Kasprzyk Janusz F
Form 4/A
September 04, 2018

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB Number:	3235-0287
Expires:	January 31, 2005
Estimated average burden hours per response...	0.5

(Print or Type Responses)

1. Name and Address of Reporting Person *
Kasprzyk Janusz F

(Last) (First) (Middle)

1205 KIMBALL BOULEVARD

(Street)

JASPER, IN 47546

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
Kimball Electronics, Inc. [KE]

3. Date of Earliest Transaction (Month/Day/Year)
08/20/2018

4. If Amendment, Date Original Filed(Month/Day/Year)
08/22/2018

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Vice President

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	08/20/2018		A		11,190 (1)	A	$ 0	34,234	D	
Common Stock	08/20/2018		F (2)		3,581 (3)	D	$ 20.05	30,653	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Kasprzyk Janusz F 1205 KIMBALL BOULEVARD JASPER, IN 47546			Vice President	

Signatures

Jyl Leinenbach, Attorney in Fact and Agent	09/04/2018
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Reflects performance based shares granted pursuant to the Issuer's 2014 Stock Option and Incentive Plan upon the achievement of certain performance criteria certified by the Compensation and Governance Committee of the Board of Directors of the Issuer on July 31, 2018, subject to the Reporting Person's continued employment with the Issuer on the August 20, 2018 grant date set by the Committee.

(2) Shares withheld to satisfy tax obligations.

(3) The original Form 4, filed on August 22, 2018, is being amended by this Form 4 amendment solely to correct the number of shares withheld to satisfy tax obligations, as the original Form 4 amount reported of 3,618 was overstated by 37 shares. This Form 4 amendment also corrects the number of shares beneficially owned by the Reporting Person following the transaction from 30,616 to 30,653.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. r-right:1pt none #D9D9D9 ;background-color: #auto;height:12.00pt;padding:0pt;">

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2,100,159

See accompanying notes.

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PS BUSINESS PARKS, INC.

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in thousands, except per share data)

	For The Years Ended December 31,		
	2018	2017	2016
Rental income	$ 413,516	$ 402,179	$ 386,871
Expenses			
Cost of operations	126,547	125,340	123,108
Depreciation and amortization	99,242	94,270	99,486
General and administrative	10,155	9,679	14,862
Total operating expenses	235,944	229,289	237,456
Interest and other income	1,510	942	1,233
Interest and other expense	(665)	(1,285)	(5,664)
Equity in loss of unconsolidated joint venture	—	(805)	—
Gain on sale of real estate facilities	93,484	1,209	—
Gain on sale of development rights	—	6,365	—
Net income	271,901	179,316	144,984
Allocation to noncontrolling interests	(45,199)	(24,279)	(16,955)
Net income allocable to PS Business Parks, Inc.	226,702	155,037	128,029
Allocation to preferred shareholders based upon			
Distributions	(51,880)	(52,873)	(57,276)
Redemptions (Note 10)	—	(10,978)	(7,312)
Allocation to restricted stock unit holders	(1,923)	(761)	(569)
Net income allocable to common shareholders	$ 172,899	$ 90,425	$ 62,872
Net income per common share			
Basic	$ 6.33	$ 3.32	$ 2.32
Diluted	$ 6.31	$ 3.30	$ 2.31
Weighted average common shares outstanding			
Basic	27,321	27,207	27,089
Diluted	27,422	27,412	27,179

See accompanying notes.

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PS BUSINESS PARKS, INC.

CONSOLIDATED STATEMENTS OF EQUITY

(Amounts in thousands, except share data)

	Preferred Stock		Common Stock		Paid-in	Accumulated	Total PS Business Parks, Inc.'s Shareholders'	Noncontrolling	Total
	Shares	Amount	Shares	Amount	Capital	Earnings (Deficit)	Equity	Interests	Equity
Balances at December 31, 2015	36,800	$ 920,000	27,034,073	$ 269	$ 722,009	$ 18,218	$ 1,660,496	$ 200,103	$ 1,860,599
Cumulative effect of a change in accounting principle (Note 11)	—	—	—	—	807	(807)	—	—	—
Issuance of preferred stock, net of issuance costs	7,590	189,750	—	—	(6,434)	—	183,316	—	183,316
Redemption of preferred stock, net of issuance costs	(9,200)	(230,000)	—	—	7,312	(7,312)	(230,000)	—	(230,000)
Issuance of common stock in connection with stock-based compensation	—	—	104,065	2	3,886	—	3,888	—	3,888
Stock compensation, net	—	—	—	—	8,404	—	8,404	—	8,404
Net income	—	—	—	—	—	128,029	128,029	16,955	144,984
Distributions									
Preferred stock	—	—	—	—	—	(57,276)	(57,276)	—	(57,276)
Common stock	—	—	—	—	—	(81,285)	(81,285)	—	(81,285)

Noncontrolling interests	—	—	—	—	—	—	—	(21,916)	(21,916)
Adjustment to noncontrolling interests in the OP	—	—	—	—	(2,313)	—	(2,313)	2,313	—
Balances at December 31, 2016	35,190	879,750	27,138,138	271	733,671	(433)	1,613,259	197,455	1,810,71
Issuance of preferred stock, net of issuance costs	17,200	430,000	—	—	(14,221)	—	415,779	—	415,779
Redemption of preferred stock, net of issuance costs	(14,000)	(350,000)	—	—	10,978	(10,978)	(350,000)	—	(350,000
Issuance of common stock in connection with stock-based compensation	—	—	116,469	1	4,217	—	4,218	—	4,218
Stock compensation, net	—	—	—	—	4,016	—	4,016	—	4,016
Cash paid for taxes in lieu of shares upon vesting of restricted stock units	—	—	—	—	(3,865)	—	(3,865)	—	(3,865)
Net income	—	—	—	—	—	155,037	155,037	24,279	179,316
Distributions									
Preferred stock	—	—	—	—	—	(52,873)	(52,873)	—	(52,873)
Common stock	—	—	—	—	—	(92,531)	(92,531)	—	(92,531)
Noncontrolling interests	—	—	—	—	—	—	—	(24,838)	(24,838)
Adjustment to noncontrolling interests in the OP	—	—	—	—	271	—	271	(271)	—
Balances at December 31, 2017	38,390	959,750	27,254,607	272	735,067	(1,778)	1,693,311	196,625	1,889,93
Issuance of common stock in connection	—	—	107,494	2	3,008	—	3,010	—	3,010

with stock-based compensation									
Stock compensation, net	—	—	—	—	3,032	—	3,032	—	3,032
Cash paid for taxes in lieu of shares upon vesting of restricted stock units	—	—	—	—	(4,981)	—	(4,981)	—	(4,981)
Consolidation of joint venture (see Note 3)	—	—	—	—	—	—	—	4,032	4,032
Net income	—	—	—	—	—	226,702	226,702	45,199	271,901
Distributions									
Preferred stock	—	—	—	—	—	(51,880)	(51,880)	—	(51,880)
Common stock	—	—	—	—	—	(103,837)	(103,837)	—	(103,837
Noncontrolling interests	—	—	—	—	—	—	—	(27,760)	(27,760)
Adjustment to noncontrolling interests in the OP	—	—	—	—	5	—	5	(5)	—
Balances at December 31, 2018	38,390	$ 959,750	27,362,101	$ 274	$ 736,131	$ 69,207	$ 1,765,362	$ 218,091	$ 1,983,45

See accompanying notes.

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PS BUSINESS PARKS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands)

	For The Years Ended December 31,		
	2018	2017	2016
Cash flows from operating activities			
Net income	$ 271,901	$ 179,316	$ 144,984
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization expense	99,242	94,270	99,486
Tenant improvement reimbursements, net of lease incentives	(2,226)	(2,183)	(1,666)
Equity in loss of unconsolidated joint venture	—	805	—
Gain on sale of real estate facilities and development rights	(93,484)	(7,574)	—
Stock compensation	4,174	4,777	10,913
Amortization of financing costs	537	475	523
Other, net	(3,991)	1,728	(3,733)
Total adjustments	4,252	92,298	105,523
Net cash provided by operating activities	276,153	271,614	250,507
Cash flows from investing activities			
Capital expenditures to real estate facilities	(38,663)	(50,219)	(31,877)
Capital expenditures to land and building held for development	(1,183)	(1,549)	(49)
Investment in and advances to unconsolidated joint venture	—	(34,513)	(40,454)
Acquisition of real estate facilities	(142,399)	—	(12,628)
Proceeds from sale of real estate facilities	145,097	2,144	—
Proceeds from sale of development rights	—	4,900	—
Consolidation of joint venture	1,082	—	—
Net cash used in investing activities	(36,066)	(79,237)	(85,008)
Cash flows from financing activities			
Borrowings on credit facility	50,000	250,000	116,000
Repayment of borrowings on credit facility	(50,000)	(250,000)	(116,000)
Repayment of mortgage note payable	—	—	(250,000)
Payment of financing costs	(307)	(858)	—
Proceeds from the exercise of stock options	3,010	4,218	3,888
Cash paid for taxes in lieu of shares upon vesting of restricted stock units	(4,981)	(3,865)	(1,940)
Redemption of preferred stock	(130,000)	(450,000)	—
Net proceeds from the issuance of preferred stock	—	415,779	183,316
Cash paid to restricted stock unit holders	(1,142)	(761)	(569)
Distributions paid to preferred shareholders	(52,573)	(52,180)	(57,276)
Distributions paid to common shareholders	(103,837)	(92,531)	(81,285)

Distributions paid to noncontrolling interests—common units	(27,760)	(24,838)	(21,916)
Net cash used in financing activities	(317,590)	(205,036)	(225,782)
Net decrease in cash and cash equivalents	(77,503)	(12,659)	(60,283)
Cash, cash equivalents and restricted cash at the beginning of the period	115,970	128,629	188,912
Cash, cash equivalents and restricted cash at the end of the period	$ 38,467	$ 115,970	$ 128,629
Supplemental disclosures			
Interest paid	$ 40	$ 1,188	$ 7,395

See accompanying notes.

