BARCLAYS PLC
Form 6-K
October 31, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13A-16 OR 15D-16
UNDER THE SECURITIES EXCHANGE ACT OF 1934

October 31, 2011

Barclays PLC and
Barclays Bank PLC
(Names of Registrants)

1 Churchill Place
London E14 5HP
England

(Address of Principal Executive Offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F x Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No x

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):

This Report is a joint Report on Form 6-K filed by Barclays PLC and Barclays Bank PLC. All of the issued ordinary share capital of Barclays Bank PLC is owned by Barclays PLC.

This Report comprises:

Information given to The London Stock Exchange and furnished pursuant to General Instruction B to the General Instructions to Form 6-K.

EXHIBIT INDEX

Interim Management Statement dated 31 October 2011

SIGNATURES

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

BARCLAYS PLC
(Registrant)

Date: October 31, 2011

By: /s/ Patrick Gonsalves

Patrick Gonsalves
Deputy Secretary

BARCLAYS BANK PLC
(Registrant)

Date: October 31, 2011

By: /s/ Patrick Gonsalves

Patrick Gonsalves
Joint Secretary

31 October 2011

Barclays PLC - Interim Management Statement

"I am pleased with the performance we have delivered for the first nine months of the year, with profit before tax exceeding £5bn, despite significant economic and market headwinds. These results demonstrate the continued progress towards our 2013 goals through building momentum across retail and corporate banking businesses and strong relative performance by Barclays Capital in difficult market conditions. Our focus on cost reduction continues to deliver results and we are confident that we will exceed the £1bn savings target we set earlier this year.

Our profits before tax have been generated equally across our retail and investment banking businesses, showing the diversity and balance of Barclays. Rock solid capital, funding, and liquidity have been maintained. We will continue to generate sufficient capital for our business needs and do not intend to raise new equity capital. We remain committed to lending in the UK and are on track to exceed our Merlin goals."

Bob Diamond, Chief Executive

Group Unaudited Results	30.09.11	30.09.10	
	£m	£m	% Change
Total income net of insurance claims excluding own credit	22,242	22,968	(3)
Own credit gain/(charge)	2,971	(96)	nm
Total income net of insurance claims	25,213	22,872	10
Credit impairment charges and other provisions	(2,851)	(4,298)	(34)
Impairment of investment in BlackRock, Inc.	(1,800)	-	nm
Net operating income	20,562	18,574	11
Operating expenses excluding provision for payment protection insurance (PPI) redress	(14,488)	(14,476)	-
Provision for PPI redress1	(1,000)	-	nm
Profit before tax	5,066	4,274	19
Own credit (gain)/charge	(2,971)	96	nm
Impairment of investment in BlackRock, Inc.	1,800	-	nm
Provision for PPI redress1	1,000	-	nm
Losses/(gains) on acquisitions and disposals2	120	(134)	nm
Adjusted profit before tax	5,015	4,236	18
Profit after tax	3,349	3,206	4
Profit attributable to equity holders of the parent	2,651	2,480	7
Basic earnings per share	22.2p	21.3p	4
Dividend per share	3.0p	3.0p	-

Capital and Balance Sheet	30.09.11	30.06.11	
Core Tier 1 ratio	11.0%	11.0%	nm
Risk weighted assets	£390bn	£395bn	(1)
Adjusted gross leverage	21x	20x	nm
Group liquidity pool	£166bn	£145bn	14

Net asset value per share	439p	423p	4
Net tangible asset value per share	372p	353p	5
Group loan: deposit ratio	116%	118%	nm

	Adjusted3		Statutory	
Performance Measures	30.09.11	30.09.10	30.09.11	30.09.10
Return on average shareholders' equity	8.1%	6.5%	6.9%	6.7%
Return on average tangible shareholders' equity	9.7%	7.9%	8.3%	8.1%
Return on average risk weighted assets	1.3%	1.0%	1.1%	1.1%
Cost: income ratio	65%	63%	61%	63%
Cost: net operating income ratio	74%	78%	75%	78%

1 Provision for the settlement of PPI claims following the conclusion of the Judicial Review proceedings. In addition the Group has recognised costs of £13m (2010: 155m) for the settlement of PPI claims unrelated to the Judicial Review
2 2011 includes a £58m loss on disposal of a portion of the Group's strategic investment in BlackRock, Inc. recycled through investment income, and a
£64m provision relating to the sale of Barclays Bank Russia
3 Adjusted performance metrics and profit before tax reflect the adjusting items disclosed above

Q311 Interim Management Statement

Group Performance

Group Results by Quarter	Q311	Q211	Q111	Q410	Q310	Q210	Q110
	£m	£m	£m	£m	£m	£m	£m
Total income net of insurance claims (excluding own credit)	7,001	7,491	7,750	8,081	7,238	7,563	8,167
Own credit gain/(charge)	2,882	440	(351)	487	(947)	953	(102)
Total income net of insurance claims	9,883	7,931	7,399	8,568	6,291	8,516	8,065
Credit impairment charges and other provisions	(1,023)	(907)	(921)	(1,374)	(1,218)	(1,572)	(1,508)
Impairment of investment in BlackRock, Inc.	(1,800)	-	-	-	-	-	-
Net operating income	7,060	7,024	6,478	7,194	5,073	6,944	6,557
Operating expenses (excluding provision for PPI redress)	(4,659)	(4,987)	(4,842)	(5,495)	(4,756)	(4,868)	(4,852)
Provision for PPI redress	-	(1,000)	-	-	-	-	-
Total operating expenses	(4,659)	(5,987)	(4,842)	(5,495)	(4,756)	(4,868)	(4,852)
Share of post tax results of associates & JVs	18	19	17	16	9	18	15
	3	(67)	2	76	1	33	100

Gains/(losses) on acquisitions and disposals							
Profit before tax	2,422	989	1,655	1,791	327	2,127	1,820
Adjusted profit before tax1	1,337	1,674	2,004	1,228	1,273	1,141	1,822
Basic earnings per share	9.7p	4.0p	8.5p	9.1p	0.4p	11.6p	9.3p
Cost: income ratio	47%	75%	65%	64%	76%	57%	60%
Cost: net operating income ratio	66%	85%	75%	76%	94%	70%	74%
Adjusted cost: income ratio1	67%	66%	62%	68%	66%	64%	59%
Adjusted cost: net operating income ratio1	78%	75%	71%	82%	79%	81%	73%

	Adjusted1 Nine Months Ended		Statutory Nine Months Ended	
Profit Before Tax by Business	30.09.11	30.09.10	30.09.11	30.09.10
UK RBB	1,198	634	798	734
Europe RBB	(109)	(63)	(109)	(34)
Africa RBB	622	550	624	554
Barclaycard	902	561	302	561
Retail and Business Banking	2,613	1,682	1,615	1,815
Barclays Capital	2,698	3,314	5,669	3,218
Barclays Corporate	106	(414)	42	(414)
Corporate and Investment Banking	2,804	2,900	5,711	2,804
Barclays Wealth	153	122	153	122
Investment Management	80	55	(1,778)	55
Head Office Functions and Other Operations	(635)	(523)	(635)	(522)
Group profit before tax	5,015	4,236	5,066	4,274

	30.09.11		30.09.10	
Income by Geographic Segment2	£m	%	£m	%
UK	9,476	42	9,395	41
Europe	3,566	16	3,443	15
Americas	4,637	21	5,639	24
Africa and the Middle East	3,784	17	3,614	16
Asia	779	4	877	4
Total income net of insurance claims (excluding own credit)	22,242	100	22,968	100

1 Adjusted profit before tax and adjusted performance metrics have been presented to provide a more consistent basis for comparing business performance between periods. These measures exclude: the impact of own credit; the impairment of the investment in BlackRock, Inc.; the provision for PPI redress; and gains and losses on acquisitions and disposals of subsidiaries, associates, joint ventures and strategic investments

2 Total income net of insurance claims (excluding own credit) based on counterparty location

Capital

- Core Tier 1 remained strong at 11.0% (30 June 2011: 11.0%), with risk weighted assets flat at £390bn (30 June 2011: £395bn). Adjusted gross leverage was 21x (30 June 2011: 20x)

- Eurozone country exposures continue to be managed closely and valued appropriately. The Group's sovereign exposure to Spain, Italy, Portugal, Ireland and Greece reduced in Q3 by 31% to £8.0bn

- £6bn of term funding raised in Q3 2011, making £24bn in 2011 year to date. This compares to full year 2011 term funding maturities of £25bn

- Robust liquidity position with a liquidity pool of £166bn (30 June 2011: £145bn), which represent over a year of wholesale maturities, of which £152bn is FSA-eligible

- Net asset value per share increased 16p to 439p during Q3 and net tangible asset value per share increased 19p to 372p

Returns

- Adjusted return on average shareholders' equity improved to 8.1% (2010: 6.5%) and adjusted return on average tangible shareholders' equity improved to 9.7% (2010: 7.9%). These returns on a statutory basis improved to 6.9% (2010: 6.7%) and 8.3% (2010: 8.1%) respectively

- Adjusted profit before tax of £5,015m up 18%. Statutory profit before tax of £5,066m up 19%

- Impairment charges and other credit provisions of £2,851m down 34%, resulting in a year-to-date annualised loan loss rate of 74bps (2010: 110bps)

- BlackRock, Inc. investment assessed as impaired for accounting purposes, resulting in recycling through the income statement of the £1,800m cumulative reduction in fair value, which was already recognised in equity and deducted for regulatory capital purposes

- Operating expenses excluding PPI provision, flat at £14,488m

- Third interim dividend of 1.0p per share, making 3.0p for the year to date

Income Growth

- Income excluding own credit down 3% to £22,242m. Including own credit, income was up 10% to £25,213m. Own credit gain of £2,882m in the third quarter driven by widening credit spreads on Barclays Capital structured notes, which are held at fair value

- Net operating income up 4% to £19,391m excluding own credit and impairment of investment in BlackRock, Inc. Statutory net operating income up 11% to £20,562m

- Increased contribution from RBB, Barclays Corporate and Barclays Wealth, which together generated a 6% increase in income. Net interest margin was up 9bps to 2.10%, reflecting improvements in the underlying margin and hedging activities

- Increase in net benefit from Group hedging activities of £559m (full year 2010: £665m)

Citizenship

- Increased 2011 gross new UK lending to businesses of £33bn, including £11bn to SMEs, with the Group on track to exceed Project Merlin targets for 2011

- Extended access to basic financial services in 11 countries across Africa, Asia and South America, reaching more than 130,000 new people through our Banking On Change programme including community-led savings and loans groups

- Reached over 175,000 disadvantaged people through our Building Young Futures partnership with UNICEF, including provision of business or vocational skills training to over 112,000

Business Performance

UK RBB	Nine Months Ended 30.09.11	Nine Months Ended 30.09.10	
	£m	£m	% Change
Total income net of insurance claims	3,527	3,332	6
Impairment charges and other credit provisions	(380)	(649)	(41)
Net operating income	3,147	2,683	17
Operating expenses (excluding provision for PPI redress)	(1,950)	(2,047)	(5)
Provision for PPI redress	(400)	-	nm
Total operating expenses	(2,350)	(2,047)	15
Share of post tax results of associates & JVs	1	(2)	nm
Gains on acquisitions and disposals	-	100	nm
Profit before tax	798	734	9
Adjusted profit before tax	1,198	634	89

- Increase in income of 6% reflecting strong growth in mortgages and personal savings partially offset by a reduction in income following closure of the branch-based financial planning business

- Impairment charges reduced by 41% due to significant improvement in unsecured lending

- Operating expenses down 5% excluding the provision for PPI redress

Europe RBB	Nine Months Ended 30.09.11	Nine Months Ended 30.09.10	
	£m	£m	% Change

Total income net of insurance claims	979	901	9
Impairment charges and other credit provisions	(178)	(225)	(21)
Net operating income	801	676	18
Operating expenses	(920)	(750)	23
Share of post tax results of associates & JVs	10	11	(9)
Gains on acquisitions and disposals	-	29	(100)
Loss before tax	(109)	(34)	nm
Adjusted loss before tax	(109)	(63)	73

- Adjusted loss of £109m (2010: loss of £63m) including £129m (2010: £nil) of restructuring charges principally related to operations in Spain

- Strong growth in income of 9% driven by an improved liability margin and the appreciation of the Euro against Sterling

- Impairment charges improved by 21% reflecting focused risk management and stable arrears rates

- Operating expenses increased by 23% reflecting restructuring charges, Italian and Portuguese branch expansion during 2010 and the appreciation of the Euro against Sterling

Africa RBB	Nine Months Ended 30.09.11	Nine Months Ended 30.09.10	
	£m	£m	% Change
Total income net of insurance claims	2,861	2,717	5
Impairment charges and other credit provisions	(377)	(425)	(11)
Net operating income	2,484	2,292	8
Operating expenses	(1,865)	(1,740)	7
Share of post tax results of associates & JVs	3	(2)	nm
Gains on acquisitions and disposals	2	4	(50)
Profit before tax	624	554	13
Adjusted profit before tax	622	550	13

- Profit before tax increased 13%, or 25% excluding a one off pension credit of £54m in 2010

- Income showed growth of 5% driven by improved performance in South Africa

- Impairment charges improved by 11% reflecting more stable economic conditions with improved retail collections and commercial recoveries

- Operating expenses increased 7% primarily reflecting inflationary pressures in South Africa and non recurrence of a pension credit in 2010

Barclaycard

Total income net of insurance claims
Continued concerns regarding the uncertainty over whether the U.S. economy will be adversely affected by inflation, deflation
impact of increased unemployment and underemployment, volatile energy costs, geopolitical issues, the availability and cost of
United States and a distressed real estate market have contributed to increased market volatility and weakened business and con
operating environment could adversely affect our ability to generate revenues, thereby reducing our operating income and earn

In addition, local real estate conditions such as an oversupply of properties or a reduction in demand for properties, competitior
ability to provide or arrange for adequate maintenance, insurance and management and advisory services, increased operating c
attractiveness and location of the property and changes in market rental rates may adversely affect a property s income and val
in higher operating costs, which may affect our results of operations. In addition, local conditions in the markets in which we o
significantly affect occupancy or rental rates at such properties. Events that could prevent us from raising or maintaining rents c
layoffs, plant closings, relocations of

20

Table of Contents

significant local employers and other events reducing local employment rates, an oversupply of or a lack of demand for office
and the inability or unwillingness of tenants to pay rent increases.

We may incur significant costs complying with various federal, state and local laws, regulations and covenants that are could have an adverse impact on our financial conditions, results of operations, cash flows and market price of our com

The properties in our initial portfolio are subject to various covenants and federal, state and local laws and regulatory requireme
licensing requirements. Local regulations, including municipal or local ordinances, zoning restrictions and restrictive covenants
may restrict our use of our properties and may require us to obtain approval or waivers from local officials or restrict our use of
obtain approval from local officials of community standards organizations at any time with respect to our properties, including
undertaking renovations of any of our existing properties. Among other things, these restrictions may relate to fire and safety, s
abatement requirements. There can be no assurance that existing laws and regulatory policies will not adversely affect us or the
acquisitions or renovations, or that additional regulations will not be adopted that could increase such delays or result in additio
affected by our ability to obtain permits, licenses and zoning relief. Our failure to obtain such permits, licenses and zoning relie
could have an adverse effect on our financial condition, results of operations, cash flow and per share market price of our comn

We could incur significant costs related to government regulation and private litigation over environmental matters inv threat of discharge of hazardous or toxic substances, which could adversely affect our operations, the value of our prope distributions to our stockholders.

Our properties may be subject to environmental liabilities. Under various federal, state and local laws, a current or previous ow
can face liability for environmental contamination created by the presence, discharge or threat of discharge of hazardous or tox
the cost to investigate, clean up and monitor the actual or threatened contamination and damages caused by the contamination c

The liability under such laws may be strict, joint and several, meaning that we may be liable regardless of whether we knew of,
of the contaminants, and the government entity or private party may seek recovery of the entire amount from us even if there ar
associated with environmental conditions may be significant and can sometimes exceed the value of the affected property. The
a property may adversely affect our ability to sell or rent that property or to borrow using that property as collateral.

Environmental laws also:

- may require the removal or upgrade of underground storage tanks;
- regulate the discharge of storm water, wastewater and other pollutants;
- regulate air pollutant emissions;
- regulate hazardous materials generation, management and disposal; and
- regulate workplace health and safety.

Existing conditions at some of our properties may expose us to liability related to environmental matters.

Independent environmental consultants have conducted Phase I or similar environmental site assessments on all of our initial p
intended to discover and evaluate information regarding the environmental condition of the surveyed property and surrounding
generally include subsurface investigations or mold or asbestos surveys. None of the recent site assessments revealed any past
we believe would have a material adverse effect on our business, financial condition, cash flows or results of operations. Howe
to reveal all environmental conditions, liabilities or compliance

21

Table of Contents

concerns. Material environmental conditions, liabilities or compliance concerns may have arisen after the review was complete
future laws, ordinances or regulations may impose material additional environmental liability.

Costs of future environmental compliance could negatively affect our ability to make distributions to our stockholders, and rem
such conditions could have a material adverse effect on our business, financial condition, cash flows or results of operations.

Our properties may contain asbestos or develop harmful mold, which could lead to liability for adverse health effects an which could adversely affect the value of the affected property and our ability to make distributions to our stockholders

We are required by federal regulations with respect to our properties to identify and warn, via signs and labels, of potential haz
installed asbestos-containing materials (ACMs) and potential ACMs. We may be subject to an increased risk of personal inj
exposed to ACMs and potential ACMs at our properties as a result of these regulations. The regulations may affect the value of
ACMs and potential ACMs. Federal, state and local laws and regulations also govern the removal, encapsulation, disturbance,
potential ACMs when such materials are in poor condition or in the event of construction, remodeling, renovation or demolitio

When excessive moisture accumulates in buildings or on building materials, mold growth may occur, particularly if the moistu
not addressed over a period of time. Some molds may produce airborne toxins or irritants. Concern about indoor exposure to m
exposure to mold may cause a variety of adverse health effects and symptoms, including allergic or other reactions.

The presence of ACMs or significant mold at any of our properties could require us to undertake a costly remediation program
mold from the affected property. In addition, the presence of ACMs or significant mold could expose us to claims of liability to
and others if property damage or health concerns arise.

Potential losses, including from adverse weather conditions, natural disasters and title claims, may not be covered by in

Certain of our initial properties are located in Florida, Idaho and Oregon, where natural disasters such as hurricanes and earthq
states. Given recent extreme weather events across other parts of the United States, it is also possible that our other properties c
other natural disasters. While we carry insurance to cover a substantial portion of the cost of such events, our insurance include
items may not be covered by insurance. Future natural disasters may significantly affect our operations and properties and, mo
experience reduced rental revenue (including from increased vacancy), incur clean-up costs or otherwise incur costs in connect
events may have a material adverse effect on our business, cash flows, financial condition, results of operations and ability to n

Furthermore, we do not carry insurance for certain losses, including, but not limited to, losses caused by certain environmental
riots or war. In addition, our title insurance policies may not insure for the current aggregate market value of our portfolio, and
insurance coverage as the market value of our portfolio increases. As a result, we may not have sufficient coverage against all l
including from adverse title claims.

If we experience a loss that is uninsured or exceeds policy limits, we could incur significant costs and lose the capital invested
the anticipated future cash flows from those properties. In addition, if the damaged properties are subject to recourse indebtedn
the indebtedness, even if these properties were irreparably damaged.

Table of Contents

Moreover, we carry several different lines of insurance, placed with several large insurance carriers. If any one of these large ir
insolvent, we would be forced to replace the existing insurance coverage with another suitable carrier and any outstanding clair
such an event, we cannot be certain that we would be able to replace the coverage at similar or otherwise favorable terms. Repl
unfavorable rates and the potential of uncollectible claims due to carrier insolvency could adversely affect our results of operati

We have no operating history and no employees and may not be able to successfully operate our business or generate su sustain distributions to our stockholders.

We are newly formed and have no operating history or employees. We are dependent on our Advisor to manage the business ri
any new business, including the risk that we will not achieve our investment objectives as described in this prospectus and that
decline substantially. We may not be able to generate sufficient cash flow over time to pay our operating expenses and make or
stockholders.

We may be limited in our ability to diversify our investments making us more vulnerable economically than if our inves

Our ability to diversify our portfolio may be limited both as to the number of investments owned and the geographic regions in
While we will seek to diversify our portfolio by geographic location, we expect to focus on our specified target markets that we
attractive returns and, accordingly, our actual investments may result in concentrations in a limited number of geographic regio
likelihood that the performance of any single property, or the economic performance of a particular region in which our propert
affect our operating results.

We may acquire properties with lock-out provisions, or agree to such provisions in connection with obtaining financing, or refinancing a property during the lock-out period.

We may acquire properties in exchange for operating partnership units and agree to restrictions on sales or refinancing, called
intended to preserve favorable tax treatment for the owners of such properties who sell them to us. In addition, we may agree to
with obtaining financing for the acquisition of properties. Lock-out provisions could materially restrict us from selling, otherwi
properties. These restrictions could affect our ability to turn our investments into cash and thus affect cash available for distribu
provisions could impair our ability to take actions during the lock-out period that would otherwise be in the best interests of our
adversely impact the market value of our common stock. In particular, lock-out provisions could preclude us from participating
result in a disposition of our assets or a change in control even though that disposition or change in control might be in the best

Illiquidity of real estate investments could significantly impede our ability to respond to adverse changes in the perform our financial condition.

The real estate investments made, and to be made, by us are relatively difficult to sell quickly. As a result, our ability to prompt
initial portfolio in response to changing economic, financial and investment conditions is limited. Return of capital and realizat
investment generally will occur upon disposition or refinancing of the underlying property. We may be unable to realize our inv
disposition or refinancing at attractive prices within any given period of time or may otherwise be unable to complete any exit s
dispose of one or more properties is subject to weakness in or even the lack of an established market for a property, changes in
prospective purchasers, changes in national or international economic conditions, such as the recent economic downturn, and cl
policies of jurisdictions in which the property is located. Furthermore, our ability to dispose of our initial properties within the r
completion of the formation transactions is subject to certain limitations imposed by our tax protection agreements.

Table of Contents

In addition, the Code imposes restrictions on a REIT s ability to dispose of properties that are not applicable to other types of r
tax laws applicable to REITs effectively require that we hold our properties for investment, rather than primarily for sale in the
may cause us to forego or defer sales of properties that otherwise would be in our best interest. Therefore, we may not be able t
response to economic or other conditions promptly or on favorable terms, which may adversely affect our financial condition, r
per share market price of our common stock.

If we sell properties by providing financing to purchasers, we will bear the risk of default by the purchaser.

If we decide to sell any of our properties, we intend to use commercially reasonable efforts to sell them for cash. However, in s
properties by providing financing to purchasers. If we provide financing to purchasers, we will bear the risk of default by the pu
value of our assets, impair our ability to make distributions to our stockholders and reduce the price of our common stock.

We may be unable to collect balances due on our leases from any tenants in bankruptcy, which could adversely affect ou available for distribution to our stockholders.

The bankruptcy or insolvency of one or more of our tenants may adversely affect the income produced by our properties. We ca
files for bankruptcy protection will continue to pay us rent. If a tenant files for bankruptcy, any or all of the tenant s or a guara
be subject to a bankruptcy proceeding pursuant to Chapter 11 or Chapter 7 of the U.S. Bankruptcy Code. Such a bankruptcy fil
collect pre-bankruptcy rents from these entities or their properties, unless we receive an order from the bankruptcy court permit
guarantor bankruptcy could delay our efforts to collect past due balances under the relevant leases and could ultimately preclud
is rejected by a tenant in bankruptcy, we would only have a general unsecured claim for damages. This claim could be paid onl
and then only in the same percentage as that realized on other unsecured claims. Our claim would be capped at the rent reserve
acceleration, for the greater of one year or 15% of the remaining term of the lease, but not greater than three years, plus rent alr
lease is rejected, it is unlikely we would receive any payments from the tenant or we would receive substantially less than the f
hold, which would result in a reduction in our rental income, cash flow and the amount of cash available for distribution to our

We may face additional risks and costs associated with owning properties occupied by government tenants, which could and results of operations.

Upon completion of the formation transactions, we will own six properties in which some or all of the tenants are federal gover
the acquisition of office properties in which substantial space is leased to governmental agencies. As such, lease agreements wi
contain certain provisions required by federal law, which require, among other things, that the contractor (which is the lessor or
comply with certain rules and regulations, including but not limited to, rules and regulations related to anti-kickback procedure
records, equal opportunity provisions, prohibition against segregated facilities, certain executive orders, subcontractor cost or p
intending to assist small businesses and contractual rights of termination by the tenants. We may be subject to requirements of t
Administration s Office of Federal Contract Compliance Programs and requirements to prepare affirmative action plans pursua
may be determined to be applicable to us.

In addition, some of our leases with government tenants may be subject to statutory or contractual rights of termination by the t
vacate the leased premises before the stated terms of the leases expire with little or no liability. For fiscal policy reasons, securi
all of our government tenants may decide to vacate our properties. If a significant number of such vacancies occur, our rental in
cash flow and results of operations could be adversely affected and our ability to pay regular distributions to you may be jeopar

Table of Contents

Some of the leases at our properties contain go-dark provisions which, if triggered, may allow tenants to terminate th us, which could adversely affect our financial condition and results of operations and/or the value of the applicable prop

Although certain, but not all, of our leases contain a go-dark provision requiring tenants to maintain continuous occupancy c assurance that such tenants will continue to occupy such premises. Our lease with Cascade Microtech Inc., which expires in Jar approximately 3.5% of the net rentable area of our initial properties and approximately 3.6% of our base rent as of September 3 and the premises are currently not fully occupied. One of our two leases with Planar Systems, Inc., which expires in January 20 2.0% of the net rentable area of our initial properties and approximately 2.2% of our base rent as of September 30, 2013, contai premises are currently not occupied.

Certain tenants have a right to terminate their leases upon payment of a penalty but others are not required to pay any penalty a Most of our tenants that are federal or state governmental agencies, which account for approximately 33.6% of the base rental r of September 30, 2013, may, under certain circumstances, vacate the leased premises before the stated terms of the leases expir can be no assurance that tenants will continue their activities and continue occupancy of the premises. Any cessation of occupa effect on our operations.

The federal government s green lease policies may adversely affect us.

In recent years the federal government has instituted green lease policies which allow a government tenant to require leaders for commercial interiors, or LEED®-CI, certification in selecting new premises or renewing leases at existing premises. In addi Security Act of 2007 allows the General Services Administration to prefer buildings for lease that have received an Energy St and labels may be costly and time consuming, but our failure to do so may result in our competitive disadvantage in acquiring r tenants.

We may be unable to complete acquisitions and, even if acquisitions are completed, we may fail to successfully operate a

Our business plan includes, among other things, growth through identifying suitable acquisition opportunities, consummating a properties. We will evaluate the market of available properties and may acquire properties when we believe strategic opportuni properties on favorable terms and successfully develop or operate them is subject to the following risks:

- we may be unable to acquire a desired property because of competition from other real estate investors with s other REITs and institutional investment funds;
- even if we are able to acquire a desired property, competition from other potential acquirers may significantly
- even if we enter into agreements for the acquisition of properties, these agreements are subject to customary c completion of due diligence investigations to our satisfaction;
- we may incur significant costs in connection with evaluation and negotiation of potential acquisitions, includ subsequently unable to complete;
-

we may acquire properties that are not initially accretive to our results upon acquisition, and we may not succ
meet our expectations;

- we may be unable to finance the acquisition on favorable terms in the time period we desire, or at all;

- even if we are able to finance the acquisition, our cash flows may be insufficient to meet our required princip

- we may spend more than budgeted to make necessary improvements or renovations to acquired properties;

25

Table of Contents

- we may be unable to quickly and efficiently integrate new acquisitions, particularly the acquisition of portfol operations;

- market conditions may result in higher than expected vacancy rates and lower than expected rental rates; and

- we may acquire properties subject to liabilities and without any recourse, or with only limited recourse, with clean-up of undisclosed environmental contamination, claims by tenants or other persons dealing with forme for indemnification by general partners, directors, officers and others indemnified by the former owners of th

Acquired properties may be located in new markets where we may face risks associated with investing in an unfamiliar

We may acquire properties in markets that are new to us. When we acquire properties located in new markets, we may face risk knowledge or understanding of the local economy, forging new business relationships in the area and unfamiliarity with local g We work to mitigate such risks through extensive diligence and research and associations with experienced service providers. H that all such risks will be eliminated.

Adverse market and economic conditions could cause us to recognize impairment charges or otherwise impact our perf

We intend to review the carrying value of our properties when circumstances, such as adverse market conditions (including co economic downturn), indicate a potential impairment may exist. We intend to base our review on an estimate of the future cash expected to result from the property s use and eventual disposition on an undiscounted basis. We intend to consider factors suc and prospects, as well as the effects of leasing demand, competition and other factors. If our evaluation indicates that we may b of a real estate investment, an impairment loss will be recorded to the extent that the carrying value exceeds the estimated fair v

Impairment losses would have a direct impact on our operating results because recording an impairment loss results in an imme operating results. The evaluation of anticipated cash flows is highly subjective and is based in part on assumptions regarding fu capital requirements that could differ materially from actual results in future periods. If the real estate market deteriorates, we m in our impairment analysis. Impairment charges could materially adversely affect our financial condition, results of operations, distributions on, and the per share market price of, our common stock.

Litigation may result in unfavorable outcomes.

Like many real estate operators, we may be involved in lawsuits involving premises liability claims and alleged violations of la rise to class action litigation or governmental investigations. Any material litigation not covered by insurance, such as a class a substantial costs and harm our financial condition, results of operations, cash flows and ability to pay distributions to you.

We may invest in properties with other entities, and our lack of sole decision-making authority or reliance on a joint-ve make these joint venture investments risky and expose us to losses or impact our ability to qualify or maintain our quali

We may co-invest in the future with third parties through partnerships, joint ventures or other entities. We may acquire non-co responsibility for managing the affairs of a property, partnership, joint venture or other entity. In such events, we would not be decision-making authority regarding the property or entity. Investments in entities may, under certain circumstances, involve ri involved. These risks include the possibility that partners or joint-venturers:

- might become bankrupt or fail to fund their share of required capital contributions;

26

Table of Contents

- may have economic or other business interests or goals that are inconsistent with our business interests or go

- may be in a position to take actions contrary to our policies or objectives or exercise rights to buy or sell at a

Such investments may also have the potential risk of impasses on decisions, such as a sale or refinancing of the property, becau joint-venturer would have full control over the partnership or joint venture. Disputes between us and partners or joint-venturers that would increase our expenses and prevent our officers and/or directors from focusing their time and effort on our business c relationship. Actions of partners or joint-venturers may cause losses to our investments and adversely affect our ability to quali certain circumstances be liable for the actions of our third-party partners or joint-venturers if:

- we structure a joint venture or conduct business in a manner that is deemed to be a general partnership with a

- third-party managers incur debt or other liabilities on behalf of a joint venture which the joint venture is unab venture agreement provides for capital calls, in which case we could be liable to make contributions as set fo venture agreement or suffer adverse consequences for a failure to contribute; or

- we agree to cross default provisions or to cross-collateralize our properties with the properties in a joint vent liability if there is a default relating to those properties in the joint venture or the obligations relating to those

Compliance with the Americans with Disabilities Act and similar laws may require us to make significant unanticipated

All of our initial properties and any future properties that we acquire are and will be required to comply with the ADA. The AD accommodations must meet federal requirements related to access and use by disabled persons. For those projects receiving fe 1973 (the RA) also has requirements regarding disabled access. Although we believe that our initial properties are substanti requirements, we may incur unanticipated expenses to comply with the ADA, the RA and other applicable legislation in conne redevelopment of our properties. These and other federal, state and local laws may require modifications to our properties, or a Non-compliance with these laws could result in the imposition of fines or an award of damages to private litigants and also cou non-complying feature, which could result in substantial capital expenditures.

Our property taxes could increase due to property tax rate changes or reassessment, which may adversely impact our c

Even if we qualify as a REIT, we will be required to pay some state and local taxes on our properties. The real property taxes o property tax rates change or as our properties are assessed or reassessed by taxing authorities. Therefore, the amount of propert increase substantially. In addition, the real property taxes on Cherry Creek are reduced due to having a government user as its l would increase the amount of property taxes. If the property taxes that we pay increase, our cash flow could be impacted, and o distributions to our stockholders may be adversely affected.

It may be difficult to enforce civil liabilities against members of our board of directors, our officers or officers of our Ad

Some of the members of our board of directors, our officers and the principals of our Advisor reside in Canada, our Advisor is Canada and substantially all of the assets of such persons are located in Canada. As a result, it may be difficult for you to effec States or in any other jurisdiction outside of

27

Table of Contents

Canada upon these persons or to enforce against them in any jurisdiction outside of Canada judgments predicated upon the law
any judgment predicated upon the federal and state securities laws of the United States.

Risks Related to Our Status As a REIT

Our failure to qualify as a REIT would result in significant adverse tax consequences to us and would adversely affect o stock.

We intend to operate in a manner that will allow us to qualify as a REIT. Qualification as a REIT involves the application of hi for which there are only limited judicial and administrative interpretations. The fact that we hold substantially all of our assets t complicates the application of the REIT requirements. Even a seemingly minor technical or inadvertent mistake could jeopardi depends upon various factual matters and circumstances that may not be entirely within our control. For example, in order to q gross income in any year must be derived from qualifying sources, such as rents from real property, and we must satisfy a num composition of our assets. Also, we must make distributions to stockholders aggregating annually at least 90% of our REIT tax gains. In addition, new legislation, regulations, administrative interpretations or court decisions, each of which could have retro difficult or impossible for us to qualify as a REIT, or could reduce the desirability of an investment in a REIT relative to other i and do not plan to request a ruling from the Internal Revenue Service (the IRS) that we qualify as a REIT, and the statement the IRS or any court. Accordingly, we cannot be certain that we will be successful in qualifying as a REIT.

If we fail to qualify as a REIT in any taxable year, we will face serious adverse U.S. federal income tax consequences that wou available to distribute to you. If we fail to qualify as a REIT:

- we would not be allowed to deduct distributions to stockholders in computing our taxable income and would at regular corporate rates;
- we could also be subject to the U.S. federal alternative minimum tax and possibly increased state and local ta
- unless we are entitled to relief under applicable statutory provisions, we could not elect to be taxed as a REIT year in which we were disqualified.

In addition, if we fail to qualify as a REIT, we will not be required to make distributions to stockholders. As a result of all these REIT could impair our ability to expand our business and raise capital and would adversely affect the value of our common sto

Even if we qualify as a REIT, we may be subject to some U.S. federal, state and local income, property and excise taxes on our cases, a 100% penalty tax, in the event we sell property as a dealer. In addition, any taxable REIT subsidiary will be subject to jurisdictions in which it operates.

To qualify as a REIT, we may be forced to borrow funds during unfavorable market conditions to make distributions to

To qualify as a REIT, we generally must distribute to our stockholders at least 90% of our REIT taxable income each year, exc will be subject to regular corporate income taxes to the extent that we distribute less than 100% of our REIT taxable income ea subject to a 4% nondeductible excise tax on the amount, if any, by which distributions paid by us in any calendar year are less income, 95% of our capital gain net income and 100% of our undistributed income from prior years. To qualify as a REIT and excise taxes, we may need to borrow funds to meet the REIT distribution requirements. These borrowing needs could result fro

- differences in timing between the actual receipt of cash and inclusion of income for U.S. federal income tax p

28

Table of Contents

- the effect of non-deductible capital expenditures,
- the creation of reserves, or
- required debt or amortization payments.

We may need to borrow funds at times when the then-prevailing market conditions are not favorable for borrowing. These borr
reduce our equity and adversely affect the value of our common stock.

**If our operating partnership failed to qualify as a partnership for U.S. federal income tax purposes, we would cease to q
adverse consequences.**

We believe that our operating partnership will be treated as a partnership for U.S. federal income tax purposes. As a partnership
be subject to U.S. federal income tax on its income. Instead, each of its partners, including us, will be required to pay tax on its
partnership s income. We cannot assure you, however, that the IRS will not challenge the status of the operating partnership or
which we own an interest as a partnership for U.S. federal income tax purposes, or that a court would not sustain such a challen
treating our operating partnership or any such other subsidiary partnership as an entity taxable as a corporation for U.S. federal
meet the gross income tests and certain of the asset tests applicable to REITs and, accordingly, we would likely cease to qualify
operating partnership or any subsidiary partnerships to qualify as a partnership could cause it to become subject to U.S. federal
would reduce significantly the amount of cash available for debt service and for distribution to its partners, including us.

Dividends payable by REITs do not qualify for the reduced tax rates available for some dividends.

The maximum income tax rate applicable to qualified dividends payable to non-corporate U.S. stockholders, including indiv
Dividends payable by REITs, however, generally are not eligible for the reduced rate. Although these rules do not adversely af
dividends payable by REITs, the more favorable rates applicable to regular corporate qualified dividends could cause investors
to perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pa
affect the value of the shares of REITs, including the market price of our common stock.

**The tax imposed on REITs engaging in prohibited transactions may limit our ability to engage in transactions which
federal income tax purposes.**

A REIT s net income from prohibited transactions is subject to a 100% penalty tax. In general, prohibited transactions are sale
other than foreclosure property held in inventory primarily for sale to customers in the ordinary course of business. Although w
that would be characterized as inventory held for sale to customers in the ordinary course of our business, such characterization
guarantee can be given that the IRS would agree with our characterization of our properties or that we will always be able to m

To qualify as a REIT, we may be forced to forego otherwise attractive opportunities.

To qualify as a REIT, we must satisfy tests concerning, among other things, the sources of our income, the nature and diversific
we distribute to our stockholders and the ownership of our stock. We may be required to make distributions to stockholders at t
advantageous to reinvest cash in our business or when we do not have funds readily available for distribution. Thus, complianc
hinder our ability to operate solely on the basis of maximizing profits.

In particular, we must ensure that at the end of each calendar quarter, at least 75% of the value of our assets consists of cash, ca
qualified real estate assets. The remainder of our investment in securities (other than government securities, securities of any qu
securities that are qualified real estate assets) generally may not include more than 10% of the outstanding voting securities of a

29

Table of Contents

more than 10% of the total value of the outstanding securities of any one issuer. In addition, in general, no more than 5% of the
government securities, securities of any qualified REIT subsidiary of ours and securities that are qualified real estate assets) ma
issuer. If we fail to comply with these requirements at the end of any calendar quarter, we must remedy the failure within 30 da
statutory relief provisions to avoid losing status as a REIT. As a result, we may be required to liquidate otherwise attractive inv
the effect of reducing our income and amounts available for distribution to our stockholders.

We may be subject to adverse legislative or regulatory tax changes that could increase our tax liability, reduce our oper market price of our common shares.

At any time, the U.S. federal income tax laws governing REITs may be amended or the administrative and judicial interpretatio
cannot predict when or if any new U.S. federal income tax law, regulation, or administrative and judicial interpretation, or any
federal income tax law, regulation or administrative or judicial interpretation, will be adopted, promulgated or become effectiv
interpretation may be effective retroactively. We and our stockholders could be adversely affected by any such change in, or an
regulation or administrative and judicial interpretation.

Risks Associated With Our Advisor and the Advisory Agreement

Our Advisor and certain of its affiliates may have interests that diverge from the interests of our common stockholders.

We are subject to conflicts of interest arising out of our relationship with our Advisor and its affiliates. Our Advisor and its affi
and employees of our Advisor on whom we rely, could make substantial profits as a result of pursuing transactions that may no
have a material adverse effect on our operations and your investment. Examples of these potential conflicts of interests include

- competition for the time and services of personnel that work for us and our affiliates;
- compensation and fees payable by us to our Advisor, none of which were the result of arm s length negotiati and are payable, in some cases, whether or not our stockholders receive distributions;
- enforcement of the terms of contribution and other agreements relating to the contributions of direct and indi from affiliates of our Advisor;
- the possibility that our Advisor and its affiliates may make investment or disposition recommendations to us compensation even though the investments or dispositions may not be in the best interests of our stockholder
- the possibility that we may acquire or merge with our Advisor, resulting in an internalization of our managem

We will depend upon our Advisor to conduct our operations and, therefore, any adverse changes in the financial health with our Advisor, could hinder our operating performance and adversely affect the market price of our common stock.

We have no employees. Personnel and services that we require are provided to us under contracts with our Advisor. We will de
operations and acquire and manage our portfolio of real estate assets. Our Advisor will make all decisions with respect to the m
to the supervision of, and any guidelines established by, our board of directors. Our Advisor will depend upon the fees and othe
from us in connection with the management of our business and sale of our properties to conduct its operations. Any adverse ch

our relationship with, our Advisor could hinder its ability to successfully manage our operations and our portfolio of investmen

30

Table of Contents

Our Advisor has no operating history and the prior performance of programs sponsored by or affiliated with Second C future results.

Our Advisor was formed in and has never acted as an advisor or external manager to a prior public program. Althou previously invested in office properties, you should not rely upon the past performance of other programs sponsored by or affil predict our future results. This is particularly true as none of the Second City Group s prior investment programs intended to q assurance that we will be able to find suitable investments or generate sufficient cash flows to pay our operating expenses and

The nature of our Advisor s business, and our dependence on our Advisor, makes us subject to certain risks to which w based on our targeted investments.

While the directors have oversight responsibility with respect to the services provided by our Advisor pursuant to the Advisory our Advisor under such agreements will not be performed by employees of our company or its subsidiaries, but by our Advisor we require are provided to us under contracts with our Advisor. As a result, our Advisor will have the ability to influence many the performance of its properties now and in the foreseeable future.

The Advisory Agreement has an initial four-year term and will automatically be renewed for additional one-year terms unless t upon prior notice. Accordingly, there can be no assurance that our company will continue to have the benefit of our Advisor s executive officers, or that our Advisor will continue to be our manager. If our Advisor should cease for whatever reason to pro manager, the cost of obtaining substitute services may be greater than the fees that we pay to our Advisor under the Advisory A impact our ability to meet our objectives and execute our strategy which could materially and adversely affect our cash flows, condition.

If our Advisor loses or is unable to retain or obtain key personnel, our ability to implement our investment strategies co adversely affect our cash flow and our ability to make cash distributions to our stockholders.

Our success depends to a significant degree upon the contributions of certain of the officers and other key personnel of our Adv any, will remain affiliated with our Advisor. If any of our key personnel were to cease their affiliation with our Advisor, our re

We believe our future success depends upon our Advisor s ability to hire and retain highly skilled managerial, operational and such personnel is intense, and we cannot assure you that our Advisor will be successful in retaining and attracting such skilled unable to obtain the services of key personnel, our ability to implement our investment strategies could be delayed or hindered, stock may be adversely affected.

Termination of the Advisory Agreement, even for poor performance, could be difficult and costly, including as a result us to be unable to execute our business plan.

Termination of the Advisory Agreement without cause, even for poor performance, could be difficult and costly. Our agreeme Advisory Agreement only (i) for cause upon the affirmative vote of two-thirds of our independent directors or a majority of ou change of control of our Advisor upon the affirmative vote of our independent directors. If we terminate the agreement withou agreement because of a material breach of the agreement by us or as a result of a change of control of our company, we must p payable in cash, shares of our common stock or any combination thereof at the election of our Advisor. The termination fee, if amount of the advisory fees earned by the Advisor for the twelve months preceding the termination. These provisions may sub terminate the Advisory Agreement without cause and would cause us to incur substantial costs in connection with such a termi the Advisory Agreement is terminated and we are unable to identify a suitable replacement to manage us, our ability to execute affected.

31

Table of Contents

Our management structure and agreements and relationships with our Advisor may restrict our investment activities a or the perception of such conflicts.

Our Advisor is authorized to follow broad operating and investment guidelines and, therefore, has discretion in determining the appropriate investments for us, as well as our individual operating and investment decisions. Our board of directors periodically investment guidelines and our operating activities and investments, but it does not review or approve each decision made by ou in conducting periodic reviews, our board of directors relies primarily on information provided to it by our Advisor.

The potential for conflicts of interest as a result of our management structure may provoke dissident stockholder activit

In the past, in particular following periods of volatility in the overall market or declines in the market price of a company s sec shareholder director nominations and dissident stockholder proposals have often been instituted against companies alleging con with affiliated and related persons and entities. Our relationships with our Advisor and its affiliates may precipitate such activit against us, could result in substantial costs and a diversion of our management s attention.

Risks Related to This Offering

There is currently no public market for our common stock. An active trading market for our common stock may not de

There has not been any public market for our common stock prior to this offering. Our company, Second City and the underwri offering price of our common stock, considering such factors as our record of operations, our management, our estimated net in operations (FFO), our estimated cash available for distribution to you, our anticipated dividend yield, our growth prospects, performance and dividend yields of publicly traded companies considered by us and the underwriters to be comparable to us an real estate industry and the economy as a whole. A publicly traded real estate investment trust will not necessarily trade at valu the underlying value of its real estate assets. The price at which shares of our common stock trade after the completion of this o which the underwriters sell them in this offering.

The market price and trading volume of our common stock may be volatile following this offering, and you could exper

Even if an active trading market develops for our common stock, the market price of our common stock may be volatile. In add common stock may fluctuate and cause significant price variations to occur. If the market price of our common stock declines s resell your shares at or above the public offering price. We cannot assure you that the market price of our common stock will n the future.

Some of the factors that could negatively affect our share price or result in fluctuations in the price or trading volume of our co

- actual or anticipated variations in our quarterly results of operations or distributions;
- changes in our FFO or earnings estimates;
- the extent of investor interest;
- publication of research reports about us or the real estate industry;

- increases in market interest rates that lead purchasers of our shares to demand a higher yield;
- changes in market valuations of similar companies;

Table of Contents

- strategic decisions by us or our competitors, such as acquisitions, divestments, spin-offs, joint ventures, strate business strategy;
- the reputation of REITs generally and the reputation of REITs with portfolios similar to ours;
- the attractiveness of the securities of REITs in comparison to securities issued by other entities (including sec companies);
- adverse market reaction to any additional debt that we incur or acquisitions that we make in the future;
- additions or departures of key management personnel;
- future issuances by us of our common stock;
- actions by institutional stockholders;
- speculation in the press or investment community;
- the realization of any of the other risk factors presented in this prospectus; and
- general market and economic conditions.

Market interest rates may have an adverse effect on the market price of our securities.

One of the factors that will influence the price of our common stock will be the dividend yield on our common stock (as a perce relative to market interest rates. An increase in market interest rates may lead prospective purchasers of our common stock to e higher interest rates would likely increase our borrowing costs and potentially decrease funds available for distribution. Thus, h cause the market price of our common stock to fall.

Broad market fluctuations could negatively impact the market price of our common stock.

The stock market has recently experienced extreme price and volume fluctuations that have affected the market price of many c related to ours and that have been unrelated to these companies operating performance. These broad market fluctuations could common stock. Furthermore, our results of operations and prospects may be below the expectations of public market analysts a those of companies with comparable market capitalizations. Either of these factors could lead to a material decline in the marke

The market price of our common stock could be adversely affected by our level of cash distributions.

