uncertainties, and factors that are beyond our control, including risks related to our ability to meet our estimated forecasts related to stabilized cap rates and those risk factors contained in our Annual Report on Form 10-K for the year ended December 31, 2013.

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Subsequent to March 31, 2014, we acquired one industrial building for a total purchase price of approximately \$3.5 million. The property was acquired from an unrelated third party using existing cash on hand. The following table sets forth the industrial property we acquired subsequent to March 31, 2014:

Property Name	Location	Acquisition Date	Number of Buildings	Square Feet (in thousands)	Purchase Price
747 Glasgow	Inglewood, CA	April 22, 2014	1	19,326	\$ 3,450

Establishment of ATM Program

On February 28, 2014, we established an at-the market equity offering program (the ATM Program) pursuant to which we may issue and sell shares of our common stock having an aggregate offering price of up to \$100,000,000 in amounts and at times as we determine from time to time. Actual sales, if any, will depend on a variety of factors to be determined by our company from time to time, including, among others, market conditions, the trading price of our common stock, our determinations of the appropriate sources of funding for our company and potential uses of funding available to us. We intend to use the net proceeds from the offering of the shares under the ATM Program, if any, for general corporate purposes, which may include future acquisitions and repayment of indebtedness, including borrowings under our Facility. During the three months ended March 31, 2014, we did not issue any shares of common stock under the ATM Program.

Tenant Default

On January 29, 2013, we filed a one count eviction action against Banah International Group, Inc. (Banah), our tenant at 215 10th Avenue located in Hialeah, FL, for failure to pay December 2012 and January 2013 rent. On February 21, 2013, the state court entered a default judgment for possession against Banah. Later that same day, Banah filed a Chapter 11 bankruptcy petition and subsequently extended the deadline to affirm or reject the lease while working on a plan of reorganization. Banah made all payments in accordance with the lease for the period from February 21, 2013 through May 31, 2014 during the bankruptcy. On December 18, 2013, Banah filed its proposed plan for reorganization which called for a successor entity (the Successor Entity) to assume the lease, pending plan confirmation by the Bankruptcy Court. On May 1, 2014, the bankruptcy court confirmed Banah's plan for reorganization and the parties to the bankruptcy are currently working on finalizing the confirmation order. Once the final confirmation order is entered, the effective date of the reorganization plan is 30 days after the final confirmation order and at that time, the Successor Entity will execute an amended lease with us whereby the past due rent of approximately \$0.1 million will be paid. Under the proposed amended lease agreement, the rental rates will remain unchanged from the pre-bankruptcy lease and the Successor Entity will be given a one-time option to purchase the 10th Avenue property for \$20.0 million that may include partial seller financing. It cannot be determined currently if Banah will successfully emerge from bankruptcy, enter into the amended lease on the terms we anticipate or at all, or continue paying rent in bankruptcy. Therefore, at March 31, 2014, the lease is recorded as a month-to-month lease and revenue is recognized as cash is received. Any ultimate recovery of damages, including past due rent of \$0.1 million, is undetermined at this time.

Dividend and Distribution Activity

On May 9, 2014, our board of directors declared a cash dividend in the amount of \$0.14 per share of its common stock payable on July 21, 2014 to the stockholders of record as of the close of business on July 7, 2014.

On May 9, 2014, our board of directors declared a cash dividend in the amount of \$0.484375 per share of its Series A Preferred Stock payable on June 30, 2014 to the preferred stockholders of record as of the close of business on June 11, 2014.

Contractual Commitments

As of May 12, 2014, we had five outstanding contracts with third-party sellers to acquire five industrial properties as described under the heading Contractual Obligations in this Quarterly Report on Form 10-Q. There is no assurance that we will acquire the properties under contract because the proposed acquisitions are subject to the completion of satisfactory due diligence, various closing conditions and the consent of the mortgage lender.

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We derive substantially all of our revenues from rents received from tenants under existing leases on each of our properties. These revenues include fixed base rents and recoveries of certain property operating expenses that we have incurred and that we pass through to the individual tenants. Approximately 75.4% of our leased space includes fixed rental increases or Consumer Price Index-based rental increases. Lease terms typically range from three to ten years.

Our primary cash expenses consist of our property operating expenses, which include: real estate taxes, repairs and maintenance, management expenses, insurance, utilities, general and administrative expenses, which include compensation costs, office expenses, professional fees and other administrative expenses, acquisition costs, which include third-party costs paid to brokers and consultants, and interest expense, primarily on mortgage loans and our Facility.

Our consolidated results of operations often are not comparable from period to period due to the impact of property acquisitions at various times during the course of such periods. The results of operations of any acquired property are included in our financial statements as of the date of its acquisition.