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PS BUSINESS PARKS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands)

	For The Years Ended December 31,		
	2018	2017	2016
Supplemental schedule of non-cash investing and financing activities			
Adjustment to noncontrolling interests—common units in OP			
Noncontrolling interests—common units	$ (5)	$ (271)	$ 2,313
Paid-in capital	$ 5	$ 271	$ (2,313)
Consolidation of joint venture			
Land	$ 21,814	$ —	$ —
Buildings and improvements	$ 84,903	$ —	$ —
Other, net	$ (1,787)	$ —	$ —
Investment in and advances to unconsolidated joint venture	$ (100,898)	$ —	$ —
Noncontrolling interests—joint venture	$ (4,032)	$ —	$ —
Preferred redemption allocation			
Paid-in capital	$ —	$ 10,978	$ 7,312
Accumulated earnings (deficit)	$ —	$ (10,978)	$ (7,312)
Preferred stock called for redemption			
Preferred stock called for redemption and reclassified to liabilities	$ —	$ 130,000	$ 230,000
Preferred stock called for redemption and reclassified from equity	$ —	$ (130,000)	$ (230,000)
Accrued preferred stock distributions			
Accrued and other liabilities	$ —	$ 693	$ —
Accumulated earnings (deficit)	$ —	$ (693)	$ —
Transfer to land and building held for development			
Land	$ —	$ —	$ (9,676)
Buildings and improvements	$ —	$ —	$ (19,092)
Accumulated depreciation	$ —	$ —	$ 7,870
Land and building held for development	$ —	$ —	$ 20,898
Cumulative effect of a change in accounting principle (Note 11)			
Paid-in capital	$ —	$ —	$ 807
Accumulated earnings (deficit)	$ —	$ —	$ (807)

See accompanying notes.

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PS BUSINESS PARKS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018

1. Organization and description of business

Organization

PS Business Parks, Inc. (“PSB”) was incorporated in the state of California in 1990. As of December 31, 2018, PSB owned 78.9% of the common partnership units of PS Business Parks, L.P. (the “OP”). The remaining common partnership units are owned by Public Storage (“PS”). PS’s interest in the OP is referred to as the “PS OP Interests.” PSB, as the sole general partner of the OP, has full, exclusive and complete responsibility and discretion in managing and controlling the OP. PSB and its subsidiaries, including the OP and our consolidated joint venture, are collectively referred to as the “Company,” “we,” “us,” or “our.” PS would own 41.7% (or 14.5 million shares) of the outstanding shares of the Company’s common stock if it redeemed its common partnership units for common shares.

Description of business

The Company is a fully-integrated, self-advised and self-managed real estate investment trust (“REIT”) that owns, operates, acquires and develops commercial properties, primarily multi-tenant industrial, flex and office space. As of December 31, 2018, the Company owned and operated 28.2 million rentable square feet of commercial space in six states and held a 95.0% interest in a 395-unit multifamily apartment complex. The Company also manages for a fee 450,000 rentable square feet on behalf of PS.

References to the number of properties, apartment units or square footage are unaudited and outside the scope of the Company’s independent registered public accounting firm's audit of the Company’s consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States).

2. Summary of significant accounting policies

Basis of presentation

The accompanying consolidated financial statements include the accounts of PSB and its subsidiaries, including the OP and our consolidated joint venture. All significant inter-company balances and transactions have been eliminated in the consolidated financial statements. The financial statements are presented on an accrual basis in accordance with U.S. generally accepted accounting principles ("GAAP").

Consolidation and equity method of accounting

We consider entities to be Variable Interest Entities ("VIEs") when they have insufficient equity to finance their activities without additional subordinated financial support provided by other parties, or the equity holders as a group do not have a controlling financial interest. A limited partnership is also generally considered a VIE if the limited partners do not participate in operating decisions. We consolidate VIEs when we are the primary beneficiary, generally defined as having (i) the power to direct the activities most significantly impacting economic performance and (ii) either the obligation to absorb losses or the right to receive benefits from the VIE.

We account for investments in entities that are not VIEs that we have significant influence over, but do not control, using the equity method of accounting and for investment in entities that we control, we consolidate. Prior to January 1, 2018, we had an interest in a joint venture engaged in the development and operation of residential real estate, which we accounted for using the equity method of accounting. On January 1, 2018, we began to consolidate the joint venture in our consolidated financial statements, due to changes to the joint venture agreement that gave the Company control of the joint venture. See Note 4 for more information on this entity.

PS, the sole limited partner in the OP, has no power to direct the activities of the OP. We are the primary beneficiary of the OP. Accordingly, we consider the OP a VIE and consolidate it. Substantially all of our assets and liabilities are held by the OP.

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Noncontrolling interests

Noncontrolling interests represent (i) PS's noncontrolling interest in the OP through its ownership of 7,305,355 common partnership units and (ii) a third-party 5.0% interest in our consolidated joint venture owning a 395-unit multifamily apartment complex. See Note 8 for further information on noncontrolling interests.

Use of estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from these estimates.

Allowance for doubtful accounts

The Company monitors the collectability of its receivable balances including the deferred rent receivable on an ongoing basis. Customer receivables are net of an allowance for estimated uncollectible accounts totaling $400,000 at both December 31, 2018 and 2017. Deferred rent receivable is net of an allowance for uncollectible accounts totaling $876,000 and $867,000 at December 31, 2018 and 2017, respectively.

Financial instruments

The methods and assumptions used to estimate the fair value of financial instruments are described below. The Company has estimated the fair value of financial instruments using available market information and appropriate valuation methodologies. Considerable judgment is required in interpreting market data to develop estimates of market value. Accordingly, estimated fair values are not necessarily indicative of the amounts that could be realized in current market exchanges. The Company determines the estimated fair value of financial assets and liabilities utilizing a hierarchy of valuation techniques based on whether the inputs to a fair value measurement are considered to be observable or unobservable in a marketplace. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. This hierarchy requires the use of observable market data when available. The following is the fair value hierarchy:

· Level 1—quoted prices for identical instruments in active markets;

· Level 2—quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which significant inputs and significant value drivers are observable in active markets; and

· Level 3—fair value measurements derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

Financial assets that are exposed to credit risk consist primarily of cash equivalents and receivables. The Company considers all highly liquid investments with a remaining maturity of three months or less at the date of purchase to be cash equivalents. Cash and cash equivalents, which consist primarily of money market investments, are only invested in entities with an investment grade rating. Receivables are comprised of balances due from various customers. Balances that the Company expects to become uncollectible are reserved for or written off. Due to the short period to maturity of the Company’s cash and cash equivalents, accounts receivable, other assets and accrued and other liabilities, the carrying values as presented on the consolidated balance sheets are reasonable estimates of fair value.

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The following table provides a reconciliation of cash, cash equivalents and restricted cash per the consolidated statements of cash flow to the corresponding financial statement line items in the consolidated balance sheets as of December 31, 2018, 2017 and 2016 (in thousands):

	For The Years Ended December 31,		
	2018	2017	2016
Consolidated balance sheets			
Cash and cash equivalents	$ 37,379	$ 114,882	$ 128,629
Restricted cash included in			
Land and building held for development	1,088	1,088	—
Consolidated statements of cash flows	$ 38,467	$ 115,970	$ 128,629

During 2017, in conjunction with seeking entitlements to develop our multifamily projects in Tysons, Virginia, we contributed $1.1 million into an escrow account for the future development of an athletic field.

Carrying values of the Company's unsecured Credit Facility (as defined below) approximate fair value. The characteristics of these financial instruments, market data and other comparative metrics utilized in determining these fair values are "Level 2" inputs.

Real estate facilities

Real estate facilities are recorded at cost. Property taxes, insurance, interest and costs essential to the development of property for its intended use are capitalized during the period of development. Direct costs related to the renovation or improvement of the properties are capitalized. Expenditures for repairs and maintenance are expensed as incurred. Expenditures that are expected to benefit a period greater than two years are capitalized and depreciated over their estimated useful life. Buildings and improvements are depreciated using the straight-line method over their estimated useful lives, which generally range from five to 30 years. Transaction costs, which include tenant improvements and lease commissions, for leases with terms greater than one year are capitalized and depreciated over their estimated useful lives.

Property held for sale or development

Real estate is classified as held for sale when the asset is being marketed for sale and we expect that a sale is likely to occur in the next 12 months. Real estate is classified as held for development when it is no longer used in its original form and likely that it will be developed to an alternate use. Property held for development or sale is not depreciated.

Intangible assets/liabilities

When we acquire real estate facilities, an intangible asset is recorded as other assets for leases where the in-place rent is higher than market rents, and an intangible liability is recorded as other liabilities where the market rents are higher than the in-place rents. The amounts recorded are based upon the present value (using a discount rate which reflects the risks associated with the leases acquired) of such differences over the lease term and such amounts are amortized to rental income over the respective remaining lease term. As of December 31, 2018, the value of above-market in-place rents resulted in net intangible assets of $1.8 million, net of $10.0 million of accumulated amortization and the value of below-market in-place rents resulted in net intangible liabilities of $1.8 million, net of $10.8 million of accumulated amortization. As of December 31, 2017, the value of above-market in-place rents resulted in net intangible assets of $731,000, net of $9.5 million of accumulated amortization and the value of below-market in-place rents resulted in net intangible liabilities of $383,000, net of $10.4 million of accumulated amortization.

Additionally, when we acquire real estate facilities, the value of in-place leases (i.e. customer lease-up costs) is recorded as other assets and is amortized to depreciation and amortization expense over the respective remaining lease term. As of December 31, 2018, the value of acquired in-place leases resulted in net intangible assets of $4.7 million, net of $1.3 million of accumulated amortization. As of December 31, 2017, we had no in-place lease intangibles on our consolidated balance sheet.

Evaluation of asset impairment

We evaluate our real estate and finite-lived intangible assets for impairment each quarter. If there are indicators of impairment and we determine that the carrying value of the asset is not recoverable from estimated future undiscounted cash flows to be received through the asset's remaining life (or, if earlier, the expected disposal date), we record an impairment charge to the extent the carrying amount exceeds the asset's estimated fair value or net proceeds from expected disposal.

We evaluate our investment in our unconsolidated joint venture on a quarterly basis. We record an impairment charge to the extent the carrying amount exceeds estimated fair value, when we believe any such shortfall is other than temporary.

No impairment charges were recorded in any period presented herein.

Asset impairment due to casualty loss

It is our policy to record losses due to physical damages during the accounting period in which they occur, while the amount of monetary assets to be received from the insurance policy is recognized when receipt of insurance recoveries is probable. Losses, which are reduced by the related probable insurance recoveries, are recorded as costs of operations on the consolidated statements of income. Anticipated proceeds in excess of recognized losses would be considered a gain contingency and recognized when the contingency related to the insurance claim has been resolved. Anticipated recoveries for lost rental income due to property damages are also considered to be a gain contingency and recognized when the contingency related to the insurance claim has been resolved.

No material casualty losses were incurred in any period presented herein.

Stock compensation

Share-based payments to employees, including grants of employee stock options, are recognized as stock compensation in the Company's consolidated statements of income based on their grant date fair values, except for performance-based grants, which are accounted for based on their fair values at the beginning of the service period. See Note 11.

Accrued and other liabilities and other assets

Accrued and other liabilities consist primarily of rents prepaid by our customers, trade payables, property tax accruals, accrued payroll and contingent loss accruals when probable and estimable, as well as the intangible liabilities discussed above. We disclose the nature of significant unaccrued losses that are reasonably possible of occurring and, if estimable, a range of exposure.

Other assets are comprised primarily of prepaid expenses as well as the intangible assets discussed above.

