

Terreno Realty Corp  
Form DEF 14A  
March 11, 2019  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**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 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under §240.14a-12

**Terreno Realty Corporation**

**(Name of Registrant as Specified in Its Charter)**

**(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)**

Payment of Filing Fee (Check the appropriate box):

No fee required

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

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

(4) Proposed maximum aggregate value of transaction:

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Fee paid previously with preliminary materials

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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101 Montgomery Street, Suite 200

San Francisco, California 94104

(415) 655-4580

March 11, 2019

Dear Fellow Stockholder:

You are cordially invited to attend the 2019 Annual Meeting of Stockholders of Terreno Realty Corporation. This meeting will be held on Tuesday, April 30, 2019, at 8:00 a.m., local time, at our corporate headquarters, 101 Montgomery Street, Suite 200, San Francisco, California 94104.

The attached proxy statement, accompanied by the notice of meeting, describes the matters expected to be acted upon at the meeting. We urge you to review these materials carefully and to use this opportunity to take part in the affairs of Terreno Realty Corporation by voting on the matters described in the proxy statement. Following the formal portion of the meeting, our directors and management team will be available to answer appropriate questions.

Your vote is important. Whether or not you plan to attend the meeting, please authorize a proxy to vote your shares as promptly as possible by calling the toll-free telephone number or via the internet. If you received a proxy card by mail, you may complete the enclosed proxy card and return it as promptly as possible. The proxy statement and the enclosed proxy card contain instructions regarding all three methods of voting. If your shares of common stock are held by a broker, bank or other nominee, please follow the instructions you receive from your broker, bank or other nominee to have your shares of common stock voted. If you attend the meeting, you may continue to have your shares voted as you have previously instructed or you may withdraw your proxy at the meeting and vote your shares in person.

We have also enclosed a copy of our 2018 Annual Report. Thank you for your interest in Terreno Realty Corporation.

Sincerely,

W. Blake Baird  
*Chairman and Chief Executive Officer*

Michael A. Coke  
*President*

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**TERRENO REALTY CORPORATION**

**101 Montgomery Street, Suite 200**

**San Francisco, California 94104**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**To be Held on April 30, 2019**

**To Our Stockholders:**

Notice is hereby given that the 2019 annual meeting of the stockholders of Terreno Realty Corporation, a Maryland corporation, will be held on Tuesday, April 30, 2019 at 8:00 a.m., local time, at our corporate headquarters, 101 Montgomery Street, Suite 200, San Francisco, California 94104. At the meeting, stockholders will consider and vote on the following matters:

1. The election of seven directors, each to serve until the next annual meeting of stockholders and until his or her successor has been duly elected and qualifies;
2. A resolution to approve, on a non-binding, advisory basis, the compensation of certain executives, as more fully described in the accompanying proxy statement;
3. The approval of the Terreno Realty Corporation 2019 Equity Incentive Plan;
4. The ratification of the appointment of Ernst & Young LLP as our independent registered certified public accounting firm for the 2019 fiscal year; and
5. Such other business as may properly come before the annual meeting, including any adjournments or postponements of the meeting.

If you were a stockholder of record of our common stock as of the close of business on March 1, 2019, you can vote in person or by proxy at the meeting. If you do not plan to attend the meeting and vote in person, please authorize a proxy to vote your shares in one of the following ways (if you received paper copies of the proxy materials):

Use the toll-free telephone number shown on your proxy card on or before 11:59 p.m., Eastern Time, on April 29, 2019 (this call is toll-free if made in the United States or Canada);

Go to the website address shown on your proxy card on or before 11:59 p.m., Eastern Time, on April 29, 2019 and authorize a proxy via the internet; or

Mark, sign, date and promptly return the enclosed proxy card in the postage-paid envelope so that it is received by 11:59 p.m., Eastern Time, on April 29, 2019.

If you received a notice of internet availability of proxy materials, please follow the voting instructions in that notice. If your shares of common stock are held by a broker, bank or other nominee, please follow the instructions you receive from your broker, bank or other nominee to have your shares of common stock voted. Stockholders who authorize a proxy over the internet, who authorize a proxy by telephone or who return proxy cards by mail prior to the meeting may nonetheless attend the meeting, revoke their proxies and vote their shares in person.

By Order of our Board of Directors

W. Blake Baird

*Chairman and Chief Executive Officer*

San Francisco, California

March 11, 2019

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**TERRENO REALTY CORPORATION**

**101 Montgomery Street, Suite 200**

**San Francisco, California 94104**

**(415) 655-4580**

**PROXY STATEMENT**

**2019 ANNUAL MEETING OF STOCKHOLDERS**

**QUESTIONS AND ANSWERS**

***Q: Why did you send me this proxy statement?***

A: We sent you this proxy statement and the enclosed proxy card because our board of directors is soliciting proxies to be voted at our annual meeting. The annual meeting will be held at our corporate headquarters, 101 Montgomery Street, Suite 200, San Francisco, California 94104 on Tuesday, April 30, 2019, at 8:00 a.m., Pacific Time. This proxy statement summarizes the information you need to know to vote by proxy or in person at the annual meeting. You do not need to attend the annual meeting in person in order to vote.

***Q: When was the proxy statement mailed?***

A: The proxy statement, the enclosed proxy card and the 2018 annual report are being mailed or made available to stockholders beginning on or about March 11, 2019. As permitted by the rules of the Securities and Exchange Commission, or SEC, certain of our stockholders may receive a notice of internet availability of proxy materials, or Notice, which is first being sent to stockholders on or about March 11, 2019, containing information on the availability of our proxy materials on the internet. Stockholders who received the Notice will not receive a paper copy of our proxy materials unless requested in the manner described in the Notice. The Notice explains how to access and review this proxy statement and our 2018 annual report and how you may vote by proxy.

***Q: Who is entitled to vote?***

A: All stockholders of record of our common stock as of the close of business on March 1, 2019, the record date, are entitled to receive notice of the annual meeting and to cast one vote for each share of common stock they held of record at the close of business on the record date.



***Q: What is the quorum for the meeting?***

A: Stockholders entitled to cast a majority of all votes entitled to be cast, as of the close of business on the record date, will constitute a quorum for the transaction of business at the annual meeting. No business may be conducted at the meeting if a quorum is not present. Broker non-votes (defined below) and abstentions will be counted as present in determining whether or not there is a quorum. As of the close of business on the record date, 62,196,077 shares of common stock were issued and outstanding.

If stockholders entitled to cast a majority of all votes entitled to be cast are not present, in person or by proxy, at the annual meeting, the chairman of the meeting may adjourn the annual meeting to another date, time or place, not later than 120 days after the original record date of March 1, 2019. Notice need not be given of the new date, time or place if announced at the meeting before an adjournment is taken.

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***Q: How many votes do I have without attending the annual meeting?***

A: You are entitled to cast one vote for each share of our common stock you owned of record on the record date on each item submitted to you for consideration.

***Q: How do I vote without attending the annual meeting?***

A: Whether or not you plan to attend the annual meeting, we urge you to authorize your proxy to vote. If you received a Notice, please follow the voting instructions in the Notice to authorize your proxy. If you received paper copies of the proxy materials, you may authorize your proxy by completing, dating, signing and promptly returning the proxy card in the self-addressed stamped envelope provided. You may also authorize your proxy to vote your shares by the internet or telephone as described in your proxy card. If your shares of common stock are held by a broker, bank or other nominee, please follow the instructions you receive from your broker, bank or other nominee to have your shares of common stock voted. Your proxy (one of the individuals named in your proxy card) will vote your shares per your instructions. Authorizing your proxy by mailing a proxy card, the internet or telephone will not limit your right to attend the annual meeting and vote your shares in person.

***Q: How do I vote my shares that are held by my broker, bank or other nominee?***

A: If you have shares held through a broker, bank or other nominee, you should instruct your broker, bank or other nominee to vote your shares by following the instructions that the broker, bank or other nominee provides to you. Most brokers, banks or other nominees allow you to provide voting instructions by the internet, mail or telephone.

***Q: What am I voting on?***

A: You are being asked to consider and vote on the following proposals:

a proposal to elect seven directors, each to serve until the next annual meeting of stockholders and until his or her successor has been duly elected and qualifies;

a proposal to adopt a resolution to approve, on a non-binding, advisory basis, certain executive compensation as more fully described in this proxy statement;

a proposal to approve the Terreno Realty Corporation 2019 Equity Incentive Plan; and

a proposal to ratify the appointment of Ernst & Young LLP as our independent registered certified public accounting firm for the 2019 fiscal year.

In addition, your proxies will have the authority to vote in their discretion as to any other business as may properly come before the annual meeting, including any adjournments or postponements thereof.



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The following table sets forth the voting requirements with respect to each of the proposals:

Proposal 1	Election of Directors	Each director must be elected by a majority of the votes cast at the annual meeting. Accordingly, in an uncontested election, a nominee is elected if he or she receives more FOR votes than the total number of AGAINST votes. Please see the section entitled Vote Required Majority Vote Standard for Election of Directors for a more detailed description of the majority voting standard in our bylaws.
Proposal 2	Non-binding, advisory approval of executive compensation	To be adopted by stockholders, this resolution must receive the affirmative FOR vote of a majority of votes cast on this proposal at the annual meeting.
Proposal 3	Approval of the Terreno Realty Corporation 2019 Equity Incentive Plan	To be approved by stockholders, this proposal must receive the affirmative FOR vote of a majority of votes cast on this proposal at the annual meeting. In addition, the rules of the New York Stock Exchange, or NYSE, require that the votes FOR the proposal must be at least a majority of all of the votes cast on the proposal (including votes FOR and AGAINST and abstentions).
Proposal 4	Ratification of the Appointment of Independent Registered Certified Public Accounting Firm	To be approved by stockholders, this proposal must receive the affirmative FOR vote of a majority of votes cast on this proposal at the annual meeting.

In respect of Proposals 1, 2 and 4, abstentions and broker non-votes are not counted as votes cast and will have no effect on the result of the vote. In respect of Proposal 3, abstentions are counted as votes cast, but broker non-votes are not counted as votes cast.

***Q: Will there be any other items of business on the agenda?***

A: Our board of directors does not know of any other matters that may be properly brought before the annual meeting nor does it foresee or have reason to believe that proxy holders will have to vote for substitute or alternate nominees for election to our board of directors. In the event that any other matter should properly come before the annual meeting or any nominee is not available for election, the persons named in the enclosed proxy will have discretionary authority to vote all proxies with respect to such matters in accordance with their discretion.

***Q: What happens if I submit my proxy without providing voting instructions on all proposals?***

A: If you are a stockholder of record and properly submit your proxy via the internet, mail or telephone, your proxy will be voted at the annual meeting in accordance with your directions. If you sign and return a proxy card without giving specific voting instructions, then the Company-designated proxy holders will vote your shares in the manner recommended by our board of directors on all matters presented in this proxy statement and as the proxy holders may

determine in their discretion regarding any other matters properly presented for a vote at the meeting.

If you are a beneficial owner of shares and your broker, bank or nominee does not receive instructions from you about how your shares are to be voted, one of two things can happen, depending on the type of proposal.

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Pursuant to NYSE, rules, brokers, banks and nominees have discretionary power to vote your shares with respect to routine matters such as the ratification of the appointment of our independent registered certified public accounting firm, but they do not have discretionary power to vote your shares on non-routine matters. The election of directors, the non-binding, advisory approval of executive compensation and the approval of our 2019 Equity Incentive Plan are considered non-routine matters. A broker, bank or nominee may not vote your shares with respect to non-routine matters if you have not provided instructions. This is called a broker non-vote. We strongly encourage you to submit your proxy with instructions and exercise your right to vote as a stockholder.

***Q: Who has paid for this proxy solicitation?***

A: We have paid the entire expense of preparing, printing and mailing this proxy statement, the Notice and any additional materials furnished to stockholders.

***Q: May stockholders ask questions at the annual meeting?***

A: Yes. There will be time allotted at the end of the meeting when our representatives will answer appropriate questions from the floor.

***Q: How do I submit a proposal or nominate a candidate for election as a director at the 2020 annual meeting of stockholders?***

A: Our bylaws currently provide that in order for a stockholder to nominate a candidate for election as a director at an annual meeting of stockholders or propose business for consideration at such meeting, written notice accompanied by the information and other materials specified in our bylaws generally must be delivered to our corporate secretary not later than the close of business on the 120th day, and not earlier than the 150th day, prior to the first anniversary of the date of the notice for the preceding year's annual meeting. Accordingly, a stockholder nomination or proposal intended to be considered at the 2020 annual meeting of stockholders, but not included in our proxy statement, generally must be received by our corporate secretary after October 13, 2019 and prior to 5:00 p.m., Eastern Time, the close of business, on November 12, 2019. If the 2020 annual meeting of stockholders is scheduled to take place before March 31, 2020 or after May 30, 2020, then notice must be delivered no earlier than the 150th day prior to the 2020 annual meeting of stockholders and not later than the close of business on the later of the 120th day prior to the 2020 annual meeting of stockholders or the tenth day following the day on which public announcement of the date of the 2020 annual meeting of stockholders is first made by the Company. If the number of directors to be elected at the 2020 annual meeting of stockholders is increased, and there is no public announcement of such increase before November 2, 2019, then notice of nominees for any new positions created by such increase must be delivered not later than 5:00 p.m., Eastern Time, the close of business, on the later of November 2, 2019 and the tenth day after the day on which public announcement of such increase is first made by the Company. Proposals or nominations and the other materials required by our bylaws should be mailed to the attention of our corporate secretary at 101 Montgomery Street, Suite 200, San Francisco, CA 94104. A copy of the bylaws may be obtained from our corporate secretary by written request to the same address.

The date by which we must receive stockholder proposals for inclusion in the proxy materials relating to the 2020 annual meeting of stockholders, or for presentation at such meeting, is November 12, 2019. Stockholder proposals to be included in our proxy materials relating to the 2020 annual meeting of stockholders must comply with all of the applicable requirements set forth in the rules and regulations of the SEC including Rule 14a-8. Our board of directors

will review any stockholder proposals that are timely submitted and will determine whether such proposals meet the criteria for inclusion in the proxy solicitation materials or for consideration at the 2020 annual meeting.

***Q: Can I change my vote after I have voted?***

A: Yes. Proxies properly submitted by the internet, mail or telephone do not preclude a stockholder from voting in person at the meeting. A stockholder may revoke a proxy at any time prior to its exercise by filing with our

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corporate secretary a duly executed revocation of proxy, by properly submitting, either by internet, mail or telephone, a proxy to our corporate secretary bearing a later date or by appearing at the meeting and voting in person. Attendance at the meeting will not by itself constitute revocation of a proxy. If you have shares held through a broker, bank or other nominee and you instructed your broker, bank or other nominee to vote your shares by following the instructions that the broker, bank or other nominee provided to you, you may change your voting instructions by submitting new voting instructions to your broker, bank or other nominee.

***Q: Can I find additional information on the Company's website?***

A: Yes. Our website is located at <http://www.terreno.com>. Although the information contained on our website is not part of this proxy statement and is not incorporated by reference in this proxy statement, you can view additional information on the website, such as our corporate governance guidelines, our code of business conduct and ethics, charters of our board committees and reports that we file with the SEC.

***Q: How can I access the proxy materials electronically?***

A: This proxy statement and our 2018 annual report, including our annual report on Form 10-K for the fiscal year ended December 31, 2018, are available at [www.proxyvote.com](http://www.proxyvote.com). Instead of receiving copies of our future annual reports, proxy statements, proxy cards and, when applicable, notices of internet availability of proxy materials, by mail, you can consent to receiving such materials electronically via e-mail or the internet. To sign up for electronic delivery, please follow the instructions above, on your proxy card or on the Notice to vote using the internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

***Q: What is householding?***

A: The SEC permits a single set of annual reports, proxy statements and/or notices of internet availability of proxy materials to be sent to any household at which two or more stockholders reside if they appear to be members of the same family. This procedure, referred to as householding, reduces the volume of duplicate information stockholders receive and reduces mailing and printing costs. Only one copy of the notice of internet availability of proxy materials may be sent to certain beneficial stockholders who share a single address, unless any stockholder residing at that address has given contrary instructions.

If any beneficial stockholder residing at such an address desires to receive a separate copy of the notice of internet availability of proxy materials at this time or to receive a separate notice of internet availability of proxy materials in the future, the stockholder should contact Investor Relations by telephone at (415) 655-4580 or by mail at Terreno Realty Corporation Investor Relations, 101 Montgomery Street, Suite 200, San Francisco, California 94104.

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDER MEETING TO BE HELD ON APRIL 30, 2019:**

This proxy statement and our 2018 annual report, including our annual report on Form 10-K for the fiscal year ended December 31, 2018, are available at [www.proxyvote.com](http://www.proxyvote.com).





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**CORPORATE GOVERNANCE AND RELATED MATTERS**

Our business is managed under the direction of our board of directors. Our board of directors establishes our overall corporate policies, reviews our business strategy, reviews the performance of our senior management in executing our business strategy and managing our day-to-day operations and acts as an advisor to our senior management. Our board's mission is to further the long-term interests of our stockholders. Members of our board of directors are kept informed of our business through discussions with our management, primarily at meetings of our board of directors and its committees, and through reports and analyses presented to them. Significant communications between our directors and senior management occur apart from such meetings. Our board of directors and each of its committees audit, compensation and nominating and corporate governance also have the authority to retain, at our expense, outside counsel, consultants or other advisors in the performance of their duties. Each of the nominees is currently a director of the Company.

Charters for the audit, compensation and nominating and corporate governance committees, our corporate governance guidelines and our code of business conduct and ethics may be viewed on our website at <http://www.terreno.com> under the Investors & Media tab under the subheading Corporate Profile and under the heading entitled Governance Documents. These documents are also available without charge to stockholders who request them by contacting Terreno Realty Corporation Investor Relations, 101 Montgomery Street, Suite 200, San Francisco, California 94104.

**Independent Directors**

Under the corporate governance standards of the NYSE, at least a majority of our directors and all of the members of the audit committee, compensation committee and nominating and corporate governance committee must meet the test of independence as defined by the NYSE. The NYSE standards provide that to qualify as an independent director, in addition to satisfying certain bright-line criteria, our board of directors must affirmatively determine that a director has no material relationship with us (either directly or as a partner, stockholder or officer of an organization that has a relationship with us). In addition, our corporate governance guidelines provide that at least annually, our board of directors will evaluate all relationships between the Company and each director in light of relevant facts and circumstances for the purposes of determining whether a material relationship exists that might signal a potential conflict of interest or that might cause the director to cease to meet the applicable independence requirements or interfere with such director's ability to satisfy his or her duties as a director. Our board of directors has determined that each of LeRoy E. Carlson, David M. Lee, Gabriela F. Parcella, Douglas M. Pasquale and Dennis Polk is an independent director under the corporate governance standards of the NYSE and the SEC. Therefore, following the election of the director nominees at the annual meeting, we believe that 71% of our board members will be independent under those rules.

**Executive Sessions**

Our non-management directors meet regularly in separate executive sessions without management participation. The executive sessions typically occur after each regularly scheduled meeting of our entire board of directors and at such other times that our non-management directors deem appropriate. The executive sessions are chaired by Mr. Pasquale, our Lead Director.

**Nominations for Directors**

The nominating and corporate governance committee will consider nominees for director suggested by stockholders in written submissions to our corporate secretary. Our bylaws currently provide that in order for a stockholder to nominate a candidate for election as a director at an annual meeting of stockholders or propose business for

consideration at such meeting, written notice containing the information and materials required by our bylaws generally must be delivered to our corporate secretary not later than the close of business on the 120th day, and not earlier than the 150th day, prior to the first anniversary of the date of the notice for the preceding year's annual meeting.

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In evaluating nominees for director, the nominating and corporate governance committee does not differentiate between nominees recommended by stockholders and others. The nominating and corporate governance committee develops and recommends to our board of directors for its consideration and approval such criteria for identifying and recommending prospective nominees for election as directors as the nominating and corporate governance committee deems necessary or advisable in the context of the current make-up of our board of directors. The criteria include such factors as diversity, age, qualities (such as character, professional integrity, independence, judgment and business acumen), skills and experience, industry knowledge, requirements of the NYSE to maintain a minimum number of independent directors, requirements of the SEC to have persons with financial expertise on the Company's audit committee, the ability of a candidate to devote sufficient time to the affairs of the Company, any actual or potential conflicts of interest, and the extent to which the candidate generally would be a desirable addition to our board of directors and any committees of our board of directors.

We do not have a formal diversity policy. However, the criteria above include a broad range of factors such as relevant experience, independence, commitment, compatibility with our board of directors and its committees and diversity.

## **Communications with our Board of Directors**

Our board of directors has implemented a process by which our stockholders or any interested parties may communicate with our board of directors as a whole or with individual members of our board of directors. Communications directed at our board of directors as a whole should be addressed to Terreno Realty Corporation, 101 Montgomery Street, Suite 200, San Francisco, California 94104, Attn: Corporate Secretary, and communications directed at individual directors, including our Lead Director, should be addressed to the attention of the individual director at the same address. Such communications may be made on an anonymous or confidential basis. Our board of directors has instructed our Corporate Secretary to promptly forward all such communications to the specified addressees thereof.