The analysis of our results below for the three months ended March 31, 2014 and 2013 includes the changes attributable to same store properties. The same store pool for the comparison of the three months ended March 31, 2014 and 2013 includes all properties that were owned and in operation as of March 31, 2014 and since January 1, 2013 and excludes properties that were either disposed of prior to or held for sale to a third party as of March 31, 2014. As of March 31, 2014, the same store pool consisted of 66 buildings aggregating approximately 4.9 million square feet. As of March 31, 2014, the non-same store properties, which we acquired or disposed of during the course of 2013 and 2014, consisted of 33 buildings aggregating approximately 2.2 million square feet. As of March 31, 2014 and 2013, the consolidated same store pool occupancy was approximately 95.9% and 92.8%, respectively.

Our future financial condition and results of operations, including rental revenues, straight-line rents and amortization of lease intangibles, may be impacted by the acquisitions of additional properties, and expenses may vary materially from historical results.

Comparison of the Three Months Ended March 31, 2014 to the Three Months Ended March 31, 2013:

	For the Three Months Ended March 31,			
	2014	2013	\$ Change	% Change
	(Dollars in thousands)			
Rental revenues				
Same store	\$ 8,263	\$ 7,686	\$ 577	7.5%
2013 and 2014 Acquisitions	3,808	50	3,758	7516.0%
Total rental revenues	12,071	7,736	4,335	56.0%
Tenant expense reimbursements				
Same store	2,740	2,281	459	20.1%
2013 and 2014 Acquisitions	993	12	981	8175.0%
Total tenant expense reimbursements	3,733	2,293	1,440	62.8%

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Total revenues	15,804	10,029	5,775	57.6%
Property operating expenses				
Same store	3,247	2,832	415	14.7%
2013 and 2014 Acquisitions	1,575	11	1,564	14218.2%
Total property operating expenses	4,822	2,843	1,979	69.6%
Net operating income ⁽¹⁾				
Same store	7,756	7,135	621	8.7%
2013 and 2014 Acquisitions	3,226	51	3,175	6225.5%
Total net operating income	\$ 10,982	\$ 7,186	\$ 3,796	52.8%
Other costs and expenses				
Depreciation and amortization	4,366	2,636	1,730	65.6%
General and administrative	2,356	1,994	362	18.2%
Acquisition costs	882	457	425	93.0%
Total other costs and expenses	7,604	5,087	2,517	49.5%
Other income (expense)				
Interest and other income	(5)	6	(11)	-183.3%
Interest expense, including amortization	(1,588)	(1,521)	(67)	4.4%
Total other income and expenses	(1,593)	(1,515)	(78)	5.1%
Income from discontinued operations		210	(210)	(100)%
Net income	\$ 1,785	\$ 794	\$ 991	124.8%

¹ Includes straight-line rents and amortization of lease intangibles. See Non-GAAP Financial Measures in this Quarterly Report on Form 10-Q for a definition and reconciliation of net operating income and same store net operating income from net income and a discussion of why we believe net operating income and same store net operating income are useful supplemental measures of our operating performance.

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Revenues. Total revenues increased approximately \$5.8 million for the three months ended March 31, 2014 compared to the same period from the prior year due primarily to property acquisitions during 2013 and 2014 and increased occupancy in the same store pool portfolio. The increase in same store revenues is primarily related to same store consolidated occupancy at quarter end increasing to 95.9% as of March 31, 2014 as compared to 92.8% as of March 31, 2013 and same store tenant expense reimbursement increased related to snow removal expenditure reimbursements during the three months ended March 31, 2014 compared to the same period from the prior year. For the quarters ended March 31, 2014 and 2013, approximately \$0.1 million and \$0.3 million, respectively, was recorded in straight-line rental revenues related to contractual rent abatements given to certain tenants.

Property operating expenses. Total property operating expenses increased approximately \$2.0 million during the three months ended March 31, 2014 compared to the same period from the prior year. Total same store property operating expense increased during the three months ended March 31, 2014 compared to the same period from the prior year primarily due to an increase in snow removal expenditures. The increase in total property operating expenses was primarily due to an increase of approximately \$1.6 million attributable to property acquisitions during 2013 and 2014.

Depreciation and amortization. Depreciation and amortization increased approximately \$1.7 million during the three months ended March 31, 2014 compared to the same period from the prior year due to property acquisitions during 2013 and 2014.

General and administrative expenses. General and administrative expenses increased approximately \$0.4 million for the three months ended March 31, 2014 compared to the same period from the prior year due primarily to increased compensation expense and professional fees as compared to the prior year period.

