

Terreno Realty Corp
Form 8-K/A
February 18, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K/A
(Amendment No. 1)

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): December 27, 2013

Terreno Realty Corporation
(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction
of incorporation)

001-34603
(Commission
File Number)

27-1262675
(IRS Employer
Identification No.)

101 Montgomery Street, Suite 200

San Francisco, CA 94104

(Address of principal executive offices) (Zip Code)

(415) 655-4580

(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K/A filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- .. Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- .. Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- .. Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- .. Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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This Form 8-K/A amends and supplements the registrant's Form 8-K, filed on December 31, 2013 reporting the acquisition of JFK Airgate (the Initial Report), to include the historical financial statements and pro forma financial information required by Item 9.01(a) and (b) of Form 8-K. This Form 8-K/A should be read in conjunction with the Initial Report.

Item 9.01. Financial Statements and Exhibits

(a) Financial Statements Under Rule 3-14 of Regulation S-X

| | |
|--|---|
| (i) Statements of Revenues and Certain Expenses of JFK Airgate | |
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(b) Unaudited Pro Forma Condensed Consolidated Information

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(d) Exhibits

| | |
|---------|--------------------------------|
| Exhibit | |
| Number | Title |
| 23.1* | Consent of Independent Auditor |

* Filed herewith

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Report of Independent Auditors

The Board of Directors and Stockholders of

Terreno Realty Corporation

We have audited the accompanying statement of revenues and certain expenses of JFK Airgate (the Property), for the year ended December 31, 2012, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the statement of revenues and certain expenses in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the statement of revenues and certain expenses that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the statement of revenues and certain expenses based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of revenues and certain expenses is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement of revenues and certain expenses. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statement of revenues and certain expenses, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the statement of revenues and certain expenses in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the statement of revenues and certain expenses.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the statement of revenues and certain expenses referred to above presents fairly, in all material respects, the revenues and certain expenses described in Note 1 of JFK Airgate for the year ended December 31, 2012, in conformity with U.S. generally accepted accounting principles.

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Basis of Accounting

As described in Note 1 to the financial statements, the statement of revenues and certain expenses of the Property have been prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission for inclusion in the Form 8-K/A of Terreno Realty Corporation, and is not intended to be a complete presentation of the Property's revenues and expenses. Our opinion is not modified with respect to this matter.

/s/ Ernst & Young LLP

San Francisco, California

February 18, 2014

Table of Contents**JFK Airgate****Statements of Revenues and Certain Expenses****For the Nine Months Ended September 30, 2013 (unaudited)****and the Year Ended December 31, 2012****(in thousands)**

| | For the Nine Months Ended September 30, 2013 (unaudited) | For the Year Ended December 31, 2012 |
|--|---|---|
| Revenues: | | |
| Rental | \$ 2,388 | \$ 3,255 |
| Tenant reimbursements | 925 | 946 |
| Total revenues | 3,313 | 4,201 |
| Certain expenses: | | |
| Property operating expenses | 731 | 757 |
| Real estate taxes | 567 | 717 |
| Total expenses | 1,298 | 1,474 |
| Revenues in excess of certain expenses | \$ 2,015 | \$ 2,727 |

See accompanying notes to statements of revenues and certain expenses.

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JFK Airgate

Notes to Statements of Revenues and Certain Expenses

For the Nine Months Ended September 30, 2013 (unaudited)

and the Year Ended December 31, 2012

1. Background and Basis of Presentation

The accompanying statements of revenues and certain expenses present the results of operations of JFK Airgate (the Property) for the nine months ended September 30, 2013 (unaudited) and the year ended December 31, 2012. The Property was acquired by a wholly-owned subsidiary of Terreno Realty Corporation from a third-party seller, Prologis Targeted U.S. Logistics Fund, L.P., on December 27, 2013 for approximately \$53.1 million. The Property is located in Queens, New York and consists of four multi-tenant industrial buildings containing 229,258 square feet (unaudited), which were approximately 99% leased to 19 tenants (unaudited) at the time of acquisition.