## **Board Leadership Structure**

Our corporate governance guidelines provide that our board of directors will periodically appoint a chairman of the board, who may either be independent or a management director, including our chief executive officer. The positions of chairman and chief executive officer are currently occupied by one individual, Mr. Baird. Our board of directors believes that this leadership structure serves us well, as Mr. Baird's deep industrial real estate expertise across markets and cycles, as well as extensive public REIT operating experience, uniquely qualify him to serve as both chairman and chief executive officer. Combining the chairman and chief executive officer roles fosters clear accountability, effective decision-making and aligns corporate strategy with the Company's day-to-day operations. Combining the roles also promotes unified leadership and direction for our board of directors and management.

In his combined role, Mr. Baird sets the agenda for board meetings in consultation with our Lead Director and presides over all meetings of the full board. Since the chairman and chief executive officer positions are currently occupied by Mr. Baird, our board of directors appointed Mr. Pasquale, an independent director, as our Lead Director to ensure strong independent oversight. As Lead Director, Mr. Pasquale chairs the executive sessions of the non-employee directors, facilitates communications and resolves conflicts, if any, between our non-employee directors, other directors and our management and consults with and provides counsel to our chief executive officer as needed or requested. In performing these duties, our Lead Director consults with the chairpersons of the appropriate committees of our board of directors and solicits their participation in order to avoid diluting the authority or responsibility of the board committees and their chairpersons.

**Risk Oversight**

Our board of directors provides oversight of the Company's risk exposure by receiving periodic reports from senior management regarding matters relating to financial, operational, legal and strategic risks and

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mitigation strategies for such risks. In addition, as reflected in the audit committee charter, our board of directors has delegated to the audit committee responsibility to discuss and evaluate our policies and guidelines with respect to risk assessment and risk management. During these discussions, the audit committee may discuss or consider our major financial risk exposures and the steps that our management has taken to monitor and control such exposures.

## **Code of Business Conduct and Ethics**

Our board of directors has adopted a code of business conduct and ethics that applies to all of our directors, officers and employees. Day-to-day responsibility for administering and interpreting our code of business conduct and ethics has been delegated by our board of directors to our president. Our code of business conduct and ethics contains compliance procedures, allows for the anonymous reporting of a suspected violation of our code of business conduct and ethics and specifically forbids retaliation against any officer or employee who reports suspected misconduct in good faith. The provisions of our code of business conduct and ethics may only be amended, or waived for the benefit of our directors and executive officers, by our board of directors or, if permitted, a committee of our board of directors. Such waivers or amendments must be promptly disclosed to our stockholders in accordance with applicable laws and rules and regulations of the NYSE. We intend to disclose any amendments or waivers to our code of business conduct and ethics that apply to any of our executive officers on our website at <http://www.terreno.com>. No such waivers have been made. The full text of our code of business conduct and ethics is available on our website at <http://www.terreno.com>, under the heading **Investors & Media**, under the subheading **Corporate Profile** and under the heading entitled **Governance Documents**.

## **Corporate Governance Guidelines**

Our board of directors has adopted Corporate Governance Guidelines, a copy of which is available on our website at <http://www.terreno.com> under the heading **Investors & Media**, under the subheading **Corporate Profile** and under the heading entitled **Governance Documents**.

## **MEETINGS AND COMMITTEES OF OUR BOARD OF DIRECTORS**

### **Meetings**

During the year ended December 31, 2018, our board of directors held a total of four meetings. Our directors attended 100% of the aggregate of (i) the number of the meetings of our board of directors which were held during the period that such person served on our board of directors and (ii) the number of meetings of committees of our board of directors held during the period that such person served on such committee. Members of our board of directors are encouraged to attend the annual meeting, but we currently do not have a formal policy with regard to the attendance of Board members at the annual meeting. All of our directors serving on our board of directors at the time of the 2018 Annual Meeting attended our 2018 Annual Meeting.

### **Committee Membership**

Our board of directors has established three standing committees of our board of directors: the audit committee; the compensation committee; and the nominating and corporate governance committee, and has adopted written charters for each committee.

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The current members of our board committees are set forth below. Upon his appointment to our Board of Directors on February 5, 2019, Mr. Lee was appointed as a member of our audit committee, compensation committee and nominating and corporate governance committee.

<b>Name</b>	<b>Audit</b>	<b>Compensation</b>	<b>Nominating and Corporate Governance</b>
LeRoy E. Carlson	X*	X	X
David M. Lee	X	X	X
Gabriela F. Parcella	X	X	X*
Douglas M. Pasquale**	X	X	X
Dennis Polk	X	X*	X

\* Chair

\*\* Lead Director

*Audit Committee.* The audit committee is composed of Messrs. Carlson, Lee, Pasquale and Polk and Ms. Parcella, each of whom is an independent director and financially literate under the rules of the NYSE and the SEC. Mr. Carlson chairs the audit committee and has been determined by our board of directors to be an audit committee financial expert within the meaning of the rules of the SEC. The audit committee met four times during the year ended December 31, 2018.

The purposes of the audit committee are to:

assist our board of directors in its oversight of (1) the integrity of our financial statements, (2) our compliance with legal and regulatory requirements, (3) the qualifications, independence and performance of our independent auditors and (4) our internal audit function; and

prepare the report required by the rules of the SEC, which is set forth on page 28 of this proxy statement. The audit committee is also responsible for engaging our independent registered certified public accounting firm, reviewing with the independent registered certified public accounting firm the plans and results of the audit engagement, approving professional services provided by the independent registered certified public accounting firm, reviewing the independence of the independent registered certified public accounting firm, considering the range of audit and non-audit fees and reviewing the adequacy of our internal accounting controls.

*Compensation Committee.* The compensation committee is composed of Messrs. Carlson, Lee, Pasquale and Polk and Ms. Parcella, each of whom is an independent non-employee director under the rules of the NYSE and the SEC. Mr. Polk chairs the compensation committee. The compensation committee met three times during the year ended December 31, 2018.

The purposes of the compensation committee are to:

discharge our board of directors' responsibilities relating to compensation of our directors and executives;

oversee our overall compensation structure, policies and programs;

review our processes and procedures for the consideration and determination of director and executive compensation; and

prepare the compensation committee report, which is set forth on page 29 of this proxy statement, in accordance with the applicable rules and regulations of the SEC, the NYSE and any other rules and regulations applicable to us.



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*Nominating and Corporate Governance Committee.* The nominating and corporate governance committee is composed of Messrs. Carlson, Lee, Pasquale and Polk and Ms. Parcella, each of whom is an independent director under the rules of the NYSE and the SEC. Ms. Parcella chairs the nominating and corporate governance committee. The nominating and corporate governance committee met one time during the year ended December 31, 2018.

The purposes of the nominating and corporate governance committee are to:

identify individuals qualified to become members of our board of directors, consistent with criteria approved by our board of directors, and recommend that our board of directors select the director nominees for election at each annual meeting of stockholders;

review and make recommendations to our board of directors for committee appointments to our board of directors;

develop and recommend to our board of directors a set of corporate governance guidelines applicable to us and periodically review and recommend any changes to such guidelines; and

oversee the evaluation of our board of directors.

**Other Committees**

Our board of directors may from time to time establish special or standing committees to facilitate the management of the Company or to discharge specific duties delegated to the committee by our full board of directors. Our board of directors has established the following committee:

*Investment Committee.* Our investment committee is currently composed of Mr. Baird and Mr. Coke. Our board of directors has delegated to our investment committee the authority to approve any investment under \$100 million. Our board of directors must approve any investments of \$100 million or more. Approval by our investment committee requires a unanimous vote and may be given with conditions.

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**ENVIRONMENTAL STEWARDSHIP, SOCIAL RESPONSIBILITY AND GOVERNANCE**

**Environmental Stewardship**

We contribute positively to the environment by owning and operating facilities in infill locations close to population centers thereby minimizing vehicle miles traveled and the concomitant use of fuel and production of airborne particulate matter pollution. Further, we do no greenfield development of properties; sustainability for us means never building on a site that has not previously been commercially developed. During redevelopment of our facilities, we recycle the majority of the building materials from existing buildings and focus on modern design solutions to reduce the impact on the environment. When re-leasing and redeveloping, we seek to reduce our carbon footprint by upgrading existing facilities with energy efficient lighting and heating, energy saving cool roofs and water saving solutions.

**Social Responsibility**

We recognize that our success is linked to the talent and expertise of our people. We believe in investing in our employees and are committed to growing individual skills and leadership qualities across our business. Our employees are encouraged to make healthy lifestyle decisions that can ultimately benefit the Company by reducing insurance claims and boosting productivity. We encourage our employees to engage in volunteer work and to give back to their communities.

We value diversity and have increased our board diversity in terms of gender, race and work experience over the last year. As an equal opportunity employer, we promote a consistent message of diversity and inclusion and reward our employees based on merit and their contributions.

**Governance**

We are committed to strong corporate governance and transparency for our stockholders. Our independent directors stand for election every year, and each of the members of our board of directors standing for re-election at the 2019 annual meeting were elected by at least 95% of the votes cast at our 2018 annual meeting. We have opted out of anti-takeover provisions and stockholder rights plans and we will not opt back in to those provisions without stockholder approval. Our directors and employees comply with a comprehensive code of business conduct and ethics that encourages honesty, accountability and mutual respect and offers communication channels for handling ethical issues.

Our long-term incentive compensation is fully aligned with stockholders. Performance shares are tied to three-year total stockholder return exceeding the MSCI U.S. REIT Index and FTSE Nareit Equity Industrial Index. We do not have an annual cash bonus plan for our chief executive officer or president with their long-term incentive compensation paid solely in stock.

We believe that our executives and directors should own a meaningful equity interest in the Company to more closely align the interests of our executive officers and our stockholders. We require minimum stock ownership, subject to a phase-in period, for our chief executive officer and president (five times their base salary), our other executive officers (three times their base salary) and our non-employee directors (shares having a market value of \$200,000). Each of our chief executive officer, president, other executive officers and non-employee directors meets their respective minimum stock ownership requirement.



Table of Contents**PROPOSAL 1 ELECTION OF DIRECTORS**

Our board of directors proposes that the nominees described below each be elected to serve until the 2020 annual meeting of stockholders and until their successors are duly elected and qualify. All of the nominees are currently serving as our directors. Mr. Lee was initially recommended to our board of directors by the nominating and corporate governance committee and was appointed to our board of directors on February 5, 2019. The biographical descriptions for the nominees include the specific experience, qualifications, attributes and skills that led to the conclusion by our board of directors in the last sentence of each biography that such person should serve as a director.

<b>Nominee</b>	<b>Principal Occupation, Business Experience, Other Directorships Held and Age</b>
<p>W. Blake Baird</p> <p>Age 58</p>	<p>Mr. Baird co-founded Terreno Realty Corporation and has served as chairman of our board of directors and our chief executive officer since February 2010. Mr. Baird was managing partner and co-founder of Terreno Capital Partners LLC, a private real estate investment firm, from September 2007 to February 2010. Mr. Baird served as president of AMB Property Corporation (NYSE:AMB) from January 2000 to December 2006. AMB, now Prologis, Inc. (NYSE: PLD), is a leading global developer, owner and operator of industrial real estate. Mr. Baird also served as a director of AMB from 2001 to 2006 and chairman of its investment committee. Mr. Baird joined AMB as its chief investment officer in 1999. Prior to that, Mr. Baird was a managing director of Morgan Stanley &amp; Co., most recently as head of Real Estate Investment Banking for the Western United States. Mr. Baird spent 15 years at Morgan Stanley and Dean Witter, the last 11 focusing on real estate. Mr. Baird currently serves as a director of Matson, Inc. (NYSE:MATX), a Honolulu-headquartered ocean transportation and logistics company and Sunstone Hotel Investors, Inc. (NYSE: SHO), a lodging REIT. Mr. Baird is a former member of the Young Presidents Organization and a former member of the Board of Governors of the National Association of Real Estate Investment Trusts. Mr. Baird holds a B.S. in Economics from the Wharton School (magna cum laude) and a B.A. in History from the College of Arts and Sciences (magna cum laude) at the University of Pennsylvania. He also holds an M.B.A. from New York University. Our board of directors has determined that Mr. Baird's qualifications to serve on our board of directors include his deep industrial real estate expertise across markets and cycles, as well as extensive public REIT operating experience, from his eight years of experience most recently as president of AMB and his experience as our co-founder, chairman and chief executive officer.</p>
<p>Michael A. Coke</p> <p>Age 50</p>	<p>Mr. Coke co-founded Terreno Realty Corporation and has served as our president and as a director since February 2010. Mr. Coke also served as our chief financial officer from February 2010 until May 2013. Mr. Coke was managing partner and co-founder of Terreno Capital Partners LLC, a private real estate investment management firm, from September 2007 to February 2010. From January 1999 to March 2007, Mr. Coke served as chief financial officer of AMB, now Prologis, Inc. (NYSE: PLD), which is a leading global developer, owner and operator of industrial real estate. While at AMB, Mr. Coke also served as executive vice president until May 2007, and was AMB's chief accounting officer from 1998 until January 2007. Mr. Coke was a member of AMB's investment committee and was responsible for capital markets, accounting, tax, information systems, dispositions, valuations, risk management and financial planning. During his tenure at AMB, Mr. Coke was a three time recipient of Realty Stock Review's Annual Outstanding</p>

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CFO Award. From October 2005 to May 2007, Mr. Coke served as president and chief executive officer of IAT Aviation Facilities, Inc., a listed Canadian Income Trust. Prior to AMB, Mr. Coke spent seven

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<b>Nominee</b>	<b>Principal Occupation, Business Experience, Other Directorships Held and Age</b>
	<p>years with Arthur Andersen LLP, where he most recently served as an audit manager. At Arthur Andersen, he primarily served public and private real estate companies, including several public real estate investment trusts, and specialized in real estate auditing and accounting, mergers, initial public offerings and business acquisition due diligence. Mr. Coke was a director and chairman of the audit committee of DuPont Fabros Technology, Inc. (formerly NYSE: DFT), a wholesale data center REIT from 2007 to 2017. Mr. Coke currently serves as a director of Digital Realty Trust, Inc. (NYSE: DLR), a leading global provider of data center, colocation and interconnection solutions. Mr. Coke received a bachelor's degree in business administration and accounting from California State University at Hayward. He is a former Certified Public Accountant. Our board of directors has determined that Mr. Coke's qualifications to serve on our board of directors include his deep industrial real estate expertise across markets and cycles, as well as extensive public REIT operating experience, from his ten years of experience most recently as chief financial officer of AMB and his experience as our co-founder, president and previously as our chief financial officer.</p>
LeRoy E. Carlson Age 73	<p>Mr. Carlson has served on our board of directors since February 2010. Mr. Carlson has been a principal of NNC Apartment Ventures, LLC, a well-established firm specializing in the long-term investment in multi-family assets on the West Coast, since 1999. Mr. Carlson formerly served as executive vice president, chief operating officer, chief financial officer and board member of BRE Properties, Inc. (now Essex Property Trust, NYSE: ESS). BRE was a large multi-family NYSE-listed real estate investment trust based in San Francisco, California. In his role as chief operating officer, Mr. Carlson oversaw the company's capital market activities, asset management and development and played a key role in two company mergers with an aggregate value of approximately two billion dollars. Mr. Carlson retired from BRE in October 2002. Prior to joining BRE Properties, Inc., Mr. Carlson served as vice president, chief financial officer and as a director of Real Estate Investment Trust of California from 1990 to March 1996. He was a partner and chief financial officer of William Walters Company, a southern California based asset management company and investor, from 1976 to 1990. Mr. Carlson is a Certified Public Accountant in California. He is a graduate of the University of Southern California where he serves as a member of the board at the Lusk Center for Real Estate. Our board of directors has determined that Mr. Carlson's qualifications to serve on our board of directors include his over 30 years of experience in the real estate industry and his prior experiences as a director, chief operating officer and chief financial officer of a NYSE-listed REIT.</p>
David M. Lee Age 56	<p>Mr. Lee has served on our board of directors since February 2019. Mr. Lee is a private investor, and he recently retired as the portfolio manager of the T. Rowe Price Real Estate Fund following a successful 25-year career at that firm. Mr. Lee was the T. Rowe Price Real Estate Fund's President as well as Chairman of the fund's Investment Advisory Committee for more than 21 years. Mr. Lee started his career at T. Rowe Price as an equity analyst in 1993, and in 1997 he proposed the launching of the firm's first dedicated real estate mutual fund. He began running the Real Estate Fund upon its inception in October 1997 and became one of the longest tenured real estate fund managers in the industry. Beginning in April 2006 and continuing uninterrupted for more than a decade, the Fund carried the highest qualitative rating from Morningstar Inc., first as an analyst</p>

pick and subsequently as a Gold rated fund until the announcement of his retirement in 2018. In 2008, Mr. Lee also

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<b>Nominee</b>	<b>Principal Occupation, Business Experience, Other Directorships Held and Age</b>
	<p>launched T. Rowe Price's first Global Real Estate Fund, which he managed for more than six years to a strong track record before transitioning that fund to his successor. Mr. Lee began his career as an engineer for IBM at their semiconductor facility in Burlington, Vermont. Subsequently, he transferred into the IBM Marketing Division and achieved sales success in a competitive territory to become a member of the Hundred Percent Club. He has achieved the Chartered Financial Analyst designation. He is also a member of the Real Estate Advisory Board at Johns Hopkins University Carey School of Business. Mr. Lee earned a B.S. in Computer Engineering from the University of Illinois at Urbana-Champaign and an M.B.A. from Stanford University. Our board of directors has determined that Mr. Lee's qualifications to serve on our board of directors include his professional background and experience, including his investment track record, education and previously held senior-executive level positions.</p>
Gabriela Franco Parcella	<p>Ms. Parcella has served on our board of directors since May 2018. Ms. Parcella is a Financial Services executive whose professional career focuses on Investment Management, Finance, Operations, Risk, and Regulatory fields. Ms. Parcella is Executive Managing Director at Merlone Geier Partners. Merlone Geier is a private equity real estate firm focused on actively managing the acquisition, development, redevelopment and ownership of retail and retail-driven mixed-use properties on the West Coast. Prior to joining Merlone Geier in June 2018, Ms. Parcella was the chief executive officer of Mellon Capital, an investment manager with approximately \$380 billion of assets under management from March 2011 to December 2017. In December 2012, she was promoted to chairman and in March 2015, she was promoted to President. Ms. Parcella was a key contributor to Mellon Capital's growth in multi-asset and beta strategies, international expansion, and the extension of its institutional strategies through strategic sub-advised relationships. Ms. Parcella has worked in the financial services, operations, risk, and regulatory fields since 1994. Prior to her role as chairman, president and chief executive officer of Mellon Capital, Ms. Parcella served as executive vice president and chief operating officer at Mellon Capital, managing all operations, technology, finance, regulatory, and administrative functions. She previously served in other senior roles at Mellon Capital, including managing director of business operations, chief compliance officer, and general counsel. Prior to joining Mellon Capital in 1997, she was an attorney at Orrick. Ms. Parcella chaired the Mellon Capital Board of Directors, Executive Planning Group, and Senior Management Group, and was a member of the BNY Mellon Senior Leadership Team. She is the founder of the San Francisco region Women's Initiative Network (WIN). She serves on the Stanford Law School Board of Visitors, chairs the Board of Schools of the Sacred Heart San Francisco, and formerly served on the Board of San Francisco Meals on Wheels. She is also a life member of ALPFA (Association of Latino Professionals for America). Ms. Parcella was named one of the Most Influential Women by the San Francisco Business Times in 2016. Fortune magazine and ALPFA named Ms. Parcella third on their 2017 list of the 50 Most Powerful Latinas in Corporate America. Ms. Parcella earned a JD from Stanford Law School and an MPA from the University of Texas at Austin. Our board of directors has determined that Ms. Parcella's qualifications to serve on our board of directors include her professional background and experience, education and current and previously held senior-executive level positions.</p>
Age 50	





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<b>Nominee</b>	<b>Principal Occupation, Business Experience, Other Directorships Held and Age</b>
<p>Douglas M. Pasquale</p> <p>Age 64</p>	<p>Mr. Pasquale has served on our board of directors since February 2010. Mr. Pasquale is Founder and CEO of Capstone Enterprises Corporation, an investment and consulting firm, since January 1, 2012. Mr. Pasquale has been Senior Advisor of HCP, Inc. (NYSE:HCP), an investor primarily in real estate serving the healthcare industry in the United States, since August 2017. With the acquisition of Nationwide Health Properties (NYSE: NHP) by Ventas, Inc. (NYSE: VTR) in July 2011, Mr. Pasquale served as Senior Advisor to Ventas's Chairman and CEO from July 2011 to December 2011. He served on the Ventas Board of Directors from July 2011 to May 2017. Prior to NHP's acquisition, Mr. Pasquale served as Chairman of the Board of NHP from May 2009 to July 2011, as President and Chief Executive Officer of NHP from April 2004 to July 2011, and Executive Vice President and Chief Operating Officer of NHP from November 2003 to April 2004. Mr. Pasquale was a director of NHP from November 2003 to July 2011. Mr. Pasquale previously served in various roles (most recently Chairman and Chief Executive Officer) at ARV Assisted Living, Inc., an owner and operator of assisted living facilities, from June 1998 to September 2003 and concurrently served as President and Chief Executive Officer of Atria Senior Living Group, Inc. from April 2003 to September 2003. Mr. Pasquale also served as President and Chief Executive Officer of Richfield Hospitality Services, Inc. and Regal Hotels International-North America, a hotel ownership and management company, from 1996 to 1998, and as its Chief Financial Officer from 1994 to 1996. In addition to serving on the Ventas Board of Directors, Mr. Pasquale serves as lead director of Alexander and Baldwin, Inc. (NYSE: ALEX), a Honolulu-headquartered real estate and agribusiness company, Chairman of the Board of Directors of Sunstone Hotel Investors, Inc. (NYSE: SHO), a leading lodging REIT, and a director of DineEquity, Inc. (NYSE: DIN) which franchises Applebee's and IHOP restaurants. He is also a member of the Board of Trustees of ExplorOcean. Mr. Pasquale is a successful leader in the real estate industry with extensive experience and strong skills in management, mergers and acquisitions and strategic planning. Mr. Pasquale received his B.S. in Accounting and his M.B.A. with highest honors from the University of Colorado. Our board of directors has determined that Mr. Pasquale's qualifications to serve on our board of directors include his over 20 years of experience in the real estate industry and his experience as chairman, president and chief executive officer of a NYSE-listed REIT.</p>
<p>Dennis Polk</p> <p>Age 52</p>	<p>Mr. Polk has served on our board of directors since February 2010. Mr. Polk joined SYNEX Corporation (NYSE: SNX) in 2002 as senior vice president of corporate finance and chief financial officer. In July 2006, he was promoted to chief operating officer, in 2012 he was appointed a director. On March 1, 2018 he was promoted to President and Chief Executive Officer. SYNEX is a business process services company, including the distribution of information technology products, manufacturing and logistics services and business process outsourcing. Prior to SYNEX, Mr. Polk held senior executive positions in finance and operations at DoveBid, Inc. and Savoir Technology Group. Prior to Savoir, Mr. Polk was an audit manager for Grant Thornton LLP. A graduate of Santa Clara University, Mr. Polk received his bachelor's degree in accounting and is an inactive Certified Public Accountant. Our board of directors has determined that Mr. Polk's qualifications to serve on our board of directors include his current experience as a chief executive officer and his prior experience as a chief financial</p>



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**RECOMMENDATION** Our board of directors unanimously recommends a vote **FOR** each named nominee.