Acquisition costs. Acquisition costs increased by approximately \$0.4 million for the three months ended March 31, 2014 compared to the same period from the prior year due primarily to a higher volume of property acquisitions during the three months ended March 31, 2014.

Interest and other income. Interest and other income decreased approximately \$11,000 for the three months ended March 31, 2014 compared to the same period from the prior year.

Interest expense, including amortization. Interest expense increased approximately \$0.1 million for the three months ended March 31, 2014 compared to the same period from the prior year due primarily to an increase in borrowings on the Facility net of capitalized interest.

Liquidity and Capital Resources

The primary objective of our financing strategy is to maintain financial flexibility with a conservative capital structure using retained cash flows, long-term debt and the issuance of common and perpetual preferred stock to finance our growth. Over the long-term, we intend to:

limit the sum of the outstanding principal amount of our consolidated indebtedness and the liquidation preference of any outstanding perpetual preferred stock to less than 40% of our total enterprise value;

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maintain a fixed charge coverage ratio in excess of 2.0x;

limit the principal amount of our outstanding floating rate debt to less than 20% of our total consolidated indebtedness; and

have staggered debt maturities that are aligned to our expected average lease term (5-7 years), positioning us to re-price parts of our capital structure as our rental rates change with market conditions.

We intend to preserve a flexible capital structure with a long-term goal to obtain an investment grade rating and be in a position to issue unsecured debt and additional perpetual preferred stock. Prior to attaining an investment grade rating, we intend to primarily utilize non-recourse debt secured by individual properties or pools of properties with a targeted maximum loan-to-value of 65% at the time of financing, or recourse bank term loans, credit facilities and perpetual preferred stock. We may also assume debt in connection with property acquisitions which may have a higher loan-to-value.

We expect to meet our short-term liquidity requirements generally through net cash provided by operations, existing cash balances and, if necessary, short-term borrowings under our Facility. We believe that our net cash provided by operations will be adequate to fund operating requirements, pay interest on any borrowings and fund dividends in accordance with the REIT requirements of the federal income tax laws. In the near-term, we intend to fund future investments in properties with term loans, mortgages, borrowings under our Facility, perpetual preferred and common stock issuances and, from time to time, property sales. We expect to meet our long-term liquidity requirements, including with respect to other investments in industrial properties, property acquisitions and scheduled debt maturities, through borrowings under our Facility, periodic issuances of common stock, perpetual preferred stock, and long-term secured and unsecured debt, and with proceeds from the disposition of properties. The success of our acquisition strategy may depend, in part, on our ability to obtain and borrow under our credit facility and to access additional capital through issuances of equity and debt securities.

On February 19, 2013, we completed a public follow-on offering of 5,750,000 shares of our common stock at a price per share of \$16.60, including 90,325 shares that were sold in the offering to our executive and senior officers and members of our board of directors. No underwriting or discount commission was paid on the shares sold to such officers and directors. The net proceeds of the offering, after deducting the underwriting discount and estimated offering costs, were approximately \$90.8 million. We used approximately \$65.4 million of the net proceeds to repay outstanding borrowings under our revolving credit facility and the remaining net proceeds to invest in industrial properties and for general business purposes.

On July 11, 2013, we completed a public follow-on offering of 5,750,000 shares of our common stock at a price per share of \$18.25, including 43,250 shares that were sold in the offering to our executive and senior officers and members of our board of directors. No underwriting discount or commission was paid on the shares sold to such officers and directors. The net proceeds of the offering were approximately \$99.9 million after deducting the underwriting discount and offering costs of approximately \$5.0 million. We used approximately \$6.5 million of the net proceeds to repay outstanding borrowings under our revolving credit facility and the remaining net proceeds to acquire industrial properties and for general business purposes.

On February 28, 2014, we established an ATM Program pursuant to which we may issue and sell shares of our common stock having an aggregate offering price of up to \$100,000,000 in amounts and at times as we determine from time to time. Actual sales, if any, will depend on a variety of factors to be determined by our company from time

to time, including, among others, market conditions, the trading price of our common stock, our determinations of the appropriate sources of funding for our company and potential uses of funding available to us. We intend to use the net proceeds from the offering of the shares under the ATM Program, if any, for general corporate purposes, which may include future acquisitions and repayment of indebtedness, including borrowings under our Facility. During the three months ended March 31, 2014, we did not issue any shares of common stock under the ATM Program.