The accompanying statements of revenues and certain expenses have been prepared on the accrual basis of accounting. The statements of revenues and certain expenses have been prepared for the purpose of complying with the provisions of Article 3-14 of Regulation S-X promulgated by the Securities and Exchange Commission and for inclusion in this Current Report on Form 8-K/A of Terreno Realty Corporation and are not intended to be a complete presentation of the revenues and expenses of the Property for the nine months ended September 30, 2013 and the year ended December 31, 2012 as certain expenses, primarily depreciation and amortization expense and other costs not comparable to the proposed future operations of the Property have been excluded. Management is not aware of any material factors at the Property other than those disclosed above, that would cause the reported financial information not to be necessarily indicative of future operating results.

2. Summary of Significant Accounting Policies

Revenue Recognition

Rental revenues from operating leases are recorded on a straight-line basis over the terms of the leases. Tenant reimbursements represent recoveries from tenants for utilities and certain property maintenance expenses. Tenant reimbursements are recognized as revenues in the period the applicable costs are accrued.

Property Operating Expenses

Property operating expenses represent the direct expenses of operating the Property and include maintenance, utilities, property management fees, repairs, and insurance costs that are expected to continue in the ongoing operations of the Property. Expenditures for maintenance and repairs are charged to operations as incurred.

Table of Contents**Use of Estimates**

The preparation of the statements of revenues and certain expenses in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions of the reported amounts of revenues and certain expenses during the reporting period. Actual results could differ from those estimates used in the preparation of the statements of revenues and certain expenses.

Interim Statements

The statement of revenues and certain expenses for the nine months ended September 30, 2013 is unaudited, however, in the opinion of management of Terreno Realty Corporation, all significant adjustments necessary for a fair presentation of the statement for the interim period have been included. The results of operations for the interim period are not necessarily indicative of the results to be expected for the full year of the operation of the Property.

Tenant Concentration

For the year ended December 31, 2012, three tenants accounted for approximately 54% of revenues.

Future Minimum Rental Income

Future minimum rents to be received under non-cancelable lease agreements as of December 31, 2012 were as follows (in thousands):

| | |
|--------------|------------------|
| 2013 | \$ 3,152 |
| 2014 | 3,368 |
| 2015 | 3,058 |
| 2016 | 2,720 |
| 2017 | 2,513 |
| Thereafter | 846 |
| Total | \$ 15,657 |

Table of Contents**UNAUDITED PRO FORMA FINANCIAL INFORMATION OF TERRENO REALTY CORPORATION**

The following unaudited pro forma financial information of Terreno Realty Corporation (the Company) is based on the historical financial statements of the Company. The unaudited pro forma condensed consolidated balance sheet as of September 30, 2013 is based on the Company's consolidated balance sheet and reflects the subsequent acquisitions of Michele, Meadow, Ethel, 8215 Dorsey, Forbes, Broadway, Pennsy and JFK Airgate and the related borrowings on the term loan payable and revolving credit facility as if such transactions had occurred on September 30, 2013. The unaudited pro forma condensed consolidated statements of operations and comprehensive income for the nine months ended September 30, 2013 and the year ended December 31, 2012 have been prepared to reflect the incremental effect of the acquisition of properties by the Company during the period from January 1, 2013 to December 27, 2013 (the 2013 Acquisitions) and the year ended December 31, 2012 (the 2012 Acquisitions) as if such transactions had occurred on January 1, 2013 for the September 30, 2013 statements and January 1, 2012 for the December 31, 2012 statement.

The following table summarizes the 2013 and 2012 Acquisitions (in thousands):