We believe the fair value of our accrued and other liabilities and other assets approximate book value, due to the short period until settlement.

Revenue recognition

We recognize the aggregate rent to be collected (including the impact of escalators and concessions) under leases ratably throughout the non-cancellable lease term on a “Straight-Line” basis, commencing when the customer takes control of the leased space. Cumulative Straight-Line rent recognized in excess of amounts billed per the lease terms is presented as “deferred rent receivable” on our consolidated balance sheets. Reimbursements from customers for real estate taxes and other recoverable operating expenses are recognized as rental income in the period the applicable costs are incurred. Property management fees are recognized in the period earned as other income.

Costs incurred in acquiring customers (primarily tenant improvements and lease commissions) are capitalized and amortized over the lease period for leases with terms greater than one year.

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Sales of real estate facilities

Sales of real estate facilities are not part of our ordinary activities, and as a result, we consider such sales as contracts with non-customers. We recognize sales of real estate when we have collected payment and the attributes of ownership such as possession and control of the asset have been transferred to the buyer. If a contract for sale includes obligations to provide goods or services to the buyer, an allocated portion of the contract price is recognized as revenue as the related goods or services are transferred to the buyer.

General and administrative expenses

General and administrative expenses include executive and other compensation, corporate office expenses, professional fees, state income taxes and other such costs that are not directly related to the operation of our real estate facilities.

Income taxes

We have elected to be treated as a REIT, as defined in the Internal Revenue Code of 1986, as amended (the “Code”). As a REIT, we do not incur federal income tax if we distribute substantially all of our “REIT taxable income” each year, and if we meet certain organizational and operational rules. We believe we have met these REIT requirements for all periods presented herein. Accordingly, we have recorded no federal income tax expense related to our “REIT taxable income.”

We recognize tax benefits of uncertain income tax positions that are subject to audit only if we believe it is more likely than not that the position would ultimately be sustained assuming the relevant taxing authorities had full knowledge of the relevant facts and circumstances of our positions. As of December 31, 2018 and 2017, we did not recognize any tax benefit for uncertain tax positions.

Accounting for preferred equity issuance costs

We record issuance costs as a reduction to paid-in capital on our consolidated balance sheets at the time the preferred securities are issued and reflect the carrying value of the preferred equity at its redemption value. An additional allocation of income is made from the common shareholders to the preferred shareholders in the amount of the original issuance costs, and we reclassify the redemption value from equity to liabilities when we call preferred shares for redemption.

Net income per common share

Notwithstanding the presentation of income allocations on our consolidated statements of income, net income is allocated to (a) preferred shareholders, for distributions paid or payable, (b) preferred shareholders, to the extent redemption value exceeds the related carrying value (a “Preferred Redemption Allocation”) and (c) restricted stock unit (“RSU”) holders, for non-forfeitable dividends paid adjusted for participation rights in undistributed earnings. The remaining net income is allocated to the common partnership units and our common shareholders, respectively, based upon the pro-rata aggregate number of units and shares outstanding.

Basic and diluted net income per common share are each calculated based upon net income allocable to common shareholders, divided by (i) in the case of basic net income per common share, weighted average common shares and (ii) in the case of diluted income per share, weighted average common shares adjusted for the impact of stock compensation awards outstanding (Note 11) using the treasury stock method.

The following tables set forth the calculation of the components of our basic and diluted income per share that are not reflected on the face of our consolidated statements of income, including the allocation of income to common shareholders and common partnership units, the percentage of weighted average shares and common partnership units, as well as basic and diluted weighted average shares for the years ended December 31, (in thousands):

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	2018	2017	2016
Calculation of net income allocable to common shareholders			
Net income	$ 271,901	$ 179,316	$ 144,984
Net (income) loss allocated to			
Preferred shareholders based upon distributions	(51,880)	(52,873)	(57,276)
Preferred shareholders based upon redemptions	—	(10,978)	(7,312)
Noncontrolling interests—joint venture	1,030	—	—
Restricted stock unit holders	(1,923)	(761)	(569)
Net income allocable to common shareholders and noncontrolling interests—common units	219,128	114,704	79,827
Net income allocation to noncontrolling interests—common units	(46,229)	(24,279)	(16,955)
Net income allocable to common shareholders	$ 172,899	$ 90,425	$ 62,872
Calculation of common partnership units as a percentage of common share equivalents			
Weighted average common shares outstanding	27,321	27,207	27,089
Weighted average common partnership units outstanding	7,305	7,305	7,305
Total common share equivalents	34,626	34,512	34,394
Common partnership units as a percentage of common share equivalents	21.1%	21.2%	21.2%
Weighted average common shares outstanding			
Basic weighted average common shares outstanding	27,321	27,207	27,089
Net effect of dilutive stock compensation—based on treasury stock method using average market price	101	205	90
Diluted weighted average common shares outstanding	27,422	27,412	27,179

Segment reporting

The Company views its operations as one segment. We have two operating segments: (i) the acquisition, development, ownership and management of commercial real estate and (ii) the acquisition, development, ownership and management of multifamily real estate, but have one reportable segment as the multifamily segment does not meet the quantitative thresholds necessary to require reporting as a separate segment.

Reclassifications

Certain reclassifications have been made to the consolidated financial statements for 2016 in order to conform to the 2018 presentation, including reclassifying management fee income totaling $518,000 for the year ended December 31, 2016 into “interest and other income” on our consolidated statements of income.

Recently issued accounting standards

In May 2014 and February 2016, the Financial Accounting Standards Board (“FASB”) issued two Accounting Standards Updates (“ASU”s), ASU 2014-09, Revenue from Contracts with Customers (the “Revenue Standard”), and ASU 2016-02, Leases (the “Lease Standard”). These standards apply to substantially all of our revenue generating activities, as well as provide a model to account for the disposition of real estate facilities to non-customers, which is governed under ASU 2017-05, Other Income - Gains and losses from the Derecognition of Nonfinancial Assets, clarifying the scope of asset derecognition guidance and accounting for partial sales of nonfinancial assets.

The Lease Standard will direct how we account for payments from the elements of our leases that are generally fixed and determinable at the inception of the lease (“Fixed Lease Payments”) while the Revenue Standard will direct how we account for the non-lease components of our lease contracts, primarily expense reimbursements (“Non-Lease Payments”).

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The adoption of the Revenue Standard and its impact on our accounting for the disposition of real estate facilities is described below.

The Lease Standard requires us to identify Fixed Lease Payments and Non-Lease Payments of a lease agreement and will govern the recognition of revenue for the Fixed Lease Payments. Revenue related to Non-Lease Payments under our lease arrangements will be subject to the Revenue Standard effective upon adoption of the Lease Standard. See further discussion below on Fixed Lease Payments and Non-Lease Payments.

Under the Lease Standard, a set of practical expedients for implementation, which must be elected as a package and for all leases, may be elected. These practical expedients include (i) relief from re-assessing whether an expired or existing contract meets the definition of a lease, (ii) relief from re-assessing the classification of expired or existing leases at the adoption date and (iii) allowing previously capitalized initial direct leasing costs to continue to be amortized. We elected the practical expedient package upon adoption of the Lease Standard on January 1, 2019.

We implemented the Lease Standard on its effective date of January 1, 2019 using the required modified retrospective transition approach (with certain transition relief that is available to us). The modified retrospective approach will require us to first record an adjustment to the January 1, 2017 balance of accumulated earnings (deficit) for the cumulative impact of the Lease Standard on all leases existing at January 1, 2017. Then, we will have to restate the financial statements for the years ended December 31, 2017 and 2018 for the Lease Standard impact on all leases that were in force at any time during those periods. In July, 2018, the FASB issued an amendment to the transition method that allows adoption on January 1, 2019 with a cumulative effect adjustment as of January 1, 2019, with no restatement of prior periods. We elected this transition method upon adoption of the Lease Standard on January 1, 2019.

Lessor Accounting

We recognized revenue from our lease arrangements aggregating $413.5 million for the year ended December 31, 2018. This revenue consisted primarily of rental income and expense reimbursements of $322.3 million and $91.2 million, respectively.

Under the accounting standards in effect prior to January 1, 2019, we are required to account for Fixed Lease Payments on a straight-line basis, with the expected fixed payments recognized ratably over the term of the lease. Payments for expense reimbursements received under these lease arrangements related to our customer’s pro rata share of real estate taxes, insurance, utilities, repairs and maintenance, common area expense and other operating expenses are considered Fixed Lease Payments. We recognize these reimbursements as revenue when the related contractually recoverable operating expenses are incurred.

Under the Lease Standard, the total consideration in each lease agreement will be allocated to the Fixed Lease Payment and Non-Lease Payments based on their relative standalone selling prices. Lessors will continue to recognize the Fixed Lease Payments on a straight-line basis, which is consistent with existing guidance for operating leases. The issued amendment to the Lease Standard noted above also allows lessors to elect, as a practical expedient, not to allocate the total consideration to Fixed Lease Payments and Non-Lease Payments based on their relative standalone selling prices. This practical expedient allows lessors to elect a combined single component presentation if (i) the timing and pattern of the revenue recognition for the Fixed Lease Payments and Non-Lease Payments are the same, and (ii) the combined single component of the lease would continue to be classified as an operating lease.

We do not expect that the Lease Standard will impact our accounting for Fixed Lease Payments, because our accounting policy is currently consistent with the provisions of the standard. Upon adoption of the Lease Standard, we expect to adopt the practical expedient, specifically related to payments for expense reimbursements that qualify as Non-Lease Payments to be presented under a single lease component presentation, which would otherwise be accounted for under the Revenue Standard. We believe the two conditions have been met for Non-Lease Payments as (i) the timing and pattern of transfer of the Fixed Lease Payments and Non-Lease Payments are the same, and (ii) the combined single component of the lease would be classified as an operating lease.

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Costs to execute leases

The Lease Standard also provides updated guidance on the requirements for the capitalization of the incremental costs incurred in executing leases, such as legal fees and commissions. Under the Lease Standard, any costs that would have been incurred regardless of successful lease execution, such as allocated costs of internal personnel, are to be expensed and may not be capitalized. As we do not currently capitalize any such costs, we do not expect this component of the Lease Standard to have a material effect to our consolidated financial statements.

Lessee accounting

Under the Lease Standard, lessees are required to apply a dual approach by classifying leases as either finance or operating leases based on the principle whether the lease is effectively a finance purchase of the leased asset by the lessee. This classification will determine whether the lease expense is recognized based on an effective interest method or a straight-line basis over the term of the lease. For most leases with a term of greater than 12 months, in which we are the lessee, the present value of future lease payments will be recognized on our balance sheet as a right-of-use asset and related liability. We do not expect a material impact to our consolidated financial statements from the initial recognition of each lease liability upon the adoption, nor from the pattern of recognition subsequent to adoption.