**Vote Required** Majority Vote Standard for Election of Directors

Our bylaws provide that the vote standard for election of directors is a majority vote of the votes cast standard in uncontested elections of directors. This means that in an uncontested election, a nominee is elected as a director if he or she receives more for votes than the total number of against votes. In an election where the number of nominees is greater than the number of directors to be elected at the meeting, the nominees will be elected by a plurality of the votes cast in the election of directors.

Under our corporate governance guidelines, any director who fails to be elected by a majority vote is required to tender his or her resignation to our board of directors, subject to acceptance. The nominating and corporate governance committee will make a recommendation to our board of directors on whether to accept or reject the resignation or whether other action should be taken. Our board of directors will then act on the nominating and corporate governance committee's recommendation and publicly disclose its decision and the rationale behind it within 90 days from the date of the certification of election results. If the resignation is not accepted, the director will continue to serve until the next annual meeting and until the director's successor is duly elected and qualifies. The director who tenders his or her resignation will not participate in our board's decision.

**EXECUTIVE OFFICERS**

As of the date of this proxy statement, our executive officers are as follows:

<b>Name</b>	<b>Age</b>	<b>Position</b>
W. Blake Baird	58	Chairman and Chief Executive Officer
Michael A. Coke	50	President
Andrew T. Burke	42	Executive Vice President
Jaime J. Cannon	43	Executive Vice President, Chief Financial Officer and Secretary
John T. Meyer	59	Executive Vice President

Mr. Baird and Mr. Coke also serve as directors. Their biographical information can be found in the section entitled Proposal 1 Election of Directors of this proxy statement. The following is a biographical summary of the experience of Mr. Burke, Mr. Cannon and Mr. Meyer:

Andrew T. Burke	Mr. Burke joined Terreno's predecessor company in 2008 and currently serves as Executive Vice President overseeing the Company's operations in Northern New Jersey/New York City, Washington D.C., and Seattle. Prior to joining Terreno Capital Partners LLC in 2008, Mr. Burke was Vice President, Investment Officer and member of the Investment Committee of Perseus Realty Partners. At Perseus, Mr. Burke was responsible for originating and managing joint venture investments in the Eastern U.S. Prior to joining Perseus, Mr. Burke worked in the International Transaction Group at AMB Property Corporation, now Prologis, Inc. (NYSE: PLD), where he helped open the company's European operations and was a Transaction Officer for Europe. Before joining AMB, Mr. Burke served as an Analyst at Sun Microsystems' Venture & Strategic Investments Group where he focused on M&A transactions and investing venture capital
Age 42	

in technology companies. Mr. Burke began his real estate career in the Real Estate Private Equity Group at Fidelity Investments. Mr. Burke holds a BA from Duke University and is a member of NAIOP and ULI.

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Jaime J. Cannon

Age 43

Mr. Cannon currently serves as Executive Vice President and Chief Financial Officer of our Company and has overseen finance and accounting since 2010. From 2003 to 2010, Mr. Cannon worked at AMB Property Corporation, now Prologis, Inc. (NYSE: PLD), a leading global developer, owner and operator of industrial real estate, in various capacities, most recently as Vice President, Treasury. From 1997 to 2003, Mr. Cannon worked at Arthur Andersen and PricewaterhouseCoopers, most recently as an Audit Manager specializing in real estate companies. Mr. Cannon received a bachelor's degree in Business Economics from the University of California at Santa Barbara and is a former California Certified Public Accountant.

John T. Meyer

Age 59

Mr. Meyer joined the Company in 2010 and currently serves as Executive Vice President overseeing the Company's operations in the San Francisco Bay Area, Los Angeles and Miami. From 1989 through 2009, Mr. Meyer worked at AMB Property Corporation, now Prologis, Inc. (NYSE: PLD) in various capacities, most recently as Senior Vice President, Director of Transactions, Southwest Region of North America. In this role, Mr. Meyer was responsible for the expansion of AMB's portfolio in the Western United States through targeted acquisition and development of distribution and warehouse facilities. During his twenty-year tenure, he oversaw multiple areas of the company including Finance, Operations, Airport Facilities, and Customer Development. Mr. Meyer established AMB's Airport Facilities Group which was responsible for the development and acquisition of on-airport facilities throughout the world. Mr. Meyer holds a BS degree in architecture from the University of Oklahoma.

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**PROPOSAL 2 NON-BINDING, ADVISORY APPROVAL OF EXECUTIVE COMPENSATION**

**General**

As required by Section 14A of the Securities Exchange Act of 1934, as amended, or the Exchange Act, our board of directors is submitting for stockholder action the resolution set forth below to approve, on a non-binding, advisory basis, the compensation paid to our named executive officers as disclosed in this proxy statement. This is commonly known as, and is referred to in this proxy statement as, a say-on-pay proposal or resolution. At the 2018 annual meeting of stockholders, our stockholders voted, on a non-binding, advisory basis, for the Company to hold future, non-binding advisory votes on the compensation of our named executive officers on an annual basis. After taking into consideration this voting result and the prior recommendation of our board of directors in favor of an annual non-binding, advisory stockholder vote on the compensation of our named executive officers, the board of directors determined that it intends to continue to hold non-binding advisory votes on the compensation of our named executive officers every year.

This say-on-pay proposal gives our stockholders the opportunity to express their views on the compensation of our named executive officers. We are asking our stockholders to indicate their support for the compensation of our named executive officers as described in this proxy statement. This vote is not limited to any specific item of compensation, but rather addresses the overall compensation of our named executive officers and our philosophy, policies and practices relating to their compensation as a whole as described in this proxy statement.

As described in detail under the heading Compensation Discussion and Analysis in this proxy statement, our executive compensation programs are designed to attract, retain and motivate our named executive officers, who are critical to our success. Our compensation programs are designed to create incentives for our named executive officers to maximize long-term stockholder value. Under these programs, our named executive officers are rewarded for the achievement of our annual, long-term and strategic objectives and the realization of increased stockholder value. Please refer to the Compensation Discussion and Analysis in this proxy statement for additional details about our executive compensation programs, including information about the compensation of our named executive officers for the year ended December 31, 2018.

**Text of Resolution**

RESOLVED, that the stockholders of the Company approve, on a non-binding, advisory basis, the compensation of the Company's named executive officers, as disclosed in this proxy statement pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion.

**RECOMMENDATION** Our board of directors unanimously recommends a vote FOR adoption of this resolution.

**Vote Required; Effect of Vote**

The affirmative vote of a majority of the votes cast on this proposal will be required for adoption of this resolution. Abstentions and broker non-votes will not be treated as votes cast and, accordingly, will have no effect on the outcome of the vote on this proposal.

The say-on-pay resolution is advisory, and therefore will not have any binding legal effect on the Company, our board of directors or the compensation committee and may not be construed as overruling a decision by the Company, our board of directors or the compensation committee or to create or imply any change to the fiduciary duties of our board

of directors. Furthermore, because this non-binding, advisory resolution primarily relates to compensation of the named executive officers that has already been paid or contractually committed, there is generally no opportunity for us to revisit those decisions.

However, the compensation committee does value the opinions of our stockholders and intends to take the results of the vote on this proposal into account in its future decisions regarding the compensation of our named executive officers.



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**PROPOSAL 3 APPROVAL OF THE TERRENO REALTY CORPORATION 2019 EQUITY INCENTIVE PLAN**

**Introduction**

On February 5, 2019, our board of directors adopted, subject to stockholder approval, the Terreno Realty Corporation 2019 Equity Incentive Plan, or the 2019 Plan. We are asking our stockholders to approve the 2019 Plan. The 2019 Plan will become effective if and when it is approved by our stockholders and will replace our Amended and Restated 2010 Equity Incentive Plan, or the 2010 Plan, effective as of such date. Upon the effectiveness of the 2019 Plan, no further awards will be made under the 2010 Plan. A copy of the 2019 Plan is attached as Appendix A to this Proxy Statement and incorporated herein by reference.

The 2019 Plan is designed to enhance the flexibility of the compensation committee in granting equity awards to our officers, primarily in the form of performance share awards to our executives, and primarily restricted stock to our other officers, employees and other eligible award recipients. The 2019 Plan is also designed to ensure that we can continue to grant equity awards to our officers, employees, non-employee directors and other eligible award recipients at levels determined to be appropriate by the compensation committee. We believe that equity awards are a critical part of the compensation package offered to new and existing employees and are an important tool in our ability to attract and retain talented personnel and to align the interest of our executives and our stockholders by motivating executives to increase stockholder value and rewarding executives when stockholder value increases. Accordingly, we are seeking stockholder approval of the 2019 Plan. In the event that the 2019 Plan is not approved by our stockholders, the 2010 Plan will continue in effect until it expires or is terminated and awards may be granted thereunder, in accordance with its terms.

The maximum number of shares of our common stock to be issued under the 2019 Plan is 1,400,000 shares, plus the number of shares available for issuance under our existing equity plan, the 2010 Plan. Currently, 1,705,000 shares of common stock are reserved for issuance pursuant to awards granted under the 2010 Plan. As of March 1, 2019, approximately 109,109 shares were available for grant under the 2010 Plan and there were 389,852 unvested full value awards of restricted stock with time-based vesting outstanding under the 2010 Plan. In addition, as of March 1, 2019, there were outstanding Long-Term Incentive Plan target awards as set forth in Compensation Discussion and Analysis Principal Elements of Compensation and Total Direct Compensation Long-Term Incentive Plan in this proxy statement.

The following highlights key reasons why we believe stockholders should approve the 2019 Plan:

**Reasonable Plan Cost**

Permits continued alignment of the interests of our executives and other officers and our stockholders through the use of equity compensation only 109,109 shares of common stock are available for issuance of new awards under the 2010 Plan as of March 1, 2019;

Reasonable number of additional shares of common stock requested 1,400,000 additional shares; and

Awards would not have a substantially dilutive effect (additional shares equal approximately 2.3% of our total number of shares of common stock outstanding as of March 1, 2019 and, together with the shares remaining available under the 2010 Plan as of March 1, 2019, equal approximately 2.4% of our total number of shares of common stock outstanding).

Responsible Grant Practices

Three-year average burn rate of 0.5% well below ISS industry standard of 2.58%;

All outstanding time-based equity awards granted to our chief executive officer and president (which were granted only in 2015 and 2018) vest with respect to 100% of the shares on the fifth anniversary of

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the grant date no time-based equity awards have been granted to our other named executive officers since 2015;

83% of the equity compensation of our chief executive officer and our president and 100% of our other named executive officer's equity compensation in the last three years consists of performance share awards under our Long-Term Incentive Plan, which are earned based on the outperformance of our relative total stockholder return compared to that of publicly available indexes over a three-year period;

Robust performance-based hurdles used for performance share awards under our Long-Term Incentive Plan;

No single-trigger acceleration of vesting for awards;

Clawback policy applies to equity awards; and

Significant stock ownership guidelines.

**Stockholder-Friendly Plan Features**

No stock options, stock appreciation rights or dividend equivalent rights;

No liberal share recycling shares tendered or held back upon settlement of an award to cover a tax withholding obligation and shares repurchased by the Company on the open market are not added back to the shares available for issuance;

Stockholder approval is required to increase the number of shares available (i.e., no evergreen feature);

No dividends are permitted to be paid on unearned performance share awards under our Long-Term Incentive Plan; and

No acceleration of vesting of equity awards in connection with a change-in-control without consummation of such change-in-control (i.e., no liberal change of control definition).

**Summary of Material Features of the 2019 Plan**

The material features of the 2019 Plan are:

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The maximum number of shares of our common stock to be issued under the 2019 Plan is 1,400,000 shares, plus the number of shares available for issuance under the 2010 Plan;

The grant of restricted stock awards, performance share awards and unrestricted stock awards to our executives and officers is permitted;

Any material amendment to the 2019 Plan is subject to approval by our stockholders;

The shares of common stock underlying any awards under the 2019 Plan and the 2010 Plan that are forfeited, canceled or otherwise terminated are added back to the shares of common stock available for issuance under the 2019 Plan. The following shares will not be added back to the shares authorized for issuance under the 2019 Plan: shares tendered or held back upon settlement of an award to cover a tax withholding obligation and shares repurchased by the Company on the open market; and

Our current form of performance share awards provides that dividends are not paid on performance shares during the performance period.

In establishing performance goals for awards, we intend to continue to use total stockholder return as compared to total return (on a comparable basis) of publicly available indexes, such as, but not limited to, the MSCI U.S. REIT Index and the FTSE Nareit Equity Industrial Index.

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Based solely on the closing price of the Company's common stock as reported on the NYSE on March 1, 2019, the maximum aggregate market value of the additional 1,400,000 shares proposed to be reserved under the 2019 Plan is approximately \$57,372,000. The shares to be issued by the Company under the 2019 Plan will be authorized but unissued shares.

**Rationale for Share Increase**

We believe that equity awards are a critical part of the compensation package offered to new and existing employees and are an important tool in our ability to attract and retain talented personnel. We manage our long-term stockholder dilution by limiting the number of equity incentive awards granted annually. The compensation committee carefully monitors our annual net burn rate, total dilution and equity expense in order to maximize stockholder value by granting only the appropriate number of equity incentive awards that it believes are necessary to attract, reward and retain employees. Our commitment to a carefully managed equity incentive program is demonstrated by the following facts:

Our historical three-year average burn rate is 0.5%.

Our compensation philosophy reflects broad-based eligibility for equity incentive awards, and we grant awards to all of our employees. By doing so, we link employee interests with stockholder interests throughout the organization and motivate our employees to act as owners of the business.

**Burn Rate**

The following table sets forth information regarding historical awards granted and earned for the 2016 through 2018 period, and the corresponding burn rate, which is defined as the number of shares subject to equity-based awards granted in a year divided by the weighted average number of shares of common stock outstanding for that year, for each of the last three fiscal years:

<b>Year</b>	<b>Total Shares Subject to Equity Incentive Awards</b>	<b>Weighted Average Common Shares Outstanding</b>	<b>Burn Rate (% of Weighted Average Common Shares Outstanding (1))</b>
<b>2016</b>	180,191	44,725,936	0.4%
<b>2017</b>	239,198	51,357,719	0.5%
<b>2018</b>	259,658	57,486,399	0.5%

(1) Gross Burn Rate is calculated as shares subject to equity incentive awards granted in each year divided by the weighted average common shares outstanding.

The following table shows our historical dilution for each of the last three fiscal years:

<b>As of December 31</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Full Dilution(1)	1.2%	1.7%	2.7%

(1) Full dilution is calculated as (shares available for grant + non-vested shares outstanding)/(common shares outstanding + shares available for grant + non-vested shares outstanding).

If our request to approve the 2019 Plan is approved by stockholders, we will have approximately 1,509,109 shares available for grant after the annual meeting, which is based on 109,109 shares available for grant under the 2010 Plan as of March 1, 2019 and the 1,400,000 shares subject to this proposal. Our compensation committee determined the size of the share reserve under the 2019 Plan based on projected equity awards to anticipated new hires, projected annual equity awards to existing employees and non-employee directors, and an assessment of the magnitude of increase that our institutional investors and the firms that advise them would likely find acceptable.

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Effective with the grant of the 2019 performance share awards on January 5, 2019, each participant's target awards are expressed as a number of shares of common stock and settled in shares of common stock. We anticipate, although we can provide no assurance, that if our request to approve the 2019 Plan is approved by stockholders, and based upon our 2018 share awards and current projections, it will be sufficient to provide equity incentives to attract, reward, retain and motivate employees through the next 48 months.

### **Summary of the 2019 Plan**

The following description of certain features of the 2019 Plan is intended to be a summary only. This summary is qualified in its entirety by the full text of the 2019 Plan that is attached hereto as Appendix A. The 2019 Plan permits us to make grants of restricted stock awards, performance share awards, unrestricted stock awards or any combination of the foregoing. The 2019 Plan does not provide for stock options, stock appreciation rights, restricted stock units or dividend equivalent rights.

*Share Reserve.* The maximum number of shares authorized for issuance under the 2019 Plan is 1,400,000 shares of common stock, plus the number of shares available for issuance under the 2010 Plan. The shares underlying any awards under the 2019 Plan and the 2010 Plan that are forfeited, canceled or are otherwise not payable under the 2019 Plan will be added back to the shares authorized for issuance under the 2019 Plan.

*Plan Administration.* The 2019 Plan is administered by our compensation committee. Our compensation committee may interpret the 2019 Plan and may make all determinations necessary or desirable for the administration of the plan and has full power and authority to select the participants to whom awards will be granted, to make any combination of awards to participants, to accelerate the vesting of any award and to determine the specific terms and conditions of each award, subject to the provisions of the 2019 Plan.

*Eligibility.* All employees, non-employee directors and consultants of the Company and its subsidiaries as selected from time to time by the compensation committee in its discretion are eligible to participate in the 2019 Plan. Approximately 28 individuals are currently eligible to participate in the 2019 Plan, which includes five executive officers, 18 employees who are not officers, and five non-employee directors.

*Minimum Vesting Period.* Awards granted under the 2019 Plan must be subject to a vesting period of at least one year, except that the compensation committee has the authority to accelerate the vesting of awards and up to 5% of the shares authorized for issuance under the 2019 Plan may be utilized for unrestricted stock awards or other awards with a vesting period of less than one year.

*Performance Share Awards.* Performance share awards may also be granted under our equity incentive plan to our executive and senior officers. Such an award entitles a participant to receive shares of our common stock at the end of a performance period (generally three years), the number of which will be tied to attainment of pre-established performance goals. Dividends will not be paid on performance shares during the performance period.

*Restricted Stock Awards.* Restricted stock may be granted under the 2019 Plan. Restricted stock awards are shares of our common stock that vest in accordance with terms and conditions established by our compensation committee at the time of grant. Our compensation committee may impose whatever vesting conditions it determines to be appropriate, including attainment of performance goals. Shares of restricted stock that do not satisfy the vesting conditions are subject to our right of repurchase or forfeiture.

*Unrestricted Stock Awards.* Unrestricted stock awards may also be granted under the 2019 Plan. These are shares of our common stock that have no vesting requirements and are not subject to any risk of forfeiture. Such shares have

historically been granted only to non-employee directors.

*No Stock Options, Stock Appreciation Rights or Dividend Equivalent Rights.* The 2019 Plan does not provide for stock options, stock appreciation rights or dividend equivalent rights.