The market s perception of our growth potential and our current and potential future cash distributions, whether from operatio real estate market value of the underlying assets, may cause our common stock to trade at prices that differ from our net asset v

cash flow for investment purposes, working capital reserves or other purposes, these retained funds, while increasing the value
correspondingly increase the market price of our common stock. Our failure to meet the market s expectations with regard to f
likely would adversely affect the market price of our common stock.

**The historical performance of the City Office Predecessor will not, and the pro forma financial statements included in t
indicative of our future results or an investment in our common stock.**

We have presented in this prospectus under Management s Discussion and Analysis of Financial Condition and Results of O
Financial Data and Selected Financial Data certain information relating to the summary consolidated pro forma financial d
performance of the City Office Predecessor and our initial properties. When considering this information, you should bear in m

33

Table of Contents

historical results of the City Office Predecessor and the properties that we will acquire in the formation transactions are not ind
should expect from us or any investment in our common stock. Furthermore, you should also not rely upon the pro forma finan
prospectus as being indicative of our future results.

Future offerings of debt, which would be senior to our common stock upon liquidation, and/or preferred equity securiti common stock for purposes of dividend distributions or upon liquidation, may adversely affect the market price of our

In the future, we may attempt to increase our capital resources by making additional offerings of debt or preferred equity securi
senior or subordinated notes and preferred stock. Upon liquidation, holders of our debt securities and shares of preferred stock
borrowings will receive distributions of our available assets prior to the holders of our common stock. Our preferred stock, if is
liquidating distributions or a preference on dividend payments that could limit our ability to pay a dividend or make another dis
common stock. Because our decision to issue securities in any future offering will depend on market conditions and other facto
predict or estimate the amount, timing or nature of our future offerings. Thus, our stockholders bear the risk of our future offeri
common stock and diluting their stock holdings in us.

The requirements of being a public company may strain our resources and divert management s attention and our lack experience may impact our business and stock price.

As a public company, we will be subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the
Act (other than the auditor attestation requirement of Section 404 while we continue to qualify as an emerging growth compa
Reform and Consumer Protection Act, the listing requirements of the NYSE and other applicable securities rules and regulatio
regulations will increase our legal and financial compliance costs, make some activities more difficult, time consuming or costl
systems and resources, particularly after we are no longer an emerging growth company. The Exchange Act requires, among
quarterly and current reports with the Securities and Exchange Commission (the SEC).

As a result of disclosure of information in this prospectus and in filings required of a public company, our business and financi
which we believe may result in threatened or actual litigation, including by competitors and other third parties. If such claims a
operating results could be harmed, and even if the claims do not result in litigation or are resolved in our favor, these claims, an
resolve them, could divert the resources of our management and adversely affect our business and results of operations.

We also expect that being a public company and these new rules and regulations will make it expensive for us to obtain directo
we may be required to incur substantial costs to obtain coverage. Potential liability associated with serving on a public compan
to attract and retain qualified members of our board of directors, particularly to serve on our audit committee and compensatio
officers.

Our lack of public company operating experience may make it difficult to forecast and evaluate our future prospects. If we are
strategy, our financial condition and results of operations may be harmed and the market price of our common stock may be ad

Our internal controls over financial reporting may not be effective and our independent registered public accounting fi their effectiveness, which could have a significant and adverse effect on our business and reputation.

Upon becoming a public company, we will be required to comply with the SEC s rules implementing Sections 302 and 404 of
require management to certify financial and other information in our quarterly

and annual reports and provide an annual management report on the effectiveness of controls over financial reporting. Though
changes made in our internal controls and procedures on a quarterly basis, we will not be required to make our first annual asse
financial reporting pursuant to Section 404 until the year following our first annual report required to be filed with the SEC. Ad
company, as defined in the JOBS Act, our independent registered public accounting firm will not be required to formally attes
controls over financial reporting pursuant to Section 404 until the later of the year following our first annual report required to b
are no longer an emerging growth company. At such time, our independent registered public accounting firm may issue a repor
not satisfied with the level at which our controls are documented, designed or operating.

To comply with the requirements of being a public company, we may need to undertake various actions, such as implementing
and hiring accounting or internal audit staff. Testing and maintaining internal controls can divert our management s attention f
the operation of our business. In addition, when evaluating our internal controls over financial reporting, we may identify mate
able to remediate in time to meet the applicable deadline imposed upon us for compliance with the requirements of Section 404
identify material weaknesses in our internal controls over financial reporting or are unable to comply with the requirements of S
Act in a timely manner or assert that our internal controls over financial reporting are effective, or if our independent registered
express an opinion as to the effectiveness of our internal controls over financial reporting, investors may lose confidence in the
financial reports and the market price of our common stock could be negatively affected, and we could become subject to inves
other regulatory authorities, which could require additional financial and management resources.

We are an emerging growth company and we cannot be certain if the reduced disclosure requirements applicable to our common stock less attractive to investors.

We are an emerging growth company, as defined in the JOBS Act, and we intend to take advantage of certain exemptions fr
are applicable to other public companies but not to emerging growth companies, including, but not limited to, an exemption fro
of Section 404 of the Sarbanes-Oxley Act, which may increase the risk that weaknesses or deficiencies in our internal control o
and reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, which may
and securities analysts to evaluate us.

We cannot predict if investors will find our common stock less attractive as a result of our taking advantage of these exemption
stock less attractive as a result of our choices, there may be a less active trading market for our common stock and our stock pri
take advantage of these reporting exemptions until we are no longer an emerging growth company. We could be an emerging g
the fiscal year following the fifth anniversary of the completion of this offering, although a variety of circumstances could caus

Differences between the book value of contributed properties and the price paid for shares of common stock in this offe material dilution of the book value per share of our common stock.

As of September 30, 2013, the aggregate historical combined net tangible book value of the interests and assets to be transferre
approximately $, or $ per share of our common stock held by continuing investors, assuming the exchange of un
on a one-for-one basis. As a result, the pro forma net tangible book value per share of our common stock after the completion o
transactions will be less than the initial public offering price. The purchasers of shares of our common stock offered hereby wil
substantial dilution of $ per share in the pro forma net tangible book value per share of our common stock.

Table of Contents

Our operating partnership may issue additional common units to third parties without the consent of our stockholders, percentage in our operating partnership and could have a dilutive effect on the amount of distributions made to us by o therefore, the amount of distributions we can make to our stockholders.

After giving effect to this offering, we will own % of the outstanding common units and we may, in connection with our acq cause our operating partnership to issue additional common units to third parties. Such issuances would reduce our ownership p partnership and could affect the amount of distributions made to us by our operating partnership and, therefore, the amount of d stockholders. Because you will not directly own common units, you will not have any voting rights with respect to any such iss activities of our operating partnership.

Risks Related to Our Organizational Structure and Our Formation Transactions

Conflicts of interest exist or could arise in the future between the interests of our stockholders and the interests of holde partnership, which may impede business decisions that could benefit our stockholders.

Conflicts of interest exist or could arise in the future as a result of the relationships between us, on the one hand, and our operat on the other. Our directors and officers have duties to our company under applicable Maryland law in connection with their ma same time, we, as the general partner of our operating partnership, have fiduciary duties and obligations to our operating partne Maryland law and the partnership agreement of our operating partnership in connection with the management of our operating obligations as general partner to our operating partnership and its partners may come into conflict with the duties of our directo

Additionally, the partnership agreement provides that we and our officers, directors and employees, will not be liable or accoun losses sustained, liabilities incurred or benefits not derived if we, or such officer, director or employee acted in good faith. The that we will not be liable to the operating partnership or any partner for monetary damages for losses sustained, liabilities incur operating partnership or any limited partner, except for liability for our intentional harm or gross negligence. Moreover, the par operating partnership is required to indemnify us and our officers, directors, employees, agents and designees from and against operations of our operating partnership, except (1) if the act or omission of the person was material to the matter giving rise to t bad faith or was the result of active and deliberate dishonesty, (2) for any transaction for which the indemnified party received money, property or services or otherwise in violation or breach of any provision of the partnership agreement or (3) in the case indemnified person had reasonable cause to believe that the act or omission was unlawful. No reported decision of a Maryland provisions similar to the provisions of the partnership agreement of our operating partnership that modify and reduce our fiduci general partner or reduce or eliminate our liability for money damages to the operating partnership and its partners, and we hav as to the enforceability of the provisions set forth in the partnership agreement that purport to modify or reduce the fiduciary du for the partnership agreement.

The consideration that we will pay for the properties and assets to be acquired by us in the formation transactions may value.

The amount of consideration that we will pay is based on management s estimate of fair market value, including an analysis of capitalization rates for other properties and assets and general market conditions for such properties and assets. In certain instan we will pay was not negotiated on an arm s length basis and management s estimate of fair market value may exceed the fair assets.

Table of Contents

The value of the common units that we will issue as consideration for the properties and assets that we will acquire will increas
price of our common stock increases or decreases. The initial public offering price of our common stock will be determined in
The initial public offering price does not necessarily bear a direct relationship to our book value of our properties and assets. A
given in exchange by us for the contribution of properties and other assets in the formation transactions may exceed the fair ma
assets.

Upon completion of this offering, the Second City Group will own a substantial indirect beneficial interest in our compa have the ability to exercise significant influence on our company and our operating partnership, including the approval transactions.

In connection with our formation transactions and this offering, the Second City Group will own approximately commo
interest in our company on a fully diluted basis. In addition, our amended and restated bylaws have the effect of granting to the
nominate up to two directors in accordance with, or as provided pursuant to, our operating partnership s partnership agreement
partnership agreement will limit any actions in contravention of an express provision of our operating partnership s partnershi
general partner interest in our operating partnership and prevent our voluntary withdrawal as the general partner based on the S
common units. See Description of the Partnership Agreement of City Office REIT Operating Partnership, L.P. Purpose, Busi
of the Partnership Agreement of City Office REIT Operating Partnership, L.P. Restrictions on General Partner s Authority.
maintains a significant interest in our company, the Second City Group will have substantial influence on us and could exercise
conflicts with the interest of other stockholders.

At the end of the contractual lock-up period of the Second City Group with our company, the Second City Group may seek to r
common stock received in exchange therefor. No prediction can be made as to the effect, if any, a future sale of common stock
on the market price of the common stock prevailing from time to time. However, the future sale of a substantial number of our
Group, or the perception that such sale could occur, could adversely affect prevailing market prices for our common stock.

We are a holding company with no direct operations and, as such, we will rely on funds received from our operating pa interests of our stockholders will be structurally subordinated to all liabilities and obligations of our operating partners

We are a holding company and will conduct substantially all of our operations through our operating partnership. We do not ha
operating partnership, any independent operations. As a result, we will rely on distributions from our operating partnership to p
on shares of our common stock. We will also rely on distributions from our operating partnership to meet any of our obligation
taxable income allocated to us from our operating partnership. In addition, because we are a holding company, your claims as s
subordinated to all existing and future liabilities and obligations (whether or not for borrowed money) of our operating partners
the event of our bankruptcy, liquidation or reorganization, our assets and those of our operating partnership and its subsidiaries
of our stockholders only after all of our operating partnership s and its subsidiaries liabilities and obligations have been paid

We may assume unknown liabilities in connection with our formation transactions.

As part of our formation transactions, we will acquire entities and assets that are subject to existing liabilities, some of which m
the time this offering is completed. These assumed liabilities might include liabilities for cleanup or remediation of undisclosed
tenants, vendors or other persons dealing with our predecessor entities (that had not been asserted or threatened prior to this off
unpaid liabilities incurred in the ordinary course of business. While in some instances we may have the right to seek reimburse
against third parties, including the contributors of our assets, for these liabilities will be limited. There can be no assurance that
reimbursement or that ultimately we will be able to recover in respect of such rights for any of these historical liabilities.

Table of Contents

Our contribution agreements include certain representations and warranties by the contributors regarding the conditions of the p
an indemnification to us for breaches of their representations and warranties under the contribution agreements. However, we a
the contribution agreements to the extent our damages exceed 1% of the consideration paid to the contributors. In addition, the
agreements is capped at 10% the value of the consideration paid to the contributors. Therefore, it is possible that our liabilities
payments.

In addition, we have not obtained and do not intend to obtain new or additional title insurance in connection with this offering a
including any so-called date down endorsements or other modifications to our existing title insurance policies. As a result, we m
Second City Group with unknown material title defects or developments and our title insurance policies may not provide cover
developments or insure for the current aggregate market value of our portfolio. There can be no assurance that our current title
protect us against any losses resulting from such title defects or adverse developments.

Our tax protection agreements could limit our ability to sell or otherwise dispose of certain properties.

In connection with the formation transactions, our operating partnership will enter into tax protection agreements that provide t
initial properties in a taxable transaction prior to the fourth anniversary of the completion of the formation transactions, subject
indemnify the contributors of our initial properties for their tax liabilities attributable to the built-in gain that exists with respect
offering and their tax liabilities incurred as a result of such tax protection payment. Therefore, although it may be in our stockh
of these properties, it may be economically prohibitive for us to do so because of these obligations. Moreover, as a result of the
City and its affiliates and certain of our officers may have a conflict of interest with respect to our determination as to these pro

**Our tax protection agreements may require our operating partnership to maintain certain debt levels that otherwise wo
business.**

Under our tax protection agreements, our operating partnership will be required to maintain a minimum level of indebtedness th
following the completion of the formation transactions, regardless of whether such debt levels are otherwise required to operate
operating partnership may be required to provide the contributors of our initial properties with the opportunity to guarantee deb
obligations both at the completion of the formation transactions and this offering (if needed) and upon a future repayment, retir
(other than scheduled amortization) of currently outstanding debt prior to the fourth anniversary of the completion of the forma
such opportunities available, we will be required to make a cash payment intended to approximate the sum of the tax liabilities
such opportunities available or to maintain the minimum level of indebtedness and the tax liabilities incurred as a result of such
Relationships and Related Person Transactions Tax Protection Agreements. We agreed to these provisions in order to assist t
deferring the recognition of taxable gain as a result of and after the formation transactions. These obligations may require us to
indebtedness than we would otherwise require for our business.

**Our charter, our amended and restated bylaws and Maryland law contain provisions that may delay, defer or prevent a
may prevent our stockholders from receiving a premium for their shares.**

Our charter contains ownership limits that may delay, defer or prevent a change of control transaction. Our charter, with cer
directors to take such actions as are necessary and desirable to qualify as a REIT. Unless exempted by our board of directors, o
own more than 9.8% of the value of our outstanding shares of capital stock or more than 9.8% in value or number (whichever i
shares of our common stock. The board may not grant such an exemption to any proposed transferee whose ownership in exces
limits would result in the termination of our status as a REIT. These restrictions on transferability and ownership will not apply
that it is no longer in our best interests to attempt to qualify as a REIT. The ownership limit may delay or impede a transaction
involve a premium price for our common stock or otherwise be in the best interests of our stockholders.

38

We could authorize and issue stock without stockholder approval that may delay, defer or prevent a change of control transa issue additional authorized but unissued shares of our common stock or preferred stock. In addition, our board of directors may shares of our common stock or preferred stock and may set the preferences, rights and other terms of the classified or reclassifi also, without stockholder approval, amend our charter to increase the authorized number of shares of our common stock or our The board of directors could establish a class or series of common stock or preferred stock that could, depending on the terms o prevent a transaction or a change of control that might involve a premium price for our common stock or otherwise be in the be

Certain provisions of Maryland law could delay, defer or prevent a change of control transaction. Certain provisions of the M (MGCL) may have the effect of inhibiting a third party from making a proposal to acquire us or of impeding a change of con or change of control could provide you with the opportunity to realize a premium over the then-prevailing market price of your include:

- business combination provisions that, subject to limitations, prohibit certain business combinations betwe stockholder for certain periods. An interested stockholder is generally any person who beneficially owns power of our shares or an affiliate or associate of ours who, at any time within the two-year period prior to th beneficial owner of 10% or more of the voting power of our then outstanding voting stock. A person is not an under the statute if our board of directors approved in advance the transaction by which he otherwise would b stockholder. Business combinations with an interested stockholder are prohibited for five years after the mos stockholder becomes an interested stockholder. After that period, the MGCL imposes two super-majority vot combinations; and

- control share provisions that provide that control shares of our company acquired in a control share ac holders of two-thirds of our voting stock (excluding interested shares) consent. Control shares are shares t controlled by the stockholder, entitle the stockholder to exercise one of three increasing ranges of voting pow share acquisition is the direct or indirect acquisition of ownership or control of control shares from a par

In the case of the business combination provisions of the MGCL, we opted out by resolution of our board of directors. In the ca the MGCL, we opted out pursuant to a provision in our amended and restated bylaws. However, our board of directors may by business combination provisions of the MGCL. Further, we may opt in to the control share provisions of the MGCL in the futu board of directors can do without stockholder approval.

Maryland law, and our charter and amended and restated bylaws, also contain other provisions that may delay, defer or prevent that might involve a premium price for our common stock or otherwise be in the best interest of our stockholders. See Descrip Maryland Law and of Our Charter and Bylaws.

The ability of our board of directors to revoke our REIT status without stockholder approval may cause adverse conseq

Our charter provides that our board of directors may revoke or otherwise terminate our REIT election, without the approval of o it is no longer in our best interest to continue to qualify as a REIT. If we cease to be a REIT, we would become subject to U.S. income and would no longer be required to distribute most of our taxable income to our stockholders, which may have adverse our stockholders.

Table of Contents

Our board of directors may amend our investing and financing guidelines without stockholder approval, and, according over changes in our policies that could increase the risk that we default under our debt obligations or that could harm o and share price.

Although we are not required to maintain any particular leverage ratio, we intend, when appropriate, to employ prudent amoun means of providing additional funds for the acquisition of our target assets and the diversification of our portfolio. Although ou policy limiting the total amount of debt that we may incur, our Advisor intends to target a ratio of debt to total assets of 50% or intends to target a limit on our floating rate debt that we may incur of no more than 20% of outstanding debt after giving effect we may enter. However, our organizational documents do not limit the amount or percentage of debt that we may incur, nor do may acquire or develop. The amount of leverage we will deploy for particular investments in our target assets will depend upon of a variety of factors, which may include the anticipated liquidity and price volatility of the target assets in our investment por availability and cost of financing the assets, our opinion of the creditworthiness of our financing counterparties, the health of th mortgage markets, our outlook for the level, slope and volatility of interest rates, the credit quality of our target assets and the c Our board of directors may alter or eliminate our current guidelines on investing and financing at any time without stockholder in our investing and financing guidelines could expose us to greater credit risk and interest rate risk and could also result in a m factors could result in an increase in our debt service and could adversely affect our cash flow and our ability to make expected also increases the risk that we would default on our debt.

Our rights and the rights of our stockholders to take action against our directors and officers are limited.

Maryland law provides that a director or officer generally has no liability in that capacity if he or she performs his or her duties reasonably believes to be in our best interests and with the care that an ordinarily prudent person in a like position would use un completion of this offering, as permitted by the MGCL, our charter will limit the liability of our directors and officers to us and except for liability resulting from:

- actual receipt of an improper benefit or profit in money, property or services; or
- active and deliberate dishonesty established by a final judgment and which is material to the cause of action.

In addition, our charter will authorize us to obligate our company, and our amended and restated bylaws will require us, to inde present and former directors and officers for actions taken by them in those capacities to the maximum extent permitted by Mar stockholders may have more limited rights against our directors and officers than might otherwise exist under common law. Ac taken in good faith by any of our directors or officers impede the performance of our company, your ability to recover damages limited.

40

Table of Contents

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements within the meaning of the federal securities laws. These forward-lookin this prospectus, including in the sections entitled Prospectus Summary, Risk Factors, Use of Proceeds, Management and Results of Operations, Business and Certain Relationships and Related Person Transactions, and relate to matters su and expectations concerning our market position, future operations, margins, profitability, capital expenditures, financial condi flows, results of operations and other financial and operating information. We have used the words approximately, anticipa continue, could, estimate, expect, future, intend, may, outlook, plan, potential, predict, projec forward-looking statements in this prospectus. All of our forward-looking statements are subject to risks and uncertainties that materially from those that we are expecting, including:

- adverse economic or real estate developments in the retail industry or the markets in which we operate;
- changes in local, regional and national economic conditions;
- our inability to compete effectively;
- our inability to collect rent from tenants;
- our reliance on, and actual or potential conflicts of interest with, our Advisor;
- defaults on or non-renewal of leases by tenants;
- increased interest rates and operating costs;
- decreased rental rates or increased vacancy rates;
- our failure to obtain necessary outside financing on favorable terms or at all;
- changes in the availability of additional acquisition opportunities;
- availability of qualified personnel;
- our inability to successfully complete real estate acquisitions;

- our failure to successfully operate acquired properties and operations;
- changes in our business strategy;
- our failure to generate sufficient cash flows to service our outstanding indebtedness;
- environmental uncertainties and risks related to adverse weather conditions and natural disasters;
- our failure to qualify and maintain our status as a REIT;
- government approvals, actions and initiatives, including the need for compliance with environmental requirer
- financial market fluctuations;
- changes in real estate and zoning laws and increases in real property tax rates; and
- additional factors discussed under the sections captioned Risk Factors, Management s Discussion and A of Operations and Business.

The forward-looking statements contained in this prospectus are based on historical performance and management s current pl of information currently available to us and are subject to

41

Table of Contents

uncertainty and changes in circumstances. There can be no assurance that future developments affecting us will be those that w
differ materially from these expectations due to the factors, risks and uncertainties described above, changes in global, regional
competitive, market, regulatory and other factors described in Risk Factors, many of which are beyond our control. We belie
described in Risk Factors. Should one or more of these risks or uncertainties materialize, or should any of our assumptions p
may vary in material respects from what we may have expressed or implied by these forward-looking statements. We caution th
reliance on any of our forward-looking statements. Any forward-looking statement made by us in this prospectus speaks only a
Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to pred
obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or ot
applicable securities laws.

Table of Contents

STRUCTURE AND FORMATION OF OUR COMPANY

Formation Transactions

We were formed in November 2013 specifically for the purpose of consummating this offering. Second City currently owns 10
We have not commenced operations and currently do not own any property.

Following the completion of this offering, our operating partnership will, directly or indirectly, hold substantially all of our ass
operations. Subject to other classes or series of units that our operating partnership may issue in the future, our interest in our o
share in cash distributions from our operating partnership in proportion to our percentage ownership of common units. As the s
partnership, we generally will have the exclusive power under the partnership agreement to manage and conduct its business, s
rights of the limited partners described more fully in Description of the Partnership Agreement of City Office REIT Operatin

All of the initial property interests that we will acquire in the formation transactions currently are owned by the Property Owne
with the completion of this offering, we will engage in the formation transactions described below, which are designed to cons
properties into our operating partnership; facilitate this offering; enable us to raise necessary capital to repay existing and futur
properties in our portfolio; enable us to qualify as a REIT commencing with our taxable year ending December 31, 2014; and p
continuing investors.

The following formation transactions have occurred or will occur prior to, or concurrently with, the completion of this offering
the midpoint of the initial public offering price range set forth on the cover page of this prospectus:

- City Office REIT, Inc. was formed as a Maryland corporation on November 26, 2013. We intend to elect to b
that will allow us to qualify as a REIT commencing with our taxable year ending December 31, 2014.

- Our operating partnership was formed as a Maryland limited partnership on December 12, 2013.

- We intend to enter into an advisory agreement with our Advisor pursuant to which our Advisor will provide
us. See Our Advisor and the Advisory Agreement Advisory Agreement.

- We will sell shares of our common stock in this offering (additional shares if the underwrite
in full) and we will contribute the net proceeds to our operating partnership in exchange for common units. I
or any part of their over-allotment option, we will use all of the net proceeds from such exercise, if any, to re
issued to it in the formation transactions at a redemption price per common unit equal to the public offering

- Pursuant to separate contribution agreements, each dated as of , 2014, the Second City Group will co
operating partnership their entire interests in the Property Ownership Entities in exchange for (i) com
aggregate value of approximately $, representing % of the total number of shares of our co
outstanding on a fully diluted basis upon completion of this offering, and (ii) $, subject to certain adj
we will acquire a 100% interest in each of the Washington Group Plaza, Cherry Creek and Corporate Parkw
will acquire an approximately 76% interest in the AmberGlen property, 90% interest in the Central Fairwind
interest in the City Center property. The parties retaining the remaining interests in the AmberGlen, Central

Center properties at the conclusion of the formation transactions will not receive any common units, commor

43

Table of Contents

- Prior to, or concurrently with, the closing of this offering, we expect to enter into a new $118.5 million non-r secured by four of our initial properties: the AmberGlen, Cherry Creek, City Center and Corporate Parkway formation transactions, the Washington Group Plaza property will remain subject to an existing $35.1 million addition, we expect to enter into a new $11 million senior revolving credit facility secured by the Central Fai expect that this credit facility will have an accordion feature that will permit us to borrow up to $150 million, collateral availability and lender approval.

In addition, with respect to the Central Fairwinds property (which is currently approximately 63% leased, including committed make additional payments to Second City (each, an Earn-Out Payment) following the closing of this offering, which is conti achieving increased occupancy levels from qualified tenants within 5 years of the closing of this offering (the Earn-Out Term receive an Earn-Out Payment (net of the associated leasing costs inclusive of leasing commissions and tenant improvements/all Fairwinds reaches each of 70%, 80% and 90% based on the incremental cash flow generated by vacant suites and a 7.75% stab make an Earn-Out Payment on the last day of the Earn-Out Term if the occupancy levels of Central Fairwinds reaches certain a any Earn-Out Payment in cash and/or common units at the election of our board of directors.

Benefits of the Formation Transactions to Related Parties

In connection with the formation transactions and this offering, certain of our directors, executive officers and their affiliates w benefits as shown below. Amounts below are based on the midpoint of the initial public offering price range set forth on the co more detailed discussion of these benefits, see Management and Certain Relationships and Related Person Transactions.

As a result of Second City Group s contribution of its interest to our operating partnership in the formation transactions:

- James Farrar, our chief executive officer and one of our directors, and his immediate family member v units with a value of approximately $, which represents % of the total number of shares of o fully diluted basis;

- Gregory Tylee, our chief operating officer and president, and his immediate family member will benef with a value of approximately $, which represents % of the total number of shares of our co diluted basis;

- Anthony Maretic, our chief financial officer, secretary and treasurer, will beneficially own cor approximately $, which represents % of the total number of shares of our common stock out

- Samuel Belzberg, chairman of our Advisor, will own common units with a value of approximate the total number of shares of our common stock outstanding on a fully diluted basis.

Tax Protection Agreements

Pursuant to tax protection agreements, we have agreed to make certain tax indemnity payments to the contributors of our initial (including parties related to us) if we dispose of any interest with respect to our initial properties in a taxable transaction or fail indebtedness during the four years immediately following the completion of the formation transactions. See Certain Relations

Indemnification Agreements

We also expect to enter into indemnification agreements with our directors and executive officers at the closing of this offering
indemnification by us to the fullest extent permitted by law and advancements by us

Table of Contents

of certain expenses and costs relating to claims, suits or proceedings arising from their service to us as directors or officers. See
Person Transactions Indemnification and Limitation of Directors and Officers Liability.

Registration Rights Agreement

We expect to enter into a registration rights agreement with the various persons receiving common units in the formation transa
Group and certain of our executive officers. See Certain Relationships and Related Person Transactions Registration Rights A

Consequences of this Offering and the Formation Transactions

The completion of this offering and the formation transactions will have the following consequences. All amounts are based on
offering price range set forth on the cover page of this prospectus:

- Through our ownership of common units, we will indirectly own a fee simple interest in and operate all of ou therein).

- We will be the sole general partner of our operating partnership and will own % of the common units th our common stock outstanding. If the underwriters over-allotment option is exercised in full and we redeem issued to it in the formation transactions, we will own % of the outstanding common units.

- Purchasers of our common stock in this offering will own % of our outstanding common stock, or the exchange of all units for shares of our common stock (% of our outstanding common stock, or underwriters over-allotment option is exercised in full and we redeem from Second City common units issu

The following table presents the interest to be acquired by City Office in the formation transactions and the common units to be
interest:

Property	Interest to be Acquired by City Office	Debt Securing Pro
Washington Group Plaza	100.0%	Existing $35.1 million mortgage loan
Cherry Creek	100.0	New $118.5 million non-recourse mortgage loan
AmberGlen	76.0	New $118.5 million non-recourse mortgage loan
City Center	95.0	New $118.5 million non-recourse mortgage loan
Corporate Parkway	100.0	New $118.5 million non-recourse mortgage loan
Central Fairwinds	90.0	New $11.0 million senior revolving credit facility

The Company does not expect to draw on the facility at the closing of the offering.

45

Table of Contents

Our Structure

The following diagram depicts our expected ownership structure and the expected ownership structure of our operating partner
and the formation transactions (assuming no exercise by the underwriters of their over-allotment option):

(1) City Office will hold 100% of the general partner interests in our operating partnership.

*(2) Our operating partnership will hold interests in each of the Property Ownership Entities as follows: Amberglen Propertie
Limited Partnership (DE) (100%), Central Fairwinds Limited Partnership (FL) (90%), City Center STF Limited Partners
Partnership (DE) (100%) and SCCP Central Valley LP (DE) (100%).*

*(3) The general partner interests of each of the Property Ownership Entities is held by a separate entity established for the pu
Gibralt Amberglen LLC (DE), Core Cherry GP Co. (DE), Central Fairwinds GP Corporation (FL), City Center STF GP
(DE) and SCCP Central Valley GP Corp. (DE), each of which will elect to be a taxable REIT subsidiary of ours (other tha*

Determination of Consideration Payable for Our Properties

As a result of the formation transactions, our operating partnership will acquire interests in the Property Ownership Entities. Th
sellers or contributors in the formation transactions will be based on the terms of the applicable contribution agreements. Under
will receive either (i) a fixed number of common units, subject to adjustment for pre-closing unit splits or similar structural cha
capitalization, (ii) a fixed amount of cash or (iii) a combination of the foregoing. In all cases, the number or value of common u
adjustments and changes in indebtedness encumbering the properties, among other things. The value of common units issued w
offering price of our common stock, multiplied by (ii) such number of common units.

Table of Contents

Determination of Offering Price

Prior to this offering, there has been no public market for our common stock. The initial public offering price will be negotiated
underwriters and us. In determining the initial public offering price of our common stock, we and the representatives of the und
things, our record of operations, our management, our estimated net income, our estimated funds from operations, our estimate
anticipated dividend yield, our growth prospects, the financial performance and dividend yields of publicly traded companies c
to be comparable to us and the current state of the commercial real estate industry and the economy as a whole. The initial publ
bear a direct relationship to the book value of the properties and assets to be acquired in the formation transactions, our financia
criteria of value and may not be indicative of the market price for our common stock after this offering.

Table of Contents

USE OF PROCEEDS

After deducting the estimated underwriting discounts and expenses of this offering and the formation transactions payable by u
that we will receive from this offering will be approximately $, or approximately $ if the underwriters over-all
each case assuming an initial public offering price of $ per share (which is the midpoint of the initial public offering pri
this prospectus). A $1.00 increase (decrease) in the assumed initial public offering price of $ per share would increase (
offering by approximately $, assuming the number of shares offered by us as set forth on the cover page of this prospec
contribute the net proceeds of this offering to our operating partnership in exchange for common units, and we expect that our
proceeds as described below:

- approximately $ million to acquire interests in our initial properties; and

- the remaining approximately $ million for general working capital purposes, including payment of ex our formation transactions, future acquisitions and creating reserves for capital expenditures, tenant improve commissions.

If the underwriters elect to exercise all or any part of their over-allotment option, we will use all of the net proceeds from such
Second City common units issued to it in the formation transactions at a redemption price per common unit equal to the public
offering.

Pending application of the net proceeds, our Advisor will invest the net proceeds from this offering for our benefit into interest-
interest-bearing securities in a manner that is consistent with our intention to qualify for taxation as a REIT. These investments
return than we will seek to achieve from our investment in office properties.

Table of Contents

DISTRIBUTION POLICY

We intend to elect and qualify to be treated as a REIT commencing with our taxable year ending December 31, 2014. U.S. fede
REIT distribute annually at least 90% of its net taxable income, excluding net capital gains, and that it pay tax at regular corpor
distributes less than 100% of its net taxable income, including net capital gains. In addition, a REIT is required to pay a 4% non
if any, by which the distributions that it makes in a calendar year are less than the sum of 85% of its ordinary income, 95% of it
of its undistributed income from prior years. For more information, please see U.S. Federal Income Tax Considerations. To
REIT and generally not be subject to U.S. federal income and excise tax, we generally intend to make regular quarterly distribu
beginning at such time as our board of directors determines that we have sufficient cash flow to do so, over time in an amount e
would be reduced by, among other things, the amount of the annual base management fee payable, and our allocable share of e
Although we anticipate making quarterly distributions to our stockholders over time, our board of directors has the sole discreti
(including cash and shares of our common stock at the election of each of our stockholders) and amount of any distributions to
currently anticipated, in the event that our board of directors determines to make distributions in excess of the income or cash f
assets, we may make such distributions from the proceeds of this or future offerings of equity or debt securities or other forms

If we pay a taxable stock distribution, our stockholders would be sent a form that would allow each stockholder to elect to rece
distribution in all cash or in all stock and the distribution will be made in accordance with such elections, provided that if the st
would result in the payment of cash in excess of the maximum amount of cash to be distributed, then cash payments to stockho
be prorated and the excess of each such stockholder s entitlement in the distribution, less such prorated cash payment, would b
our common stock.

To the extent that in respect of any calendar year, cash available for distribution is less than our taxable income, we could be re
working capital, sell assets or borrow funds to make cash distributions or make a portion of the required distribution in the form
distribution of debt securities. In addition, we could be required to utilize the net proceeds of this offering to fund our quarterly
amount of cash that we have available for investing and other purposes. For more information, see U.S. Federal Income Tax C
Requirements.

Our charter allows us to issue preferred stock that could have a preference on distributions. We currently have no intention to is
the distribution preference on the preferred stock could limit our ability to make distributions to the holders of our common sto

Dividends and other distributions made by us will be authorized and determined by our board of directors in its sole discretion
and will be dependent upon a number of factors, including restrictions under applicable law and other factors described below.
distributions will be made or sustained or that our board of directors will not change our distribution policy in the future. Any d
pay in the future will depend upon our actual results of operations, economic conditions, debt service requirements and other fa
our current expectations. Our actual results of operations will be affected by a number of factors, including the revenue that we
expenses, interest expense and unanticipated expenditures. For more information regarding risk factors that could materially ad
operations, please see Risk Factors.

Table of Contents

CAPITALIZATION

The following table sets forth the historical combined cash and cash equivalents and capitalization of the City Office Predecess
actual basis, as adjusted to give effect to the formation transactions but before giving effect to this offering and, as further adjus
the intended use of the net proceeds from this offering as described in Use of Proceeds. You should read this table in conjun
Our Company, Use of Proceeds, Selected Financial Data, Management s Discussion and Analysis of Financial Condi
statements and related notes appearing elsewhere in this prospectus.

	Historical	As of Septen Pro Forma Formation Transactions(1
	(In thousands, except share and p share data)	
Cash and cash equivalents	$	$
Debt:		
Total debt [4]	$	$
Stockholders equity:		
Preferred stock, $0.01 par value per share; shares authorized, actual; shares issued and outstanding, actual; shares authorized, as adjusted; no shares issued and outstanding, as adjusted		
Common stock, $0.01 par value per share; shares authorized, actual; shares issued and outstanding, actual; shares authorized, as adjusted; shares issued and outstanding, as adjusted		
Additional paid-in capital		
Accumulated other comprehensive income (loss)		
Non-controlling interests:		
Common units Our Operating Partnership		
Total equity of the City Office Predecessor		
Total stockholders equity		
Total capitalization [5]	**$**	**$**

(1) Assume shares of common stock will be sold in this offering at an initial public offering price of $ per share
$ after deducting the underwriting discounts and estimated expenses of this offering and the formation transaction
of Proceeds.

(2) Does not include the exercise of the underwriters option to purchase up to additional shares of common stock.

(3) The common stock outstanding as shown does not include (i) shares of our common stock to be granted to our dir service providers and (ii) shares of our common stock or LTIP units available for future issuance under the Equit Director Compensation Equity Incentive Plan.

(4) We expect to enter into a new mortgage loan and a revolving credit facility prior to, or concurrently with, the closing of th transactions, the Washington Group Plaza property will remain subject to an existing mortgage loan.

(5) Each $1.00 increase (decrease) in the initial public offering price per share would increase (decrease) each of pro forma equivalents, additional paid-in capital, stockholders equity and total capitalization by approximately $, assuming that we are offering, as set forth on the cover page of this prospectus, remains the same and that the underwriters do not e option. An increase (decrease) of 1,000,000 shares that we are offering would increase (decrease) each of pro forma as ad equivalents, additional paid in capital, stockholders equity and total capitalization by approximately $, assuming price per share remains the same. If the underwriters elect to exercise all or any part of their over-allotment option, we wi from such exercise, if any, to redeem from Second City common units issued to it in the formation transactions at a redemp equal to the public offering price per share in this offering.

50

Table of Contents

DILUTION

Purchasers of shares of our common stock offered in this prospectus will experience an immediate and substantial dilution in th
our common stock from the initial public offering price. As of September 30, 2013, we had a pro forma combined net tangible
$ per share of our common stock by prior investors, after giving effect to the formation transactions and assuming the excl
units into shares of our common stock on a one-for-one basis. After giving effect to the sale of the shares of our common stock
proceeds as described under Use of Proceeds, the formation transactions, the deduction of underwriting discounts and the es
transactions expenses payable by us, the pro forma net tangible book value as of September 30, 2013 attributable to common st
the grants of awards covering shares of our common stock to our directors, executive officers and certain other service provider
per share of our common stock. This amount represents an immediate increase in net tangible book value of $ per share to
dilution in pro forma net tangible book value of $ per share to new public investors. The following table illustrates this per

Assumed initial public offering price per share
Net tangible book value per share before the formation transactions and this offering [(1)]
Net increase/decrease in pro forma net tangible book value per share attributable to the formation transactions
Net increase/decrease in pro forma net tangible book value per share attributable to the offer
Pro forma net tangible book value per share after the formation transactions and this offering [(2)]
Dilution in pro forma net tangible book value per share to new investors [(3)]

(1) *Net tangible book value per share of our common stock before the formation transactions and this offering is determined b based on September 30, 2013 net book value of the tangible assets (consisting of total assets less intangible assets, which applicable), deferred financing and leasing costs, acquired above-market leases and acquired in place lease value, net of acquired below market leases) of the City Office Predecessor by the number of shares of our common stock held by prior the exchange for shares of our common stock on a one-for-one basis of the common units to be issued in connection with t*

(2) *Based on pro forma net tangible book value of approximately $ divided by the sum of shares of our commo to be outstanding after this offering, not including shares of our common stock issuable upon exercise of the under option.*

(3) *Dilution is determined by subtracting pro forma net tangible book value per share of our common stock after giving effect offering from the initial public offering price paid by a new investor for a share of our common stock.*

The following table summarizes, as of September 30, 2013, on the same pro forma basis after giving effect to this offering and
differences between the number of shares of our common units to be received by the prior investors in the formation transactio
issuable to our directors, executive officers and certain service providers and the number of common shares purchased by the n
total consideration paid and the average price per common unit paid by the prior investors in the formation transactions (based
assets and properties being acquired by our operating partnership in the formation transactions) and the total consideration paid
by our directors, executive officers and certain service providers and by the new investors purchasing shares of our common sto

	Common Units/Shares Issued		Net Tangible Book Va[l] Contribution/Cas[h]	
	Number (in millions)	Percentage[(1)]	Amount (in millions)	Pe
Prior Investors		%	$	
New Investors				
Total		%	$	

(1) Represents restricted stock units to be granted to our directors, executive officers and certain service providers under the E of the offering.

51

Table of Contents

SELECTED FINANCIAL DATA

The following financial data should be read in conjunction with our audited and unaudited financial statements and the related financial information and the related notes, included elsewhere in this prospectus.

The following table sets forth selected financial and operating data on (i) a pro forma basis for our company and (ii) a combined activity and holdings of the entities that own the historical interests in the AmberGlen, Central Fairwinds, City Center, Cherry Washington Group Plaza properties, which are the initial properties being contributed to us in the formation transactions. We h information for City Office because we have not had any corporate activity since our formation other than the issuance of 1,000 City in connection with our initial capitalization, and activity in connection with our formation transactions and this offering, a discussion of the results of City Office would not be meaningful.

The historical combined balance sheet information as of December 31, 2012 and December 31, 2011 of the City Office Predec operations information for each of the periods ended December 31, 2012 and 2011 of the City Office Predecessor have been de combined financial statements included elsewhere in this prospectus. The historical combined balance sheet information as of S statements of operations information for the nine months ended September 30, 2013 have been derived from the unaudited com Office Predecessor included elsewhere in this prospectus. In the opinion of our management, the historical combined balance s 2013 and the historical combined statements of operations for the nine months ended September 30, 2013 include all adjustme recurring adjustments) necessary to present fairly the information set forth therein. Our results of operations for the interim per the result to be obtained for the full fiscal year.

Our unaudited summary pro forma consolidated financial statements and operating information as of and for the nine months e year ended December 31, 2012 assumes completion of this offering and the formation transactions as of the beginning of the pe and as of the stated date for the balance sheet data. Our pro forma financial information is not necessarily indicative of what ou of operations would have been as of the date and for the periods indicated, nor does it purport to represent our future financial Index to Financial Statements.

The information presented below should be read in conjunction with Capitalization, Selected Financial Data, Managem Condition and Results of Operations, Certain Relationships and Related Person Transactions and our audited and unaudite which are included elsewhere in this prospectus.

52

Table of Contents

City Office REIT, Inc. (Pro Forma) and the City Office Predecessor (Historical)

	Nine Months ended September 30,			Y
	Pro Forma Consolidated	Historical Combined		Pro Forma Consolidate
	2013 (Unaudited)	2013 (Unaudited)	2012 (Unaudited)	2012 (Unaudite
Statement of Operations Data:				
REVENUES				
Rental income	$	$ 12,938,686	$ 7,087,735	$
Expense reimbursement		1,093,117	775,458	
Other		593,724	324,944	
Total Revenues	$	$ 14,625,527	$ 8,188,137	$
OPERATING EXPENSES				
Property operating expenses	$	$ 4,005,302	$ 2,883,611	$
Insurance		374,655	288,680	
Property taxes		1,015,164	770,775	
Property acquisition costs		1,479,292	155,349	
General and administrative				
Property management fees		397,297	303,717	
Depreciation and amortization		5,245,498	2,867,342	
Total Operating Expenses	$	$ 12,517,208	$ 7,269,474	$
Operating Income	$	$ 2,108,319	$ 918,663	$
OTHER EXPENSE (INCOME)				
Interest expense, net	$	$ 3,704,586	$ 2,403,278	$
Equity in income of unconsolidated entity		(255,422)	(356,886)	
Net Income (Loss)	$	$ (1,340,845)	$ (1,127,729)	$
Net Income (Loss) Attributable to Noncontrolling Interests	$	$ (60,356)	$ (165,806)	$
Net Income (Loss) Attributable to Predecessor		(1,249,445)	(961,922)	
Net Income (Loss)	$	$ (1,340,845)	$ (1,127,729)	$
Balance Sheet Data (at period end):				
Real estate properties, net of accumulated depreciation		$ 99,311,479		
Investments in unconsolidated entity		4,465,706		
Total Assets		142,084,445		
Mortgage loans payable		108,912,724		

Total Liabilities	115,364,104	
Members equity	25,652,589	
Noncontrolling interests	1,067,752	
Total Equity	26,720,341	
Other Data:		
Cash flows from / to:		
Operating activities	$ 829,947	$ 4,030,907
Investing activities	(73,249,579)	(15,996,051)
Financing activities	76,866,412	13,540,984

Table of Contents

MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis is based on, and should be read in conjunction with, the selected financial data, the audi and the related notes thereto of the City Office Predecessor as of December 31, 2012 and December 31, 2011 and for the perio financial statements as of and for the nine months ended September 30, 2013 and September 30, 2012 appearing elsewhere in t

Where appropriate, the following discussion includes analysis of the formation transactions, certain other transactions and thi in the pro forma consolidated financial statements located elsewhere in this prospectus.

As used in this section, unless the context otherwise requires, references to we, us, our and our company are to City REIT Operating Partnership, L.P. References to the City Office Predecessor are to the real estate activity and holdings of th interests in the AmberGlen, Central Fairwinds, City Center, Cherry Creek, Corporate Parkway and Washington Group Plaza p

This management s discussion and analysis of financial condition and results of operations contains forward-looking statemen and assumptions. See Forward-Looking Statements for a discussion of the risks, uncertainties and assumptions associated w results may differ materially from those expressed or implied in the forward-looking statements as a result of various factors, i Risk Factors and included in other portions of this prospectus.

Overview

Company

We are a newly organized Maryland corporation formed on November 26, 2013 to acquire, own and operate high-quality office specified markets in the United States. We have not had any corporate activity since our formation, other than the issuance of 1 Second City in connection with our initial capitalization and activities in preparation for this offering and the formation transac our results would not be meaningful and therefore set forth below is a discussion regarding the historical operations of the City

Following the completion of this offering, our operating partnership will acquire substantially all of our assets and conduct sub the initial property interests that we will acquire in the formation transactions currently are owned by the Property Ownership E transactions, (i) we intend to enter into the Advisory Agreement with our Advisor pursuant to which our Advisor will provide m us; (ii) we will sell shares of our common stock in this offering (additional shares if the underwriters exercise the we will contribute the net proceeds to our operating partnership in exchange for common units; and (iii) pursuant to separate co of , 2014, our operating partnership will acquire interests in the Property Ownership Entities in exchange for common u acquire a 100% interest in each of the Washington Group Plaza, Cherry Creek and Corporate Parkway properties and we will a in the AmberGlen property, 90% interest in the Central Fairwinds property and 95% interest in the City Center property. The p in the AmberGlen, Central Fairwinds and City Center properties at the conclusion of the formation transactions will not receive cash from us for their property interests.

Upon consummation of this offering and the formation transactions, we intend to elect and to qualify to be taxed as a REIT, co ending December 31, 2014, and generally will not be subject to U.S. federal taxes on our income that we currently distribute to as an UPREIT and will own substantially all of our assets and conduct substantially all of our business through our operating p December 12, 2013. We will serve as the sole general partner and expect to own an approximately % interest in our

operating partnership upon consummation of this offering. Consummation of the formation transactions will enable us to conso
properties into our operating partnership; facilitate this offering; enable us to raise necessary capital to repay existing and future
properties in our portfolio; enable us to qualify as a REIT for U.S. federal income tax purposes commencing with our taxable y
preserve the tax position of certain continuing investors.

