JUNIATA VALLEY FINANCIAL CORP
Form DEF 14A
April 04, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant x ¨ Filed by a Party other than the Registrant

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¨	Preliminary Proxy Statement
¨	**Confidential, for Use of the Commission Only (as permitted by Rule 14-a6(e)(2))**
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¨	Definitive Additional Materials
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Juniata Valley Financial Corp

(Name of Registrant as Specified in Its Charter)

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3) Filing Party:

4) Date Filed:

218 Bridge Street, Post Office Box 66, Mifflintown, PA 17059 Telephone (717) 436-8211

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

Date: May 21, 2019
Time: 10:30 a.m.
Place: Juniata Valley Bank Financial Center,
1762 Butcher Shop Road, Mifflintown, Pennsylvania

Matters to be voted on:

1. Election of Directors: Election of three Class B Directors to serve until the 2022 Annual Meeting.

2. Say on Pay Proposal: A non-binding "Say on Pay" proposal to approve the compensation of the named executive officers.

3. Other Business: Any other business properly brought before the shareholders at the meeting and any adjournment or postponement thereof.

You may vote your shares of common stock at the Annual Meeting if you owned the shares at the close of business on February 22, 2019, the record date. Your vote at the Annual Meeting is very important to us. Please vote your shares of common stock by completing the enclosed proxy and returning it to us in the enclosed prepaid envelope. The proxy will not be used if you are present at the meeting and desire to vote in person.

BY ORDER OF THE BOARD OF DIRECTORS

JoAnn McMinn
Secretary

Mifflintown, Pennsylvania

April 18, 2019

Table of Contents

General Information

This proxy statement contains information about the 2019 Annual Meeting of shareholders of Juniata Valley Financial Corp. We refer to Juniata Valley Financial Corp. in this proxy statement as the “Company”, “Juniata”, “we,” “our” or “us.” The Company is the holding company for The Juniata Valley Bank, which we refer to as the “Bank.” We first mailed this proxy statement and the enclosed proxy card to shareholders on or about April 18, 2019.

Date, Time and Place of Meeting

The Annual Meeting of the shareholders of the Company will be held at 10:30 a.m. on Tuesday, May 21, 2019, at the Juniata Valley Bank Financial Center, 1762 Butcher Shop Road, Mifflintown, PA (the “Annual Meeting”).

Purpose of the Meeting

The shareholders will be asked to consider and vote upon the following matters at the meeting:

- the election of three Class B directors to serve until the 2022 Annual Meeting;
- a non-binding “Say on Pay” proposal to approve the compensation of the named executive officers; and
- such other business as may be properly brought before the meeting and any adjournment or postponement thereof.

Solicitation of Proxies

The enclosed proxy is being solicited by the Board of Directors of the Company (the “Board”) for use at the Annual Meeting. The Company will bear the entire cost of the solicitation of proxies, including the costs of preparing, printing and mailing the proxy statement and all related materials. Copies of solicitation material will be furnished to brokerage houses, fiduciaries and custodians to forward to beneficial owners of stock held in the names of such nominees. The Company will reimburse brokers and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy and solicitation materials to the owners of the Company’s common stock. In addition to use of the mail, proxies may be solicited by directors, officers and other employees of the Company, without additional compensation, in person or by telephone. The Company does not plan to employ a professional solicitation firm with respect to items to be presented at the Annual Meeting.

The executive offices of the Company are located at 218 Bridge Street, Mifflintown, Pennsylvania 17059, where the telephone number is (855) 582-5101. The Company’s mailing address is P.O. Box 66, Mifflintown, PA 17059.

Voting Procedures

Who can vote?

Only holders of shares of common stock, par value $1.00 per share, of the Company (the "common stock") as shown on the books of the Company at the close of business on February 22, 2019 (the "Record Date") will be entitled to vote at the Annual Meeting. A total of 5,099,398 shares of common stock were outstanding on the Record Date and entitled to vote at the Annual Meeting. As of the Record Date, the Trust Department of the Bank, as sole trustee, held 41,428 shares of the Company's common stock, which is 0.81% of the total number of shares outstanding as of that date. Pursuant to the Bank's policy, the Trust Department will vote these shares at the Annual Meeting in favor of each nominee for director named in this proxy statement, in favor of the non-binding "Say on Pay" proposal to approve the compensation of the named executive officers ("Say on Pay") and, as to other matters, in a manner consistent with management's recommendations, as long as voting authority is conferred on the Trust Department in the trust or account instrument. Each share of common stock entitles the holder to one vote on all matters to be voted upon. The enclosed proxy card shows the number of shares you may vote. The presence, in person or by proxy, of the holders of a majority of the shares of common stock outstanding and entitled to vote is required to constitute a quorum for the transaction of business at the Annual Meeting.

What vote is required?

The directors will be elected by a plurality of the votes cast at a meeting at which a quorum is present. Because three directors are being elected at the 2019 Annual Meeting, the three nominees receiving the greatest number of votes will be elected. Approval of the Say on Pay proposal requires the number of votes cast in favor of the proposal to exceed the number of votes cast against it. All other matters to be voted on at the Annual Meeting must be approved by the holders of a majority of the votes cast at the Annual Meeting.

How are votes counted?

The judge of election will treat shares of Juniata Valley Financial Corp. common stock represented by a properly signed and returned proxy as present at the Annual Meeting for purposes of determining a quorum, without regard to whether the proxy is marked as casting a vote or abstaining. Likewise, the judge of election will treat shares of common stock represented by "broker non-votes" (i.e., shares of common stock held in record name by brokers or nominees as to which (i) instructions have not been received from the beneficial owners or persons entitled to vote, (ii) the broker or nominee does not have discretionary voting power under applicable rules of the National Association of Securities Dealers, Inc. or the instrument under which it serves in such capacity, or (iii) the record holder has indicated on the proxy or otherwise notified Juniata Valley Financial Corp. that it does not have authority to vote such shares on that matter) as present for purposes of determining a quorum if such shares have been voted at the meeting on any matter, other than a procedural motion. Abstentions and broker non-votes are not votes cast and will have no effect on the election of directors or approval of the Say on Pay proposal.

Can I change my vote after I return my proxy card?

If you grant a proxy, you may revoke your proxy at any time until it is voted by:

- delivering a notice of revocation or delivering a later-dated proxy to JoAnn McMinn, Secretary, Juniata Valley Financial Corp., 218 Bridge Street, P.O. Box 66, Mifflintown, Pennsylvania 17059;
- submitting a proxy card with a later date at the Annual Meeting; or
- appearing at the Annual Meeting and voting in person, provided that you give notice to the Secretary at the Annual Meeting that you wish to revoke your proxy and vote in person.

Your last vote is the vote that will be counted. Unless revoked, any proxy given pursuant to this solicitation will be voted at the meeting in accordance with the instructions thereon. In the absence of instructions, all proxies will be voted FOR the election of the three nominees for director identified in this Proxy Statement and FOR the approval of the Say on Pay proposal. Although the Board of Directors knows of no other business to be presented, in the event that any other matters are properly brought before the meeting, any proxy given pursuant to this solicitation will be voted in accordance with the recommendations of the Board of Directors of the Company.

Can I vote in person at the Annual Meeting?

Yes. You may attend the Annual Meeting and vote in person whether or not you have previously returned a proxy card. If you have previously returned a proxy card, your vote at the Annual Meeting will revoke your proxy vote, provided that you give notice to the Secretary at the Annual Meeting that you wish to revoke your proxy and vote in person. However, we encourage you to complete and return the proxy card to ensure that your vote is counted.

3

Management

Directors of the Company

General

With respect to directors, the Company's bylaws provide that:

- the Board of Directors consists of not less than five nor more than 25 directors;
- there are three classes of directors (A, B and C), as nearly equal in number as possible;
- each class is elected for a term of three years; and
- the term of each class is staggered so that the term of office of one class of directors will expire each year.

During 2018, the Board of Directors consisted of eight directors.

Director Qualifications

The process for identifying and evaluating any individual nominated for board membership, including those nominated by a shareholder, is described in the "Nominating Committee" section below. Specific information on the experience, qualifications, attributes or skills of the Company's continuing directors and nominees is described in the summary biographies below.

The Company follows the NASDAQ listing standards for determining the independence of directors and committee members. The Board of Directors determined that seven (7) of the current eight (8) directors are independent, as defined in the applicable NASDAQ listing standards. Specifically, the Board of Directors found that Directors Buffington, Dreibelbis, Gingerich, Havice, Kelsey, Scanlon and Wagner met the definition of independent director in the NASDAQ listing standards and that each of these directors is free of any relationships that would interfere with his individual exercise of independent judgment. In addition, members of the Audit Committee and Personnel and Compensation Committee of the Board of Directors meet the more stringent requirements for independence under the NASDAQ listing standards, and the rules and regulations of the SEC for service on these committees. The Board of Directors considered the relationships and other arrangements, if any, of each director with the Company when independence was reviewed.

The biographical information, experience and qualifications set forth below represent each continuing director's or nominee's background, experience, qualifications, attributes or skills that led the Company to conclude that these persons should serve as Directors.

Proposal 1

ELECTION OF DIRECTORS

The Nominating Committee has nominated the three persons named below as directors. Although we do not know of any reason why any of these nominees might not be able to serve, we may propose a substitute nominee if any nominee is not available for election. Unless you indicate otherwise, your proxy will be voted in favor of the election of those nominees. Each nominee for the position of Class B Director is currently a director of the Company and the Bank, and has been screened for independence, and noted above.

Nominees for Election as Directors to Continue in Office until the 2022 Annual Meeting (Class B)

Marcie A. Barber. Ms. Barber, age 60, has been the Chief Executive Officer and director of the Bank and the Company since 2010. She had been Senior Vice President and Chief Operating Officer of the Bank since June 2007. She was Senior Vice President and Community Office Division Manager since November 2006. Prior to joining the Company, Ms. Barber was Senior Vice President of the First National Bank of Mifflintown, serving as Credit Services Division Manager for 8 years. Prior to her tenure with First National Bank of Mifflintown, Ms. Barber spent 16 years with Mellon Bank in Retail Bank Management and Commercial Lending.

Ms. Barber's various management roles within a number of banks during her 33 years of service, including the 7 years she has served in an executive capacity of the Company, give her a broad understanding of the financial services industry, the Company's operations, corporate governance matters and leadership experience, thereby qualifying her to serve on the Board of Directors. Ms. Barber has served as a board member of the Federal Reserve Bank of Philadelphia's Community Depository Institution Advisory Council and of PA Bankers Service Corp. and served as a director of PA Bankers Association and of Downtown Lewistown, Inc. She currently serves on the Executive and Finance Committees of the Mifflin County Industrial Development Corporation and Success Together and is an Ambassador for the Mifflin/Juniata County United Way.

Timothy I. Havice. Mr. Havice, age 71, has been the owner and principal of T. I. Havice Development, a development company based in Lewistown, Pennsylvania, since 1975. He has been a director of the Bank and the Company since 1998 and is currently Chairman of the Board. He had served as Chairman previously from 2004 to 2007. Mr. Havice also served on the Board of Directors of Liverpool Community Bank, a bank in which Juniata owned 39.16% of the outstanding common stock, until acquisition of 100% of Liverpool by the Company on April 30, 2018. He holds the position of Chairman of the Board of Directors of Mutual Benefit Insurance Company where he serves on the Audit and Compensation Committees. Mr. Havice is a past member of an advisory board for Mellon Bank, director of Lewistown Trust Company (a predecessor to Juniata Valley Financial Corp.) and director of Select Risk Insurance Company. Mr. Havice serves on the Nominating, Audit, Strategic Planning, Asset Liability Management, Loan and Personnel and Compensation Committees of the Company.