The Revenue Standard

In May, 2014, the FASB issued the Revenue Standard on recognition of revenue arising from contracts with customers, as well as the accounting for the disposition of real estate facilities, and subsequently, issued additional guidance that further clarified the standard. Rental income from leasing arrangements is a substantial portion of our revenues and is specifically excluded from the Revenue Standard and will be governed by the Lease Standard (discussed above).

The core principle underlying this guidance is that entities will recognize revenue upon the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled for such exchange.

The Revenue Standard permits either the full retrospective or modified retrospective transition method. We adopted the Revenue Standard effective January 1, 2018 utilizing the modified retrospective transition method applied to contracts not completed as of January 1, 2018 and the adoption did not result in a material impact to our consolidated financial statements.

Revenue within the scope of the Revenue Standard

Sales of Real Estate Facilities

Under the Revenue Standard, which includes guidance on recognition of gains and losses arising from the derecognition of nonfinancial assets in a transaction with non-customers, the derecognition model is based on the transfer of control of nonfinancial assets or in substance nonfinancial assets that do not meet the definition of a business. Generally, our sales of real estate facilities would be considered a sale of a nonfinancial asset to non-customers. If we determine we do not have a controlling financial interest in the entity that holds the asset and the arrangement meets the criteria to be accounted for as a contract, we would derecognize the asset and recognize a gain or loss on the sale of the real estate facilities accounted under the revenue recognition principles under the Revenue Standard.

The adoption of the Revenue Standard had no material impact on the recognition of $93.5 million in gain on sale of real estate facilities during the year ended December 31, 2018.

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3. Real estate facilities

The activity in real estate facilities for the years ended December 31, 2018, 2017 and 2016 is as follows (in thousands):

	Land	Buildings and Improvements	Accumulated Depreciation	Total
Balances at December 31, 2015	$ 773,074	$ 2,109,097	$ (1,010,197)	$ 1,871,974
Acquisition of real estate facilities	5,638	7,637	—	13,275
Capital expenditures	—	37,232	—	37,232
Disposals (1)	—	(14,411)	14,411	—
Depreciation and amortization expense	—	—	(99,486)	(99,486)
Transfer to land and building held for development	(9,676)	(19,092)	7,870	(20,898)
Transfer to properties held for sale	—	(1,251)	3,316	2,065
Balances at December 31, 2016	769,036	2,119,212	(1,084,086)	1,804,162
Capital expenditures	—	51,909	—	51,909
Disposals (1)	—	(13,919)	13,919	—
Depreciation and amortization expense	—	—	(94,270)	(94,270)
Transfer to properties held for sale	—	(340)	2,639	2,299
Balances at December 31, 2017 (2)	769,036	2,156,862	(1,161,798)	1,764,100
Acquisition of real estate facility	25,806	112,230	—	138,036
Consolidation of joint venture	21,814	84,903	—	106,717
Capital expenditures	—	38,904	—	38,904
Disposals (1)	—	(17,345)	17,345	—
Depreciation and amortization expense	—	—	(96,732)	(96,732)
Transfer to properties held for sale	—	(611)	69	(542)
Balances at December 31, 2018	$ 816,656	$ 2,374,943	$ (1,241,116)	$ 1,950,483

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(1) Disposals primarily represent the book value of tenant improvements that have been removed upon the customer vacating their space.

(2) We reclassified seven multi-tenant flex buildings totaling 194,000 square feet located in Dallas, Texas, as properties held for sale as of December 31, 2017.

The unaudited December 31, 2018 net federal tax basis of real estate facilities was approximately $1.9 billion.

As of December 31, 2018, we have commitments, pursuant to executed leases throughout our portfolio, to spend $9.8 million on transaction costs, which include tenant improvements and lease commissions.

The purchase price of acquired properties is allocated to land, buildings and improvements (including tenant improvements, unamortized lease commissions, acquired in-place lease values and customer relationships, if any), intangible assets and intangible liabilities (see Note 2), based upon the relative fair value of each component, which are evaluated independently.

We must make significant assumptions in determining the fair value of assets acquired and liabilities assumed, which can affect the recognition and timing of revenue and depreciation and amortization expense. The fair value of land is estimated based upon, among other considerations, comparable sales of land within the same region. The fair value of buildings and improvements, tenant improvements and unamortized lease commissions are based on current market replacement costs and other available market information. The amount recorded to acquired in-place leases is determined based on management’s assessment of current market conditions and the estimated lease-up periods for the respective spaces.

Effective January 1, 2017, transaction costs related to asset acquisitions are capitalized as part of the purchase price. Prior to 2017, such costs related to asset acquisitions were expensed as incurred.

On June 8, 2018, we acquired two multi-tenant industrial parks aggregating 1.1 million rentable square feet in Springfield, Virginia, for a net purchase price of $143.8 million.

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On September 28, 2016, we acquired two multi-tenant office buildings aggregating 226,000 square feet in Rockville, Maryland, for a purchase price of $13.3 million. We incurred and expensed related acquisition transaction costs of $328,000 for the year ended December 31, 2016.

We did not acquire any properties during the year ended December 31, 2017.

The following table summarizes the assets acquired and liabilities assumed for the years ended December 31, (in thousands):

	2018	2017	2016
Land	$ 25,806	$ —	$ 5,638
Buildings and improvements	112,230	—	7,637
Other assets (above-market in-place rents)	1,487	—	—
Accrued and other liabilities (below-market in-place rents)	(1,790)	—	(25)
Other assets (in-place lease value)	6,033	—	—
Total purchase price	143,766	—	13,250
Net operating assets acquired and liabilities assumed	(1,367)	—	(622)
Total cash paid	$ 142,399	$ —	$ 12,628

The following table summarizes the assets acquired and liabilities assumed related to the consolidation of the joint venture, which was accounted for as an asset acquisition, as of January 1, 2018 (see Note 4 below) (in thousands):

Land	$ 21,814
Buildings and improvements	84,903
Other assets (in-place lease value)	1,199
Total consolidated joint venture	107,916
Noncontrolling interest in consolidated joint venture	(4,032)
Net book value of joint venture at consolidation	$ 103,884

On March 31, 2017, we sold development rights we held to build medical office buildings on land adjacent to our Westech Business Park in Silver Spring, Maryland for $6.5 million. We received net sale proceeds of $6.4 million, of which $1.5 million was received in prior years and $4.9 million was received in 2017. We recorded a net gain of $6.4 million for the year ended December 31, 2017.

Properties Sold

In 2017 and 2018, we entered into a plan to sell four of our properties. We determined that the sale did not meet the criteria for discontinued operations presentation as the plan to sell did not represent a strategic shift that will have a major effect on our operations and financial results. As a result of this classification, the assets of the properties are separately presented as held for sale in the consolidated balance sheet as of December 31, 2017.

On March 5, 2018, we sold Corporate Pointe Business Park, a park consisting of five multi-tenant office buildings totaling 161,000 square feet located in Orange County, California, for net sale proceeds of $41.7 million, which resulted in a gain of $26.8 million. On April 18, 2018, we sold Orange County Business Center, a park consisting of five multi-tenant office buildings totaling 437,000 square feet located in Orange County, California, for net sale proceeds of $73.3 million, which resulted in a gain of $50.6 million. On April 30, 2018, we sold Northgate Business Park, a park consisting of seven multi-tenant flex buildings totaling 194,000 square feet located in Dallas, Texas, for net sale proceeds of $11.8 million, which resulted in a gain of $7.9 million. On October 31, 2018, we sold Orangewood Office Park, a park consisting of two multi-tenant office buildings totaling 107,000 square feet located in Orange County, California, for net sale proceeds of $18.3 million, which resulted in a gain of $8.2 million.

Each of the facilities sold during the year ended December 31, 2018 were included in “properties held for sale, net” as of December 31, 2017.

On May 1, 2017, we sold Empire Commerce, a two-building single-story office park comprising 44,000 square feet, located in Dallas, Texas, for net sale proceeds of $2.1 million, which resulted in a net gain of $1.2 million.

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As of November 1, 2016, we transferred a 123,000 square foot vacant office building located within The Mile that we are seeking to demolish in order to construct a multifamily apartment complex on the parcel. This parcel is reflected on our consolidated balance sheets as land and building held for development. The scope and timing of development of this site is subject to a variety of contingencies, including approval of entitlement. Prior to being classified as land and building held for development, the building was occupied by a single customer.

4. Investment in and advances to unconsolidated joint venture

In 2013, the Company entered into a joint venture known as Amherst JV LLC with an unrelated real estate development company (the “JV Partner”) for the purpose of developing a 395-unit multifamily building on a five-acre site (the “Project”) within the Company’s 628,000 square foot office park located in Tysons, Virginia (known as “The Mile”). We hold a 95.0% interest in the joint venture with the remaining 5.0% held by the JV Partner. The JV Partner was responsible for the development and construction of the Project, and has been and continues to be responsible for the leasing and operational management of the Project. Prior to January 1, 2018, we did not control the joint venture, when considering, among other factors, that the consent of the JV Partner was required for all significant decisions. Accordingly, we previously accounted for our investment using the equity method. On January 1, 2018, we began to consolidate the joint venture due to changes to the joint venture agreement that gave the Company control of the joint venture.

On October 5, 2015, we contributed the site and improvements to the joint venture. We also provided the joint venture with a construction loan in the amount of $75.0 million bearing interest at the London Interbank Offered Rate (“LIBOR”) plus 2.25%. The loan will mature on April 5, 2019 with two one-year extension options. Based on the consolidation of the joint venture, the construction loan to the joint venture has been eliminated in our consolidated financial statements.

The aggregate amount of development costs were $107.0 million, which included our net book value of contributed land plus entitlement costs but excluded unrealized land appreciation. The Project delivered its first completed units in May, 2017, and was substantially completed during the fourth quarter of 2017.

At December 31, 2017, we reflected the aggregate cost of the contributed site and improvements, our equity contributions and loan advances, as well as capitalized third party interest we incurred as investment in and advances to unconsolidated joint venture. The Company’s investment in and advances to unconsolidated joint venture was $100.9 million at December 31, 2017. For the year ended December 31, 2017, we made loan advances of $34.1 million and capitalized $506,000 of interest. For the year ended December 31, 2016, we made loan advances of $33.9 million, capital contributions of $5.7 million and capitalized $885,000 of interest.

During the year ended December 31, 2017, the Company recorded an equity loss in the unconsolidated joint venture of $805,000, comprised of net operating income of $375,000 and depreciation expense of $1.2 million.

5. Leasing activity

The Company leases space in its commercial real estate facilities to customers primarily under non-cancelable leases generally ranging from one to 10 years. Future minimum rental income, excluding recovery of operating expenses under these leases, is as follows as of December 31, 2018 (in thousands):

2019	$	289,220
2020		223,015
2021		164,039
2022		111,253
2023		73,019
Thereafter		112,059
Total	$	972,605

In addition to minimum rental payments, certain customers reimburse the Company for their pro rata share of specified property operating expenses. Such reimbursements amounted to $91.2 million, $90.8 million and $82.6 million for the years ended December 31, 2018, 2017 and 2016, respectively. These amounts are included as rental income in the accompanying consolidated statements of income.