Indebtedness

We expect to enter into a new $118.5 million non-recourse mortgage loan secured by four of our initial properties: the AmberG
Corporate Parkway properties prior to, or concurrently with, the closing of this offering. Following the formation transactions,
will remain subject to an existing $35.1 million mortgage loan. In addition, we expect to enter into a new $11 million senior rev
Central Fairwinds property. We expect this credit facility will have an accordion feature that will permit us to borrow up to $15
collateral availability and lender approval.

For additional information regarding the mortgage loans and the credit facility, please refer to Liquidity and Capital Resourc

Revenue Base

Upon consummation of this offering and the formation transactions, we will own six office complexes comprised of 16 office b
1.85 million square feet of net rentable area. As of September 30, 2013, our initial properties were approximately 89% leased (
committed leases, the terms of which have not yet commenced).

Office Leases. Historically, most leases for our initial properties were leased to tenants on a full-service gross or net lease basis
the future. A full-service gross lease has a base year expense stop whereby we pay a stated amount of expenses as part of the re
(above the base year stop) in property operating expenses are billed to the tenant based on such tenant s proportionate square f
operating expenses are reflected in operating expenses, but only the increased property operating expenses above the base year
reflected as tenant recoveries in the statements of income. In a net lease, the tenant is typically responsible for all property taxe
base rent payment does not include any operating expenses but rather all such expenses are billed to or paid by the tenant. The
lease type is reflected in operating expenses, and the reimbursement is reflected in tenant recoveries. The tenant in the Corporat
We are also a lessor for a fee simple ground lease at the AmberGlen property.

Interest Rate Contracts. As of September 30, 2013, the City Office Predecessor had an interest rate cap at the City Center prope
$15 million, maturing on June 2019 with an effective fixed interest rate of 6%. This interest rate cap is expected to be canceled
The interest rate cap has no value as of September 30, 2013.

Factors That May Influence Our Operating Results and Financial Condition

Business and Strategy

We will focus on acquiring office properties in our target markets that exhibit favorable economic growth trends, growing popu
employment growth forecasts, a large number of government offices, large international, national and regional employers acros
low-cost centers for business operations, proximity to large universities and increasing office occupancy rates. We expect to us
knowledge as well as the expertise of local real estate operators and our investment partners to identify acquisition opportunitie
stability and long-term value appreciation. Our target markets are attractive because we believe that these markets are character
typically do not benefit from the same access to capital as public REITs and there is a lower level of participation of large instit
more attractive pricing levels and risk-adjusted returns.

55

Table of Contents

Rental Revenue and Tenant Recoveries

The amount of net rental revenue generated by our initial properties will depend principally on our ability to maintain the occup
and to lease currently available space and space that becomes available from lease terminations. As of September 30, 2013, the
properties was approximately 89% (or 92% when giving effect to committed leases, the terms of which have not yet commence
generated also will depend on our ability to maintain or increase rental rates at our initial properties. We believe that the averag
generally are equal to or slightly above the current average quoted market rates. Negative trends in one or more of these factors
revenue in future periods. Future economic downturns or regional downturns affecting our markets or submarkets or downturns
our ability to renew or re-let space and the ability of our tenants to fulfill their lease commitments, as in the case of tenant bank
ability to maintain or increase rental rates at its properties. In addition, growth in rental revenue will also partially depend on ou
properties that meet our investment criteria**.**

Scheduled Lease Expirations

Year of Lease Expiration	Number of Leases Expiring	NRA of Expiring Leases	Percentage of Initial Properties NRA	Annualize Base Rent
Vacant and Contracted [3]		194,502	10.5%	$
2013	3	12,223	0.7	243,8
2014	17	76,677	4.1	1,562,1
2015	14	241,988	13.1	4,139,2
2016	19	444,295	24.0	7,560,1
2017	21	221,119	12.0	3,833,6
2018	16	196,625	10.6	3,626,3
2019	6	76,855	4.2	1,595,6
2020	2	20,288	1.1	359,9
2021	2	13,158	0.7	235,4
2022	2	17,746	1.0	409,9
2023				
Thereafter	3	344,806	18.1	5,857,5
Total/Weighted Average	**105**	**1,850,282**	**100.0%**	**$ 29,423,8**

(1) Annualized base rent is calculated by multiplying (i) rental payments (defined as cash rents before abatements) for the mo
(2) Annualized base rent per leased square foot expiring reflects annualized base rent (as defined above), divided by NRA of
(3) 45,583 square feet of contracted net rentable area related to six leases collectively at the City Center, AmberGlen and Ce

Operating Expenses

Our operating expenses generally consist of utilities, property and ad valorem taxes, insurance and site maintenance costs. Incr
base years are generally passed on to tenants in our full-service gross leased properties and are generally paid in full by tenants

public company, we estimate that our annual general and administrative expenses will increase due to increased legal, insuranc
related to corporate governance, SEC reporting and other compliance matters, compared to the period prior to its initial public
our initial properties may be reassessed for local real estate tax purposes after the consummation of the formation transactions.

Conditions in Our Markets

Our initial properties are located throughout the United States. Positive or negative changes in economic or other conditions in
state budgetary shortfalls, employment rates, natural hazards and other factors, may impact our overall performance.

56

Table of Contents

Summary of Significant Accounting Policies

Basis of Preparation

The City Office Predecessor represents a combination of certain entities holding interests in real estate that are commonly contr
the financial statements of the separate entities which own our initial properties are presented on a combined basis.

The accompanying combined financial statements have been prepared in accordance with accounting principles generally accep
(GAAP). All significant intercompany balances and transactions have been eliminated in combination.

Variable interest entities (VIE) are accounted for within the scope of Financial Accounting Standards Board (FASB) Acc
Consolidation and are required to be consolidated by their primary beneficiary. The primary beneficiary of a variable interes
power to direct the activities that most significantly impact the variable interest entity s economic performance and the obligat
receive benefits of the variable interest entity that could be significant to the variable interest entity. We have evaluated the app
investments in ROC-SCCP Cherry Creek I, LP and determined that this entity is not a variable interest entity or that the City O
beneficiary and, therefore, consolidation of this investment is not required. The investments are accounted for using the equity

Use of Estimates

We have made a number of significant estimates and assumptions relating to the reporting of assets and liabilities, the disclosur
and the reported amounts of revenues and expenses to prepare these combined financial statements in conformity with GAAP.
based on our best estimates and judgment. We evaluate our estimates and assumptions on an ongoing basis using historical exp
the current economic environment. The current economic environment has increased the degree of uncertainty inherent in these
Management adjusts such estimates when facts and circumstances dictate. The most significant estimates made include the reco
allocation of property purchase price to tangible and intangible assets acquired and liabilities assumed, the determination of VI
consolidated, the determination of impairment of long-lived assets, loans receivable and equity method investments, valuation
the useful lives of long-lived assets. Actual results could differ materially from those estimates.

Business Combinations

The fair value of the real estate acquired, which includes the impact of fair value adjustments for assumed mortgage debt relate
to the acquired tangible assets, consisting of land, building and improvements and identified intangible assets and liabilities, co
and below-market leases, other value of in place leases and value of tenant relationships, based in each case on their fair values
incurred in the accompanying combined statement of income. Also, noncontrolling interests acquired are recorded at estimated

The fair value of the tangible assets of an acquired property (which includes land, building and improvements and fixtures and
the property as if it were vacant. The as-if-vacant value is then allocated to land and building and improvements based on ou
these assets. Factors considered by us in performing these analyses include an estimate of carrying costs during the expected le
market conditions and costs to execute similar leases. In estimating carrying costs, we include real estate taxes, insurance and o
of lost rental revenue during the expected lease-up periods based on current market demand. We also estimate costs to execute
commissions.

The fair value of above-market and below-market lease values are recorded based on the difference between the current in plac
current market rents. Below-market lease intangibles are recorded as part of l

ease intangibles liability and amortized into rental revenue over the non-cancelable periods and bargain renewal periods of the
leases are recorded as part of intangible assets and amortized as a direct charge against rental revenue over the non-cancelable

The fair value of acquired in place leases are recorded based on the costs we estimate we would have incurred to lease the prop
property at the date of acquisition. Such estimates include the fair value of leasing commissions and legal costs that would be in
occupancy level. Additionally, we evaluate the time period over such occupancy level would be achieved and includes an estim
during the lease-up period.

Revenue Recognition

We recognize lease revenue on a straight-line basis over the term of the lease. Renewal options in leases with rental terms that
term are excluded from the calculation of straight-line rent if the renewals are not reasonably assured. If we fund tenant improv
deemed to be owned by us, revenue recognition will commence when the improvements are substantially completed and posses
over to the tenant. If we determine that the tenant allowances are lease incentives, we commence revenue recognition when pos
turned over to the tenant for tenant work to begin. The lease incentive is recorded as a deferred expense and amortized as a redu
basis over the respective lease term. We recognize lease termination fees as other revenue in the period received and write off u
and other lease-related account balances, provided there are no further obligations by us under the lease. Otherwise, such fees a
straight-line basis over the remaining obligation period with the termination payments being recorded as a component of rent re
on the combined balance sheets.

Recoveries from tenants for real estate taxes, insurance and other operating expenses are recognized as revenues in the period t
We recognize differences between estimated recoveries and the final billed amounts in the subsequent year. Final billings to ten
and other operating expenses did not vary significantly as compared to the estimated receivable balances.

Expenditures for maintenance and repairs are charged to operations as incurred.

Impairment of Real Estate Properties

Long-lived assets currently in use are reviewed periodically for possible impairment and will be written down to fair value if co
to be disposed of are written down to the lower of cost or fair value less the estimated cost to sell. We review our real estate pro
an event or a change in circumstances that indicates that the carrying amount may not be recoverable. We measure and record i
carrying value of properties when indicators of impairment are present and the expected undiscounted cash flows related to tho
carrying amounts. In cases in which we do not expect to recover our carrying costs on properties held for use, we reduce our ca
believe that the values of our initial properties are impaired as of September 30, 2013, December 31, 2012 and December 31, 2

Derivative Instruments and Hedging Activities

We record all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends
designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied
accounting. We have not elected to designate any instruments as a hedge under ASC 815-10.

As of September 30, 2013, December 31, 2012 and December 31, 2011, we had interest rate caps that are not designated as hed
speculative and were used to manage the City Office Predecessor s exposure to interest rate movements and other identified ri
designate these instruments in hedging relationships based on the provisions in ASC 815-10. The changes in fair value of deriv

Table of Contents

hedging relationships have been recognized in earnings. Summarized below are the interest rate derivatives that were not desig
value of all derivative assets and liabilities at September 30, 2013, December 31, 2012 and December 31, 2011:

Property	Type of Instrument	Notional Amount	Maturity Date	Effective Rate	Fair Value as of September 30, 2013 (Unaudited)
City Center	Interest Rate Swap	$ 15,000,000	June 2019	6%	

Fair Value of Financial Instruments

ASC 820-10, Fair Value Measurements and Disclosures (ASC 820-10) defines fair value, establishes a framework for meas
about fair value measurements. ASC 820-10 applies to reported balances that are required or permitted to be measured at fair v
pronouncements; accordingly, the standard does not require any new fair value measurements of reported balances.

ASC 820-10 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair v
determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for consider
fair value measurements, ASC 820-10 establishes a fair value hierarchy that distinguishes between market participant assumpti
from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) a
assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that we have the ability to ac
than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs m
assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), s
that are observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the asset or liability, which is typi
assumptions, as there is little, if any, related market activity. In instances where the determination of the fair value measuremen
levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is bas
significant to the fair value measurement in its entirety. Our assessment of the significance of a particular input to the fair value
judgment, and considers factors specific to the asset or liability.

Cash Equivalents, Restricted Cash, Accounts Receivable and Accounts Payable and Accrued Liabilities

We estimate that the fair value approximates carrying value due to the relatively short-term nature of these instruments.

Interest Rate Swap

The majority of the inputs used to value our interest rate swap liability fall within Level 2 of the fair value hierarchy, such as ob
however, the credit valuation associated with the interest rate swap liability utilizes Level 3 inputs, such as estimates of current
likelihood of default by us and our counterparties. As of September 30, 2013, December 31, 2012 and December 31, 2011, we
adjustment relative to the overall interest rate swap liability is not significant. As a result, the entire interest rate swap liability h
fair value hierarchy.

Mortgage Loans Payable

We determine the fair value of the City Office Predecessor s fixed rate debt based on a discounted cash flow analysis using a c
current borrowing rates for instruments of similar maturities. Based on

59

Table of Contents

this, we have determined that the fair value of these instruments was $89,600,000, $35,715,000 and $15,606,000 as of Septemb
December 31, 2011, respectively. Loans with variable rate interest are excluded from amount noted as the carrying value appro
have determined that the majority of the inputs used to value fixed rate debt fall within Level 2 of the fair value hierarchy, the c
with our fixed rate debt utilize Level 3 inputs, such as estimates of current credit spreads. However, as of September 30, 2013,
2011, we assessed the significance of the impact of the credit valuation adjustments on the overall valuation of the City Office
determined that the credit valuation adjustments are not significant to the overall valuation of the City Office Predecessor s fix
loans payable have been classified as Level 2 fair value measurements.

New Accounting Pronouncements

During February 2013, the FASB issued Accounting Standards Update (ASU) No. 2013-03, Reporting of Amounts Reclas
Comprehensive Income. ASU 2013-03 requires an entity to provide information about the amounts reclassified out of accumu
component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in t
reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount r
be reclassified to net income in its entirety in the same reporting period. ASU is effective prospectively for reporting periods be
The adoption of ASU 2013-03 is not expected to have a material impact on our financial condition or results of operations.

JOBS Act

In April 2012, the JOBS Act was enacted. Section 107 of the JOBS Act provides that an emerging growth company can take ac
period provided in Section 7(a)(2)(B) of the Securities Act of 1933, as amended (the Securities Act), for complying with nev
standards. An emerging growth company can therefore delay the adoption of certain accounting standards until those standards
companies. However, we have determined to opt out of such extended transition period and, as a result, we will comply with ne
standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies.

Results of Operations

Overview

The following table identifies the date of acquisition for those properties that were acquired during the reporting period.

Acquired Properties
Central Fairwinds
Corporate Parkway
Washington Group Plaza
Total

All amounts and percentages used in this discussion of our results of operations are calculated using the numbers presented in t
this report rather than the rounded numbers appearing in this discussion.

Comparison of Nine Months Ended September 30, 2013 to Nine Months Ended September 30, 2012

Revenue

Total Revenue. Revenue includes net rental income, including parking, signage and other income, as well as the recovery of op
tenants. Total revenues increased significantly to $14.6 million in

60

Table of Contents

the nine month period ended September 30, 2013 compared to $8.2 million in the corresponding period in 2012. Revenue incre
of the Central Fairwinds property in May 2012 as the nine months ended September 30, 2013 includes a full period of rental an
Revenue also increased by $1.7 million from the acquisition of the Corporate Parkway property in May 2013 and $3.0 million
Washington Group Plaza property in June 2013. The remaining increase of $1.2 million in revenues is driven by increased occu
AmberGlen properties, both of which were owned throughout both periods.

Rental Income. Rental income includes net rental income, income from the City Office Predecessor s ground lease, and lease t
increased $5.9 million, or 83%, to $12.9 million for the nine months ended September 30, 2013 compared to $7.1 million for th
2012. The increase in rental income was primarily due to the acquisitions described above and an increase in average occupanc
and AmberGlen properties. The rental income contributed by a full nine months of operating results at Central Fairwinds was a
of Corporate Parkway and Washington Group Plaza contributed an additional $1.7 million and $2.9 million in additional rental
increase of $0.9 million was due to an increase in average occupancy year-over-year for the City Center and AmberGlen prope

Expense Reimbursement. Total expense reimbursement increased $0.3 million, or 41%, to $1.1 million for the nine months end
$0.8 million for the nine months ended September 30, 2012, primarily due to the acquisition of the Central Fairwinds and Wash
described above. The Corporate Parkway property, which was acquired in June 2013, is a net lease and does not have any expe
expense reimbursement was also driven by overall increase in occupancy at the City Center and AmberGlen properties for the
when compared with September 30, 2012. Expense reimbursement increased $170,000 as a result of Washington Group Plaza
average occupancy year-over-year at the City Center and AmberGlen properties. Central Fairwinds expense reimbursement ren
period.

Other. Other revenues includes parking, signage and other miscellaneous income. Total other revenues increased $0.3 million,
months ended September 30, 2013 compared to $0.3 million for the nine months ended September 30, 2012, primarily due to th
and Washington Group Plaza properties described above. The Corporate Parkway property, which was acquired in June 2013, i
other income.

Operating Expenses

Total Operating Expenses. Total operating expenses consist of property operating expenses, as well as insurance, property taxe
management fees and depreciation and amortization. Total operating expenses increased by $5.2 million, or 72%, to $12.5 mill
September 30, 2013, from $7.3 million for the same period in 2012. This increase in total operating expenses is attributable pri

Property Operating Expenses. Property operating expenses are comprised mainly of building common area and maintenance ex
that are not recoverable from tenants, the majority of which are related to costs necessary to maintain the appearance and mark
normal course of business, property expenses fluctuate and are impacted by various factors including, but not limited to, occupa
repairs, maintenance and re-leasing costs. Property operating costs increased $1.1 million, or 39%, to $4.0 million for the nine
compared to $2.9 million for the nine months ended September 30, 2012 primarily due to an increase of $360,000 as the nine m
includes a full period of operating expense from Central Fairwinds. Operating expense also increased by $1.0 million due to the
Plaza. All other changes in operating costs relate to decreases in operating expense at City Center and AmberGlen due to cost s
these properties.

Insurance. Insurance costs increased $0.1 million or 30%, to $0.4 million for the nine months ended September 30, 2013 comp
months ended September 30, 2012 primarily due to the acquisition of the Central Fairwinds and Washington Group Plaza prope

Property Taxes. Property taxes increased $0.2 million, or 32%, to $1.0 million for the nine months ended September 30, 2013 c
months ended September 30, 2012 primarily due to the acquisition of the Central Fairwinds and Washington Group Plaza prope

Property Acquisition Costs. Property acquisition costs increased $1.3 million to $1.5 million for the nine months ended Septem
Corporate Parkway and Washington Group Plaza acquisitions during the period compared to $0.2 million for the nine months e
Central Fairwinds property was acquired.

Property Management Fees. Property management fees increased $0.1 million, or 31%, to $0.4 million for the nine months enc
$0.3 million for the nine months ended September 30, 2012 primarily due to the increase in total revenue from increased occup
AmberGlen properties in addition to the acquisition of the Central Fairwinds and Washington Group Plaza properties during th

Depreciation and Amortization. Depreciation and amortization increased $2.4 million, or 83%, to $5.2 million for the nine mon
compared to $2.9 million for the nine months ended September 30, 2012 primarily due to the acquisition of the Central Fairwin
properties.

Other Expense (Income)

Interest Expense, Net. Interest expense increased $1.3 million, or 54%, to $3.7 million for the nine months ended September 30
the corresponding period in 2012. Interest expense increased $0.2 million due to a full nine months of interest expense on the C
and $0.5 million from debt used by Second City to acquire the Corporate Parkway and Washington Group Plaza properties, res
from additional debt incurred at the AmberGlen and City Center properties to fund capital expenditures, tenant improvements a
increased leasing activity.

Comparison of Year ended December 31, 2012 to Year ended December 31, 2011

Equity in Income of Unconsolidated Entity. Equity in income of unconsolidated entity is related to an office property located in
Cherry Creek property in which the City Office Predecessor owned 42% as of September 30, 2013. Equity income decreased $
for the nine months ended September 30, 2013 compared to $0.4 million for the nine months ended September 30, 2012 primar
non-recoverable operating expenses and a decrease in other income.

Comparison of Year ended December 31, 2012 to Year ended December 31, 2011

Revenue

Total Revenue. Revenue includes net rental income, including parking, signage and other income, as well as the recovery of op
tenants. Total revenues increased significantly to $11.5 million for the year ended December 31, 2012 compared to $9.2 million
due to the acquisition of the Central Fairwinds property in May 2012.

Rental Income. Rental income includes net rental income from our initial properties, percentage rent on retail space contained v
termination income. Total rental income increased $3.0 million, or 43%, to $10.0 million for the year ended December 31, 2012
year ended December 31, 2011. The increase in rental income was primarily due to an increase of $2.4 million resulting from th
Fairwinds property in May 2012 and an increase of $0.6 million from an increase in average occupancy year-over-year for the C
properties. Net rental income increased $3.0 million, or 43%, to $10.0 million for the year ended December 31, 2012 compared
December 31, 2011.

Expense Reimbursement. Total expense reimbursement remained relatively flat at $1.1 million for the year ended December 31
the year ended December 31, 2011. The Central Fairwinds property did not have material expense reimbursements above the ba

Table of Contents

Other. Other revenues includes parking, signage and other miscellaneous income. Total other revenues decreased $0.6 million
ended December 31, 2012 compared to $1.1 million for the year ended December 31, 2011. During 2011, a significant lease te
AmberGlen property.

Operating Expenses

Total Operating Expenses. Total operating expenses consist of property operating expenses, as well as insurance, property taxe
management fees and depreciation and amortization. Total operating expenses increased by $2.6 million, or 35%, to $10.2 mill
2012, from $7.6 million for the year ended December 31, 2011. This increase in total operating expenses is attributable primari

Property Operating Expenses. Property operating expenses are comprised mainly of building common area and maintenance e
that are not recoverable from tenants, the majority of which are related to costs necessary to maintain the appearance and mark
normal course of business, property expenses fluctuate and are impacted by various factors including, but not limited to, occup
repairs, maintenance and re-leasing costs. Property operating costs increased $1.0 million, or 33%, to $4.1 million for the year
to $3.1 million for the year ended December 31, 2011 primarily due to an increase of $0.9 million from the acquisition of the C
increase of $0.1 million from increased costs related to higher occupancy levels at the City Center and AmberGlen properties.

Insurance. Insurance costs increased $0.1 million, or 26%, to $0.4 million for the year ended December 31, 2013 compared to
December 31, 2011 primarily due to the acquisition of the Central Fairwinds property.

Property Taxes. Property taxes increased $0.3 million, or 37%, to $1.0 million for the year ended December 31, 2012 compare
December 31, 2011 primarily due to the acquisition of Central Fairwinds.

Property Acquisition Costs. Property acquisition costs were $0.2 million for the year ended December 31, 2012 as a result of th
There were no property acquisition costs in 2011.

Property Management Fees. Property management fees increased $0.2 million, or 59%, to $0.6 million for the year ended Dec
million for the year ended December 31, 2011 primarily due to an increase of $74,000 from the acquisition of the Central Fair
increased occupancy levels at the AmberGlen and City Center properties.

Depreciation and Amortization. Depreciation and amortization increased $0.8 million, or 26%, to $4.0 million for the year end
$3.1 million for the year ended December 31, 2011 primarily due to an increase of $750,000 from the acquisition of the Centra
$0.1 million from the amortization of tenant improvements and leasing commissions related to new leases signed at the City C

Other Expense (Income)

Interest Expense, Net. Interest expense increased $1.5 million, or 68%, to $3.7 million for the year ended December 31, 2012,
ended December 31, 2011, primarily due to a full year of interest expense on the Central Fairwinds property debt.

Equity in Income (loss) of Unconsolidated Entity. Equity in income of unconsolidated entity is related to an office property loc
the Cherry Creek property in which the City Office Predecessor owned 42% as of December 31, 2012. Equity income increase
year ended December 31, 2012. The increase is due to the acquisition of the property in July 2011 of that year and thus a full y
partial year before.

Table of Contents

Liquidity and Capital Resources

Analysis of Liquidity and Capital Resources

The City Office Predecessor had approximately $7.6 million of cash and cash equivalents at September 30, 2013. In addition, t
Predecessor s secured revolving credit facility have secured commitments that will allow borrowings of up to $150 million of
be available at the close of the offering. We intend to use the secured revolving credit facility, among other things, to finance th
provide funds for tenant improvements and capital expenditures and to provide for working capital and other corporate purpose

Our short-term liquidity requirements primarily consist of operating expenses and other expenditures associated with our prope
partners and distributions to our stockholders required to qualify for REIT status, capital expenditures and, potentially, acquisit
short-term liquidity requirements through net cash provided by operations, reserves established from existing cash, the proceed
under our secured revolving credit facility.

Our long-term liquidity needs consist primarily of funds necessary for the repayment of debt at maturity, property acquisitions
improvements. We expect to meet our long-term liquidity requirements with net cash from operations, long-term secured and u
issuance of equity and debt securities. We also may fund property acquisitions and non-recurring capital improvements using o
pending permanent financing.

We believe we have access to multiple sources of capital to fund our long-term liquidity requirements, including the incurrence
additional equity. However, we cannot assure you that this is or will continue to be the case. Our ability to incur additional deb
including our degree of leverage, the value of our unencumbered assets and borrowing restrictions that may be imposed by lend
capital markets is dependent on a number of factors as well, including general market conditions for REITs and market percept

Consolidated Indebtedness as of September 30, 2013

As of September 30, 2013, the City Office Predecessor had approximately $108.9 million of outstanding consolidated indebted
million, or 19%, is variable rate debt, subject to an interest rate swap option on the LIBOR portion of the interest rate for a noti
rate of 6%, expiring June 2019.

The following table sets forth information as of September 30, 2013 (unaudited) with respect to the City Office Predecessor s

Property Securing Debt	Outstanding September 30, 2013	Inte Ra
City Center [1]	$ 20,851,237	(
Central Fairwinds [3]	10,000,000	(
AmberGlen [4]	23,500,000	(
Corporate Parkway [5]	19,458,333	7
Washington Group Plaza [6]	35,103,154	3
Total	**$ 108,912,724**	

(1)

The City Center property is subject to senior mortgage debt in a principal amount of $22.5 million. The loan may be volun in full or in part with the payment of an exit fee of $291,313.

(2) *Based on annualized 30 day LIBOR of 2.15% + 4%.*

(3) *The Central Fairwinds property is subject to senior mortgage debt in a principal amount of $10.0 million. The loan may b in full or in part after the second anniversary of the loan advance date of May 9, 2012.*

Table of Contents

(4) *The AmberGlen property is subject to senior mortgage debt secured by five properties in a combined principal amount of voluntarily prepaid without penalty in full after December 12, 2013 with the payment of an exit fee equal to 1.0% of the ou*

(5) *The Corporate Parkway property is subject to senior mortgage debt in a principal amount of $20.0 million. The loan may part subject to certain conditions. If the prepayments are made during fixed interest period, a payment equal to the interes lender related to the prepayment amount is required plus actual expenses incurred by the lender.*

(6) *The Washington Group Plaza property is subject to senior mortgage debt in a principal amount of $35.2 million.*

Consolidated Indebtedness to be Outstanding After this Offering

Debt	**Pro forma Amount Outstanding**	
Mortgage loan secured by four properties [1]	$ 118,500,000	7
Mortgage loan secured by Washington Group Plaza [3]		
Secured revolving credit facility [4]		L
Total		

(1) *Prior to, or concurrently with, the closing of this offering, we expect to enter into a new $118.5 million non-recourse mort our initial properties: the AmberGlen, Cherry Creek, City Center and Corporate Parkway properties.*

(2) *This is a fixed rate loan. The interest on the loan will be determined at the closing of this offering and will be the greater o 2.25% or 4.15% (applicable floor rate).*

(3) *Following the formation transactions, the Washington Group Plaza property will remain subject to an existing $35.1 milli*

(4) *Following the formation transactions, we expect to enter into a new $11 million senior revolving credit facility secured by expect that this credit facility will have an accordion feature that will permit us to borrow up to $150 million, subject to ac lender approval.*

Contractual Obligations and Other Long-Term Liabilities

The following table provides information with respect to the City Office Predecessor s commitments at September 30, 2013, in commitments under contractual obligations. The table does not reflect available debt extension options.

		Payments Due by Peri	
Contractual Obligation	**Total**	**2013**	**2014-2015**
Principal payments on mortgage loans [1]	$ 108,912,724	$ 209,336	$ 32,038,994
Interest payments [2]	17,438,434	2,644,758	9,288,752
Operating leases			
Tenant-related commitments	2,824,908	1,094,205	1,730,703
Ground Leases			
Total	**$ 129,176,066**	**$ 3,948,299**	**$ 43,058,449**

(1) City Center debt is based on 30 day LIBOR plus 4%. Interest payment is estimated based on debt outstanding at the begin effective interest rate as of September 30, 2013 of 6.15%·

(2) On January 6, 2014, the City Office Predecessor entered into a $50 million loan to finance the acquisition of its interest in will be repaid with a portion of the new $118.5 million mortgage.

Table of Contents

The following table provides information with respect to the City Office Predecessor s commitments at September 30, 2013 or to the formation transactions and application of the net proceeds from the offering as described under Use of Proceeds, inclu commitments under contractual obligations. The table does not reflect available debt extension options.

			Pro Forma Payments Due by Pe
Contractual Obligation	**Total**	**2013**	**2014-2015**
Principal payments on mortgage loans[1]	$	$	$
Interest payments			
Operating leases			
Tenant-related commitments	2,824,908	1,094,205	1,730,703
Ground Leases			
Total	**$**	**$**	**$**

(1) On January 6, 2014, the City Office Predecessor entered into a $50 million loan to finance the acquisition of its interest in will be repaid with a portion of the new $118.5 million mortgage.

Off Balance Sheet Arrangements

At September 30, 2013, the City Office Predecessor did not have any off-balance sheet arrangements.

Cash Flows

Comparison of Nine Months Ended September 30, 2013 to Nine Months Ended September 30, 2012

Cash and cash equivalents were $7.6 million and $3.0 million at September 30, 2013 and 2012, respectively.

Net cash provided by operating activities decreased by $3.2 million to $0.8 million for the nine month period ended September for the same period in 2012. The decrease was primarily due to an increase in restricted cash.

Net cash used in investing activities increased by $57.3 million to $73.2 million for the nine month period ended September 30 the same period in 2012. The net cash used in investing activities in 2013 was used to acquire the Corporate Parkway and Wash complete tenant improvements and associated costs, acquire equipment and enhance capital assets.

Net cash provided by financing activities increased by $63.3 million to $76.9 million for the nine month period ended Septemb for the nine month period ended September 30, 2012. Cash flow from financing activities is primarily derived from re-financin financing offset by mortgage payments. The increase was primarily due to the new mortgage and equity associated with the fin Washington Group Plaza property acquisitions in 2013 versus the Central Fairwinds property acquisition in 2012 and normal m months ended September 2012.

Comparison of Year Ended December 31, 2012 to Year Ended December 31, 2011

Cash and cash equivalents were $3.1 million and $1.5 million at December 31, 2012 and 2011, respectively.

Net cash provided by operating activities increased by $2.7 to $3.9 million for the year ended December 31, 2012 compared to
activities for the year ended December 31, 2011. The increase was due primarily to a change in related party receivables.

Net cash used in investing activities increased by $8.0 million to $17.1 for the year ended December 31, 2012 compared to $9.
cash used in investing activities in 2012 was used to acquire new

66

properties, complete tenant improvements, acquire equipment and enhance capital assets. In 2012, the largest expenditure was i
Central Fairwinds property. In 2011, the largest expenditure was for the acquisition of the interest in the Cherry Creek property

Cash flow provided by financing activities increased by $7.4 million to $14.9 million for the year ended December 31, 2012 co
ended December 31, 2011. Cash flow from financing activities is primarily derived from re-financing and mortgage proceeds o
payments. In 2012, the most significant financing activity was the mortgage associated with the Central Fairwinds property acq

Inflation

Substantially all of our office leases provide for separate real estate tax and operating expense escalations. In addition, most of
increases. We believe that inflationary increases may be at least partially offset by the contractual rent increases and expense es

Quantitative and Qualitative Disclosures about Market Risk

Our future income, cash flows and fair values relevant to financial instruments are dependent upon prevalent market interest rat
loss from adverse changes in market prices and interest rates. As more fully described in the interest rate risk section, the City O
use derivative financial instruments to manage, or hedge, interest rate risks related to our borrowings. The City Office Predeces
contracts with major financial institutions based on their credit rating and other factors.

As of September 30, 2013, December 31, 2012 and December 31, 2011, the City Office Predecessor had interest rate caps that
derivatives are not speculative and are used to manage the Company s exposure to interest rate movements and other identified
designate these instruments in hedging relationships based on the provisions in ASC 815-10. The changes in fair value of deriv
relationships have been recognized in earnings.

Table of Contents

INDUSTRY OVERVIEW

U.S. National Office Market Overview

The U.S. economy has been growing at a moderate pace since the end of the 2008 recession with gross domestic product increa
between the end of the recession and the end of the third quarter of 2013. Total office employment in the United States increase
2009, its post-recession low, to 56.61 million in September of 2013 according to the U.S Bureau of Labor Statistics.

Quarterly Change in Total Office Employment

Source: U.S. Bureau of Labor Statistics

Reis, Inc. projects that the recovering economy and improved job growth will lead to lower vacancy rates and higher rental rate
States through 2017 as shown in the chart below.

U.S. Office Rental and Vacancy Rates

Source: Reis, Inc.

Table of Contents

Our Target Markets

Our target markets are located in metropolitan areas in the Southern and Western United States. We believe that our target mar
following characteristics: favorable economic growth trends, growing populations with above average employment growth fore
offices, large international, national and regional employers across a diversified set of industries, low-cost centers for business
universities and increasing office occupancy rates. We also believe that there is a lower participation of large institutional inves
they generally have concentrated on Gateway markets. In addition, we believe that our target markets offer the opportunity for
because they exhibit positive economic and demographic trends and are generally characterized by local real estate operators th
same access to capital as public REITs. We are currently targeting eleven specified markets in the United States and own prope
we do not currently own a property in seven of our target markets, the Second City Group, from which we are acquiring our ini
and relationships in the target markets that we expect to be able to leverage.

Table of Contents

The growth in jobs since the recession has not been spread evenly across the country. We believe that metropolitan areas outsic
to growing segments of the economy such as technology and energy and are creating jobs at a faster rate than the nation as a wl
companies continue to look for ways to reduce costs in the wake of the recession, more jobs are shifting to metropolitan areas v
and doing business generally. These areas include our target markets.

Job Growth from 2009 to 2012 in Target and Current Markets

Source: U.S. Bureau of Labor Statistics

Projected Population Growth in Target and Current Markets

Source: SNL Financial LC

Table of Contents

Unemployment Rate in September 2009 and August 2013 in Target Markets

Source: U.S. Bureau of Labor Statistics

Note: The September 2009 unemployment rate is the higher number in all cases.

Limited New Supply

Despite rising office employment in the United States, we believe that the construction of new office buildings has been low by
recession. While a limited number of build-to-suit projects have been completed, we believe that there has been limited specula
several years because current rental rates do not generally support new development. We believe that the combination of job gr
likely to decrease vacancy and increase rental rates in our target markets.

Lower Concentration of Institutional Competitors

We believe that there is a lower participation of large institutional investors in our target markets because they have generally c
example, public REITs own two office properties in Salt Lake City (UT), 10 office properties in Portland and 13 office propert
September 30, 2013 according to data compiled by SNL Financial. We believe that the low participation by public REITs and c
target markets has caused acquisition prices to be lower and cap rates to be higher than in the Gateway markets. According to C
office properties in the Central Business Districts (CBD) of Gateway markets have recovered 89.8% of the value that they lo
office properties and suburban office properties in non-Gateway markets recovered only 38.8% and 4.2% of the value they lost

Table of Contents

Peak-to-Trough Valuation Loss Recovered Following the Recession

Source: Colliers International. Data as of May 2013.

Note: Colliers International considers Chicago to be a Gateway market in addition to New York, Los Angeles, San Francisco,

Attractive Debt Financing for Well-Capitalized Sponsors

We believe that although there is limited institutional equity available for office buildings in many of our target markets, debt f
terms for well-known and well-capitalized owners. An important source of debt financing in our target markets is the CMBS m
CMBS in the United States was approximately $3 billion in 2009, through September 30, 2013, the year-to-date issuance was $
Finance Council. Additionally, we believe that both commercial banks and life insurance companies are now making loans sec
the Gateway markets at attractive rates to well-capitalized sponsors. We believe that the combination of acquisition opportuniti
attractive debt financing provides well-known and well-capitalized sponsors an opportunity to realize attractive levered returns
properties outside of the Gateway markets.

Our Initial Markets

Boise Economy

Metropolitan Boise, Idaho (Boise) ranks seventh in the United States for long-term job growth according to the U.S. Chamb
than 700 businesses, ranging from major employers to entrepreneurial businesses. Technology is among Idaho s rapidly growi
over 40 years in Boise. Boise is home to hundreds of high-tech businesses spanning a diverse range of sectors, including Hewle
division and Micron Technology, a computer memory manufacturer. More patents are generated per capita in Boise than any o
emerged as one of the leading business incubators in the United States. Boise is also home to numerous higher education institu
and universities offering undergraduate and graduate-level programs. Boise State University, Idaho s flagship university, is loc
Washington Group Plaza property. Boise State University has over 20,000 students. Approximately 75% of graduates continue
today is home to a skilled workforce of 279,500 individuals, almost 110,000 of whom possess college degrees.

72

Table of Contents

Set forth below are the office asking rental rates and vacancy rates for Boise.

Metro Boise Office Asking Rental Rates and Vacancy Rates

Source: Reis, Inc.; Reis projections unavailable for the Metro Boise office market.

Denver Economy

Metropolitan Denver, Colorado (Denver) has a diversified economy and is the third-most highly educated workforce among
According to the U.S. Census Bureau, 44.1% of Denver s population has a college degree compared to 34.1% nationally. Colo
economy in the United States and is home to four military commands, eight major space contractors and more than 400 aerospa
local higher education institutions with bioscience programs and numerous bioscience research assets support the region s burg
Alternative and traditional energy industries are also prominent growth areas.

Set forth below are the office asking rental rates and vacancy rates for Denver.

Metro Denver Office Asking Rental Rates and Vacancy Rates

Source: Reis, Inc.

73

Table of Contents

Portland Economy

Metropolitan Portland, Oregon (Portland) is located along a major navigable waterway near the Pacific coast, benefiting nur
particular impact on trade and transportation-related industries. The region benefits from relatively low energy costs, accessible
east-west interstate highways, international air terminals, large marine shipping facilities and intercontinental railroads. These g
have led to relatively diverse business development. Portland is noted for sustainable policies, progressive land-use planning ar
development. We believe that a strong regional economy and healthy demographic trends will lead to above average job growth
unemployment levels.

Set forth below are the office asking rental rates and vacancy rates for Portland.

Metro Portland Office Asking Rental Rates and Vacancy Rates

Source: Reis, Inc.

Tampa Economy

Metropolitan Tampa, Florida (Tampa), which includes St. Petersburg and Clearwater, has seen its population grow by more
anticipated that this trend will continue, with an average of 43,200 new residents expected per year between 2013 and 2017. Th
been largely fueled by migration and graduating students. According to October 2013 statistics from the Bureau of Labor Statis
Petersburg-Clearwater metropolitan area ranked first in percentage growth of employment over the preceding 12 months. The U
university located in Tampa with approximately 47,000 undergraduate and post-graduate students. The healthcare sector is also
growth drivers.

74

Table of Contents

Set forth below are the office asking rental rates and vacancy rates for Tampa.

Metro Tampa Office Asking Rental Rates and Vacancy Rates

Source: Reis, Inc.

Allentown Economy

Located approximately 60 miles north of Philadelphia, the metropolitan area of Allentown, Pennsylvania, is known locally as L
most populous region in Pennsylvania after Philadelphia and Pittsburgh. Lehigh Valley is home to a variety of large and interna
Mack Trucks and D&B. Because of the area s strategic geographic location, the area is known as one of the largest centers on
distribution centers. Companies that own and operate warehouses and distribution centers include global brands such as Amazo
Home Depot.

Set forth below are the office asking rental rates and vacancy rates for Allentown.

Metro Allentown Office Asking Rental Rates and Vacancy Rates

Source: Reis, Inc.; Reis projections unavailable for the Metro Allentown office market.

75

Table of Contents

Orlando Economy

Metropolitan Orlando, Florida (Orlando) enjoys worldwide recognition for its entertainment and tourism industry. Local bus
Walt Disney World and Universal Studios. New companies (including Fortune 500 companies like Publix Super Markets, Hom
have also established themselves in Orlando, particularly in its CBD where the city has invested heavily. Orlando s profession
partly in reaction to population and job growth. As one of the fastest growing local economies in the United States, the hospital
technology industries are expected to bring more people and jobs to the city.

Set forth below are the office asking rental rates and vacancy rates for Orlando.

Metro Orlando Office Asking Rental Rates and Vacancy Rates

Source: Reis, Inc.

76

Table of Contents

BUSINESS

Overview

We are a newly organized, externally managed Maryland corporation formed to acquire, own and operate high-quality office p
target markets in the United States. We have currently identified eleven target markets, each of which is located in a metropolit
United States. We believe that our target markets possess a number of the following characteristics: favorable economic growth
above average employment growth forecasts, a large number of government offices, large international, national and regional e
industries, low-cost centers for business operations, proximity to large universities and increasing office occupancy rates. We a
participation of large institutional investors in our target markets because they generally have concentrated on Gateway market
New York, Los Angeles, Washington, D.C., Boston and San Francisco. In addition, we believe that our target markets offer the
risk-adjusted returns because they exhibit positive economic and demographic trends and are generally characterized by local r
not benefit from the same access to capital as public REITs. We also believe that our target markets have experienced limited n
since 2008 because rental rates in these markets have generally not supported new development. We anticipate identifying addi
foregoing characteristics in the future.

Our management team is being provided by our Advisor. The principals of our Advisor, who have extensive experience in U.S
our chief executive officer with over 10 years of U.S. experience, Gregory Tylee, our president and chief operating officer with
Anthony Maretic, our chief financial officer with over 16 years of U.S. experience and Samuel Belzberg, the chair of our Advis
experience. The Second City Group has existing relationships with the brokerage community and local operators in our target n
manage and lease our geographically diversified portfolio so that we can benefit from their market knowledge, efficient operati
without incurring the overhead associated with creating a real estate operation function in each of our markets.

Upon completion of this offering and the formation transactions, we will own six office complexes comprised of 16 office buil
1.85 million square feet of net rentable area in the metropolitan areas of Boise (ID), Denver (CO), Portland (OR), Tampa (FL),
We believe that our initial properties are high quality assets that provide excellent access to transportation options, are located n
extensive amenities and are well maintained. We also believe that our initial properties have a stable and diverse tenant base, in
governmental agencies and national and regional businesses. As of September 30, 2013, approximately 61.1% of the base renta
was derived from tenants in these markets that are federal or state government agencies or investment grade tenants. Our larges
of Public Health and Environment, whose lease at the Cherry Creek property represents approximately 16.9% of the aggregate
properties and expires in 2026. Our initial properties also have a stable, long-term tenancy profile and our occupied and commi
and a weighted average remaining lease term to maturity of 5.3 years (10 years taking into account tenant renewal options). The
gross leases pursuant to which our tenants reimburse us for operating expenses, property taxes and insurance in excess of a base
majority of our leases is equal to annualized operating expenses, property taxes and insurance at the time the lease is signed. Th
increases in certain operating expenses and provides a more predictable cash flow. Our leases typically include rent escalation p
growth in our rental stream.

Most of the buildings included in our initial properties have undergone recent investment programs since being acquired with a
improvements and $12.6 million for tenant improvements and leasing commissions having been spent in the aggregate. As a re
throughout our initial properties have increased substantially. As of September 30, 2013, the weighted average in place and con
properties was 91.8%. Due to recent leasing activity, there are a number of tenants that have signed leases but have not taken o
September 30, 2013. There are also several tenants that have taken occupancy but are still in their free rent period. As of Septer
executed leases for 48,583 square feet with annualized base rents of approximately $987,000 in which the tenant has not begun

Our Advisor

We will be externally managed by our Advisor. In connection with this offering, we will enter into the Advisory Agreement. Th
the general partners of Second City. Second City began its investment activities in the spring of 2010 and was founded by Jame
corporation indirectly owned by Samuel Belzberg. Mr. Belzberg founded First City Financial in the 1970s, built the company i
services organization with offices located across North America and Europe and founded a real estate company in the 1990s wh
projects throughout the United States and was ultimately sold to the Blackstone Group. In addition, Mr. Belzberg has been activ
United States. Since its launch, Second City has obtained commitments for equity capital of over $100 million from institutiona
individuals and has acquired real estate assets with a cost of approximately $400 million across a variety of asset classes in the
other office complexes totaling approximately 1.35 million square feet in Arizona, Colorado, Florida and Texas. These properti
part of our initial properties due to the relatively low cash flow associated with these non-stabilized, value-add properties. Seco
1,700 apartment units in Texas and New York and 330 acres of land held for future development in California and Texas, whic
We believe Second City s acquisition and investment activities in many of our target markets will provide us with ready acces
opportunities**.**

We may not acquire any additional properties from the Second City Group or its affiliates after the completion of this offering
Advisor and the Advisory Agreement.

After completion of this offering, the principals of our Advisor, through the ownership of our common units, will beneficially o
our company on a fully diluted basis, which we believe aligns their interests with those of our stockholders.

Property and Target Market Summary

Table of Contents

Our Competitive Strengths

We believe that the following competitive strengths distinguish us from other owners and operators of office properties and wil
operate our portfolio.

Experienced Management Team: Our senior management team, led by Mr. Farrar, our chief executive officer, Mr. Tylee, our
and Mr. Maretic, our chief financial officer, has an intimate knowledge and understanding of each of our initial properties as w
local markets in which the properties are located. Mr. Farrar has over 15 years of experience in real estate acquisitions, manage
acquisitions and divestitures with a combined enterprise value in excess of $1 billion and has completed over $500 million of fi
years of experience negotiating and structuring complex real estate transactions and developments and has been involved in rea
enterprise value of approximately $1.5 billion over the course of his career. Mr. Maretic has acted as chief financial officer and
Restaurants Ltd. and has over 20 years of experience in financing, public company reporting requirements and internal controls
and the formation transactions, the principals of our Advisor and their affiliates will own approximately % of our company
believe helps to align their interests with those of our stockholders.

Alignment of Interests with Established Local Operators: One component of Second City s strategy has been to invest in pro
relationships with well-established local real estate operators that provide property management services and, in some cases, ho
that they manage. We believe that this strategy of permitting local real estate operators to invest in our properties helps to align
with this strategy, five of our six initial properties are managed by well-established local real estate operators, three of which w
in our initial properties after completion of the formation transactions, furthering the alignment of their interests with ours. The
Allentown, Pennsylvania, is self-managed by the sole tenant, D&B. Our strategy of utilizing local real estate operators also elim
overhead associated with creating a real estate operation function in each of our markets. We intend to continue this strategy of
other incentives to local real estate operators, which we believe can enhance the operating performance of our properties and st

Initial Properties with Attractive Real Estate Fundamentals: Our initial properties consist of 16 office buildings comprised of
approximately 1.85 million square feet of net rentable area in the metropolitan areas of Boise (ID), Denver (CO), Portland (OR
Orlando (FL). We believe that our target markets have a number of the following characteristics: favorable economic growth tr
average employment growth forecasts, a large number of governmental offices, large international, national and regional emplo
industries, low-cost centers for business operations, proximity to large universities and increasing office occupancy rates. Most
properties have undergone recent investment programs since being acquired with approximately $4.9 million of capital improve
improvements and leasing commissions having been spent in the aggregate.