| Property Name | Location | Acquisition Date | Purchase Price (in thousands) | Assumed Debt |
|--------------------------|----------------------------|-------------------------|--|---------------------|
| 107th Avenue | Medley, FL | March 6, 2013 | \$ 5,095 | \$ |
| SeaTac 8th Ave | Burien, WA | March 21, 2013 | 6,450 | |
| 240 Littlefield Avenue | South San Francisco, CA | April 3, 2013 | 8,400 | |
| 101st Road | Medley, FL | April 26, 2013 | 6,000 | |
| Americas Gateway | Doral, FL | May 22, 2013 | 23,725 | |
| Route 100 | Elkridge, MD | June 12, 2013 | 16,650 | |
| 1 Dodge Drive | West Caldwell, NJ | June 20, 2013 | 6,775 | |
| 17 Madison | Fairfield, NJ | July 23, 2013 | 2,840 | |
| 550 Delancy | Newark, NJ | July 25, 2013 | 15,000 | |
| Melanie Lane | East Hanover, NJ | September 30, 2013 | 20,000 | |
| 341 Michele | Carlstadt, NJ | October 17, 2013 | 7,375 | |
| 465 Meadow | Carlstadt, NJ | October 17, 2013 | 2,500 | |
| 60 Ethel | Piscataway, NJ | November 6, 2013 | 7,000 | |
| 8215 Dorsey | Jessup, MD | November 15, 2013 | 6,000 | |
| 7230 Forbes | Lanham, MD | December 11, 2013 | 5,600 | |
| 14611 Broadway | Gardena, CA | December 19, 2013 | 6,000 | |
| 3601 Pennsy | Landover, MD | December 23, 2013 | 7,000 | |
| JFK Airgate | Queens, NY | December 27, 2013 | 53,111 | |
| 2013 Acquisitions | | | \$ 205,521 | \$ |
| Global Plaza | Sterling, VA | March 16, 2012 | \$ 6,100 | \$ |
| Garfield | Commerce, CA | May 30, 2012 | 52,400 | |
| Whittier | Whittier, CA | June 12, 2012 | 16,100 | |
| Caribbean | Sunnyvale, CA | July 3, 2012 | 33,718 | |
| 78th Avenue | Doral, FL | July 23, 2012 | 4,200 | |
| Manhattan Beach | Redondo Beach, CA | July 31, 2012 | 14,150 | |

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| | | | | |
|-------------------|----------------------------|--------------------|------------|-----------|
| Carlton Court | South San Francisco, CA | August 2, 2012 | 3,575 | |
| Troy Hill | Elkridge, MD | August 17, 2012 | 6,664 | 3,628 |
| 26th Street | Miami, FL | September 25, 2012 | 12,100 | 6,159 |
| Sweitzer | Laurel, MD | October 15, 2012 | 6,950 | |
| 17600 West Valley | | | | |
| Highway | Tukwila, WA | December 14, 2012 | 8,000 | 5,045 |
| 631 Brennan | San Jose, CA | December 19, 2012 | 4,176 | |
| South Main | Carson, CA | December 20, 2012 | 12,750 | |
| 2012 Acquisitions | | | 180,883 | 14,832 |
| Total | | | \$ 386,404 | \$ 14,832 |

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The unaudited pro forma financial information is not necessarily indicative of what the Company's results of operations or financial condition would have been assuming the acquisition of properties had occurred at the beginning of the periods presented, nor is it indicative of the Company's results of operations or financial condition for future periods. In management's opinion, all adjustments necessary to reflect the effects of these transactions have been made. The unaudited pro forma financial information and accompanying notes should be read in conjunction with the Company's financial statements included on Form 10-K for the year ended December 31, 2012 and Quarterly Report on Form 10-Q for the nine months ended September 30, 2013.

Table of Contents**Terreno Realty Corporation****Pro Forma Condensed Consolidated Balance Sheet****As of September 30, 2013****(in thousands except share and per share data)****(Unaudited)**

| | Terreno Realty Corporation (1) | JFK Airgate (2) | Other 2013 Acquisitions (3) | Pro Forma Terreno Realty Corporation |
|--|---|------------------------|--|---|
| ASSETS | | | | |
| Investments in real estate, net | \$ 539,413 | \$ 53,111 | \$ 41,475 | \$ 633,999 |
| Cash and cash equivalents | 64,611 | (21,791) | (40,994) | 1,826 |
| Deferred financing costs, net | 2,071 | | | 2,071 |
| Other assets, net | 9,559 | | | 9,559 |
| Total assets | \$ 615,654 | \$ 31,320 | \$ 481 | \$ 647,455 |
| LIABILITIES AND EQUITY | | | | |
| Liabilities | | | | |
| Credit facility | \$ | \$ 31,000 | \$ | \$ 31,000 |
| Term loan payable | 50,000 | | | 50,000 |
| Mortgage loans payable | 109,151 | | | 109,151 |
| Security deposits | 3,146 | 320 | 390 | 3,856 |
| Intangible liabilities | 3,376 | | 91 | 3,467 |
| Dividends payable | 3,249 | | | 3,249 |
| Accounts payable and other liabilities | 7,690 | | | 7,690 |
| Total liabilities | 176,612 | 31,320 | 481 | 208,413 |
| Commitments and contingencies | | | | |
| Equity | | | | |
| Stockholders' equity | | | | |
| Preferred stock: \$0.01 par value, 100,000,000 shares authorized, and 1,840,000 shares (liquidation preference of \$25.00 per share) issued and outstanding | 46,000 | | | 46,000 |
| Common stock: \$0.01 par value, 400,000,000 shares authorized, and 24,990,446 shares issued and outstanding | 249 | | | 249 |
| Additional paid-in capital | 394,907 | | | 394,907 |
| Accumulated deficit | (2,114) | | | (2,114) |
| Total stockholders' equity | 439,042 | | | 439,042 |