As a result of numerous years as a successful entrepreneur in a variety of business ventures, Mr. Havice provides the Company's Board of Directors with a businessperson's perspective of what is required for a business to be successful. His experience as director of other companies gives him insight into the importance and structure of corporate governance and risk assessment. In his capacity as Director of Mutual Benefit Insurance Company, he has gained valuable experience in executive compensation issues. The Board has determined that Mr. Havice is independent under NASDAQ and SEC standards.

Bradley J. Wagner. Mr. Wagner, age 45, earned a Bachelor of Science degree in Accounting from Messiah College in 1995, and was employed as a CPA for Arthur Andersen, LLP from 1995 through 1999. He is President and General Manager of Hoober Feeds, located in Gordonville, PA, President of Hegins Feed and Supply, Inc. located in Hegins, PA and President of L&K Mills, located in Benton, PA. These companies specialize in dairy service and nutrition and are manufacturers and retailers of livestock feed. Hoober Feeds has a significant client base in southeast Pennsylvania, as well as in Franklin County, Susquehanna County and Chester County. Additionally, Hoober Feeds provides dairy service and consulting in New York, New Jersey and Maryland. In addition to feed manufacturing and animal nutrition, L&K Mills, Inc. operates a True Value retail store business. Mr. Wagner has served as a board member and treasurer of Penn Ag Association and Penn Ag Industries. Penn Ag is a trade association representing the Pennsylvania agricultural industry. He also has served as chairman of the board of his church and has previously led the Stewardship Committee, whose responsibilities include budget preparation and monitoring, fund raising and compliance with non-profit regulations.

Mr. Wagner was elected to the Board in June of 2014. With a background as a Certified Public Accountant who has audited SEC reporting bank holding companies and with financial and business expertise and experience in the agricultural arena, he brings a unique and valuable perspective to the Company's Board of Directors. The Board has determined that he is independent under NASDAQ and SEC standards. The board has further determined that he meets both the NASDAQ and SEC requirements to be designated as a "financial expert" for the Company, and accordingly serves as Chairman of the Audit Committee. In addition, Mr. Wagner serves on the Asset Liability Management and Loan Committees.

the board of directors recommends that shareholders vote for election of the THREE nominees identified above.

Directors to Continue in Office until the 2020 Annual Meeting (Class C)

Philip E. Gingerich, Jr. Mr. Gingerich, age 60, has been the President of Central Insurers Group, Inc., an insurance agency based in State College, Pennsylvania, since 1982 and owner of East Side Storage, a mini-storage warehouse company based in Lewistown, Pennsylvania, since 2001. He also is a partner in Central Real Estate Partnership. Mr. Gingerich holds a Bachelor of Science degree from the Pennsylvania State University. Formerly, he has been Chairman of the Boards of Lewistown Trust Company and the NuVision Center. He has been a director of the Company and the Bank since 1998, and is the current Vice Chairman of the Board. He had served as Chairman previously from 2010 to 2013. He serves as Chairman of the Asset/Liability Management Committee as well as the Personnel and Compensation Committee, and is a member of the Strategic Planning, Loan and Nominating Committees.

As the owner and president of successful businesses, Mr. Gingerich brings valuable knowledge and experience in risk assessment and financial operations. His long tenure as a board member, with experience serving on each of the key committees that are essential to the oversight of the board, has qualified him to serve as the current Vice Chairman of the Board. As an independent employer, his broad knowledge of employment issues and compensation matters qualify him to serve on the Company’s Personnel and Compensation Committee. The Board has determined that Mr. Gingerich is independent under NASDAQ and SEC standards.

Gary E. Kelsey. Mr. Kelsey, age 56, is a lifetime resident of Potter County, where he has held the elected position of Potter County Register of Wills and Recorder of Deeds since 1988. He also was the co-owner, President and CEO of Appalachian Basin Land Resources LLC, an abstract title company operating in the northern Pennsylvania region. Mr. Kelsey has a criminal justice degree and studied at Jamestown Community College and Mansfield University. He resides in Coudersport, Pennsylvania. Mr. Kelsey was a director of FNBPA Bancorp, Inc. from 1996 until November 30, 2015, when FNBPA was acquired by the Company, and was elected to our Board of Directors.

Mr. Kelsey's combined 23 year tenure as a director at FNBPA and Juniata makes him a valuable member of our board. He possesses valuable institutional knowledge as to FNBPA and an understanding of the banking industry. His long-time residency and community involvement in our Northern Tier region provides insight as we identify business opportunities and challenges in the area. While serving as an FNBPA director, Gary was a member of the Compensation, Trust, Audit and Business Relations committees. Mr. Kelsey currently serves on the Loan, Trust and Strategic Planning Committees for the Company. The Board has determined that Mr. Kelsey is independent under NASDAQ and SEC standards.

Directors to Continue in Office until the 2021 Annual Meeting (Class A)

Martin L. Dreibelbis. Mr. Dreibelbis, age 65, has been a member of the Board of the Company and the Bank since 1998 and served as Chairman of the Board from 2001 to 2004 and from 2007 to 2010. He has been a self-employed consultant to the petroleum industry since 1992 and, prior to that, he was President of Horning Oil Company. Mr. Dreibelbis also serves as a Supervisor for Walker Township, Juniata County, PA. Mr. Dreibelbis provides the Company's Board of Directors with the benefit of knowledge gained from his business experiences as well as his community involvement. His affiliation with local business leaders, community activities and charitable organizations give him a well-rounded view of our local market. During his long-term membership of the Company's Board of Directors, he has gained extensive knowledge of the financial services industry and its corporate governance requirements, which contributes to his qualification as an effective member of the Board, where he serves as Chairman of the Nominating and Strategic Planning Committees. Further, he is currently a member of the Personnel and Compensation Committee as well as the Loan Committee. The Board has determined that Mr. Dreibelbis is independent under NASDAQ and SEC standards.

Richard M. Scanlon, DMD. Dr. Scanlon, age 70, owned and operated his own dentistry practice, based in Lewistown, Pennsylvania, from 1979 until 2016 when he retired from his practice and is now a dental consultant to the Central PA Institute of Science and Technology. He received a Bachelor of Science degree and his DMD Dental degree from the University of Pittsburgh. He is a Fellow of the American Academy of Forensic Sciences. He holds a position with the University of North Texas as a Regional Forensic Odonatologist for NamUs, a federal database for missing and unidentified persons. He has served as President of the Lewistown Hospital Medical Staff for two years, been a member of the Board of Directors of Lewistown Hospital for twelve years and a board member of the non-profit Mifflin-Juniata County Dental Clinic. For six years, he served as member and Chairman of the Lewistown Hospital Credential Committee. He has been a director of the Company and the Bank since 1998 and serves on the Audit and Loan Committees and is Chairman of the Trust Committee.

Dr. Scanlon's professional background and history of community service provide a level of diversity to the Board, as the focus of his business is as a service provider. His perspective in the areas of customer and shareholder satisfaction relative to how each relates to organizational growth adds to his qualifications as a Director. The Board has determined that Dr. Scanlon is independent under NASDAQ and SEC standards.

Michael A. Buffington. Mr. Buffington, age 44, is the founder and President of Buffington Property Management LLC, MAT Plaza LLC, Monument Square Center LLC and MAB Holdings LLC, a group of companies that own and manage commercial and residential properties in central Pennsylvania. He is also the founder and President of One-Stop Communications in Lewistown, PA, a retail provider of personal and business communication products and services. He serves on several community organizations in Mifflin County, including Downtown Lewistown Inc., the Juniata River Valley Chamber of Commerce and the Community Advisory Board of Geisinger-Lewistown Hospital.

Mr. Buffington’s history of involvement in business and community development efforts within Juniata’s market area as well as his affiliation with local business leaders allows him to provide a broad view of business-owners’ financial needs to the Board and assess risk during changing business environments. Mr. Buffington has been a director of the Company and the Bank since March 2017 and serves on the Nominating, Personnel/Compensation, Trust, and Loan Committees.

Executive Officers of the Company

In addition to Ms. Barber, the following individual serves as an executive officer of the Company. The executive officers will hold office until their successors are appointed.

JoAnn N. McMinn. Ms. McMinn, age 66, is the Executive Vice President of the Company, and has been Treasurer and Chief Financial Officer of the Company since 2005 and Secretary to the Board of Directors since 2017. Ms. McMinn’s experience in banking exceeds 40 years. She had served as Corporate Controller and Director of Investor Relations for Omega Financial Corporation (diversified financial services) since 2003; she had served as Corporate Controller of that organization since 1988. Her responsibilities included preparation and coordination of annual reports to shareholders and Securities and Exchange Commission (“SEC”) filings, management of bank and holding company accounting division, regulatory reporting and serving as director of non-bank subsidiaries. She formerly held positions as Data Processing Manager, Productivity Manager and Controller at one of Omega’s predecessor companies. Ms. McMinn served on the Board of Directors of Liverpool Community Bank (“LCB”), a bank in which Juniata owned 39.16% of the outstanding common stock until April 30, 2018, when 100% of LCB was acquired by the Company. Ms. McMinn previously served on the Federal Home Loan Bank of Pittsburgh’s Member Advisory Board.

Corporate Governance and Board Matters

Shareholder Communications with the Board

The Board has established a procedure whereby shareholders are able to communicate directly with the Board by addressing communications either to the Audit Committee Chair or, in the case of recommendations for Board candidates, the Secretary, c/o Juniata Valley Financial Corporation, 218 Bridge Street, Post Office Box 66, Mifflintown, Pennsylvania 17059. Every communication directed to the Audit Committee Chair will be delivered directly to the Audit Committee Chair, who will in turn forward the communication to the specific member of the Board to whom it has been addressed and to the Board as a whole. All communications regarding nominations that are sent to the Secretary will be forwarded to the Chair of the Nominating Committee.

Risk Oversight

Oversight of material risks facing the Company is a major area of emphasis for the Board of Directors. The Board, upon recommendations from appropriate committees, annually approves all operating policies. The Audit Committee reviews results of all regulatory examinations and audits, both internal and external, and monitors responses from management to recommendations for procedural changes. All members of the Audit, Nominating and Personnel and Compensation Committees are independent directors and meet regularly with management. Each committee requires proof of adherence to all applicable policies which they oversee. The Loan Committee is comprised entirely of directors who rotate attendance at weekly meetings with management. The Board is informed routinely of new regulations, current issues of importance, key examination points, industry news and peer and competition activity by management at monthly Board meetings and periodic committee meetings.