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Leases accounting for 3.0% of total leased square footage are subject to termination options, of which 1.3% of total leased square footage have termination options exercisable through December 31, 2019 (unaudited). In general, these leases provide for termination payments to us should the termination options be exercised. The future minimum rental income in the above table assumes such options are not exercised.

6. Bank loans

We have a revolving line of credit (the "Credit Facility") with Wells Fargo Bank, National Association ("Wells Fargo"). The Credit Facility has a borrowing limit of $250.0 million and expires January 10, 2022. The rate of interest charged on borrowings is based on LIBOR plus 0.80% to LIBOR plus 1.55% depending on the Company's credit ratings. Currently, the Company's rate under the Credit Facility is LIBOR plus 0.825%. In addition, the Company is required to pay an annual facility fee ranging from 0.10% to 0.30% of the borrowing limit depending on the Company's credit ratings (currently 0.125%). We had no balance outstanding on our Credit Facility at December 31, 2018 and 2017. We paid $613,000 of loan origination costs in January, 2017. The Company had $691,000 and $921,000 of total unamortized loan origination costs as of December 31, 2018 and 2017, respectively, which is included in other assets in the accompanying consolidated balance sheets. The Credit Facility requires us to meet certain covenants, all of which we were in compliance with at December 31, 2018. Interest on outstanding borrowings is payable monthly.

7. Mortgage note payable

On June 1, 2016, the Company repaid in full a $250.0 million mortgage note which had a fixed interest rate of 5.45%.

8. Noncontrolling interests

Noncontrolling interests represent (i) PS's noncontrolling interest in the OP through its ownership of 7,305,355 common partnership units, totaling $215.1 million and $196.6 million at December 31, 2018 and 2017, respectively, and (ii) the JV Partner's 5.0% interest in a joint venture owning a 395-unit multifamily apartment complex, totaling $3.0 million and none at December 31, 2018 and 2017, respectively.

PS OP Interests

Each common partnership unit receives a cash distribution equal to the dividend paid on our common shares and is redeemable at PS's option.

If PS exercises its right of redemption, at PSB's option (a) PS will receive one common share from us for each common partnership unit redeemed, or (b) PS will receive cash from us for each common partnership unit generally equal to the market value of a common share (as defined in the Operating Partnership Agreement). We can prevent redemptions that we believe would violate either our articles of incorporation or securities laws, cause PSB to no longer qualify as a REIT, or could result in the OP no longer being treated as a partnership for federal tax purposes.

In allocating net income and presenting equity, we treat the common partnership units as if converted to common shares. Accordingly, they receive the same net income allocation per unit as a common share and are adjusted each period to have the same equity per unit as a common share, totaling $46.2 million, $24.3 million and $17.0 million for the years ended December 31, 2018, 2017 and 2016, respectively.

JV Partner

In conjunction with consolidating the joint venture on January 1, 2018, we recorded noncontrolling interest of $4.0 million related to the JV Partner's 5.0% interest in a joint venture owning a 395-unit multifamily apartment complex. A total of $1.0 million in loss was allocated to the JV Partner during year ended December 31, 2018 and no distributions were paid to the JV Partner.

9. Related party transactions

We manage certain industrial, office and retail facilities in the United States for PS under either the "Public Storage" or "PS Business Parks" names (the "PS Management Agreement"). Under PS's supervision, we coordinate and assist in rental

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and marketing activities, property maintenance and other operational activities, including the selection of vendors, suppliers, employees and independent contractors. We receive a management fee based upon a percentage of revenues, which is included in “interest and other income” on our consolidated statements of income. Management fee revenues were $407,000, $506,000 and $518,000 for the years ended December 31, 2018, 2017 and 2016, respectively. We allocate certain operating expenses to PS related to the management of these properties, including payroll and other business expenses, totaling $472,000, $537,000 and $554,000 for the years ended December 31, 2018, 2017 and 2016, respectively.

The PS Business Parks name and logo are owned by PS and licensed to us under a non-exclusive, royalty-free license agreement. The license can be terminated by either party for any reason with six months written notice.

PS provides us property management services for the self-storage component of two assets we own and operates them under the “Public Storage” name. Either the Company or PS can cancel the property management contract upon 60 days’ notice. Under our supervision, PS coordinates and assists in rental and marketing activities, and property maintenance and other operational activities, including the selection of vendors, suppliers, employees and independent contractors. Management fee expenses were $96,000, $92,000 and $86,000 for the years ended December 31, 2018, 2017 and 2016, respectively. Additionally, PS allocated certain operating expenses to us related to the management of these properties totaling $65,000, $61,000 and $61,000 for the three years ended December 31, 2018, 2017 and 2016, respectively. These amounts are included under “cost of operations” on our consolidated statements of income.

Pursuant to a cost sharing agreement, we share certain administrative services, corporate office space, and certain other third party costs with PS which are allocated based upon fair and reasonable estimates of the cost of the services expected to be provided. We reimbursed PS $1.2 million, $1.3 million and $1.1 million, respectively, for costs PS incurred on our behalf for the years ended December 31, 2018, 2017 and 2016. PS reimbursed us $38,000, $31,000 and $38,000 costs we incurred on their behalf for the years ended December 31, 2018, 2017 and 2016, respectively.

The Company had net amounts due from PS of $43,000 at December 31, 2018 and due to PS of $245,000 at December 31, 2017 for these contracts, as well as for certain operating expenses paid by the Company on behalf of PS.

10. Shareholders’ equity

Preferred stock

As of December 31, 2018 and 2017, the Company had the following series of preferred stock outstanding:

Series	Issuance Date	Earliest Potential Redemption Date	Dividend Rate	Shares Outstanding	Amount (in thousands)
Series U	September, 2012	September, 2017	5.75%	9,200	$ 230,000
Series V	March, 2013	March, 2018	5.70%	4,400	110,000
Series W	October, 2016	October, 2021	5.20%	7,590	189,750
Series X	September, 2017	September, 2022	5.25%	9,200	230,000
Series Y	December, 2017	December, 2022	5.20%	8,000	200,000
Total				38,390	$ 959,750

On January 3, 2018, we completed the redemption of our remaining 6.00% Cumulative Preferred Stock, Series T, at par of $130.0 million. We recorded a Preferred Redemption Allocation of $4.1 million in the three months ended December 31, 2017 and reclassified the shares from equity to "preferred stock called for redemption" on our consolidated balance sheets at December 31, 2017.

On December 7, 2017, we issued $200.0 million or 8,000,000 depositary shares representing interests in our 5.20% Cumulative Preferred Stock, Series Y, at $25.00 per depositary share. The 5.20% Series Y Cumulative Redeemable Preferred Units are non-callable for five years and have no mandatory redemption. We received $193.6 million in net proceeds.

On October 30, 2017, we completed a partial redemption of 8,800,000 of our outstanding 14,000,000 depositary shares representing interests in our 6.0% Cumulative Preferred Stock, Series T, at par of $220.0 million. We recorded a Preferred Redemption Allocation of $6.9 million for the year ended December 31, 2017.

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On September 21, 2017, we issued $230.0 million or 9,200,000 depositary shares representing interests in our 5.25% Cumulative Preferred Stock, Series X, at $25.00 per depositary share. The 5.25% Series X Cumulative Redeemable Preferred Units are non-callable for five years and have no mandatory redemption. We received $222.2 million in net proceeds.

On December 7, 2016, we called our 6.45% Cumulative Preferred Stock, Series S, for redemption at par and completed the redemption on January 18, 2017. We recorded a Preferred Redemption Allocation of $7.3 million in the three months ended December 31, 2016 and reclassified the shares from equity to “preferred stock called for redemption” on our consolidated balance sheets at December 31, 2016.

On October 20, 2016, we issued $189.8 million or 7,590,000 depositary shares representing interests in our 5.20% Cumulative Preferred Stock, Series W, at $25.00 per depositary share. The 5.20% Series W Cumulative Redeemable Preferred Units are non-callable for five years and have no mandatory redemption. We received $183.3 million in net proceeds.

We paid $52.6 million, $52.2 million and $57.3 million in distributions to our preferred shareholders for the years ended December 31, 2018, 2017 and 2016, respectively.

The holders of our preferred stock have general preference rights with respect to liquidation, quarterly distributions and any accumulated unpaid distributions. Holders of our preferred stock will not be entitled to vote on most matters, except under certain conditions. In the event of a cumulative arrearage equal to six quarterly dividends, the holders of the preferred stock will have the right to elect two additional members to serve on the Company’s Board of Directors (the “Board”) until all events of default have been cured. At December 31, 2018, there were no dividends in arrears.

Except under certain conditions relating to the Company’s qualification as a REIT, the preferred stock is not redeemable prior to the redemption dates noted above. On or after the respective redemption dates, the respective series of preferred stock will be redeemable, at the option of the Company, in whole or in part, at $25.00 per depositary share, plus any accrued and unpaid dividends.

Common stock and units

We paid $103.8 million ($3.80 per common share), $92.5 million ($3.40 per common share) and $81.3 million ($3.00 per common share) in distributions to our common shareholders for the years ended December 31, 2018, 2017 and 2016, respectively. We paid $27.8 million ($3.80 per common share), $24.8 million ($3.40 per common share), and $21.9 million ($3.00 per common share) in distributions to our common unit holders for the years ended December

31, 2018, 2017 and 2016, respectively.

The portion of the distributions classified as ordinary income was 99.3%, 95.9% and 100.0% for the years ended December 31, 2018, 2017 and 2016, respectively. The portion of the distributions classified as long-term capital gain income was 0.7%, 4.1% and 0.0% for the years ended December 31, 2018, 2017 and 2016, respectively. The percentages in the two preceding sentences are unaudited.

During the three months ended June 30, 2018, the Board increased our quarterly dividend from $0.85 per common share to $1.05 per common share. During the three months ended March 31, 2017, the Board increased our quarterly dividend from $0.75 per common share to $0.85 per common share. During the three months ended March 31, 2016, the Board increased our quarterly dividend from $0.60 per common share to $0.75 per common share.

Equity stock

The Company is authorized to issue 100.0 million shares of Equity Stock. The Articles of Incorporation provide that Equity Stock may be issued from time to time in one or more series and give the Board broad authority to fix the dividend and distribution rights, conversion and voting rights, redemption provisions and liquidation rights of each series of Equity Stock. As of December 31, 2018 and 2017, no equity stock had been issued.

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11. Stock compensation

Under various share-based compensation plans, PSB grants non-qualified options to purchase the Company’s common shares at a price not less than fair value on the date of grant, as well as RSUs, to certain directors, officers and key employees.