| | | | | | | | | |
|------------------------------|----|---------|----|--------|----|-----|----|---------|
| Total liabilities and equity | \$ | 615,654 | \$ | 31,320 | \$ | 481 | \$ | 647,455 |
|------------------------------|----|---------|----|--------|----|-----|----|---------|

See accompanying notes to unaudited pro forma condensed consolidated balance sheet.

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Terreno Realty Corporation

Notes to Pro Forma Condensed Consolidated Balance Sheet

As of September 30, 2013

(Unaudited)

- (1) Represents the unaudited historical consolidated balance sheet of Terreno Realty Corporation (the Company) as of September 30, 2013. See the historical consolidated financial statements and notes thereto included in the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2013.
- (2) Reflects the acquisition of JFK Airgate as if it had occurred on September 30, 2013 for approximately \$53.1 million. The acquisition was funded by a combination of cash on hand and borrowings under the Company's revolving credit facility.
- (3) Reflects the acquisitions of Michele, Meadow, Ethel, Dorsey, Forbes, Broadway and Pennsy for approximately \$41.5 million. The acquisitions were funded by cash on hand.

Table of Contents**Terreno Realty Corporation****Pro Forma Condensed Consolidated Statement of Operations****and Comprehensive Income****For the Nine Months Ended September 30, 2013****(in thousands except share and per share data)****(Unaudited)**

| | Terreno Realty Corporation (1) | 2013 Acquisitions | Pro Forma Adjustments | Pro Forma Terreno Realty Corporation |
|---|---|------------------------------|----------------------------------|---|
| REVENUES | | | | |
| Rental revenues | \$ 32,360 | \$ 10,583 | (2) \$ | \$ 42,943 |
| Total revenues | 32,360 | 10,583 | | 42,943 |
| COSTS AND EXPENSES | | | | |
| Property operating expenses | 9,141 | 2,706 | (2) | 11,847 |
| Depreciation and amortization | 8,796 | 3,797 | (2) | 12,593 |
| General and administrative | 6,170 | | | 6,170 |
| Acquisition costs | 1,861 | | (1,861) (3) | |
| Total costs and expenses | 25,968 | 6,503 | (1,861) | 30,610 |
| OTHER INCOME (EXPENSE) | | | | |
| Interest and other income | 106 | | | 106 |
| Interest expense, including amortization | (4,610) | | (830) (4) | (5,440) |
| Total other income and expenses | (4,504) | | (830) | (5,334) |
| Income from continuing operations | 1,888 | 4,080 | 1,031 | 6,999 |
| Discontinued operations | | | | |
| Income from discontinued operations | 1,052 | | | 1,052 |
| Net income | 2,940 | 4,080 | 1,031 | 8,051 |
| Preferred stock dividends | (2,674) | | | (2,674) |
| Net and comprehensive income available to common stockholders | \$ 266 | \$ 4,080 | \$ 1,031 | \$ 5,377 |

**EARNINGS PER COMMON
SHARE - BASIC AND DILUTED:**

| | | | | | |
|--|----|--------|----|----|------|
| Net (loss) income available to common stockholders | \$ | (0.04) | | \$ | 0.17 |
| Income from discontinued operations | | 0.05 | | \$ | 0.04 |
| Net income available to common stockholders | \$ | 0.01 | \$ | \$ | 0.21 |

**BASIC AND DILUTED WEIGHTED
AVERAGE COMMON SHARES
OUTSTANDING**

| | | | |
|------------|-----------|-----|------------|
| 19,723,266 | 5,109,742 | (5) | 24,833,008 |
|------------|-----------|-----|------------|

See accompanying notes to unaudited pro forma condensed consolidated statement of operations and comprehensive income.