We have a Second Amended and Restated Senior Credit Agreement which includes a five-year \$50.0 million Term Loan and a \$100.0 million revolving credit facility. The five-year \$50.0 million Term Loan maturity date under the Facility is January 16, 2018 and the maturity date of the revolving credit facility under the Facility is January 2016, with one 12-month extension option exercisable by us, subject, among other things, to there being an absence of an event of default under the Facility and to the payment of an extension fee. The aggregate amount of the Facility may be increased to a total of up to \$300.0 million, subject to the approval of the administrative agent and the identification of lenders willing to make available additional amounts. Outstanding borrowings under the Facility are limited to the lesser of (i) the sum of the \$100.0 million revolving credit facility and the \$50.0 million Term Loan amount or (ii) 60.0% of the value of the borrowing base properties. The Facility is secured by a pledge of the borrower's equity interests in the subsidiaries that hold each of the borrowing base

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properties. Interest on the Facility, including the Term Loan, is generally to be paid based upon, at our option, either (i) LIBOR plus the applicable LIBOR margin or (ii) the applicable base rate which is the greater of the administrative agent's prime rate plus 1.00%, 0.50% above the federal funds effective rate, or thirty-day LIBOR plus the applicable LIBOR margin for LIBOR rate loans under the Facility. The applicable LIBOR margin will range from 1.65% to 2.65% (1.65% as of March 31, 2014), depending on the ratio of our outstanding consolidated indebtedness to the value of our consolidated gross asset value. The Facility requires quarterly payments of an annual unused facility fee in an amount equal to 0.25% or 0.35% depending on the unused portion of the Facility. The Facility is guaranteed by us and by substantially all of the borrower's current and to-be-formed subsidiaries that own a borrowing base property. The Facility includes a series of financial and other covenants that we must comply with in order to borrow under the Facility. As of March 31, 2014, there were \$67.5 million of borrowings outstanding under the revolving credit facility and \$50.0 million of borrowings outstanding under the Term Loan, under the Facility and 24 properties were in the borrowing base. As of December 31, 2013, there were \$31.0 million of borrowings outstanding under the revolving credit facility and \$50.0 million of borrowings outstanding under the Term Loan, under the Facility and 19 properties were in the borrowing base. We were in compliance with the covenants under the Facility at March 31, 2014 and December 31, 2013.

As of March 31, 2014 and December 31, 2013, we had outstanding mortgage loans payable of approximately \$104.4 million and \$108.3 million, respectively, and held cash and cash equivalents totaling approximately \$5.2 million and \$7.0 million, respectively.

The following table summarizes our debt maturities, principal payments, market capitalization, capitalization ratios, Adjusted EBITDA, interest coverage, fixed charge coverage and debt ratios as of and for the three months ended March 31, 2014 (dollars in thousands):

	Credit Facility	Term Loan	Mortgage Loans Payable	Total Debt
2014 (9 months)	\$	\$	\$ 5,599	\$ 5,599
2015			24,585	24,585
2016	67,500		6,649	74,149
2017			1,916	1,916
2018		50,000	1,910	51,910
Thereafter			63,153	63,153
Subtotal	67,500	50,000	103,812	221,312
Unamortized net premiums			572	572
Total Debt	\$ 67,500	\$ 50,000	\$ 104,384	\$ 221,884

Weighted Average Interest Rate	2.1%	1.8%	4.5%	3.1%
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	Shares Outstanding ¹	Market Price ²	Market Value
Common Stock	25,028,649	\$ 18.91	\$ 473,292

Preferred Stock (\$25.00 per share liquidation preference)	46,000
Total Equity	519,292
Total Market Capitalization	\$ 741,176
Total Debt-to-Total Investments in Properties ³	32.2%
Total Debt-to-Total Market Capitalization ⁴	29.9%
Total Debt and Preferred Stock-to-Total Market Capitalization ⁵	36.1%
Floating Rate Debt as a % of Total Debt	53.0%
Adjusted EBITDA ⁶	\$ 9,146
Interest Coverage ⁷	5.8x
Fixed Charge Coverage ⁸	3.5x
Total Debt-to-Adjusted EBITDA ⁹	6.1x
Total Debt and Preferred Stock-to-Adjusted EBITDA ¹⁰	7.3x
Weighted Average Maturity (years)	3.5

¹ Includes 157,357 shares of unvested restricted stock outstanding as of March 31, 2014.