The service period for stock options and RSUs begins when (i) the Company and the recipient reach a mutual understanding of the key terms of the award, (ii) the award has been authorized, (iii) the recipient is affected by changes in the market price of our stock and (iv) it is probable that any performance conditions will be met, and ends when the stock option or RSUs vests.

We account for forfeitures of share-based payments as they occur by reversing previously amortized share-based compensation expense with respect to grants that are forfeited in the period the employee terminates employment. We recorded a cumulative-effect adjustment of $807,000 to decrease accumulated earnings (deficit) and increase paid-in capital representing the impact of estimated forfeitures on our cumulative share-based compensation expense recorded through September 30, 2016.

We amortize the fair value of awards starting at the beginning of the service period as compensation expense. For awards that are earned solely upon the passage of time and continued service, the entire cost of the award is amortized on a straight-line basis over the service period. For awards with performance conditions, the individual cost of each vesting is amortized separately over each individual service period (the “accelerated attribution” method).

Stock Options

Stock options expire 10 years after the grant date and the exercise price is equal to the closing trading price of our common shares on the grant date. Employees cannot require the Company to settle their award in cash. We use the Black-Scholes option valuation model to estimate the fair value of our stock options on the date of grant.

	2018	2017	2016
Stock option expense for the year (in 000's)	$ 236	$ 209	$ 282
Aggregate exercise date intrinsic value of options exercised during the year (in 000's)	$ 2,752	$ 5,177	$ 3,416

Average assumptions used in valuing options with the Black-Scholes method:

Expected life of options in years, based upon historical experience	5	5	5
Risk-free interest rate	2.8%	1.9%	1.1%
Expected volatility, based upon historical volatility	20.8%	17.5%	15.5%
Expected dividend yield	2.9%	2.8%	2.9%
Average estimated value of options granted during the year	$ 18.11	$ 14.42	$ 9.05

As of December 31, 2018, there was $604,000 of unamortized compensation expense related to stock options expected to be recognized over a weighted average period of 3.3 years.

Cash received from 44,994 stock options exercised during the year ended December 31, 2018 was $3.0 million. Cash received from 73,246 stock options exercised during the year ended December 31, 2017 was $4.2 million. Cash received from 68,019 stock options exercised during the year ended December 31, 2016 was $3.9 million.

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Information with respect to stock options during 2018, 2017 and 2016 is as follows:

Options:	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contract Life	Aggregate Intrinsic Value (in thousands)
Outstanding at December 31, 2015	258,674	$ 60.76		
Granted	39,000	$ 102.58		
Exercised	(68,019)	$ 57.17		
Forfeited	—	$ —		
Outstanding at December 31, 2016	229,655	$ 68.93		
Granted	16,000	$ 121.57		
Exercised	(73,246)	$ 57.59		
Forfeited	—	$ —		
Outstanding at December 31, 2017	172,409	$ 78.63		
Granted	16,000	$ 115.45		
Exercised	(44,994)	$ 66.88		
Forfeited	—	$ —		
Outstanding at December 31, 2018	143,415	$ 86.42	5.63 Years	$ 6,393
Exercisable at December 31, 2018	82,815	$ 71.36	3.95 Years	$ 4,939

RSUs

RSUs granted prior to 2016 are subject to a six-year vesting, with 20% vesting after year two, and 20% vesting after each of the next four years. RSUs granted during and subsequent to 2016 are subject to a five-year vesting at the rate of 20% per year. The grantee receives dividends for each outstanding RSU equal to the per share dividend received by common shareholders. We expense any dividends previously paid upon forfeiture of the related RSU. Upon vesting, the grantee receives common shares equal to the number of vested RSUs, less common shares withheld in exchange for tax withholdings made by the Company to satisfy the grantee's statutory tax liabilities arising from the vesting. The fair value of our RSUs is determined based upon the applicable closing trading price of our common shares on the date of grant.

Effective March, 2014, the Company entered into a performance-based RSU program, the Senior Management Long-Term Equity Incentive Program for 2014-2017 ("LTEIP"), with certain employees of the Company. Under the LTEIP, the Company established three levels of targeted RSU awards, which would be earned only if the Company achieved one of three defined targets during 2014 to 2017. Under the LTEIP there was an annual award following the end of each of the four years in the program, with the award subject to and based on the achievement of total return targets during the previous year, as well as an award based on achieving total return targets during the cumulative four-year period 2014-2017. In the event the minimum defined target was not achieved for an annual award, the RSUs allocated to be awarded for such year were added to the RSUs that may be received if the four-year target was achieved. All RSU awards under the LTEIP vest in four equal annual installments beginning from the date of award.

Compensation expense is recognized based on the RSUs expected to be awarded based on the target level that is expected to be achieved. The compensation expense and RSU counts with respect to the LTEIP are included in the aggregate RSU amounts disclosed above. Senior management earned 145,350 RSUs granted in March, 2018 as the maximum targets were achieved for both the year ended December 31, 2017 and for the cumulative four-year period.

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Information with respect to RSUs during 2018, 2017 and 2016 is as follows (dollar amounts in thousands):

Restricted Stock Units:	Number of Units	Weighted Average Grant Date Fair Value
Nonvested at December 31, 2015	78,652	$ 6,170
Granted	119,950	10,489
Vested	(47,779)	(3,844)
Forfeited	(6,130)	(469)
Nonvested at December 31, 2016	144,693	12,346
Granted	113,750	10,748
Vested	(76,994)	(6,597)
Forfeited	(16,366)	(1,381)
Nonvested at December 31, 2017	165,083	15,116
Granted	194,450	18,431
Vested	(106,103)	(9,256)
Forfeited	(10,140)	(905)
Nonvested at December 31, 2018	243,290	$ 23,386

As of December 31, 2018, there was $9.3 million of unamortized compensation expense related to RSUs expected to be recognized over a weighted average period of 3.6 years.

(In thousands, except number of shares)	2018	2017	2016
Restricted share unit expense	$ 3,727	$ 4,279	$ 10,290
Common shares issued upon vesting	62,500	43,223	28,046
Fair value of vested shares on vesting date	$ 12,127	$ 8,816	$ 4,699
Cash paid for taxes in lieu of shares upon vesting of RSUs	$ 4,981	$ 3,865	$ 1,940

12. Supplementary quarterly financial data (unaudited, in thousands, except per share data):

	Three Months Ended			
	March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018
Rental income	$ 103,759	$ 101,824	$ 103,808	$ 104,125

Cost of operations	$ 33,000	$ 31,256	$ 31,654	$ 30,637
Net income allocable to common shareholders	$ 46,048	$ 70,221	$ 25,131	$ 31,499
Net income per share				
Basic	$ 1.69	$ 2.57	$ 0.92	$ 1.15
Diluted	$ 1.69	$ 2.56	$ 0.92	$ 1.15

	Three Months Ended			
	March 31, 2017	June 30, 2017	September 30, 2017	December 31, 2017
Rental income	$ 100,061	$ 99,800	$ 100,481	$ 101,837
Cost of operations	$ 31,033	$ 30,250	$ 31,679	$ 32,378
Net income allocable to common shareholders	$ 26,392	$ 24,742	$ 18,138	$ 21,150
Net income per share				
Basic	$ 0.97	$ 0.91	$ 0.67	$ 0.78
Diluted	$ 0.97	$ 0.90	$ 0.66	$ 0.77

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13. Commitments and contingencies

The Company currently is neither subject to any material litigation nor, to management’s knowledge, is any material litigation currently threatened against the Company other than routine litigation and administrative proceedings arising in the ordinary course of business.

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PS BUSINESS PARKS, INC.

SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION

DECEMBER 31, 2018

(IN THOUSANDS)

			Initial Cost to Company		Cost Capitalized Subsequent to Acquisition	Gross Carrying Amount at December 31, 2018				
Description	Location	Square Feet	Land	Buildings and Improvements	Buildings and Improvements	Land	Buildings and Improvements	Total	Accumulated Depreciation	Year(s) Acquired
Buena Park Industrial Center	Buena Park, CA	317	$ 3,245	$ 7,703	$ 2,728	$ 3,245	$ 10,431	$ 13,676	$ 7,805	1997
Carson	Carson, CA	77	990	2,496	1,543	990	4,039	5,029	3,123	1997
Cerritos Business Center	Cerritos, CA	395	4,218	10,273	4,466	4,218	14,739	18,957	10,948	1997
Cerritos/Edwards	Cerritos, CA	31	450	1,217	1,535	450	2,752	3,202	2,012	1997
Concord Business Park	Concord, CA	246	12,454	20,491	1,102	12,454	21,593	34,047	6,583	2011
Culver City	Culver City, CA	147	3,252	8,157	6,229	3,252	14,386	17,638	11,096	1997
Bayview Business Park	Fremont, CA	104	4,990	4,831	304	4,990	5,135	10,125	1,848	2011
Christy Business Park	Fremont, CA	334	11,451	16,254	1,778	11,451	18,032	29,483	6,467	2011
Industrial Drive Distribution Center	Fremont, CA	199	7,482	6,812	798	7,482	7,610	15,092	2,550	2011
Bay Center Business Park	Hayward, CA	463	19,052	50,501	3,991	19,052	54,492	73,544	17,064	2011
Cabot Distribution	Hayward, CA	249	5,859	10,811	374	5,859	11,185	17,044	3,265	2011

Center									
Diablo Business Park	Hayward, CA	271	9,102	15,721	914	9,102	16,635	25,737	5,125	2011
Eden Landing	Hayward, CA	83	3,275	6,174	162	3,275	6,336	9,611	1,992	2011
Hayward Business Park	Hayward, CA	1,091	28,256	54,418	2,866	28,256	57,284	85,540	17,336	2011
Huntwood Business Park	Hayward, CA	176	7,391	11,819	745	7,391	12,564	19,955	3,924	2011
Parkway Commerce	Hayward, CA	407	4,398	10,433	4,573	4,398	15,006	19,404	10,857	1997
Laguna Hills Commerce Center	Laguna Hills, CA	513	16,261	39,559	7,985	16,261	47,544	63,805	34,283	1997
Plaza Del Lago	Laguna Hills, CA	101	2,037	5,051	4,099	2,037	9,150	11,187	7,049	1997
Canada Business Center	Lake Forest, CA	297	5,508	13,785	6,350	5,508	20,135	25,643	14,943	1997
Dixon Landing Business Park	Milpitas, CA	505	26,301	21,121	3,936	26,301	25,057	51,358	9,193	2011
Monterey/Calle	Monterey, CA	12	288	706	392	288	1,098	1,386	798	1997
Monterey Park	Monterey Park, CA	199	3,078	7,862	1,761	3,078	9,623	12,701	7,205	1997
Port of Oakland	Oakland, CA	200	5,638	11,066	820	5,638	11,886	17,524	3,669	2011
Kearney Mesa	San Diego, CA	164	2,894	7,089	2,935	2,894	10,024	12,918	7,413	1997
Lusk	San Diego, CA	371	5,711	14,049	5,958	5,711	20,007	25,718	14,963	1997
Rose Canyon Business Park	San Diego, CA	233	15,129	20,054	2,491	15,129	22,545	37,674	13,404	2005
Charcot Business Park	San Jose, CA	283	18,654	17,580	1,853	18,654	19,433	38,087	6,913	2011/20
Las Plumas	San Jose, CA	214	4,379	12,889	6,776	4,379	19,665	24,044	15,833	1998
Little Orchard Distribution Center	San Jose, CA	213	7,725	3,846	718	7,725	4,564	12,289	1,971	2011
Montague Industrial Park	San Jose, CA	316	14,476	12,807	518	14,476	13,325	27,801	5,172	2011
Oakland Road	San Jose, CA	177	3,458	8,765	3,291	3,458	12,056	15,514	8,977	1997
Rogers Ave	San Jose, CA	67	3,540	4,896	576	3,540	5,472	9,012	2,989	2006
Doolittle Business Park	San Leandro, CA	113	3,929	6,231	480	3,929	6,711	10,640	2,183	2011