Board Leadership Structure

It is the policy of the Company to separate its Chairman and Chief Executive Officer positions. We believe that having an independent Chairman increases the effectiveness of risk oversight and management evaluation, and separate positions serve to eliminate the appearance of a conflict between personal and shareholders' interests. For example, if one individual serves as both Chairman and Chief Executive Officer, and that person is responsible for setting corporate goals, that situation could create the appearance of a conflict of interest. In his or her role as Chairman, the individual would have an interest in setting higher benchmarks in order to motivate corporate officers to improve the performance of the Company and thereby increase the shareholders' return on their investment. On the other hand, in his or her role as Chief Executive Officer, that individual could arguably have an interest in setting a lower benchmark since the attainment of corporate goals is a factor in evaluating the performance of the Chief Executive Officer. Separating the positions of Chairman and Chief Executive Officer eliminates issues such as these.

Related Party Transactions

During 2018, the Bank had, and expects to continue to have, banking transactions in the ordinary course of business with our directors and executive officers on the same terms, including interest rates and collateral on loans, as those prevailing at the time for comparable loans with persons not related to the Bank. Management believes that these loans present no more than the normal risk of collectability and do not present other unfavorable features. The Company's Code of Conduct and Ethics (the "Code") requires all directors, officers and employees to avoid situations that may create a conflict of interest or the appearance of a conflict of interest. The Code contains specific prohibitions on financial or other interests in customers, borrowers, suppliers or other companies dealing with the Company and requires prior approval by the Senior Vice President/Human Resources Director in order to enter into any such arrangements. In addition, the purchase, lease or sale of assets to or from the Company by employees or directors also requires the prior approval of the Senior Vice President/Human Resources Director except in certain limited circumstances, such as a public sale.

Board and Committee Meeting Attendance

The Board of Directors of the Company met 12 times in 2018. No director attended fewer than 75% of the total number of meetings of the Board and the committee(s) on which he or she served. The Board has standing Audit, Nominating and Compensation Committees, in addition to other committees that are more specifically related to the banking business. The Board has adopted a policy requiring the attendance of all directors at the Annual Meeting, absent extenuating circumstances. All members of the Board attended the 2018 Annual Meeting.

Following are descriptions of these Committees and a report from the Audit Committee.

Audit Committee

Members, Number of Meetings, Function, Charter and Audit Committee Financial Expert

The members of the Audit Committee are Bradley Wagner (Chairman), Philip Gingerich, Jr., Timothy Havice and Richard Scanlon. Each member is an independent director and qualified to serve on the Audit Committee based on the heightened qualifications for enhanced independence and financial literacy established by NASDAQ and applicable SEC regulations. The Board of Directors has determined that Bradley Wagner meets the SEC requirements to qualify as a financial expert. The Audit Committee met four times in 2018. Its responsibilities include monitoring the integrity of the Company's financial reporting process and systems of internal controls regarding finance, accounting and regulatory compliance, monitoring the independence and performance of the Company's independent registered public accountants and internal auditing department and providing an avenue of communication among the independent registered public accountants, management, the internal auditing department and the Board of Directors. The Committee, along with the Board of Directors, has formally adopted an Audit Committee charter setting forth its responsibilities. The charter is available on the Company's website, at jvbonline.com, under the Investor Relations tab.

Report of the Audit Committee

Management has the primary responsibility for the financial statements and the reporting process, including the Company's systems of internal controls. In fulfilling its oversight responsibilities, the Committee reviewed and discussed the audited financial statements in the Annual Report to Shareholders with management, including a discussion of not just the acceptability, but also the quality, of the accounting principles, the reasonableness of significant judgments and the clarity of disclosure in the financial statements.

The Committee reviewed with the Company's independent registered public accountants, who are responsible for expressing an opinion on the Company's financial statements, the Committee's judgments as to both the acceptability and the quality of the Company's accounting principles and such other matters as are required to be discussed with the independent registered public accountants in accordance with the Standards of the Public Company Accounting Oversight Board (United States). In addition, the Committee has discussed with the independent registered public accountants the matters required to be discussed by Public Company Accounting Oversight Board Auditing Standard No. 1301 (Communication with Audit Committees). We have also received from BDO USA, LLP, the Company's independent registered public accountants, written disclosures and a letter concerning the firm's independence with respect to the Company, as required by the Public Company Accounting Oversight Board Ethics and Rule 3526, (Communication with Audit Committees Concerning Independence) and has discussed with BDO USA LLP, the independent auditors' independence.

The Committee discussed with both the Company's internal and independent registered public accountants the overall scope and plans for their respective audits. The Committee meets with the internal and independent registered public accountants, with and without management present, to discuss the results of their examinations, their evaluations of the Company’s internal controls and the overall quality of the Company’s financial reporting.

In reliance on the reviews and discussions referred to above, the Committee recommended to the Board of Directors (and the Board has approved) that the audited financial statements be included in the Annual Report on Form 10-K for the year ended December 31, 2018 for filing with the Securities and Exchange Commission.

By: Bradley Wagner, Chairman, Philip Gingerich, Jr., Timothy Havice and Richard Scanlon

Nominating Committee

Members, Meetings, Function and Charter

The members of the Nominating Committee are Martin Dreibelbis (Chairman), Philip Gingerich, Jr., Michael Buffington and Timothy Havice. Each member is an independent director, meeting the qualifications for independence established by NASDAQ. The function of the Committee is to identify and recommend qualified candidates for election to the Board of Directors and to nominate candidates to fill vacancies that occur between shareholder meetings. A current copy of the Committee’s charter is posted on the Company’s website at jvbonline.com, under the Investor Relations tab. The Nominating Committee met once in 2018. The Committee considers potential candidate skill sets and background, current board skill sets and backgrounds, diversity of the Board and the ability of a person to devote the necessary time to serve as a Director when assessing a candidate’s qualifications. Candidates for director are selected for their character, judgment, business experience, expertise and acumen. The Company’s Bylaws state that no person shall be eligible to be elected as a Director if he or she shall have attained the age of seventy-five years on or prior to the date of his or her election.

Process for Identifying and Evaluating Nominees for Director

The Committee utilizes current Board members, management and other appropriate sources to identify potential nominees. The Committee conducts any appropriate and necessary inquiries into the backgrounds and qualifications of possible candidates after considering the function and needs of the Board of Directors, and recommends nominees for approval by the Board of Directors and shareholders. In nominating candidates, the Committee may take into consideration such factors as it deems appropriate, including personal qualities and characteristics, experience, accomplishments and reputation in the business community and current knowledge and contacts in the communities in which the Company does business. The Company does not have a separate written policy on how diversity is to be considered in the director nominating process, however diversities in viewpoints, backgrounds, and experience are informally considered, as well as ability and willingness to commit adequate time to Board and committee matters. The Committee assesses the fit of the individual's skills and personality with those of other directors and potential directors in creating a Board that is effective and responsive to its duties and responsibilities and has the right composition to perform its oversight functions effectively.

The Nominating Committee will receive and consider nominee recommendations that shareholders address to the Secretary of the Company at the address listed on the first page of this proxy statement. If a shareholder wishes to nominate candidates for election at the Annual Meeting, the shareholder must comply with the procedures contained in the Company's bylaws, which include a requirement that the shareholder deliver or mail a notice to the Secretary of the Company not less than 120 days prior to the anniversary date of the immediately preceding Annual Meeting stating his or her name, residence address and the number of shares of the Company owned. The notice must also contain the following information on each proposed nominee:

- The name, address and age of the nominee;
- The principal occupation of the nominee;
- The number of shares of the Company common stock owned by the nominee; and
- The total number of shares that, to the shareholder's knowledge, will be voted for the nominee.

The same process is used to evaluate both Board nominees and shareholder nominees. The Chairman of the meeting will disregard any nomination made at the Annual Meeting that does not comply with the required procedure, and the judges of election will disregard any votes cast for such nominees.

Personnel and Compensation Committee

The Personnel and Compensation Committee makes recommendations to the Board regarding executive compensation. The committee, along with the Board of Directors, has formally adopted a Personnel and Compensation Committee charter setting forth its responsibilities. The charter is available on the Company's website, at jvbonline.com, under the Investor Relations tab. Members are Philip Gingerich, Jr. (Chairman), Martin Dreibelbis, Timothy Havice, and Michael Buffington. Each member of the Personnel and Compensation Committee was independent, and continues to be independent, based on the heightened requirements for independence established by NASDAQ and the SEC. The Personnel and Compensation Committee meets as often as is necessary, but must meet at least three times each year. The Committee met five times in 2018. None of the members of the Personnel and Compensation Committee has been an officer or employee of the Company or the Bank at any time.

Role of the Personnel and Compensation Committee

The Personnel and Compensation Committee is established to provide oversight of the Company's human resource function and to make recommendations to the Board of Directors as deemed appropriate. The Committee is responsible for development of all proposals regarding executive compensation and for review of all active plans involving short or long-term compensation. The Committee does not have final authority on compensation proposals, but must approve all compensation-related proposals (including all plan revisions) before those proposals are presented to the Board for final approval. Some of the specific responsibilities of the Committee include the following:

- Establishing an executive compensation philosophy and strategy and compensation program design and implementation;
- Determining executive benefit packages to ensure a competitive compensation and benefits package;
- Updating provisions within the Company's incentive plan(s) for goal setting and determination as to whether targets have been met;
- Approving stock-based compensation awards under the Long-Term Incentive Plan;
- Participating in the executive selection process;
- Reviewing and approving investment strategy and options for defined benefit and defined contribution (401(k)) plans;
- Considering discretionary annual performance and bonus payouts;
- Maintaining a current management succession plan;
- Engaging and directing a human resources consultant, if needed;
- Maintaining a current and effective Personnel and Compensation Committee Charter;
- Reviewing and approving the Director and Advisory Board fee schedules; and

- Approving a human resource policy which governs employment practices, general and executive compensation and benefits, performance management, policies and procedures, legal compliance and workforce planning.

Committee Advisors/Consultants

In 2018, the Committee continued to engage Mosteller & Associates, a human resource consulting firm, to provide analysis and advice on executive compensation-related matters (including assessment of peer groups, competitive market data, and pay mix and compensation design). The Committee considered the independence of Mosteller & Associates in light of SEC rules and NASDAQ listing standards. The Committee concluded that the work performed by Mosteller & Associates did not raise any conflict of interest and concluded that Mosteller & Associates continues to be an independent committee consultant. The Company does not have a policy that limits the other services that an executive compensation consultant can perform. Mosteller & Associates did not provide additional services in 2018 with associated fees in excess of the $120,000 SEC disclosure threshold for a consultant. During 2018, the Committee requested Mosteller & Associates to provide:

- Advice for the establishment of performance criteria and factors for Employee Annual Incentive Plan (“EAIP”) for 2018;

- Executive compensation review of the positions of Chief Executive Officer and Chief Financial Officer. The scope of the review included a proxy statement analysis completed in April of 2018 (based upon proxy statements filed for 2017). The analysis encompassed reported compensation of the similarly ranked executive positions in a defined peer group that included banks of similar size and structure; and

- Advice for the establishment of market range guidelines for determination of appropriate executive stock awards.

In addition, as part of the benchmarking process, data from three published surveys was used to provide a broader view of compensation practices. The market study provides for comparison of annual base rates of pay and bonus payouts on a position-by-position basis.

Philosophy/Objectives of Executive Compensation Programs

The success of our Company is dependent upon the attraction and retention of key employees. Although compensation tools and programs inevitably must be adjusted as conditions change, the Company’s compensation philosophies are designed to align with business objectives. The Company provides its executives with a mix of compensation, including base pay and the opportunity for annual short-term incentive cash awards and long-term equity awards, which is designed to reward short and long-term positive financial performance by the Company.