Investment Grade Tenants and Well-Staggered Lease Maturities: As of September 30, 2013, approximately 61.1% of the bas
properties was derived from tenants in these markets that are federal or state government agencies or investment grade tenants.
investment grade tenants, representing approximately 45.8% of the base rental revenue of our initial properties as of September
Colorado Department of Public Health and Environment, whose lease at the Cherry Creek property represents approximately 1
area of our initial properties and expires in 2026. Our initial properties also have a stable, long-term tenancy profile and our occ
staggered expirations and a weighted average remaining lease term to maturity of 5.3 years (10 years taking into account tenant

Experienced Board of Directors: Our board of directors has extensive experience in the real estate industry, in real estate capi
directors. Our independent directors include John McLernon, formerly the chairman and chief executive officer of Colliers Mac
commercial real estate service company, and Mark Murski, a managing partner with Brookfield Financial, a global investment
James

Table of Contents

Farrar, and our president and chief operating officer, Gregory Tylee, are on our board of directors. We expect to have six direct
four of which are expected to be independent under the standards of the NYSE.

Clearly-Defined Acquisition Strategy: Management will focus on acquiring office properties in our target markets that it belie
and demographic characteristics described above. We expect to use our Advisor s market specific knowledge as well as the ex
our investment partners to identify acquisition opportunities that we believe will offer cash flow stability and long-term value a
attractive because we believe that these markets are characterized by local real estate operators that typically do not benefit fro
REITs and there is a lower level of participation of large institutional investors, which can result in more attractive pricing leve

***Strong Lender Relationships*:** Our management has strong lending relationships with various banks, insurance companies and
complete a refinancing of four of our initial properties (AmberGlen, Cherry Creek, City Center and Corporate Parkway) with a
mortgage loan. We also expect to enter into a new $11 million senior secured revolving credit facility. We expect that this cred
feature that will permit us to borrow up to $150 million, subject to additional collateral availability and lender approval.

Business Objectives and Growth Strategies

Our principal business objective is to provide attractive risk adjusted returns to our investors over the long-term through a comb
appreciation. Specifically, we intend to pursue the following strategies to achieve these objectives:

Internal Growth

We will seek to manage our properties in a manner to increase their value by improving cash flow over time through our Advis
management alongside local real estate operators. We will focus on maintaining strong relationships with existing tenants, whic
marketing, leasing and tenant improvement costs required for new tenancies and minimize interruptions in rental revenue resul
tenant renovations. Our internal growth strategy will include the following:

Seeking Contractual Rent Escalations: With respect to our initial properties as of September 30, 2013, the leases provide for c
rates per square foot averaging approximately 2.0% per annum over the next three years. These rental escalations are expected
rental revenues for us over time. We will continue to seek to include contractual rent escalators in future leases to further facilit
income.

Expanding Our Properties: We will seek to enhance our asset base through select expansion and improvement of our properti
expansion opportunities within our initial properties. As an example, management has identified an attractive 1.8 acre pad site a
property that would be suitable for a potential future retail development either by us or through a sale to a developer. We have i
feet of net rentable area at the Washington Group Plaza property that had been under-reported by the previous owner due to the
standards. When new tenants take occupancy where the rentable square feet was under-reported, we intend to have the leases re
standards, which will generate additional rental income for us over time.

Leasing Currently Vacant Space: As of September 30, 2013, the weighted average in place and committed occupancy rate of o
we believe that there is significant potential to generate additional rental income by leasing up space in these properties that is c
our initial properties compete for tenants with other landlords that are capital constrained and may not be able to enhance their
investments or offer tenants attractive tenant improvements packages.

Implementing Improvements and Preventive Maintenance Programs: We will seek to operate our portfolio as efficiently as p
inspections and preventive maintenance programs will be performed to ensure that

Table of Contents

our properties are well maintained so that we will minimize long-term capital expenditures. In addition, we intend to actively p
as eliminating redundant or unnecessary expenses and engaging property tax appeal specialists to lower property tax costs, and
expense recoveries from tenants on new and renewed leases. We believe that there are opportunities for continued cost reductio
We will also seek to acquire properties within close geographic proximity to one another in order to benefit from economies of
properties by sharing real estate operators between properties and having greater negotiating leverage with vendors.

External Growth

Our external growth strategy will include the following:

Focusing on Acquisitions in Our Specified Target Markets: We will seek to expand our portfolio through acquisitions of offic
target markets. We believe that current economic conditions and relatively low levels of competition from institutional buyers l
opportunities for the acquisition of office properties in our target markets as compared to Gateway markets. We expect to use o
knowledge as well as the expertise of our local real estate operators and our investment partners to identify to target acquisition
stability and price appreciation.

Leveraging Opportunities From Our Advisor: We expect to benefit from the strong existing industry relationships of our man
approximately $200 million in acquisitions since April 2013. Historically, our management team has proactively sourced acqui
of channels, including institutional owners and their advisors, local real estate professionals and the traditional brokerage comm
activities of the Second City Group, our Advisor will be able to maintain relationships in our target markets that may result in a
During the term of the Advisory Agreement, we will have an exclusive right of first opportunity to purchase any office property
City Group (including any future funds created by the principals of Second City) is pursuing, provided that the property has a g
average remaining lease term of more than three years.

Our Local Real Estate Operators

Five of our six initial properties are managed by well-established local third party real estate operators, including three properti
operators that will continue to hold a minority equity interest in the property, furthering the alignment of their interests with ou
Allentown, Pennsylvania, is self-managed by the sole tenant, D&B, which is a subsidiary of The Dun & Bradstreet Corporation
manage or lease a large number of properties in the submarkets and markets where our initial properties are located.

Idaho

The Washington Group Plaza property in Boise (ID) is managed by Thornton Oliver Keller (TOK), which provides real esta
and is one of the largest commercial real estate firms in Idaho as measured by square footage under management. Established i
500 properties for a wide range of clients. Because TOK is independent, it has relationships with brokers, lenders and appraiser

Colorado

The Cherry Creek property in Denver (CO) is managed by DPC Development Company (DPC), a privately held, Colorado-
2.5 million square feet of commercial properties, comprised of office, retail and industrial buildings. DPC provides managemen
1.9 million square feet of space on behalf of its portfolio and third-party owners. DPC s real estate operation division is fully i
engineers, experienced in-house management personnel and sophisticated accounting and budgeting. DPC, through its affiliates
in the Colorado commercial real estate market.

Oregon

The AmberGlen property in Portland (OR) is managed by Felton Properties Inc. (Felton), a full-service real estate company
and management of commercial property. Felton was formed in 1997 and is based in Portland (OR), with offices located in dov
Westport (CT). Felton currently owns and manages over 2.5 million square feet of commercial real estate in Oregon, Washingt
institutional and private partnerships, Felton Properties Inc. and Felton Management Corp. have closed more than 25 acquisitio
over $500 million in acquisitions. After giving effect to this offering, Felton will own a 24.0% economic interest in the Amber
help to align the incentives of Felton with those of our stockholders.

Florida

Both the City Center property in Tampa, Florida, and the Central Fairwinds property in Orlando, Florida, are managed by Tow
commercial real estate investment firm formed in 1987 and focused on value-add opportunities throughout Florida. Since its in
billion in transactions. In 1997, Tower s portfolio became the cornerstone of an initial public offering for Tower Realty Trust.
team purchased properties in Florida and Arizona from Tower Realty Trust and reestablished Tower Realty Partners. Currently
million square feet of office and retail properties throughout Florida. Tower also provides a full spectrum of real estate services
has extensive experience in real estate investment, ownership, development, leasing and management. After giving effect to thi
own a 5.0% economic interest in the City Center property and a 10.0% interest in the Central Fairwinds property, which we bel
estate operator with those of our stockholders.

Pennsylvania

Our sole tenant at the Corporate Parkway property located in Allentown, Pennsylvania, is a subsidiary of The Dun & Bradstree
property due to the fact that it is the sole tenant of the property, the duration of the lease, the scale of the property, its historical
confidential nature of some of its business lines.

Our Initial Properties

Unless otherwise indicated, information in this section is provided as of September 30, 2013:

Initial Properties

Property	Metropolitan Area	Year Built / Last Major Renovation [1]	Interest to be Acquired by City Office	NRA (000s SF)	In Place Occupancy	In Place and Committed Occupancy [2]	A Ba
Washington Group Plaza	Boise, Idaho	1970-1982 / 2012 [4]	100.0%	556	91.6%	91.6%	$
Cherry Creek	Denver, Colorado	1962-1980 / 2012	100.0	356	100.0	100.0	
AmberGlen	Portland, Oregon	1984-2002 [6]	76.0	353	86.7	91.3	
City Center	Tampa, Florida	1984 /2012	95.0	241	84.6	94.4	
Corporate Parkway	Allentown, Pennsylvania	2006	100.0	178	100.0	100.0	

Central Fairwinds [7]	Orlando, Florida	1982 /2012	90.0	167	58.2	63.3	
Total / Weighted Average				**1,851**	**89.2%**	**91.8%**	**$**

(1) Renovation means significant upgrades, alterations or additions to building common areas, interiors, exteriors and/or sys

(2) Includes both in place and committed tenants, which we define as our tenants in occupancy as well as tenants that have ex construction but are not yet in occupancy, as of September 30, 2013.

82

Table of Contents

(3) *Annualized base rent is calculated by multiplying (i) rental payments (defined as cash rents before abatements) for the mo by (ii) 12. If rent abatements that were applied in September 2013 are subtracted from rental payments for September 201 $4,357,550 for AmberGlen (a decrease of $0.90 per net rentable square foot) and $3,216,993 for City Center (a decrease The contractual rent abatements currently in place at the AmberGlen and City Center properties will all expire on or befo in our initial portfolio did not have any rent abatements in place for the month of September 2013. The Second City Grou at closing a lump sum payment representing reimbursement for the amount of all future contractual rent abatements in pl the initial properties.*

(4) *Plaza I was built in 1970 with the last major renovation completed in 2012; Plaza II was built in 1975 with the last major Central Plaza was built in 1982 with the last major renovation completed in 2011; and Plaza IV was built in 1982 with th 2010.*

(5) *Lease is to Washington Holdings Inc. and URS Energy & Construction Inc.*

(6) *Building 1040 was built in 1984; Building 1195 was built in 2002; Building 1400 was built in 1984; Building 1600 was bu in 1998; and Building 2430 was built in 1998.*

(7) *Subject to the earn-out payments described under Structure and Formation of Our Company Formation Transactions.*

Geographic Diversification

The following charts show the geographic diversification of our initial properties by state as a percentage of net rentable area a base rental revenue as of September 30, 2013:

Geographic Breakdown as a % of NRA

Geographic Breakdown Reve

Table of Contents

Diverse Tenant Base

Our initial properties as of September 30, 2013 are leased to 107 tenants, most of which we believe have attractive credit profil
governmental agencies and national and regional companies. As of September 30, 2013, approximately 61.1% of the base renta
derived from tenants in these markets that are federal or state government agencies or investment grade tenants. Five of our top
tenants, representing approximately 45.8% of the base rental revenue of our initial properties as of September 30, 2013. Our lar
Department of Public Health and Environment, whose lease at Cherry Creek represents approximately 16.9% of the aggregate
properties and expires in 2026. Our initial properties also have a stable, long-term tenancy profile and our occupied and commi
expirations and a weighted average remaining lease term to maturity of 5.3 years (10 years taking into account tenant renewal o
a breakdown of the tenant credit profile for our initial properties:

Tenant Credit Profile (as a % of NRA)

Lease Maturity Profile

The chart below sets out the percentage of net rentable area of our initial properties subject to lease expiries during the periods
options:

Lease Maturity Schedule (as a % of NRA)

Table of Contents

The following table sets forth the lease expirations for leases in place in our initial properties as of September 30, 2013, plus av
years ending December 31, 2013 to December 31, 2023. The information set forth in the table assumes that tenants exercise no
termination rights. Leases in place and committed have a weighted average term to maturity of 5.3 years.

Year of Lease Expiration	Number of Leases Expiring	NRA of Expiring Leases	Percentage of Initial Properties NRA	Annualize Base Rent (
Vacant and Contracted [3]		194,502	10.5%	$
2013	3	12,223	0.7	243,86
2014	17	76,677	4.1	1,562,14
2015	14	241,988	13.1	4,139,25
2016	18	407,607	22.0	7,222,57
2017	22	257,807	13.9	4,171,21
2018	16	196,625	10.6	3,626,34
2019	6	76,855	4.2	1,595,60
2020	2	20,288	1.1	359,94
2021	2	13,158	0.7	235,45
2022	2	17,746	1.0	409,90
2023				
Thereafter	3	334,806	18.1	5,857,53
Total/Weighted Average	**105**	**1,850,282**	**100.0%**	**$ 29,423,84**

(1) Annualized base rent is calculated by multiplying (i) rental payments (defined as cash rents before abatements) for the mo
(2) Annualized base rent per leased square foot expiring reflects annualized base rent (as defined above), divided by NRA of e
(3) 45,583 square feet of contracted net rentable area related to six leases collectively at City Center, AmberGlen and Centra

Description of Our Initial Properties

Upon completion of this offering and the formation transactions, we will own a fee simple interest in the six office complexes b

Washington Group Plaza, Boise, Idaho

The Washington Group Plaza property is a 556,105 square foot, four-building office complex with 1,050 structured parking spa
located in the periphery of downtown Boise. The office complex is situated on 24 acres of land, features first class amenities, in
convenient access to the interstate highway, and is in the immediate proximity of downtown Boise, Boise State University, the
University of Idaho Boise Center and St. Luke s Regional Medical Center.

The four office buildings that form the Washington Group Plaza property include the following:

- Plaza I, at 400 Broadway Avenue, is a six-story office building constructed in 1970 and updated in 1999-200
rentable space.

- Plaza II, at 701 Morrison Drive, is a four-story office building constructed in 1975 and updated and partially
113,910 square feet of net rentable space.

- Central Plaza, at 720 Park Boulevard, is a two-story office building constructed in 1982 and updated in 1999-
rentable space.

- Plaza IV, at 800 Park Boulevard, is a seven-story office building constructed in 1982 and renovated in 2004,
rentable space.

85

Table of Contents

We have no immediate plans with respect to major renovation or redevelopment of the Washington Group Plaza property. The
Washington Group Plaza property were $739,355 based on a tax rate of $1.95 per $100 of assessed value.

Since acquiring Washington Group Plaza in June of 2013, we have appointed a new property manager and implemented a num
number of employees at the property has been reduced, and we have renegotiated the security contract. The annualized expense
measures are expected to be approximately of $467,000.

Approximately 91.5% of the net rentable area of the Washington Group Plaza property is leased to a total of 27 tenants, of whi
rentable area is leased to various U.S. or Idaho state government agencies or other entities that primarily contract with governm
Washington Group Plaza property are included in the table below.

Tenant	Lease Expiration	Renewal Options	Total Leased Square Feet	Percentage of Property Square Feet	Annualize Base Rent (1)
URS Corporation (3).	December 31, 2015	None	146,706	26.4%	$ 2,421,36
Idaho State Tax Commission	June 30, 2017	None	111,381	20.0%	$ 1,954,16

(1) Annualized base rent is calculated by multiplying (i) rental payments (defined as cash rents before abatements) for the mo (ii) 12.

(2) Annualized base rent per leased square foot reflects annualized base rent (as defined above), divided by total leased squa

(3) Lessee is Washington Holdings Inc. and URS Energy & Construction Inc. which are affiliates of URS Corporation.

URS Corporation provides engineering, construction, architectural, transportation and environmental services for federal, infras
commercial projects.

The Idaho State Tax Commission is an executive branch agency that informs taxpayers of their tax obligations and enforces sta

Washington Group Plaza Lease Expirations

The following table sets forth the lease expirations for leases in place at the Washington Group Plaza property as of September
each of the calendar years ending December 31, 2023. The information set forth in the table assumes that tenants exercise no re
termination rights. Leases in place and committed have a weighted average term to maturity of 3.5 years.

Year of Lease Expiration	Number of Leases Expiring	NRA of Expiring Leases	Percentage of Washington Group Plaza NRA	Annualized Base Rent (1)
Vacant		45,232	8.1%	$
2013			0.0	

2014	5	24,373	4.4	350,652
2015	4	155,180	27.9	2,592,588
2016	6	67,870	12.2	1,193,796
2017	4	128,809	23.2	2,250,024
2018	4	69,037	12.4	1,185,492
2019	2	42,622	7.7	835,080
2020	1	11,488	2.1	208,056
2021	1	5,158	0.9	67,116
2022				
2023				
Thereafter	1	6,336	1.1	133,884
Total / Weighted Average:	**28**	**556,105**	**100.0%**	**$ 8,816,688**

Table of Contents

(1) Annualized base rent is calculated by multiplying (i) rental payments (defined as cash rents before abatements) for the mo
(2) Annualized base rent per leased square foot expiring reflects annualized base rent (as defined above), divided by net renta the period.

Washington Group Plaza Percent Leased and Rent

The following table sets forth the in place occupancy, the monthly base rent and the annualized base rent as of the dates indicat

Date (1)	In Place Occupancy	Base Rent for Month Ended
September 30, 2013	91.6%	$ 734,724

(1) Washington Group Plaza was acquired on June 6, 2013.
(2) Annualized rent is calculated by multiplying (i) rental payments (defined as cash rents before abatements) for the specified

Washington Group Plaza Tax Basis and Depreciation

Upon completion of this offering, the formation transactions and related financing transactions, our federal tax basis in this pro $44.0 million. The life claimed for this property is years. Depreciation is calculated on a basis at a rate of year

Cherry Creek, Denver, Colorado

The Cherry Creek property is a 355,687 square foot, three-building office complex with 1,535 parking spaces situated on a cam Cherry Creek, one of Denver s most upscale residential areas and a prominent address for businesses. The Cherry Creek prope to Interstate 25 via the Colorado boulevard interchange and is in a prime location between downtown Denver and the Denver T Denver office submarkets.

The three office buildings that form the Cherry Creek property include the following.

- Building A, at 4300 Cherry Creek Drive South, is a five-story office building constructed in 1980 and update net rentable space.

- Building B, at 700 South Ash Street, is a two-story office building constructed in 1962 and updated in 1993, rentable space.

- Building C, at 710 South Ash Street, is a two-story office building constructed in 1963 and updated in 1993, rentable space.

We have no immediate plans with respect to major renovation or redevelopment of the Cherry Creek property. The 2012 annua property were $74,960 based on a tax rate of $9.94 per $100 of assessed value. We do not pay property taxes on the portion of State of Colorado.

The Cherry Creek property is 100% leased to a total of three tenants, of which approximately 87.8% of the net rentable area is l

The key tenants of Cherry Creek are included in the table below.

Tenant	Lease Expiration	Renewal Options	Total Leased Square Feet	Percentage of Property Square Feet	Annualiz Base Rent
State of Colorado	April 30, 2026	10.0 years [3]	312,338	87.8%	$ 5,384,7

(1) *Annualized base rent is calculated by multiplying (i) rental payments (defined as cash rents before abatements) for the mo*
(ii) 12.

(2) *Annualized base rent per leased square foot reflects annualized base rent (as defined above), divided by total leased squa*

(3) *Consists of two five-year options.*

The Colorado Department of Public Health and Environment is a cabinet-level department that provides a diverse array of serv birth and death records, collection of marriage certificates and holding of environmental permits and authorizations.

Cherry Creek Lease Expirations

The following table sets forth the lease expirations for leases in place at the Cherry Creek property as of September 30, 2013, p calendar years ending December 31, 2023. The information set forth in the table assumes that tenants exercise no renewal optio Leases in place and committed have a weighted average term to maturity of 11.4 years.

Year of Lease Expiration	Number of Leases Expiring	NRA of Expiring Leases	Percentage of Cherry Creek NRA			Annualiz Base Rent [(1]
Vacant				%	$	
2013						
2014	1	6,661	1.9			97,4
2015						
2016						
2017	1	36,688	10.3			337,5
2018						
2019						
2020						
2021						
2022						
2023						
Thereafter	1	312,338	87.8			5,384,7
Total / Weighted Average:	**3**	**355,687**	**100.0**	**%**	**$**	**5,819,6**

(1) *Annualized base rent is calculated by multiplying (i) rental payments (defined as cash rents before abatements) for the mo*

(2) *Annualized base rent per leased square foot expiring reflects annualized base rent (as defined above), divided by NRA of e*

Cherry Creek Percent Leased and Rent

The following table sets forth the in place occupancy, the monthly base rent and the annualized base rent as of the dates indicat

Date(1)	In Place Occupancy	Base Rent for Month Ended
September 30, 2013	100.0%	$ 484,968
December 31, 2012	100.0	475,222
December 31, 2011	100.0	464,306

(1) 42.3% interest in Cherry Creek was acquired on July 22, 2011.

(2) Annualized rent is calculated by multiplying (i) rental payments (defined as cash rents before abatements) for the specified

88

Table of Contents

Cherry Creek Tax Basis and Depreciation

Upon completion of this offering, the formation transactions and related financing transactions, our federal tax basis in this pro
The life claimed for this property is years. Depreciation is calculated on a basis at a rate of .

AmberGlen, Portland, Oregon

The AmberGlen property is a 353,216 square foot (by net rentable area), five-building office complex with 1,339 surface parki
high-tech corridor, approximately 10 miles southwest of downtown Portland. The property is located approximately less than t
Campus, which houses its D1X research facility. It is also situated approximately four miles from NIKE, Inc. s world headqua
in close proximity to each other and enjoy convenient transportation access. The property also is located in a master planned bu
amenities and is within walking distance to numerous restaurants, shopping choices and amenities.

The five office buildings that form the AmberGlen properties include the following:

- 1195 NW Compton Drive, a two-story office building constructed in 2002, with 72,242 square feet of net ren leases 100% of the 72,242 square feet of net rentable area. The current lease on this building expires on Octo

- 1400 NW Compton Drive, a three-story office building constructed in 1984 and updated in 2005, with 75,36 Planar Systems, Inc. leases approximately 37,487 square feet of space on the main floor of the building, whic continues to pay rent. The lease expires on January 31, 2018. On November 1, 2013, DiabetOmics took occu building.

- 1600 NW Compton Drive is a three-story office building constructed in 1987 and updated in 2005, with 76,6

- 2345 NW Amberbrook Drive is a two-story office building constructed in 1998, with 63,311 square feet of n Fluor took occupancy of 11,350 square feet in the building.

- 2430 206th Avenue is a two-story office building constructed in 1998, with 65,631 square feet of net rentable 100% of the building and although it does not currently occupy the space, it continues to pay rent. The lease

In addition, we own a fee simple interest in land at 1050 NW Compton Drive which we ground lease to a single tenant until 20

We have no immediate plans with respect to major renovation or redevelopment of the AmberGlen property. The 2012 annual
property were $523,856 based on a tax rate of $1.64 per $100 of assessed value.

Including committed tenants, approximately 91.7% of the AmberGlen property is leased to a total of 21 tenants. Consistent wit
tenant base is mostly made up of high-tech computer, software, engineering and research companies.

Table of Contents

The key tenants of AmberGlen are included in the table below:

Tenant	Lease Expiration	Renewal Options	Total Leased Square Feet	Percentage of Property Square Feet	Annualiz Base Rent
Planar Systems, Inc.	April 5, 2017 (3)	7.5 years	109,729	31.1%	$ 1,485,1
Cascade Microtech, Inc.	January 31, 2015	None	65,123	18.4	1,054,9

(1) Annualized base rent is calculated by multiplying (i) rental payments (defined as cash rents (before abatements) for the m (ii) 12.

(2) Annualized base rent per leased square foot reflects annualized base rent (as defined above), divided by total leased squa

(3) Based on weighted average of two leases by net rentable area.

Planar Systems, Inc. is a global leader in digital display technology, providing premier solutions ranging from desktop monitor experiences.

Cascade Microtech, Inc. is a worldwide leader in precision electrical measurement and testing of advanced semiconductor devi boards, modules, LED devices and more.

AmberGlen Lease Expirations

The following table sets forth the lease expirations for leases in place at the AmberGlen property as of September 30, 2013, plu calendar years ending December 31, 2023. The information set forth in the table assumes that tenants exercise no renewal optio Leases in place and committed have a weighted average term to maturity of 3.2 years.

Year of Lease Expiration	Number of Leases Expiring	NRA of Expiring Leases	Percentage of AmberGlen NRA	Annualized Base Rent (1
Vacant & Contracted (3)		45,702	12.9%	$
2013	1	2,533	0.7	19,044
2014	2	7,323	2.1	158,136
2015	4	70,809	20.0	1,148,148
2016	6	100,103	28.3	1,344,626
2017	4	45,425	12.9	606,972
2018	3	81,321	23.0	1,356,084

2019			0.0	
2020			0.0	
2021			0.0	
2022			0.0	
2023			0.0	
Thereafter			0.0	
Total/Weighted Average:	**20**	**353,216**	**100.0%**	**$ 4,633,010**

(1) Annualized base rent is calculated by multiplying (i) rental payments (defined as cash rents before abatements) for the mo

(2) Annualized base rent per leased square foot expiring reflects annualized base rent (as defined above), divided by NRA of e

(3) 16,479 square feet of contracted net rentable area related to two leases DiobetOmics & Fluor.

90

Table of Contents

AmberGlen Percent Leased and Rent

The following table sets forth the in place occupancy, the monthly base rent and the annualized base rent as of the dates indicat

Date (1)	In Place Occupancy	With C Base Rent for Month Ended
September 30, 2013	86.7%	$ 386,084
December 31, 2012	83.6	360,237
December 31, 2011	75.6	373,668
December 31, 2010	66.9	296,865
December 31, 2009	63.7	242,330

(1) The AmberGlen property was acquired on December 11, 2009.
(2) Annualized rent is calculated by multiplying (i) rental payments (defined as cash rents before abatements) for the specifie
AmberGlen Tax Basis and Depreciation

Upon completion of this offering, the formation transactions and related financing transactions, our federal tax basis in this pro
The life claimed for this property is years. Depreciation is calculated on a basis at a rate of .

City Center, Tampa, Florida

The City Center property is a 240,754 square foot, two-building complex with 520 parking spaces, most of which are located i
parking garage, in downtown St. Petersburg, Florida. With direct water views of Tampa Bay, the property is considered a prim
Petersburg CBD and is within blocks of many of downtown St. Petersburg s best amenities as well as the marina.

The two office buildings that form the City Center property consist of a 12-story office tower and a four-story office building, c
were constructed in 1984 and 1985 and renovated in 2005, 2011 and 2012. Additional minor improvements in respect of variou
renovations are ongoing.

We have no immediate plans with respect to major renovation or redevelopment of the City Center property. The 2012 annual
property were $343,707 based on a tax rate of $2.31 per $100 of assessed value.

Including committed tenants, approximately 94.4% of the City Center property is leased to 40 tenants. The City Center tenant b
companies, financial institutions and other national and regional enterprises.

Selected tenants of the City Center property include RBC Capital Markets, LLC, The Northern Trust Company and Wells Farg

Table of Contents

City Center Lease Expirations

The following table sets forth the lease expirations for leases in place at the City Center property as of September 30, 2013, plu
calendar years ending December 31, 2023. The information set forth in the table assumes that tenants exercise no renewal optic
Leases in place and committed have a weighted average term to maturity of 5.5 years.

Year of Lease Expiration	Number of Leases Expiring	NRA of Expiring Leases	Percentage of City Center NRA	Annualized Base Rent (1)
Vacant & Contracted (3)		37,020	15.4%	$
2013	1	8,690	3.6	200,820
2014	4	20,197	8.4	485,808
2015	3	3,523	1.5	73,140
2016	4	21,873	9.1	417,648
2017	11	29,694	12.4	620,064
2018	9	46,267	19.3	1,084,764
2019	4	30,972	12.9	760,524
2020				
2021	1	8,000	3.3	168,336
2022	2	17,746	7.4	409,908
2023				
Thereafter	1	16,132	6.7	338,940
Total/Weighted Average:	**40**	**240,114**	**100.0%**	**$ 4,559,952**

(1) Annualized base rent is calculated by multiplying (i) rental payments (defined as cash rents before abatements) for the mo
(2) Annualized base rent per leased square foot expiring reflects annualized base rent (as defined above), divided by NRA of e
(3) 23,523 square feet of contracted net rentable area related to two leases: GSA & Kobie.

City Center Percent Leased and Rent

The following table sets forth the in place occupancy, the monthly base rent and the annualized base rent as of the dates indicat

Date (1)	In Place Occupancy	I
September 30, 2013	84.4%	$
December 31, 2012	78.2	

December 31, 2011	60.9
December 31, 2010	73.8

(1) City Center was acquired on December 14, 2010

(2) Annualized rent is calculated by multiplying (i) rental payments (defined as cash rents before abatements) for the specifie

City Center Tax Basis and Depreciation

Upon completion of this offering, the formation transactions and related financing transactions, our federal tax basis in this pro
million. The life claimed for this property is years. Depreciation is calculated on a basis at a rate of .

Corporate Parkway, Allentown, Pennsylvania

The Corporate Parkway property is a 178,330 square foot, three-story office building with 850 surface parking spaces that was
location serves as D&B s largest North American office and is a hub for D&B s

92

Table of Contents

operations. The Corporate Parkway property is located within the premier office park in the region, fronting along the area s m
property has excellent visibility and accessibility.

We have no immediate plans with respect to major renovation or redevelopment of the Corporate Parkway property. The 2012
Corporate Parkway property were the responsibility of D&B pursuant to the lease agreement with D&B.

D&B s lease, which commenced in November 2006, expires in November 2016. D&B has two options to extend the term of th
exercised would extend the duration of the lease to November 2026). Each renewal term is subject to limitations on any increas
payable by D&B.

The sole tenant of Corporate Parkway is included in the table below:

Tenant	Lease Expiration	Renewal Options	Total Leased Square Feet	Percentage of Property Square Feet	Annualized Base Rent [(1)]
Dun & Bradstreet, Inc.	November 30, 2016	10.0 years [(3)]	178,330	100.0%	$ 3,056,772

(1) Annualized base rent is calculated by multiplying (i) rental payments (defined as cash rents before abatements) for the mo (ii) 12.

(2) Annualized base rent per leased square foot reflects annualized base rent (as defined above), divided by total leased squa

(3) Consists of two 5-year options.

Dun & Bradstreet, Inc. is a subsidiary of The Dun & Bradstreet Corporation, which is a leading source of commercial informat

Corporate Parkway Lease Expirations

The following table sets forth the lease expiration for the D&B lease in place at the Corporate Parkway property as of Septemb
in the table assumes that the tenant exercises no renewal options and all early termination rights. Leases in place and committed
maturity of 3.2 years.

Year of Lease Expiration	Number of Leases Expiring	NRA of Expiring Leases	Percentage of Corporate Parkway NRA	Annualized Base Rent [(1)]
Vacant & Contracted			%	$
2013				
2014				

2015				
2016	1	178,330	100.0	3,056,772
2017				
2018				
2019				
2020				
2021				
2022				
2023				
Thereafter				
Total/Weighted Average:	**1**	**178,330**	**100.0%**	**$ 3,056,772**

(1) Annualized base rent is calculated by multiplying (i) rental payments (defined as cash rents before abatements) for the mo

(2) Annualized base rent per leased square foot expiring reflects annualized base rent (as defined above), divided by NRA of e

Table of Contents

Corporate Parkway Percent Leased and Rent

The following table sets forth the in place occupancy, the monthly base rent and the annualized base rent as of the dates indicat

Date [1]	In Place Occupancy	Base fo Mo En
September 30, 2013	100.00%	$ 2

(1) Corporate Parkway was acquired on May 17, 2013
(2) Annualized rent is calculated by multiplying (i) rental payments (defined as cash rents before abatements) for the specifie

Corporate Parkway Tax Basis and Depreciation

Upon completion of this offering, the formation transactions and related financing transactions, our federal tax basis in this pro
The life claimed for this property is years. Depreciation is calculated on a basis at a rate of .

Central Fairwinds, Orlando, Florida

The Central Fairwinds property is a 166,830 square foot (by net rentable area), 12-story office building with 444 parking space
leased surface spaces located in downtown Orlando, Florida. The property was constructed in 1982 and updated in 2013, featur
proximity to some of the central business district s best areas and is considered to be a landmark in the city s skyline. It is situ
interstate artery and in the core of the city s central business district, directly across from Orlando s downtown future SunRail

Including committed tenants, approximately 63.3% of the Central Fairwinds property is leased to 15 tenants consisting of high-
and regional tenants. Subsequent to September 30, 2013, CoAdvantage Resources 24, Inc. signed a lease for 5,320 square feet i
physical occupancy in February 2014.

The key tenant of Central Fairwinds is in the table below.

Tenant	Lease Expiration	Renewal Options	Total Leased Square Feet	Percentage of Property Square Feet	Annualiz Base Rent [1
Fairwinds Credit Union	June 30, 2016	10.0 years [3]	39,431	23.6%	$ 1,209,7

(1) Annualized base rent is calculated by multiplying (i) rental payments (defined as cash rents before abatements) for the mo
(ii) 12.

(2) Annualized base rent per leased square foot reflects annualized base rent (as defined above), divided by total leased squa

(3) Consists of two five-year options.

The lease of a tenant occupying approximately 10,000 square feet at Central Fairwinds expired in September 2013.

Fairwinds Credit Union is the largest locally owned and operated financial institution in Central Florida.

94

Table of Contents

Central Fairwinds Lease Expirations

The following table sets forth the lease expirations for leases in place at the Central Fairwinds property as of September 30, 20
the calendar years ending December 31, 2023. The information set forth in the table assumes that tenants exercise no renewal o
Leases in place and committed have a weighted average term to maturity of 2.9 years.

Year of Lease Expiration	Number of Leases Expiring	NRA of Expiring Leases	Percentage of Central Fairwinds NRA	Annualiz Base Rent (1)
Vacant & Contracted (3)		66,548	39.9%	$
2013	1	1,000	0.6	24,0
2014	5	18,123	10.9	470,1
2015	3	12,476	7.5	325,3
2016	1	39,431	23.6	1,209,7
2017	2	17,191	10.3	356,6
2018				
2019		3,261	2.0	
2020	1	8,800	5.3	151,8
2021				
2022				
2023				
Thereafter				
Total/Weighted Average:	**13**	**166,830**	**100.0%**	**$ 2,537,8**

(1) Annualized base rent is calculated by multiplying (i) rental payments (defined as cash rents (before abatements) for the m by (ii) 12.

(2) Annualized base rent per leased square foot expiring reflects annualized base rent (as defined above), divided by NRA of

(3) 8,851 square feet of contracted net rentable area related to two leases CoAdvantage 24 and Government Management

Central Fairwinds Percent Leased and Rent

The following table sets forth the in place occupancy, the monthly base rent and the annualized base rent as of the dates indicat

Date (1)	In Place Occupancy	Base Rent for Month Ended
September 30, 2013	58.2%	$ 211,484
December 31, 2012	85.0	326,577

(1) Central Fairwinds was acquired on May 9, 2012.
(2) Annualized rent is calculated by multiplying (i) rental payments (defined as cash rents before abatements) for the specifie
Central Fairwinds Tax Basis and Depreciation

Upon completion of this offering, the formation transactions and related financing transactions, our federal tax basis in this pro
The life claimed for this property is years. Depreciation is calculated on a basis at a rate of .

Capital Expenditures

Most of the buildings in our initial properties have undergone extensive investment programs of approximately $4.9 million of
million of tenant improvements and leasing commissions in the aggregate having been spent since being acquired by the entitie
pursuant to acquisition agreements.

Table of Contents

These improvements were implemented to make our initial properties more appealing to existing and prospective tenants. All o
expenditures and tenant improvements below have either been invested already or have been reserved for in cash under the terr
the relevant initial property and are expected to be spent over the next twelve months.

Property	Capit Expendi
Washington Group Plaza	$ 77
Cherry Creek	874
AmberGlen	386
City Center	2,663
Corporate Parkway	
Central Fairwinds	223
Total	**$ 4,923**

Upon completion of this offering and consummation of the formation transactions, we intend to continue to substantially invest
other acquired properties) through targeted and strategically deployed capital expenditures. Capital expenditures have served to
performance of our initial properties and have also enhanced their value by allowing the entities that owned our initial propertie
investments.

96

Table of Contents

Historical Office Lease Retention and Tenant Improvement and Leasing Commission Costs

The following table sets forth certain historical information regarding tenant improvement and leasing commission costs per sq
renewal rents, where applicable, on expiring leases, at the properties in our office portfolio for the nine month period ended Sep
December 31, 2012 and 2011.

	Nine Month Period Ended September 30, 2013
Expirations	
Number of leases expired during the period	
Aggregate net rentable square footage of expiring leases(1)	
Renewals	
Number of leases renewed during the period	
Aggregate net rentable square footage of renewed leases	
Retention percentage by square feet	
Tenant improvement costs	
Leasing commission costs	
Total tenant improvements and leasing commission costs	
Tenant improvement costs per square foot	
Leasing commission costs per square foot	
Total tenant improvements and leasing commission costs per square foot	
Weighted average net effective rent for expiring leases	
Weighted average net effective rent for renewed leases	
Percentage increase (decrease)	
New Leases	
Number of new leases	
Square feet	
Tenant improvement costs	
Leasing commission costs	
Total tenant improvements and leasing commission costs	
Tenant improvement costs per square foot	
Leasing commission costs per square foot	
Total tenant improvements and leasing commission costs per square foot	
Total Tenant Improvements and Leasing Commissions	
Square feet	

Tenant improvement costs
Leasing commission costs

Total tenant improvement and leasing commission costs

Tenant improvement costs per square foot
Leasing commission costs per square foot

Total tenant improvement and leasing commission costs per square foot

Weighted average net effective rent renewed leases

97

Table of Contents

Top Ten Tenants

The top ten tenants account for 61.5% of the September 30, 2013 base rental revenue of our initial properties as shown in the ta

Tenant or Ultimate Parent	Credit Rating (S&P / Moody s)	Initial Property	Tenant Since	NRA (SF)	% of NRA	% o Annual Bas Ren of Incon Propert
State of Colorado	Aa1	Cherry Creek	1993	312,338	16.9%	1
Dun & Bradstreet, Inc.	BBB	Corporate Parkway	2006	178,330	9.6	1
URS Corporation	BBB-	Washington Group Plaza	1970	146,706	7.9	
Idaho State Tax Commission	Aa1	Washington Group Plaza	1992	111,381	6.0	
Planar Systems, Inc.	-	AmberGlen	2002	109,729	5.9	
Cascade Microtech, Inc.	-	AmberGlen	1997	65,123	3.5	
Fairwinds Credit Union	-	Central Fairwinds	2010	39,431	2.1	
United States Attorney s Office	Aaa	Washington Group Plaza	2003	38,010	2.1	
LenderLive Network, Inc.	-	Cherry Creek	2005	36,688	2.0	
Serena Software, Inc.	B	AmberGlen	2011	33,352	1.8	
Total / Average				**1,071,088**	**57.9%**	**6**

(1) Percentage of annualized base rent. Annualized base rent is calculated by multiplying (i) rental payments (defined as cash month ended September 30, 2013, by (ii) 12.

Environmental Matters

Each of our initial properties has been the subject of a Phase I environmental site assessment report or a Phase I environmental ESA Reports) conducted by independent and experienced environmental consultants from May 20, 2013 to August 12, 2013. prepared in general accordance with the scope and limitations of ASTM Designation E 1527-2005, Standard Practice for Env Environmental Site Assessment Process. The purpose of the Phase I ESA Reports was to identify any existing or potential rec (RECs) at our initial properties, which means the presence or likely presence of any hazardous substances or petroleum prod under conditions that indicate an existing release, a past release or a material threat of a release of any hazardous substances or our initial properties or into the ground, groundwater or surface water of our initial properties. Intrusive sampling and analysis environmental site assessments.

Based on the Phase I ESA Reports, the independent environmental consultants did not identify any RECs that warranted furthe investigation at any of our initial properties.

It is our operating policy to obtain a Phase I ESA Report conducted by an independent and experienced environmental consulta
Phase I ESA Report were to recommend a Phase II environmental assessment be conducted, we would conduct a Phase II envi
Phase II environmental site assessment update report, in each case by an independent and experienced environmental consultan

We are not aware of any non-compliance with environmental laws at any of our initial properties that we believe would have a
are not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with
would materially adversely affect us or the values of our initial properties, taken as a whole, as determined by the independent
our Advisor will implement policies and procedures to assess, manage and monitor environmental conditions at our initial prop
potential liability. See Risk Factors Risk Factors Related to the Real Estate Industry Environmental Matters.

Table of Contents

Regulation

General

Our initial properties are subject to various covenants, laws, ordinances and regulations, including regulations relating to comm
requirements. We believe that each of our initial properties has the necessary permits and approvals to operate its business.

Americans With Disabilities Act

Our initial properties must comply with Title III of the ADA to the extent that such properties are public accommodations as
require removal of structural barriers to access by persons with disabilities in certain public areas of our properties where such
Although we believe that our initial properties are substantially in compliance, some of our properties may currently be in nonc
noncompliance could result in the incurrence of additional costs to attain compliance, the imposition of fines or an award of da
obligation to make readily achievable accommodations is an ongoing one and we will continue to assess our properties and to r
respect.

Insurance

Upon completion of this offering, we will carry commercial insurance with the policy specifications and insured limits that ma
adequate for all our properties given the relative risk of loss, the cost of the coverage and industry practice. However, our insur
fully cover our losses. There are types of losses at the property level, generally catastrophic in nature, such as losses due to war
floods, wind damage, hurricanes, pollution or environmental matters, which are uninsurable or not economically insurable, or r
such as large deductibles or co-payments. We may not have adequate coverage for such losses. If any of our properties incurs a
the value of our assets will be reduced by any such uninsured loss. In addition, our title insurance policies may not insure for th
our initial properties, and we do not intend to increase our title insurance coverage as the market value of our initial properties i

Competition

We believe that the market for high-quality office properties with stable tenants is highly competitive. Competition for office p
number of other real estate investors, including domestic and foreign corporations and financial institutions, publicly traded an
institutional investment funds, investment banking firms, life insurance companies and pension funds, some of which have gre
We do, however, believe that our target markets contain fewer, well capitalized buyers.

In operating and managing our portfolio, we will compete for tenants based on a number of factors, including location, rental r
to design space to meet prospective tenants needs and the manner in which the property is operated, maintained and marketed
may encounter significant competition to renew or re-let space in light of the large number of competing properties within the r
result, we may be required to provide rent concessions or abatements, incur charges for tenant improvements and other inducer
rights or below-market renewal options, or we may not be able to timely lease vacant space, all of which would adversely impa

We also face competition when pursuing acquisition opportunities. Our competitors may be able to pay higher property acquisi
to opportunities not available to us and otherwise be in a better position to acquire a property. Competition may also have the e
suitable acquisition opportunities available to us, increase the price required to consummate an acquisition opportunity and gen
commercial office space in our target markets. Likewise, competition with sellers of similar properties to locate suitable purcha
proceeds from a sale or in us not being able to dispose of a property at a time of our choosing due to the lack of an acceptable r

Table of Contents

Promoter

Second City has taken the initiative in founding and organizing our company and may therefore be considered a promoter of ou
applicable securities laws. Upon the completion of this offering and the formation transactions, the number and percentage of c
Second City is set forth under the heading Structure and Formation of Our Company. The consideration to be paid for our in
heading Structure and Formation of Our Company.

Employees

We do not currently have any employees and do not expect to have any employees in the foreseeable future. Currently, services
provided by our Administrator pursuant to the terms of the Advisory Agreement. Each of our executive officers is an employee
employee of our Advisor, Anthony Maretic, our chief financial officer, will dedicate substantially all of his time to us. Howeve
employees of our Advisor will spend substantial time on our matters during calendar year 2014. To the extent that we acquire n
the number of employees of our Advisor who devote time to our matters will increase and the number of our Advisor s employ
any, where we buy properties will also increase.

Our Administrator

Our Advisor will enter into the Administration Agreement with our Administrator, an affiliate of the Second City Group, upon
Pursuant to the Administration Agreement, our Advisor has access to the Second City Group s employees, infrastructure, busi
expertise, information technologies, capital raising capabilities, legal and compliance functions, and accounting, treasury and in
our Advisor to fulfill its responsibilities under the Advisory Agreement. The Administration Agreement will terminate upon ter

Principal Executive Offices

Our principal executive offices are located at Suite 2600, 1075 West Georgia Street, Vancouver, British Columbia, V6E 3C9.

Legal Proceedings

From time to time, we may be party to various lawsuits, claims and other legal proceedings that arise in the ordinary course of o
party, as plaintiff or defendant, to any legal proceedings that we believe to be material or which, individually or in the aggregat
material effect on our business, financial condition, cash flows or results of operation if determined adversely to us.

Table of Contents

MANAGEMENT

General

We are externally managed by our Advisor. Pursuant to the terms of the Advisory Agreement, our Advisor provides us with ou
officers, along with appropriate support personnel. Each of our officers is an equity holder of our Advisor. We do not have any
will at all times remain subject to the supervision and oversight of our board of directors.

Executive Officers and Directors

Set forth below is information concerning our directors and executive officers as of the date of this prospectus and the persons
upon the completion of this offering, whom we refer to as our director nominees. Unless otherwise indicated, the business addr
executive officers is 1075 West Georgia Street, Suite 2600, Vancouver, British Columbia, Canada V6E 3C9.

Name	Age	P
James Farrar	38	Chief Executive Officer, Directo
Gregory Tylee	42	Chief Operating Officer, Preside
Anthony Maretic	41	Chief Financial Officer, Secretar

Backgrounds of Executive Officers and Directors

Set forth below is information concerning our executive officers, directors and director nominees identified above. Our board o
member, who will be subject to re-election at our next annual meeting of stockholders. We expect to expand the size of our boa
Our executive officers were appointed by the board of directors to serve in their current roles. Each executive officer is appoint
by the board of directors and until a successor has been chosen and qualified or until such officer s death, resignation or remov

James Farrar

Mr. Farrar has over 15 years of experience in the private equity, real estate and corporate finance industry. He joined Second C
director and has completed approximately $400 million of acquisitions since its launch in the spring of 2010. From August 200
Mr. Farrar served as the Vice President of Ken Fowler Enterprises Limited, a family office with a diversified portfolio concent
hospitality sectors. At Ken Fowler Enterprises Limited, Mr. Farrar was responsible for leading acquisitions, divestitures and po
Farrar was an investment professional with TD Capital, the private equity unit of the TD Bank. Mr. Farrar has extensive experi
with a combined enterprise value in excess of $1 billion and has completed over $500 million of financing transactions. Mr. Fa
the audit committee of BENEV Capital Inc. Mr. Farrar received a bachelor s degree in business administration from Wilfrid L
accountant, a chartered business valuator and a CFA charterholder.