Bayshore Corporate Center	San Mateo, CA	340	25,108	36,891	6,964	25,108	43,855	68,963	13,870	2013
San Ramon/Norris Canyon	San Ramon, CA	52	1,486	3,642	1,340	1,486	4,982	6,468	3,718	1997
Commerce Park	Santa Clara, CA	251	17,218	21,914	4,111	17,218	26,025	43,243	17,177	2007

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			Initial Cost to Company		Cost Capitalized Subsequent to Acquisition	Gross Carrying Amount at December 31, 2018				
Description	Location	Square Feet	Land	Buildings and Improvements	Buildings and Improvements	Land	Buildings and Improvements	Total	Accumulated Depreciation	Year(s) Acquired
Santa Clara Tech Park	Santa Clara, CA	178	7,673	15,645	4,575	7,673	20,220	27,893	14,847	2000
Walsh at Lafayette	Santa Clara, CA	321	13,439	17,890	636	13,439	18,526	31,965	6,584	2011
Signal Hill	Signal Hill, CA	269	6,693	12,699	3,059	6,693	15,758	22,451	10,178	1997/2006
Airport Boulevard	So San Francisco, CA	52	899	2,387	812	899	3,199	4,098	2,390	1997
South San Francisco/Produce	So San Francisco, CA	41	776	1,886	546	776	2,432	3,208	1,804	1997
Studio City/Ventura	Studio City, CA	22	621	1,530	552	621	2,082	2,703	1,568	1997
Kifer Industrial Park	Sunnyvale, CA	287	13,227	37,874	1,488	13,227	39,362	52,589	11,696	2011
Torrance	Torrance, CA	147	2,318	6,069	3,564	2,318	9,633	11,951	7,287	1997
Boca Commerce	Boca Raton, FL	135	7,795	9,258	3,307	7,795	12,565	20,360	6,142	2006
MICC	Miami, FL	3,468	95,115	112,583	42,247	95,115	154,830	249,945	96,725	2003/2011/2014
Wellington	Wellington, FL	263	10,845	18,560	2,583	10,845	21,143	31,988	10,191	2006
Ammendale	Beltsville, MD	309	4,278	18,380	11,434	4,278	29,814	34,092	23,826	1998
Gaithersburg/Christopher	Gaithersburg, MD	29	475	1,203	724	475	1,927	2,402	1,461	1997
Metro Park North	Rockville, MD	898	33,995	94,463	47,901	33,995	142,364	176,359	94,491	2001
Parklawn Business Park	Rockville, MD	232	3,387	19,628	4,871	3,387	24,499	27,886	10,572	2010
		578	11,010	58,364	21,236	11,010	79,600	90,610	26,932	2010/2016

The Grove 270	Rockville, MD									
Westech Business Park	Silver Spring, MD	532	25,261	74,572	19,680	25,261	94,252	119,513	59,715	2006
Ben White	Austin, TX	108	1,550	7,015	1,415	1,550	8,430	9,980	6,134	1998
Lamar Business Park	Austin, TX	198	2,528	6,596	6,620	2,528	13,216	15,744	10,259	1997
McKalla	Austin, TX	236	1,945	13,212	2,388	1,945	15,600	17,545	8,499	1998/2012
McNeil	Austin, TX	525	5,477	24,495	5,014	5,477	29,509	34,986	12,821	1999/2010/2012/2014
Rutland	Austin, TX	235	2,022	9,397	2,033	2,022	11,430	13,452	8,515	1998/1999
Waterford	Austin, TX	106	2,108	9,649	3,929	2,108	13,578	15,686	10,058	1999
Braker Business Park	Austin, TX	257	1,874	13,990	2,522	1,874	16,512	18,386	7,539	2010
Mopac Business Park	Austin, TX	117	719	3,579	660	719	4,239	4,958	1,888	2010
Southpark Business Park	Austin, TX	181	1,266	9,882	2,631	1,266	12,513	13,779	5,934	2010
Valwood Business Center	Carrolton, TX	356	2,510	13,859	2,936	2,510	16,795	19,305	5,721	2013
Northway Plaza	Farmers Branch, TX	131	1,742	4,503	1,287	1,742	5,790	7,532	1,939	2013
Springlake Business Center	Farmers Branch, TX	206	2,607	5,715	2,052	2,607	7,767	10,374	3,030	2013/2014
Westwood Business Park	Farmers Branch, TX	112	941	6,884	2,431	941	9,315	10,256	5,950	2003
Eastgate	Garland, TX	36	480	1,203	448	480	1,651	2,131	1,282	1997
Freeport Business Park	Irving, TX	256	4,564	9,506	3,107	4,564	12,613	17,177	4,471	2013
NFTZ (1)	Irving, TX	231	1,517	6,499	3,527	1,517	10,026	11,543	7,972	1998
Royal Tech	Irving, TX	794	13,989	54,113	25,400	13,989	79,513	93,502	55,389	1998-2000/2011
La Prada	Mesquite, TX	56	495	1,235	742	495	1,977	2,472	1,466	1997
The Summit	Plano, TX	184	1,536	6,654	4,596	1,536	11,250	12,786	8,948	1998
Arapaho Business Park	Richardson, TX	408	5,226	10,661	4,514	5,226	15,175	20,401	6,046	2013/2014
		117	799	3,568	2,987	799	6,555	7,354	5,263	1998

Richardson Business Park	Richardson, TX									
Bren Mar	Alexandria, VA	113	2,197	5,380	3,905	2,197	9,285	11,482	7,255	1997
Eisenhower	Alexandria, VA	95	1,440	3,635	2,666	1,440	6,301	7,741	4,997	1997
Beaumont	Chantilly, VA	107	4,736	11,051	2,250	4,736	13,301	18,037	8,287	2006
Dulles South	Chantilly, VA	99	1,373	6,810	3,206	1,373	10,016	11,389	7,494	1999
Lafayette	Chantilly, VA	197	1,680	13,398	6,532	1,680	19,930	21,610	13,959	1999/2000
Park East	Chantilly, VA	198	3,851	18,029	10,723	3,851	28,752	32,603	21,427	1999

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			Initial Cost to Company		Cost Capitalized Subsequent to Acquisition	Gross Carrying Amount at December 31, 2018				
Description	**Location**	Square Feet	Land	Buildings and Improvements	Buildings and Improvements	Land	Buildings and Improvements	Total	Accumulated Depreciation	Yea Acq
Fair Oaks. Business Park	Fairfax, VA	290	13,598	36,232	9,609	13,598	45,841	59,439	27,723	200
Monroe	Herndon, VA	244	6,737	18,911	11,846	6,737	30,757	37,494	22,963	199
Gunston	Lorton, VA	247	4,146	17,872	11,997	4,146	29,869	34,015	19,408	199
The Mile	McLean, VA	628	38,279	83,596	25,093	38,279	108,689	146,968	48,201	201
Prosperity at Merrifield	Merrifield, VA	659	23,147	67,575	36,497	23,147	104,072	127,219	69,488	200
Alban Road	Springfield, VA	150	1,935	4,736	4,936	1,935	9,672	11,607	7,811	199
I-95	Springfield, VA	210	3,535	15,672	14,038	3,535	29,710	33,245	22,164	200
Fullterton Road Industrial Park	Springfield, VA	243	7,438	24,971	175	7,438	25,146	32,584	638	201
Northern Virginia Industrial Park	Springfield, VA	814	18,369	87,258	1,472	18,369	88,730	107,099	2,110	201
Northpointe	Sterling, VA	147	2,767	8,778	4,744	2,767	13,522	16,289	10,741	199
Shaw Road	Sterling, VA	149	2,969	10,008	4,766	2,969	14,774	17,743	11,709	199
Tysons Corporate Center	Vienna, VA	270	9,885	25,302	9,917	9,885	35,219	45,104	15,270	201
Woodbridge	Woodbridge, VA	114	1,350	3,398	2,043	1,350	5,441	6,791	4,233	199
212th Business Park	Kent, WA	951	19,573	17,695	12,296	19,573	29,991	49,564	11,848	201
Overlake	Redmond, WA	411	23,122	41,106	7,333	23,122	48,439	71,561	30,346	200
Renton	Renton, WA	28	330	889	645	330	1,534	1,864	1,144	199
		28,186	794,842	1,755,422	534,605	794,842	2,290,027	3,084,869	1,238,467	

Total commercial real estate									
Highgate at the Mile McLean, VA	395 units	21,814	84,916	-	21,814	84,916	106,730	2,649	201
Total multi-family		21,814	84,916	-	21,814	84,916	106,730	2,649	
Total	28,186	$ 816,656	$ 1,840,338	$ 534,605	$ 816,656	$ 2,374,943	$ 3,191,599	$ 1,241,116	

(1) The Company owns two properties that are subject to ground leases in Las Colinas, Texas. These leases expire in 2029 and 2030.

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PS BUSINESS PARKS, INC.

EXHIBIT INDEX

(Items 15(a)(3) and 15(b))

3.1 Restated Articles of Incorporation. Filed as exhibit 3.1 to the Registrant’s Registration Statement on Form S- 3 (SEC File No. 333-78627) and incorporated herein by reference.

3.2 Restated Bylaws, as amended. Filed with Registrant’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2012 (SEC File No. 001-10709) and incorporated herein by reference.

3.3 Certificate of Determination of Preferences of 5.75% Series U Cumulative Redeemable Preferred Stock of PS Business Parks, Inc. Field with Registrant’s Current Report on Form 8- K dated September 5, 2012 (SEC File No. 001-10709) and incorporated herein by reference.