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- 2 Closing price of our shares of common stock on the New York Stock Exchange on March 31, 2014 in dollars per share.
- 3 Total debt-to-total investments in properties is calculated as total debt, including premiums, divided by total investments in properties as of March 31, 2014.
- 4 Total debt-to-total market capitalization is calculated as total debt, including premiums, divided by total market capitalization as of March 31, 2014.
- 5 Total debt and preferred stock-to-total market capitalization is calculated as total debt, including premiums, plus preferred stock at liquidation preference, divided by total market capitalization as of March 31, 2014.
- 6 Earnings before interest, taxes, gains (losses) from sales of property, depreciation and amortization, acquisition costs and stock-based compensation (Adjusted EBITDA) for the three months ended March 31, 2014. See Non-GAAP Financial Measures in this Quarterly Report on Form 10-Q for a reconciliation of Adjusted EBITDA from net income (loss) and a discussion of why we believe Adjusted EBITDA is a useful supplemental measure of our operating performance.
- 7 Interest coverage is calculated as Adjusted EBITDA divided by interest expense, including amortization. See Non-GAAP Financial Measures in this Quarterly Report on Form 10-Q for a definition and reconciliation of Adjusted EBITDA from net income (loss) and a discussion of why we believe Adjusted EBITDA is a useful supplemental measure of our operating performance.
- 8 Fixed charge coverage is calculated as Adjusted EBITDA divided by interest expense, including amortization plus preferred stock dividends. See Non-GAAP Financial Measures in this Quarterly Report on Form 10-Q for a definition and reconciliation of Adjusted EBITDA from net income (loss) and a discussion of why we believe Adjusted EBITDA is a useful supplemental measure of our operating performance.
- 9 Total debt-to-Adjusted EBITDA is calculated as total debt, including premiums, divided by annualized Adjusted EBITDA. See Non-GAAP Financial Measures in this Quarterly Report on Form 10-Q for a definition and reconciliation of Adjusted EBITDA from net income (loss) and a discussion of why we believe Adjusted EBITDA is a useful supplemental measure of our operating performance.
- 10 Total debt and preferred stock-to-Adjusted EBITDA is calculated as total debt, including premiums, plus preferred stock divided by annualized Adjusted EBITDA. See Non-GAAP Financial Measures in this Quarterly Report on Form 10-Q for a definition and reconciliation of Adjusted EBITDA from net income (loss) and a discussion of why we believe Adjusted EBITDA is a useful supplemental measure of our operating performance.
- The following table sets forth the cash dividends paid or payable per share during the three months ended March 31, 2014:

For the Three Months Ended	Security	Dividend per Share	Declaration Date	Record Date	Date Paid
March 31, 2014	Common stock	\$ 0.130000	February 19, 2014	April 7, 2014	April 21, 2014
March 31, 2014	Preferred stock	\$ 0.484375	February 19, 2014	March 10, 2014	March 31, 2014

Table of Contents**Sources and Uses of Cash**

Our principal sources of cash are cash from operations, borrowings under mortgage loans payable, draws on our Facility and common and preferred stock issuances. Our principal uses of cash are asset acquisitions, debt service, capital expenditures, operating costs, corporate overhead costs and common and preferred stock dividends.

Cash From Operating Activities. Net cash provided by operating activities totaled approximately \$5.8 million for the three months ended March 31, 2014 compared to approximately \$1.9 million for the three months ended March 31, 2013. This increase in cash provided by operating activities is attributable to additional cash flows generated from properties acquired during 2013 and 2014.

Cash From Investing Activities. Net cash used in investing activities was \$33.1 million and \$13.5 million, respectively, for the three months ended March 31, 2014 and 2013, which consists primarily of cash paid for property acquisitions of \$30.7 million and \$11.5 million, respectively, and additions to buildings, improvements and leasing costs of approximately \$2.1 million and \$1.6 million, respectively.

Cash From Financing Activities. Net cash provided by financing activities was \$25.5 million for the three months ended March 31, 2014, which consists primarily of borrowings on the Facility of approximately \$36.5 million less payments on mortgage loans payable of \$6.6 million and approximately \$4.1 million in dividend payments. Net cash provided by financing activities was \$21.4 million for the three months ended March 31, 2013, which consists primarily of \$90.9 million in net common stock issuance proceeds less payments on the Facility of approximately \$65.4 million and approximately \$2.5 million in dividend payments.