Gregory Tylee

Mr. Tylee has over 15 years of diverse real estate experience that includes acquisitions of various types of income producing p
development. He joined Second City in May 2010 and has been primarily responsible for sourcing, underwriting and acquiring
States. He has been involved in real estate transactions with a combined enterprise value of approximately $1.5 billion over the
relationships with real estate operators, lenders and brokers. Mr. Tylee held both the vice president of acquisitions and presiden
May 2008 to October 2012, a prominent real estate development company based in Vancouver, Canada, with over 400 employ
involved in all aspects of Bosa s decision-making with a primary responsibility for growing the business through new acquisit
degree in accounting from Brock University and is a chartered accountant.

101

Table of Contents

Anthony Maretic

Mr. Maretic has over 15 years of experience in senior financial and operational roles, of which 10 years were spent within the r
Second City Group in May of 2013, Mr. Maretic served as the chief operating officer and chief financial officer of Earls Restau
premier privately held restaurant companies from 2006 to March of 2013. Mr. Maretic s experience in the real estate industry i
officer for Wilkinson Good Neighbor Communities REIT, a $230 million portfolio of U.S. based senior living facilities where h
October 2006. Mr. Maretic has also held several financial management positions with Bentall Capital Limited Partnership, one
estate advisory companies, and its predecessor, Bentall Corporation, which was a $2 billion public real estate company listed o
Mr. Maretic is a chartered accountant and holds a bachelor s degree in commerce and business administration from the Univer

Board of Directors

Composition of Our Board of Directors

Our business and affairs are managed under the direction of our board of directors. Immediately following the completion of th
four members of our board of directors will be independent, as permitted by the applicable rules of the NYSE. Within one year
offering, the board of directors will include a majority of independent directors under the applicable rules of the NYSE. The dir
or decrease the size of the board of directors. Upon completion of this offering, we expect that our board of directors will consi
directors has determined that , , and are independent as defined under the rules of th

We expect our board members collectively will have the experience, qualifications, attributes and skills to effectively oversee t
including a high degree of personal and professional integrity, an ability to exercise sound business judgment on a broad range
background to have an appreciation of the issues facing our company, a willingness to devote the necessary time to board dutie
best interests of our company and our stockholders and a dedication to enhancing stockholder value.

Committees of the Board of Directors

Upon consummation of this offering, our board of directors will have three standing committees: an audit committee, a compen
and corporate governance committee. The members of each committee will be appointed by the board of directors and will serv
and qualified, unless they are earlier removed or resign. Each of the committees will report to the board of directors as it deems
request. The composition, duties and responsibilities of these committees are set forth below. In the future, our board of directo
it deems appropriate, to assist it with its responsibilities.

Audit Committee

Upon the completion of this offering, our board of directors will establish an audit committee that consists of at least two direct
with us. In compliance with NYSE rules, we expect our audit committee will include at least three members, all of whom will b
listing date of our common stock on the NYSE. We expect that our board of directors will determine that each of these member
rules of the NYSE.

Our audit committee will, among other matters, oversee (1) our financial reporting, auditing and internal control activities; (2) t
financial statements; (3) our compliance with legal and regulatory requirements; (4) the qualifications and independence of our
performance of our internal audit function and independent auditors; and (6) our overall risk exposure and management. Duties
include the following:

- annually review and assess the adequacy of the audit committee charter and the performance of the audit com

102

Table of Contents

- be responsible for the appointment, retention and termination of our independent auditors and determine the c auditors;
- review the plans and results of the audit engagement with the independent auditors;
- evaluate the qualifications, performance and independence of our independent auditors;
- have sole authority to approve in advance all audit and non-audit services by our independent auditors, the sc therefor;
- review the adequacy of our internal accounting controls;
- meet at least quarterly with our executive officers, internal audit staff and our independent auditors in separat
- prepare the audit committee report required by the SEC regulations to be included in our annual proxy statem

will serve on the audit committee upon the consummation of this offering, with serving as the chair of the committee will have the power to investigate any matter brought to its attention within the scope of its duties and to retain coun appropriate. The board of directors has determined that qualifies as an audit committee financial expert, as such te The designation does not impose on any duties, obligations or liabilities that are greater than those generally imposed and our board of directors. Our board of directors will adopt a written charter for the audit committee, which will be available c completion of this offering. The information on our website is not part of, and is not incorporated into, this prospectus or the re a part.

Compensation Committee

Upon completion of this offering, our compensation committee will consist of and will serve as the cha compliance with NYSE rules, we expect that our compensation committee will be composed only of directors who are indepen our common stock.

The compensation committee will have the sole authority to retain, and terminate, any compensation consultant to assist in the and to approve the consultant s fees and the other terms and conditions of the consultant s retention. The compensation comm matters:

- reviewing and approving on an annual basis the corporate goals and objectives relevant to our chief executive evaluating our chief executive officer s performance in light of such goals and objectives and determining an chief executive officer based on such evaluation;
- reviewing and approving the compensation, if any, of all of our other officers;

- reviewing our executive compensation policies and plans;
- evaluating the performance of our officers;
- evaluating the performance of our Advisor;
- overseeing plans and programs related to the compensation of our Advisor, including fees payable to our Adv
Agreement;
- oversee the compensation of our Administrator, including fees payable to our Administrator pursuant to the A

103

Table of Contents

- administer the issuance of any common stock or other equity awards issued to personnel of our Advisor or its

- preparing compensation committee reports;

- assist management in complying with our proxy statement and annual report disclosure requirements;

- discuss with management the compensation discussion and analysis required by the SEC regulations; and

- prepare a report on executive compensation to be included in our annual proxy statement.

Nominating and Corporate Governance Committee

Upon completion of this offering, our nominating and corporate governance committee will consist of and nominating and corporate governance committee. In compliance with NYSE rules, we expect that our nominating and corporat composed only of directors who are independent within one year of the listing of our common stock. The nominating and corpo among other matters:

- identify individuals qualified to become members of our board of directors and ensure that our board c and its membership consists of persons with sufficiently diverse and independent backgrounds;

- develop, and recommend to our board of directors for its approval, qualifications for director candidate qualifications with our board of directors;

- review the committee structure of our board of directors and recommend directors to serve as member board of directors;

- review and recommend committee slates annually and recommend additional committee members to f

- develop and recommend to our board of directors a set of corporate governance guidelines applicable t such guidelines and recommend changes to our board of directors for approval as necessary; and

- oversee the annual self-evaluations of our board of directors and management.

Compensation Committee Interlocks and Insider Participation

No member of the compensation committee was at any time after the date of our formation, or currently is, an officer or employ of the compensation committee had any relationship with us requiring disclosure under Item 404 of SEC Regulation S-K. None the past has served, as a member of the board of directors or compensation committee, or other committee serving an equivalen or more executive officers who serve as members of our board of directors or our compensation committee.

Role of Our Board of Directors in Risk Oversight

One of the key functions of our board of directors is informed oversight of our risk management process. Our board of director
directly, with support from the three standing committees to be established upon the completion of this offering, our audit comm
and our nominating and corporate governance committee, each of which will address risks specific to its respective areas of ove
committee will have the responsibility to consider and discuss our major financial risk exposures and the steps our managemen
exposures, including guidelines and policies to govern the process by which risk assessment and management is undertaken. O
compliance with legal and regulatory

requirements, in addition to oversight of the performance of our internal audit function. Our compensation committee will asse
compensation policies and programs have the potential to encourage excessive risk-taking. Our nominating and corporate gove
oversight with respect to corporate governance and ethical conduct and will monitor the effectiveness of our corporate governa
such guidelines are successful in preventing illegal or improper liability-creating conduct. All committees report to the full boa
matter rises to the level of a material or enterprise level risk. In addition, the board of directors receives detailed regular reports
management and other personnel that include assessments and potential mitigation of the risks and exposures involved with the

Code of Business Conduct and Ethics

In connection with this offering, our board of directors will adopt a code of business conduct and ethics that establishes the star
all of our directors, officers, employees, our Advisor and its employees who provide services to us, consultants and contractors
among other things, competition and fair dealing, conflicts of interest, financial matters and external reporting, compliance wit
and regulations, company funds and assets, confidentiality and corporate opportunity requirements and the process for reportin
employee misconduct, conflicts of interest or other violations. Any waiver of our code of ethics with respect to our chief execu
chief operating officer, controller or persons performing similar functions may only be authorized by our nominating and corpo
be promptly disclosed as required by law and NYSE regulations and posted on our website. Amendments to the code must be a
will be promptly disclosed and posted on our website (other than technical, administrative or non-substantive changes). Our co
on our website at www.cityofficereit.com and in print to any stockholder who requests a copy. The information on, or accessib
and is not incorporated into, this prospectus or the registration statement of which it forms a part.

Corporate Governance Guidelines

Our board of directors will adopt corporate governance guidelines that serve as a flexible framework within which our board o
These guidelines will cover a number of areas including the size and composition of our board of directors, board membership
director responsibilities, board agenda, roles of the chairman of the board and chief executive officer, meetings of independent
and assignments, board member access to management and independent advisors, director communications with third parties, c
orientation and continuing education, evaluation of senior management and management succession planning. Our nominating
will review our corporate governance guidelines at least once a year and, if necessary, recommend changes to our board of dire
directors will adopt independence standards as part of our corporate governance guidelines. A copy of our corporate governanc
website at www.cityofficereit.com. Information on, or accessible through, our website is not part of, and is not incorporated int
statement of which it forms a part.

Limitations on Liabilities and Indemnification of Directors and Officers

For information concerning limitations of liability and indemnification applicable to our directors and officers, see Certain Pr
Charter and Bylaws Limitation of Liability and Indemnification of Directors and Officers.

Executive and Director Compensation

For a discussion of our director compensation arrangements, see Executive and Director Compensation Director Compensati

Table of Contents

EXECUTIVE AND DIRECTOR COMPENSATION

The services necessary for the operation of our business are provided to us by our officers and other employees of our Advisor of the Advisory Agreement. Because our executive officers are employees of our Advisor, we do not have employment agreem with any of our executive officers, nor do we offer any cash compensation, pension benefits, non-qualified deferred compensat change-in-control payments. Since our formation, we have not paid any compensation, or provided any benefits, to our executi other than the equity compensation provided in connection with this offering. Specifically, at the completion of this offering, pu we intend to grant restricted stock units to Mr. Farrar, restricted stock units to Mr. Tylee and restricted vest ratably over three years beginning on the first anniversary of the completion of this offering, subject to such person s cont restricted stock units carry the right to receive dividends, which will be reinvested in shares of our common stock and delivered subject to, satisfaction of the vesting criteria applicable to the related restricted stock units.

Equity Incentive Plan

Although we do not provide cash compensation to our executive officers, we have adopted our equity incentive plan (the Equ mechanism to align the interests of our directors, executive officers and certain other service providers, including our Advisor, The Equity Incentive Plan also provides a mechanism for us to provide additional compensation to attract and retain qualified d event we do hire employees, employees, although we have no current plans to do so. The material terms of the Equity Incentive

Administration

The Equity Incentive Plan will be administered by our board of directors (the plan administrator). The plan administrator wi and interpret the Equity Incentive Plan; to authorize the granting of awards; to determine the eligibility of individuals to receive Plan; to determine the number of shares of common stock to be covered by each award (subject to the individual participant lin Incentive Plan); to determine the terms, provisions and conditions of each award (which may not be inconsistent with the terms prescribe the form of agreement evidencing awards; and to take any other actions and make all other determinations that it deer connection with the Equity Incentive Plan or the administration or interpretation thereof. In connection with this authority, the p things, establish performance goals that must be met in order for awards to be granted or to vest, or for the restrictions on any s administering the Equity Incentive Plan will consist of directors, each of whom is intended to be, to the extent required by Rule non-employee director and will, at such times as we are subject to Section 162(m) of the Code, qualify as an outside director fo Code.

Available Shares

The Equity Incentive Plan provides for grants of restricted common stock, phantom shares, stock options and other equity-base of shares available for issuance under the plan. The maximum number of shares that may be issued under the Equity Incentive maximum number of shares that may underlie awards in any one year to any eligible person may not exceed , subject changes in our capitalization, including share splits and share dividends. To the extent an award granted under the Equity Incen shares subject to any portion of the award that expires or terminates without having been exercised or paid, as the case may be, issuance of additional awards. In addition, if any phantom shares are paid out in cash, the underlying shares may again be made Equity Incentive Plan. Unless previously terminated by our board of directors, no new award may be granted under the Equity anniversary of the date that such plan was initially approved by our board of directors.

Table of Contents

Awards Under the Equity Incentive Plan

Restricted Shares of Common Stock. A restricted share award is an award of shares of common stock that is subject to restrictio
restrictions, if any, that the plan administrator may impose at the date of grant. Grants of restricted shares of common stock ma
determined by the plan administrator. The restrictions may lapse separately or in combination at such times and under such circ
limitation, a specified period of employment or the satisfaction of pre-established criteria, in such installments or otherwise, as
Except to the extent restricted under the award agreement relating to the restricted shares of common stock, a participant grante
has all of the rights of a stockholder, including, without limitation, the right to vote and the right to receive dividends on the res
although dividends paid with respect to unvested restricted shares of common stock may be subject to satisfaction of the vestin

Phantom Shares. Phantom shares, when issued, will reduce the number of shares available for grant under the Equity Incentive
applicable award agreement. A phantom share represents a right to receive the fair value of a share of common stock, or, if pro
right to receive the fair value of a share of common stock in excess of a base value established by the plan administrator at the t
generally be settled in cash or by transfer of shares of common stock (as may be elected by the plan administrator). Unless othe
administrator, the holders of awards of phantom shares will be entitled to receive dividend equivalents, which shall be payable
on outstanding shares.

Stock Options. A stock option award is an award of the right to purchase a specific number of shares of common stock at a fixe
date of grant. Stock option awards may either be incentive or non-qualified stock options, provided that incentive stock options
The exercise price of such options must equal at least the fair market value of our common stock on the date of grant. An incen
who owns more than 10% of the total combined voting power of all classes of our stock, or of certain of our subsidiary corpora
of five years and must have an exercise price of at least 110% of the fair market value of our common stock on the grant date. T
the methods of payment of the exercise price of an option, which may include cash, shares or other property acceptable to the p
provisions of the Equity Incentive Plan, the plan administrator determines the remaining terms of the options (e.g., vesting). Af
participant may exercise his or her option, to the extent vested as of such date of termination, for the period of time stated in his
termination is due to death or disability, the option, to the extent vested, generally will remain exercisable for 12 months. In all
remain exercisable for three months following the termination of service. However, in no event may an option be exercised late
participant shall have no rights as a stockholder until the participant exercises the option and the stock certificate is issued to th

Other Share-Based Awards. The Equity Incentive Plan authorizes the granting of other awards based upon shares of our comm
securities convertible into shares of common stock and share appreciation rights), subject to terms and conditions established at
administrator. The Equity Incentive Plan also permits the grant of operating partnership long-term incentive plan units (LTIP
of units in our operating partnership. Each LTIP Unit awarded by the plan administrator will be equivalent to an award of one s
available for issuance under the Equity Incentive Plan on a one-for-one basis. In addition to the provisions of the Equity Incenti
to the provisions of our partnership agreement.

Performance Awards. The plan administrator may, in its discretion, grant awards intended to qualify as performance-based con
Section 162(m) of the Code. Such performance-based awards will result in a payment to a participant only if performance goals
are achieved, as determined by the plan administrator, and any other applicable vesting provisions are satisfied. The plan admin
goals in its discretion, in compliance with the requirements of Section 162(m) of the Code, which, depending on the extent to w
number and/or the value of shares of common stock to be paid out to participants. For purposes of such awards, the performanc
following, as determined by the plan administrator: . For all purposes in connection with the grant and administr

Table of Contents

as performance-based compensation for purposes of Section 162(m) of the Code, the plan administrator shall either be the com
committee complying with the requirements of Section 162(m) of the Code.

Change in Control

Under the Equity Incentive Plan, a change in control is generally defined as the occurrence of any of the following events: (i) t
our voting shares by any person; (ii) the sale or disposition of all or substantially all of our assets; (iii) a merger, consolidation
stockholders immediately prior to such event hold less than 50% of the voting power of the surviving or resulting entity; (iv) d
our directors, including subsequent directors recommended or approved by our directors, at the beginning of such period cease
of our board of directors; or (v) stockholder approval of our liquidation or dissolution.

Upon a change in control, the plan administrator may make such adjustments to the Equity Incentive Plan as it, in its discretion
appropriate in light of the change in control.

Amendments and Termination

Our board of directors may amend, alter or discontinue the Equity Incentive Plan but cannot take any action that would impair
grants previously made without such grantee s consent. The plan administrator may amend the terms of any award granted un
prospectively or retroactively, but generally may not impair the rights of any participant without his or her consent.

U.S. Federal Income Tax Consequences

The following is a very general description of some of the basic U.S. federal income tax principles that apply to awards under t
an option will create no tax consequences for the participant or the company. A participant will have no taxable income upon e
except that the alternative minimum tax may apply. Upon exercise of a non-qualified option, a participant generally must recog
market value of the shares acquired minus the exercise price. Upon a disposition of shares acquired by exercise of an incentive
applicable incentive stock option holding periods, the participant generally must recognize ordinary income equal to the lesser
shares at the date of exercise minus the exercise price or (2) the amount realized upon the disposition of the option shares minu
participant s disposition of shares acquired upon the exercise of an option generally will result in capital gain or loss. Other aw
including restricted stock and phantom shares generally but excluding LTIP Units, will result in ordinary income to the particip
of cash or shares, or the time that either the risk of forfeiture or restriction on transferability lapses on previously delivered sha
taxed under partnership taxation rules, and the recipient generally will have no tax consequences until distributions are made w
as discussed below, we generally will be entitled to a tax deduction equal to the amount recognized as ordinary income by the
award, but will be entitled to no tax deduction relating to amounts that represent a capital gain to a participant. Thus, we will n
respect to an incentive stock option if the participant holds the shares for the incentive stock option holding periods.

Please note, the forgoing is general tax discussion and different tax rules may apply to specific participants and transactions un

Tax Considerations

Section 162(m) of the Code

Section 162(m) of the Code limits the deduction that a public corporation may claim for compensation paid to its chief executi
paid executive officers (other than its chief financial officer). The compensation deduction that may be claimed on account of a
executive officers is limited to $1 million per year. Compensation that qualifies as performance based compensation under S
to the deduction limit.

108

Table of Contents

A transition rule under Section 162(m) of the Code applies to compensation paid by the Company under an agreement or plan t
Company s initial public offering; provided that the prospectus for the offering disclosed the terms of the agreement or plan in
applicable securities law. The transition rule provides that compensation paid under such agreements before the end of a specifi
Section 162(m) deduction limit. Similarly, compensation paid pursuant to awards of restricted shares of common stock, options
under a plan, like the Equity Incentive Plan, before the end of the specified reliance period is not subject to the Section 162(m)
under the Equity Incentive Plan that are granted or paid before the end of the specified reliance period also are not subject to th
for the Company under the transition rule will generally expire on the date of the 201 annual meeting of the Company s stoc
entitled to rely on the relief provided under the transition rule so that Section 162(m) will not apply to compensation paid or aw
Incentive Plan before the end of the reliance period.

With respect to compensation that is not exempt from the deduction limit under this transition rule, our compensation committe
federal income tax deductibility of compensation paid to our named executive officers and thus may design compensation awar
as performance based compensation under Section 162(m) of the Code. However, in order to maintain flexibility in compen
manner designed to promote our corporate goals, including retaining and providing incentives to our named executive officers,
adopted a policy that all compensation must be deductible.

Section 409A of the Code

Section 409A of the Code requires that nonqualified deferred compensation be deferred and paid under plans or arrangemen
statute with respect to the timing of deferral elections, timing of payments and certain other matters. Failure to satisfy these req
other service providers to accelerated income tax liabilities, penalty taxes and interest on their vested compensation under such
matter, it is our intention to design and administer our compensation arrangements so that they are either exempt from, or satisf
of the Code.

Section 280G of the Code

Section 280G of the Code disallows a tax deduction with respect to excess parachute payments to certain executives of compan
control. In addition, Section 4999 of the Code imposes a 20% penalty on the individual receiving the excess payment.

Parachute payments are compensation that is linked to or triggered by a change in control and may include, but are not limited
payments, certain fringe benefits and payments and acceleration of vesting from long-term incentive plans including stock opti
compensation. Excess parachute payments are parachute payments that exceed a threshold determined under Section 280G of t
compensation. In approving the compensation arrangements for our named executive officers in the future, our compensation c
the cost to our company of providing such compensation, including the potential impact of Section 280G of the Code. Howeve
in its judgment, authorize compensation arrangements that could give rise to loss of deductibility under Section 280G of the Co
under Section 4999 of the Code when it believes that such arrangements are appropriate to attract and retain executive talent.

Accounting Standards

Financial Accounting Standards Board Accounting Standards Codification 718, Compensation Stock Compensation (ASC T
expense for the fair value of equity-based compensation awards. Grants of stock options, restricted stock, restricted stock units
equity incentive award plans will be accounted for under ASC Topic 718. Our compensation committee will regularly consider
significant compensation decisions, especially in connection with decisions that relate to our equity incentive

Table of Contents

award plans and programs. As accounting standards change, we may revise certain programs to appropriately align accounting
our overall executive compensation philosophy and objectives.

Director Compensation

We have not paid any cash compensation or granted any equity awards to any of the members of our board of directors since ou
formation transactions prior to or concurrently with the completion of this offering, our board of directors will establish a comp
non-employee directors. We do not have, and we do not currently intend to adopt, any plans or programs for our directors that p
deferral of compensation.

Each non-employee director is expected to receive an annual base fee for his or her services of $. In addition, each non-em
audit, compensation and nominating and corporate governance committees is expected to receive an annual cash retainer of $
directors is expected to receive an additional annual cash retainer of $, the chair of the audit committee is expected to re
retainer of $ and the chairs of the compensation and nominating and corporate governance committees are expected to rece
of $.

We will also reimburse our non-employee directors for reasonable out-of-pocket expenses incurred in connection with the perfo
including, without limitation, travel expenses in connection with their attendance in-person at board of directors and committee

Directors who are employees or a partner of our Advisor will not receive any compensation from us for their services as directo

110

Table of Contents

OUR ADVISOR AND THE ADVISORY AGREEMENT

Our Advisor

We will be externally managed by our Advisor. The principals of our Advisor control the general partners of Second City. Our
Gregory Tylee and Gibralt, a corporation indirectly owned by Samuel Belzberg, who collectively also hold, in the aggregate, a
the general partner of Second City. Second City began its investment activities in the spring of 2010 and was founded by Mr. F
Belzberg founded First City Financial in the 1970s, built the company into a multi-billion dollar financial services organizatio
America and Europe and founded a real estate company in the 1990s which at its peak operated 26 real estate projects through
ultimately sold to the Blackstone Group. In addition, Mr. Belzberg has been active in various real estate markets in the United
has obtained commitments for equity capital of over $100 million from institutional investors and high net worth individuals a
a cost of approximately $400 million across a variety of asset classes in the United States. Mr. Farrar, Mr. Tylee and Mr. Mare
our Advisor and have approximately 50 years of combined experience in real estate acquisitions, management and finance. Se
complexes totaling approximately 1.35 million square feet in Arizona, Colorado, Florida and Texas. These properties are not b
initial properties due to the relatively low cash flow associated with these non-stabilized, value-add properties. Second City als
apartment units in Texas and New York and 330 acres of land held for future development in California and Texas, which are
believe Second City s acquisition and investment activities in many of our target markets will provide us with ready access to
opportunities**.**

After completion of this offering, the principals of our Advisor, through the ownership of our common units, will beneficially
our company on a fully diluted basis, which we believe aligns their interests with those of our stockholders.

Advisory Agreement

In connection with this offering, we and our operating partnership will enter into the Advisory Agreement with our Advisor pu
provide management and advisory services. The Advisory Agreement requires our Advisor to manage our business affairs in c
investment guidelines that are approved and monitored by our board of directors.

Our Advisor will provide us with the following management services (the Advisory Services):

- Provide the services of our Advisor s senior management team to act as our chief executive officer, chief op
financial officer;

- Advise our board of directors on strategic matters, including potential acquisitions, dispositions, financings a

- Advise and assist with borrowing, issuances of securities and other capital raising requirements, including as
banks and other lenders, investment dealers and investors;

- Identify, evaluate, recommend and assist in the structuring of acquisitions, dispositions, financings and other

- Develop and implement business plans and annual budgets and monitor our financial performance;

- Advise with respect to investor relations strategies and activities;

- Advise with respect to regulatory compliance requirements, risk management policies and any litigation matt

111

Table of Contents

- Provide guidance to the managers of the properties in our portfolio on operating expenses, lease negotiation t

- Make recommendations with respect to the payment of distributions, including dividends;

- Supervise our compliance with the REIT provisions of the Code and our qualification as a REIT, including s stockholders and complying with the applicable provisions of our governing instruments;

- Supervise the preparation of all financial statements, financial reports, management discussion and analysis a

- Report directly to the audit committee of our board of directors with respect to all financial matters;

- Supervise our disclosure policy and review all news releases and other public announcements;

- Assist us with our public financial reporting and disclosure-related responsibilities;

- Assist us on all strategic and tactical matters as they relate to accounting, budget management, cost benefit ar forecasting needs;

- Provide guidance on the development of a financial and operational strategy, and the ongoing development a designed to preserve our assets and reporting of accurate financial results;

- Serve as our and our subsidiaries consultant with respect to the periodic review (no less often than annually parameters for the acquisition of properties, financing activities and operations, any modifications to which s independent directors, and other policies for approval by our board of directors;

- Provide (i) executive and administrative personnel, office space and office services required in rendering serv and (ii) provide to us, at the request of our board of directors, the services of our Advisor s senior managem officer, chief operating officer and chief financial officer of the Company;

- Administer the day-to-day operations and performing and supervising the performance of such other adminis our subsidiaries management as may be agreed upon by our Advisor and our board of directors;

- Furnish reports and statistical and economic research to us regarding our and our subsidiaries activities and subsidiaries by our Advisor;

· Assist us in qualifying to do business in all applicable jurisdictions and to obtain and maintain all appropriate

· With respect to prospective purchases, sales or exchanges of properties, conduct negotiations on our and our
purchasers and brokers and, if applicable, their respective agents and representatives;

· Cause us to retain qualified accountants and legal counsel, as applicable, to assist in developing appropriate a
systems, internal controls and other compliance procedures and testing systems with respect to financial repo

· Evaluate and recommend to our board of directors hedging strategies and engage in hedging activities on our
qualification as a REIT and the investment guidelines;

112

- Assist us in taking all necessary action to enable us to make required tax filings and reports, including solicit the extent required by the Code applicable to REITs;

- Handle and resolve all claims, disputes or controversies (including all litigation, arbitration, settlement or oth which we or our subsidiaries may become subject arising out of our or our subsidiaries day to day operations to such limitations as may be imposed by our board of directors;

- Use commercially reasonable efforts to cause expenses incurred by us or our subsidiaries (or on our or their b or commercially customary and within any budgeted parameters or guidelines established by our board of di

- Use commercially reasonable efforts to cause the Company to comply with all applicable laws;

- Maintain the Company s website; and

- Any additional services as may from time-to-time be agreed to in writing by our Advisor and us for which ou compensated on terms to be agreed upon between our Advisor and us prior to the provision of such services.

Our Advisor will not, individually or in partnership or jointly or in conjunction with any person, directly or indirectly, (a) creat focused on the ownership of Suitable Properties (defined below), (b) invest in, or finance the purchase of, assets which constitu investment criteria, unless they have been first offered to us (on no less favorable terms) and we have declined to purchase such employees away from us or our facilities, or otherwise interfere with the relationships that we have with such persons, each as f Interest.

Suitable Properties means (x) developed commercial real estate properties (i) where at least 85% of the gross leasable area is leases in place for at least 85% of the gross leasable area of the building and (iii) with leases that have, in the aggregate, a weig footage) of at least three years remaining at the time of acquisition or (y) any undeveloped or unimproved real property that is c

Advisory Fee and Acquisition Fee

Our Advisor will be paid the following fees for providing the Advisory Services:

(i) *Advisory Fee*. Annual base management fee, calculated and payable in cash in arrears on a monthly ba the value of common units that the Second City Group will receive in this offering in exchange for the multiplied by the sum of the net proceeds of this offering plus the difference between the equity adjust quarter and at the completion of this offering:

(0.5% x the Second City Group s common units x initial public offering price) +

(1.0% x (net proceeds of this offering + (stockholders equity at the end of the applicable month + accumulated dep

following the completion of this offering through the balance sheet date of the applicable month - stockhold

completion of this offering))).

(ii) *Acquisition Fee*. An acquisition fee equal to 1.0% of the gross purchase price of each property (other t
closing of each acquisition. Up to one-third of the acquisition fee may be paid in stock at the discretio
Our Advisor will use a portion of the proceeds from its advisory fee to pay our Administrator for services provided pursuant to

113

Table of Contents

Expense Reimbursement

We will also reimburse our Advisor for all reasonable out-of-pocket expenses in connection with the Advisory Services (includ
transaction costs incurred in connection with property acquisitions or out-of-pocket expenses associated with acquisition invest
assessments, building inspection reports, independent appraisals and travel costs).

Term and Termination

The Advisory Agreement has an initial four-year term and will automatically be renewed for additional one-year terms unless t

We shall have the right to terminate the Advisory Agreement without the payment of any fees (other than those accrued to date

(a) an event of default of our Advisor, including bankruptcy, insolvency, fraud, willful misconduct, gross neg
material uncured breach (subject to 30 days prior written notice and provided that such breach is not cured w
curable within such 30 day period, such longer period as may be necessary provided that our Advisor is dilig

(b) a Change of Control (as defined below) of our Advisor (other than internal transfers); and

(c) the election of the board of directors to internalize, such election being able to be made on the earlier of (i) fo
completion of this offering and (ii) such time as we have achieved an Internalization Event (as defined bel

We shall also have the right to terminate the Advisory Agreement, but we must pay the Advisor a fee equal to three times the a
twelve months preceding the termination, as a result of a Change of Control of our company, provided that our Advisor is notif
within 90 days of such Change of Control.

Our Advisor shall have the right to terminate the Advisory Agreement and receive a termination fee equal to three times the am
twelve months preceding the termination as a result of:

(a) an event of default of our company (subject to 60 days prior written notice and provided that such breach is n
period or within the subsequent 30 day period); and

(b) a Change of Control of our company, provided that our Advisor notifies us of such election to terminate with

Change of Control means the direct or indirect acquisition by any person, or group of persons, acting jointly or in concert, o
than 50% of the votes attaching, collectively, to outstanding voting shares of us or our Advisor, as applicable.

Internalization Event shall mean our company has achieved a fully-diluted equity market capitalization of $500 million base
of the shares on the NYSE over 20 consecutive trading days.

Grants of Equity Compensation to Employees of Our Advisor

Pursuant to the Advisory Agreement, we will grant employees of our Advisor a number of restricted stock units under our Equi
3.0% of the total shares issued at the completion of this offering (exclusive of any shares issued pursuant to exercise of the und

vesting ratably over three years beginning on the first anniversary of this offering. Future awards will be at the discretion of our
purposes of the foregoing, the number of total shares will be calculated as if all common units, other than common units held by
common stock.

Table of Contents

Real Estate Operation

Real estate operation services required for each of our initial properties are provided by experienced third-party office real estat
in the location of the property being managed. Fees to be paid to the local real estate operators will be at customary market rate
managed and, in most cases, includes in the operating costs of the office properties to be reimbursed by the tenants.

The real estate operation services of the local real estate operators will generally include: communicating with tenants; collecti
by tenants; subject to our prior consent, instituting litigation or other proceedings on behalf and in the name of our company; e
all contractual, statutory or municipal obligations with respect to the property; paying all operating costs and carrying charges a
operation of the property; reviewing and managing property taxes and assessments, maintaining proper books and records and
authorities as required; obtaining certificates of insurance from each tenant s insurer and ensuring the maintenance of such insu
which it is appropriate for a real estate operator to provide.

In some instances, as part of the Second City Group s acquisition strategy, the Second City Group obtained real estate operatio
from independent third parties that retained or acquired a minority interest in the buildings. Management intends to continue th
quality local operators with a meaningful investment in the properties provides a strong alignment of interests and serves to cre
opportunities. In addition, we intend to employ a compensation strategy for property managers and operating partners that prov
upon achieving certain objectives.

The management agreements for each of our initial properties include management fees of 2% to 3.5% of gross rental revenue,
Parkway property, which is self-managed by its sole tenant. Each of the management agreements sets out duties customarily ha
and includes termination rights for us with cause or, without cause, upon sale of the relevant property to a third party.

Our Administrator

Our Advisor will enter into the Administration Agreement with our Administrator, an affiliate of the Second City Group, upon
Pursuant to the Administration Agreement, our Advisor will have access to the Second City Group s employees, infrastructure
expertise, information technologies, capital raising capabilities, legal and compliance functions and accounting, treasury and in
our Advisor to fulfill its responsibilities under the Advisory Agreement. The Administration Agreement will terminate upon te

Table of Contents

CONFLICTS OF INTEREST

We are subject to conflicts of interest relating to our Advisor because, among other things:

- The Advisory Agreement was not negotiated at arm s length and may not be on terms as favorable as we co Pursuant to the Advisory Agreement, our Advisor will be obligated to supply us with substantially all of our

- Each of our executive officers and non-independent director nominees is also an owner of our Advisor. Thes interests in our relationships with our Advisor that are different than the interests of our stockholders. In part will have a direct interest in the financial success of our Advisor, which may encourage these individuals to s impact us based upon these considerations. As a result of these relationships, these persons have a conflict of our agreements and arrangements with our Advisor, which were not negotiated at arm s length, and the term arrangements may not be as favorable to us as if they had been negotiated with an unaffiliated third party. In potential conflict of interest, however, (a) the Advisory Agreement will include non-competition and non-sol respect to our Advisor and its affiliates, on the one hand, and our company, on the other hand, (b) we will ha rights with respect to Suitable Properties that our Advisor has selected and (c) we will not purchase any prop City Group or any of its affiliates without first obtaining the approval of the majority of our stockholders (ot our Advisor or its affiliates), each as described further below.

- Our Advisor may retain, for and on our behalf and at our sole cost and expense, such services of accountants brokers, transfer agents, registrars, developers, investment banks, valuation firms, financial advisors, due dili firms, banks and other lenders and others as our Advisor deems necessary or advisable in connection with ou Advisor shall have the right to cause any such services to be rendered by its employees or affiliates. Except a Agreement, we shall pay or reimburse our Advisor performing such services for the reasonable cost thereof, reimbursements are no greater than those which would be payable to outside professionals or consultants eng pursuant to agreements negotiated on an arm s length basis.

- Our Advisor may subcontract and assign its responsibilities under the Advisory Agreement to any of its affil the Advisory Agreement applicable to any such subcontract or assignment.

- Our Advisor s liability is limited under the Advisory Agreement and we have agreed to indemnify our Advi damages, liabilities, demands, charges and claims arising from acts or omissions of such indemnified parties of our Advisor s duties under the Advisory Agreement, (ii) willful misconduct, (iii) bad faith or (iv) gross ne experience poor performance or losses for which our Advisor would not be liable.

- The owners of our Advisor currently manage the Second City Group, which may raise other similar private e Group s acquisition strategy differs from our own in that it typically focuses on value-add real estate inve The role of the owners of our Advisor as managers of the Second City Group could place our Advisor in a po potential investment. See Preferential Acquisition Rights below.

Non-Competition and Non-Solicitation Provisions

Under the Advisory Agreement, without the prior approval of our independent directors, the Second City Group, our Advisor, t
Farrar, Anthony Maretic, Gregory Tylee and Samuel Belzberg, in their individual capacities, agree that they will not during the
(i) create or manage another public entity focused on the ownership of Suitable Properties, (ii) invest in, purchase or finance th

116

through any entity in which they have a management role that constitute Suitable Properties and meet our investment criteria u
(on no less favorable terms) and we have declined to purchase such assets (see Preferential Acquisition Rights below) or (i
Leasing below) and employees away from us or our facilities, or otherwise interfere with relationships that we have with our

Additionally, we will not purchase any properties from the Second City Group or any of its affiliates without first obtaining the
stockholders (other than the principals or our Advisor or its affiliates).

The provisions will remain in effect during the term of the Advisory Agreement, provided, however, that in the case of a termi
reason of an event of default by our Advisor, the provisions will remain in effect for an additional 12 months following the ter

Preferential Acquisition Rights

During the term of the Advisory Agreement, we will have a right of first opportunity to purchase any property or property inte
(whether within or outside our target market) and is being considered for potential acquisition by the Second City Group, any f
Group, our Advisor or any of their affiliates under common control (collectively, the Fund Affiliates) at the time of acquisiti
Offered Investment). Upon being notified in writing that a Fund Affiliate is considering the acquisition of a Suitable Propert
material transaction terms (including the contemplated purchase price), we shall have a period of 30 days to elect to acquire the
(or such lesser period as may be available under the circumstances from the vendors of the Offered Investment). At the time th
Investment to us, our Advisor will also provide its recommendation regarding whether the Offered Investment would be a suit
investment guidelines, our operating policies and other relevant investment considerations, and with an outline of all of the ma
Offered Investment then known to our Advisor, including relevant summary financial and property information. Exceptions to
include (a) a property that is adjacent to a property currently owned by the Second City Group or one of its affiliates, or (b) an
contractual obligations to joint venture partners prevent a sale to us.

Our independent directors will review our Advisor s recommendation regarding the Offered Investment and vote on our right
do not exercise our right to acquire the Offered Investment during the relevant period or expressly decline to acquire the Offer
paragraph (ii) below, we shall have conclusively waived any further rights with respect of the Offered Investment and (ii) the r
right to acquire the Offered Investment for a price not less than 95% of the price offered to us. In the event that the purchase pr
offered to us or the acquisition terms become materially different than those presented to us, then we shall have a period of five
from the relevant Fund Affiliate (or such lesser period as may be available, under the circumstances, from the vendors of the O
want to acquire the Offered Investment on such terms.

Other Activities of Our Advisor

Our Advisor will conduct itself professionally, ethically and otherwise as a prudent manager would with respect to the entire p
Advisor has advised us that it does not currently intend to provide management or advisory services to other entities but may d

Restrictions on Leasing

Our Advisor and its affiliates have agreed to not actively approach or solicit, directly or indirectly, any tenant that currently oc
we have an interest (a City Office Property) for the purpose of engaging in discussions relating to the negotiation of any leas
Advisor or any of its affiliates (a Managed Property). Notwithstanding the foregoing, in the event that a tenant of a City Off
broker to solicit proposals for a new lease and our Advisor or its relevant affiliate is contacted by such broker in relation to a M
promptly notify our independent directors of such proposal, following which it shall be entitled to respond to such proposal or
Managed Property.

117

Table of Contents

In the event that any current or prospective tenant (a Tenant) of a City Office Property approaches our Advisor for the purpo the negotiation of any lease at a Managed Property that is within a radius of three miles of any City Office Property, our Advis independent directors and keep them apprised of the status of negotiations with the Tenant and (ii) use its commercially reason opportunity to make a proposal to the Tenant to lease space in a City Office Property. Our Advisor will not be required to take doing so by confidentiality obligations explicitly required by the Tenant or its representatives, provided that our Advisor will u to cause the Tenant to waive any such confidentiality restrictions as it relates specifically to notifying our independent director to the Tenant.

In the event that the Tenant signs a lease in respect of a Managed Property, our Advisor shall provide to us on a confidential ba directors, the compensation committee or the nominating and corporate governance committee, an executed copy of such lease reasonably, is not prohibited from doing so by confidentiality obligations explicitly required by the Tenant or its representative

118

Table of Contents

CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS

Formation Transactions

All of the initial property interests that we will acquire in the formation transactions currently are owned by the Property Owne
with the completion of this offering, we will engage in the formation transactions described in Structure and Formation of Ou
consolidate the ownership of our initial properties into our operating partnership; facilitate this offering; enable us to raise nece
future indebtedness related to certain properties in our portfolio; enable us to qualify as a REIT commencing with our taxable y
preserve the tax position of certain continuing investors.

The following formation transactions have occurred or will occur prior to, or concurrently with, the completion of this offering
the midpoint of the initial offering price range set forth on the cover page of this prospectus:

- City Office REIT, Inc. was formed as a Maryland corporation on November 26, 2013. We intend to elect to b
that will allow us to qualify as a REIT commencing with our taxable year ending December 31, 2014.

- Our operating partnership was formed as a Maryland limited partnership on December , 2013.

- We intend to enter into an advisory agreement with our Advisor pursuant to which our Advisor will provide
us. See Our Advisor and the Advisory Agreement Advisory Agreement.

- We will sell shares of our common stock in this offering (additional shares if the underwriters
in full) and we will contribute the net proceeds to our operating partnership in exchange for common units. If
or any part of their over-allotment option, we will use all of the net proceeds from such exercise, if any, to re
issued to it in the formation transactions at a redemption price per common unit equal to the public offering p

- Pursuant to separate contribution agreements, each dated as of , 2014, the Second City Group will co
operating partnership their entire interests in the Property Ownership Entities in exchange for (i) com
aggregate value of approximately $, representing % of the total number of shares of our common s
fully diluted basis upon completion of this offering, and (ii) $, subject to certain adjustments. As a res
100% interest in each of the Washington Group Plaza, Cherry Creek and Corporate Parkway properties and w
approximate 76% interest in the AmberGlen property, 90% interest in the Central Fairwinds property and 95
Center property. The parties retaining the remaining interests in the AmberGlen, Central Fairwinds and City
conclusion of the formation transactions will not receive any common units, common stock or cash from us.

Benefits of the Formation Transactions to Related Parties

In connection with formation transactions and this offering, certain of our directors, executive officers and their affiliates will r
benefits as shown below. For a more detailed discussion of these benefits, see Structure and Formation of Our Company an

As a result of Second City Group s contribution of its interest to our operating partnership in the formation transactions:

- James Farrar, our chief executive officer and one of our directors, and his immediate family member v units with a value of approximately $, which represents % of the total number of shares of o fully diluted basis;

Table of Contents

- Gregory Tylee, our chief operating officer and president, and his immediate family member will benef with a value of approximately $, which represents % of the total number of shares of our co diluted basis;

- Anthony Maretic, our chief financial officer, secretary and treasurer, will beneficially own co approximately $, which represents % of the total number of shares of our common stock out

- Samuel Belzberg, chairman of our Advisor, will own common units with a value of approximate the total number of shares of our common stock outstanding on a fully diluted basis.

Contribution Agreements

The contribution agreements with the Second City Group provide that we will assume or succeed to all of the contributors rig with respect to the properties and the property entities contributed. They contain representations and warranties by the contribu respect to the condition and operations of the properties and interests to be contributed to us and certain other matters. We are n the contribution agreements unless our damages exceed 1% of the consideration paid to the contributors. In such cases, we will damages that exceeds 1% of the consideration paid to the contributors. In addition, the indemnification in the contribution agre the consideration paid to the contributors.

Advisory Agreement

In connection with this offering, we will enter into the Advisory Agreement with our Advisor pursuant to which our Advisor w services. The Advisory Agreement requires our Advisor to manage our business affairs in conformity with the policies and the approved and monitored by our board of directors.

The Advisory Agreement requires us to pay our Advisor an advisory fee and an acquisition fee and to reimburse it for various e annual base management fee, calculated and payable in arrears in cash on a monthly basis, equal to (i) 0.5% multiplied by the v City Group will receive in this offering in exchange for their contributed properties and (ii) 1.0% multiplied by the sum of the n difference between the equity adjusted for depreciation at the end of the quarter and at the completion of this offering:

(0.5% x the Second City Group s common units x initial public offering price) +

(1.0% x (net proceeds of this offering + (stockholders equity at the end of the applicable month + accumulated dep

following the completion of this offering through the balance sheet date of the applicable month - stockhol

completion of this offering))).

An acquisition fee equal to 1.0% of the gross purchase price of each property (other than our initial properties, and, with respec 1.0% of the gross purchase price of such property multiplied by our or our subsidiary s beneficial ownership interest in such jo each acquisition.

The Advisory Agreement has an initial four-year term and will automatically be renewed for additional one-year terms unless t upon prior notice. Our board of directors will have the option to internalize our management with no termination payment to ou equity market capitalization exceeds $500 million. While there is no termination payment associated with an internalization ev termination payment from us under certain limited circumstances. Upon completion of this offering, we will be prohibited from the Second City Group, which is composed of affiliates of our Advisor, without first obtaining the approval of the majority of o

the Advisory Agreement Advisory Agreement and Conflicts of Interest Non-Competition and Non-Solicitation Provisions

Our officers are also owners of our Advisor. As a result, the Advisory Agreement between us and our Advisor was negotiated b
including fees and other amounts payable, including grants of restricted

120

stock units to employees of our Advisor, may not be as favorable to us as if they had been negotiated with unaffiliated third par
Risk Factors Risks Associated With Our Advisor and the Advisory Agreement Our Advisor and certain of its affiliates may
interests of our common stockholders.

The Administration Agreement

Our Advisor has entered into the Administration Agreement with our Administrator, an affiliate of Second City, pursuant to wh
City s employees, infrastructure, business relationships, management expertise, information technologies, capital raising capab
and accounting, treasury and investor relations capabilities to enable our Advisor to fulfill its responsibilities under the Advisor
Agreement will terminate upon termination of the Advisory Agreement.

Partnership Agreement

In connection with the completion of this offering, we will enter into an amended and restated partnership agreement with the v
units in the formation transactions. As a result, these persons will become limited partners of our operating partnership. See D
Agreement of City Office REIT Operating Partnership, L.P. Upon completion of this offering, our directors and executive off
outstanding common units (% on a fully diluted basis, if the underwriters over-allotment option is exercised in full).

Pursuant to the partnership agreement, limited partners of our operating partnership and assignees of limited partners will have
the later of the completion of this offering or the date on which a person first became a holder of common units, to require our
or all of their common units for cash equal to the then-current market value of an equal number of shares of our common stock
subject to adjustment under the partnership agreement), or, at our election, to exchange their common units for shares of our co
subject to certain adjustments and the restrictions on ownership and transfer of our stock set forth in our charter and described u
of Stock Restrictions on Ownership and Transfer.

Registration Rights Agreement

Under the registration rights agreement, commencing not later than after the date of the completion of this offering, the S
executive officers (the applicable holders) are entitled to require us on up to occasions to register their common stoc
exceptions, limitations and conditions precedent. As promptly as reasonably practicable after we receive a demand notice from
event within days upon receipt of such notice, we are required to file with the SEC a registration statement and must use c
cause any such registration statement to become and remain effective as promptly as reasonably practicable after the filing ther
commercially reasonable efforts to keep the registration statements effective for up to ; provided that we have agreed to ke
shelf registration effective for up to one year, subject to certain conditions.