We believe a competitive base salary is important to attract and retain qualified executives. We believe annual performance-based bonuses are valuable in recognizing and rewarding individual achievement. Finally, we believe equity-based compensation makes executives "think like owners" and, therefore, aligns their interests with those of our shareholders. Equity-based compensation is intended to provide a strong incentive for executives to remain with the Company by linking their compensation to the value of our shares over time.

All components of executive compensation are designed to enable the Company to:

- attract, motivate and retain results-oriented executive and key management employees;
- tie executive compensation to shareholder return;
- link compensation directly to the organization's strategic objectives; and
- reward collective and individual (as appropriate) performance contributing to the overall success of the organization.

For both the short-term and long-term incentive plans, designated performance goals:

- are designed to align with the Company's business objectives;
- are chosen to reward results that increase shareholder value;
- are targeted to achieve budgeted ratios;
- focus on expanding the Company into new geographic markets; and
- include a focus on organizational efficiency.

Additionally, the Company offers retirement benefits to all its employees through a defined contribution 401(k) plan with a 3% employer safe harbor contribution and an employer matching contribution. The matching contribution is designed so that all employees could receive employer contributions of up to an additional 4% of salary, based on individual salary deferral levels. We believe that this benefit is attractive to both executives and other employees. In addition, executive officers participate in a salary continuation plan and a split-dollar life insurance benefit and are parties to a change of control severance agreement. These benefits were designed and selected to be appealing to potential and existing key employees, in comparison to those benefits offered by other banks in our general competitive geographic area.

In determining the amount of each element of executive compensation, the following key items are considered:

- market-competitiveness within the general geographic area;
- appropriate balance of risk/reward; and
- company/business unit/individual performance.

The Committee believes that the Company's compensation policies and practices are not reasonably likely to have a material adverse effect on the Company. Internal controls and risk oversight provided by the Audit and Asset/Liability Management Committees, as well as internal policies and compliance standards, are designed so that no one individual can implement new products or pricing strategies, enter into material contracts or commit to investment vehicles outside established guidelines. Additionally, the ratio of variable incentive-based compensation to base salary is relatively low.

Elements of Executive Compensation

Executive pay policies are generally in line with Company policies for all employees, including the existence of a salary range, an annual base salary review process, including consideration for merit pay adjustments and, as appropriate, inclusion of both short-term and long-term incentive compensation opportunities that focus executives on Company performance and success. The Company's success is dependent upon its ability to attract and retain highly qualified and motivated executives. The Company endorses the philosophy that executive compensation should reflect Company performance and the contribution of such officers to that performance. Our executive compensation program is designed to support our Company's core values and strategic objectives. Moreover, our compensation philosophy is intended to align the interests of management with those of our shareholders. The principal components of total compensation for our named executive officers are base salary, annual incentive bonus and equity-based incentives. Salary and bonus are inherently short-term compensation elements, while equity-based incentives are inherently long-term. The Committee acknowledged the shareholders' endorsement of the Company's executive compensation practices by their approval of the non-binding Say on Pay proposal at the 2018 Annual Meeting.

Base Salary. The Chief Executive Officer's base pay range is established, reviewed and updated periodically by the Board, as recommended by the Personnel and Compensation Committee. Guidance is received through compensation surveys of like-positions in similarly sized community financial services organizations within the established peer group provided by the Committee's human resources consultants. Pay adjustments for the Chief Executive Officer are determined annually by the Board using this data. While no mathematical weighting formula exists, the Committee considers all other factors which it deems relevant, including the Company's financial results, the Company's performance relative to its peer group, the duties and responsibilities of the Chief Executive Officer, the Chief Executive Officer's individual performance relative to written objectives established at the beginning of each year and current compensation levels, as well as the benchmark information. The Company targets salaries at the mid-range base pay of similar positions within the Peer Group and the market analysis. Base salary for the Chief Financial Officer is determined in the same way as the Chief Executive Officer position. The Committee generally establishes salary guidelines at levels that approximate the mid-range of the Peer Group. Additionally, in determining the amount of base salaries, the Committee considers the executive's qualifications and experience, scope of responsibilities and future potential, the goals and objectives established for the executive, the executive's past performance, competitive salary practices at companies in the Peer Group and internal pay equity.

Annual Incentive (Short-term). The EAIP is designed to motivate executives to achieve favorable operating results. Awards are primarily based on overall financial performance utilizing measures such as earnings per share, return on average assets, return on average equity, asset quality and revenue growth, either individually or combined, depending on annual business objectives. Each year, the Company performance measures are established for all participants in line with budgeted expectations. Threshold, target and optimum or maximum performance measures are determined at the beginning of each year and based upon acceptable performance (threshold), budgeted performance (target) and a "stretch" performance goal (optimum or maximum).

The Personnel and Compensation Committee established performance criteria and factors for the Chief Executive Officer and the Chief Financial Officer, as well as other participants in the EAIP for 2018. The awards schedule was designed to include threshold, target and optimum performance criteria. Earnings per Share (EPS) (weighted at 75%) and Return on Average Equity (ROAE) (weighted at 25%) were designated as measures of performance for both categories for 2018. Both the Chief Executive Officer's performance and the Chief Financial Officer's performance are measured by these two performance factors. In addition, if the performance target thresholds are met, individual performance is further considered for upward or downward adjustment of the bonus amount. The threshold, target, and optimum levels of performance measures for 2018 were consistent with competitive industry performance objectives, and the Company believed the performance criteria were set at a level that created a likelihood of meeting, at minimum, the threshold levels during 2018. The target performance measures were each set at levels established in the Company's annual budget for 2018 (EPS of $1.11 and ROAE of 8.66%), with threshold measures set at 95% of budget (EPS of $1.05 and ROAE of 8.22%) and optimum criteria (EPS of $1.22 and ROAE of 9.52%) set to reward performance significantly favorable to budget, up to 110% of target. For 2018, the Chief Executive Officer could receive an award of between 12% and 30% of base salary, subject to adjustment (+/- 10%) based on the executive's individual performance. For the Chief Financial Officer in 2018, incentive awards could range from 10.0% to 24% of base salary, subject to adjustment (+/- 10%), based upon the executive's individual performance. Awards are determined and paid annually after the financial results for the year have been determined. The Company's target level for performance was exceeded in 2018 (when adjusted for a defined benefit settlement and merger and acquisition expenses), and personal goals relating to strategic objectives were achieved. As a result, payouts were made to the CEO and the CFO according to the established formulas.

Long-Term Incentive Program (LTIP). The Long-Term Incentive Program is designed to reward contribution to the long-term appreciation in the value of the Company. The Committee strongly supports share ownership by its executives. We believe that the ownership of shares of our stock by our management team properly aligns their financial interests with the interests of our shareholders. The potential for awards is reviewed annually, although shares will not necessarily be awarded each year, depending upon the Company's financial performance. In order for a participant to receive a grant through the program, he or she must have at least a satisfactory job performance review for the year. Stock awards are considered at the regularly scheduled board meeting in February or March of each year, and if awarded, the grant date is established as the date of board approval. The LTIP allows for stock grants of various types. Until 2016, only incentive stock options had been granted, however, in 2016, the Board began the practice of granting restricted stock awards to the executive officers and continued that practice in 2018. The restricted stock awarded vests three years from the date of the grant, provided that the executive officer remains employed on the vesting date. During the vesting period, the executives will receive the dividends earned on the stock. Ms. Barber and Ms. McMinn received 1,600 and 920 restricted shares, respectively, on February 20, 2018, with a fair market value of $19.80 per share on the date of the award.

Executive Benefits. Supplemental executive benefits may include a salary continuation plan, a group-term life carve-out plan and employment and/or change of control agreements, which are described below.

Tax and Accounting Impact. Although the Company takes into account deductibility of compensation, tax deductibility is not a primary objective of its compensation programs. Section 162(m) of the Internal Revenue Code disallows the deductibility by the Company of any compensation over $1 million per year paid to certain members of executive management. None of the Company's officers is compensated in an amount that would limit the deductibility by the Company of their compensation under Section 162(m).

Post-Employment Benefits

Change of Control Severance Agreement. We believe that companies should provide reasonable severance benefits to executives. These severance arrangements are intended to provide an executive with a sense of security in making the commitment to dedicate his or her professional career to the success of our Company. With respect to executive management, these severance benefits should reflect the fact that it may be difficult for them to find comparable employment within a short period of time. Such arrangements also should disentangle the Company from the former employee as soon as practicable. For instance, while it is possible to provide salary continuation to an employee during the job search process, which in some cases may be less expensive than a lump-sum severance payment, we prefer to make a lump-sum severance payment in order to more cleanly sever the relationship as soon as practicable.

Our executive management and other employees have built the Company into the successful enterprise that it is today, and we believe that it is important to protect them in the event of a change in control. Further, it is our belief that the interests of shareholders will be best served if the interests of our executive management are aligned with them, and providing change in control benefits should eliminate, or at least reduce, the reluctance of executive management to pursue potential change in control transactions that may be in the best interests of shareholders. Compared to the overall value of the Company, these potential change in control benefits are relatively minor. The cash components of any change in control benefits within the Change of Control Severance agreements are based upon the multiple of 2.95 times base salary.

Change of control arrangements for Ms. Barber and Ms. McMinn are set forth in each of their respective agreements. Ms. McMinn's agreement was entered into on November 7, 2005, and continues as long as Ms. McMinn is the Chief Financial Officer or holds a higher position within the Company. Ms. Barber's agreement was entered into on May 22, 2008 and continues as long as Ms. Barber holds the position of Chief Operating Officer or a higher position within the Company. For purposes of the Change of Control Severance Agreements, change of control occurs when one of the following events takes place:

i) An acquisition of securities of Juniata Valley Financial Corp. representing 24.99% or more of the voting power of the Company's securities then outstanding;

ii) A merger, consolidation or other reorganization of Juniata Valley Bank, except where the resulting entity is controlled, directly or indirectly, by Juniata;

iii) A merger, consolidation or other reorganization of Juniata, except where shareholders of Juniata immediately prior to consummation of any such transaction continue to hold at least a majority of the voting power of the outstanding voting securities of the legal entity resulting from or existing after any transaction and a majority of the members of the Board of Directors of the legal entity resulting from or existing after any such transaction are former members of Juniata's Board of Directors;

iv) A sale, exchange, transfer or other disposition of substantially all of the assets of Juniata to another entity, or a corporate division involving Juniata; or

v) A contested proxy solicitation of the shareholders of Juniata that results in the contesting party obtaining the ability to cast 25% or more of the votes entitled to be cast in an election of directors of Juniata.

Specific conditions that would trigger payments pursuant to Ms. McMinn's and Ms. Barber's contracts following a change in control are as follows:

i) Any involuntary termination of employment (other than for cause);
ii) Any reduction in title, responsibilities or authority;
iii) Any reduction in salary in effect immediately prior to the change in control, or any failure to provide benefits at least as favorable as those under any of the pension, life insurance, medical, health and accident, disability or other employee plans in which Ms. Barber or Ms. McMinn participated immediately prior to the change of control, or the taking of any action that would materially reduce any of such compensation or benefits in effect at the time of the change of control, unless such reduction relates to a reduction applicable to all employees generally;
iv) Any reassignment beyond a 45 minute commute by automobile from Mifflintown, Pennsylvania; or
v) Any requirement that Ms. Barber or Ms. McMinn travel in performance of her duties on behalf of the Company for a greater period of time during any year than was previously required.