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Terreno Realty Corporation

Notes to Pro Forma Condensed Consolidated Statement of Operations

and Comprehensive Income

For the Nine Months Ended September 30, 2013

(Unaudited)

- (1) Represents the unaudited historical consolidated operations of Terreno Realty Corporation (the Company) for the nine months ended September 30, 2013. See the historical condensed consolidated financial statements and notes thereto included in the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2013.
- (2) The following table sets forth the incremental rental revenues, operating expenses and depreciation and amortization of the 2013 Acquisitions for the nine months ended September 30, 2013 based on the historical and pro forma operations of such properties for the periods prior to acquisition by the Company as if the properties were acquired on January 1, 2012 (dollars in thousands).

| | Acquisition Date | Rental Revenues | Operating Expenses | Depreciation and Amortization | Interest Expense |
|------------------------------------|--------------------|--------------------|--------------------|----------------------------------|------------------|
| 107th Avenue | March 6, 2013 | \$ 111 | \$ 25 | \$ 33 | \$ |
| SeaTac 8th Ave | March 21, 2013 | 175 | 37 | 63 | |
| 240 Littlefield Avenue | April 3, 2013 | | | | |
| 101st Road | April 26, 2013 | 115 | 52 | 49 | |
| Americas Gateway | May 22, 2013 | 739 | 341 | 325 | |
| Route 100 | June 12, 2013 | 539 | 175 | 382 | |
| 1 Dodge Drive | June 20, 2013 | 330 | 112 | 233 | |
| 17 Madison | July 23, 2013 | 169 | 50 | 98 | |
| 550 Delancy | July 25, 2013 | 716 | 117 | 197 | |
| Melanie Lane | September 30, 2013 | 1,468 | 366 | 606 | |
| Michele | October 17, 2013 | 426 | 104 | 128 | |
| Meadow | October 17, 2013 | 161 | 46 | 60 | |
| Ethel | November 6, 2013 | 607 | 262 | 143 | |
| Dorsey | November 15, 2013 | 451 | 64 | 102 | |
| Forbes | December 11, 2013 | 531 | 52 | 209 | |
| Broadway | December 19, 2013 | 293 | 21 | 28 | |
| Pennsy | December 23, 2013 | 514 | 151 | 150 | |
| JFK Airgate | December 27, 2013 | 3,238 | 731 | 991 | |
| Total 2013 Acquisitions | | \$ 10,583 | \$ 2,706 | \$ 3,797 | \$ |

Rental revenues set forth above include adjustments for straight-line rents and amortization of lease intangibles.

- (3) Reflects the adjustment to acquisitions costs as if the 2013 Acquisitions had occurred on January 1, 2012.

- (4) Reflects the adjustment to interest expense as if the \$50.0 million term loan at an interest rate of LIBOR plus the applicable LIBOR margin of 1.65% and draws of approximately \$31.0 million on the Company's revolving credit facility at an interest rate of LIBOR plus the applicable LIBOR margin of 1.65% had occurred on January 1, 2012 to fund the respective acquisitions.

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- (5) Reflects the adjustment to the basic and diluted weighted average common shares outstanding as if the February 19, 2013 follow-on offering of 5,750,000 shares of common stock at a price per share of \$16.60 and the July 11, 2013 follow-on offering of 5,750,000 shares of common stock at a price of \$18.25 had occurred on January 1, 2013.

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Terreno Realty Corporation
Pro Forma Condensed Consolidated Statement of Operations
and Comprehensive Income

For the Year Ended December 31, 2012

(in thousands except share and per share data)