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*Transfer of Awards.* Unless the compensation committee provides otherwise, the 2019 Plan does not generally allow for the transfer of awards.

*Change in Control Provisions.* The 2019 Plan provides that, in the event of a Corporate Transaction (as defined below), the parties thereto may cause the assumption, continuation or substitution of the awards theretofore granted. A Corporate Transaction under the 2019 Plan means (1) the sale of all or substantially all of our assets on a consolidated basis to an unrelated person or entity; (2) a merger, reorganization or consolidation pursuant to which the holders of our outstanding voting power and outstanding stock immediately prior to such transaction do not own a majority of the outstanding voting power and outstanding voting power or other equity interests of the resulting or successor entity (or its ultimate parent, if applicable) immediately upon completion of such transaction, (3) the sale of all of the stock of the Company to an unrelated person, entity or group thereof acting in concert, or (4) any other transaction in which the owners of the Company's outstanding voting power immediately prior to such transaction do not own at least a majority of the outstanding voting power of the Company or any successor entity immediately upon completion of the transaction other than as a result of the acquisition of securities directly from the Company. If we experience a Corporate Transaction, our compensation committee will have full authority to determine the effect, if any, on the vesting, exercisability, settlement, payment or lapse of restrictions applicable to an award. To the extent the parties to such Corporate Transaction do not provide for the assumption, continuation or substitution of any awards thereunder, upon the effective time of the Corporate Transaction, the 2019 Plan and all outstanding awards granted thereunder shall terminate (after taking into account any applicable acceleration). The Company shall have the option (in its sole discretion) to make or provide for a payment, in cash or in kind, to the grantees holding awards under the 2019 Plan in an amount equal to the sale price multiplied by the number of vested shares of stock underlying such awards.

*Adjustments for Stock Dividends, Stock Splits, Etc.* The 2019 Plan requires the compensation committee to make appropriate adjustments to the number of shares of common stock that are subject to the 2019 Plan, to certain limits in the 2019 Plan and to any outstanding awards to reflect stock dividends, stock splits and similar events.

*Tax Withholding.* Participants in the 2019 Plan are responsible for the payment of any federal, state or local taxes that we are required by law to withhold upon the vesting of awards. The compensation committee may require awards to be subject to mandatory share withholding up to the maximum statutory tax rate or such lesser amount as is necessary to avoid liability accounting.

*Amendments and Termination.* The terms of the 2019 Plan provide that we may amend, suspend or terminate the plan at any time, but stockholder approval of any such action will be obtained if required to comply with applicable law or NYSE listing standards. Further, no action may be taken that materially and adversely affects any rights under outstanding awards without the holder's consent.

*Effective Date of the 2019 Plan.* The Board approved the adoption of the 2019 Plan on February 5, 2019. The proposed 2019 Plan becomes effective on the date it is approved by stockholders. If the 2019 Plan is not approved by stockholders, the 2010 Plan will continue in effect until it expires or is terminated, and awards may be granted thereunder, in accordance with its terms.

## **Plan Benefits**

Because the grant of awards under the 2019 Plan is within the discretion of the compensation committee, we cannot determine the dollar value or number of shares of common stock that will in the future be received by or allocated to any participant in the 2019 Plan. Accordingly, in lieu of providing information regarding benefits that will be received under the 2019 Plan, the following table provides information concerning the benefits that were received under the

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2010 Plan by the following persons and groups for the year ended December 31, 2018: each named executive officer; all current executive officers, as a group; all current directors who are not executive officers, as a group; and all employees who are not executive officers, as a group.

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<b>Name and Position</b>	<b>Awards</b>	
	<b>Dollar Value (\$)</b>	<b>Number (#)</b>
W. Blake Baird, Chairman and Chief Executive Officer	2,750,025(1)	77,958
Michael A. Coke, President	2,750,025(1)	77,958
Andrew T. Burke, Executive Vice President	780,000(2)	22,347
Jaime J. Cannon, Executive Vice President and Chief Financial Officer	780,000(2)	22,347
John T. Meyer, Executive Vice President	780,000(2)	22,347
All current executive officers, as a group	7,840,050	222,875
All non-employee directors	360,072	9,656
All current employees who are not executive officers, as a group	866,796	27,003

- (1) Includes awards earned under the Long-Term Incentive Plan with respect to the performance period that ended on December 31, 2018. Subsequent to December 31, 2018, the compensation committee determined that each executive earned an award of approximately \$2,250,000 under the Long-Term Incentive Plan with respect to the performance period that ended on December 31, 2018, and each of Mr. Baird and Mr. Coke was issued 64,502 shares of common stock in connection with the award.

Also includes an award of 13,456 shares of restricted stock granted to each of Mr. Baird and Mr. Coke on August 1, 2018 with a grant date fair value, computed in accordance with Financial Accounting Standards Board ( FASB ) Accounting Standards Codification ( ASC ) Topic 718, of \$500,025. These shares of restricted stock vest with respect to 100% of the shares on the fifth anniversary of the grant date, subject to the executive s continued employment with the Company or its subsidiaries through the vesting date. This amount reflects the grant date fair value and may not correspond to the actual value that will be recognized. Refer to notes 2 and 10 to our consolidated financial statements in our annual report on Form 10-K for the 2018 fiscal year for a discussion of the relevant assumptions used in calculating the value.

- (2) Includes awards earned under the Long-Term Incentive Plan with respect to the performance period that ended on December 31, 2018. Subsequent to December 31, 2018, the compensation committee determined that each executive earned an award of approximately \$780,000 under the Long-Term Incentive Plan with respect to the performance period that ended on December 31, 2018, and each of Mr. Burke, Mr. Cannon and Mr. Meyer was issued 22,347 shares of common stock in connection with the award.

**Tax Aspects Under the Code**

The following is a summary of the principal federal income tax consequences of certain transactions under the 2019 Plan. It does not describe all federal tax consequences under the 2019 Plan, nor does it describe state or local tax consequences.

*Awards.* The Company generally will be entitled to a tax deduction in connection with an award under the 2019 Plan in an amount equal to the ordinary income realized by the participant at the time the participant recognizes such income. Participants typically are subject to income tax and recognize such tax at the time that an award vests or becomes non-forfeitable, unless the award provides for a further deferral.

*Parachute Payments.* The vesting of any portion of an award that is accelerated due to the occurrence of a change in control (such as a sale event) may cause a portion of the payments with respect to such accelerated awards to be treated as parachute payments, as defined in the Code. Any such parachute payments may be non-deductible to the Company, in whole or in part, and may subject the recipient to a non-deductible 20% federal excise tax on all or a portion of such payment (in addition to other taxes ordinarily payable).

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*Limitation on Deductions.* Under Section 162(m) of the Code, the Company's deduction for awards under the 2019 Plan may be limited to the extent that any covered employee (as defined in Section 162(m) of the Code) receives compensation in excess of \$1 million a year.

**RECOMMENDATION** Our board of directors unanimously recommends a vote **FOR** the 2019 Plan.

**Vote Required**

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

In addition, the rules of the NYSE require that votes for the proposal must represent at least a majority of all of the votes cast on the proposal (including votes **FOR** and **AGAINST** and abstentions). The NYSE treats abstentions both as shares entitled to vote and as votes cast, but does not treat broker non-votes as votes cast.

**Table of Contents****PROPOSAL 4 RATIFICATION OF THE APPOINTMENT OF INDEPENDENT REGISTERED CERTIFIED PUBLIC ACCOUNTING FIRM**

The audit committee has selected and appointed the firm of Ernst & Young LLP to act as our independent registered certified public accounting firm for 2019. Ratification of the appointment of our independent registered certified public accounting firm requires a majority of the votes cast on this proposal. Any votes not cast, whether by abstention, broker non-vote, or otherwise, will have no impact on the vote.

**RECOMMENDATION: Our board of directors unanimously recommends that the stockholders vote FOR ratification of the appointment of Ernst & Young LLP.**

Although stockholder ratification of the appointment of our independent registered certified public accounting firm is not required by our bylaws or otherwise, we are submitting the selection of Ernst & Young LLP to our stockholders for ratification as a matter of good corporate governance practice. Even if the selection is ratified, the audit committee in its discretion may select a different independent registered certified public accounting firm at any time if it determines that such a change would be in our best interest and the best interests of our stockholders. If our stockholders do not ratify the audit committee's selection, the audit committee will take that fact into consideration, together with such other factors it deems relevant, in determining its next selection of independent registered certified public accounting firm.

In choosing our independent registered certified public accounting firm, the audit committee conducts a comprehensive review of the qualifications of those individuals who will lead and serve on the engagement team, the quality control procedures the firm has established and any material issue raised by the most recent quality control review of the firm. The review also includes matters required to be considered under the SEC rules on auditor independence, including the nature and extent of non-audit services to ensure that they will not impair the independence of any such firm.

Representatives of Ernst & Young LLP are expected to be present at the annual meeting. These representatives will have an opportunity to make a statement if they so desire and will be available to respond to appropriate questions.

**Fees Paid to Independent Registered Certified Public Accounting Firm**

Aggregate fees for professional services rendered by Ernst & Young LLP, our independent certified registered public accounting firm, during the years ended December 31, 2018 and December 31, 2017 were as follows:

	<b>2018</b>	<b>2017</b>
Audit Fees	\$ 1,357,550	\$ 1,369,400
Audit-Related Fees		
Tax Fees		
All Other Fees	3,455	1,895
<b>Total</b>	<b>\$ 1,361,005</b>	<b>\$ 1,371,295</b>

**Audit Fees**

Audit fees for 2018 and 2017 were incurred for professional services in connection with the audit of our consolidated financial statements and internal control over financial reporting for the years ended December 31, 2018 and 2017, reviews of our interim consolidated financial statements, which were included in each of our quarterly reports on

Form 10-Q during the years ended December 31, 2018 and 2017 and comfort letters.

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**Audit-Related Fees**

There were no fees billed for 2018 or 2017 for assurance and related services that were reasonably related to the performance of the audit or review of our financial statements and that are not reported under Audit Fees.

**Tax Fees**

There were no fees billed for 2018 or 2017 related to tax compliance, tax advice and tax planning services rendered by Ernst & Young LLP.

**All Other Fees**

All other fees set forth in the table above for 2018 and 2017 represent fees and expenses for products and services that are not Audit Fees , Audit-Related Fees or Tax Fees.

**Pre-Approval Procedures**

The Audit Committee pre-approves all audit and permissible non-audit services provided by the independent registered certified public accounting firm unless an exception to such pre-approval exists under the Exchange Act or the rules of the SEC. These services may include audit services, audit-related services, tax services and other services. The Audit Committee approved all audit and non-audit services provided to us by our principal accountant during the 2018 and 2017 fiscal years.



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**REPORT OF THE AUDIT COMMITTEE**

*The following report of the audit committee does not constitute soliciting material and should not be deemed filed or incorporated by reference into any of our other filings under the Securities Act of 1933 or the Securities Exchange Act of 1934.*

In accordance with its written charter adopted by the board of directors, the audit committee's role is to assist the board of directors in the oversight of the integrity of the Company's financial statements, the Company's compliance with legal and regulatory requirements, the qualifications, independence and performance of the Company's independent auditors and the Company's internal audit function. The audit committee currently consists of five members, each of whom is independent as that term is defined by the governance standards of the NYSE and the rules and regulations of the SEC.

Management is responsible for the Company's financial reporting process including its system of internal controls, and for the preparation of the Company's consolidated financial statements in accordance with generally accepted accounting principles. The Company's independent auditors are responsible for auditing those financial statements. It is the audit committee's responsibility to monitor and review these processes. It is not the audit committee's duty or responsibility to conduct auditing or accounting reviews or procedures. The audit committee does not consist of the Company's employees and it may not be, and may not represent itself to be or to serve as, accountants or accountants by profession or experts in the fields of accounting or auditing. Therefore, the audit committee has relied on management's representation that the financial statements have been prepared with integrity and objectivity and in conformity with accounting principles generally accepted in the United States and on the representations of the Company's independent auditors included in their report on our financial statements. The audit committee's oversight does not provide it with an independent basis to determine that management has maintained appropriate accounting and financial reporting principles or policies, or appropriate internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. Furthermore, the audit committee's considerations and discussions with management and with our independent auditors do not assure that our financial statements are presented in accordance with generally accepted accounting principles, that the audit of our financial statements has been carried out in accordance with generally accepted auditing standards or that the Company's independent auditors are in fact independent.

In fulfilling its oversight responsibilities, the audit committee reviewed the audited financial statements for the year ended December 31, 2018 with management, including a discussion of the quality of the accounting principles, the reasonableness of significant judgments, the clarity of disclosures in the financial statements and the effectiveness of our disclosure controls and procedures and internal controls over financial reporting. The audit committee reviewed the financial statements for the year ended December 31, 2018 with our independent auditors and discussed with them all of the matters required to be discussed by Statement of Auditing Standards No. 1301 (Communications with Audit Committees), as amended and as adopted by the Public Company Accounting Oversight Board, including their judgments as to the quality, not just the acceptability, of our accounting principles. In addition, the audit committee has received the written disclosures and the letter from our independent auditors required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent auditors' communications with the audit committee concerning independence and has discussed with our independent auditors their independence from our management and from us. Upon its review, the audit committee has satisfied itself as to our independent auditors' independence.

Based on the review and discussions with management and the independent auditors, and subject to the limitations on its role and responsibilities described above, the audit committee recommended to the board of directors, and the board of directors has approved, that the audited financial statements be included in the Company's annual report on

Form 10-K for the year ended December 31, 2018. The undersigned members of the audit committee have submitted this report to the Company.

**Members of the Audit Committee**

LeRoy E Carlson, Chair

David M. Lee

Gabriela F. Parcella

Douglas M. Pasquale

Dennis Polk

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**COMPENSATION COMMITTEE REPORT**

The undersigned members of the compensation committee of the board of directors of Terreno Realty Corporation submit this report in connection with our review of the Compensation Discussion and Analysis section of this proxy statement for the year ended December 31, 2018.

We have reviewed the Compensation Discussion and Analysis and have discussed it with management. Based on the reviews and discussions referred to above, we recommended to the board of directors that the Compensation Discussion and Analysis section of this proxy statement be included in this proxy statement.

**Members of the Compensation Committee**

Dennis Polk, Chair

LeRoy E. Carlson

David M. Lee

Gabriela F. Parcella

Douglas M. Pasquale

**Risk Considerations in our Compensation Programs**

The compensation committee has reviewed our compensation structures and policies as they pertain to risk and has determined that our compensation programs do not create or encourage the taking of risks that are reasonably likely to have a material adverse effect on the Company.

**Compensation Committee Interlocks and Insider Participation**

No member of the compensation committee during 2018 was an officer, employee or former officer of ours or any of our subsidiaries or had any relationship that would be considered a compensation committee interlock and would require disclosure in this proxy statement pursuant to SEC regulations. None of our executive officers served as a member of a compensation committee or a director of another entity under the circumstances requiring disclosure in this proxy statement pursuant to SEC regulations.

**Policy Concerning Hedging and Pledging Transactions**

Our insider trading policy prohibits our officers, directors and employees from engaging in transactions of a speculative nature involving our securities. The policy prohibits short sales and other hedging transactions and also generally prohibits transactions involving derivative securities, such as options, warrants, restricted stock units, stock appreciation rights or similar rights whose value is derived from the value of our equity securities. The policy prohibits all of our directors and officers from margining our securities, holding our securities in a margin account or pledging our securities as collateral for a loan unless such pledge is pre-approved by our audit committee. There have been no such approvals of any pledges to date. Further, our code of business conduct and ethics prohibits new investment and other trading in the member companies of the FTSE Nareit Equity Industrial Index.

**Clawback Policy**

Certain of our executive officers are required to repay certain amounts if the company restates its financial statements as a result of financial reporting misconduct. The amounts to be repaid consist of (1) any bonus or other incentive-based or equity-based compensation received from the company during a twelve month period following the filing of the financial document in question; and (2) any profits realized from the sale of securities of the Company during that period.

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**COMPENSATION DISCUSSION AND ANALYSIS**

**Overview**

The following discussion is intended to supplement the more detailed information concerning executive compensation that appears in the tables and the accompanying narrative that follows. It is also intended to provide both a review of our compensation policies and programs for 2018 and describe our compensation policies and programs with respect to our executive officers. Our goal is to provide a better understanding of our compensation practices and the decisions made concerning the compensation payable to our executive officers, consisting of our chairman and chief executive officer, Mr. Baird, our president, Mr. Coke, and our executive vice presidents, Mr. Burke, Mr. Cannon and Mr. Meyer, in the Summary Compensation Table below. These officers are referred to herein as the named executive officers.

The compensation committee of our board of directors designs and administers our executive compensation programs. All principal elements of compensation paid to our executive officers are subject to approval by the compensation committee. The Compensation Committee Report appears on page 29 of this proxy statement.

**Objectives**

The principal objectives of our executive compensation programs are to:

align the interest of our executives and stockholders by motivating executives to increase stockholder value and rewarding executives when stockholder value increases;

motivate our executives to manage our business to meet our near, medium, and long-term objectives and reward them for meeting these objectives and for exceptional performance;

assist in attracting and retaining talented and well-qualified executives;

be competitive with other industrial real estate investment trusts (specifically the members of the FTSE Nareit Equity Industrial Index which are: Americold Realty Trust, Duke Realty Corporation, EastGroup Properties, Inc., First Industrial Realty Trust, Inc., Industrial Logistics Property Trust, Liberty Property Trust, Monmouth Real Estate Investment Corporation, Prologis, Inc., PS Business Parks Inc., Rexford Industrial Realty, Inc., and STAG Industrial, Inc.); and

encourage and provide the opportunity for our executives to obtain meaningful ownership levels of our stock.

**Management's and Advisor's Role in Compensation Decisions**

The compensation committee evaluates the performance of our chairman and chief executive officer, president and our executive officers and determines their compensation based on this evaluation. Mr. Baird and Mr. Coke make recommendations to the compensation committee for equity awards and other compensation to other employees

throughout the Company. The compensation committee can accept or reject these recommendations as it sees fit. Under its charter, the compensation committee has the authority to engage independent compensation consultants or other advisors. To date, we have not retained a compensation consultant.

**Principal Elements of Compensation and Total Direct Compensation**

We have designed our executive compensation programs to include three principal elements base salary, annual cash incentive bonus (for our executive vice presidents) and long-term equity incentives, in the form of common stock awards, which are integrated into our compensation programs and are intended to achieve different objectives. We believe that a competitive base salary is a necessary element of any compensation program that is designed to attract and retain talented and experienced executives. We believe that attractive base

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salaries can motivate and reward executives. We believe that annual cash incentive bonus payments can incent our executives to attain near-term business objectives. However, while important, such near-term business objectives, even if achieved, may not produce superior long-term stockholder value. Accordingly, we do not have an annual cash incentive bonus plan for Mr. Baird or Mr. Coke, which allows them to construct and evaluate our short-term objectives while more effectively thinking solely of long-term stockholder value creation. Our executive vice presidents are eligible to receive an annual cash incentive bonus based upon their individual performances, as further described below. We believe that long-term equity incentives align the interests of our executives and stockholders by motivating executives to increase stockholder value and rewarding executives when stockholder value increase.

*Base Salaries.* In order to attract and retain the most talented executives in our industry, we set the base salaries of executive officers at levels that are competitive with other companies engaged in the industrial real estate industry and of comparable size and scope that compete with us for executive talent. Base salaries are established in part based on the individual experience, skills and expected contributions during the coming year and the executive's performance during the prior year.

Increases in base salary are left to the discretion of the compensation committee. Effective February 16, 2018, the compensation committee increased the base salaries of each of Mr. Burke, Mr. Cannon and Mr. Meyer to \$325,000. Effective August 1, 2018, the compensation committee increased the base salaries of each of Mr. Baird and Mr. Coke to \$800,000. Following a discussion, and based upon our named executive officers' accomplishments in 2018 and the factors and objectives outlined in the previous paragraphs, effective February 16, 2019, the compensation committee increased the base salaries of each of Mr. Burke, Mr. Cannon and Mr. Meyer to \$333,000.

*Annual Cash Incentive Bonus.* In order to more fully align compensation with long term stockholder value creation as stated above, and in order to increase the overall equity component in their pay mix, we do not have, nor are we currently planning to adopt, an annual cash incentive bonus plan for Mr. Baird or Mr. Coke, although we reserve our right to do so in the future. Our executive vice presidents, Mr. Burke, Mr. Cannon and Mr. Meyer, are eligible to receive an annual cash incentive bonus primarily based upon the achievement of individual performance objectives, which for 2018 included capital deployment, operational targets and raising debt and equity capital (all in accordance with the Company's annual business plan) and long-term strategic goals.