Under Section 280G of the Internal Revenue Code, a "parachute payment" to a "disqualified individual" may result in adverse tax consequences. A "parachute payment" means any payment in the nature of compensation to (or for the benefit of) a "disqualified individual" if (i) the payment is contingent on a change in the ownership of the corporation, the effective control of the corporation or in the ownership of a substantial portion of the corporation's assets and (ii) the aggregate present value of the payments in the nature of compensation which are contingent on such change of control equals or exceeds three (3) times the "base amount". An "excess parachute payment" means an amount equal to the excess of any parachute payment over the base amount allocated to such payment. In general, "base amount" equals the disqualified individual's average annualized compensation, which was includible as gross income ("annual includible compensation"), for the five years preceding the tax year at issue. The statute defines the term "disqualified individual" as an individual (1) who is an employee, independent contractor, or other person specified in regulations who performs personal services for any corporation, and (2) who is an officer, shareholder, or highly compensated individual of the corporation. If the provisions of Section 280G are triggered, the paying corporation is denied any deduction for employee compensation on any excess parachute payments, and the recipient is subject to a nondeductible 20% excise tax on such excess parachute payment (in addition to income taxes). These agreements do not prohibit the making of payments in excess of the Section 280G limits.

Salary Continuation Agreement, as amended. The Bank executed Salary Continuation Agreements with Ms. Barber and Ms. McMinn in order to encourage these individuals to remain employees of the Bank through normal retirement age which is defined, for the purposes of this plan, as age 65. The Bank will not make any payments under this plan that would be a prohibited golden parachute payment. In addition to retirement, the plan has provisions for payment in the events of change of control and disability. Change in control means a change in the ownership or effective control of the Bank or in the ownership of a substantial portion of the assets of the Bank. Disability means the Executive: (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve months; or (ii) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of at least twelve months. This plan allows for payments under these circumstances as described in the section below, entitled "Potential Payments Upon Termination or Change in Control".

Group Term Carve-out Plan – Bank-owned Life Insurance. The Bank has purchased life insurance policies which insure the lives of each of the Named Executive Officers. Under the Group Term Carve-Out Plan, each of the participating Named Executive Officers' beneficiaries will receive benefits in the event of his or her death as follows:

- If death occurs prior to termination of employment, the beneficiary will receive:
  - Three times the participant's base annual salary up to a maximum of:
    - $603,000 in the case of Ms. Barber; or
    - $453,000 in the case of Ms. McMinn
- If death occurs after termination of employment, if the participant has achieved a vested insurance benefit, as defined in the Group Term Carve-Out Plan, the beneficiary will receive two times the participant's base annual salary.

The Bank is the sole owner and the direct beneficiary of death proceeds in excess of those allocated to each executive's defined beneficiary. Any benefit qualifying as an excess parachute payment as defined in the Internal Revenue Code would be forfeited in the amount of the excess. Single-premium payments for this program were paid in 2007 in the amounts of $296,000 and $294,000, for the policies on the lives of Ms. Barber and Ms. McMinn, respectively.

Executive Compensation Tables

The following tables and narratives apply to the Company's named executive officers.

2018 Summary Compensation Table

Name and Principal Position	Year	Salary ($)	**Bonus[(1)] ($)**	**Stock Awards ($)**	**Option Awards ($)**	**Non-Equity Incentive Plan Comp-ensation[(2)] ($)**	**Change in Pension value and Non-qualified Deferred Compensation earnings[(3)] ($)**	**All Other Comp-ensation[(4)] ($)**	Total
Marcie A. Barber President	2018	$273,178	$ -	$ 31,680	$ -	$ 75,336	$ 8,456	$ 18,850	$407,500
and Chief	2017	251,870	-	27,780	-	52,300	26,945	18,900	377,795
Executive Officer	2016	236,392	15,000	17,490	-	47,278	20,626	19,136	355,922
JoAnn N. McMinn, Executive Vice	2018	$193,443	$ -	$ 18,216	$ -	$ 42,786	$ 3,679	$ 15,714	$273,838
President and	2017	182,891	-	14,816	-	30,436	31,520	14,781	274,444
Chief Financial Officer	2016	173,044	12,500	8,745	-	27,721	27,401	14,398	263,809

(1) In 2016, a bonus was paid to Ms. Barber and Ms. McMinn for completion of the FNBPA transaction and a successful data processing conversion related to the transaction. There was no similar bonus paid to executive officers in 2017 or 2018.

(2) Amounts shown represent awards paid to executives in the following year, for performance achievements in the stated year.

(3) Changes in Pension value for Ms. Barber were $(6,263), $13,081, $13,081 and $7,567 for the years 2018, 2017 and 2016, respectively. Changes in Pension value for Ms. McMinn were $2,258, $14,276 and $8,125 for the years

2018, 2017 and 2016, respectively. Changes in the salary continuation plan for Ms. Barber were $14,719, $13,864 and $13,059 for the years 2018, 2017 and 2016, respectively. Changes in the salary continuation plan for Ms. McMinn were $1,421, $17,244 and $19,276 for the years 2018, 2017 and 2016, respectively.

(4) Included in "All Other Compensation" for each of the named executive officers is a safe-harbor employer contribution to the Company's defined contribution plan.

Compensation described in the table above is paid according to the terms described in the preceding section entitled "Elements of Executive Compensation".

2018 Outstanding Equity Awards at Year-End

Name	Grant Date	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
Marcie A. Barber	2/20/2018	-	-				1,600	$34,000		
	2/21/2017	-	-				1,500	$31,875		
	2/16/2016	-	-				1,000	$21,250		
	2/17/2015	11,000	-		$17.800	2/17/2025				
	2/18/2014	10,000	-		17.720	2/18/2024				
	2/19/2013	1,773	-		17.650	2/19/2023				
	3/20/2012	5,500	-		18.000	3/20/2022				
	9/20/2011	5,000	-		17.750	9/20/2021				

JoAnn N. McMinn	2/20/2018	-	-			920	$19,550				
	2/21/2017	-	-			800	$17,000				
	2/16/2016	-	-			500	$10,625				
	2/17/2015	6,700	-	17.800	2/17/2025						
	2/18/2014	6,600	-	17.720	Other income (expense)	(143)		(241)	(43)	36	(391

Income from discontinued operations		1,783	303			2,086
Net income (loss)	$	3,648	$ 1,376	$ (123)	$ 227	$ 5,128

F-23

Table of Contents

For the nine months ended September 30, 2004	Portfolio	Real Estate Operations	Securities	Retail Partnerships	Total
Rental income	$ 6,474	$	$	$	$ 6,474
Securities commission income			5,333		5,333
Real estate fee income		1,364			1,364
Other income	46	1		245	292
Total revenue	6,520	1,365	5,333	245	13,463
Deferred merger expense	1,682				1,682
Securities commission expense			4,149		4,149
Professional fees	602	29	93		724
Depreciation and amortization	1,030				1,030
Property expense	782	2			784
Real estate commission expense		236			236
General and administrative expense	764	1,319	1,996	66	4,145
Total expenses	4,860	1,586	6,238	66	12,750
Interest expense	(2,126)				(2,126)
Other income/ (expense)	(133)	(66)	(26)	18	(207)
Income from discontinued operations	884	1,589			2,473
Net income (loss)	$ 285	$ 1,302	$ (931)	$ 197	$ 853

Table of Contents

For the three months ended September 30, 2005	Portfolio	Real Estate Operations	Securities	Retail Partnerships	Total
Rental income	$ 5,641	$ 54	$	$	$ 5,695
Securities commission income			3,909		3,909
Real estate fee income		1,712			1,712
Construction fee income		1,274			1,274
Other income	308	54		126	488
Total revenue	5,949	3,094	3,909	126	13,078
Securities commission expense			2,988		2,988
Professional fees	287	29	8		324
Depreciation and amortization	1,606				1,606
Property expense	1,126	15			1,141
Construction expense		1,197			1,197
Real estate commission expense		32			32
General and administrative expense	273	905	799	83	2,060
Total expenses	3,292	2,178	3,795	83	9,348
Interest expense	(1,746)	(33)			(1,779)
Other income/ (expense)	(48)	(230)	(26)	15	(289)
Income from discontinued operations	359	13			372
Net income (loss)	$ 1,222	$ 666	$ 88	$ 58	$ 2,034

Table of Contents

For the three months ended September 30, 2004	Portfolio	Real Estate Operations	Securities	Retail Partnerships	Total
Rental income	$ 3,120	$	$	$	$ 3,120
Securities commission income			1,780		1,780
Real estate fee income		415			415
Other income	19			96	115
Total revenue	3,139	415	1,780	96	5,430
Deferred merger expense					
Securities commission expense			1,388		1,388
Professional fees	240	10	56		306
Depreciation and amortization	669				669
Property expense	436				436
Real estate commission expense		5			5
General and administrative expense	176	613	752	37	1,578
Total expenses	1,521	628	2,196	37	4,382
Interest expense	(1,006)				(1,006)
Other income/ (expense)	(42)	(54)	(19)	6	(109)
Income from discontinued operations	350	837			1,187
Net income (loss)	$ 920	$ 570	$ (435)	$ 65	$ 1,120

Table of Contents

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

Forward-Looking Statements

Certain information presented in this Form 10-Q constitutes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Although we believe that the expectations reflected in such forward-looking statements are based upon reasonable assumptions, our actual results could differ materially from those set forth in the forward-looking statements. Certain factors that might cause such a difference include the following: changes in general economic conditions, changes in real estate market conditions, continued availability of proceeds from our debt or equity capital, our ability to locate suitable tenants for our properties, the ability of tenants to make payments under their respective leases, timing of acquisitions, development starts and sales of properties and the ability to meet development schedules.

Our consolidated financial statements and the following discussion contained herein should be read in conjunction with the consolidated financial statements and discussion included in our annual report on Form 10-K for the year ended December 31, 2004. Historical results and trends which might appear should not be taken as indicative of future operations.

EXECUTIVE OVERVIEW

We (AMEX: AMY) are a fully integrated, self-managed and self-advised equity REIT based in Houston, Texas with a total equity market capitalization of $218 million, including all classes of our common shares of beneficial interest. Total market capitalization has been determined by valuing our class A and B common shares at the September 30, 2005 closing market price of our class A common shares and valuing our class C and D common shares at their respective par values. We own and operate a portfolio of multi-tenant and single-tenant retail properties consisting of 60 properties in 17 states as of September 30, 2005, having an aggregate gross leaseable area of approximately 1.1 million square feet. Multi-tenant shopping centers represented 72.2% and 62.5% of annualized rental income for the properties we owned as of September 30, 2005 and December 31, 2004, respectively. Occupancy for our operating properties was 94.2% as of September 30, 2005 as compared to 96.6% as of December 31, 2004. We also manage an additional 23 properties located in four states for our affiliated retail partnerships.