(Unaudited)

| | Terreno Realty Corporation | 2012 Acquisitions | 2013 Acquisitions | Pro Forma Adjustments | Pro Forma Terreno Realty Corporation |
|--|----------------------------------|----------------------|----------------------|--------------------------|--|
| REVENUES | | | | | |
| Rental revenues | \$ 31,173 | \$ 6,858 | (2) | \$ 17,236 | (2) \$ 55,267 |
| Total revenues | 31,173 | 6,858 | | 17,236 | 55,267 |
| COSTS AND EXPENSES | | | | | |
| Property operating expenses | 8,986 | 1,571 | (2) | 4,465 | (2) 15,022 |
| Depreciation and amortization | 9,133 | 2,240 | (2) | 6,563 | (2) 17,936 |
| General and administrative | 6,403 | | | | 6,403 |
| Acquisition costs | 2,238 | | | (2,238) | (3) |
| Total costs and expenses | 26,760 | 3,811 | | 11,028 | (2,238) 39,361 |
| OTHER INCOME (EXPENSE) | | | | | |
| Interest and other income | 37 | | | | 37 |
| Interest expense, including amortization | (5,472) | (633) | (2) | (2) | (1,524) (4) (7,629) |
| Total other income and expenses | (5,435) | (633) | | (1,524) | (7,592) |
| (Loss) income from continuing operations | (1,022) | 2,414 | | 6,208 | 714 8,314 |
| Discontinued operations | | | | | |

| | | | | | | |
|---|----------|----------|----------|------------|-----|----------|
| Income from discontinued operations | 1,050 | | | | | 1,050 |
| Gain on sales of real estate investments | 4,037 | | | | | 4,037 |
| Income from discontinued operations | 5,087 | | | | | 5,087 |
| Net income | 4,065 | 2,414 | 6,208 | 714 | | 13,401 |
| Preferred stock dividends | (1,604) | | | (1,961) | (5) | (3,565) |
| Net and comprehensive income | 2,461 | 2,414 | 6,208 | (1,247) | | 9,836 |
| Allocation to participating securities | (24) | | | | | (24) |
| Net and comprehensive income available to common stockholders | \$ 2,437 | \$ 2,414 | \$ 6,208 | \$ (1,247) | | \$ 9,812 |

EARNINGS PER COMMON SHARE BASIC AND DILUTED:

| | | | | | | |
|---|-----------|--|--|--|--|---------|
| (Loss) income from continuing operations available to common stockholders | \$ (0.20) | | | | | \$ 0.19 |
| Income from discontinued operations | 0.39 | | | | | 0.21 |
| Net income available to common stockholders | \$ 0.19 | | | | | \$ 0.40 |

BASIC AND DILUTED WEIGHTED AVERAGE COMMON SHARES OUTSTANDING

| | | | |
|------------|------------|-----|------------|
| 13,135,440 | 11,697,568 | (6) | 24,833,008 |
|------------|------------|-----|------------|

See accompanying notes to unaudited pro forma condensed consolidated statement of operations and comprehensive income.

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Terreno Realty Corporation
Notes to Pro Forma Condensed Consolidated Statement of Operations
and Comprehensive Income
For the Year Ended December 31, 2012
(Unaudited)

- (1) Represents the audited historical consolidated operations of Terreno Realty Corporation (the Company) for the year ended December 31, 2012. See the historical consolidated financial statements and notes thereto included in the Company's 2012 Annual Report on Form 10-K, which was filed with the Securities and Exchange Commission on February 15, 2013.
- (2) The following table sets forth the incremental rental revenues, operating expenses, depreciation and amortization and interest expense of the 2013 and 2012 Acquisitions for the year ended December 31, 2012 based on the historical and pro forma operations of such properties for the periods prior to acquisition by the Company as if the properties were acquired January 1, 2012 (dollars in thousands).

| | Acquisition Date | Rental Revenues | Operating Expenses | Depreciation and Amortization | Interest Expense |
|--------------------------------|-------------------------|------------------------|---------------------------|--------------------------------------|-------------------------|
| Global Plaza | March 16, 2012 | \$ | \$ | \$ | \$ |
| Garfield | May 30, 2012 | 1,521 | 515 | 634 | |
| Whittier | June 12, 2012 | | | | |
| Caribbean | July 3, 2012 | 1,812 | 356 | 302 | |
| 78th Avenue | July 23, 2012 | | 100 | 29 | |
| Manhattan Beach | July 31, 2012 | 651 | 116 | 229 | |
| Carlton Court | August 2, 2012 | 199 | 49 | 58 | |
| Troy Hill | August 17, 2012 | 343 | 85 | 173 | 118 |
| 26th Street | September 25, 2012 | 895 | 117 | 289 | 228 |
| Sweitzer | October 15, 2012 | 548 | 86 | 274 | |
| 17600 West Valley Highway | December 14, 2012 | 760 | 82 | 123 | 287 |
| 631 Brennan | December 19, 2012 | | | | |
| South Main | December 20, 2012 | 129 | 65 | 129 | |
| Total 2012 Acquisitions | | \$ 6,858 | \$ 1,571 | \$ 2,240 | \$ 633 |