In addition, if we propose to file, at any time, a registration statement with respect to a public offering of securities of the same
to a firm commitment underwritten offering for our own account or for the account of any applicable holder of shares of comm
we must give notice of the proposed filing to the applicable holders of registrable shares at least before the anticipated fili
holders the opportunity to include in the registration statement such amount of registrable shares as they may request, subject to
provisions, pursuant to which we will have priority if the registration statement is being filed for our account. We will agree to
securities registrations described above. See Shares Eligible for Future Sale Registration Rights.

Indemnification and Limitation of Directors and Officers Liability

Effective upon completion of this offering, our charter and amended and restated bylaws will provide for certain indemnificatio
and we will enter into an indemnification agreement with each of our

121

directors and executive officers, providing for procedures for indemnification and advancements by us of certain expenses and
proceedings arising from their service to us or, at our request, service to other entities, as officers or directors or otherwise, to t
Maryland law. See Certain Provisions of Maryland Law and of Our Charter and Bylaws Limitation of Liability and Indemni

Tax Protection Agreements

Our operating partnership will enter into tax protection agreements with the Second City Group, on behalf of themselves and th
Protected Parties). Pursuant to the tax protection agreements, our operating partnership will agree not to sell, exchange or ot
the four years immediately following the completion of the formation transactions (the tax protection period) in a transactio
to realize built-in gain. All of our properties will have such built-in gain. If we sell one or more properties during the tax protec
subject to certain exceptions, will be required to pay to each Protected Party an amount equal to the U.S. federal, state and loca
built-in gain allocated to it or its owners, with the amount of such taxes being computed based on the highest applicable U.S. fe
rates, as well as the tax liabilities incurred as a result of such tax protection payment. Consequently, our ability to sell or dispos
substantially restricted by this obligation to make payments to the Protected Parties during the tax protection period if we sell a

The tax protection agreements will also require our operating partnership to maintain a minimum level of indebtedness of $
period in order to allow an amount of debt to be allocable to the Protected Parties and their owners that is sufficient to avoid ce
regardless of whether such debt levels are otherwise required to operate our business. Moreover, if the amount of operating par
Protected Parties and their owners at any point during the tax protection period would not otherwise be sufficient to avoid such
operating partnership will provide the Protected Parties the opportunity to guarantee debt or incur a deficit restoration obligatio
transactions and this offering (if such events have not already occurred) and upon a future repayment, retirement, refinancing o
scheduled amortization) of currently outstanding debt prior to the end of the tax protection period. These obligations may requi
indebtedness than we would otherwise require for our business. If we fail to maintain such minimum indebtedness throughout t
such opportunities available, we will be required to make indemnifying payments to the Protected Parties intended to approxim
Parties and their direct or indirect owners resulting from such failure, computed in the manner described in the preceding parag

Equity Incentive Plan

In connection with this offering and the formation transactions, we expect to adopt a cash and equity-based incentive award pla
employees and other service providers. See Executive and Director Compensation Equity Incentive Plan.

Grants of Equity Compensation to Employees of Our Advisor

Pursuant to the Advisory Agreement, we will grant employees of our Advisor a number of restricted stock units under our Equi
3.0% of the total shares issued at the completion of this offering (exclusive of shares issued pursuant to exercise of the underwr
ratably over three years beginning on the first anniversary of this offering. Future awards will be at the discretion of the compe
directors. The number of total shares will be calculated as if all common units, other than common units held by us, are exchan

Table of Contents

POLICIES WITH RESPECT TO CERTAIN ACTIVITIES

The following is a discussion of certain of our investment, financing and leverage and other policies that will be in place follow
These policies have been determined by our board of directors and, in general, may be amended and revised from time to time
directors without notice to or a vote of our stockholders.

Investment Policies

Investment in Real Estate or Interests in Real Estate

On our behalf, our Advisor will conduct substantially all of our investment activities through our operating partnership. Our pri
preserve, protect and grow our investors capital contributions, to maintain a steady return to investors in the form of cash divi
of our properties. For a discussion of our properties and acquisition and other strategic objectives, see Business.

Our Advisor will pursue our investment objectives primarily through our operating partnership s ownership of our initial prop
that we may acquire. Our Advisor intends to principally focus on the acquisition and ownership of office properties located in
appropriateness of an investment in real estate, our Advisor will consider the creditworthiness of the tenants, the location of a p
markets, our income-producing capacity, the prospects for long-term appreciation and liquidity and tax benefits and liabilities.
account the impact of the acquisition on our portfolio as a whole, especially with respect to diversification by geography, tenan
timing of lease expirations. Prior to an acquisition, our Advisor will perform an assessment to ensure that the property is in line
possibility that the acquisition will concentrate our assets in a single geographic area, type of property or industry group of tena
monitor and analyze annual lease expirations in an attempt to minimize the effect of vacancies on the consolidated cash flows f
whole.

We will not have any limit on the amount or percentage of our assets that may be invested in any one property or any one geog
engage in future investment activities in a manner that is consistent with our intention to qualify as a REIT. In addition, our Ad
properties for long-term investment, expand and improve any properties owned by our operating partnership or subsequently ac
or in part, when circumstances warrant.

We may also own property jointly with third parties either through joint ventures or other types of co-ownership. These investm
in larger assets while simultaneously mitigating our risk through diversification and enhancing our flexibility to structure our p
into a joint venture or other partnership arrangement to make an investment that would otherwise not meet our investment polic

We have a policy not to be treated as an investment company under the Investment Company Act of 1940, as amended (the
Advisor intends to direct our investment activities accordingly.

Additional criteria with respect to our properties are described in Business.

Purchase and Sale of Investments

Our policy is to acquire assets primarily for generation of income and long-term value appreciation. However, our Advisor will
when it determines that a particular property no longer fits our strategic objectives. Factors that our Advisor may consider when
property are, among other things, the price being offered for the property, the operating performance of the property and the tax
property.

Investments in Real Estate Mortgages

While our initial portfolio will consist of, and our business objectives emphasize, equity investments in office properties, our A
board of directors and without a vote of our stockholders, invest in

123

mortgages and other types of real estate interests consistent with our intention to qualify as a REIT. Investments in real estate m
borrowers may default under the mortgages and that the collateral securing those mortgages may not be sufficient to enable us t

Securities of or Interests in Persons Primarily Engaged in Real Estate Activities and Other Issuers

Subject to the percentage of ownership limitations and gross income tests necessary for REIT qualification, our Advisor may in
other entities engaged in real estate activities or other issuers, including for the purpose of exercising control over such entities.
intend that any investments in these types of securities will require us to register as an investment company under the Invest
intends to divest securities before any registration would be required.

Investment in Other Securities

Other than as described above, our Advisor does not intend to invest in any additional securities such as bonds, preferred stocks

Financing and Leverage Policies

Our Advisor anticipates using a number of different sources to finance our acquisitions and operations, including cash flows fro
financing, issuance of debt securities, private financings (such as additional bank credit facilities, which may or may not be sec
mortgage debt, common or preferred equity issuances or any combination of these sources, to the extent available to us, or othe
from time-to-time. Any debt that we incur may be recourse or non-recourse and may be secured or unsecured. Our Advisor also
or other partnering opportunities as the same arise in order to acquire properties that would otherwise be unavailable to us. Our
borrowings to acquire assets, to refinance existing debt or for general corporate purposes.

Although we are not required to maintain any particular leverage ratio, we expect our Advisor to employ prudent amounts of le
debt as a means of providing additional funds for the acquisition of assets, to refinance existing debt or for general corporate pu
use leverage conservatively, assessing the appropriateness of new equity or debt capital based on market conditions, including p
cash flow, the creditworthiness of tenants and future rental rates, with the ultimate objective of becoming an issuer of investme
do not limit the amount of debt that we may incur. Although our board of directors has not adopted a policy limiting the total a
Advisor intends to target a ratio of debt to total assets of 50% on future acquisitions. Our Advisor also intends to target a limit o
incur of no more than 20% of outstanding debt after giving effect to any interest rate hedges into which we may enter.

Our Advisor will consider a number of factors in evaluating the amount of debt that we may incur. Our Advisor may from time
the appropriate amount of debt financing in light of then-current economic conditions, relative costs of debt and equity capital,
general conditions in the market for debt and equity securities, fluctuations in the market price of our common stock, growth an
factors. Our Advisor s decision for us to use leverage in the future to finance our assets will be at the discretion of our Advisor
subject to the approval of our stockholders.

Lending Policies

Except with respect to related party transactions, we do not have a policy limiting our ability to make loans to other persons. Ou
offer purchase money financing in connection with the sale of properties in which the provision of that financing will increase t
property sold. We may also make loans to joint ventures in which we participate. However, we do not intend to engage in signi
we make will be consistent with qualifying as a REIT.

Policies with Respect to Issuance and Underwriting of Securities

We have authority to, and may, offer common stock, preferred stock or options to purchase stock in exchange for property. Our without further stockholder approval, to amend our charter to increase the number of authorized shares of common stock or pre capital, including through the issuance of senior securities, in any manner and on such terms and for such consideration, it deem for property. See Description of Stock. We have not engaged in trading, underwriting or agency distribution or sale of secur do so.

Reporting Policies

We intend to make available to our stockholders our annual reports, including our audited financial statements. We are subject requirements of the Exchange Act. Pursuant to those requirements, we are required to file annual and periodic reports, proxy st including audited financial statements, with the SEC.

Policies with Respect to Conflicts of Interest

We will adopt a code of ethics that prohibits transactions involving conflicts of interest between us on the one hand, and our of Advisor on the other hand, except for such transactions that are approved by a majority of our directors (including a majority of compliance with the code of ethics. A conflict of interest arises when the private interest of a person covered by the code int interests or his or her service to us. Waivers of our code of ethics for certain covered persons must be disclosed in accordance w addition, our board of directors is subject to certain provisions of Maryland law, which are also designed to eliminate or minim assure you that these policies or provisions of law will always succeed in eliminating the influence of such conflicts. If they are made that might fail to reflect fully the interests of all stockholders.

Other than in connection with the Formation Transactions or as approved by a majority of the independent directors of our boa purchase portfolio assets from, or sell them to, our directors, officers or our Advisor, or any of our or their affiliates, or engage a direct or indirect pecuniary interest (other than the Advisory Agreement) in any circumstances other than as described above Acquisition Rights and Conflicts of Interest Restrictions on Leasing. We will have a right of first opportunity to purchase suitable property and is being considered for potential acquisition by Second City, any fund managed by Second City, our Adv discussed in Conflicts of Interest Preferential Acquisition Rights.

Except as provided above and in Conflicts of Interest Preferential Acquisition Rights and Conflicts of Interest Restriction expressly prohibits our directors, officers, security holders or any of our affiliates from engaging for their own account in busin by us.

Interested Director and Officer Transactions

Pursuant to the MGCL, a contract or other transaction between us and a director, or between us and any other corporation or ot directors is a director or has a material financial interest, is not void or voidable solely on the grounds of such common director directorship or interest, the presence of such director at the meeting at which the contract or transaction is authorized, approved director s vote in favor thereof will not render the transaction void or voidable if:

- the material facts relating to the common directorship or interest and as to the transaction are disclosed to our our board, and our board or a duly authorized committee authorizes, approves or ratifies the transaction or co majority of disinterested directors, even if the disinterested directors constitute less than a quorum; or

Table of Contents

- the material facts relating to the common directorship or interest and as to the transaction are disclosed to our and the transaction is authorized, approved or ratified by a majority of the votes cast by the stockholders enti shares owned of record or beneficially by the interested director or corporation or other entity; or

- the transaction or contract is fair and reasonable to us at the time it is authorized, ratified or approved.

Furthermore, under Maryland law (where our operating partnership is formed), we, as general partner, have fiduciary duties an partnership and its partners and, consequently, such transactions also are subject to the fiduciary duties of care and loyalty and dealing that we, as general partner, owe to the operating partnership and its limited partners (to the extent such duties have not the terms of the partnership agreement). We will adopt a policy requiring all contracts and transactions between us, our operati subsidiaries, on the one hand, and any of our directors or executive officers or any entity in which such director or executive of financial interest, on the other hand, to be approved by the affirmative vote of a majority of the disinterested directors, even if l appropriate, in the judgment of the disinterested directors, our board of directors may obtain a fairness opinion or engage indep interests of non-affiliated security holders, although our board of directors will have no obligation to do so.

Table of Contents

PRINCIPAL STOCKHOLDERS

Immediately prior to the completion of this offering, there will be 1,000 shares of common stock outstanding and one stockhol
have no other shares of capital stock outstanding.

The following table sets forth certain information, prior to and after this offering, assuming that the formation transactions and
effect to the expected issuance of common stock and common units in connection with this offering and the formation transacti
ownership of shares of our common stock and shares of common stock into which common units are exchangeable immediatel
offering and the formation transactions for (i) each person who is expected to be the beneficial owner of 5% or more of our out
following the completion of this offering, (ii) each of our directors, director nominees and executive officers and (iii) all of our
executive officers as a group. The extent to which a person will hold shares of common stock as opposed to units is set forth in

Beneficial ownership for the purposes of the following table is determined in accordance with the rules and regulations of the S
that a person is the beneficial owner of securities if he or she has or shares the power to vote or direct the voting thereof, or to d
thereof or have the right to acquire such powers within 60 days. Accordingly, the following table does not include options to pu
exercisable within the next 60 days.

The address of each director, director nominee and executive officer shown in the table below is the address of the company, 1
Vancouver, British Columbia, V6E 3C9. Except as indicated by the footnotes below, we believe, based on the information furn
entities named in the table below have sole voting and investment power with respect to all shares of common stock that they b
property laws where applicable.

	Common Stock Outstan		
	Immediately Prior to this Offering and the Formation Transactions		Imm t
Name of Beneficial Owner	Shares Owned	Percentage	Shar
Second City Capital Partners II, Limited Partnership	1,000	100%	
James Farrar			
Gregory Tylee			
Anthony Maretic			
All directors, director nominees and executive officers as a group (persons)			

(1) *Assumes the issuance of shares offered hereby. Does not include (a) any shares of common stock that may be issue over-allotment option, (b) common units to be issued to the Second City Group as part of the formation transactio common stock to be granted to our directors, executive officers and certain other service providers under the Equity Incen offering.*

127

Table of Contents

DESCRIPTION OF STOCK

The following summary describes certain provisions of Maryland law and the material terms of our charter and our amended a effect upon the consummation of this offering and the formation transactions. Because the following is only a summary, it does may be important to you. For a complete description, you should read our charter and our amended and restated bylaws, copie completion of this offering with the SEC as exhibits to the registration statement of which this prospectus is a part, and applica

Please note that, with respect to any of our shares held in book-entry form through The Depository Trust Company or any othe its nominee will be the sole registered and legal owner of those shares, and references in this prospectus to any stockholder only the depository or its nominee. Persons who hold beneficial interests in our shares through a depository will not be registe and will not be recognized as such for any purpose. For example, only the depository or its nominee will be entitled to vote the dividends or other distributions to be paid, and any notices to be given, in respect of those shares will be paid or given only to of beneficial interests in those shares will have to look solely to the depository with respect to any benefits of share ownership, with respect to those shares will be governed by the rules of the depository, which are subject to change from time to time. We or their application to any interests held through the depository.

General

Our charter provides that we may issue up to shares of common stock, $0.01 par value per share, and up to value per share. Our charter authorizes our board of directors, with the approval of a majority of the entire board of directors ar stockholders, to amend our charter to increase or decrease the aggregate number of authorized shares of stock or the number of series of our stock. Upon completion of our formation transactions, the concurrent property contributions and contribution agre offering, shares of our common stock will be issued and outstanding and no shares of preferred stock will be issued a

Under the MGCL, stockholders generally are not personally liable for our debts or obligations solely as a result of their status a

Common Stock

All of the shares of our common stock offered in this offering, when issued in exchange for the consideration therefor, will be d paid and nonassessable. Subject to the preferential rights of any other class or series of our stock and to the provisions of our ch ownership and transfer of our stock, holders of shares of our common stock are entitled to receive dividends and other distribut authorized by our board of directors out of assets legally available therefor and declared by us and to share ratably in the assets distribution to our stockholders in the event of our liquidation, dissolution or winding up after payment or establishment of rese liabilities of our company.

Subject to the provisions of our charter regarding the restrictions on ownership and transfer of our stock and except as may othe class or series of our common stock, each outstanding share of our common stock entitles the holder to one vote on all matters including the election of directors, and, except as provided with respect to any other class or series of stock, the holders of share exclusive voting power. There is no cumulative voting in the election of our directors. Directors are elected by a plurality of all directors.

Holders of shares of our common stock have no preference, conversion, exchange, sinking fund or redemption rights and have any securities of our company. Our charter provides that holders of our common stock generally have no appraisal rights unless prospectively that appraisal rights

Table of Contents

will apply to one or more transactions in which holders of our common stock would otherwise be entitled to exercise appraisal
charter regarding the restrictions on ownership and transfer of our stock, holders of our common stock will have equal dividenc

Under the MGCL, a Maryland corporation generally cannot dissolve, amend its charter, merge, consolidate, convert, sell all or
in a statutory share exchange unless declared advisable by its board of directors and approved by the affirmative vote of stockh
two-thirds of all of the votes entitled to be cast on the matter unless a lesser percentage (but not less than a majority of all of the
matter) is set forth in the corporation s charter. Our charter provides for approval of any of these matters by the affirmative vot
majority of the votes entitled to be cast on such matters, except that the affirmative vote of stockholders entitled to cast at least
cast generally in the election of directors is required to remove a director (and such removal must be for cause) and the affirmat
cast at least two-thirds of the votes entitled to be cast on such matter is required to amend the provisions of our charter relating
restrictions on ownership and transfer of our stock and the vote required to amend such provisions. Maryland law also permits a
or substantially all of its assets without the approval of the stockholders of the corporation to an entity if all of the equity interes
indirectly, by the corporation. Because our operating assets may be held by our operating partnership or its subsidiaries, these s
transfer all or substantially all of their assets to the operating partnership or other subsidiary without the approval of our stockh

Our charter authorizes our board of directors to reclassify any unissued shares of our common stock into other classes or series
and number of shares of each class or series and to set, subject to the provisions of our charter relating to the restrictions on ow
preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends and other distributions, qualific
redemption of each such class or series.

Preferred Stock

Our charter authorizes our board of directors to classify any unissued shares of preferred stock and to reclassify any previously
one or more classes or series of preferred stock. Prior to issuance of shares of each new class or series, our board of directors is
charter to set, subject to the provisions of our charter regarding the restrictions on ownership and transfer of our stock, the prefe
voting powers, restrictions, limitations as to dividends and other distributions, qualifications and terms and conditions of redem
a result, our board of directors could authorize the issuance of shares of preferred stock that have priority over shares of our co
or other distributions or rights upon liquidation, exclusive or class voting rights or with respect to other terms and conditions th
deferring or preventing a transaction or a change of control of our company that might involve a premium price for holders of c
our common stock otherwise believe to be in their best interests. As of the date hereof, no shares of preferred stock are outstanc
issue any preferred stock.

Power to Increase or Decrease Authorized Shares of Common Stock and Issue Additional Shares of Common and Prefe

We believe that the power of our board of directors to amend our charter to increase or decrease the aggregate number of autho
to issue additional authorized but unissued shares of our common stock or preferred stock and to classify or reclassify unissued
preferred stock and thereafter to authorize us to issue such classified or reclassified shares of stock will provide us with increase
future financings and acquisitions and in meeting other needs that might arise. The additional classes or series, as well as the ad
stock, will be available for issuance without further action by our stockholders, unless such action is required by applicable law
preferred stock we may issue in the future or the rules of any stock exchange or automated quotation system on which our secu
Although our board of directors does not currently intend to do so, it could authorize us to issue a class or series of stock that co
particular class or series, delay, defer or prevent a transaction or a change

of control of our company that might involve a premium price for holders of our common stock or that our common stockholde
interests. See Certain Provisions of Maryland Law and of Our Charter and Bylaws Anti-Takeover Effect of Certain Provisior
Bylaws.

Restrictions on Ownership and Transfer

In order for us to qualify as a REIT under the Code, our stock must be beneficially owned by 100 or more persons during at lea
12 months (other than the first year for which an election to be a REIT has been made) or during a proportionate part of a short
50% of the value of the outstanding shares of stock (after taking into account options to acquire shares of stock) may be owned
attribution, by five or fewer individuals (for this purpose, the term individual includes certain entities such as a supplementa
trust and a private foundation or a portion of a trust permanently set aside or used exclusively for charitable purposes, among o
of a taxable year (other than the first year for which an election to be a REIT has been made). Finally, in certain circumstances
one or more of our tenants if we own, directly or indirectly, an interest in a tenant that exceeds the limits provided in Section 85
relationship were deemed to exist, any rents we receive from the related tenant would not be treated as rents from real property
to qualify as a REIT.

Our charter contains restrictions on the ownership and transfer of our stock that are intended to assist us in complying with thes
REIT, among other purposes. The relevant sections of our charter provide that, subject to the exceptions described below, no p
or be deemed to own by virtue of the applicable constructive ownership provisions of the Code, more than 9.8% (in value or in
restrictive) of the outstanding shares of our common stock, or 9.8% (in value) of the aggregate of the outstanding shares of all c
refer to each of these restrictions as an ownership limit and collectively as the ownership limits. A person or entity that w
constructive ownership of our stock but for the application of the ownership limits or any of the other restrictions on ownershi
below is referred to as a prohibited owner.

The constructive ownership rules under the Code are complex and may cause stock owned actually, beneficially or constructive
and/or entities to be owned beneficially or constructively by one individual or entity. As a result, the acquisition of less than 9.8
(whichever is more restrictive) of the outstanding shares of our common stock, or less than 9.8% in value of the outstanding sh
stock (or the acquisition by an individual or entity of an interest in an entity that owns, actually, beneficially or constructively,
nevertheless, cause that individual or entity, or another individual or entity, to own beneficially or constructively in excess of 9
(whichever is more restrictive) of our stock and in violation of the applicable ownership limit.

Our board of directors may, in its sole and absolute discretion, prospectively or retroactively, waive either or both of the owner
stockholder or establish a different limit on ownership (the excepted holder limit) if it determines that:

- no person s beneficial or constructive ownership of our stock would result in our being closely held withi
Code (without regard to whether the ownership interest is held during the last half of a taxable year) or other
REIT; and

- such stockholder does not and will not own, actually or constructively, an interest in a tenant of ours (or a te
controlled or owned in whole or in part by us) that would cause us to own, actually or constructively, more th
(as set forth in Section 856(d)(2)(B) of the Code) in such tenant (or our board of directors determines that rev
such tenant will not affect our ability to qualify as a REIT).

As a condition of our waiver, our board of directors may require an opinion of counsel or IRS ruling satisfactory to our board o
discretion in order to determine or ensure our status as a REIT or such representations and/or undertakings from the person req
directors may require in its sole

130

and absolute discretion to make the determinations above. Notwithstanding the receipt of any ruling or opinion, our board of di
or restrictions as it deems appropriate in connection with granting such an exception. Our board of directors will grant Second
the ownership limitation.

In connection with a waiver of an ownership limit or at any other time, our board of directors may increase or decrease one or b
that a decreased ownership limit will not be effective for any person whose actual, beneficial or constructive ownership of our s
ownership limit at the time of the decrease until the person s actual, beneficial or constructive ownership of our stock equals o
limit, although any further acquisition of our stock will violate the decreased ownership limit. Our board of directors may not in
limit if the new ownership limit would allow five or fewer persons to beneficially own more than 49% in value of our outstandi
to qualify as a REIT.

Our charter provisions further prohibit any transfer (as defined therein) that would result in:

- any person beneficially or constructively owning shares of our stock if such ownership would result in our be of the Code (without regard to whether the ownership interest is held during the last half of a taxable year) or as a REIT; and

- shares of our stock being beneficially owned by fewer than 100 persons (determined without reference to any

Any person who acquires or attempts or intends to acquire beneficial or constructive ownership of shares of our stock that will
any of the other restrictions on ownership and transfer of our stock described above must give written notice immediately to us
attempted transaction, provide us at least 15 days prior notice, and provide us with such other information as we may request in
transfer on our status as a REIT.

The ownership limits and other restrictions on ownership and transfer of our stock described above will not apply if our board o
longer in our best interest to attempt to qualify, or to continue to qualify, as a REIT or that compliance is no longer required in

Pursuant to our charter, if any purported transfer of our stock or any other event would otherwise result in any person violating
limit established by our board of directors, or would result in us being closely held within the meaning of Section 856(h) of
ownership interest is held during the last half of a taxable year) or otherwise failing to qualify as a REIT, then the number of sh
to the nearest whole share) will be automatically transferred to, and held by, a trust for the exclusive benefit of one or more cha
Our charter provides that the prohibited owner will not benefit economically from ownership of any shares of our stock held in
distributions and no rights to vote or other rights attributable to the shares of our stock held by the trustee. The automatic transf
business on the business day prior to the date of the violative transfer or other event that results in the transfer to the trust. Any
the prohibited owner, prior to our discovery that the shares had been automatically transferred to a trust as described above, mu
demand. Our charter provides that if the transfer to the trust as described above is not automatically effective, for any reason, to
ownership limit or our being closely held (without regard to whether the ownership interest is held during the last half of a ta
qualify as a REIT, then the transfer of the number of shares that otherwise would cause any person to violate the above restricti
effect and the intended transferee will acquire no rights in the shares. In addition, our charter provides that if any transfer of our
stock being beneficially owned by fewer than 100 persons (determined without reference to any rules of attribution), then any s
and of no force or effect and the intended transferee will acquire no rights in the shares.

Our charter provides that shares of our stock transferred to the trustee are deemed offered for sale to us, or our designee, at a pr
(1) the price paid by the prohibited owner for the shares (or, if the prohibited owner did not give value in connection with the tr
the transfer to the trust (e.g.,

131

a gift, devise or other such transaction), the last sales price reported on the NYSE on the day of the transfer or other event that r
to the trust) and (2) the market price on the date we, or our designee, accepts such offer. We will reduce the amount payable to
and distributions paid to the prohibited owner and owed by the prohibited owner to the trustee. We will pay the amount of such
benefit of the charitable beneficiary. We have the right to accept such offer until the trustee has sold the shares of our stock held
interest of the charitable beneficiary in the shares sold terminates and the trustee must distribute the net proceeds of the sale to t
or other distributions held by the trustee with respect to such stock will be paid to the charitable beneficiary.

If we do not buy the shares, the trustee must, within 20 days of receiving notice from us of the transfer of shares to the trust, sel
designated by the trustee, who could own the shares without violating the ownership limits or other restrictions on ownership a
sale, the trustee must distribute to the prohibited owner an amount equal to the lesser of (1) the price paid by the prohibited own
owner did not give value in connection with the transfer or other event that resulted in the transfer to the trust (e.g., a gift, devis
sales price reported on the NYSE on the day of the event that resulted in the transfer of such shares to the trust) and (2) the sale
other expenses of sale) received by the trustee for the shares. The trustee will reduce the amount payable to the prohibited owne
other distributions paid to the prohibited owner and owed by the prohibited owner to the trustee. Any net sales proceeds in exce
prohibited owner will be immediately paid to the charitable beneficiary, together with any dividends or other distributions there
by us that shares of our stock have been transferred to the trustee, such shares of stock are sold by a prohibited owner, then our
be deemed to have been sold on behalf of the trust and, to the extent that the prohibited owner received an amount for or in resp
amount that such prohibited owner was entitled to receive, such excess amount shall be paid to the trustee upon demand.

The trustee will be designated by us and will be unaffiliated with us and with any prohibited owner. Prior to the sale of any sha
receive, in trust for the beneficiary, all dividends and other distributions paid by us with respect to such shares, and may exercis
such shares for the exclusive benefit of the charitable beneficiary.

Subject to Maryland law, effective as of the date that the shares have been transferred to the trust, our charter provides that the
trustee s sole discretion:

- to rescind as void any vote cast by a prohibited owner prior to our discovery that the shares have been transfe

- to recast the vote in accordance with the desires of the trustee acting for the benefit of the beneficiary of the t

However, if we have already taken irreversible corporate action, then the trustee may not rescind and recast the vote.

If our board of directors or a committee thereof determines in good faith that a proposed transfer or other event has taken place
ownership and transfer of our stock set forth in our charter, our board of directors or such committee may take such action as it
to refuse to give effect to or to prevent such transfer, including, but not limited to, causing the company to redeem shares of sto
transfer on our books or instituting proceedings to enjoin the transfer.

Every owner of 5% or more (or such lower percentage as required by the Code or the Treasury Regulations promulgated thereu
stock, within 30 days after the end of each taxable year, must give written notice to us stating the name and address of such ow
class and series of our stock that the owner beneficially owns and a description of the manner in which the shares are held. Eac
with any additional information that we request in order to determine the effect, if any, of the person s beneficial

Table of Contents

ownership on our status as a REIT and to ensure compliance with the ownership limits. In addition, any person that is a benefic
shares of our stock and any person (including the stockholder of record) who is holding shares of our stock for a beneficial owr
request, disclose to us in writing such information as we may request in good faith in order to determine our status as a REIT ar
any taxing authority or governmental authority or determine such compliance and to ensure compliance with the ownership lim

Any certificates representing shares of our stock will bear a legend referring to the restrictions on ownership and transfer of our

These restrictions on ownership and transfer could delay, defer or prevent a transaction or a change of control of our company t
for our common stock that our stockholders otherwise believe to be in their best interest.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is .

Table of Contents

CERTAIN PROVISIONS OF MARYLAND LAW

AND OF OUR CHARTER AND BYLAWS

The following summary describes certain provisions of Maryland law and the material terms of our charter and our amended a effect upon the consummation of this offering and the formation transactions. Because the following is only a summary, it does may be important to you. For a complete description, you should read our charter and our amended and restated bylaws, copie completion of this offering with the SEC as exhibits to the registration statement of which this prospectus is a part, and applica

Our Board of Directors

Our charter and bylaws provide that the number of directors of our company may be established, increased or decreased by our less than the minimum number required under the MGCL (which is one), nor, unless our bylaws are amended, more than 15. O as we have a class of securities registered under the Exchange Act and at least three independent directors, which we expect to offering, we elect to be subject to a provision of Maryland law requiring that, subject to the rights of holders of one or more cla vacancy may be filled only by a majority of the remaining directors, even if the remaining directors do not constitute a quorum vacancy will serve for the full term of the directorship in which such vacancy occurred and until his or her successor is duly ele restated bylaws require that nominees for election as a director (including directors appointed by our board to fill vacancies) sh then entitled to be nominated pursuant to the partnership agreement and provide that each committee of our board of directors v partnership agreement. See Description of the Partnership Agreement of City Office REIT Operating Partnership, L.P. Purpo

Each member of our board of directors is elected by our stockholders to serve until the next annual meeting of stockholders and elected and qualifies. Holders of shares of our common stock will have no right to cumulative voting in the election of directors plurality of the votes cast in the election of directors. Consequently, at each annual meeting of stockholders, the holders of a ma common stock will be able to elect all of our directors.

Removal of Directors

Our charter provides that, subject to the rights of holders of one or more classes or series of preferred stock to elect or remove d be removed only for cause (as defined in our charter) and only by the affirmative vote of holders of shares entitled to cast at lea be cast generally in the election of directors. This provision, when coupled with the exclusive power of our board of directors t preclude stockholders from removing incumbent directors, except for cause and by a substantial affirmative vote and from filli removal with their own nominees.

Business Combinations

Under the MGCL, certain business combinations (including a merger, consolidation, share exchange or, in circumstances sp issuance or reclassification of equity securities) between a Maryland corporation and an interested stockholder (i.e., any person subsidiary) who beneficially owns 10% or more of the voting power of the corporation s outstanding voting stock after the dat more beneficial owners of its stock, or an affiliate or associate of the corporation who, at any time within the two-year period in question, was the beneficial owner of 10% or more of the voting power of the then outstanding stock of the corporation after th 100 or more beneficial owners of its stock) or an affiliate of an interested stockholder, are prohibited for five years after the mo stockholder becomes an interested stockholder. Thereafter, any such business combination between the Maryland corporation a must be recommended by the board of directors of such corporation and approved by the affirmative vote of at least (1) 80% of holders of outstanding

134

Table of Contents

shares of voting stock of the corporation and (2) two-thirds of the votes entitled to be cast by holders of voting stock of the corp
interested stockholder with whom (or with whose affiliate) the business combination is to be effected, or held by an affiliate or
stockholder, unless, among other conditions, the corporation s common stockholders receive a minimum price (as defined in th
consideration is received in cash or in the same form as previously paid by the interested stockholder for its shares. A person is
the statute if the board of directors approved in advance the transaction by which the person otherwise would have become an i
directors may provide that its approval is subject to compliance, at or after the time of approval, with any terms and conditions

The statute permits various exemptions from its provisions, including business combinations that are exempted by the board of
interested stockholder became an interested stockholder. As permitted by the MGCL, our board of directors has adopted a resol
combination between us and any other person from the provisions of this statute, provided that the business combination is first
(including a majority of directors who are not affiliates or associates of such persons). However, our board of directors may rep
time in the future, in which case the relevant provisions of this statute will become applicable to business combinations betwee

Control Share Acquisitions

The MGCL provides that holders of control shares (as defined below) of a Maryland corporation acquired in a control shar
voting rights with respect to those shares, except to the extent approved by the affirmative vote of at least two-thirds of the vote
entitled to vote generally in the election of directors, excluding votes cast by (1) the person who makes or proposes to make a c
officer of the corporation or (3) any employee of the corporation who is also a director of the corporation. Control shares are
aggregated with all other such shares of stock previously acquired by the acquirer or in respect of which the acquirer is able to e
voting power (except solely by virtue of a revocable proxy), would entitle the acquirer to exercise voting power in electing dire
ranges of voting power: (1) one-tenth or more but less than one-third, (2) one-third or more but less than a majority or (3) a ma
Control shares do not include shares the acquiring person is then entitled to vote as a result of having previously obtained stock
acquisition means the acquisition of issued and outstanding control shares, subject to certain exceptions.

A person who has made or proposes to make a control share acquisition, upon satisfaction of certain conditions (including an u
compel the board of directors to call a special meeting of stockholders to be held within 50 days of demand to consider the voti
for a meeting is made, the corporation may itself present the question at any stockholders meeting.

If voting rights are not approved at the meeting or if the acquiring person does not deliver an acquiring person statement as requ
certain conditions and limitations, the corporation may redeem any or all of the control shares (except those for which voting ri
for fair value determined, without regard to the absence of voting rights for the control shares, as of the date of the last control s
any meeting of stockholders at which the voting rights of such shares are considered and not approved. If voting rights for cont
stockholders meeting and the acquirer becomes entitled to vote a majority of the shares entitled to vote, all other stockholders m
value of the shares as determined for purposes of such appraisal rights may not be less than the highest price per share paid by t
acquisition.

The control share acquisition statute does not apply to, among other things, (1) shares acquired in a merger, consolidation or sh
party to the transaction or (2) acquisitions approved or exempted by the charter or amended and restated bylaws of the corporat

Our amended and restated bylaws contain a provision exempting from the control share acquisition statute any acquisition by a
There can be no assurance that such provision will not be amended or eliminated at any time in the future by our board of direc

Table of Contents

Subtitle 8

Subtitle 8 of Title 3 of the MGCL permits a Maryland corporation with a class of equity securities registered under the Exchan
directors to elect to be subject, by provision in its charter or amended and restated bylaws or a resolution of its board of directo
notwithstanding any contrary provision in the charter or amended and restated bylaws, to any or all of five provisions of the M
that:

- the corporation s board of directors will be divided into three classes;
- the affirmative vote of two-thirds of the votes entitled to be cast in the election of directors generally is requi
- the number of directors may be fixed only by vote of the directors;
- a vacancy on its board of directors must be filled only by the remaining directors and that directors elected to remainder of the full term of the class of directors in which the vacancy occurred; and
- the request of stockholders entitled to cast at least a majority of all the votes entitled to be cast at the meeting the calling of a special meeting of stockholders.

We have elected by a provision in our charter to be subject to the provisions of Subtitle 8 relating to the filling of vacancies on
without our having elected to be subject to Subtitle 8, our charter and amended and restated bylaws already (1) require the affir
entitled to cast at least two-thirds of all the votes entitled to be cast generally in the election of directors to remove a director fr
our board of directors the exclusive power to fix the number of directors and (3) require, unless called by our chairman, our pre
our board of directors, the request of stockholders entitled to cast not less than a majority of all the votes entitled to be cast at th
We have not elected to create a classified board. In the future, our board of directors may elect, without stockholder approval, t
elect to be subject to any of the other provisions of Subtitle 8.

Meetings of Stockholders

Pursuant to our amended and restated bylaws, an annual meeting of our stockholders for the purpose of the election of director
will be held on a date and at the time and place set by our board of directors. Each of our directors is elected by our stockholde
meeting and until his or her successor is duly elected and qualifies under Maryland law. In addition, our chairman, our preside
board of directors may call a special meeting of our stockholders. Subject to the provisions of our amended and restated bylaw
stockholders to act on any matter that may properly be considered by our stockholders will also be called by our secretary upo
entitled to cast a majority of all the votes entitled to be cast at the meeting on such matter, accompanied by the information req
bylaws. Our secretary will inform the requesting stockholders of the reasonably estimated cost of preparing and mailing the no
materials), and the requesting stockholder must pay such estimated cost before our secretary may prepare and mail the notice o

Amendments to Our Charter and Bylaws

Under the MGCL, a Maryland corporation generally cannot amend its charter unless approved by the affirmative vote of stock
two-thirds of the votes entitled to be cast on the matter unless a lesser percentage (but not less than a majority of all of the vote
set forth in the corporation s charter. Except for certain amendments related to the removal of directors, the restrictions on ow

vote required to amend those provisions (which must be declared advisable by our board of directors and approved by the affirr
cast not less than two-thirds of all the votes entitled to be cast on the matter), our

136

charter generally may be amended only if the amendment is declared advisable by our board of directors and approved by the a
entitled to cast a majority of all of the votes entitled to be cast on the matter. Our board of directors, with the approval of a majo
any action by our stockholders, may also amend our charter to increase or decrease the aggregate number of shares of stock or t
class or series we are authorized to issue.

Our board of directors has the exclusive power to adopt, alter or repeal any provision of our amended and restated bylaws and t
long as Second City Group owns ten percent or more of the outstanding shares of our common stock, any amendment to, or alte
our amended and restated bylaws relating to (a) Second City Group s right to nominate for election as a director such individua
pursuant to our operating partnership s partnership agreement, (b) the composition of committees of our board of directors as r
partnership agreement, or (c) the amendment of our amended and restated bylaws (other than in a manner that further limits the
adopt, alter or repeal any provision of our amended and restated bylaws), must be approved by Second City Group.

Extraordinary Transactions

Under the MGCL, a Maryland corporation generally cannot dissolve, merge, consolidate, convert, sell all or substantially all of
exchange or engage in similar transactions outside the ordinary course of business unless approved by the affirmative vote of st
two-thirds of the votes entitled to be cast on the matter unless a lesser percentage (but not less than a majority of all of the votes
set forth in the corporation s charter. As permitted by the MGCL, our charter provides that any of these actions may be approv
stockholders entitled to cast a majority of all of the votes entitled to be cast on the matter. Many of our operating assets will be
subsidiaries may be able to merge or sell all or substantially all of their assets without the approval of our stockholders.

Appraisal Rights

Our charter provides that our stockholders generally will not be entitled to exercise statutory appraisal rights.

Dissolution

Our dissolution must be declared advisable by a majority of our entire board of directors and approved by the affirmative vote o
majority of all of the votes entitled to be cast on the matter.

Advance Notice of Director Nominations and New Business

Our amended and restated bylaws provide that, with respect to an annual meeting of stockholders, nominations of individuals fo
and the proposal of other business to be considered by our stockholders at an annual meeting of stockholders may be made only
meeting, (2) by or at the direction of our board of directors or (3) by a stockholder who was a stockholder of record both at the
time of the meeting, who is entitled to vote at the meeting on the election of the individual so nominated or such other business
advance notice procedures set forth in our amended and restated bylaws, including a requirement to provide certain information
affiliates and the nominee or business proposal, as applicable.

With respect to special meetings of stockholders, only the business specified in our notice of meeting may be brought before th
for election to our board of directors may be made at a special meeting of stockholders at which directors are to be elected only
of directors or (2) provided that the special meeting has been properly called in accordance with our amended and restated byla
directors, by a stockholder who is a stockholder of record both at the time of giving of notice and at the time of the meeting, wh
the election of each individual so nominated and who has complied with the advance notice provisions set forth in our amended
requirement to provide certain information about the stockholder and its affiliates and the nominee.

Table of Contents

Anti-Takeover Effect of Certain Provisions of Maryland Law and Our Charter and Bylaws

Our charter and amended and restated bylaws and Maryland law contain provisions that may delay, defer or prevent a change i
might involve a premium price for our common stock or otherwise be in the best interests of our stockholders, including:

- supermajority vote and cause requirements for removal of directors;
- requirement that stockholders holding at least a majority of our outstanding common stock must act together stockholders can require us to call a special meeting of stockholders;
- provisions that vacancies on our board of directors may be filled only by the remaining directors for the full t vacancy occurred;
- the power of our board of directors, without stockholder approval, to increase or decrease the aggregate numb the number of shares of any class or series of stock or to reclassify our stock;
- the power of our board of directors to cause us to issue additional shares of stock of any class or series and to or series of stock without stockholder approval;
- the restrictions on ownership and transfer of our stock; and
- advance notice requirements for director nominations and stockholder proposals.

Likewise, if the resolution opting out of the business combination provisions of the MGCL was repealed, or the business comb of directors, or the provision in the amended and restated bylaws opting out of the control share acquisition provisions of the M in to any of the other provisions of Subtitle 8, these provisions of the MGCL could have similar anti-takeover effects.

Limitation of Liability and Indemnification of Directors and Officers

Maryland law permits a Maryland corporation to include in its charter a provision limiting the liability of its directors and offic stockholders for money damages, except for liability resulting from (1) actual receipt of an improper benefit or profit in money deliberate dishonesty that is established by a final judgment and is material to the cause of action. Our charter contains a provis maximum extent permitted by Maryland law.

Our charter and amended and restated bylaws provide for indemnification of our officers and directors against liabilities to the MGCL, as amended from time to time.

The MGCL requires a corporation (unless its charter provides otherwise, which our charter does not) to indemnify a director or the merits or otherwise, in the defense of any proceeding, or any claim, issue or matter in any proceeding, to which he or she is party by reason of his or her service in that capacity. The MGCL permits a corporation to indemnify its present and former dire against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proce

threatened to be made, a party by reason of their service in those or other capacities unless it is established that:

- the act or omission of the director or officer was material to the matter giving rise to the proceeding and (1) v
  the result of active and deliberate dishonesty;
- the director or officer actually received an improper personal benefit in money, property or services; or
- in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or c

138

Table of Contents

However, under the MGCL, a Maryland corporation may not indemnify for an adverse judgment in a suit by or in the right of t
liability on the basis that personal benefit was improperly received, unless in either case a court orders indemnification if it dete
fairly and reasonably entitled to indemnification, and then only for expenses. In addition, the MGCL permits a Maryland corpo
to a director or officer upon its receipt of:

- a written affirmation by the director or officer of his or her good faith belief that he or she has met the standa indemnification by the corporation; and
- a written undertaking by the director or officer or on the director s or officer s behalf to repay the amount p is ultimately determined that the director or officer did not meet the standard of conduct.

Our charter authorizes us, and our amended and restated bylaws obligate us, to the maximum extent permitted by Maryland law
indemnify and, without requiring a preliminary determination of the ultimate entitlement to indemnification, pay or reimburse r
final disposition of such a proceeding to:

- any present or former director or officer of our company who is made, or threatened to be made, a party to th service in that capacity; or
- any individual who, while a director or officer of our company and at our request, serves or has served as a d member or manager of another corporation, real estate investment trust, limited liability company, partnershi benefit plan or other enterprise and who is made, or threatened to be made, a party to the proceeding by reaso capacity.

Our charter and amended and restated bylaws also permit us to indemnify and advance expenses to any individual who served c
capacities described above and to any employee or agent of our company or our predecessor.

Upon completion of this offering, we intend to enter into indemnification agreements with each of our directors and executive c
indemnification to the maximum extent permitted by Maryland law.

Restrictions on Ownership and Transfer

Subject to certain exceptions, our charter provides that no person or entity may actually or beneficially own, or be deemed to ov
constructive ownership provisions of the Code, more than 9.8% (in value or number of shares, whichever is more restrictive) o
common stock or more than 9.8% in value of the aggregate outstanding shares of all classes and series of our stock. For a fuller
restrictions on ownership and transfer of our stock, see Description of Stock Restrictions on Ownership and Transfer.

REIT Qualification

Our charter provides that our board of directors may revoke or otherwise terminate our REIT election, without approval of our
no longer in our best interests to attempt to qualify, or to continue to qualify, as a REIT.

Table of Contents

DESCRIPTION OF THE PARTNERSHIP AGREEMENT OF CITY OFFICE REIT OPER

PARTNERSHIP, L.P.

A summary of the material terms and provisions of the Amended and Restated Agreement of Limited Partnership of City Office set forth below. This summary is not complete and is subject to and qualified in its entirety by reference to the applicable provi partnership agreement. For more detail, please refer to the partnership agreement itself, a copy of which is filed as an exhibit t this prospectus is part. See Where You Can Find More Information.

General

Upon completion of the formation transactions, substantially all of our assets will be held by, and substantially all of our operat operating partnership, either directly or through its subsidiaries. We are the sole general partner of our operating partnership, an transactions, this offering and the other transactions described in this prospectus, common units will be outstanding a outstanding common units. In connection with the formation transactions, we will enter into the partnership agreement and the transferors that contribute directly or indirectly their interest in properties to the operating partnership will be issued common u contribution and be admitted as limited partners of our operating partnership. Our operating partnership is also authorized to iss interest designated as LTIP Units and having the terms described below and is authorized to issue additional partnership interes or one or more series of any of such classes, with such designations, preferences, conversion and other rights, voting powers, re distributions, qualifications and terms and conditions of redemption (including, without limitation, terms that may be senior or existing units) as we may determine, in our sole and absolute discretion, without the approval of any limited partner or any othe partnership agreement described below will be in effect after the completion of the formation transactions and this offering. We exchange nor will they be quoted on any national market system.

Provisions in the partnership agreement may delay or make more difficult unsolicited acquisitions of us or changes in our contr third parties from making proposals involving an unsolicited acquisition of us or change of our control, although some stockho made, desirable. These provisions also make it more difficult for third parties to alter the management structure of our operatin of our board of directors. These provisions include, among others:

- redemption rights of limited partners and assignees of common units;
- transfer restrictions on common units and other partnership interests;
- a requirement that we may not be removed as the general partner of our operating partnership without our co
- our ability in some cases to amend the partnership agreement and to cause our operating partnership to issue operating partnership with terms that we may determine, in either case, without the approval or consent of an
- the right of the limited partners to consent to certain transfers of our general partnership interest (whether by consolidation, liquidation or otherwise).