We have focused geographically on the Sun Belt states with an emphasis on the Houston market and other large metropolitan markets in Texas such as Dallas and San Antonio. We focus on acquiring and selectively developing multi-tenant shopping centers anchored by major retailers. Many of our properties are located on what we call Irreplaceable Corners which we define as premier retail frontage locations in high-traffic, highly populated, affluent areas with high barriers to entry. We focus on Irreplaceable Corners because we believe that these properties are in greater demand, have greater prospects for upward movement in rents and should produce higher risk-adjusted returns than similar properties located in other locations.

Our Structure

We are vertically integrated with three additional synergistic businesses that we believe enhance our earnings potential, add value and support our portfolio expansion. These three synergistic businesses are: (1) a full service real estate operating and development business; (2) a retail partnership business; and (3) a registered wholesaling securities business. This flexible structure allows us access to multiple avenues of low-cost capital, which can be deployed efficiently and accretively for our shareholders. In addition, we believe our business structure cultivates growth both internally and externally, distinguishing us as a value creator, a growth company and a source of dependable monthly income.

Following is a brief discussion of each of these three businesses that support our portfolio of retail properties:

Our Real Estate Operating and Development Business. AmREIT Realty Investment Corporation (ARIC), our wholly owned real estate operating and development taxable REIT subsidiary, or TRS, provides a fully integrated real estate solution including construction and development, property management, asset acquisition and disposition, brokerage and leasing, tenant representation, sale/leaseback and joint venture management services. We have used this business to develop client and referral relationships with national and regional tenants, real estate owners and developers. From these relationships, we receive fee income and access to acquisition prospects and a pipeline of tenants.

Our Retail Partnership Business. We also are the general partner of five limited partnerships that were formed to develop, own, manage and add value to retail properties. Unlike the longer-term investment focus of our REIT portfolio, our retail partnerships have a greater focus on shorter-term value creation and a limited investment period. However, certain properties acquired by our retail partnerships may in the future be appropriate investments for us. By providing management and other services to these retail partnerships we generate fee income and retain a residual interest in the partnerships after a preferred return is paid to limited partners, all of which benefits our shareholders. We believe our affiliated retail partnerships continue to grow and as we continue to implement our active management strategy within those partnerships.

Our Securities Business. Through AmREIT Securities Corporation, our wholly owned registered wholesaling securities broker-dealer, which is also a TRS, we sell interests in our affiliated retail partnerships and our shares through a wholesale effort using a national network of unaffiliated, third-party financial planners. Through our class C and D common share offerings, we raised approximately $46.0 million in capital in 2004, which along with debt financing, financed $105.2 million in property acquisitions and developments in 2004. During the nine months ended September 30, 2005, we raised approximately $79.2 million in capital through our class D common share offering. Having a broker-dealer subsidiary provides us with financial flexibility to access capital from both traditional underwriters and the independent financial planning marketplace. This provides us a more consistent access to the capital markets and allows us to better manage our balance sheet.

Our Operating Strategy

We invest in properties where we believe effective leasing and operating strategies, combined with cost-effective expansion and renovation programs, can improve property values while providing superior current economic returns. Our operating strategy consists of the following elements:

- Acquiring real estate on Irreplaceable Corners, which we define as premier retail frontage locations in a submarket generally characterized by the following attributes:
  - A population target of least 100,000 within a three-mile radius;
  - Area average household income target of $80,000 per year;
  - High traffic visibility;

Traffic counts of at least 30,000 cars per day; and

High barriers to entry little available land suitable for competitive development in the area.

Focusing on the Sun Belt states with an emphasis on the Texas markets where our management team has substantial experience and local market knowledge.

Anchoring our centers with national/regional grocery or drug stores or chain restaurants.

Adding value to our properties through active, hands-on management, improving tenant quality and increasing cash flows by increasing occupancy and rental rates.

Conducting extensive due diligence using a proprietary process called AmREIT Decision Logic, involving our integrated team of real estate professionals with experience in construction, property management, leasing and finance.

Enhancing our core business through the activities of our real estate operating and development business, our affiliated retail partnership business and our securities broker-dealer.

Our Growth Strategy

We intend to increase our revenues and funds from operations by executing our growth strategy, which consists of the following elements:

Continuing to form partnerships to develop and/or acquire retail properties that we believe possess potential for short-term appreciation in value and prospects for capturing such value through disposition and retaining financial upside in those properties while earning management fees. At the same time, we preserve our ability to later acquire some or all of these properties.

Continuing to acquire grocery-anchored, strip center and lifestyle properties on Irreplaceable Corners, primarily in the Sun Belt states, emphasizing the major Texas markets.

Continuing to selectively divest properties which no longer meet our core criteria and replace them primarily with high-quality multi-tenant shopping centers on Irreplaceable Corners.

Competitive Advantages

We believe that our business strategy and operating structure distinguish us from many other public and private owners, operators and acquirors of real estate in our target markets in a number of ways, including:

Our fully-integrated business structure provides an advantage in evaluating properties for acquisition or development, raising capital to finance our properties and managing properties for our retail partnerships.

Our focus on Irreplaceable Corners provides long-term stability and opportunities for enhanced cash flows from high occupancy and increasing rents, resulting in higher valuations for our property portfolio.

Table of Contents

We place an emphasis on major Texas markets, and our senior management team averages more than 15 years of real estate experience in one or more of these markets.

Our emphasis on major Texas markets provides us with a substantial footprint in one of the largest and most economically stable states in the United States, where our management team lives and has developed extensive real estate contacts, market knowledge, and investment expertise.

Summary of Critical Accounting Policies

Our results of operations and financial condition, as reflected in the accompanying financial statements and related footnotes, are subject to management s evaluation and interpretation of business conditions, retailer performance, changing capital market conditions and other factors, which could affect the ongoing viability of our tenants. Management believes the most critical accounting policies in this regard are revenue recognition, the regular evaluation of whether the value of a real estate asset has been impaired, the allowance for doubtful accounts and accounting for real estate acquisitions. We evaluate our assumptions and estimates on an on-going basis. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable based on the circumstances.

<u>Revenue Recognition</u> We lease space to tenants under agreements with varying terms. The majority of the leases are accounted for as operating leases with revenue being recognized on a straight-line basis over the terms of the individual leases. Accrued rents are included in tenant receivables. Revenue from tenant reimbursements of taxes, maintenance expenses and insurance is recognized in the period the related expense is recorded. Additionally, certain of the lease agreements contain provisions that grant additional rents based on tenants sales volumes (contingent or percentage rent). Percentage rents are recognized when the tenants achieve the specified targets as defined in their lease agreements. The terms of certain leases require that the building/improvement portion of the lease be accounted for under the direct financing method. Such method requires that an asset be recorded for the present value of such future cash flows and that a portion of such cash flows be recognized as earned income over the life of the lease so as to produce a constant periodic rate of return.

We have been engaged to provide various services, including development, construction, construction management, property management, leasing and brokerage. The fees for these services are recognized as services are provided and are generally calculated as a percentage of revenues earned or to be earned and of property cost, as appropriate. Revenues from fixed-price construction contracts are recognized on the percentage-of-completion method, measured by the physical completion of the structure. Revenues from cost-plus-fee contracts are recognized on the basis of costs incurred during the period plus the fee earned, measured by the cost-to-cost method. Construction management contracts are recognized only to the extent of the fee revenue.

Construction contract costs include all direct material and labor costs and any indirect costs related to contract performance. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, and estimated profitability, including those arising from any contract penalty provisions, and final contract settlements may result in revisions to costs and income and are recognized in the period in which the revisions are determined. Any profit incentives are included in revenues when their realization is reasonably assured. An amount equal to contract costs attributable to any claims is included in revenues when realization is probable and the amount can be reliably estimated.

Securities commission income is recognized as shares or units and are sold through AmREIT Securities Company. Securities commission income is earned as the services are performed and pursuant to the corresponding prospectus or private offering memorandum. Generally, it includes a selling commission of between 6.5% and 7.5%, a dealer manager fee of between 2.5% and 3.25% and offering and organizational costs of 1.0% to 1.50%. The selling commission is then paid out to the unaffiliated selling broker dealer and reflected as securities commission expense.

Real Estate Valuation   Land, buildings and improvements are recorded at cost. Expenditures related to the development of real estate are carried at cost which includes capitalized carrying charges, acquisition costs and development costs. Carrying charges, primarily interest and loan acquisition costs, and direct and indirect development costs related to buildings under construction are capitalized as part of construction in progress. The capitalization of such costs ceases at the earlier of one year from the date of completion of major construction or when the property, or any completed portion, becomes available for occupancy. We capitalize acquisition costs once the acquisition of the property becomes probable. Prior to that time, we expense these costs as acquisition expenses. Depreciation is computed using the straight-line method over an estimated useful life of up to 50 years for buildings, up to 20 years for site improvements and over the term of lease for tenant improvements. Leasehold estate properties, where we own the building and improvements but not the related ground, are amortized over the life of our lease. Management reviews our properties for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets, including accrued rental income, may not be recoverable through operations. Management determines whether an impairment in value occurred by comparing the estimated future cash flows (undiscounted and without interest charges), including the residual value of the property, with the carrying value of the individual property. If impairment is indicated, a loss will be recorded for the amount by which the carrying value of the asset exceeds its fair value. With respect to a property held for sale, impairment is recorded to the extent of any excess of its carrying value over its estimated fair value less cost to sell.

Valuation of Receivables   An allowance for the uncollectible portion of accrued rents, property receivables and accounts receivable is determined based upon an analysis of balances outstanding, payment history, tenant credit worthiness, additional guarantees and other economic trends. Balances outstanding include base rents, tenant reimbursements and receivables attributed to the accrual of straight line rents. Additionally, estimates of the expected recovery of pre-petition and post-petition claims with respect to tenants in bankruptcy are considered in assessing the collectibility of the related receivables.

Real Estate Acquisitions   We account for real estate acquisitions pursuant to Statement of Financial Accounting Standards No. 141 (SFAS 141), *Business Combinations*. Accordingly, we allocate the purchase price of the acquired properties to land, building and improvements, identifiable intangible assets and to the acquired liabilities based on their respective fair values. Identifiable intangibles include amounts allocated to acquired out-of-market leases and to the value of in-place leases. We determine fair value based on estimated cash flow projections that utilize appropriate discount and capitalization rates and available market information. Estimates of future cash flows are based on a number of factors including the historical operating results, known trends and specific market and economic conditions that may affect the property. Factors considered by management in our analysis of determining the as-if-vacant property value include an estimate of carrying costs during the expected lease-up periods considering market conditions, and costs to execute similar leases. In estimating carrying costs, management includes real estate taxes, insurance and

Table of Contents

estimates of lost rentals at market rates during the expected lease-up periods, tenant demand and other economic conditions. Management also estimates costs to execute similar leases including leasing commissions, tenant improvements, legal and other related expenses. Intangibles related to out-of-market leases and in-place lease value are recorded as acquired lease intangibles and are amortized as an adjustment to rental revenues and to amortization expense, as appropriate, over the remaining terms of the underlying leases. Premiums or discounts on acquired out-of-market debt are amortized to interest expense over the remaining term of such debt.