*Time-Vesting Restricted Stock Awards.* We believe that providing our executives with equity incentives will create longer-term alignment with stockholders and further meet the Company's objectives of building equity ownership and meaningful value for the Company's executives. As such, our executives are eligible to receive grants of time-vesting restricted stock under our Amended and Restated 2010 Equity Incentive Plan. On August 1, 2018, the compensation committee granted 13,456 shares of restricted common stock with a grant date fair value, computed in accordance with FASB ASC Topic 718, of \$500,025, to each of Mr. Baird and Mr. Coke in recognition of cumulative accomplishments, progress on the Company's long-term strategic plan and in order to help retain its key executives and align their long-term interests with those of our stockholders. These shares of restricted stock vest with respect to 100% of the shares on the fifth anniversary of the date of grant, subject to the executive's continued employment with the Company or its subsidiaries through the vesting date. Realized value for such awards increases or decreases based on the increase or decrease in the value of the Company's stock over the vesting period, further aligning the incentive with stockholder value creation. No restricted common stock was granted to our executive officers in 2016 or 2017.

*Long-Term Incentive Plan.* In order to directly align the long-term incentive compensation of our executives with the achievement of enhanced value for our stockholders and to provide executives with the potential to earn equity awards subject to the long-term performance of our common stock, the compensation committee administers the Company's Long-Term Incentive Plan (the "Long-Term Incentive Plan"). Under our Long-Term Incentive Plan, our executives have in the past been granted a target award (generally set as a percentage of the executive's base salary) measured in

dollars, that may be payable in shares of our common stock after the



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conclusion of each pre-established performance measurement period. In January 2019, effective upon the grant of the 2019 awards under the Long-Term Incentive Plan, our board of directors, upon the recommendation of our compensation committee, amended the Long-Term Incentive Plan. Under the amended Long-Term Incentive Plan, each participant's performance share target award for target awards granted on or after January 1, 2019 will be expressed as a number of shares of common stock and settled in shares of common stock. Generally, performance measurement periods under the Long-Term Incentive Plan run for three calendar years and begin on January 1 of each year. These performance-based awards are variable incentive, at-risk awards. The performance goals to achieve any payout are high-reach and formulaic rather than qualitative. No dividends are paid to our executives related to these awards during the performance measurement periods.

The amount earned under our Long-Term Incentive Plan for any performance measurement period is determined by our success in attaining or exceeding performance goals linked to each of two metrics during the performance measurement period:

50% of the determination will be based on our total stockholder return for the performance measurement period, measured at the end of the period compared to the total stockholder return for the same period of the MSCI U.S. REIT Index (RMS); and

50% of the determination will be based on our total stockholder return for the performance measurement period, measured at the end of the period compared to the total stockholder return for the same period of the FTSE Nareit Equity Industrial Index.

The two main performance goals were established to focus our named executive officers on generating superior total stockholder return over time. Our compensation committee believes that achievement of the target level of performance of the two main performance goals, i.e., exceeding both applicable indices will require significant effort and substantial progress toward the goals of our strategic plan. If one of the performance goals is achieved at target level, each participating executive will receive an award equal to 50% of his target award attributable to such performance goal. Accordingly, if we achieve the target level for both performance goals, each participating executive will receive an award equal to 100% of his total target award for the performance period. If our performance is below the target level for a performance goal, then no payouts will be made with respect to such goal. To the extent that our performance exceeds either index by at least 100 basis points per year, each participating executive will receive an award equal to 150% of his target award and, if our performance exceeds both indices by at least 100 basis points per year, each participating executive will receive an award equal to 300% of his total target award. If our total stockholder return for the performance measurement period exceeds the compound, annualized percentage return of one of the applicable indices for such period but the excess is less than 100 basis points per annum, the size of awards earned by participants with respect to such index will be determined by linear interpolation. We believe achieving this maximum payout is difficult. In the event that our total stockholder return is negative for any performance period, even if we have outperformed the applicable indices, any incentive compensation earned for that performance period will be reduced by 50%, further aligning pay with stockholder returns. Once we have determined the dollar value of the award earned for any performance period, such amount is converted to shares of our common stock based on the average closing price of our common stock for the ten business days immediately preceding the day the shares are issued.

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Based on the methodology above, the total stockholder return of Terreno Realty Corporation, the FTSE Nareit Equity Industrial Index and MSCI U.S. REIT Index (RMS) are listed below. Our compensation committee determined, based on the methodology described above, the following awards were earned for the performance measurement periods:

		<b>Total Stockholder Return</b>				
			<b>FTSE</b>			
		<b>Terreno</b>	<b>Nareit</b>	<b>MSCI U.S.</b>	<b>Award to Each</b>	<b>Award to Each</b>
		<b>Realty</b>	<b>Equity</b>	<b>REIT</b>	<b>of CEO and</b>	<b>Executive</b>
		<b>Corporation</b>	<b>Industrial</b>	<b>Index</b>	<b>President</b>	<b>Vice</b>
<b>Performance Measurement Period</b>				<b>(RMS)</b>	<b>(1)</b>	<b>President(1) (2)</b>
February 16, 2010	December 31, 2012	(18.4)%	45.3%	75.7%	\$ 0	N/A
January 1, 2011	December 31, 2013	5.5%	21.2%	32.6%	\$ 0	N/A
January 1, 2012	December 31, 2014	49.3%	72.5%	59.4%	\$ 0	N/A
January 1, 2013	December 31, 2015	61.7%	33.9%	37.2%	\$ 1,500,000	N/A
January 1, 2014	December 31, 2016	74.5%	60.3%	43.1%	\$ 1,650,000	\$ 750,000
January 1, 2015	December 31, 2017	84.2%	60.8%	15.7%	\$ 2,250,000	\$ 780,000
January 1, 2016	December 31, 2018	68.7%	55.9%	10.1%	\$ 2,250,000	\$ 780,000

- (1) Such awards were paid in shares of common stock using the 10-day weighted average stock price of Terreno Realty Corporation prior to issuance.
- (2) Messrs. Burke, Cannon and Meyer became eligible to receive equity grants under our Long-Term Incentive Plan commencing with the three-year measurement period of January 1, 2014 to December 31, 2016.

Our compensation committee granted the following aggregate target awards to our executives under the Long-Term Incentive Plan in 2017 and 2018, respectively, for the following performance measurement periods:

	<b>January 1, 2017</b>	<b>January 1, 2018</b>
	<b>December 31, 2019</b>	<b>December 31, 2020</b>
	<b>Performance</b>	<b>Performance</b>
	<b>Measurement Period</b>	<b>Measurement Period</b>
<b>W. Blake Baird</b>	\$ 765,000	\$ 785,000
<b>Michael A. Coke</b>	\$ 765,000	\$ 785,000
<b>Andrew T. Burke</b>	\$ 300,000	\$ 308,000
<b>Jaime J. Cannon</b>	\$ 300,000	\$ 308,000
<b>John T. Meyer</b>	\$ 300,000	\$ 308,000

Effective with the grant of the 2019 awards under the Long-Term Incentive Plan, our board of directors, upon the recommendation of our compensation committee, amended the Long-Term Incentive Plan. Under the amended Long-Term Incentive Plan, each participant's performance share target awards for target awards granted on or after January 1, 2019 will be expressed as a number of shares of common stock and settled in shares of common stock. Participants will receive a target award with respect to each index, and each target award will consist of the same number of shares of our common stock.

If a performance goal is achieved with respect to a performance index at target level, each participating executive will receive an award equal to 100% of his target award attributable to such performance index. Accordingly, if we achieve

the target level for both performance goals, each participating executive will receive an award equal to 100% of his total target award for the performance period. If our performance is below the target level for a performance index, then no payouts will be made with respect to such performance index. To the extent that our performance exceeds an index by at least 100 basis points per year, each participating executive will receive an award equal to 300% of his target award for such performance index. If our total stockholder return for the performance measurement period exceeds the compound, annualized percentage return of an index for such period but the excess is less than 100 basis points per annum, the size of awards earned by participants with respect to such index will be determined by linear interpolation. We believe achieving this

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maximum payout is difficult. In the event that our total stockholder return is negative for any performance period, even if we have outperformed the applicable indices, any incentive compensation earned for that performance period will be reduced by 50%, further aligning pay with stockholder returns.

On January 5, 2019, our compensation committee granted the following aggregate target and maximum awards expressed as a number of shares under the amended Long-Term Incentive Plan for the performance period January 1, 2019 to December 31, 2021. The target number of shares was determined using a target dollar value and converted to shares using the 10-day weighted average stock price of Terreno Realty Corporation. The aggregate targets are as follows:

	<b>Aggregate Target Awards (\$) on Date of Grant</b>	<b>Aggregate Target Awards (# of Shares)</b>	<b>Aggregate Maximum Awards (# of Shares)</b>
<b>W. Blake Baird</b>	\$ 1,000,000	28,668	86,004
<b>Michael A. Coke</b>	\$ 1,000,000	28,668	86,004
<b>Andrew T. Burke</b>	\$ 475,000	13,618	40,854
<b>Jaime J. Cannon</b>	\$ 475,000	13,618	40,854
<b>John T. Meyer</b>	\$ 475,000	13,618	40,854
<b>Total</b>	\$ 3,425,000	98,190	294,570

*At-Risk Compensation.* For 2018, approximately 64% of Mr. Baird and Mr. Coke's direct compensation was at-risk equity. 42% was variable incentive equity based solely on three-year total stockholder return outperformance under the Long-Term Incentive Plan and 22% was variable incentive equity based on changes in stock price during the five-year restricted stock vesting period.

**Other Elements of Compensation**

*Retirement Benefits.* We maintain a 401(k) retirement plan in which all employees are eligible to participate on the same terms. Under the 401(k) retirement plan, we make contributions of up to 3% of the participant's annual compensation. Our contributions are 100% vested when made and are subject to applicable IRS limits and regulations.

*Severance Agreements.* We entered into severance agreements with Messrs. Baird, Coke, Burke, Cannon and Meyer. A summary of these severance agreements appears in the section of this proxy statement entitled "Payments Upon Termination of Employment and Change of Control." These agreements provide for various payments and benefits to the executives if their employment with us is terminated in certain circumstances. The circumstances in which payments may be made and the potential amounts of those payments are described in more detail below. These agreements are intended to ensure the ongoing commitment and continued attention and dedication of these executive officers to their assigned duties and to the best interest of our stockholders in the event of a change in control or other potential termination events.

**Other Compensation Practices and Policies**

*Equity Award Grant Practices.* The compensation committee generally makes annual equity awards to our named executive officers under the Long-Term Incentive Plan and to our non-executive employees under the Amended and

Restated 2010 Equity Incentive Plan typically during the first quarter of each year. In 2017, 2018 and 2019, awards were made to our non-executive employees at the compensation committee's regularly scheduled meetings in February. The grant date of those awards is the date of the meeting, which date is determined without regard to current or anticipated stock price levels or the release of material non-public information and is set during the prior calendar year.

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The compensation committee may also make equity grants during the course of the year, primarily for new hires, promotions to retain valued employees, to award exceptional performance or otherwise. Generally, these grants are subject to performance or time vesting, and are issued on the date of compensation committee approval or upon a date certain following the grant approval date, such as the date on which a new hire commences his or her employment with the Company.

*Section 162(m).* The SEC requires that we comment on our policy with respect to Section 162(m) of the Code, which limits the deductibility on our tax return of compensation over \$1 million to the chief executive officer and certain other highly compensated executive officers. Although certain qualifying performance-based compensation was previously exempt from this deduction limit, the Tax Cuts and Jobs Act made certain changes to Section 162(m) of the Code. Pursuant to such changes, performance-based compensation is no longer exempt under Section 162(m) of the Code effective for tax years beginning after January 1, 2018, subject to a transition rule for written binding contracts which were in effect on November 2, 2017 and which were not modified in any material respect on or after such date.

We believe that, because we intend to maintain our qualification as a REIT under the Code and pay distributions sufficient to minimize federal income taxes, the payment of compensation that does not satisfy the requirements of Section 162(m) will generally not affect our net income. To the extent that compensation does not qualify for a deduction under Section 162(m), a larger portion of stockholder distributions may be subject to federal income taxation as dividend income rather than return of capital. We do not believe that Section 162(m) will materially affect the taxability of stockholder distributions, although no assurance can be given in this regard due to the variety of factors that affect the tax position of each stockholder. For these reasons, the compensation committee's compensation policy and practices are not directly guided by considerations relating to Section 162(m).

*Non-Binding Advisory Vote on Executive Compensation.* In determining executive compensation for 2018, the compensation committee also considered the results of the non-binding, advisory vote on the compensation of our named executive officers at our 2018 and 2017 annual meetings of stockholders. Approximately 99% of the shares voted on the matter at both our 2018 and 2017 annual meetings of stockholders were cast in support of our compensation decisions and policies. The compensation committee considered stockholder support reflected by these results and determined to use the same approach and philosophy in 2019 as we used in 2018 in determining executive compensation.

*Pay Ratio Disclosure Rule.* Pursuant to a mandate of the Dodd-Frank Wall Street Reform and Consumer Protection Act, the SEC adopted a rule requiring annual disclosure of the ratio of the median employee's annual total compensation to the total annual compensation of the principal executive officer (PEO). The Company's PEO for purposes of determining such ratio is Mr. Baird, our chief executive officer and Mr. Coke, our president. The purpose of the required disclosure is to provide a measure of the equitability of pay within the organization. As set forth in the table below, our 2018 PEO to median employee pay ratio was 12.8 to 1.

	<b>Compensation of Each of Chairman and Chief Executive Officer and President</b>	<b>Compensation of Median Employee</b>
Base Salary	\$ 791,250	\$ 119,375
Bonus		22,500

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Stock awards	1,319,212	20,000
All other compensation	8,250	4,256
Total	\$ 2,118,712	\$ 166,131

We identified the median employee, as of December 31, 2018, using the annual base salary and bonus paid during the year ended December 31, 2018 plus any stock awards granted in 2018 for all individuals who were

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employed by us on December 31, 2018. Total compensation was annualized for those employees that were not employed for the full year of 2018.

*What We Do and Do Not Do.* In summary, we do not: grant stock options or partnership units as compensation, allow pledging or hedging of our stock by employees or directors, allow new investment in member companies of the FTSE Nareit Equity Industrial Index, allow excise tax gross ups or pay annual cash bonuses to Mr. Baird or Mr. Coke. We do: align pay with performance heavily weighted to at-risk, high degree of difficulty performance-based equity, require significant stock ownership and have double-trigger change of control provisions.



**Table of Contents****SUMMARY COMPENSATION TABLE**

The table below summarizes the total compensation paid or awarded to each of our named executive officers for 2018, 2017 and 2016. For a more thorough discussion of our executive compensation programs, see Compensation Discussion and Analysis which begins on page 30 of this proxy statement.

<b>Name and Principal Position</b>	<b>Year</b>	<b>Salary (\$)</b>	<b>Bonus (\$ (1))</b>	<b>Stock Awards (\$)</b>	<b>All Other Compensation (\$ (8))</b>	<b>Total (\$)</b>
W. Blake Baird, <i>Chairman and Chief Executive Officer</i>	2018	791,250		1,319,212(2)	8,250	2,118,712
	2017	782,500		784,232(3)	8,100	1,574,832
	2016	762,500		790,883(4)	7,950	1,561,333
Michael A. Coke <i>President</i>	2018	791,250		1,319,212(2)	8,250	2,118,712
	2017	782,500		784,232(3)	8,100	1,574,832
	2016	762,500		790,883(4)	7,950	1,561,333
Andrew T. Burke <i>Executive Vice President</i>	2018	322,875	320,000	321,413(5)	8,250	972,538
	2017	307,000	230,000	307,542(6)	8,100	852,642
	2016	293,333	200,000	274,173(7)	7,950	775,456
Jaime J. Cannon <i>Executive Vice President and Chief Financial Officer</i>	2018	322,875	300,000	321,413(5)	8,250	952,538
	2017	307,000	230,000	307,542(6)	8,100	852,642
	2016	293,333	200,000	274,173(7)	7,950	775,456
John T. Meyer <i>Executive Vice President</i>	2018	322,875	300,000	321,413(5)	8,250	952,538
	2017	307,000	230,000	307,542(6)	8,100	852,642
	2016	293,333	200,000	274,173(7)	7,950	775,456

- (1) We do not have, nor are we currently planning to adopt, an annual cash incentive bonus plan for Mr. Baird and Mr. Coke although we reserve our right to do so in the future. For Mr. Burke, Mr. Cannon and Mr. Meyer, the amounts reported reflect annual cash incentive bonuses paid in 2019, 2018 and 2017 for performance in 2018, 2017 and 2016, respectively. For a further discussion of the annual cash incentive bonuses with respect to Mr. Burke, Mr. Cannon and Mr. Meyer, see Annual Cash Incentive Bonus under Compensation Discussion and Analysis Principal Elements of Compensation and Total Direct Compensation in this proxy statement.
- (2) Includes aggregate awards granted by our compensation committee in 2018 under our Long-Term Incentive Plan for the performance period from January 1, 2018 to December 31, 2020 with a grant date fair value, computed in accordance with FASB ASC Topic 718, of \$819,187 determined based on the probable outcome of the award. Refer to note 2 to our consolidated financial statements in our annual report on Form 10-K for the 2018 fiscal year for a discussion of the relevant assumptions used in calculating the value. The amount reflected was not actually received by the executive in 2018 and does not necessarily represent the amount that will actually be realized by the executive under the Long-Term Incentive Plan award. The amount actually earned under the

Long-Term Incentive Plan award, if any, will not be earned until the end of the performance measurement period. The aggregate target potential future payout for the performance measurement period is \$785,000 and the maximum aggregate potential future payout for the performance measurement period for each executive is \$2,355,000. Any amount earned by the executive pursuant to the award will be paid in shares of our common stock after the end of the performance period. For a further discussion of the awards under our Long-Term Incentive Plan reflected in the table above, see Long-Term Incentive Plan under Compensation Discussion and Analysis Principal Elements of Compensation and Total Direct Compensation in this proxy statement. Also includes an award of 13,456 shares of restricted stock granted to each of Mr. Baird and Mr. Coke on August 1, 2018 under our 2010 Plan with a grant date fair value, computed in accordance with FASB ASC Topic 718, of \$500,025. These shares of restricted stock vest with respect to 100% of the shares on the fifth anniversary of the grant date, subject to the executive's continued employment with the Company or its subsidiaries through the vesting date. This amount reflects the grant date fair value and may not correspond to the actual value that will be recognized. Refer to notes 2 and 10 to our consolidated financial statements

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in our annual report on Form 10-K for the 2018 fiscal year for a discussion of the relevant assumptions used in calculating the value. For a further description of the award, see the Outstanding Equity Awards at Fiscal Year End table below.

- (3) Represents aggregate awards granted by our compensation committee in 2017 under our Long-Term Incentive Plan for the performance period from January 1, 2017 to December 31, 2019 with a grant date fair value, computed in accordance with FASB ASC Topic 718, of \$784,232 determined based on the probable outcome of the award. Refer to note 2 to our consolidated financial statements in our annual report on Form 10-K for the 2017 fiscal year for a discussion of the relevant assumptions used in calculating the value. The amount reflected was not actually received by the executive in 2017 and does not necessarily represent the amount that will actually be realized by the executive under the Long-Term Incentive Plan award. The amount actually earned under the Long-Term Incentive Plan award, if any, will not be earned until the end of the performance measurement period. The aggregate target potential future payout for the performance measurement period is \$765,000 and the maximum aggregate potential future payout for the performance measurement period for each executive is \$2,295,000. Any amount earned by the executive pursuant to the award will be paid in shares of our common stock after the end of the performance period. For a further discussion of the awards under our Long-Term Incentive Plan reflected in the table above, see Long-Term Incentive Plan under Compensation Discussion and Analysis Principal Elements of Compensation and Total Direct Compensation in this proxy statement.
- (4) Represents aggregate awards granted by our compensation committee in 2016 under our Long-Term Incentive Plan for the performance period from January 1, 2016 to December 31, 2018 with a grant date fair value, computed in accordance with FASB ASC Topic 718, of \$790,883 determined based on the probable outcome of the award. Refer to note 2 to our consolidated financial statements in our annual report on Form 10-K for the 2016 fiscal year for a discussion of the relevant assumptions used in calculating the value. The amount reflected was not actually received by the executive in 2016 and does not necessarily represent the amount that will actually be realized by the executive under the Long-Term Incentive Plan award. The amount actually earned under the Long-Term Incentive Plan award, if any, will not be earned until the end of the performance measurement period. The aggregate target potential future payout for the performance measurement period is \$750,000 and the aggregate maximum potential future payout for the performance measurement period for each executive is \$2,250,000. Any amount earned by the executive pursuant to the award will be paid in shares of our common stock after the end of the performance period.
- (5) Represents aggregate awards granted by our compensation committee in 2018 under our Long-Term Incentive Plan for the performance period from January 1, 2018 to December 31, 2020 with a grant date fair value, computed in accordance with FASB ASC Topic 718, of \$321,413 determined based on the probable outcome of the award. Refer to note 2 to our consolidated financial statements in our annual report on Form 10-K for the 2018 fiscal year for a discussion of the relevant assumptions used in calculating the value. Such amount was not actually received by the executive in 2018 and does not necessarily represent the amount that will actually be realized by the executive under the Long-Term Incentive Plan award. The amount actually earned under the Long-Term Incentive Plan award, if any, will not be earned until the end of the performance measurement period. The aggregate target potential future payout for the performance measurement period for each executive is \$308,000 and the aggregate maximum potential future payout for the performance measurement period for each executive is \$924,000. Any amount earned by the executive pursuant to the award will be paid in shares of our common stock after the end of the performance period. For a further discussion of the awards under our Long-Term Incentive Plan reflected in the table above, see Long-Term Incentive Plan under Compensation Discussion and Analysis Principal Elements of Compensation and Total Direct Compensation in this proxy statement.
- (6) Represents aggregate awards granted by our compensation committee in 2017 under our Long-Term Incentive Plan for the performance period from January 1, 2017 to December 31, 2019 with a grant date fair value,

computed in accordance with FASB ASC Topic 718, of \$307,542 determined based on the probable outcome of the award. Refer to note 2 to our consolidated financial statements in our annual report on Form 10-K for the 2017 fiscal year for a discussion of the relevant assumptions used in calculating the value. Such amount was not actually received by the executive in 2017 and does not necessarily represent the amount that will actually be realized by the executive under the Long-Term Incentive Plan award. The

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amount actually earned under the Long-Term Incentive Plan award, if any, will not be earned until the end of the performance measurement period. The aggregate target potential future payout for the performance measurement period for each executive is \$300,000 and the aggregate maximum potential future payout for the performance measurement period for each executive is \$900,000. Any amount earned by the executive pursuant to the award will be paid in shares of our common stock after the end of the performance period. For a further discussion of the awards under our Long-Term Incentive Plan reflected in the table above, see Long-Term Incentive Plan under Compensation Discussion and Analysis Principal Elements of Compensation and Total Direct Compensation in this proxy statement.