Purpose, Business and Management

Our operating partnership is formed for the purpose of conducting any business, enterprise or activity permitted by or under the
Partnership Act (the Act). Our operating partnership may enter into any partnership, joint venture, business trust arrangemen
similar arrangement and may own interests in any other entity engaged in any business permitted by or under the Act, subject t
partnership agreement.

140

In general, our board of directors will manage the business and affairs of our operating partnership by directing our business an
general partner of our operating partnership. Except as otherwise expressly provided in the partnership agreement and subject t
series of partnership interest, all management powers over the business and affairs of our operating partnership are exclusively
sole general partner of our operating partnership. No limited partner, in its capacity as a limited partner, has any right to partici
over our operating partnership s business, transact any business in our operating partnership s name or sign documents for or
We may not be removed as the general partner of our operating partnership, with or without cause, without our consent, which
and absolute discretion. In addition to the powers granted to us under applicable law or any provision of the partnership agreem
holders of common units or any other class or series of partnership interest, we, in our capacity as the general partner of our op
exclusive power and authority to do or authorize all things to conduct the business and affairs of our operating partnership, to e
the powers of our operating partnership and the general partner of our operating partnership under Maryland law and the partne
purposes of our operating partnership, without the approval or consent of any limited partner. We may authorize our operating
into credit, guarantee, financing or refinancing arrangements for any purpose, including, without limitation, in connection with
terms as we determine to be appropriate, and to acquire or dispose of any, all or substantially all of its assets (including goodwi
convert, reorganize or otherwise combine with another entity, without the approval or consent of any limited partner. With limi
deliver and perform agreements and transactions on behalf of our operating partnership without the approval or consent of any

Our amended and restated bylaws require that nominees for election as a director (including directors appointed by our board to
stockholders or by the board of directors, shall include such individuals as are then entitled to be nominated pursuant to the par
agreement provides that, for so long as the number of common units held by the Second City Group and entities controlled by t
greater than 30% of the total number of outstanding common units, the Second City Group will have the right to nominate (i) if
directors; or (ii) if there are five or fewer directors, one director. With our board of directors expected to have six members, this
to nominate two directors, although the election of each such nominee will be subject to the vote of our stockholders. Such righ
decrease as follows:

- if the Second City Group and entities controlled by the Second City Group owned less than 30% but at least
common units, then the Second City Group would be entitled to nominate one director;

- if the Second City Group and entities controlled by the Second City Group owned less than 10% of the outsta
City Group would no longer be entitled to nominate any directors (except in accordance with provisions in ou
applicable to all stockholders). If the shares of outstanding common units owned by the Second City Group a
City Group subsequently increase to at least 10%, the Second City Group will regain the nomination rights o

Our amended and restated bylaws require that each committee of the board of directors shall be composed as required by the pa
agreement provides that, for so long as the Second City Group has the right to nominate at least one director, the Second City G
at least one of its nominees then serving as a director to be appointed to each committee of our board of directors (provided tha
independent under the rules, regulations and listing qualifications of the NYSE for service on any applicable committee) other t
to evaluate or negotiate any transaction with the Second City Group. Additionally, the president of Second City will be granted
directors.

In addition, if a vacancy on the board of directors arises as a result of the death, disability, retirement, resignation or removal (w
City Group nominee and such vacancy results in the number of the Second City Group nominees then on the board being less t
Group is then entitled to nominate to the board of directors, any director that fills such vacancy must be approved by a majority
City Group then serving as directors.

141

Table of Contents

Upon completion of this offering, we expect that our board of directors will consist of six directors. Our charter and amended a
number of directors constituting our board of directors may be increased or decreased by a majority vote of our board of directo
directors may not be decreased to fewer than the minimum number required under the MGCL, which is currently one. In the ev
board of directors results in Second City being entitled to designate an additional individual to the board of directors, it will be
the resulting vacancy that he or she is a nominee of the Second City Group.

Restrictions on General Partner s Authority

The partnership agreement prohibits us, in our capacity as general partner, from taking any action that would make it impossibl
our operating partnership or performing any act that would subject a limited partner to liability as a general partner in any juris
provided under the partnership agreement or under the Act. We may not, without the prior consent of the partners of our operat
modify or terminate the partnership agreement, except for certain amendments that we may approve without the approval or co
in Amendment of the Partnership Agreement, and certain amendments described below that require the approval of each a
partnership agreement also require the consent of limited partners holding LTIP Units, as described in LTIP Units Voting R
general partner of our operating partnership, without the consent of a majority in interest of the limited partners (excluding us a
of whose equity is owned, directly or indirectly, by us):

- take any action in contravention of an express provision or limitation of the partnership agreement;
- transfer all or any portion of our general partner interest in our operating partnership or admit any person as a
  the exceptions described in Transfers and Withdrawals Restrictions on Transfers by the General Partner;
- voluntarily withdraw as the general partner.

Without the consent of each affected limited partner or in connection with a transfer of all of our interests in our partnership in
consolidation or other combination of our assets with another entity, a sale of all or substantially all of our assets or a reclassifi
our outstanding stock permitted without the consent of the limited partners as described in Transfers and Withdrawals Rest
Partner, or a Permitted Termination Transaction (as defined below in Transfers and Withdrawals Restrictions on Transfers
into any contract, mortgage, loan or other agreement that expressly prohibits or restricts us or our operating partnership from pe
obligations in connection with a redemption of units or expressly prohibits or restricts a limited partner from exercising its rede
any approval or consent required by any other provision of the partnership agreement, we may not, without the consent of each
partnership agreement or take any other action that would:

- convert a limited partner interest into a general partner interest (other than as a result of our acquisition of tha
- adversely modify in any material respect the limited liability of a limited partner;
- alter the rights of any partner to receive the distributions to which such partner is entitled, or alter the allocati
  agreement, except to the extent permitted by the partnership agreement, including in connection with the crea
  series of partnership interest or to effect or facilitate a Permitted Termination Transaction;

- alter or modify the redemption rights of holders of common units or the related definitions specified in the pa permitted under the partnership agreement to effect or facilitate a Permitted Termination Transaction);

- alter or modify the provisions governing the transfer of our general partner interest in our operating partnersh partnership agreement to effect or facilitate a Permitted Termination Transaction);

142

- remove certain provisions of the partnership agreement relating to the requirements for us to qualify as a REI
paying tax under Sections 857 or 4981 of the Code; or

- amend the provisions of the partnership agreement requiring the consent of each affected partner before takin
(except as permitted under the partnership agreement to effect or facilitate a Permitted Termination Transacti

Additional Limited Partners

We may cause our operating partnership to issue additional units in one or more classes or series or other partnership interests a
partners to our operating partnership from time to time, on such terms and conditions and for such capital contributions as we m
discretion, without the approval or consent of any limited partner, including:

- upon the conversion, redemption or exchange of any debt, units or other partnership interests or securities iss

- for less than fair market value;

- for no consideration;

- in connection with any merger of any other entity into our operating partnership; or

- upon the contribution of property or assets to our operating partnership.

The net capital contribution need not be equal for all limited partners. Each person admitted as an additional limited partner mu
each other partner relating to, among other matters, such person s ownership of any tenant of us or our operating partnership. N
additional limited partner without our consent, which we may give or withhold in our sole and absolute discretion, and no appro
is required in connection with the admission of any additional limited partner.

The partnership agreement authorizes our operating partnership to issue common units and LTIP Units and such other units as w
absolute discretion. Without limiting the generality of the foregoing, we may specify, as to any such class or series of partnersh
partnership income, gain, loss, deduction and credit to each such class or series of partnership interest.

Ability to Engage in Other Businesses; Conflicts of Interest

The partnership agreement provides that we may not conduct any business other than in connection with the ownership, acquisi
interests, the management of the business and affairs of our operating partnership, our operation as a reporting company with a
registered under the Exchange Act, our operations as a REIT, the offering, sale, syndication, private placement or public offerin
interests, financing or refinancing of any type related to our operating partnership or its assets or activities and such activities as
discussed above. In general, we must contribute any assets or funds that we acquire to our operating partnership in exchange fo
may, however, in our sole and absolute discretion, from time to time hold or acquire assets in our own name or otherwise other
partnership so long as we take commercially reasonable measures to ensure that the economic benefits and burdens of such pro
operating partnership.

The limited partners of our operating partnership expressly agree that we are acting for the benefit of the operating partnership,
partnership and our stockholders collectively. We are under no obligation to give priority to the separate interests of the limited
our operating partnership to take or decline to take any actions. If there is a conflict between the interests of us or our stockhold
partners of our operating partnership, on the other, the partnership agreement provides that any action or failure to act by us tha
interests of our stockholders or us that does not result in a violation of the contractual rights of the limited partners of our opera
agreement will not violate the duty of loyalty that we owe to our operating partnership and its partners.

143

Table of Contents

Distributions

Our operating partnership will distribute such amounts, at such times, as we may in our sole and absolute discretion determine:

- first, with respect to any partnership interests that are entitled to any preference in distribution, in accordance class(es) of partnership interest, and, within each such class, among the holders of such class pro rata in prop interests of such class; and
- second, with respect to any partnership interests that are not entitled to any preference in distribution, includi described below under Special Allocations and Liquidating Distributions on LTIP Units with respect to provided in any incentive award plan or any applicable award agreement, the LTIP Units, in accordance with class(es) of partnership interest, and, within each such class, among the holders of each such class, pro rata in percentage interests of such class.

Distributions payable with respect to any units that were not outstanding during the entire quarterly period in respect of which a issued to us in connection with the issuance of shares of our common stock, will be prorated based on the portion of the period

Allocations

Except for the special allocations to holders of LTIP Units described below under Special Allocations and Liquidating Distrib the rights of the holders of any other class or series of partnership interest, net income or net loss of our operating partnership w company, as the general partner, and to the limited partners in accordance with the partners respective percentage ownership o units and LTIP Units. Allocations to holders of a class or series of partnership interest will generally be made proportionately to class or series. However, in some cases gain or loss may be disproportionately allocated to partners who have contributed appre our operating partnership. The allocations described above are subject to special rules relating to depreciation deductions and to Sections 704(b) and 704(c) of the Code and the associated Treasury Regulations.

Special Allocations and Liquidating Distributions on LTIP Units

A partner s initial capital account balance is equal to the amount the partner paid (or contributed to our operating partnership) adjustments, including as the result of allocations of the partner s share of income or loss of our operating partnership. Becaus not pay for the LTIP Units, the initial capital account balance attributable to such LTIP Units will be zero. However, the partne of LTIP Units will receive special allocations of income in the event of a sale or hypothetical sale of the assets of our operat income to our company or other holders of common units with respect to our company s or their common units. Such income Units to the extent necessary to cause the capital account of a holder of LTIP Units to be economically equivalent to our compa equal number of common units. The term hypothetical sale does not refer to an actual sale of our operating partnership s as the value of our operating partnership s assets and the partners capital account balances, determined as if there had been a sal value, as required by applicable Treasury Regulations. A hypothetical sale generally will occur upon (i) the acquisition of an in operating partnership by any new or existing partner in exchange for more than a *de minimis* capital contribution; (ii) the distrib a partner of more than a *de minimis* amount of property or money as consideration for an interest in the operating partnership; a operating partnership (including an LTIP Unit) as consideration for the provision of services to or for the benefit of the operatin or accelerate allocations to holders of LTIP Units, or adjust the allocation of income or loss among the holders of LTIP Units, s LTIP Unit s distribution participation date falls, the ratio of the income and loss allocated to the LTIP Unit to the total amount LTIP Unit is more nearly equal to the ratio of the

144

income and loss allocated to our company s common units to the amounts distributed to our company with respect to its comm
liquidation of our operating partnership will be made in accordance with the partners respective capital account balances, not
have full parity with common units with respect to liquidating distributions until the special allocations of income to the holder
or hypothetical sale of our operating partnership s assets causes the capital account of a holder of LTIP Units to be econom
account with respect to an equal number of common units. To the extent that there is not sufficient income to allocate to an LT
such capital account to become economically equivalent to our company s capital account with respect to an equal number of
hypothetical sale does not occur, the holder s LTIP Units will not achieve parity with common units with respect to liquidat

Borrowing by Our Operating Partnership

We may cause our operating partnership to borrow money and to issue and guarantee debt as we deem necessary for the condu
partnership. Such debt may be secured, among other things, by mortgages, deeds of trust, liens or encumbrances on the propert

Reimbursements of Expenses; Transactions with General Partner and its Affiliates

We will not receive any compensation for our services as the general partner of our operating partnership. We have the same ri
common units. In addition, our operating partnership must reimburse us for all amounts expended by us in connection with our
including expenses relating to the management and operation of, or for the benefit of, our operating partnership, compensation
payments under future compensation plans that may provide for stock units, or phantom stock, pursuant to which our employee
partnership will receive payments based upon dividends on or the value of our common stock, director fees and expenses, any
price) incurred by us in connection with the redemption or repurchase of shares of our stock, all of our costs and expenses of o
reporting company (including, without limitation, costs of filings with the SEC) and reports and other distributions to our stock
all of our costs and expenses in connection with our operation as a REIT, and all of our costs and expenses in connection with t
placement or public offering of stock, bonds, securities or other interests and financing or refinancing of any type related to ou
activities. Any reimbursement will be reduced by the amount of any interest we earn on funds we hold on behalf of our operati

We and our affiliates may sell, transfer or convey any properties to, or purchase any property from, our operating partnership o
our sole and absolute discretion.

Exculpation and Indemnification of General Partner

The partnership agreement provides that we will not be liable to our operating partnership or any partner for any action or omis
partner, for the debts or liabilities of our operating partnership or for the obligations of our operating partnership under the part
for our fraud, willful misconduct or gross negligence, pursuant to any express indemnity we may give to our operating partners
redemption as described in Redemption Rights of Limited Partners. The partnership agreement also provides that any obli
general partner of our operating partnership that may arise at any time under the partnership agreement or any other instrument
contemplated by the partnership agreement will be satisfied, if at all, out of our assets or the assets of our operating partnership
liability will be personally binding upon any of our directors, stockholders, officers, employees or agents, regardless of whethe
nature of contract, tort or otherwise, and none of our directors or officers will be directly liable or accountable in damages or ot
partner or any assignee of a partner for losses sustained, liabilities incurred or benefits not derived as a result of errors in judgm
any act or omission or by reason of their service as such. We, as the general partner of our operating partnership, are not respo
negligence on the part of our employees or agents, provided that we appoint such employees or agents in

Table of Contents

good faith. We, as the general partner of our operating partnership, may consult with legal counsel, accountants and other consu
that we take or omit to take in reliance upon the opinion of such persons, as to matters which we reasonably believe to be withi
competence, will be conclusively presumed to have been done or omitted in good faith and in accordance with such opinion.

In addition, the partnership agreement requires our operating partnership to indemnify us, our directors and officers, officers of
other person designated by us against any and all losses, claims, damages, liabilities (whether joint or several), expenses (inclu
and other legal fees and expenses), judgments, fines, settlements and other amounts arising from any and all claims, demands, a
civil, criminal, administrative or investigative, that relate to the operations of our operating partnership, unless (i) an act or omi
matter giving rise to the action and either was committed in bad faith or was the result of active and deliberate dishonesty, (ii) i
the person had reasonable cause to believe the act or omission was unlawful or (iii) such person actually received an improper
of any provision of the partnership agreement. Our operating partnership must also pay or reimburse the reasonable expenses o
disposition of the proceeding upon its receipt of a written affirmation of the person s good faith belief that the standard of con
been met and a written undertaking by or on behalf of the person to repay any amounts paid or advanced if it is ultimately dete
the standard of conduct for indemnification. Our operating partnership is not required to indemnify or advance funds to any pe
initiated by the person seeking indemnification without our approval (except for any proceeding brought to enforce such perso
partnership agreement) or if the person is found to be liable to our operating partnership on any portion of any claim in the acti

Business Combinations of Our Operating Partnership

Subject to the limitations on the transfer of our interest in our operating partnership described in Transfers and Withdrawals
Partner, we generally have the exclusive power to cause our operating partnership to merge, reorganize, consolidate, sell all o
otherwise combine its assets with another entity. However, in connection with the acquisition of properties from persons to wh
units or other partnership interests as part of the purchase price, in order to preserve such persons tax deferral, our operating p
general, not to sell or otherwise transfer the properties for a specified period of time, or in some instances, not to sell or otherw
compensating the sellers of the properties for their loss of the tax deferral.

Redemption Rights of Limited Partners

Beginning on or after the date which is 12 months after the later of the completion of this offering or the date on which a perso
units, each limited partner and assignees of limited partners will have the right, subject to the terms and conditions set forth in t
our operating partnership to redeem all or a portion of the common units held by such limited partner or assignee in exchange f
equal to the value of one share of our common stock, determined in accordance with and subject to adjustment under the partne
partnership s obligation to redeem common units does not arise and is not binding against our operating partnership until the s
holder s notice of redemption or, if earlier, the day we notify the holder seeking redemption that we have declined to acquire s
tendered for redemption. If we do not elect to acquire the common units tendered for redemption in exchange for shares of our
our operating partnership must deliver the cash redemption amount, subject to certain exceptions, on or before the first busines
calendar days after we receive the holder s notice of redemption. Among other limitations, a limited partner or assignee may n
redeem its common units if the exchange of such units for shares of our common stock would cause any person to violate the r
of our stock.

On or before the close of business on the fifth business day after a holder of common units gives notice of redemption to us, we
discretion but subject to the restrictions on the ownership and transfer of our stock set forth in our charter and described in De
Ownership and Transfer, elect to acquire some or all

of the common units tendered for redemption from the tendering party in exchange for shares of our common stock, based on a
common stock for each common unit, subject to adjustment as provided in the partnership agreement. The holder of the commo
provide certain information, certifications or affidavits, representations, investment letters, opinions and other instruments to en
on ownership and transfer of our stock set forth in our charter and the Securities Act. The partnership agreement does not requi
shares of common stock issued in exchange for common units with the SEC, with any state securities commissioner, departmen
or the Exchange Act or with any stock exchange. Shares of our common stock issued in exchange for common units pursuant t
contain legends regarding restrictions under the Securities Act and applicable state securities laws.

Transfers and Withdrawals

Restrictions on Transfers by Limited Partners

Until the expiration of 12 months after the date on which a limited partner first acquires a partnership interest, the limited partn
indirectly transfer all or any portion of its partnership interest without our consent, which we may give or withhold in our sole a
certain permitted transfers to certain affiliates, family members and charities, and certain pledges of partnership interests to len
bona fide loans.

After the expiration of 12 months after the date on which a limited partner first acquires a partnership interest, the limited partn
any portion of its partnership interest without our consent to any person that is an accredited investor, within meaning set for
Securities Act, upon ten business days prior notice to us, subject to the satisfaction of conditions specified in the partnership ag
requirements and our right of first refusal. Unless waived by us, in our sole and absolute discretion, a transferring limited partne
counsel reasonably satisfactory to us that the proposed transfer may be effected without registration under the Securities Act, an
securities laws or regulations applicable to our operating partnership or the partnership interest proposed to be transferred. We
in connection with a proposed transfer by a limited partner within ten business days of our receipt of notice of the proposed tra
and address of the proposed transferee and the amount and type of consideration proposed to be paid for the partnership interes
any cash consideration proposed to be paid for a partnership interest that we acquire pursuant to our right of first refusal in the
transferring limited partner not more than 180 days after our purchase of such partnership interest.

Any transferee of a limited partner s partnership interest must assume by operation of law or express agreement all of the oblig
partner under the partnership agreement with respect to the transferred interest, and no transfer (other than a transfer pursuant t
in which the obligations and liabilities of the transferring limited partner are assumed by a successor corporation by operation o
limited partner of its obligations under the partnership agreement without our consent, which we may give or withhold in our s

We may take any action we determine in our sole and absolute discretion to prevent our operating partnership from being taxab
income tax purposes. No transfer by a limited partner of its partnership interest, including any redemption or any acquisition of
operating partnership or conversion of LTIP Units into common units, may be made to or by any person without our consent, w
sole and absolute discretion, if the transfer could:

- result in our operating partnership being treated as an association taxable as a corporation for U.S. federal inc

- result in a termination of our operating partnership under Section 708 of the Code;

- be treated as effectuated through an established securities market or a secondary market (or the substan
of Section 7704 of the Code and the Treasury Regulations promulgated thereunder;

147

· result in our operating partnership being unable to qualify for at least one of the safe harbors set forth in S
Regulations thereunder; or

· based on the advice of counsel to us or our operating partnership, adversely affect our ability to continue to q
additional taxes under Sections 857 or 4981 of the Code.

Admission of Substituted Limited Partners

No limited partner has the right to substitute a transferee as a limited partner in its place. A transferee of a partnership interest c
a substituted limited partner only with our consent, which we may give or withhold in our sole and absolute discretion, and onl
obligations of a limited partner under the partnership and executes such instruments as we may require to evidence such accept
admission as a limited partner. Any assignee of a partnership interest that is not admitted as a limited partner will be entitled to
limited partnership interest under the partnership agreement and the Act, including the right to receive distributions from our op
net income, net losses and other items of income, gain, loss, deduction and credit of our operating partnership attributable to th
assignee and the rights to transfer and redemption of the partnership interest provided in the partnership agreement, but will not
holder of a partnership interest for any other purpose under the partnership agreement or the Act, and will not be entitled to con
presented to the limited partners for approval. The right to consent or vote, to the extent provided in the partnership agreement
transferring limited partner.

Restrictions on Transfers by the General Partner

Pursuant to the partnership agreement of our operating partnership, we may not engage in, or cause or permit, a Termination Tr
than with the consent of limited partners (excluding us and any limited partner 50% or more of whose equity is owned, directly
majority of all the outstanding common units held by all partners (excluding us and any limited partner 50% or more of whose
by us) entitled to vote on or consent to such matter, and, for so long as Second City and entities controlled by Second City hold
common units, the consent of Second City, or if the requirements discussed below are satisfied. A Termination Transaction
all or any portion of common units in connection with, or any other occurrence of:

· a merger, consolidation or other combination transaction involving us;

· a sale, lease, exchange or other transfer of all or substantially all of our assets not in the ordinary course of its
transaction or a series of related transactions;

· a reclassification, recapitalization or change of our outstanding shares of common stock (other than a change
par value, or as a result of a stock split, stock dividend or similar subdivision);

· the adoption of any plan of liquidation or dissolution of us; or

· any other direct or indirect transfer of all or any portion of our limited partnership interest in our operating pa
transfers to affiliated entities.

The consent of the limited partners (including Second City) to a Termination Transaction is not required (such Termination Tra
Transactions) if either:

(i) in connection with the Termination Transaction, each operating partnership unit is entitled to receive the transaction consic
value, at the time of the Termination Transaction, of an amount of cash, securities or other property equal to the product of:

- the greatest amount of cash, securities or other property which such holder would receive were it to exercise shares of our common stock in exchange for its common units; and

148

Table of Contents

- the greatest amount of cash, securities or other property paid to the holder of one share of our common stock
  with the partnership agreement) in consideration of such share in connection with the Termination Transactio

provided that, if, in connection with the Termination Transaction, a purchase, tender or exchange offer is made to and accepted
outstanding shares of our common stock, the transaction consideration will refer to the fair market value of the greatest amount
which such holder would have received had it exercised its redemption right and received shares of our common stock in excha
prior to the expiration of such purchase, tender or exchange offer and had accepted such purchase, tender or exchange offer; or

(ii) all of the following conditions are met: (a) substantially all of the assets directly or indirectly owned by our operating partne
the Termination Transaction are, immediately after the Termination Transaction, owned directly or indirectly by our operating
partnership or limited liability company which is the survivor of a merger, consolidation or combination of assets with our oper
as the surviving partnership, (b) the surviving partnership is classified as a partnership for U.S. federal income tax purposes;
that held common units immediately prior to the consummation of such Termination Transaction own a percentage interest of t
relative fair market value of the net assets of our operating partnership and the other net assets of the surviving partnership imm
such transaction; (d) the rights of such limited partners with respect to the surviving partnership are at least as favorable as thos
consummation of such transaction and as those applicable to any other limited partners or non-managing members of the surviv
include:

(1) if we or our successor is a REIT with a single class of publicly traded common equity securities, the right to redeem their in
any time for either: (x) a number of such REIT s publicly traded common equity securities with a fair market value, as of the d
Termination Transaction, equal to the transaction consideration referred to above, subject to antidilution adjustments, which we
amount; or (y) cash in an amount equal to the fair market value of the successor shares amount at the time of such redemption

(2) if we or our successor is not a REIT with a single class of publicly traded common equity securities, the right to redeem the
partnership at any time for cash in an amount equal to the fair market value of such interest at the time of redemption, as detern
quarter by an independent appraisal firm of recognized national standing retained by the surviving partnership.

We may also transfer all (but not less than all) of our interest in our operating partnership to an affiliate of ours without the con
the rights of holders of any class or series of partnership interest.

In addition, any transferee of our interest in our operating partnership must be admitted as a general partner of our operating pa
or express agreement, all of our obligations as general partner under the partnership agreement, accept all of the terms and cond
and execute such instruments as may be necessary to effectuate the transferee s admission as a general partner.

In addition to the foregoing, if the consent of the limited partners is not obtained and if the Second City Group and entities cont
at least 20% of the outstanding common units of our operating partnership held by all partners, we may not engage in, or cause
in connection with which we have or will seek the approval of our common stockholders, without the consent of the limited par
partner and entities controlled by us or the general partner) holding a majority of the outstanding common units held by all part
partner 50% or more of whose equity is owned, directly or indirectly, by us) entitled to vote on or consent to such matter, unles
and their controlled entities with advance notice of such transaction at least equal in time to the notice seeking our stockholder
describing the proposed Termination Transaction as well as the tax effect of the consummation thereof, and such Termination T
of affirmative votes cast, or deemed to have been cast, by designated partners as would be sufficient

Table of Contents

(measured as a percentage of the total number of votes cast or entitled to be cast (or deemed to be cast), to approve the Termina
was to be given by the holders of shares of our common stock. For purposes of this partnership vote, designated partners holdir
cast a number of votes equal to the total votes they would have been entitled to cast at our stockholder meeting had they submit
redemption and such common units had been acquired by us for our shares as of the record date for the stockholder meeting. In
partnership vote, we and our subsidiaries will be deemed to have cast all votes that we would otherwise have been entitled to ca
which all of our outstanding shares of common stock were voted in our stockholder vote. Designated partners means, collective
wholly-owned subsidiaries that owns common units and (ii) the Second City Group and all of the entities they control that own

In addition, as long as the Second City Group, together with entities controlled by the Second City Group, owns at least 20% of
by all partners, we may not engage in a Termination Transaction effected as a short-form merger without a stockholder vote pu
unless we have previously obtained the consent of the Second City Group.

Restrictions on Transfers by Any Partner

Any transfer or purported transfer of a partnership interest other than in accordance with the partnership agreement will be void
transferred only on the first day of a fiscal quarter, and no partnership interest may be transferred to any lender under certain no
partnership, in either case, unless we otherwise consent, which we may give or withhold in our sole and absolute discretion. No
including in connection with any redemption or acquisition of units by us or by our operating partnership or any conversion of
be made:

- to a person or entity that lacks the legal right, power or capacity to own the partnership interest;
- in violation of applicable law;
- without our consent, which we may give or withhold in our sole and absolute discretion, of any component p
as a partner s capital account or rights to distributions, separate and apart from all other components of the p
partnership;
- if the proposed transfer could cause us or any of our affiliates to fail to comply with the requirements under t
as a qualified REIT subsidiary (within the meaning of Section 856(i)(2) of the Code);
- without our consent, which we may give or withhold in our sole and absolute discretion, if the proposed trans
counsel to us or our operating partnership, cause a termination of our operating partnership for U.S. federal o
than as a result of the redemption or acquisition by us of all units held by limited partners);
- if the proposed transfer could, based on the advice of legal counsel to us or our operating partnership, cause o
be classified as a partnership for U.S. federal income tax purposes (other than as a result of the redemption or
all limited partners);
-

if the proposed transfer would cause our operating partnership to become, with respect to any employee bene
Employee Retirement Income Security Act of 1974, as amended, or ERISA, a party-in-interest for purpos
defined in Section 4975(c) of the Code;

- if the proposed transfer could, based on the advice of counsel to us or our operating partnership, cause any po partnership to constitute assets of any employee benefit plan pursuant to applicable regulations of the United

- if the proposed transfer requires the registration of the partnership interest under any applicable federal or sta

· without our consent, which we may give or withhold in our sole and absolute discretion, if the proposed trans through an established securities market or a secondary market (or the substantial equivalent thereof) w Code and the Treasury Regulations promulgated thereunder, (2) cause our operating partnership to become a term is defined in Sections 469(k)(2) or 7704(b) of the Code, or (3) cause our operating partnership to fail to harbors within the meaning of Section 7704 of the Code and the Treasury Regulations thereunder;

· if the proposed transfer would cause our operating partnership (as opposed to us) to become a reporting comp

· if the proposed transfer subjects our operating partnership to regulation under the Investment Company Act o of 1940 or ERISA, each as amended.

Notwithstanding the above, limited partners, including the Second City Group and their controlled entities, may pledge their in one or more banks or lending institutions (which are not affiliates of the pledging limited partner). The transfer of such partners financial institution s enforcement of its remedies under the applicable financing documents is permitted by the partnership ag

Withdrawal of Partners

We may not voluntarily withdraw as the general partner of our operating partnership without the consent of a majority in intere us and any limited partner 50% or more of whose equity is owned, directly or indirectly, by us), and, for so long as the Second the Second City Group hold more than 20% of the outstanding partnership shares, the consent of the Second City Group, other interest in our operating partnership and the admission of our successor as a general partner of our operating partnership. A lim operating partnership only as a result of a transfer of the limited partner s entire partnership interest in accordance with the par of the limited partner s successor as a limited partner of our operating partnership or as a result of the redemption or acquisitio partnership interest.

Amendment of the Partnership Agreement

Except as described below and amendments requiring the consent of each affected partner described in Restrictions on Gene the partnership agreement must be approved by us and by a majority in interest of the partners entitled to vote thereon, includin Amendments to amend the rights of the Second City Group described above under Purpose, Business and Management mu Amendments to the partnership agreement may be proposed only by us or by limited partners holding 25% or more of the partn partners. Following such a proposal, we must submit any proposed amendment that requires the consent, approval or vote of an vote on the amendment for approval and seek the consent of such partners to the amendment.

We may, without the approval or consent of any limited partner or any other person but subject to the rights of holders of any a interest, amend the partnership agreement as may be required to facilitate or implement any of the following purposes:

· to add to our obligations as general partner or surrender any right or power granted to us or any of our affiliat partners;

· to reflect the admission, substitution or withdrawal of partners, the transfer of any partnership interest, the ter in accordance with the partnership agreement or the adjustment of the number of outstanding LTIP Units, or outstanding LTIP Units, to maintain a one-for-one conversion and economic equivalence between LTIP Unit

151

- to reflect a change that is of an inconsequential nature or does not adversely affect the limited partners in any ambiguity, correct or supplement any provision in the partnership agreement that is not inconsistent with law partnership agreement, or make other changes with respect to matters arising under the partnership agreemen or with the provisions of the partnership agreement;

- to set forth or amend the designations, preferences, conversion and other rights, voting powers, restrictions, l distributions, qualifications and terms and conditions of redemption of the holders any additional classes or s interest;

- to satisfy any requirements, conditions or guidelines contained in any order, directive, opinion, ruling or regu agency or contained in federal or state law;

- to reflect such changes as are reasonably necessary for us to qualify as a REIT or satisfy the requirements for to reflect the transfer of all or any part of a partnership interest among us and any entity that is disregarded w federal income tax purposes;

- to modify the manner in which items of net income or net loss are allocated or the manner in which capital ac maintained (but in each case only to the extent provided by the partnership agreement and permitted by appli

- to reflect the issuance of additional partnership interests;

- to implement certain procedures in connection with any equity incentive plan we may adopt;

- to reflect any other modification to the partnership agreement as is reasonably necessary for the business or c partnership and that does not require the consent of each affected partner as described in Restrictions on C

- to effect or facilitate a Permitted Termination Transaction, including modification of the redemption rights of that the holders of interests in the surviving entity will have the rights described in Transfers and Withdra General Partner after a Permitted Termination Transaction.

Certain amendments to the partnership agreement must be approved by limited partners holding LTIP Units, as described in

The nomination and other special rights of the Second City Group automatically terminate at such time as the Second City Gro cease to own common units that represent at least 10% of the outstanding common units. Until such termination, no amendmen nomination rights may be made without the prior written consent of the Second City Group.

Procedures for Actions and Consents of Partners

Meetings of partners may be called only by us, to transact any business that we determine. Notice of any meeting and the natur the meeting must be given to all partners entitled to act at the meeting not less than seven days nor more than 60 days before th by a different number or proportion of the partners is required by the partnership agreement, the affirmative vote of the partners

partnership interests held by partners entitled to act on any proposal is sufficient to approve the proposal at a meeting of the par
by proxy. Each meeting of partners will be conducted by us or any other person we appoint, pursuant to rules for the conduct o
person conducting the meeting. Whenever the vote, approval or consent of partners is permitted or required under the partnersh
consent may be given at a meeting of partners, and any action requiring the approval or consent of any partner or group of partn
permitted to be taken at a meeting of the partners may be taken without a

meeting if a consent in writing or by electronic transmission setting forth the action so taken, approved or consented to is given
would be sufficient to approve such action or provide such approval or consent at a meeting of the partners. If we seek partner
writing or by electronic transmission, we may require a response within a reasonable specified time, but not less than fifteen da
period will constitute a partner s consent consistent with our recommendation, if any, with respect to the matter.

Dissolution

Our operating partnership will dissolve, and its affairs will be wound up, upon the first to occur of any of the following:

- the removal or withdrawal of the last remaining general partner in accordance with the partnership agreemen general partner in violation of the partnership agreement or the involuntary withdrawal of the last remaining general partner s death, adjudication of incompetency, dissolution or other termination of legal existence or to the bankruptcy or insolvency of such general partner unless, within ninety days after any such withdrawal, remaining partners agree in writing, in their sole and absolute discretion, to continue our operating partnershi of the date of such withdrawal, of a successor general partner;

- an election to dissolve our operating partnership by us, with the consent of a majority in interest of the partne

- the entry of a decree of judicial dissolution of our operating partnership pursuant to the Act; or

- the redemption or other acquisition by us or our operating partnership of all of the outstanding partnership in interests held by us.

Upon dissolution, we or, if there is no remaining general partner, a liquidator will proceed to liquidate the assets of our operatin
from such liquidation in the order of priority set forth in the partnership agreement and among holders of partnership interests i
account balances.

Tax Matters

Pursuant to the partnership agreement, we, as the general partner, are the tax matters partner of our operating partnership, and i
handle tax audits on behalf of our operating partnership. In addition, as the general partner, we have the authority to arrange for
operating partnership s tax returns and to make tax elections under the Code on behalf of our operating partnership.

LTIP Units

Our operating partnership is authorized to issue a class of units of partnership interest designated as LTIP Units. We may ca
LTIP Units to persons who provide services to or for the benefit of our operating partnership, including our Advisor and people
benefit of our Advisor, for such consideration or for no consideration as we may determine to be appropriate, and we may adm
our operating partnership, without the approval or consent of any limited partner. Further, we may cause our operating partners
more classes or series, with such terms as we may determine, without the approval or consent of any limited partner. LTIP Unit
and restrictions on transfer and receipt of distributions pursuant to the terms of any applicable equity-based plan and the terms
issuance of the LTIP Units.

Conversion Rights

Vested LTIP Units are convertible at the option of each limited partner and some assignees of limited partners (in each case, th
common units, upon notice to us and our operating partnership, to the extent that

153

Table of Contents

the capital account balance of the LTIP unitholder with respect to all of his or her LTIP Units is at least equal to our capital acc
number of common units. We may cause our operating partnership to convert vested LTIP Units eligible for conversion into an
any time, upon at least 10 and not more than 60 days notice to the holder of the LTIP Units.

If we or our operating partnership is party to a transaction, including a merger, consolidation, sale of all or substantially all of o
combination, as a result of which common units are exchanged for or converted into the right, or holders of common units are
securities or other property (or any combination thereof), we must cause our operating partnership to convert any vested LTIP
common units immediately before the transaction, taking into account any special allocations of income that would be made as
operating partnership must use commercially reasonable efforts to cause each limited partner (other than a party to such a trans
holding LTIP Units that will be converted into common units in such a transaction to be afforded the right to receive the same
and other property (or any combination thereof) for such common units that each holder of common units receives in the transa
have the opportunity to elect the form or type of consideration to be received in any such transaction, we must give prompt wri
holding LTIP Units of such opportunity and use commercially reasonable efforts to allow limited partners holding LTIP Units
with respect to the common units that each such limited partner will receive upon conversion of his or her LTIP Units. If an LT
election, he or she will receive the same kind and amount of consideration that a holder of common units would receive if such
election. Subject to the terms of an applicable incentive award plan and/or award agreement, our operating partnership must als
to enter into an agreement with the successor or purchasing entity in any such transaction for the benefit of the limited partners
limited partners holding LTIP Units that remain outstanding after such a transaction to convert their LTIP Units into securities
under the circumstances to common units and preserving as far as reasonably possible under the circumstances the distribution,
other rights set forth in the partnership agreement for the benefit of the LTIP unitholders.

Any conversion of LTIP Units into common units will be effective as of the close of business on the effective date of the conve

Transfer

Unless an applicable equity-based plan or the terms of an award agreement specify additional restrictions on transfer of LTIP U
the same extent as common units, as described above in Transfers and Withdrawals.

Voting Rights

Limited partners holding LTIP Units are entitled to vote together as a class with limited partners holding common units on all r
holding common units are entitled to vote or consent, and may cast one vote for each LTIP Unit so held.

Adjustment of LTIP Units

If our operating partnership takes certain actions, including making a distribution of units on all outstanding common units, co
outstanding common units into a different number of common units or reclassifying the outstanding common units, we must ad
Units or subdivide or combine outstanding LTIP Units to maintain a one-for-one conversion ratio and economic equivalence be

Table of Contents

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there was no public market for our common stock. Trading of our common stock on the NYSE is expecte
following the completion of this offering. No assurance can be given as to (1) the likelihood that an active market for common
any such market, (3) the ability of the stockholders to sell their shares or (4) the prices that stockholders may obtain for any of t
made as to the effect, if any, that future sales of shares, or the availability of any shares for future sales, will have on the market
prevailing from time to time. Sales of substantial amounts of common stock (including shares issued upon the exchange of unit
the perception that such sales could occur, could adversely affect the prevailing market price of our common stock and our abil
a future sale of securities. See Risk Factors Risks Related to this Offering.

For a description of certain restrictions on transfers of our shares of common stock held by certain of our stockholders, see De
Ownership and Transfer.

Sale of Restricted Securities

Upon completion of this offering and the formation transactions, we will have shares of our common stock issued and
underwriters over-allotment option is exercised in full). In addition, upon completion of this offering and the formation transa
stock will be issuable upon exchange of common units. Of these shares, the shares sold in this offering (sh
option is exercised in full) will be freely tradable without restriction under the Securities Act, subject to the restrictions on own
forth in our charter, unless purchased by our affiliates as that term is defined in Rule 144 under the Securities Act. The rema
that will be outstanding after this offering are restricted securities within the meaning of Rule 144 under the Securities Act. I
public market only if they are registered under the Securities Act or are sold pursuant to an exemption from registration under I
which is summarized below. Subject to the lock-up agreements described below, shares held by our affiliates that are not restric
compliance with Rule 144 of the Securities Act without regard to the prescribed holding period under Rule 144.

Rule 144

In general, under Rule 144 under the Securities Act, as in effect on the date of this prospectus, beginning on the date 90 days af
person, or persons whose shares are aggregated, who is one of our affiliates and has beneficially owned shares of our common
entitled to sell within any three-month period, a number of shares that does not exceed the greater of:

- 1% of the number of shares of common stock then outstanding which will equal approximately
offering (shares if the underwriters exercise their over-allotment option in full); or

- the average weekly trading volume of our common stock on the NYSE during the four calendar weeks imme
the notice of sale is filed with the SEC.

Sales pursuant to Rule 144 by our affiliates or persons selling shares on behalf of our affiliates are also subject to provisions rel
availability of current public information about us.

In general, under Rule 144 under the Securities Act, as in effect on the date of this prospectus, a person, or persons whose share
currently deemed to have been one of our affiliates at any time during the 90 days preceding a sale, and who has beneficially ow
for at least six months, including the holding period of any prior owner other than an affiliate, is entitled to sell the shares begin
this prospectus without complying with the manner of sale, volume limitation or notice provisions of Rule 144, and will be sub
requirements of Rule 144. If such person has beneficially owned the shares proposed to be sold for at least one year, including t
other than our affiliates, then such person is entitled to sell such shares without complying with any of the requirements of Rule

155

Table of Contents

Redemption/Exchange Rights

Beginning 12 months after the completion of the formation transactions, limited partners of our operating partnership and assig
right to require our operating partnership to redeem part or all of their common units for cash, or, at our election, common shar
Description of the Partnership Agreement of City Office REIT Operating Partnership, L.P. Redemption Rights of Limited Pa

Lock-Up Agreements

We have entered into a lock-up agreement with each of our executive officers, directors, our Advisor and Second City Group. S

Registration Rights

We expect to enter into a registration rights agreement with the various persons receiving common units in the formation transa
Group and certain of our executive officers. See Certain Relationships and Related Person Transactions Registration Rights A

Equity Incentive Plan

We intend to adopt the Equity Incentive Plan immediately prior to completion of this offering. The Equity Incentive Plan is inte
incentive awards to our directors, executive officers and certain other service providers. We intend to reserve shares of our com
issuance under the Equity Incentive Plan.

Table of Contents

U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following is a general summary of the material U.S. federal income tax considerations regarding our company and holders
of this discussion, references to we, our and us mean only City Office REIT, Inc., and do not include any of its subsidi
summary is for general information only and is not tax advice.

The information in this summary is based on (i) the Code, (ii) current, temporary and proposed Treasury Regulations promulga
legislative history of the Code; (iv) administrative interpretations and practices of the IRS; and (v) court decisions, in each case
addition, the administrative interpretations and practices of the IRS include its practices and policies as expressed in private lett
IRS except with respect to the particular taxpayers who requested and received those rulings. Future legislation, Treasury Regu
and practices and/or court decisions may adversely affect the tax considerations contained in this discussion. Any such change
transactions preceding the date of the change. We have not requested, and do not intend to request, a ruling from the IRS that w
statements in this prospectus are not binding on the IRS or any court. Thus, we can provide no assurance that the tax considerat
not be challenged by the IRS or will be sustained by a court if challenged by the IRS. This summary does not discuss any state,
associated with the purchase, ownership, or disposition of our common stock or our election to be taxed as a REIT.

You are urged to consult your tax advisors regarding the tax consequences to you of (i) the purchase, ownership or disposition
federal, state, local, non-U.S. and other tax consequences, (ii) our election to be taxed as a REIT; and (iii) potential changes in

Taxation of Our Company

General

We intend to elect to be taxed as a REIT commencing with our taxable year ending December 31, 2014 upon the filing of our U
year. We believe that we are organized and will operate in a manner that will allow us to qualify for taxation as a REIT under t
year ending December 31, 2014, and we intend to continue to be organized and operate in this manner. However, qualification
our ability to meet the various qualification tests imposed under the Code, including through actual annual operating results, as
and diversity of stock ownership. Accordingly, no assurance can be given that we have been organized or will be able to operat
remain qualified as a REIT. See Failure to Qualify.

The sections of the Code and the corresponding Treasury Regulations that relate to qualification and taxation as a REIT are hig
following discussion sets forth certain material aspects of the sections of the Code that govern the U.S. federal income tax treat
This summary is qualified in its entirety by the applicable Code provisions, and Treasury Regulations promulgated under the C
interpretations thereof.

Shearman & Sterling LLP has acted as our tax counsel in connection with this offering of our common stock and our intended
Shearman & Sterling LLP will render an opinion to us to the effect that, commencing with our taxable year ending December 3
conformity with the requirements for qualification and taxation as a REIT under the Code, and our current and proposed metho
the requirements for qualification and taxation as a REIT under the Code. It must be emphasized that this opinion will be based
representations as to factual matters, including representations made by us in a factual certificate provided by one of our office
taxation as a REIT depend upon our ability to meet the various qualification tests imposed under the Code, which are discussed
annual operating results, asset composition, distribution levels and diversity of stock ownership, the results of which have not b
Shearman & Sterling LLP. Accordingly, no assurance can be given that our actual results of operation for any

Table of Contents

particular taxable year will satisfy those requirements. Further, the anticipated U.S. federal income tax treatment described in th
perhaps retroactively, by legislative, administrative or judicial action at any time. Shearman & Sterling LLP has no obligation t
date of such opinion.

Provided we qualify for taxation as a REIT, we generally will not be required to pay U.S. federal corporate income taxes on ou
currently distributed to our stockholders. This treatment substantially eliminates the double taxation that ordinarily results fr
C corporation is a corporation that generally is required to pay tax at the corporate level. We will, however, be required to pay

- First, we will be required to pay tax at regular corporate rates on any undistributed REIT taxable income, inc

- Second, we may be required to pay the alternative minimum tax on our items of tax preference under som

- Third, if we have (1) net income from the sale or other disposition of foreclosure property held primarily f course of business or (2) other nonqualifying income from foreclosure property, we will be required to pay ta income. To the extent that income from foreclosure property is otherwise qualifying income for purposes of t not applicable. Subject to certain other requirements, foreclosure property generally is defined as property we a default on a loan secured by the property or a lease of the property.

- Fourth, we will be required to pay a 100% tax on any net income from prohibited transactions. Prohibited tra other taxable dispositions of property, other than foreclosure property, held primarily for sale to customers in

- Fifth, if we fail to satisfy the 75% gross income test or the 95% gross income test, as described below, but ha our qualification as a REIT because certain other requirements are met, we will be required to pay a tax equa amount by which we fail to satisfy the 75% gross income test and the 95% gross income test, multiplied by (reflect our profitability.

- Sixth, if we fail to satisfy any of the asset tests (other than a *de minimis* failure of the 5% or 10% asset test), a cause and not due to willful neglect, and we nonetheless maintain our REIT qualification because of specifie to pay a tax equal to the greater of $50,000 or the highest corporate tax rate multiplied by the net income gen caused us to fail such test.

- Seventh, if we fail to satisfy any provision of the Code that would result in our failure to qualify as a REIT (o income tests or certain violations of the asset tests, as described below) and the violation is due to reasonable we may retain our REIT qualification but we will be required to pay a penalty of $50,000 for each such failur

- Eighth, we will be required to pay a 4% nondeductible excise tax to the extent we fail to distribute during eac (1) 85% of our ordinary income for the year, (2) 95% of our capital gain net income for the year, and (3) any prior periods.