Liquidity and Capital Resources

At September 30, 2005, our cash and cash equivalents totaled $6.3 million. Cash flows from operating activities, investing activities and financing activities for the nine months ended September 30, are as follows (in thousands):

	2005	2004
Operating activities	$ 7,072	$ 4,402
Investing activities	(104,848)	(32,765)
Financing activities	101,142	28,468

Cash flow from operating activities and financing activities have been the principal sources of capital to fund our ongoing operations and dividends. As we deploy the capital raised, and expected to be raised, from our equity offerings into income producing real estate, we anticipate that cash flow from operations will provide adequate resources for future ongoing operations and dividends. Our cash on hand, internally-generated cash flow, borrowings under our existing credit facilities, issuance of equity securities, as well as the placement of secured debt and other equity alternatives, are expected to provide the necessary capital to maintain and operate our properties as well as execute our growth strategies.

Additionally, as part of our investment strategy, we constantly evaluate our property portfolio, systematically selling off any non-core or underperforming assets, and replacing them with Irreplaceable Corners™ and other core assets. As we continue to raise capital, we anticipate growing and increasing our operating cash flow by selling the underperforming assets and deploying the capital generated into high-quality income-producing retail real estate assets. During 2004, this was evidenced through the purchases of Courtyard at Post Oak, a 14 thousand square foot community shopping center, Plaza in the Park, a 139 thousand square foot grocery-anchored shopping center, Cinco Ranch Plaza, a 97 thousand square foot grocery-anchored shopping center, Bakery Square, a 35 thousand square foot community shopping center and MacArthur Park, a 198 thousand square foot grocery-anchored shopping center. This strategy has been further evidenced in 2005 by our acquisition in June of Uptown Park, a 169 thousand square foot multi-tenant shopping center, and by our acquisition in September of The South Bank, a 47 thousand square foot multi-tenant retail center located on the San Antonio Riverwalk.

In June 2004, we began marketing our class D common share offering, a $170 million publicly-registered, non-traded common share offering, offered through the independent financial planning community. The class D common shares have a stated, non-preferred 6.5% annual dividend, paid monthly, are eligible for conversion into our class A common shares at any time after a seven-year lock out period for a 7.7% premium on invested capital and are callable by us after one year. We have utilized the proceeds from the sale of the class D shares primarily to pay down debt and to acquire additional properties. We determined during the third quarter of 2005 that we were in position to meet our real estate acquisition goals for the

Table of Contents

year with existing capital. We therefore closed our class D common share offering after having raised approximately $106 million, including shares issued through the dividend reinvestment program.

Cash provided by operating activities as reported in the Consolidated Statements of Cash Flows increased by $2.7 million for the nine months ended September 30, 2005 when compared to the nine months ended September 30, 2004. The increase was primarily attributable to an increase of $4.2 million in our income before the effect of depreciation and amortization, impairment and merger costs during 2005 compared to 2004 which was driven by the significant multi-tenant property acquisitions made during the second half of 2004 as well as the Uptown Park acquisition made during June 2005. This $4.2 million increase was partially offset by $1.4 million of changes in working capital which resulted from timing differences between the revenue and expense accruals and their related cash receipts or payments.

Cash flows from investing activities as reported in the Consolidated Statements of Cash Flows increased from a net investing outflow of $32.8 million for the period in 2004 to a net investing outflow of $104.8 million in 2005. This $72.0 million increase in investing outflows is primarily attributable to an increase of $64.3 million in acquisitions of investment properties during 2005 coupled with advances made to affiliates during the period of $8.4 million. The increase in acquisition outflows resulted from our acquisition of Uptown Park on June 1, 2005 as well as our acquisition of The South Bank on September 30, 2005. Uptown Park is a 169 thousand square foot lifestyle center located in Houston, Texas in the Galleria shopping district. Uptown Park was funded with fixed-rate debt and cash, substantially all of which was generated by our secondary offering of our class A common shares as further described below. The South Bank, a 47 thousand square foot multi-tenant center located on the San Antonio Riverwalk, was purchased for cash. During 2005, we loaned excess cash of $8.4 million to two of our affiliates to allow them to acquire and develop properties. These loans bear a market rate of interest and are due upon demand.

Cash flows provided by financing activities increased from $28.5 million during the 2004 period to $101.1 million during the 2005 period. This $72.6 million increase was primarily attributable to an increase of $89.5 million in the Company s debt and equity capital-raising activities during 2005 compared to 2004. These increases were partially offset by an increase in payments on notes payable of $12.5 million and an increase in dividends to shareholders of $2.9 million during the period. With respect to capital-raising activities, in June 2005, we placed $49.0 million of fixed-rate debt in conjunction with our acquisitions. Additionally, we generated equity proceeds during 2005 of $97.3 million, net of issuance costs, $71.1 million more than during the 2004 period. These equity proceeds were raised through a secondary offering of 2.76 million of our class A common shares, including 360,000 over-allotment shares exercised by the underwriters. The shares were priced at $8.10, and the net proceeds of the offering, after underwriting discounts, commissions and estimated offering expenses, were approximately $20.4 million. Additionally, through September 30, 2005, we raised capital through our class D common share offering, a $170 million common share offering, which was being offered through the independent financial planning community. Prior to our closing of the class D common share offering during the third quarter as discussed above, we raised approximately $106.0 million, including shares issued through the dividend reinvestment program. With respect to debt service during the 2005 period, we used the available proceeds from our capital-raising activities and made net payments on our notes payable of $42.2 million. These payments resulted in the full paydown of our unsecured line of credit. Dividends paid to shareholders increased during the period due to the increase in the number of class D common shareholders during 2004 and 2005.

We have an unsecured credit facility (the Credit Facility) in place which is being used to provide funds for the acquisition of properties and working capital. The Credit Facility provides that we may borrow up to $41

Table of Contents

million subject to the value of unencumbered assets. The Credit Facility contains covenants which, among other restrictions, require us to maintain a minimum net worth, a maximum leverage ratio, maximum tenant concentration ratios, specified interest coverage and fixed charge coverage ratios and allow the lender to approve all distributions. At September 30, 2005, we were in compliance with all financial covenants. The Credit Facility s interest rate spread over LIBOR varies quarterly depending upon our debt to asset ratio and varies from 1.40% to 2.35%. For the three months ended September 30, 2005, the interest rate spread was 1.75%. As of September 30, 2005, there was no balance outstanding under the Credit Facility, and we had approximately $39.0 million available to us, subject to the financial covenants and Lender approval on the use of the proceeds.

Subsequent to September 30, 2005, the Credit Facility matured and was renewed for a two year period under similar terms and conditions.

In addition to the Credit Facility, we utilize various permanent mortgage financing and other debt instruments.

Contractual Obligations

As of September 30, 2005, we had the following contractual debt obligations (see also Note 5 to the consolidated financial statements for further discussion regarding the specific terms of our debt)(in thousands):

	2005	2006	2007	2008	2009	Thereafter	Total
Unsecured debt:							
Revolving credit facility *	$	$	$	$	$	$	$
5.46% dissenter notes						760	760
Secured debt **	283	1,184	1,271	14,775	2,338	94,947	114,798
Interest *	2,151	4,238	4,151	4,057	3,080	24,501	42,178
Non-cancelable operating lease payments	73	274	274	274	179		1,074
Total contractual obligations	$2,507	$5,696	$5,696	$19,106	$5,597	$120,208	$158,810

* Interest expense includes our interest obligations on our revolving credit facility as well as on our fixed rate loans. Our revolving credit facility is a variable-rate debt instrument, and its outstanding balance fluctuates throughout the year based on

our liquidity needs. This table assumes that the balance outstanding ($0 at September 30, 2005) remains constant throughout all periods presented.

** Secured debt as shown above is $1.2 million less than total secured debt as reported due to the premium recorded on above-market debt assumed in conjunction with certain of our 2004 property acquisitions.

During the three months ended September 30, 2005, we paid dividends to our shareholders of $3.5 million, compared with $1.6 million in the three months ended September 30, 2004. The class A, C and D shareholders receive monthly dividends and the class B shareholders receive quarterly dividends. All dividends are declared on a quarterly basis. Dividends by class follow (in thousands):

	Class A	Class B	Class C	Class D
2005				
Third quarter	$797	$400	$ 713	$1,556
Second quarter	$550	$404	$ 713	$ 931
First quarter	$430	$410	$ 698	$ 523
2004				
Fourth quarter	$418	$416	$ 727	$ 224
Third quarter	$410	$425	$ 710	$ 33
Second quarter	$383	$429	$ 677	N/A
First quarter	$345	$434	$ 379	N/A
2003				
Fourth quarter	$320	$437	$ 156	N/A
Third quarter	$308	$443	$ 15	N/A
Second quarter	$310	$439	N/A	N/A
First quarter	$307	$453	N/A	N/A

Until properties are acquired by us, our funds are used to pay down outstanding debt under the Credit Facility. This investment strategy allows us to manage our interest costs and provides us with the liquidity to acquire properties at such time as those suitable for acquisition are located.

Inflation has had very little effect on income from operations. Management expects that increases in store sales volumes due to inflation as well as increases in the Consumer Price Index, may contribute to capital appreciation of our properties. These factors, however, also may have an adverse impact on the operating margins of the tenants of the properties.

Results of Operations

Comparison of the three months ended September 30, 2005 to the three months ended September 30, 2004

Revenues

Total revenues increased by $7.7 million or 141% in the third quarter of 2005 as compared to 2004 ($13.1 million in 2005 versus $5.4 million in 2004). Rental revenues increased by $2.6 million or 83% in 2005 as compared to 2004. This increase is attributable to the significant property acquisitions that we made in the second half of 2004 and the acquisition of Uptown Park in June 2005. Real estate fee income increased approximately $1.3 million, or 313%, primarily as a result of an increase in development fees and brokerage commissions earned on property transactions within our retail partnerships.

During the first quarter of 2005, AmREIT Construction Company (ACC), a wholly-owned subsidiary of ARIC, was formed to provide general contracting services to third parties as well as to our affiliated retail partnerships. ACC began executing on contracts during the quarter ended June 30, 2005 and recognized $1.3 million in revenues associated with those contracts during the third quarter of 2005. Such revenues have been recognized under the percentage-of-completion method of accounting.

Securities commission income increased by $2.1 million or 120% in 2005 as compared to 2004. This increase in commission income was driven by an increase in the amount of capital raised through our broker-dealer company, AmREIT Securities Company (ASC), in the third quarter of 2005 versus 2004. This increase was partially offset by a corresponding increase in commission expense paid to other third party broker-dealer firms. As ASC raises capital for either AmREIT or its affiliated retail partnerships, ASC earns a securities commission of between 8% and 10.5% of the money raised. These commission revenues are then offset by commission payments to non-affiliated broker-dealer of between 8% and 9%.

Expenses

Total operating expenses increased by $5.0 million, or 113%, from $4.4 million in the third quarter of 2004 to $9.4 million in the third quarter of 2005. This increase was primarily attributable to increases in construction costs and in securities commissions, as discussed above, coupled with smaller increases in general and administrative expenses, property expense and in depreciation and amortization

As discussed above in *Revenues,* ACC was formed in the first quarter to provide general contracting services and began executing on contracts during the quarter ended June 30, 2005. In conjunction with those contracts, ACC has recognized $1.2 million in construction costs during the third quarter of 2005.