- (7) Represents aggregate awards granted by our compensation committee in 2016 under our Long-Term Incentive Plan for the performance period from January 1, 2016 to December 31, 2018 with a grant date fair value, computed in accordance with FASB ASC Topic 718, of \$274,173 determined based on the probable outcome of the award. Refer to note 2 to our consolidated financial statements in our annual report on Form 10-K for the 2016 fiscal year for a discussion of the relevant assumptions used in calculating the value. Such amount was not actually received by the executive in 2016 and does not necessarily represent the amount that will actually be realized by the executive under the Long-Term Incentive Plan award. The amount actually earned under the Long-Term Incentive Plan award, if any, will not be earned until the end of the performance measurement period. The aggregate target potential future payout for the performance measurement period for each executive is \$260,000 and the aggregate maximum potential future payout for the performance measurement period for each executive is \$780,000. Any amount earned by the executive pursuant to the award will be paid in shares of our common stock after the end of the performance period. For a further discussion of the awards under our Long-Term Incentive Plan reflected in the table above, see Long-Term Incentive Plan under Compensation Discussion and Analysis Principal Elements of Compensation and Total Direct Compensation in this proxy statement.
- (8) Represents the amount of our contributions to the executive's 401(k) plan.

**Table of Contents****GRANTS OF PLAN-BASED AWARDS**

The table below contains information regarding each grant of a plan-based award made to each of our named executive officers during 2018.

Name	Grant Date	Estimated Future Payouts under Equity Incentive Plan Awards (1)		All Other Stock Awards:	Grant Date Fair Value of Stock Awards (\$)
		Aggregate Target (\$)	Aggregate Maximum (\$)	Number of Shares of Stock (#) (2)	
W. Blake Baird	1/5/2018	\$ 785,000	\$ 2,355,000	13,456	\$ 1,319,212(3)
Michael A. Coke	1/5/2018	\$ 785,000	\$ 2,355,000	13,456	\$ 1,319,212(3)
Andrew T. Burke	1/5/2018	\$ 308,000	\$ 924,000		\$ 321,413(4)
Jaime J. Cannon	1/5/2018	\$ 308,000	\$ 924,000		\$ 321,413(4)
John T. Meyer	1/5/2018	\$ 308,000	\$ 924,000		\$ 321,413(4)

- (1) Amounts presented represent potential future payouts under Long-Term Incentive Plan awards granted by our compensation committee in 2018 for the performance measurement period from January 1, 2018 to December 31, 2020. The size of the actual awards, if any, will depend on our achievement of specified performance metrics during and through the end of the performance period. Actual awards, if earned, are measured in dollars but will be paid out in shares of our common stock in early 2021. For a further discussion of the awards under our Long-Term Incentive Plan reflected in the table above, see footnotes 2 and 5 to the Summary Compensation Table above and Long-Term Incentive Plan under Compensation Discussion and Analysis Principal Elements of Compensation and Total Direct Compensation in this proxy statement.
- (2) Represents shares of restricted common stock that were issued on August 1, 2018, which vest with respect to 100% of the shares on the fifth anniversary of the grant date, subject to the executive's continued employment with the Company or its subsidiaries through the vesting date.
- (3) Represents a grant date fair value, computed in accordance with FASB ASC Topic 718, of \$819,187 determined based on the probable outcome of the award granted by our compensation committee in 2017 under our Long-Term Incentive Plan for the performance period from January 1, 2018 to December 31, 2020. Refer to note 2 to our consolidated financial statements in our annual report on Form 10-K for the 2018 fiscal year for a discussion of the relevant assumptions used in calculating the value. Refer also to footnote 2 to the Summary Compensation Table above. Also includes an award of 13,456 shares of restricted stock granted to each of Mr. Baird and Mr. Coke on August 1, 2018 with a grant date fair value, computed in accordance with FASB ASC Topic 718, of \$500,025. Refer to notes 2 and 11 to our consolidated financial statements in our annual report on Form 10-K for the 2018 fiscal year for a discussion of the relevant assumptions used in calculating the value. Refer also to footnote 2 to the Summary Compensation Table above.
- (4) Represents a grant date fair value, computed in accordance with FASB ASC Topic 718, of \$321,413 determined based on the probable outcome of the award granted by our compensation committee in 2018 under our Long-Term Incentive Plan for the performance period from January 1, 2018 to December 31, 2020. Refer to note 2 to our consolidated financial statements in our annual report on Form 10-K for the 2018 fiscal year for a discussion of the relevant assumptions used in calculating the value. Refer also to footnote 5 to the Summary

Compensation Table above.

Table of Contents**OUTSTANDING EQUITY AWARDS AT FISCAL YEAR END**

The table below contains information regarding outstanding equity awards held by each of our named executive officers as of December 31, 2018.

Name	Stock Awards		Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value Of Unearned Shares or Other Rights That Have Not Vested (\$)
	Number of Shares that Have Not Vested (#)	Market Value of Shares that Have Not Vested (\$)(5)		
W. Blake Baird	125,000(1)	4,396,250		
	13,456(2)	473,248		
			64,502(6)	2,250,000(6)
			21,392(8)	750,000(9)
Michael A. Coke	125,000(1)	4,396,250		
	13,456(2)	473,248		
			64,502(6)	2,250,000(6)
			21,392(8)	750,000(9)
Andrew T. Burke	2,394(3)	84,197		
	12,500(4)	439,625		
			22,361(7)	780,000(7)
			7,416(8)	260,000(9)
Jaime J. Cannon	2,394(3)	84,197	8,557(10)	300,000(9)



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	12,500(4)	439,625	22,361(7)	780,000(7)
			7,416(8)	260,000(9)
			8,557(10)	300,000(9)
John T. Meyer	2,394(3)	84,197		
	12,500(4)	439,625	22,361(7)	780,000(7)
			7,416(8)	260,000(9)
			8,557(10)	300,000(9)

- (1) Represents unvested shares of restricted common stock that were issued to Mr. Baird and Mr. Coke, respectively, on August 4, 2015. On such date, Mr. Baird and Mr. Coke were each granted 125,000 shares of restricted common stock, which vest with respect to 100% of the shares on the fifth anniversary of the grant date, subject to the executive's continued employment with the Company or its subsidiaries through the vesting date.
- (2) Represents unvested shares of restricted common stock that were issued to Mr. Baird and Mr. Coke, respectively, on August 1, 2018. On such date, Mr. Baird and Mr. Coke were each granted 13,456 shares of restricted common stock, which vest with respect to 100% of the shares on the fifth anniversary of the grant date, subject to the executive's continued employment with the Company or its subsidiaries through the vesting date.
- (3) Represents unvested shares of restricted common stock that were issued on February 18, 2014, which vest ratably in equal installments over a five-year period with the first vesting date having occurred on February 16, 2015.

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- (4) Represents shares of unvested restricted common stock that were issued on August 4, 2015, which vest with respect to 100% of the shares on the fifth anniversary of the grant date, subject to the executive's continued employment with the Company or its subsidiaries through the vesting date.
- (5) The dollar amounts indicated under the "Market Value of Shares That Have Not Vested" column represent the fair value of the unvested shares of restricted common stock, calculated based on the closing price per share of our common stock on the last trading day of 2018 of \$35.17.
- (6) Subsequent to December 31, 2018, the compensation committee determined that each executive earned an award of approximately \$2,250,000 under the Long-Term Incentive Plan with respect to the performance period that ended on December 31, 2018, and each of Mr. Baird and Mr. Coke was issued 64,502 shares of common stock in connection with the award.
- (7) Subsequent to December 31, 2018, the compensation committee determined that each executive earned an award of approximately \$780,000 under the Long-Term Incentive Plan with respect to the performance period that ended on December 31, 2018, and each of Mr. Burke, Mr. Cannon and Mr. Meyer was issued 22,361 shares of common stock in connection with the award.
- (8) Represents the number of shares that would be paid to the executive under our Long-Term Incentive Plan for the performance measurement period ending on December 31, 2019, assuming the target performance measurements have been met at the end of such performance measurement period. The size of the actual award, if any, will depend on our achievement of specified performance metrics during and through the end of such performance period. Actual awards, if earned, are measured in dollars but will be paid out in shares of our common stock in early 2020. For purposes of this table, the estimated dollar amount of the aggregate target awards has been converted to a number of shares of common stock based on the fair market value of our common stock on the last trading day of 2018. No actual shares have been issued to date pursuant to this award. For a further discussion of the awards under our Long-Term Incentive Plan reflected in the table above, see "Long-Term Incentive Plan" under "Compensation Discussion and Analysis - Principal Elements of Compensation and Total Direct Compensation" in this proxy statement.
- (9) The dollar amount indicated is the estimated dollar value of the applicable target Long-Term Incentive Plan award described in the "Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested" column and the related footnotes. No actual shares have been issued to date pursuant to such awards.
- (10) Represents the number of shares that would be paid to the executive under our Long-Term Incentive Plan for the performance measurement period ending on December 31, 2020, assuming the target performance measurements have been met at the end of such performance measurement period. The size of the actual award, if any, will depend on our achievement of specified performance metrics during and through the end of such performance period. Actual awards, if earned, are measured in dollars but will be paid out in shares of our common stock in early 2021. For purposes of this table, the estimated dollar amount of the aggregate target awards has been converted to a number of shares of common stock based on the fair market value of our common stock on the last trading day of 2018. No actual shares have been issued to date pursuant to this award. For a further discussion of the awards under our Long-Term Incentive Plan reflected in the table above, see "Long-Term Incentive Plan" under "Compensation Discussion and Analysis - Principal Elements of Compensation and Total Direct Compensation" in this proxy statement.

**Table of Contents****STOCK VESTED TABLE**

The following table sets forth the number of shares of common stock that vested and the aggregate dollar value realized as a result of the vesting of restricted stock during fiscal 2018 with respect to our named executive officers:

Name	Stock Awards	
	Number of Shares Acquired on Vesting	Value Realized on Vesting (1)
W. Blake Baird		\$
Michael A. Coke		\$
Andrew T. Burke	4,736	\$ 160,361
Jaime J. Cannon	4,736	\$ 160,361
John T. Meyer	4,736	\$ 160,361

- (1) The value realized upon vesting was determined by multiplying the number of shares that vested by the price per share of our common stock at the time of vesting.

**PAYMENTS UPON TERMINATION OF EMPLOYMENT AND CHANGE OF CONTROL**

Severance agreements that we have entered into with our named executive officers require us to make certain payments and provide certain benefits to them in the event of a termination of their employment under certain circumstances, including following a change of control of our company. This section provides a discussion of those payments and benefits, along with certain other terms of those agreements.

*Severance Agreements.* We entered into severance agreements with Mr. Baird and Mr. Coke. Under the severance agreements, in the event that we terminate the executive's employment without cause or the executive resigns for good reason (as each term is defined in their respective severance agreement), the executive will be entitled to receive, subject to the executive's execution of a general release of claims, a cash severance payment that is equal to the sum of (i) the executive's then-current annual base salary and (ii) the amount of the target value for each of his outstanding awards under the Long-Term Incentive Plan with a performance measurement period that has not ended as of the executive's date of termination. If such termination occurs within 12 months following a change in control (as defined in their respective severance agreement) of the Company, the cash severance payment that the executive will be entitled to receive is equal to two times the sum of (i) the executive's then-current annual base salary and (ii) the greater of the target value or the calculated value as of the date upon which a change in control occurred for each of his outstanding awards under the Long-Term Incentive Plan with a performance measurement period that had not ended as of the change in control, with the change in control date being deemed the last day of the performance measurement period. In the case of such a change in control, the calculated value of each such outstanding award under the Long-Term Incentive Plan will be determined, if applicable, using a closing stock price (as defined under the Long-Term Incentive Plan) that is equal to the fair market value, as determined by the compensation committee, of the total consideration paid or payable in the transaction resulting in the change in control for one share of our common stock. In addition, in the event that we terminate the executive's employment without cause or the executive resigns for good reason, the executive will be eligible to continue to participate, subject to his copayment of premium amounts at the active employees' rate, in the Company's group health, dental and vision programs for a period of 18 months following termination.

Under the terms of the severance agreements with Mr. Baird and Mr. Coke, in the event either the executive's employment is terminated on account of his death or disability, he is entitled to receive (or his estate in the case of death) a cash payment equal to the sum of the target value of each of his outstanding awards under the Company's Long-Term Incentive Plan with a performance measurement period that has not ended as of the executive's date of termination, subject to the executive's execution of a general release of claims in the case of a termination due to disability.

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We also entered into a severance agreement with each of Mr. Burke, Mr. Cannon and Mr. Meyer that provides that, in the event that we terminate the executive's employment without cause or the executive resigns for good reason (as each term is defined in their respective severance agreement), the executive will be entitled to receive, subject to the executive's execution of a general release of claims, a cash severance payment that is equal to the sum of (i) the executive's then-current annual base salary and (ii) the amount of the target value for each of his outstanding awards under the Long-Term Incentive Plan with a performance measurement period that has not ended as of the executive's date of termination. If such termination occurs within 12 months following a change in control (as defined in their respective severance agreement) of the Company, the cash severance payment that the executive will be entitled to receive is equal to the sum of (i) the executive's then-current annual base salary and (ii) the greater of the target value or the calculated value as of the date upon which a change in control occurred for each of his outstanding awards under the Long-Term Incentive Plan with a performance measurement period that had not ended as of the change in control, with the change in control date being deemed the last day of the performance measurement period. In the case of such a change in control, the calculated value of each such outstanding award under the Long-Term Incentive Plan will be determined, if applicable, using a closing stock price (as defined under the Long-Term Incentive Plan) that is equal to the fair market value, as determined by the compensation committee, of the total consideration paid or payable in the transaction resulting in the change in control for one share of our common stock. In addition, in the event that we terminate the executive's employment without cause or the executive resigns for good reason, the executive will be eligible to continue to participate, subject to his copayment of premium amounts at the active employees' rate, in the Company's group health, dental and vision programs for a period of 18 months following termination.

Under the terms of the severance agreements with Mr. Burke, Mr. Cannon and Mr. Meyer, if the executive's employment is terminated on account of his death or disability, the cash severance payment he is entitled to receive is equal to the sum of the target value of each of his outstanding awards under the Long-Term Incentive Plan with a performance measurement period that has not ended as of the executive's date of termination, subject to the executive's execution of a general release of claims in the case of a termination due to disability.

In addition, under the terms of the severance agreements with Mr. Baird, Mr. Coke, Mr. Burke, Mr. Cannon and Mr. Meyer, in the event that the executive's employment is terminated under the scenarios above, all of his time-based restricted stock will fully vest. No payments will be made to compensate Mr. Baird, Mr. Coke, Mr. Burke, Mr. Cannon or Mr. Meyer for additional taxes, if any, imposed under Section 4999 of the Code for receipt of excess parachute payments.

In addition, under the scenarios above, Mr. Baird, Mr. Coke, Mr. Burke, Mr. Cannon and Mr. Meyer are entitled to receive any earned but unpaid base salary and any earned but unpaid incentive compensation (if any). The severance agreements with Mr. Baird, Mr. Coke, Mr. Burke, Mr. Cannon and Mr. Meyer provide that during the term of the executive's employment and for 12 months after the termination of his employment for any reason, the executive has agreed not to solicit our employees to leave their employment with us or to solicit any customer or supplier to terminate or otherwise modify adversely its business relationship with us.

The following table sets forth the amounts that would have been paid to our named executive officers (i) upon death or disability; (ii) in the event of a termination by us without cause or by the executive for good reason other than in connection with a change in control; and (iii) in the event of a termination by us without cause or by the executive for good reason within 12 months after a change in control; in each case, occurring as of December 31, 2018.

**Table of Contents****Cost of Termination Under Severance Agreements**

As of December 31, 2018

Name	Cash Severance (\$)	Continued Medical Benefits (\$)	Accelerated Vesting of Restricted Stock (\$)(8)	Long-Term Incentive Plan Cash Payment (\$)	Total Payments (\$)
<b>W. Blake Baird</b>					
Termination upon Death or Disability (1)	(6)		4,869,498	2,295,000(6)	7,164,498
Termination by Company Without Cause or by Executive with Good Reason (2)(3)	800,000(7)	47,122	4,869,498	2,295,000(7)	8,011,620
Termination by Company Without Cause or by Executive with Good Reason within 12 months following a Change in Control (4)	1,600,000(4)	47,122	4,869,498	13,770,000(4)	20,286,620(4)
<b>Michael A. Coke</b>					
Termination upon Death or Disability (1)	(6)		4,869,498	2,295,000(6)	7,164,498
Termination by Company Without Cause or by Executive with Good Reason (2)(3)	800,000(7)	68,451	4,869,498	2,295,000(7)	8,032,949
Termination by Company Without Cause or by Executive with Good Reason within 12 months following a Change in Control (4)	1,600,000(4)	68,451	4,869,498	13,770,000(4)	20,307,949(4)
<b>Andrew T. Burke</b>					
Termination upon Death or Disability (1)	320,000 (6)		523,822	868,000(6)	1,711,822
Termination by Company Without Cause or by Executive with Good Reason (2)(3)	645,000 (7)	68,451	523,822	868,000(7)	2,105,273
Termination by Company Without Cause or by Executive with Good Reason following a Change in Control (5)	645,000 (5)	68,451	523,822	2,604,000 (5)	3,841,273(5)
<b>Jaime J. Cannon</b>					
Termination upon Death or Disability (1)	300,000 (6)		523,822	868,000 (6)	1,691,822
Termination by Company Without Cause or by Executive with Good	625,000 (7)	68,451	523,822	868,000 (7)	2,085,273

<b>Reason (2)(3)</b>					
Termination by Company Without Cause or by Executive with Good Reason following a Change in Control (5)	625,000 (5)	68,451	523,822	2,604,000 (5)	3,821,273(5)
<b>John T. Meyer</b>					
Termination upon Death or Disability (1)	300,000 (6)		523,822	868,000 (6)	1,691,822
Termination by Company Without Cause or by Executive with Good Reason (2)(3)	625,000 (7)	68,451	523,822	868,000 (7)	2,085,273
Termination by Company Without Cause or by Executive with Good Reason following a Change in Control (5)	625,000 (5)	68,451	523,822	2,604,000 (5)	3,821,273(5)

- (1) Under our severance agreements with Mr. Baird, Mr. Coke, Mr. Burke, Mr. Cannon and Mr. Meyer, we may terminate the executive's employment in the event that the executive is disabled and unable to perform the essential functions of his employment with or without reasonable accommodation for a period of 180 days (which need not be consecutive) in any 12-month period.
- (2) Under our severance agreements with Mr. Baird, Mr. Coke, Mr. Burke, Mr. Cannon and Mr. Meyer, we may terminate the executive's employment at any time without cause. Cause means: (i) conduct by the executive constituting a material act of misconduct in connection with the performance of his duties, including, without limitation, misappropriation of funds or property of the Company or any of our subsidiaries or affiliates other than the occasional customary de minimis use of Company property for personal purposes; (ii) the commission by the executive of any felony or a misdemeanor involving moral turpitude, deceit,