Critical Accounting Policies

A summary of our critical accounting policies is set forth in our Annual Report on Form 10-K for the year ended December 31, 2013 and in the condensed notes to our consolidated financial statements in this Quarterly Report on Form 10-Q.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

Contractual Obligations

As May 12, 2014, we had five outstanding contracts with third-party sellers to acquire five industrial properties. There is no assurance that we will acquire the properties under contract because the proposed acquisitions are subject to the completion of satisfactory due diligence, various closing conditions and with respect to one of the properties, the consent of the mortgage lender. The following table summarizes certain information with respect to the properties we have under contract:

Market	Number of Buildings	Square Feet	Purchase Price	
			(in thousands)	Assumed Debt (in thousands)

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Los Angeles	2	113,497	\$ 11,835	\$
Northern New Jersey/New York City				
San Francisco Bay Area	3	129,279	13,328	
Seattle	1	113,170	10,025	5,813
Miami				
Washington, D.C./Baltimore	1	138,780	18,050	
Total	7	494,726	\$ 53,238	\$ 5,813

As of May 12, 2014, we have executed four non-binding letters of intent with third-party sellers to acquire four industrial properties consisting of 255,070 square feet. The total purchase price for these industrial properties is approximately \$27.8 million. In the normal course of business, we enter into non-binding letters of intent to purchase properties from third parties that may obligate us to make payments or perform other obligations upon the occurrence of certain events, including the execution of a purchase and sale agreement and satisfactory completion of various due diligence matters. There can be no assurance that we will enter into purchase and sale agreements with respect to these properties or otherwise complete any such prospective purchases on the terms described or at all.

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The following table summarizes our contractual obligations due by period as of March 31, 2014 (dollars in thousands):

Contractual Obligations	Less than 1		More than 5		Total
	Year	1-3 Years	3-5 Years	Years	
Debt	\$ 6,317	\$ 98,550	\$ 70,956	\$ 45,489	\$ 221,312
Debt Interest Payments	4,496	6,648	5,174	2,530	18,848
Operating lease commitments	235	488	513	885	2,121
Purchase Obligations ¹	53,238				53,238
Total	\$ 64,286	\$ 105,686	\$ 76,643	\$ 48,904	\$ 295,519

¹ Excludes unfunded capital commitments of \$7.5 million to expand an existing 413,000 square foot facility by approximately 190,000 square feet.

Non-GAAP Financial Measures

We use the following non-GAAP financial measures that we believe are useful to investors as a key supplemental measure of our operating performance: funds from operations, or FFO, Adjusted EBITDA, net operating income, or NOI, same store NOI and cash-basis same store NOI. FFO, Adjusted EBITDA, NOI, same store NOI and cash-basis same store NOI should not be considered in isolation or as a substitute for measures of performance in accordance with GAAP. Further, our computation of FFO, Adjusted EBITDA, NOI, same store NOI and cash-basis same store NOI may not be comparable to FFO, Adjusted EBITDA, NOI, same store NOI and cash-basis same store NOI reported by other companies.

We compute FFO in accordance with standards established by the National Association of Real Estate Investment Trusts (NAREIT), which defines FFO as net income (loss) (determined in accordance with GAAP), excluding gains (losses) from sales of property and impairment write-downs of depreciable real estate, plus depreciation and amortization on real estate assets and after adjustments for unconsolidated partnerships and joint ventures (which are calculated to reflect FFO on the same basis). We believe that presenting FFO provides useful information to investors regarding our operating performance because it is a measure of our operations without regard to specified non-cash items, such as real estate depreciation and amortization and gain or loss on sale of assets.

We believe that FFO is a meaningful supplemental measure of our operating performance because historical cost accounting for real estate assets in accordance with GAAP implicitly assumes that the value of real estate assets diminishes predictably over time. Since real estate values have historically risen or fallen with market conditions, many industry investors and analysts have considered the presentation of operating results for real estate companies that use historical cost accounting alone to be insufficient. As a result, we believe that the use of FFO, together with the required GAAP presentations, provide a more complete understanding of our operating performance.

The following table reflects the calculation of FFO reconciled from net and comprehensive income (loss) net of preferred stock dividends for the three months ended March 31, 2014 and 2013 (dollars in thousands except per share data):

	<i>For the Three Months Ended March 31,</i>			
	<i>2014</i>	<i>2013</i>	<i>\$ Change</i>	<i>% Change</i>
Net and comprehensive income (loss), net of preferred stock dividends	\$ 894	\$ (97)	\$ 991	-1021.4%
Depreciation and amortization				
Depreciation and amortization from continuing operations	4,366	2,636	1,730	65.6%
Depreciation related to discontinued operations		101	(101)	(100)%
Non-real estate depreciation	(23)	(31)	8	(25.8)%
Allocation to participating securities (1)	(33)	(21)	(12)	57.1%
Funds from operations (2)	\$ 5,204	\$ 2,588	\$ 2,616	101.1%
Basic and diluted FFO per common share	\$ 0.21	\$ 0.16	\$ 0.05	27.8%
Weighted average basic and diluted common shares	24,850,760	15,792,553		

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¹ To be consistent with the company's policies of determining whether instruments granted in share-based payment transactions are participating securities and accounting for earnings per share, the FFO per common share is adjusted for FFO distributed through declared dividends (if any) and allocated to all participating securities (weighted average common shares outstanding and unvested restricted shares outstanding) under the two-class method. Under this method, allocations were made to 157,957 and 152,490 of weighted average unvested restricted shares outstanding for the three months ended March 31, 2014 and 2013, respectively.