3.4 Certificate of Determination of Preferences of 5.70% Series V Cumulative Redeemable Preferred Stock of PS Business Parks, Inc. Field with Registrant’s Current Report on Form 8- K dated March 5, 2013 (SEC File No. 001-10709) and incorporated herein by reference.

3.5 Certificate of Determination of Preferences of 5.20% Series W Cumulative Redeemable Preferred Stock of PS Business Parks, Inc. Field with Registrant’s Current Report on Form 8- K dated October 11, 2016 (SEC File No. 001-10709) and incorporated herein by reference.

3.6 Certificate of Determination of Preferences of 5.25% Series X Cumulative Redeemable Preferred Stock of PS Business Parks, Inc. Filed with Registrant’s Current Report on Form 8- K dated September 12, 2017 (SEC File No. 001-10709) and incorporated herein by reference.

3.7 Certificate of Determination of Preferences of 5.20% Series Y Cumulative Redeemable Preferred Stock of PS Business Parks, Inc. Filed with Registrant’s Current Report on Form 8- K dated November 30, 2017 (SEC File No. 001-10709) and incorporated herein by reference.

4.1 Deposit Agreement Relating to 5.75% Cumulative Preferred Stock, Series U of PS Business Parks, Inc. dated as of September 5, 2012. Filed with Registrant’s Current Report on Form 8- K dated September 7, 2012 (SEC File No. 001-10709) and incorporated herein by reference.

4.2 Deposit Agreement Relating to 5.70% Cumulative Preferred Stock, Series V of PS Business Parks, Inc. dated as of March 5, 2013. Filed with Registrant’s Current Report on Form 8-K dated March 5, 2013 (SEC File No. 001-10709) and incorporated herein by reference.

4.3 Deposit Agreement Relating to 5.20% Cumulative Preferred Stock, Series W of PS Business Parks, Inc. dated as of October 11, 2016. Filed with Registrant’s Current Report on Form 8-K dated October 11, 2016 (SEC File No. 001-10709) and incorporated herein by reference.

4.4 Deposit Agreement Relating to 5.25% Cumulative Preferred Stock, Series X of PS Business Parks, Inc. dated as of September 12, 2017. Filed with Registrant’s Current Report on Form 8-K dated September 12, 2017 (SEC File No. 001-10709) and incorporated herein by reference.

4.5 Deposit Agreement Relating to 5.20% Cumulative Preferred Stock, Series Y of PS Business Parks, Inc. dated as of November 30, 2017. Filed with Registrant’s Current Report on Form 8-K dated November 30, 2017 (SEC File No. 001-10709) and incorporated herein by reference.

10.1		Amended Management Agreement between Storage Equities, Inc. and Public Storage Commercial Properties Group, Inc. dated as of February 21, 1995. Filed as exhibit 10.8 to PS's Annual Report on Form 10-K for the year ended December 31, 1994 (SEC File No. 001-08389) and incorporated herein by reference.
10.2		Agreement of Limited Partnership of PS Business Parks, L.P. Filed as exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998 (SEC File No. 001-10709) and incorporated herein by reference.
10.3	*	Form of Indemnity Agreement. Filed as exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998 (SEC File No. 001-10709) and incorporated herein by reference.
10.4	*	Form of Indemnification Agreement for Executive Officers. Filed with Registrant's Annual Report on Form 10-K for the year ended December 31, 2004 (SEC File No. 001-10709) and incorporated herein by reference.
10.5		Cost Sharing and Administrative Services Agreement dated as of November 16, 1995 by and among PSCC, Inc. and the owners listed therein. Filed as exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998 (SEC File No. 001-10709) and incorporated herein by reference.
10.6		Amendment to Cost Sharing and Administrative Services Agreement dated as of January 2, 1997 by and among PSCC, Inc. and the owners listed therein. Filed as exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998 (SEC File No. 001-10709) and incorporated herein by reference.
10.7		Accounts Payable and Payroll Disbursement Services Agreement dated as of January 2, 1997 by and between PSCC, Inc. and AOPP LP. Filed as exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998 (SEC File No. 001-10709) and incorporated herein by reference.
10.8		Amendment to Agreement of Limited Partnership of PS Business Parks, L.P. relating to 5.75% Series U Cumulative Preferred Units, dated as of September 14, 2012. Filed with Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2012 (SEC File No. 001- 10709) and incorporated herein by reference.
10.9		Amendment to Agreement of Limited Partnership of PS Business Parks, L.P. relating to 5.70% Series V Cumulative Preferred Units, dated as of March 14, 2013. Filed with Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2013 (SEC File No. 001- 10709) and incorporated herein by reference.
10.10		Amendment to Agreement of Limited Partnership of PS Business Parks, L.P. relating to 5.20% Series W Cumulative Preferred Units, dated as of October 20, 2016. Filed with Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2016 (SEC File No. 001- 10709) and incorporated herein by reference.
10.11		Amendment to Agreement of Limited Partnership of PS Business Parks, L.P. relating to 5.25% Series X Cumulative Preferred Units, dated as of September 21, 2017. Filed with Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2017 (SEC File No. 001- 10709) and incorporated herein by reference.
10.12		Amendment to Agreement of Limited Partnership of PS Business Parks, L.P. relating to 5.20% Series Y Cumulative Preferred Units, dated as of December 7, 2017. Filed with Registrant's Annual Report on Form 10-K for the year ended December 31, 2017 (SEC File No. 001- 10709) and incorporated herein by reference.

10.13 Third Amended and Restated Revolving Credit Agreement dated as of January 10, 2017 by and among PS Business Parks, L.P., a California limited partnership, as borrower, and Wells Fargo Bank, National Association, as Administrative Agent for the Lenders. Filed with the Registrant's Current Report on Form 8-K dated January 10, 2017 (SEC File No. 001-10709) and incorporated herein by reference.

10.14 Third Amended and Restated Repayment Guaranty dated as of January 10, 2017. Filed with Registrant's Current Report on Form 8-K dated January 10, 2017 (SEC File No. 001-10709) and incorporated herein by reference.

10.15 Amendment to Amended Agreement of Limited Partnership of PS Business Parks, L.P. to Authorize Special Allocations, dated as of January 1, 2017. Filed with Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2018 (SEC File No. 001-10709) and incorporated herein by reference.

10.16 * Registrant's 1997 Stock Option and Incentive Plan. Filed as exhibit 99.1 to the Registrant's Registration Statement on Form S-8 (SEC File No. 333-48313) and incorporated herein by reference.

10.17 * Registrant's 2003 Stock Option and Incentive Plan. Filed with Registrant's Registration Statement on Form S-8 (SEC File No. 333-104604) and incorporated herein by reference.

10.18 * Amended and Restated Retirement Plan for Non-Employee Directors. Filed with Registrant's Annual Report on Form 10-K for the year ended December 31, 2011 (SEC File No. 001- 10709) and incorporated herein by reference.

10.19 * Form of PS Business Parks, Inc. Restricted Stock Unit Agreement. Filed with Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004 (SEC File No. 001- 10709) and incorporated herein by reference.

10.20 * Form of PS Business Parks, Inc. 2003 Stock Option and Incentive Plan Non-Qualified Stock Option Agreement. Filed with Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004 (SEC File No. 001-10709) and incorporated herein by reference.

10.21 * Form of PS Business Parks, Inc. 2003 Stock Option and Incentive Plan Stock Option Agreement. Filed with Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004 (SEC File No. 001-10709) and incorporated herein by reference.

10.22 * Amendment to Form of Director Stock Option Agreement. Filed with Registrant's Annual Report on Form 10-K for the year ended December 31, 2010 (SEC File No. 001-10709) and incorporated herein by reference.

10.23 * Revised Form of Director Stock Option Agreement. Filed with Registrant's Annual Report on Form 10-K for the year ended December 31, 2010 (SEC File No. 001-10709) and incorporated herein by reference.

10.24 * Registrant's 2012 Equity and Performance-Based Incentive Compensation Plan (2012 Plan). Filed with Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012 (SEC File No. 001-10709) and incorporated herein by reference.

10.25 * Form of Registrant's 2012 Plan Non-Qualified Stock Option Agreement. Filed with Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012 (SEC File No. 001-10709) and incorporated herein by reference.

10.26 * Form of Registrant's 2012 Plan Restricted Stock Unit Agreement. Filed with Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012 (SEC File No. 001- 10709) and incorporated herein by reference.

10.27 * Retirement Plan For Non-Employee Directors, as amended. Filed with Registrant's Annual Report on Form 10-K for the year ended December 31, 2015 (SEC File No. 001-10709) and incorporated herein by reference.

10.28	*	Form of 2012 Plan Restricted Share Unit Agreement. Filed with Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016 (SEC File No. 001-10709) and incorporated herein by reference.
10.29	*	Separation Agreement and General Release, dated August 14, 2017, by and between the Company and Edward A. Stokx. Filed with Registrant's Current Report on Form 8- K dated August 14, 2017 (SEC File No. 001-10709) and incorporated herein by reference.
21		List of Subsidiaries. Filed herewith.
23		Consent of Independent Registered Public Accounting Firm. Filed herewith.
31.1		Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. Filed herewith.
31.2		Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. Filed herewith.
32.1		Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. Filed herewith.
101	.INS	XBRL Instance Document. Filed herewith.
101	.SCH	XBRL Taxonomy Extension Schema. Filed herewith.
101	.CAL	XBRL Taxonomy Extension Calculation Linkbase. Filed herewith.
101	.DEF	XBRL Taxonomy Extension Definition Linkbase. Filed herewith.
101	.LAB	XBRL Taxonomy Extension Label Linkbase. Filed herewith.
101	.PRE	XBRL Taxonomy Extension Presentation Link. Filed herewith.

*Denotes management contract or compensatory plan agreement or arrangement.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: February 25, 2019

PS Business Parks, Inc.

By: /s/ Maria R. Hawthorne
Maria R. Hawthorne
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Ronald L. Havner, Jr. Ronald L. Havner, Jr.	Chairman of the Board	February 25, 2019
/s/ Maria R. Hawthorne Maria R. Hawthorne	Director and Chief Executive Officer (principal executive officer)	February 25, 2019
/s/ Jeffrey D. Hedges Jeffrey D. Hedges	Chief Financial Officer (principal financial and accounting officer)	February 25, 2019
/s/ Jennifer Holden Dunbar Jennifer Holden Dunbar	Director	February 25, 2019
/s/ James H. Kropp James H. Kropp	Director	February 25, 2019
/s/ Sara Grootwassink Lewis Sara Grootwassink Lewis	Director	February 25, 2019
/s/ Gary E. Pruitt Gary E. Pruitt	Director	February 25, 2019
/s/ Robert S. Rollo	Director	February 25, 2019

Robert S. Rollo

/s/ Joseph D. Russell, Jr. Joseph D. Russell, Jr.	Director	February 25, 2019
/s/ Peter Schultz Peter Schultz	Director	February 25, 2019

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