| | Acquisition Date | Rental Revenues | Operating Expenses | Depreciation and Amortization | Interest Expense |
|--------------|-------------------------|------------------------|---------------------------|--------------------------------------|-------------------------|
| 107th Avenue | March 6, 2013 | \$ 621 | \$ 139 | \$ 186 | \$ |

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| | | | | | |
|-------------------------|--------------------|-----------|----------|----------|----|
| SeaTac 8th Ave | March 21, 2013 | 796 | 170 | 289 | |
| 240 Littlefield Avenue | April 3, 2013 | | | | |
| 101st Road | April 26, 2013 | 360 | 163 | 154 | |
| Americas Gateway | May 22, 2013 | 1,900 | 878 | 836 | |
| Route 100 | June 12, 2013 | 1,208 | 392 | 856 | |
| 1 Dodge Drive | June 20, 2013 | 705 | 240 | 498 | |
| 17 Madison | July 23, 2013 | 302 | 90 | 175 | |
| 550 Delancy | July 25, 2013 | 1,269 | 207 | 349 | |
| Melanie Lane | September 30, 2013 | 1,970 | 491 | 812 | |
| Michele | October 17, 2013 | 572 | 139 | 171 | |
| Meadow | October 17, 2013 | 216 | 62 | 80 | |
| Ethel | November 6, 2013 | 815 | 352 | 190 | |
| Dorsey | November 15, 2013 | 606 | 85 | 135 | |
| Forbes | December 11, 2013 | 713 | 69 | 278 | |
| Broadway | December 19, 2013 | 393 | 28 | 37 | |
| Pennsy | December 23, 2013 | 689 | 203 | 199 | |
| JFK Airgate | December 27, 2013 | 4,101 | 757 | 1,318 | |
| Total 2013 Acquisitions | | \$ 17,236 | \$ 4,465 | \$ 6,563 | \$ |

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Global Plaza, Whittier and 631 Brennan were acquired from unrelated third-parties after a sale/leaseback transaction and did not have historical revenues and expenses as the properties were accepted, owned and operated by the tenants. As such, no property operations have been reflected in the accompanying unaudited pro forma condensed consolidated statement of operations and comprehensive income.

Rental revenues set forth above include adjustments for straight-line rents and amortization of lease intangibles.

- (3) Reflects the adjustment to acquisition costs as if the 2013 and 2012 Acquisitions had occurred on January 1, 2012.
- (4) Reflects the adjustment to interest expense as if the \$50.0 million term loan at an interest rate of LIBOR plus the applicable LIBOR margin of 1.65% and draws of approximately \$31.0 million on the Company's revolving credit facility at an interest rate of LIBOR plus the applicable LIBOR margin of 1.65% had occurred on January 1, 2012.
- (5) Reflects the adjustment to preferred stock dividends as if the 7.75% Series A Preferred Stock offering of 1,840,000 shares at a price per share of \$25.00 had occurred on January 1, 2012.
- (6) Reflects the adjustment to the basic and diluted weighted average common shares outstanding as if the January 13, 2012 follow-on offering of 4,000,000 shares of common stock at a price per share of \$14.25, the February 13, 2012 sale of 61,853 shares of common stock at a price per share of \$14.25 upon the exercise by the underwriters of their option to purchase additional shares, the follow-on offering of 5,750,000 shares of common stock at a price per share of \$16.60 and the follow-on offering of 5,750,000 shares of common stock at a price per share of \$18.25 had occurred on January 1, 2012.

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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 hereunto duly authorized.

Terreno Realty Corporation

Date: February 18, 2014

By: /s/ Jaime J. Cannon
Jaime J. Cannon
Chief Financial Officer

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Exhibit Index

Exhibit

| Number | Title |
|--------|--------------------------------|
| 23.1* | Consent of Independent Auditor |

* Filed herewith