Commission expense increased by $1.6 million or 115% from $1.4 million in 2004 to $3.0 million in 2005. This increase is attributable to increased capital-raising activity through ASC during 2005 as discussed in *Revenues* above.

General and administrative expense increased by $482 thousand, or 31%, during 2005 to $2.1 million compared to $1.6 million in 2004. This increase is primarily due to increases in personnel. The Company has increased its total number of employees since June 30, 2004 in order to appropriately match our resources with the growth in our portfolio. By building our various teams, we have not only been able to grow revenue and funds from operations, but believe that we will be able to sustain and further enhance our growth.

Property expense increased $705 thousand or 162% in 2005 as compared to 2004 ($1.1 million in 2005 versus $436 thousand in 2004) primarily as a result of the significant property acquisitions made during 2004 as well as the purchase of Uptown Park in 2005.

Depreciation and amortization increased by $937 thousand, or 140%, to $1.6 million in 2005 compared to $669 thousand in 2004. The increased depreciation and amortization is attributable to the significant property acquisitions made during 2004 and the purchase of Uptown Park in 2005.

Other

Interest expense increased by $773 thousand, or 77%, from $1.0 million in 2004 to $1.8 million in 2005. The increase in interest expense is primarily due to the debt that we assumed in 2004 related to our property acquisitions and the debt that was placed to finance the acquisition of Uptown Park in 2005. In 2004, we assumed a total of $44.8 million in debt, net of a premium of $1.4 million, as a result of the property acquisitions. In 2005, we have placed $49.0 million of debt in conjunction with acquisitions made during the year.

Gain on real estate acquired for resale was $ $908 thousand in 2004. Such gain was the result of selling two non-core single-tenant properties in 2004, and there were no similar dispositions during the 2005 period.

Comparison of the nine months ended September 30, 2005 to the nine months ended September 30, 2004

Revenues

Total revenues increased by $17.7 million or 132% in the nine months ended September 30, 2005 as compared to the nine months ended September 30, 2004 ($31.2 million in 2005 versus $13.5 million in 2004). Rental revenues increased by $8.7 million or 134% in 2005 as compared to 2004. This increase is attributable to the significant property acquisitions that we made in the second half of 2004 and the acquisition of Uptown Park in June 2005. Real estate fee income increased approximately $2.4 million, or 173%, primarily as a result of brokerage commissions and development fees earned on property transactions within our retail partnerships.

During the first quarter of 2005, ACC, a wholly-owned subsidiary of ARIC, was formed to provide general contracting services to third parties as well as to our affiliated retail partnerships. ACC began executing on contracts during the second quarter ended June 30, 2005 and recognized $1.7 million in revenues associated with those contracts during the nine months ended September 30, 2005. Such revenues have been recognized under the percentage-of-completion method of accounting.

Securities commission income increased by $4.4 million or 82% in 2005 as compared to 2004. This increase in commission income was driven by an increase in the amount of capital raised through our broker-dealer company, ASC, in the nine months ended September 30, 2005 versus the nine months ended September 30, 2004. This increase was partially offset by a corresponding increase in commission expense paid to other third party broker-dealer firms. As ASC raises capital for either AmREIT or its affiliated retail partnerships, ASC earns a securities commission of between 8% and 10.5% of the money raised. These commission revenues are then offset by commission payments to non-affiliated broker-dealer of between 8% and 9%.

Expenses

Total operating expenses increased by $10.2 million, or 80%, from $12.8 million in the nine months ended September 30, 2004 to $23.0 million in the nine months ended September 30, 2005. This increase was primarily attributable to increases in depreciation and amortization and securities commissions, as discussed above, coupled with smaller increases in property costs, construction costs and in general and administrative expenses. These expense increases were partially offset in that $1.7 million of deferred merger charges were recognized in the nine months ended September 30, 2004, and no such charges have been recognized in 2005.

General and administrative expense increased by $1.8 million, or 41%, during 2005 to $5.9 million compared to $4.1 million in 2004. This increase is primarily due to increases in personnel. The Company has increased its total number of employees since June 30, 2004 in order to appropriately match our resources with the growth in our portfolio. By building our various teams, we have not only been able to grow revenue and funds from operations, but believe that we will be able to sustain and further enhance our growth.

Property expense increased $2.0 million or 253% in 2005 as compared to 2004 ($2.8 million in 2005 versus $784 thousand in 2004) primarily as a result of the significant property acquisitions made during 2004 and the Uptown Park acquisition in 2005.

As discussed above in *Revenues,* ACC was formed in the first quarter to provide general contracting services and began executing on contracts during the quarter ended June 30, 2005. ACC recognized $1.5 million in construction costs during the nine months ended September 30, 2005.

Commission expense increased by $3.4 million or 80% from $4.1 million in 2004 to $7.5 million in 2005. This increase is attributable to increased capital-raising activity through ASC during 2005 as discussed in *Revenues* above.

Table of Contents

Depreciation and amortization increased by $3.0 million, or 287%, to $4.0 million in 2005 compared to $1.0 million in 2004. The increased depreciation and amortization is attributable to the significant property acquisitions made during 2004 and the acquisitions made in June 2005.

Deferred merger costs were $1.7 million in the nine months ended September 30, 2004 and were $0 in the nine months ended September 30, 2005. The 2004 deferred merger costs were related to deferred consideration payable to H. Kerr Taylor, the Chairman and Chief Executive Officer of the Company, as a result of the acquisition of our advisor in 1998, which was owned by Mr. Taylor. In connection with the acquisition, Mr. Taylor agreed to payment for this advisory company in the form of common shares, paid as the Company increased its outstanding equity. To date, Mr. Taylor has received 900 thousand class A common shares, which fulfills the shares that he is owed under the deferred consideration agreement, and no further shares will be issued to Mr. Taylor pursuant to the deferred consideration agreement.

Other

Interest expense increased by $2.7 million, or 124%, from $2.1 million in 2004 to $4.8 million in 2005. The increase in interest expense is primarily due to the debt that we assumed in 2004 related to our property acquisitions as well as the debt we have placed in conjunction with acquisitions in 2005. We assumed a total of $44.8 million in debt, net of a premium of $1.4 million, as a result of these property acquisitions.

Funds From Operations

We consider FFO (funds from operations) to be an appropriate measure of the operating performance of an equity REIT. The National Association of Real Estate Investment Trusts (NAREIT) defines FFO as net income (loss) computed in accordance with generally accepted accounting principles (GAAP), excluding gains or losses from sales of property, plus real estate related depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. In addition, NAREIT recommends that extraordinary items not be considered in arriving at FFO. We calculate FFO in accordance with this definition. Most industry analysts and equity REITs, including us, consider FFO to be an appropriate supplemental measure of operating performance because, by excluding gains or losses on dispositions and excluding depreciation, FFO is a helpful tool that can assist in the comparison of the operating performance of a company s real estate between periods, or as compared to different companies. Management uses FFO as a supplemental measure to conduct and evaluate our business because there are certain limitations associated with using GAAP net income by itself as the primary measure of our operating performance. Historical cost accounting for real estate assets in accordance with GAAP implicitly assumes that the value of real estate assets diminishes predictably over time. Since real estate values instead have historically risen or fallen with market conditions, management believes that the presentation of operating results for real estate companies that use historical cost accounting is insufficient by itself. There can be no assurance that FFO presented by us is comparable to similarly titled measures of other REITs. FFO should not be considered as an alternative to net income or other measurements under GAAP as an indicator of our operating performance or to cash flows from operating, investing or financing activities as a measure of liquidity.

Table of Contents

Below is the calculation of FFO and the reconciliation to net income, which we believe is the most comparable GAAP financial measure to FFO, in thousands:

	Quarter		Year to date	
	2005	2004	2005	2004
Income (loss) before discontinued operations	$ 1,662	($ 67)	$ 3,042	($ 1,620)
Income from discontinued operations	372	1,187	2,086	2,473
Plus depreciation of real estate assets from operations	1,468	656	3,560	1,001
Plus depreciation of real estate assets from discontinued operations		80	116	261
Adjustments for nonconsolidated affiliates	21	8	65	20
Less gain on sale of real estate assets acquired for investment		(85)	(595)	(85)
Less class B, C & D distributions	(2,669)	(1,168)	(6,348)	(3,087)
Total Funds From Operations available to class A shareholders *	$ 854	$ 611	$ 1,926	($ 1,037)

* Included in FFO for the nine months ended September 30, 2004 is a $1.7 million charge to earnings resulting from shares issued to Mr. Taylor as deferred merger consideration.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to interest-rate changes primarily related to the variable interest rate on the line of credit and related to the refinancing of long-term debt which currently contains fixed interest rates. Our interest-rate risk management objective is to limit the impact of interest-rate changes on earnings and cash flows and to lower our overall borrowing costs. To achieve these objectives, we borrow primarily at fixed interest rates. We currently do not use interest-rate swaps or any other derivative financial instruments as part of our interest-rate risk management approach.

At September 30, 2005, our $116.0 million of debt obligations have fixed rate terms and have an estimated fair value of $119.1 million. Our revolving line of credit has variable rate terms. However, as of September 30, 2005, there is no balance outstanding on the line of credit. Accordingly, we are not exposed to interest-rate changes on this debt instrument at period end.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, management has evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) or 15d-15(e) of the Securities Exchange Act of 1934) as of September 30, 2005. Based on that evaluation, the CEO and CFO concluded that our disclosure controls and procedures were effective as of September 30, 2005.

F-39

Table of Contents

Changes in Internal Controls

There has been no change to our internal control over financial reporting during the quarter ended September 30, 2005 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

Part II OTHER INFORMATION

Item 1. Legal Proceedings.

None.

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

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Submission of Matters to a Vote of Security Holders.

None.

Item 5. Other Information.

None.

Item 6. Exhibits.

(a) Exhibits:

31.1 Rule 13a-4 Certification of Chief Executive Officer

31.2 Rule 13a-14 Certification of Chief Financial Officer

32.1 Section 1350 Certification of Chief Executive Officer

32.2 Section 1350 Certification of Chief Financial Officer

F-41

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Issuer has duly caused this report to be signed on its behalf on the 14th of November 2005 by the undersigned, thereunto duly authorized.

AmREIT

/s/ H. Kerr Taylor
H. Kerr Taylor, President and 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 Issuer and in the capacities and on the dates indicated.

/s/ H. Kerr Taylor	November 14, 2005
H. KERR TAYLOR President, Chairman of the Board, Chief Executive Officer and Director (Principal Executive Officer)	
/s/ Robert S. Cartwright, Jr.	November 14, 2005
ROBERT S. CARTWRIGHT, JR., Trust Manager	
/s/ G. Steven Dawson	November 14, 2005
G. STEVEN DAWSON, Trust Manager	
/s/ Philip W. Taggart	November 14, 2005
PHILIP W. TAGGART, Trust Manager	
/s/ Chad C. Braun	November 14, 2005
CHAD C. BRAUN, Chief Financial Officer, Executive Vice President and Secretary (Principal Accounting Officer)	

F-42

Table of Contents

Exhibit Index

Exhibit No.	Description
31.1	Rule 13a-4 Certification of Chief Executive Officer
31.2	Rule 13a-14 Certification of Chief Financial Officer
32.1	Section 1350 Certification of Chief Executive Officer
32.2	Section 1350 Certification of Chief Financial Officer