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- dishonesty or fraud, or any conduct by the executive that would reasonably be expected to result in material injury or reputational harm to us if he were retained in his position; (iii) continued non-performance by the executive of his duties (other than by reason of the executive's physical or mental illness, incapacity or disability) which has continued for more than 30 days following written notice of such non-performance from our board of directors; (iv) a breach by the executive of any of his confidentiality or non-solicitation obligations under his severance agreement; (v) a material violation by the executive of our written employment policies, or (vi) failure to cooperate with a bona fide internal investigation or an investigation by regulatory or law enforcement authorities, after being instructed by the Company to cooperate, or the willful destruction or failure to preserve documents or other materials known to be relevant to such investigation or the inducement of others to fail to cooperate or to produce documents or other materials in connection with such investigation.
- (3) Under our severance agreements with Mr. Baird, Mr. Coke, Mr. Burke, Mr. Cannon and Mr. Meyer, the executive may terminate his employment with good reason. Good reason means that the executive has complied with the good reason process following the occurrence of any of the following events: (i) a material diminution in the executive's responsibilities, authority or duties; (ii) a material diminution in the executive's base salary except for across-the-board salary reductions based on our financial performance similarly affecting all or substantially all senior management employees of the Company; (iii) a material change in the geographic location at which the executive provides services to the Company; or (iv) our material breach of the severance agreement. Good reason process means that (i) the executive reasonably determines in good faith that a good reason condition has occurred; (ii) the executive notifies us in writing of the first occurrence of the good reason condition within 60 days of the first occurrence of such condition; (iii) the executive cooperates in good faith with our efforts, for a cure period not less than 30 days following such notice, to remedy the condition; (iv) notwithstanding such efforts, the good reason condition continues to exist; and (v) the executive terminates his employment within 60 days after the end of the cure period. If we cure the good reason condition during the cure period, good reason will not be deemed to have occurred.
- (4) Under our severance agreements with Mr. Baird and Mr. Coke, if we terminated the executive's employment without cause or the executive terminated his employment with us with good reason (as described in footnotes 2 and 3 above) and such termination occurred within 12 months after a change in control, the cash severance amount would have been equal to any earned but unpaid incentive compensation (if any) plus two times the sum of the executive's then-current annual base salary plus the greater of the target value or the calculated value of each outstanding award under our Long-Term Incentive Plan. The cash severance amount with respect to each outstanding award was determined using the calculated value as of December 31, 2018. The sum of the aggregate target values of the outstanding awards as of December 31, 2018 for each of Mr. Baird and Mr. Coke was approximately \$2.3 million. If the cash severance with respect to each such award was paid at the aggregate target value instead of the calculated value as of December 31, 2018, the total cash severance for each executive would be approximately \$11.1 million instead of the approximately \$20.3 million amount reflected in the Total Payments column.
- (5) Under our severance agreements with Mr. Burke, Mr. Cannon and Mr. Meyer, if we terminated the executive's employment without cause or the executive terminated his employment with us with good reason (as described in footnotes 2 and 3 above) and such termination occurred within 12 months after a change in control, the cash severance amount would have been equal to any earned but unpaid incentive compensation (if any) plus one times the sum of the executive's then-current annual base salary plus the greater of the target value or the calculated value of each outstanding award under our Long-Term Incentive Plan. The cash severance amount with respect to each outstanding award was determined using the calculated value as of December 31, 2018. The sum of the aggregate target values of the outstanding awards as of December 31, 2018 for each of Mr. Burke, Mr. Cannon and Mr. Meyer was approximately \$0.9 million. If the cash severance with respect to each such award was paid at the aggregate target values instead of the calculated value as of December 31, 2018, the total cash severance for each executive would be approximately \$2.1 million instead of the approximately \$3.8 million amount reflected in the Total Payments column.



- (6) Under our severance agreements with Mr. Baird, Mr. Coke, Mr. Burke, Mr. Cannon and Mr. Meyer, if the executive's employment was terminated upon his death or disability (as described in footnote 1 above), the

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- executive, or his estate, as the case may be, would have been entitled to receive any earned but unpaid incentive compensation (if any) plus the target dollar value of each of his outstanding awards under our Long-Term Incentive Plan.
- (7) Under our severance agreements with Mr. Baird, Mr. Coke, Mr. Burke, Mr. Cannon, and Mr. Meyer, if we terminated the executive's employment without cause or the executive terminated his employment with us with good reason as described in footnotes 2 and 3 above, the executive would have been entitled to receive a cash severance payment equal to any earned but unpaid incentive compensation (if any) plus one times the executive's then-current annual base salary plus the target dollar value of each of his outstanding awards under our Long-Term Incentive Plan.
- (8) Represents the value of the acceleration of the executive's unvested shares of restricted stock owned by the executive as of December 31, 2018, calculated by multiplying the number of unvested shares by \$35.17, the closing market price of our common stock on the NYSE on December 31, 2018.

**Table of Contents****DIRECTOR COMPENSATION**

Our board of directors has approved a compensation program for our independent directors in the form of cash and equity awards.

We pay an annual fee of \$40,000 to our independent directors, which is payable quarterly in cash. As of May 2018, we ceased payments for individual meeting attendance. In addition, we reimburse our directors for reasonable out-of-pocket expenses incurred in connection with performance of their duties as directors, including, without limitation, travel expenses in connection with their attendance at board and committee meetings. We also reimburse our directors for approved director education programs. Our directors do not receive any perquisites or above-market nonqualified deferred compensation plan earnings.

In connection with the 2018 annual meeting of stockholders, each of our independent directors received approximately \$90,000 in the form of unrestricted common stock. Beginning in May 2019, the annual equity grant to each of our independent directors in connection with each annual meeting of stockholders will increase to approximately \$100,000 in the form of unrestricted common stock.

The following table summarizes the compensation of our non-employee directors in 2018. Mr. Baird and Mr. Coke receive no compensation for their service as directors, and the compensation received by Mr. Baird and Mr. Coke as employees during 2018 is presented in the Summary Compensation Table above.

Name	Fees Earned or		Total(\$)
	Paid in Cash (\$)	Stock Awards(\$) (1) (2)	
LeRoy E. Carlson	40,000	90,018	130,018
Gabriela F. Parcella (3)	28,750	90,018	118,768
Douglas M. Pasquale	40,000	90,018	130,018
Dennis Polk	40,000	90,018	130,018
Peter J. Merlone (4)	13,333		13,333

- (1) Amounts reflect the grant date fair value of the unrestricted stock awards granted to our non-employee directors in 2018 computed in accordance with FASB ASC Topic 718.
- (2) None of our non-employee directors held unvested equity awards as of December 31, 2018.
- (3) Ms. Parcella was elected to our board of directors at our 2018 Annual Meeting of Stockholders on May 1, 2018.
- (4) Mr. Merlone served on our board of directors until the 2018 Annual Meeting of Stockholders on May 1, 2018.

**Table of Contents****EQUITY COMPENSATION PLAN INFORMATION**

The following table provides information as of December 31, 2018 regarding our 2010 Plan.

Plan category	Equity Compensation Plan Information		
	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted Average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plan (excluding securities referenced in column (a)) (c)
Equity compensation plans approved by security holders:	(1)(2)	N/A	335,490
Equity compensation plans not approved by security holders:	N/A	N/A	N/A
<b>Total</b>	<b>(1)(2)</b>	<b>N/A</b>	<b>335,490</b>

(1) The 2010 Plan does not provide for options, warrants or rights.

(2) Does not include 383,929 shares of unvested restricted stock as of December 31, 2018, as such shares have been reflected in our total shares outstanding.

**SHARE OWNERSHIP INFORMATION****Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Securities Exchange Act of 1934 requires our directors, executive officers and persons who own more than ten percent of our outstanding common stock to file with the SEC, initial reports of ownership and reports of changes in ownership of common stock. Such persons are required by SEC regulations to furnish us with copies of all such reports they file.

To our knowledge, based solely on a review of the copies of such reports furnished to us and written representations from our directors and executive officers that no other reports are required, all Section 16(a) filing requirements applicable to our executive officers, directors and greater than ten percent beneficial owners were filed on a timely basis during the year ended December 31, 2018.

**CERTAIN TRANSACTIONS****Related Person Transaction Approval Policy**

All related person transactions must be reviewed and approved by our board of directors in advance of our or any of our subsidiaries entering into the transaction. If we or any of our subsidiaries enters into a transaction without recognizing that the transaction constitutes a related person transaction, this approval requirement will be satisfied if the transaction is ratified by our board of directors after we recognize that the transaction constituted a related person transaction. The term "related person transaction" refers to a transaction required to be disclosed by the Company pursuant to Item 404 of Regulation S-K (or any successor provision) promulgated by the SEC. There were no such related person transactions in 2018 through the date of this proxy statement.

In addition to any applicable requirements under the Maryland General Corporation Law, the affirmative vote of a majority of disinterested directors, even if the disinterested directors constitute less than a quorum, is required to authorize, approve or ratify any transaction, agreement or relationship of the Company in which any director, officer or employee of the Company has an interest.

**Table of Contents****SECURITY OWNERSHIP**

The table below sets forth, as of March 1, 2019, the number of shares of our common stock which were owned beneficially by:

each person who is known by us to beneficially own more than 5% of our common stock;

each director and nominee for director;

each named executive officer; and

all of our directors and executive officers as a group.

Unless otherwise indicated, the address of each of the individuals listed in the table is c/o Terreno Realty Corporation, 101 Montgomery Street, Suite 200, San Francisco, CA 94104.

The number of shares beneficially owned by each individual or group is based upon information in documents filed by such person with the SEC. Percentage ownership in the following table is based on 62,196,077 shares of common stock outstanding as of the close of business on March 1, 2019. Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or dispositive power with respect to the securities.

<b>Name of Beneficial Owner</b>	<b>Number of Shares Beneficially Owned(1)</b>	<b>Percent of Outstanding Shares Beneficially Owned (2)</b>
W. Blake Baird (3)	637,202	1.0%
Michael A. Coke (3)	424,183	0.7%
Jaime J. Cannon (4)	65,792	0.1%
John T. Meyer (5)	75,834	0.1%
Andrew T. Burke (6)	77,083	0.1%
Douglas M. Pasquale	94,841	0.2%
Leroy E. Carlson	50,857	0.1%
Dennis Polk	44,357	0.1%
Gabriela F. Parcella	7,914	0.0%
David M. Lee	5,000	0.0%
All directors and executive officers as a group (10 persons)	1,483,063	2.4%
The Vanguard Group (7)	8,472,393	13.6%
T. Rowe Price Associates, Inc. (8)	7,284,184	11.7%
BlackRock, Inc. (9)	5,734,347	9.2%
FMR LLC (10)	4,367,420	7.0%

- (1) Beneficial ownership is determined in accordance with Rule 13d-3 of the Exchange Act. A person is deemed to be the beneficial owner of any shares of common stock if that person has or shares voting power or investment power with respect to those shares, or has the right to acquire beneficial ownership at any time within 60 days of the date of the table. As used herein, voting power is the power to vote or direct the voting of shares and investment power is the power to dispose or direct the disposition of shares.
- (2) Based on a total of 62,196,077 shares of common stock outstanding as of March 1, 2019.
- (3) Includes 138,456 shares of restricted common stock granted to each of Mr. Baird and Mr. Coke that are subject to vesting.
- (4) Includes 12,500 shares of restricted common stock granted to Mr. Cannon that are subject to vesting.
- (5) Includes 12,500 shares of restricted common stock granted to Mr. Meyer that are subject to vesting.
- (6) Includes 12,500 shares of restricted common stock granted to Mr. Burke that are subject to vesting.

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- (7) Based solely on information contained in a Schedule 13G/A filed by Vanguard Group Inc. with the SEC on February 12, 2019. The address of The Vanguard Group is 100 Vanguard Blvd., Malvern, PA 19355. The Schedule 13G/A states that The Vanguard Group has sole voting power with respect to 108,123 of such shares, shared voting power with respect to 66,611 of such shares, sole dispositive power with respect to 8,354,225 of such shares and shared dispositive power with respect to 118,168 of such shares. The percentage beneficial ownership has been adjusted to reflect our actual shares of common stock outstanding as of the close of business on March 1, 2019.
- (8) Based solely on information contained in a Schedule 13G/A filed by T. Rowe Price Associates, Inc. and T. Rowe Price Real Estate Fund, Inc. with the SEC on February 14, 2019. The address of T. Rowe Price Associates, Inc. and T. Rowe Price Real Estate Fund, Inc. is 100 E. Pratt Street, Baltimore, MD 21202. The Schedule 13G/A states that T. Rowe Price Associates, Inc. has sole voting power with respect to 1,382,112 of such shares and sole dispositive power with respect to all of such shares and that T. Rowe Price Real Estate Fund, Inc. has sole voting power with respect to 2,659,300 of such shares. The percentage beneficial ownership has been adjusted to reflect our actual shares of common stock outstanding as of the close of business on March 1, 2019.
- (9) Based solely on information contained in a Schedule 13G filed by BlackRock, Inc. with the SEC on February 6, 2019. The address of BlackRock, Inc. is 55 East 52nd Street, New York, NY 10055. The Schedule 13G states that BlackRock, Inc. has sole voting power with respect to 5,414,914 of such shares and sole dispositive power with respect to 5,734,347 of such shares. The percentage beneficial ownership has been adjusted to reflect actual shares of common stock outstanding as of the close of business on March 1, 2019.
- (10) Based solely on information contained in a Schedule 13G/A filed jointly by FMR LLC and Abigail P. Johnson with the SEC on February 13, 2019. The address of FMR LLC and Abigail P. Johnson is 245 Summer Street, Boston, MA 02210. The Schedule 13G/A states that each of FMR LLC and Abigail P. Johnson has sole dispositive power with respect to all of such shares. The Schedule 13G/A also states that FMR, LLC has sole voting power with respect to 1,009,433 of such shares. The percentage beneficial ownership has been adjusted to reflect our actual shares of common stock outstanding as of the close of business on March 1, 2019.

**STOCKHOLDER PROPOSALS**

Our bylaws currently provide that in order for a stockholder to nominate a candidate for election as a director at an annual meeting of stockholders or propose business for consideration at such meeting, written notice accompanied by the information and other materials specified in our bylaws generally must be delivered to our corporate secretary not later than the close of business on the 120th day, and not earlier than the 150th day, prior to the first anniversary of the date of the notice for the preceding year's annual meeting. Accordingly, a stockholder nomination or proposal intended to be considered at the 2020 annual meeting of stockholders, but not included in our proxy statement, generally must be received by our corporate secretary after October 13, 2019 and prior to 5:00 p.m., Eastern Time, the close of business, on November 12, 2019. If the 2020 annual meeting of stockholders is scheduled to take place before March 31, 2020 or after May 30, 2020, then notice must be delivered no earlier than the 150th day prior to the 2020 annual meeting of stockholders and not later than the close of business on the later of the 120th day prior to the 2020 annual meeting of stockholders or the tenth day following the day on which public announcement of the date of the 2020 annual meeting of stockholders is first made by the Company. If the number of directors to be elected at the 2020 annual meeting of stockholders is increased, and there is no public announcement of such increase before November 2, 2019, then notice of nominees for any new positions created by such increase must be delivered not later than 5:00 p.m., Eastern Time, the close of business, on the later of November 2, 2019 and the tenth day after the day on which public announcement of such increase is first made by the Company.

The date by which we must receive stockholder proposals for inclusion in the proxy materials relating to the 2020 annual meeting of stockholders, or for presentation at such meeting, is November 12, 2019. Stockholder





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proposals must comply with all of the applicable requirements set forth in the rules and regulations of the SEC, including Rule 14a-8. Our board of directors will review any stockholder proposals that are timely submitted and will determine whether such proposals meet the criteria for inclusion in the proxy solicitation materials or for consideration at the 2020 annual meeting.

Stockholder proposals or nominations should be mailed to the attention of our corporate secretary, and copies of the advance notification requirements may be obtained from, our corporate secretary at 101 Montgomery Street, Suite 200, San Francisco, CA 94104. A copy of our bylaws may be obtained from our corporate secretary by written request to the same address.

**2018 ANNUAL REPORT**

**Copies of our 2018 Annual Report, financial statements and Form 10-K for the year ended December 31, 2018, as filed with the SEC, may be obtained without charge by contacting Terreno Realty Corporation Investor Relations, 101 Montgomery Street, Suite 200, San Francisco, CA 94104.**

**OTHER MATTERS**

Our board of directors knows of no other matters that may properly be presented for stockholder action at the 2019 annual meeting of stockholders, other than procedural matters relating to the proposals disclosed in this proxy statement. If any other matters are properly presented at the meeting for action, the persons named in the proxies will vote upon such matters in accordance with their discretion.

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**Appendix A**

**Terreno Realty Corporation 2019 Equity Incentive Plan**

**SECTION 1. GENERAL PURPOSE OF THE PLAN; DEFINITIONS**

The name of the plan is the Terreno Realty Corporation 2019 Equity Incentive Plan (the *Plan*). The purpose of the Plan is to encourage and enable the officers, employees, Non-Employee Directors and Consultants of Terreno Realty Corporation (the *Company*) and its Affiliates upon whose judgment, initiative and efforts the Company largely depends for the successful conduct of its business to acquire a proprietary interest in the Company. It is anticipated that providing such persons with a direct stake in the Company's welfare will assure a closer identification of their interests with those of the Company and its stockholders, thereby stimulating their efforts on the Company's behalf and strengthening their desire to remain with the Company.

The following terms shall be defined as set forth below:

*Act* means the Securities Act of 1933, as amended, and the rules and regulations thereunder.

*Administrator* means either the Board or the compensation committee of the Board or a similar committee performing the functions of the compensation committee and which is comprised of not less than two Non-Employee Directors who are independent.

*Affiliate* means, at the time of determination, any parent or subsidiary of the Company as such terms are defined in Rule 405 of the Act. The Board will have the authority to determine the time or times at which parent or subsidiary status is determined within the foregoing definition.

*Award* or *Awards*, except where referring to a particular category of grant under the Plan, shall include Restricted Stock Awards, Unrestricted Stock Awards and Performance Share Awards.

*Award Certificate* means a written or electronic document setting forth the terms and provisions applicable to an Award granted under the Plan. Each Award Certificate is subject to the terms and conditions of the Plan.

*Board* means the Board of Directors of the Company.

*Code* means the Internal Revenue Code of 1986, as amended, and any successor Code, and related rules, regulations and interpretations.

*Consultant* means a consultant or adviser who provides *bona fide* services to the Company or an Affiliate as an independent contractor and who qualifies as a consultant or advisor under Instruction A.1.(a)(1) of Form S-8 under the Act.

*Corporate Transaction* shall mean (i) the sale of all or substantially all of the assets of the Company on a consolidated basis to an unrelated person or entity, (ii) a merger, reorganization or consolidation pursuant to which the holders of the Company's outstanding voting power and outstanding stock immediately prior to such transaction do not own a majority of the outstanding voting power and outstanding stock or other equity interests of the resulting or successor entity (or its ultimate parent, if applicable) immediately upon completion of such transaction, (iii) the sale of all of the Stock of the Company to an unrelated person, entity or group thereof acting in concert, or (iv) any other transaction in

which the owners of the Company's outstanding voting power immediately prior to such transaction do not own at least a majority of the outstanding voting power of the Company or any successor entity immediately upon completion of the transaction other than as a result of the acquisition of securities directly from the Company.

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*Effective Date* means the date on which the Plan is approved by stockholders as set forth in Section 15.

*Exchange Act* means the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder.

*Fair Market Value* of the Stock on any given date means the fair market value of the Stock determined in good faith by the Administrator; provided, however, that if the Stock is listed on the National Association of Securities Dealers Automated Quotation System ( NASDAQ ), NASDAQ Global Market, The New York Stock Exchange or another national securities exchange or traded on any established market, the determination shall be made by reference to market quotations. If there are no market quotations for such date, the determination shall be made by reference to the last date preceding such date for which there are market quotations.

*Minimum Vesting Period* means the one-year period following the date of grant of an Award.

*Non-Employee Director* means a member of the Board who is not also an employee of the Company or any Subsidiary.

*Performance Share Award* means an Award entitling the recipient to acquire shares of Stock upon the attainment of specified performance goals.

*Restricted Shares* means the shares of Stock underlying a Restricted Stock Award that remain subject to a risk of forfeiture or the Company's right of repurchase.

*Restricted Stock Award* means an Award of Restricted Shares subject to such restrictions and conditions as the Administrator may determine at the time of grant.

*Sale Price* means the value as determined by the Administrator of the consideration payable, or otherwise to be received by stockholders, per share of Stock pursuant to a Corporate Transaction.

*Section 409A* means Section 409A of the Code and the regulations and other guidance promulgated thereunder.

*Service Relationship* means any relationship as an employee, director or Consultant of the Company or any Affiliate (e.g., a Service Relationship shall be deemed to continue without interruption in the event an individual's status changes from full-time employee to part-time employee or Consultant).

*Stock* means the Common Stock, par value \$0.01 per share, of the Company, subject to adjustments pursuant to Section 3.

*Subsidiary* means any corporation or other entity (other than the Company) in which the Company has at least a 50 percent interest, either directly or indirectly.

*Unrestricted Stock Award* means an Award of shares of Stock free of any restrictions.

**SECTION 2. ADMINISTRATION OF PLAN; ADMINISTRATOR AUTHORITY TO SELECT GRANTEES AND DETERMINE AWARDS**

(a) Administration of Plan. The Plan shall be administered by the Administrator.