² Includes expensed acquisition costs of approximately \$0.9 million and \$0.5 million, respectively, for the three months ended March 31, 2014 and 2013.

We compute Adjusted EBITDA as earnings before interest, taxes, depreciation and amortization, acquisition costs and stock-based compensation. We believe that presenting Adjusted EBITDA provides useful information to investors regarding our operating performance because it is a measure of our operations on an unleveraged basis before the effects of tax, non-cash depreciation and amortization expense (and acquisition costs and stock-based compensation with regard to Adjusted EBITDA). By excluding interest expense, Adjusted EBITDA allows investors to measure our operating performance independent of our capital structure and indebtedness and, therefore, allow for more meaningful comparison of our operating performance between quarters as well as annual periods and for the comparison of our operating performance to that of other companies, both in the real estate industry and in other industries. As we are currently in a growth phase, acquisition costs are excluded from Adjusted EBITDA to allow for the comparison of our operating performance to that of stabilized companies.

The following table reflects the calculation of Adjusted EBITDA reconciled from net income (loss) for the three months ended March 31, 2014 and 2013 (dollars in thousands):

	<i>For the Three Months Ended March 31,</i>			
	<i>2014</i>	<i>2013</i>	<i>\$ Change</i>	<i>% Change</i>
Net income (loss)	\$ 1,785	\$ 794	\$ 991	124.8%
Depreciation and amortization from continuing operations	4,366	2,636	1,730	65.6%
Depreciation related to discontinued operations		101	(101)	(100)%
Interest expense, including amortization	1,588	1,521	67	4.4%
Stock-based compensation	525	442	83	18.8%
Acquisition costs	882	457	425	93.0%
Adjusted EBITDA	\$ 9,146	\$ 5,951	\$ 3,195	53.7%

We compute NOI as rental revenues, including tenant expense reimbursements, less property operating expenses. We compute same store NOI as rental revenues, including tenant expense reimbursements, less property operating expenses on a same store basis. NOI excludes depreciation, amortization, general and administrative expenses, acquisition costs and interest expense. We compute cash-basis same store NOI as same store NOI excluding straight-line rents and amortization of lease intangibles. The same store pool includes all properties that were owned as of March 31, 2014 and since January 1, 2013 and excludes properties that were either disposed of or held for sale to a third party. As of March 31, 2014, the same store pool consisted of 66 buildings aggregating approximately 4.9 million square feet. We believe that presenting NOI, same store NOI and cash-basis same store NOI provides useful information to investors regarding our operating performance of our properties because NOI excludes certain

items that are not considered to be controllable in connection with the management of the property, such as depreciation, amortization, general and administrative expenses, acquisition costs and interest expense. By presenting same store NOI and cash-basis same store NOI, the operating results on a same store basis are directly comparable from period to period.

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The following table reflects the calculation of NOI, same store NOI and cash-basis same store NOI reconciled from net income (loss) for the three months ended March 31, 2014 and 2013 (dollars in thousands):

	<i>For the Three Months Ended March 31,</i>			
	<i>2014</i>	<i>2013</i>	<i>\$ Change</i>	<i>% Change</i>
Net income (loss)	\$ 1,785	\$ 794	\$ 991	124.8%
Depreciation and amortization from continuing operations	4,366	2,636	1,730	65.6%
Income from discontinued operations		(210)	210	(100)%
General and administrative	2,356	1,994	362	18.2%
Acquisition costs	882	457	425	93.0%
Total other income and expenses	1,593	1,515	78	5.1%
Net operating income	10,982	7,186	3,796	52.8%
Less non same store NOI	(3,226)	(51)	(3,175)	6225.5%
Same store NOI	\$ 7,756	\$ 7,135	\$ 621	8.7%
Less straight-line rents and amortization of lease intangibles ⁽¹⁾	(521)	(615)	94	(15.3)%
Cash-basis same store NOI	\$ 7,235	\$ 6,520	\$ 715	11.0%

¹ Includes straight-line rents and amortization of lease intangibles for the same store pool only.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

Market risk includes risks that arise from changes in interest rates, foreign currency exchange rates, commodity prices, equity prices and other market changes that affect market sensitive instruments. In pursuing our business strategies, the primary market risk which we are exposed to is interest rate risk. We are exposed to interest rate changes primarily as a result of debt used to maintain liquidity, fund capital expenditures and expand our investment portfolio and operations. We seek to limit the impact of interest rate changes on earnings and cash flows and to lower our overall borrowing costs. As described below, some of our outstanding debt bears interest at variable rates, and we expect that some of our future outstanding debt will have variable interest rates. We may use interest rate caps to manage our interest rate risks relating to our variable rate debt. We expect to replace variable rate debt on a regular basis with fixed rate, long-term debt to finance our assets and operations.

As of March 31, 2014, we had a total of \$117.5 million of borrowings outstanding under our Facility, including the Term Loan. Amounts borrowed under our Facility, including the Term Loan, bear interest at a variable rate based on LIBOR plus an applicable LIBOR margin, which interest rate was 1.80% as of March 31, 2014. If the LIBOR rate were to fluctuate by 0.25%, interest expense would increase or decrease, depending on rate movement, future earnings and cash flows, by approximately \$293,750 annually on the total of the outstanding balance on our Facility, including the Term Loan, as of March 31, 2014.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management has evaluated, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), and has concluded that as of the end of the period covered by this report, our disclosure controls and procedures were effective to give reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended March 31, 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents**PART II. OTHER INFORMATION****Item 1. Legal Proceedings**

We are not involved in any material litigation nor, to our knowledge, is any material litigation threatened against us.

Item 1A. Risk Factors

There have been no material changes to the risk factors disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2013.

Item 2. Unregistered Sale of Equity Securities and Use of Proceeds

(a) Not Applicable.

(b) Not Applicable.

(c) Issuer Purchases of Equity Securities.

Period	(a) Total Number of Shares of Common Stock Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet be Purchased Under the Plan or Program
January 1, 2014 - January 31, 2014		\$	N/A	N/A
February 1, 2014 - February 28, 2014	11,927 ¹	18.38	N/A	N/A
March 1, 2014 - March 31, 2014	2,055	18.40	N/A	N/A
	13,982	\$ 18.38	N/A	N/A

¹ Represents shares of common stock surrendered by employees to the Company to satisfy such employees tax withholding obligations in connection with the vesting of restricted stock.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit

Number

Exhibit Description

- | | |
|------|---|
| 10.1 | Amended and Restated Severance Agreement between the Company and W. Blake Baird, dated as of February 18, 2014 (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K on February 19, 2014 and incorporated herein by reference). |
| 10.2 | Amended and Restated Severance Agreement between the Company and Michael A. Coke, dated as of February 18, 2014 (previously filed as Exhibit 10.2 to the Company's Current Report on Form 8-K on February 19, 2014 and incorporated herein by reference). |
| 10.3 | Severance Agreement between the Company and Jaime J. Cannon, dated as of February 18, 2014 (previously filed as Exhibit 10.3 to the Company's Current Report on Form 8-K on February 19, 2014 and incorporated herein by reference). |

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10.4	Terreno Realty Corporation Amended and Restated Long-Term Incentive Plan (previously filed as Exhibit 10.4 to the Company's Current Report on Form 8-K on February 19, 2014 and incorporated herein by reference).
31.1*	Rule 13a-14(a)/15d-14(a) Certification dated May 12, 2014.
31.2*	Rule 13a-14(a)/15d-14(a) Certification dated May 12, 2014.
31.3*	Rule 13a-14(a)/15d-14(a) Certification dated May 12, 2014.
32.1**	18 U.S.C. § 1350 Certification dated May 12, 2014.
32.2**	18 U.S.C. § 1350 Certification dated May 12, 2014.
32.3**	18 U.S.C. § 1350 Certification dated May 12, 2014.
101*	The following materials from Terreno Realty Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2014, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations and Comprehensive Income (Loss), (iii) Consolidated Statement of Equity, (iv) Consolidated Statements of Cash Flows and (v) Condensed Notes to Consolidated Financial Statements.

* Filed herewith.

** Furnished herewith.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	Terreno Realty Corporation
May 12, 2014	By: /s/ W. Blake Baird W. Blake Baird Chairman and Chief Executive Officer
May 12, 2014	By: /s/ Michael A. Coke Michael A. Coke President
May 12, 2014	By: /s/ Jaime J. Cannon Jaime J. Cannon Chief Financial Officer

Table of Contents**Exhibit Index****Exhibit****Number****Exhibit Description**

10.1	Amended and Restated Severance Agreement between the Company and W. Blake Baird, dated as of February 18, 2014 (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K on February 19, 2014 and incorporated herein by reference).
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* Filed herewith.

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