(b) Powers of Administrator. The Administrator shall have the power and authority to grant Awards consistent with the terms of the Plan, including the power and authority:

(i) to select the individuals to whom Awards may from time to time be granted;

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(ii) to determine the time or times of grant, and the extent, if any, of Restricted Stock Awards, Unrestricted Stock Awards and Performance Share Awards, or any combination of the foregoing, granted to any one or more grantees;

(iii) to determine the number of shares of Stock to be covered by any Award;

(iv) to determine and modify from time to time the terms and conditions, including restrictions, not inconsistent with the terms of the Plan, of any Award, which terms and conditions may differ among individual Awards and grantees, and to approve the forms of Award Certificates;

(v) to accelerate at any time the exercisability or vesting of all or any portion of any Award;

(vi) at any time to adopt, alter and repeal such rules, guidelines and practices for administration of the Plan and for its own acts and proceedings as it shall deem advisable; to interpret the terms and provisions of the Plan and any Award (including related written instruments); to make all determinations it deems advisable for the administration of the Plan; to decide all disputes arising in connection with the Plan; and to otherwise supervise the administration of the Plan.

All decisions and interpretations of the Administrator shall be binding on all persons, including the Company and Plan grantees.

(c) Award Certificate. Awards under the Plan shall be evidenced by Award Certificates that set forth the terms, conditions and limitations for each Award which may include, without limitation, the term of an Award and the provisions applicable in the event employment or service terminates.

(d) Indemnification. Neither the Board nor the Administrator, nor any member of either or any delegate thereof, shall be liable for any act, omission, interpretation, construction or determination made in good faith in connection with the Plan, and the members of the Board and the Administrator (and any delegate thereof) shall be entitled in all cases to indemnification and reimbursement by the Company in respect of any claim, loss, damage or expense (including, without limitation, reasonable attorneys' fees) arising or resulting therefrom to the fullest extent permitted by law and/or under the Company's articles or bylaws or any directors' and officers' liability insurance coverage which may be in effect from time to time and/or any indemnification agreement between such individual and the Company.

(e) Foreign Award Recipients. Notwithstanding any provision of the Plan to the contrary, in order to comply with the laws in other countries in which the Company and its Subsidiaries operate or have employees or other individuals eligible for Awards, the Administrator, in its sole discretion, shall have the power and authority to: (i) determine which Subsidiaries shall be covered by the Plan; (ii) determine which individuals outside the United States are eligible to participate in the Plan; (iii) modify the terms and conditions of any Award granted to individuals outside the United States to comply with applicable foreign laws; (iv) establish subplans and other terms and procedures, to the extent the Administrator determines such actions to be necessary or advisable (and such subplans and/or modifications shall be attached to this Plan as appendices); provided, however, that no such subplans and/or modifications shall increase the share limitations contained in Section 3(a) hereof; and (v) take any action, before or after an Award is made, that the Administrator determines to be necessary or advisable to obtain approval or comply with any local governmental regulatory exemptions or approvals. Notwithstanding the foregoing, the Administrator may not take any actions hereunder, and no Awards shall be granted, that would violate the Exchange Act or any other applicable United States securities law, the Code, or any other applicable United States governing statute or law.

(f) Minimum Vesting Period. The vesting period for each Award granted under the Plan must be at least equal to the Minimum Vesting Period; provided, however, nothing in this Section 2(f) shall limit the Administrator's authority to

accelerate the vesting of Awards as set forth in Section 2(b)(v) above; and, provided further, notwithstanding the foregoing, up to 5% of the shares of Stock authorized for issuance under the Plan may be utilized for Unrestricted Stock Awards or other Awards with a vesting period that is less than the

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Minimum Vesting Period (each such Award, an Excepted Award ). Notwithstanding the foregoing, in addition to Excepted Awards, the Administrator may grant Awards that vest (or permit previously granted Awards to vest) within the Minimum Vesting Period (i) if such Awards are granted as substitute Awards in replacement of other Awards (or awards previously granted by an entity being acquired (or assets of which are being acquired)) that were scheduled to vest within the Minimum Vesting Period or (ii) if such Awards are being granted in connection with an elective deferral of cash compensation that, absent a deferral election, otherwise would have been paid to the grantee within the Minimum Vesting Period.

**SECTION 3. STOCK ISSUABLE UNDER THE PLAN; MERGERS; SUBSTITUTION**

(a) **Stock Issuable**. The maximum number of shares of Stock reserved and available for issuance under the Plan shall be [1,400,000] shares, plus the number of shares of Stock available for issuance under the Company's Amended and Restated 2010 Equity Incentive Plan (the 2010 Plan ), as of the Effective Date, subject to adjustment as provided in this Section 3. For purposes of this limitation, the shares of Stock underlying any awards under the Plan and under the Company's 2010 Plan that are forfeited, canceled or otherwise terminated shall be added back to the shares of Stock available for issuance under the Plan. Notwithstanding the foregoing, shares tendered or held back upon settlement of an Award to cover the tax withholding shall not be added to the shares authorized for grant under the Plan. In the event the Company repurchases shares of Stock on the open market, such shares shall not be added to the shares of Stock available for issuance under the Plan. Subject to such overall limitations, shares of Stock may be issued up to such maximum number pursuant to any type or types of Award. The shares available for issuance under the Plan may be authorized but unissued shares of Stock or shares of Stock reacquired by the Company.

(b) **Changes in Stock**. Subject to Section 3(c) hereof, if, as a result of any reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split or other similar change in the Company's capital stock, the outstanding shares of Stock are increased or decreased or are exchanged for a different number or kind of shares or other securities of the Company, or additional shares or new or different shares or other securities of the Company or other non-cash assets are distributed with respect to such shares of Stock or other securities, or, if, as a result of any merger or consolidation, sale of all or substantially all of the assets of the Company, the outstanding shares of Stock are converted into or exchanged for securities of the Company or any successor entity (or a parent or subsidiary thereof), the Administrator shall make an appropriate or proportionate adjustment in (i) the maximum number of shares reserved for issuance under the Plan, (ii) the number and kind of shares or other securities subject to any then outstanding Awards under the Plan, and (iii) the repurchase price, if any, per share subject to each outstanding Restricted Stock Award. No fractional shares of Stock shall be issued under the Plan resulting from any such adjustment, but the Administrator in its discretion may make a cash payment in lieu of fractional shares.

(c) **Mergers and Other Transactions**. In the case of and subject to the consummation of a Corporate Transaction, the parties thereto may cause the assumption or continuation of Awards theretofore granted by the successor entity, or the substitution of such Awards with new Awards of the successor entity or parent thereof, with appropriate adjustment as to the number and kind of shares as such parties shall agree. To the extent the parties to such Corporate Transaction do not provide for the assumption, continuation or substitution of Awards, upon the effective time of the Corporate Transaction, the Plan and all outstanding Awards granted hereunder shall terminate (after taking into account any acceleration hereunder or in any Award Certificate) . The Company shall have the option (in its sole discretion) to make or provide for a payment, in cash or in kind, to the grantees holding other Awards in an amount equal to the Sale Price multiplied by the number of vested shares of Stock under such Awards.

SECTION 4. ELIGIBILITY

Grantees under the Plan will be such employees, Non-Employee Directors or Consultants of the Company and its Affiliates as are selected from time to time by the Administrator in its sole discretion; provided that

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Awards may not be granted to employees, Directors or Consultants who are providing services only to any parent of the Company, as such term is defined in Rule 405 of the Act, unless (i) the stock underlying the Awards is treated as service recipient stock under Section 409A or (ii) the Company has determined that such Awards are exempt from or otherwise comply with Section 409A.

### **SECTION 5. RESTRICTED STOCK AWARDS**

(a) Nature of Restricted Stock Awards. The Administrator may grant Restricted Stock Awards under the Plan. A Restricted Stock Award is any Award of Restricted Shares subject to such restrictions and conditions as the Administrator may determine at the time of grant. Conditions may be based on continuing employment (or other Service Relationship) and/or achievement of pre-established performance goals and objectives.

(b) Rights as a Stockholder. Upon the grant of the Restricted Stock Award and payment of any applicable purchase price, a grantee shall have the rights of a stockholder with respect to the voting of the Restricted Shares and receipt of dividends; provided that if the lapse of restrictions with respect to the Restricted Stock Award is tied to the attainment of performance goals, any dividends paid by the Company during the performance period shall accrue and shall not be paid to the grantee until and to the extent the performance goals are met with respect to the Restricted Stock Award. Unless the Administrator shall otherwise determine, (i) uncertificated Restricted Shares shall be accompanied by a notation on the records of the Company or the transfer agent to the effect that they are subject to forfeiture until such Restricted Shares are vested as provided in Section 5(d) below, and (ii) certificated Restricted Shares shall remain in the possession of the Company until such Restricted Shares are vested as provided in Section 5(d) below, and the grantee shall be required, as a condition of the grant, to deliver to the Company such instruments of transfer as the Administrator may prescribe.

(c) Restrictions. Restricted Shares may not be sold, assigned, transferred, pledged or otherwise encumbered or disposed of except as specifically provided herein or in the Restricted Stock Award Certificate. Except as may otherwise be provided by the Administrator either in the Award Certificate or, subject to Section 12 below, in writing after the Award is issued, if a grantee's employment (or other Service Relationship) with the Company and its Subsidiaries terminates for any reason, any Restricted Shares that have not vested at the time of termination shall automatically and without any requirement of notice to such grantee from or other action by or on behalf of, the Company be deemed to have been reacquired by the Company at its original purchase price (if any) from such grantee or such grantee's legal representative simultaneously with such termination of employment (or other Service Relationship), and thereafter shall cease to represent any ownership of the Company by the grantee or rights of the grantee as a stockholder. Following such deemed reacquisition of Restricted Shares that are represented by physical certificates, a grantee shall surrender such certificates to the Company upon request without consideration.

(d) Vesting of Restricted Shares. The Administrator at the time of grant shall specify the date or dates and/or the attainment of pre-established performance goals, objectives and other conditions on which the non-transferability of the Restricted Shares and the Company's right of repurchase or forfeiture shall lapse. Subsequent to such date or dates and/or the attainment of such pre-established performance goals, objectives and other conditions, the shares on which all restrictions have lapsed shall no longer be Restricted Shares and shall be deemed vested.

### **SECTION 6. UNRESTRICTED STOCK AWARDS**

Grant or Sale of Unrestricted Stock. The Administrator may grant (or sell at par value or such higher purchase price determined by the Administrator) an Unrestricted Stock Award under the Plan. An Unrestricted Stock Award is an

Award pursuant to which the grantee may receive shares of Stock free of any restrictions under the Plan. Unrestricted Stock Awards may be granted in respect of past services or other valid consideration, or in lieu of cash compensation due to such grantee.

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**SECTION 7. PERFORMANCE SHARE AWARDS**

(a) Nature of Performance Share Awards. The Administrator may, in its sole discretion, grant Performance Share Awards independent of, or in connection with, the granting of any other Award under the Plan. The Administrator shall determine whether and to whom Performance Share Awards shall be granted, the performance goals, the periods during which performance is to be measured, and such other limitations and conditions as the Administrator shall determine.

(b) Rights as a Stockholder. A grantee receiving a Performance Share Award shall have the rights of a stockholder only as to shares of Stock actually received by the grantee under the Plan and not with respect to shares subject to the Award but not actually received by the grantee. A grantee shall be entitled to receive shares of Stock under a Performance Share Award only upon satisfaction of all conditions specified in the Performance Share Award Certificate (or in a performance plan adopted by the Administrator).

(c) Termination. Except as may otherwise be provided by the Administrator either in the Award agreement or, subject to Section 13 below, in writing after the Award is issued, a grantee's rights in all Performance Share Awards shall automatically terminate upon the grantee's termination of employment (or cessation of service relationship) with the Company and its Subsidiaries for any reason.

**SECTION 8. TRANSFERABILITY OF AWARDS**

(a) Transferability. Except as provided in Section 8(b) below, during a grantee's lifetime, his or her Awards shall be exercisable only by the grantee, or by the grantee's legal representative or guardian in the event of the grantee's incapacity. No Awards shall be sold, assigned, transferred or otherwise encumbered or disposed of by a grantee other than by will or by the laws of descent and distribution or pursuant to a domestic relations order. No Awards shall be subject, in whole or in part, to attachment, execution, or levy of any kind, and any purported transfer in violation hereof shall be null and void.

(b) Administrator Action. Notwithstanding Section 8(a), the Administrator, in its discretion, may provide either in the Award Certificate regarding a given Award or by subsequent written approval that the grantee (who is an employee or director) may transfer his or her Awards to his or her immediate family members, to trusts for the benefit of such family members, or to partnerships in which such family members are the only partners, provided that the transferee agrees in writing with the Company to be bound by all of the terms and conditions of this Plan and the applicable Award. In no event may an Award be transferred by a grantee for value.

(c) Family Member. For purposes of Section 8g(b), family member shall mean a grantee's child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, any person sharing the grantee's household (other than a tenant of the grantee), a trust in which these persons (or the grantee) have more than 50 percent of the beneficial interest, a foundation in which these persons (or the grantee) control the management of assets, and any other entity in which these persons (or the grantee) own more than 50 percent of the voting interests.

(d) Designation of Beneficiary. To the extent permitted by the Company, each grantee to whom an Award has been made under the Plan may designate a beneficiary or beneficiaries to receive any payment under any Award payable on or after the grantee's death. Any such designation shall be on a form provided for that purpose by the Administrator and shall not be effective until received by the Administrator. If no beneficiary has been designated by a deceased grantee, or if the designated beneficiaries have predeceased the grantee, the beneficiary shall be the grantee's estate.

SECTION 9. TAX WITHHOLDING

(a) Payment by Grantee. Each grantee shall, no later than the date as of which the value of an Award or of any Stock or other amounts received thereunder first becomes includable in the gross income of the grantee for

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Federal income tax purposes, pay to the Company, or make arrangements satisfactory to the Administrator regarding payment of, any Federal, state, or local taxes of any kind required by law to be withheld by the Company with respect to such income. The Company and its Subsidiaries shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the grantee. The Company's obligation to deliver evidence of book entry (or stock certificates) to any grantee is subject to and conditioned on tax withholding obligations being satisfied by the grantee.

(b) **Payment in Stock.** The Administrator may require the Company's tax withholding obligation to be satisfied, in whole or in part, by the Company withholding from shares of Stock to be issued pursuant to any Award a number of shares with an aggregate Fair Market Value (as of the date the withholding is effected) that would satisfy the withholding amount due; provided, however, that the amount withheld does not exceed the maximum statutory tax rate or such lesser amount as is necessary to avoid liability accounting treatment. For purposes of share withholding, the Fair Market Value of withheld shares shall be determined in the same manner as the value of Stock includible in income of the Participants. The Administrator may also require the Company's tax withholding obligation to be satisfied, in whole or in part, by an arrangement whereby a certain number of shares of Stock issued pursuant to any Award are immediately sold and proceeds from such sale are remitted to the Company in an amount that would satisfy the withholding amount due.

**SECTION 10. SECTION 409A AWARDS**

Awards are intended to be exempt from Section 409A to the greatest extent possible and to otherwise comply with Section 409A. The Plan and all Awards shall be interpreted in accordance with such intent. To the extent that any Award is determined to constitute nonqualified deferred compensation within the meaning of Section 409A (a 409A Award), the Award shall be subject to such additional rules and requirements as specified by the Administrator from time to time in order to comply with Section 409A. In this regard, if any amount under a 409A Award is payable upon a separation from service (within the meaning of Section 409A) to a grantee who is then considered a specified employee (within the meaning of Section 409A), then no such payment shall be made prior to the date that is the earlier of (i) six months and one day after the grantee's separation from service, or (ii) the grantee's death, but only to the extent such delay is necessary to prevent such payment from being subject to interest, penalties and/or additional tax imposed pursuant to Section 409A. Further, the settlement of any 409A Award may not be accelerated except to the extent permitted by Section 409A.

**SECTION 11. TERMINATION OF SERVICE RELATIONSHIP, TRANSFER, LEAVE OF ABSENCE, ETC.**

(a) **Termination of Service Relationship.** If the grantee's Service Relationship is with an Affiliate and such Affiliate ceases to be an Affiliate, the grantee shall be deemed to have terminated his or her Service Relationship for purposes of the Plan.

(b) For purposes of the Plan, the following events shall not be deemed a termination of a Service Relationship:

(i) a transfer to the employment of the Company from an Affiliate or from the Company to an Affiliate, or from one Affiliate to another; or

(ii) an approved leave of absence for military service or sickness, or for any other purpose approved by the Company, if the employee's right to re-employment is guaranteed either by a statute or by contract or under the policy pursuant to which the leave of absence was granted or if the Administrator otherwise so provides in writing.

SECTION 12. AMENDMENTS AND TERMINATION

The Board may, at any time, amend or discontinue the Plan and the Administrator may, at any time, amend or cancel any outstanding Award for the purpose of satisfying changes in law or for any other lawful purpose, but

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no such action shall materially and adversely affect rights under any outstanding Award without the holder's consent. To the extent required under the rules of any securities exchange or market system on which the Stock is listed, Plan amendments shall be subject to approval by Company stockholders. Nothing in this Section 12 shall limit the Administrator's authority to take any action permitted pursuant to Section 3(b) or 3(c).

**SECTION 13. STATUS OF PLAN**

With respect to any payments in cash, Stock or other consideration not received by a grantee, a grantee shall have no rights greater than those of a general creditor of the Company unless the Administrator shall otherwise expressly determine in connection with any Award or Awards. In its sole discretion, the Administrator may authorize the creation of trusts or other arrangements to meet the Company's obligations to deliver Stock or make payments with respect to Awards hereunder, provided that the existence of such trusts or other arrangements is consistent with the foregoing sentence.

**SECTION 14. GENERAL PROVISIONS**

(a) **No Distribution.** The Administrator may require each person acquiring Stock pursuant to an Award to represent to and agree with the Company in writing that such person is acquiring the shares without a view to distribution thereof.

(b) **Issuance of Stock.** To the extent certificated, stock certificates to grantees under this Plan shall be deemed delivered for all purposes when the Company or a stock transfer agent of the Company shall have mailed such certificates in the United States mail, addressed to the grantee, at the grantee's last known address on file with the Company. Uncertificated Stock shall be deemed delivered for all purposes when the Company or a Stock transfer agent of the Company shall have given to the grantee by electronic mail (with proof of receipt) or by United States mail, addressed to the grantee, at the grantee's last known address on file with the Company, notice of issuance and recorded the issuance in its records (which may include electronic book entry records). Notwithstanding anything herein to the contrary, the Company shall not be required to issue or deliver any evidence of book entry or certificates evidencing shares of Stock pursuant to the settlement of any Award, unless and until the Administrator has determined, with advice of counsel (to the extent the Administrator deems such advice necessary or advisable), that the issuance and delivery is in compliance with all applicable laws, regulations of governmental authorities and, if applicable, the requirements of any exchange on which the shares of Stock are listed, quoted or traded. Any Stock issued pursuant to the Plan shall be subject to any stop-transfer orders and other restrictions as the Administrator deems necessary or advisable to comply with federal, state or foreign jurisdiction, securities or other laws, rules and quotation system on which the Stock is listed, quoted or traded. The Administrator may place legends on any Stock certificate or notations on any book entry to reference restrictions applicable to the Stock. In addition to the terms and conditions provided herein, the Administrator may require that an individual make such reasonable covenants, agreements, and representations as the Administrator, in its discretion, deems necessary or advisable in order to comply with any such laws, regulations, or requirements. The Administrator shall have the right to require any individual to comply with any timing or other restrictions with respect to the settlement of any Award, including a window-period limitation, as may be imposed in the discretion of the Administrator.

(c) **Stockholder Rights.** Until Stock is deemed delivered in accordance with Section 14(b), no right to vote or receive dividends or any other rights of a stockholder will exist with respect to shares of Stock to be issued in connection with an Award, notwithstanding any other action by the grantee with respect to an Award.

(d) Other Compensation Arrangements; No Employment Rights. Nothing contained in this Plan shall prevent the Board from adopting other or additional compensation arrangements, including trusts, and such arrangements may be either generally applicable or applicable only in specific cases. The adoption of this Plan and the grant of Awards do not confer upon any employee any right to continued employment with the Company or any Subsidiary.

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(e) Trading Policy Restrictions. Awards under the Plan shall be subject to the Company's insider trading policies and procedures, as in effect from time to time.

(f) Clawback Policy. Awards under the Plan shall be subject to the Company's clawback policy, as in effect from time to time.

**SECTION 15. EFFECTIVE DATE OF PLAN**

This Plan shall become effective upon stockholder approval in accordance with applicable state law, the Company's bylaws and articles of incorporation, and applicable stock exchange rules.

**SECTION 16. GOVERNING LAW**

This Plan and all Awards and actions taken thereunder shall be governed by, and construed in accordance with the laws of the State of Maryland, applied without regard to conflict of law principles.

DATE APPROVED BY BOARD OF DIRECTORS: February 5, 2019

DATE APPROVED BY STOCKHOLDERS:

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