· Ninth, if we acquire any asset from a corporation that is or has been a C corporation in a transaction in which by reference to the C corporation s basis in the asset, and we subsequently recognize gain on the disposition beginning on the date on which we acquired the asset, then we will be required to pay tax at the highest regul the extent of the excess of (1) the fair market value of the asset over (2) our adjusted basis in the asset, in eac which we acquired the asset. The results described in this paragraph with respect to the recognition of gain as refrain from making an election to receive different treatment under applicable Treasury Regulations on its ta acquire the asset from the C corporation.

158

Table of Contents

· Tenth, our subsidiaries that are C corporations, including our taxable REIT subsidiaries, generally will be re
income tax on their earnings.

· Eleventh, we will be required to pay a 100% tax on any redetermined rents, redetermined deductions o
general, redetermined rents are rents from real property that are overstated as a result of services furnished to
REIT subsidiary of ours. Redetermined deductions and excess interest generally represent amounts that are d
subsidiary of ours for amounts paid to us that are in excess of the amounts that would have been deducted ba

· Twelfth, we may elect to retain and pay income tax on our net capital gain. In that case, a stockholder would
share of our undistributed net capital gain (to the extent we make a timely designation of such gain to the sto
would be deemed to have paid the tax that we paid on such gain, and would be allowed a credit for its propo
deemed to have been paid, and an adjustment would be made to increase the basis of the stockholder in our c

Requirements for Qualification as a REIT. The Code defines a REIT as a corporation, trust or association:

1. that is managed by one or more trustees or directors;

2. that issues transferable shares or transferable certificates to evidence its beneficial ownership;

3. that would be taxable as a domestic corporation, but for its election to be taxed as a REIT;

4. that is not a financial institution or an insurance company within the meaning of certain provisions of the Co

5. that is beneficially owned by 100 or more persons;

6. not more than 50% in value of the outstanding stock of which is owned, actually or constructively, by five or
specified entities, during the last half of each taxable year; and

7. that meets other tests, described below, regarding the nature of its income and assets and the amount of its di

The Code provides that conditions (1) to (4), inclusive, must be met during the entire taxable year and that condition (5) must b
taxable year of 12 months, or during a proportionate part of a taxable year of less than 12 months. Conditions (5) and (6) do no
For purposes of condition (6), the term individual includes a supplemental unemployment compensation benefit plan, a priv
permanently set aside or used exclusively for charitable purposes, but generally does not include a qualified pension plan or pr

To monitor compliance with the stock ownership requirements, we generally are required to maintain records regarding the act
we must demand written statements each year from the record holders of significant percentages of our stock pursuant to which
actual owners of the stock (i.e., the persons required to include our dividends in their gross income). We must maintain a list of
comply with this demand as part of our records. We could be subject to monetary penalties if we fail to comply with these reco
refuse to comply with the demands, you will be required by Treasury regulations to submit a statement with your tax return dis

stock and other information.

We believe that we have been organized, will operate and will issue sufficient shares of our common stock with sufficient dive
offering of our common stock to allow us to satisfy conditions (1) through (7) inclusive, during the relevant time periods. In ad
restrictions regarding ownership and transfer of our shares which are intended to assist us in continuing to satisfy the share owr
(5) and (6) above. A description of the share ownership and transfer restrictions relating to our common stock is contained in

159

the discussion in this prospectus under the heading Description of Stock Restrictions on Ownership and Transfer. These res
will, in all cases, be able to satisfy the share ownership requirements described in (5) and (6) above. If we fail to satisfy these sh
as provided in the next sentence, our status as a REIT will terminate. If, however, we comply with the rules contained in applic
us to ascertain the actual ownership of our shares and we do not know, or would not have known through the exercise of reason
the requirement described in condition (6) above, we will be treated as having met this requirement. See Failure to Qualify.

In addition, we will not qualify as a REIT unless our taxable year is the calendar year. We will have a calendar taxable year.

Ownership of Interests in Partnerships, Limited Liability Companies and Qualified REIT Subsidiaries. In the case of a REIT th
member in a limited liability company treated as a partnership for U.S. federal income tax purposes, Treasury Regulations prov
own its proportionate share of the assets of the partnership or limited liability company, as the case may be, based on its interes
special rules relating to the 10% value limitation described below. Also, the REIT will be deemed to be entitled to its proportio
The assets and gross income of the partnership or limited liability company retain the same character in the hands of the REIT f
Code, including satisfying the gross income tests and the asset tests. Thus, our pro rata share of the assets and items of income o
our operating partnership s share of these items of any partnership or limited liability company treated as a partnership or disre
tax purposes in which it owns an interest, is treated as our assets and items of income for purposes of the gross income and asse
summary of the rules governing the U.S. federal income taxation of partnerships and limited liability companies is set forth bel
Partnership, the Subsidiary Partnerships and Limited Liability Companies.

We expect to control our operating partnership and the subsidiary partnerships and limited liability companies and intend to ope
the requirements for our qualification as a REIT. If we become a limited partner or non-managing member in any partnership o
entity takes or expects to take actions that could jeopardize our status as a REIT or require us to pay tax, we may be forced to d
addition, it is possible that a partnership or limited liability company could take an action which could cause us to fail a gross in
not become aware of such action in time to dispose of our interest in the partnership or limited liability company or take other c
that case, we could fail to qualify as a REIT unless we were entitled to relief, as described below.

We may from time to time own and operate certain properties through wholly owned subsidiaries that we intend to be treated a
the Code. A corporation will qualify as our qualified REIT subsidiary if we own 100% of the corporation s outstanding stock a
treat it as a taxable REIT subsidiary, as described below. A qualified REIT subsidiary is not treated as a separate corporation
income, gain, loss, deduction and credit of a qualified REIT subsidiary are treated as assets, liabilities and items of income, gai
parent REIT for all purposes under the Code, including all REIT qualification tests. Thus, in applying the U.S. federal tax requi
any qualified REIT subsidiaries we own are ignored, and all assets, liabilities and items of income, gain, loss, deduction and cre
our assets, liabilities and items of income, gain, loss, deduction and credit. A qualified REIT subsidiary is not subject to U.S. fe
of the stock of a qualified REIT subsidiary will not violate the restrictions on ownership of securities, as described below under

Ownership of Interests in Taxable REIT Subsidiaries. Following this offering, we will own our general partnership interests in o
Entities through taxable REIT subsidiaries, and we may acquire securities in additional taxable REIT subsidiaries in the future.
corporation other than a REIT in which a REIT directly or indirectly holds stock, and that has made a joint election with such R
subsidiary. If a taxable REIT subsidiary owns more than 35% of the total voting power or value of the outstanding securities of
corporation will also be treated as a taxable REIT subsidiary. Other than some activities relating to lodging and health care faci
generally engage in any business, including the

provision of customary or non-customary services to tenants of its parent REIT. A taxable REIT subsidiary is subject to U.S. fe
corporation. In addition, a taxable REIT subsidiary may be prevented from deducting interest on debt funded directly or indirec
regarding the taxable REIT subsidiary s debt-to-equity ratio and interest expense are not satisfied. A REIT s ownership of sec
not subject to the 5% or 10% asset test described below. See Asset Tests.

Income Tests

We must satisfy two gross income requirements annually to maintain our qualification as a REIT. First, in each taxable year we
least 75% of our gross income (excluding gross income from prohibited transactions, certain hedging transactions, and certain f
investments relating to real property or mortgages on real property, including rents from real property and, in certain circum
temporary investments. Second, in each taxable year we must derive at least 95% of our gross income (excluding cancellation o
income from prohibited transactions, certain hedging transactions, and certain foreign currency gains) from the real property in
dividends, interest and gain from the sale or disposition of stock or securities, or any combination of the foregoing.

Rents we receive from a tenant will qualify as rents from real property for the purpose of satisfying the gross income require
if all of the following conditions are met:

- The amount of rent is not based in any way on the income or profits of any person. However, an amount we r
excluded from the term rents from real property solely because it is based on a fixed percentage or percent

- Neither we nor an actual or constructive owner of 10% or more of our capital stock actually or constructively
the interests in the assets or net profits of a non-corporate tenant, or, if the tenant is a corporation, 10% or mo
value of all classes of stock of the tenant. Rents we receive from such a tenant that is a taxable REIT subsidia
not be excluded from the definition of rents from real property as a result of this condition if at least 90%
to which the rents relate is leased to third parties, and the rents paid by the taxable REIT subsidiary are subst
rents paid by our other tenants for comparable space. Whether rents paid by a taxable REIT subsidiary are su
rents paid by other tenants is determined at the time the lease with the taxable REIT subsidiary is entered into
modified, if such modification increases the rents due under such lease. Notwithstanding the foregoing, howe
controlled taxable REIT subsidiary is modified and such modification results in an increase in the rents pa
subsidiary, any such increase will not qualify as rents from real property. For purposes of this rule, a con
subsidiary is a taxable REIT subsidiary in which the parent REIT owns stock possessing more than 50% of
than 50% of the total value of the outstanding stock of such taxable REIT subsidiary;

- Rent attributable to personal property, leased in connection with a lease of real property, is not greater than 1
lease. If this condition is not met, then the portion of the rent attributable to personal property will not qualify

- We generally do not operate or manage the property or furnish or render services to our tenants, subject to a
as provided below. We may, however, perform services that are usually or customarily rendered in connec
occupancy only and are not otherwise considered rendered to the occupant of the property. Examples of th
light, heat or other utilities, trash removal and general maintenance of common areas. In addition, we may em
whom we derive no revenue to provide customary services, or a taxable REIT subsidiary, which may be who
provide both customary and non-customary services to our tenants without causing the rent we receive from t
from real property. Any amounts we receive from a taxable REIT subsidiary with respect to the

161

Table of Contents

taxable REIT subsidiary s provision of non-customary services will, however, be nonqualifying income und
and, except to the extent received through the payment of dividends, the 95% gross income test.

We generally do not intend, and as a general partner of our operating partnership, do not intend to permit our operating partner
cause us to fail to satisfy the rental conditions described above.

Income we receive that is attributable to the rental of parking spaces at the properties generally will constitute rents from real p
income tests if certain services provided with respect to the parking spaces are performed by independent contractors from wh
directly or indirectly, or by a taxable REIT subsidiary, and certain other conditions are met. We believe that the income we rec
spaces will meet these tests and, accordingly, will constitute rents from real property for purposes of the gross income tests.

From time to time, we may enter into hedging transactions with respect to one or more of our assets or liabilities. Our hedging
interest rate swaps, caps, and floors, options to purchase these items, and futures and forward contracts. Income from a hedging
sale or disposition of such a transaction, that is clearly identified as a hedging transaction as specified in the Code, will not cons
exempt from the 75% and 95% gross income tests. The term hedging transaction, as used above, generally means any transa
of our business primarily to manage risk of (1) interest rate changes or fluctuations with respect to borrowings made or to be m
estate assets, or (2) for hedging transactions, currency fluctuations with respect to an item of qualifying income under the 75%
extent that we do not properly identify such transactions as hedges or we hedge with other types of financial instruments, the in
likely to be treated as qualifying income for purposes of the gross income tests. We intend to structure any hedging transaction
our status as a REIT.

To the extent our taxable REIT subsidiaries pay dividends, we generally will derive our allocable share of such dividend incom
partnership. Such dividend income will qualify under the 95%, but not the 75%, gross income test.

We will monitor the amount of the dividend and other income from our taxable REIT subsidiaries and will take actions intende
nonqualifying income, within the limitations of the gross income tests. Although we expect these actions will be sufficient to p
tests, we cannot guarantee that such actions will in all cases prevent such a violation.

If we fail to satisfy one or both of the 75% or 95% gross income tests for any taxable year, we may nevertheless qualify as a R
relief under certain provisions of the Code. We generally may make use of the relief provisions if:

- following our identification of the failure to meet the 75% or 95% gross income tests for any taxable year, w
forth each item of our gross income for purposes of the 75% or 95% gross income tests for such taxable year
Regulations to be issued; and

- our failure to meet these tests was due to reasonable cause and not due to willful neglect.

It is not possible, however, to state whether in all circumstances we would be entitled to the benefits of these relief provisions.
gross income tests because nonqualifying income that we intentionally accrue or receive exceeds the limits on nonqualifying in
our failure to satisfy the tests was not due to reasonable cause. If these relief provisions do not apply to a particular set of circu
REIT. As discussed above in Taxation of Our Company General, even if these relief provisions apply, and we retain our s
with respect to our nonqualifying income. We may not always be able to comply with the gross income tests for REIT qualific
our income.

Prohibited Transaction Income. Any gain that we realize on the sale of property held as inventory or otherwise held primarily
course of business, including our share of any such gain realized by our operating partnership, either directly or through its sub
liability companies, will be treated as

162

income from a prohibited transaction that is subject to a 100% penalty tax, unless certain safe harbor exceptions apply. This pro
adversely affect our ability to satisfy the gross income tests for qualification as a REIT. Under existing law, whether property is
sale to customers in the ordinary course of a trade or business is a question of fact that depends on all the facts and circumstanc
transaction. Our operating partnership intends to hold its properties for investment with a view to long-term appreciation, to eng
developing and owning its properties and to make occasional sales of the properties as are consistent with our operating partner
not intend to enter into any sales that are prohibited transactions. However, the IRS may successfully contend that some or all o
partnership or its subsidiary partnerships or limited liability companies are prohibited transactions. We would be required to pa
allocable share of the gains resulting from any such sales.

Asset Tests

At the close of each calendar quarter of our taxable year, we must also satisfy four tests relating to the nature and diversificatio
the value of our total assets must be represented by real estate assets, cash, cash items (including certain money market funds) a
purposes of this test, the term real estate assets generally means real property (including interests in real property and interes
shares (or transferable certificates of beneficial interest) in other REITs, as well as any stock or debt instrument attributable to t
stock offering or a public offering of debt with a term of at least five years, but only for the one-year period beginning on the da

Second, not more than 25% of the value of our total assets may be represented by securities (including securities of one or more
than those securities includable in the 75% asset test.

Third, of the investments included in the 25% asset class, and except for investments in other REITs, our qualified REIT subsid
the value of any one issuer s securities may not exceed 5% of the value of our total assets, and we may not own more than 10%
outstanding securities of any one issuer except, in the case of the 10% value test, securities satisfying the straight debt safe-h
that itself would satisfy the 75% income test if it were a REIT and certain other securities, including any loan to an individual o
from real property and any security issued by a REIT. In addition, solely for purposes of the 10% value test, the determination o
partnership or limited liability company in which we own an interest will be based on our proportionate interest in any securitie
liability company, excluding for this purpose certain securities described in the Code.

Fourth, not more than 25% of the value of our total assets may be represented by the securities of one or more taxable REIT su
may own the stock of certain corporations that elect, together with us, to be treated as our taxable REIT subsidiaries. So long as
a taxable REIT subsidiary, we will not be subject to the 5% asset test, the 10% voting securities limitation or the 10% value lim
of their securities. We intend that the aggregate value of our taxable REIT subsidiaries will not exceed 25% of the aggregate va
no assurance that the IRS will not disagree with our determinations of value.

We believe that we have maintained and intend to maintain adequate records of the value of our assets to ensure compliance wi
any noncompliance with the asset tests within the 30-day-cure period, we would cease to qualify as a REIT unless we are eligib
discussed below.

Certain relief provisions may be available to us if we discover a failure to satisfy the asset tests described above after the 30-day
we will be deemed to have met the 5% asset test, the 10% voting securities limitation and 10% value limitation if the value of o
exceed the lesser of (a) 1% of the total value of our assets at the end of the applicable quarter or (b) $10,000,000, and (ii) we di
otherwise satisfy such tests within (a) six months after the last day of the quarter in which the failure to satisfy the asset tests is
prescribed by Treasury Regulations to be issued. For violations of any of the asset tests due to reasonable cause and not due to w
of the 5% asset test, the 10%

Table of Contents

voting securities limitation and 10% value limitation, in excess of the *de minimis* exception described above, we may avoid dis
30-day-cure period by taking steps including (i) the disposition of sufficient nonqualifying assets, or the taking of other actions
tests within (a) six months after the last day of the quarter in which the failure to satisfy the asset tests is discovered or (b) the p
Regulations to be issued, (ii) paying a tax equal to the greater of (a) $50,000 or (b) the highest corporate tax rate multiplied by t
nonqualifying assets, and (iii) disclosing certain information to the IRS.

Although we intend to satisfy the asset tests described above and plan to take steps to ensure that we satisfy such tests for any q
is to occur, there can be no assurance that we will always be successful, or will not require a reduction in our operating partners
(including in a taxable REIT subsidiary). If we fail to cure any noncompliance with the asset tests in a timely manner, and the r
not available, we would cease to qualify as a REIT.

Annual Distribution Requirements

To maintain our qualification as a REIT, we are required to distribute dividends, other than capital gain dividends, to our stockh
the sum of:

- 90% of our REIT taxable income; and
- 90% of our after-tax net income, if any, from foreclosure property; minus
- the excess of the sum of certain items of non-cash income over 5% of our REIT taxable income.

For these purposes, our REIT taxable income is computed without regard to the dividends paid deduction and our net capital
test, non-cash income means income attributable to leveled stepped rents, original issue discount on purchase money debt, canc
like-kind exchange that is later determined to be taxable.

In addition, if we dispose of any asset we acquired from a corporation which is or has been a C corporation in a transaction in w
determined by reference to the basis of the asset in the hands of that C corporation, within the ten-year period following our acq
required to distribute at least 90% of the after-tax gain, if any, we recognized on the disposition of the asset, to the extent that g
(a) the fair market value of the asset over (b) our adjusted basis in the asset, in each case, on the date we acquired the asset.

We generally must pay, or be treated as paying, the distributions described above in the taxable year to which they relate. At ou
treated as paid in a taxable year if it is declared before we timely file our tax return for such year and paid on or before the first
declaration, provided such payment is made during the 12-month period following the close of such year. These distributions a
stockholders in the year in which paid. This is so, even though these distributions relate to the prior year, for purposes of the 90
to be taken into account for purposes of our distribution requirement, the amount distributed must not be preferential *i.e.*, every
which a distribution is made must be treated the same as every other stockholder of that class, and no class of stock may be trea
dividend rights as a class. To the extent that we do not distribute all of our net capital gain, or distribute at least 90%, but less th
income, as adjusted, we will be required to pay tax on the undistributed amount at regular corporate tax rates. We believe that
sufficient to satisfy these annual distribution requirements and to minimize our corporate tax obligations. In this regard, the par
partnership authorizes us, as general partner of our operating partnership, to take such steps as may be necessary to cause our o
partners an amount sufficient to permit us to meet these distribution requirements and to minimize our corporate tax obligation

We expect that our REIT taxable income will be less than our cash flow because of depreciation and other non-cash charges inc
income. Accordingly, we anticipate that we generally will have sufficient cash or

164

Table of Contents

liquid assets to enable us to satisfy the distribution requirements described above. However, from time to time, we may not hav
to meet these distribution requirements due to timing differences between the actual receipt of income and actual payment of de
of income and deduction of expenses in determining our taxable income. In addition, we may decide to retain our cash, rather t
or for other reasons. If these timing differences occur, we may borrow funds to pay dividends or pay dividends in the form of ta
meet the distribution requirements, while preserving our cash.

Under some circumstances, we may be able to rectify an inadvertent failure to meet the 90% distribution requirement for a year
our stockholders in a later year, which may be included in our deduction for dividends paid for the earlier year. Thus, we may b
amounts distributed as deficiency dividends, subject to the 4% nondeductible excise tax described below. However, we will be
based upon the amount of any deduction claimed for deficiency dividends.

Furthermore, we will be required to pay a 4% nondeductible excise tax to the extent we fail to distribute during each calendar y
ordinary income for such year, 95% of our capital gain net income for the year and any undistributed taxable income from prior
net capital gain on which this excise tax is imposed for any year is treated as an amount distributed during that year for purpose

For purposes of the 90% distribution requirement and excise tax described above, dividends declared during the last three mont
stockholders of record on a specified date during such period and paid during January of the following year, will be treated as p
stockholders on December 31 of the year in which they are declared.

Like-Kind Exchanges

We may dispose of properties in transactions intended to qualify as like-kind exchanges under the Code. Such like-kind exchan
deferral of gain for U.S. federal income tax purposes. The failure of any such transaction to qualify as a like-kind exchange cou
income tax, possibly including the 100% prohibited transaction tax, depending on the facts and circumstances surrounding the

Penalty Tax

Any redetermined rents, redetermined deductions or excess interest that we generate will be subject to a 100% penalty tax. In g
from real property that are overstated as a result of any services furnished to any of our tenants by a taxable REIT subsidiary of
and excess interest represent any amounts that are deducted by a taxable REIT subsidiary of ours for amounts paid to us that ar
have been deducted based on arm s length negotiations. Rents we receive will not constitute redetermined rents if they qualify
contained in the Code.

We anticipate that one or more of our taxable REIT subsidiaries will provide services to certain of our tenants and will pay rent
to our taxable REIT subsidiaries for such services, and the rent payable to us, at arm s length rates, although the amounts paid
provisions described above. These determinations are inherently factual, and the IRS has broad discretion to assert that amount
be reallocated to clearly reflect their respective incomes. If the IRS successfully made such an assertion, we would be required
excess of an arm s length fee for tenant services over the amount actually paid, or on the excess rents paid to us.

Failure To Qualify

If we discover a violation of a provision of the Code that would result in our failure to qualify as a REIT, certain specified cure
Except with respect to violations of the gross income tests and asset tests (for which the cure provisions are described above), a
reasonable cause and not due to willful neglect, these cure provisions generally impose a $50,000 penalty for each violation in
to satisfy the requirements for taxation as a REIT in any taxable year, and the relief provisions do not apply, we will be

165

required to pay tax, including any applicable alternative minimum tax, on our taxable income at regular corporate rates. Distrib which we fail to qualify as a REIT will not be deductible by us, and we will not be required to distribute any amounts to our sto that our failure to qualify as a REIT would reduce the cash available for distribution by us to our stockholders. In addition, if w distributions to stockholders will be taxable as regular corporate dividends to the extent of our current and accumulated earning distributees may be eligible for the dividends-received deduction. In addition, non-corporate stockholders, including individual tax rates on qualified dividend income. Unless entitled to relief under specific statutory provisions, we will also be ineligible to four taxable years following the year for which we lost our qualification. It is not possible to state whether in all circumstances relief.

Tax Aspects of Our Operating Partnership, the Subsidiary Partnerships and Limited Liability Companies

General. All of our investments will be held indirectly through our operating partnership. In addition, our operating partnership indirectly through subsidiary partnerships and limited liability companies which we expect will be treated as partnerships or dis income tax purposes. In general, entities that are classified as partnerships or disregarded entities for U.S. federal income tax pu which are not required to pay U.S. federal income tax. Rather, partners or members of such entities are allocated their shares of deduction and credit of the partnership or limited liability company, and are potentially required to pay tax on this income, with distribution from the partnership or limited liability company. We will include in our income our share of these partnership and purposes of the various gross income tests, the computation of our REIT taxable income, and the REIT distribution requiremen tests (other than the 10% value limitation), we will include our pro rata share of assets held by our operating partnership, includ partnerships and limited liability companies, based on our capital interests in each such entity. See Taxation of Our Compan

Entity Classification. Our interests in our operating partnership and the subsidiary partnerships and limited liability companies including the possibility that the IRS might challenge the status of these entities as partnerships (or disregarded entities). For ex be classified as a partnership for U.S. federal income tax purposes may nonetheless be taxable as a corporation if it is a public requirements are met. A partnership or limited liability company would be treated as a publicly traded partnership if its interest securities market or are readily tradable on a secondary market or a substantial equivalent thereof, within the meaning of applic anticipate that our operating partnership or any subsidiary partnership or limited liability company will be treated as a publicly corporation. However, if any such entity were treated as a corporation, it would be required to pay an entity-level tax on its inco our assets and items of gross income would change and could prevent us from satisfying the REIT asset tests and possibly the R Our Company Asset Tests and Income Tests. This, in turn, could prevent us from qualifying as a REIT. See Failure to failure to meet these tests. In addition, a change in the tax status of our operating partnership or a subsidiary partnership or limi as a taxable event. If so, we might incur a tax liability without any related cash payment. We believe our operating partnership limited liability companies will be classified as partnerships or disregarded entities for U.S. federal income tax purposes.

Allocations of Income, Gain, Loss and Deduction. The operating partnership agreement generally provides that items of net inc holders of common units in proportion to the number of common units held by each such unitholder. Certain limited partners w debt of our operating partnership, indirectly through an agreement to make capital contributions to our operating partnership un of these guaranties or contribution agreements, and notwithstanding the foregoing discussion of allocations of income and loss holders of units, such limited partners could under limited circumstances be allocated a disproportionate amount of net loss upo partnership, which net loss would have otherwise been allocable to us.

If an allocation of partnership income or loss does not comply with the requirements of Section 704(b) of the Code and the Tre subject to the allocation will be reallocated in accordance with the partners

Table of Contents

interests in the partnership. This reallocation will be determined by taking into account all of the facts and circumstances relatin
partners with respect to such item. Our operating partnership s allocations of taxable income and loss are intended to comply w
Section 704(b) of the Code and the Treasury Regulations thereunder.

Tax Allocations With Respect to the Properties. Under Section 704(c) of the Code, income, gain, loss and deduction attributabl
property that is contributed to a partnership in exchange for an interest in the partnership, must be allocated in a manner so that
with the unrealized gain or benefits from the unrealized loss associated with the property at the time of the contribution. The an
unrealized loss generally is equal to the difference between the fair market value or book value and the adjusted tax basis of the
contribution, as adjusted from time to time. These allocations are solely for U.S. federal income tax purposes and do not affect
economic or legal arrangements among the partners.

Appreciated property will be contributed to our operating partnership in exchange for common units in connection with the for
operating partnership may, from time to time, acquire interests in property in exchange for interests in our operating partnershi
that income and loss allocations with respect to these properties be made in a manner consistent with Section 704(c) of the Cod
Section 704(c) of the Code provide partnerships with a choice of several methods of accounting for book-tax differences. We a
anticipate that we will use the traditional method for accounting for book-tax differences for the properties initially contribu
the traditional method, which is the least favorable method from our perspective, the carryover basis of contributed interests in
operating partnership (i) could cause us to be allocated lower amounts of depreciation deductions for tax purposes than would b
properties were to have a tax basis equal to their fair market value at the time of the contribution and (ii) could cause us to be al
sale of such contributed interests or properties in excess of the economic or book income allocated to us as a result of such sale
other partners in our operating partnership. An allocation described in clause (ii) above might cause us or the other partners to r
cash proceeds in the event of a sale or other disposition of property, which might adversely affect our ability to comply with th
Taxation of Our Company General Requirements for Qualification as a REIT and Annual Distribution Requirements.

U.S. Federal Income Tax Considerations for Holders of Our Common Stock

The following summary describes the principal U.S. federal income tax consequences to you of purchasing, owning and dispos
summary assumes you hold shares of our common stock as a capital asset (generally, property held for investment within th
It does not address all the tax consequences that may be relevant to you in light of your particular circumstances. In addition, th
consequences relevant to persons who receive special treatment under the U.S. federal income tax law, except where specifical
treatment include, without limitation:

- financial institutions, banks and thrifts;
- insurance companies;
- tax-exempt organizations;
- S corporations;
- traders in securities that elect to mark to market;

- partnerships, pass-through entities and persons holding our stock through a partnership or other pass-through

- stockholders subject to the alternative minimum tax;

Table of Contents

- regulated investment companies and REITs;
- foreign governments and international organizations;
- broker-dealers or dealers in securities or currencies;
- U.S. expatriates;
- persons holding our stock as part of a hedge, straddle, conversion, integrated or other risk reduction or constr
- U.S. stockholders (as defined below) whose functional currency is not the U.S. dollar.

If you are considering purchasing our common stock, you should consult your tax advisors concerning the application of U.S. f particular situation as well as any consequences of the purchase, ownership and disposition of our common stock arising under non-U.S. taxing jurisdiction.

When we use the term U.S. stockholder, we mean a beneficial owner of shares of our common stock who, for U.S. federal in

- an individual who is a citizen or resident of the United States;
- a corporation, including an entity treated as a corporation for U.S. federal income tax purposes, created or org United States or of any state thereof or in the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust that (1) is subject to the primary supervision of a U.S. court and the control of one or more U.S. person under applicable Treasury Regulations to be treated as a U.S. person.

If you are a beneficial owner of shares of our common stock, are not a U.S. stockholder and are not an entity treated as a partne purposes, you are a non-U.S. stockholder.

If a partnership or other entity treated as a partnership for U.S. federal income tax purposes holds shares of our common stock, generally will depend on the status of the partner and on the activities of the partnership. Partners of partnerships holding share encouraged to consult their tax advisors.

Taxation of Taxable U.S. Stockholders

Distributions Generally. Distributions out of our current or accumulated earnings and profits will be treated as dividends and, o dividends and certain amounts which have previously been subject to corporate level tax discussed below, will be taxable to ou ordinary income when actually or constructively received. See Tax Rates below. As long as we qualify as a REIT, these di

dividends-received deduction in the case of U.S. stockholders that are corporations and, except to the extent provided in Tax
eligible for the preferential rates on qualified dividend income applicable to non-corporate U.S. stockholders, including individ

To the extent that we make distributions on our common stock in excess of our current and accumulated earnings and profits, th
as a tax-free return of capital to a U.S. stockholder. This treatment will reduce the U.S. stockholder s adjusted tax basis in such
distribution, but not below zero. Distributions in excess of our current and accumulated earnings and profits and in excess of a
its shares will be taxable as capital gain. Such gain will be taxable as long-term capital gain if the shares have been held for mo
declare in October, November, or December of any year and which are payable to a stockholder of record on a specified date in
as both paid by us and received by the stockholder on December 31 of that year, provided we actually pay the dividend on or be
year. U.S. stockholders may not include in their own income tax returns any of our net operating losses or capital losses.

168

Table of Contents

Capital Gain Dividends. Dividends that we properly designate as capital gain dividends will be taxable to our U.S. stockholder
of a capital asset held for more than one year, to the extent that such gain does not exceed our actual net capital gain for the tax
corporations may, however, be required to treat up to 20% of certain capital gain dividends as ordinary income.

Retention of Net Capital Gains. We may elect to retain, rather than distribute as a capital gain dividend, all or a portion of our n
election, we would pay tax on our retained net capital gains. In addition, to the extent we so elect, our earnings and profits (dete
purposes) would be adjusted accordingly, and a U.S. stockholder generally would:

- include its pro rata share of our undistributed net capital gains in computing its long-term capital gains in its r
last day of our taxable year falls, subject to certain limitations as to the amount that is includable;
- be deemed to have paid its share of the capital gains tax imposed on us on the designated amounts included i
long-term capital gain;
- receive a credit or refund for the amount of tax deemed paid by it;
- increase the adjusted basis of its stock by the difference between the amount of includable gains and the tax d
- in the case of a U.S. stockholder that is a corporation, appropriately adjust its earnings and profits for the reta
Treasury Regulations to be promulgated by the IRS.

Passive Activity Losses and Investment Interest Limitations. Distributions we make and gain arising from the sale or exchange b
will not be treated as passive activity income. As a result, U.S. stockholders generally will not be able to apply any passive lo
stockholder may elect to treat capital gain dividends, capital gains from the disposition of our stock and income designated as q
in Tax Rates below, as investment income for purposes of computing the investment interest limitation, but in such case, th
income rates on such amount. Other distributions made by us, to the extent they do not constitute a return of capital, generally w
for purposes of computing the investment interest limitation.

Dispositions of Our Common Stock. If a U.S. stockholder sells or disposes of shares of common stock, it will recognize gain or
purposes in an amount equal to the difference between the amount of cash and the fair market value of any property received on
holder s adjusted basis in the shares. This gain or loss, except as provided below, will be a long-term capital gain or loss if the
more than one year. However, if a U.S. stockholder recognizes a loss upon the sale or other disposition of common stock that it
applying certain holding period rules, the loss recognized will be treated as a long-term capital loss to the extent the U.S. stockh
which were required to be treated as long-term capital gains.

Medicare 3.8% Tax on Investment Income. Certain U.S. stockholders who are individuals, estates or trusts and whose income e
required to pay a 3.8% Medicare tax on dividends and certain other investment income, including capital gains from the sale or
stock.

Tax Rates. Under current law, the maximum tax rate for non-corporate taxpayers for long-term capital gains, including certain
20% (although depending on the characteristics of the assets which produced these gains and on designations which we may m
may be taxed at a 25% rate). Capital gain dividends will only be eligible for the rates described above to the extent they are pro
dividends. In general, dividends payable by a REIT that are not capital gains dividends are subject to tax at the tax rates ap

that a REIT properly designates as qualified dividend income, however, are subject to a maximum tax rate of 20% in the cas
dividends payable by a REIT are only eligible to be taxed as qualified dividend income to the extent that the taxpayer satisfies

169

with respect to the REIT s stock and the REIT s dividends are attributable to dividends received by the REIT from certain tax
REIT subsidiaries) or to income that was subject to tax at the corporate/REIT level (for example, if the REIT distributed taxabl
on in the prior taxable year). Prospective investors should consult their tax advisors regarding the tax rates applicable to them i
circumstances.

Foreign Account Tax Compliance Act. Legislation enacted in 2010 and existing guidance issued thereunder will require, after J
30% on dividends in respect of, and, after December 31, 2016 gross proceeds from the sale of, our common stock held by or th
institutions (including investment funds), unless such institution enters into an agreement with the Treasury to report, on an ann
shares in the institution held by certain U.S. persons and by certain non-U.S. entities that are wholly or partially owned by U.S.
payments. An intergovernmental agreement between the United States and an applicable foreign country, or future Treasury re
modify these requirements. Accordingly, the entity through which our common stock is held will affect the determination of w
Similarly, dividends in respect of, and gross proceeds from the sale of, our common stock held by an investor that is a non-fina
qualify under certain exemptions will be subject to withholding at a rate of 30%, unless such entity either (i) certifies to us that
substantial United States owners or (ii) provides certain information regarding the entity substantial United States owners,
Secretary of the Treasury. We will not pay any additional amounts to stockholders in respect of any amounts withheld. Non-U.
consult their tax advisors regarding the possible implications of the legislation on their investment in our common stock.

Information Reporting and Backup Withholding. We are required to report to our U.S. stockholders and the IRS the amount of
year, and the amount of any tax withheld. Under the backup withholding rules, a stockholder may be subject to backup withhol
unless the holder is a corporation or comes within certain other exempt categories and, when required, demonstrates this fact, o
number, certifies as to no loss of exemption from backup withholding, and otherwise complies with applicable requirements of
stockholder that does not provide us with its correct taxpayer identification number may also be subject to penalties imposed b
an additional tax. Any amount paid as backup withholding will be creditable against the stockholder s U.S. federal income tax
information is timely furnished to the IRS. In addition, we may be required to withhold a portion of capital gain distributions to
their non-foreign status. See Taxation of Non-U.S. Stockholders.

Taxation of Tax-Exempt Stockholders

Dividend income from us and gain arising upon a sale of our shares generally should not be unrelated business taxable income,
stockholder, except as described below. This income or gain will be UBTI, however, if a tax-exempt stockholder holds its share
the meaning of the Code or if the shares are used in a trade or business of the tax-exempt stockholder. Generally, debt-finance
or holding of which was financed through a borrowing by the tax-exempt stockholder.

For tax-exempt stockholders that are social clubs, voluntary employee benefit associations, supplemental unemployment benef
services plans exempt from U.S. federal income taxation under Sections 501(c)(7), (c)(9), (c)(17) or (c)(20) of the Code, respec
our shares will constitute UBTI unless the organization is able to properly claim a deduction for amounts set aside or placed in
offset the income generated by its investment in our shares. These prospective investors should consult their tax advisors conce
requirements.

Notwithstanding the above, however, a portion of the dividends paid by a pension-held REIT may be treated as unrelated bu
that hold more than 10%, by value, of the interests in the REIT. A REIT will not be a pension-held REIT if it is able to satis
without relying on the look-through exception with respect to certain trusts or if such REIT is not predominantly held by
on ownership and transfer of our stock contained in our charter, we do not expect to be classified as a pension-held REIT, an
above should be inapplicable to our stockholders. However, because our stock will be publicly traded, we cannot guarantee tha

Table of Contents

Taxation of Non-U.S. Stockholders

The following discussion addresses the rules governing U.S. federal income taxation of the purchase, ownership and dispositio
stockholders. These rules are complex, and no attempt is made herein to provide more than a brief summary of such rules. Acc
address all aspects of U.S. federal income taxation and does not address state, local or non-U.S. tax consequences that may be r
light of its particular circumstances. We urge non-U.S. stockholders to consult their tax advisors to determine the impact of fed
tax laws on the purchase, ownership and disposition of shares of our common stock, including any reporting requirements.

Distributions Generally. Distributions (including any taxable stock dividends) that are neither attributable to gains from sales o
property interests nor designated by us as capital gain dividends (except as described below) will be treated as dividends of ord
are made out of our current or accumulated earnings and profits. Such distributions ordinarily will be subject to withholding of
or such lower rate as may be specified by an applicable income tax treaty, unless the distributions are treated as effectively con
non-U.S. stockholder of a U.S. trade or business. Under certain treaties, however, lower withholding rates generally applicable
dividends from a REIT. Certain certification and disclosure requirements must be satisfied to be exempt from withholding unde
exemption. Dividends that are treated as effectively connected with a U.S. trade or business will generally not be subject to wit
federal income tax on a net basis at graduated rates, in the same manner as dividends paid to U.S. stockholders are subject to U
dividends received by a non-U.S. stockholder that is a corporation may also be subject to an additional branch profits tax at a 3
U.S. federal income taxes paid on such effectively connected income) or such lower rate as may be specified by an applicable i

Except as otherwise provided below, we expect to withhold U.S. federal income tax at the rate of 30% on any distributions mad

(1) a lower treaty rate applies and the non-U.S. stockholder files with us an IRS Form W-8BEN evidencing eligi
rate; or

(2) the non-U.S. stockholder files an IRS Form W-8ECI with us claiming that the distribution is income effectiv
stockholder s trade or business.

Distributions in excess of our current and accumulated earnings and profits will not be taxable to a non-U.S. stockholder to the
exceed the adjusted basis of the stockholder s common stock, but rather will reduce the adjusted basis of such stock. To the ex
non-U.S. stockholder s adjusted basis in such common stock, they will give rise to gain from the sale or exchange of such stoc
described below. For withholding purposes, we expect to treat all distributions as made out of our current or accumulated earni
withheld may be refundable if it is subsequently determined that the distribution was, in fact, in excess of our current and accum
that certain conditions are met.

Capital Gain Dividends and Distributions Attributable to a Sale or Exchange of U.S. Real Property Interests. Distributions to a
properly designate as capital gain dividends, other than those arising from the disposition of a U.S. real property interest, gener
federal income taxation, unless:

(1) the investment in our stock is treated as effectively connected with the non-U.S. stockholder s U.S. trade or
stockholder will be subject to the same treatment as U.S. stockholders with respect to such gain, except that a
non-U.S. corporation may also be subject to a branch profits tax of up to 30%, as discussed above; or

(2)

the non-U.S. stockholder is a nonresident alien individual who is present in the United States for 183 days or
certain other conditions are met, in which case the nonresident alien individual will be subject to a 30% tax o

Table of Contents

Pursuant to the Foreign Investment in Real Property Tax Act, which is referred to as FIRPTA, distributions to a non-U.S. st
from sales or exchanges by us of United States real property interests, or USRPI, whether or not designated as capital gain d
stockholder to be treated as recognizing such gain as income effectively connected with a U.S. trade or business. Non-U.S. stoc
the same rates applicable to U.S. stockholders, subject to any applicable alternative minimum tax. We also will be required to w
of any distribution to non-U.S. stockholders that is designated as a capital gain dividend or, if greater, 35% of any distribution t
have been designated as a capital gain dividend. The amount withheld is creditable against the non-U.S. stockholder s U.S. fed
distribution with respect to any class of stock that is regularly traded on an established securities market located in the Unite
therefore, not subject to the 35% U.S. withholding tax described above, if the non-U.S. stockholder did not own more than 5%
during the one-year period ending on the date of the distribution. Instead, such distributions will generally be treated as ordinar
withholding in the manner described above with respect to ordinary dividends.

Retention of Net Capital Gains. Although the law is not clear on the matter, it appears that amounts designated by us as retaine
stock held by stockholders generally should be treated with respect to non-U.S. stockholders in the same manner as actual distr
Under that approach, the non-U.S. stockholders would be able to offset as a credit against their U.S. federal income tax liability
share of the tax paid by us on such retained net capital gains and to receive from the IRS a refund to the extent their proportiona
exceeds their actual U.S. federal income tax liability. If we were to designate any portion of our net capital gain as retained net
should consult its tax advisor regarding the taxation of such retained net capital gain.

Sale of Our Common Stock. Gain recognized by a non-U.S. stockholder upon the sale, exchange or other taxable disposition of
be subject to U.S. federal income taxation unless such stock constitutes a USRPI. In general, stock of a domestic corporation th
property holding corporation, or USRPHC, will constitute a USRPI. We expect that we will be a USRPHC. Our common stoc
USRPI so long as we are a domestically controlled qualified investment entity. A domestically controlled qualified investm
times during a specified testing period less than 50% in value of its stock is held directly or indirectly by non-U.S. stockholders
that we are a domestically controlled qualified investment entity. Because our common stock will be publicly traded, no assu
to be a domestically controlled qualified investment entity.

Notwithstanding the foregoing, gain from the sale, exchange or other taxable disposition of our common stock not otherwise su
non-U.S. stockholder if either (a) the investment in our common stock is treated as effectively connected with the non-U.S. stoc
(b) the non-U.S. stockholder is a nonresident alien individual who is present in the United States for 183 days or more during th
conditions are met. In addition, even if we are a domestically controlled qualified investment entity, upon disposition of our sto
applicable to regularly traded stock described below), a non-U.S. stockholder may be treated as having gain from the sale or
the non-U.S. stockholder (1) disposes of our stock within a 30-day period preceding the ex-dividend date of a distribution, any
disposition, would have been treated as gain from the sale or exchange of a USRPI and (2) acquires, or enters into a contract or
acquire, other shares of that stock during the 61-day period beginning with the first day of the 30-day period described in claus

Even if we do not qualify as a domestically controlled qualified investment entity at the time a non-U.S. stockholder sells ou
other taxable disposition by a non-U.S. stockholder of such stock would not be subject to U.S. federal income taxation under F

(1) such class of stock is regularly traded, as defined by applicable treasury regulations, on an established sec
NYSE; and

(2) such non-U.S. stockholder owned, actually and constructively, 5% or less of such class of our stock througho
date of the sale or exchange.

172

Table of Contents

If gain on the sale, exchange or other taxable disposition of our common stock were subject to taxation under FIRPTA, the non
regular U.S. federal income tax with respect to such gain in the same manner as a taxable U.S. stockholder (subject to any appl
special alternative minimum tax in the case of nonresident alien individuals). In addition, if the sale, exchange or other taxable
subject to taxation under FIRPTA, and if shares of our common stock were not regularly traded on an established securities
stock would generally be required to withhold and remit to the IRS 10% of the purchase price.

Information Reporting and Backup Withholding Tax. Generally, we must report annually to the IRS the amount of dividends pa
holder s name and address, and the amount of tax withheld, if any. A similar report is sent to the non-U.S. stockholder. Pursua
the IRS may make its reports available to tax authorities in the non-U.S. stockholder s country of residence.

Payments of dividends or of proceeds from the disposition of stock made to a non-U.S. stockholder may be subject to informati
unless such holder establishes an exemption, for example, by properly certifying its non-U.S. status on an IRS Form W-8BEN
Form W-8. Notwithstanding the foregoing, backup withholding and information reporting may apply if either we have or our p
reason to know, that a non-U.S. stockholder is a U.S. person.

Backup withholding is not an additional tax. Rather, the U.S. federal income tax liability of persons subject to backup withhold
tax withheld. If withholding results in an overpayment of taxes, a refund or credit may be obtained, provided that the required i
IRS.

Other Tax Consequences

State, local and non-U.S. income tax laws may differ substantially from the corresponding U.S. federal income tax laws, and th
describe any aspect of the tax laws of any state, local or non-U.S. jurisdiction. You should consult your tax advisor regarding th
tax laws with respect to our tax treatment as a REIT and on an investment in our common stock.

Table of Contents

ERISA CONSIDERATIONS

General

The following is a summary of certain considerations arising under the U.S. Employee Retirement Income Security Act of 197
prohibited transaction provisions of Section 4975 of the Code that may be relevant to a prospective purchaser that is an emplo
Section 3(3) of ERISA that is subject to Title I of ERISA (an ERISA Plan), a plan subject to Section 4975 of the Code, in
retirement account, and an entity that is deemed to hold the assets of any such employee benefit plan or plans (collectively, Pl

Plans should also consider the entire discussion under the heading U.S. Federal Income Tax Considerations, as material con
decision by a Plan to purchase our common stock.

Employee Benefit Plans and Other Plans

Each fiduciary of an ERISA Plan should carefully consider whether an investment in shares of our common stock is consistent
under ERISA. Investments by ERISA Plans are subject to ERISA s general fiduciary requirements, including, but not limited t
prudence and diversification and the requirement that an ERISA Plan s investments be made in accordance with the document

In determining whether an investment in shares of our common stock is prudent, the appropriate fiduciary of an ERISA Plan sh
circumstances, including whether the investment is reasonably designed, as a part of the ERISA Plan s portfolio for which the
to meet the objectives of the ERISA Plan, taking into consideration the risk of loss and opportunity for gain or other return from
cash flow and funding requirements of the ERISA Plan and the liquidity and current return of the ERISA Plan s portfolio. A fi
the nature of our business, the length of our operating history and other matters described in the section entitled Risk Factors.

Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of a Plan and certain pers
or disqualified persons) having certain relationships to such Plan, unless a statutory or administrative exemption is applicabl
disqualified person who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities un

Employee benefit plans that are governmental, church or non-U.S. plans are exempt from ERISA and Section 4975 of the Code
state, local or non-U.S. laws and regulations that are similar to ERISA or Section 4975 of the Code.

Our Status Under ERISA

In some circumstances in which a Plan holds an interest in an entity, the assets of the entity are deemed to be assets of the Plan.
rule. Under those circumstances, the obligations and other responsibilities of plan sponsors, plan fiduciaries and plan adminis
disqualified persons, under Title I of ERISA and Section 4975 of the Code, as applicable, may be expanded, and there may be a
under these and other provisions of ERISA and the Code (except to the extent (if any) that a favorable statutory or administrativ
For example, a prohibited transaction may occur if our assets are deemed to be assets of investing Plans and we engage in a tra
disqualified person with respect to one or more of the investing Plans. Further, if our assets are deemed to be assets of inves
authority or control with respect to the management or disposition of our assets is an ERISA Plan fiduciary.

U.S. Department of Labor Regulation 29 C.F.R. 2510.3-101, as modified by Section 3(42) of ERISA (the Plan Asset Regulati
which a Plan s interest in an entity will be subject to the look-through rule. The Plan Asset Regulation applies to the purchase
entity, such as stock of a REIT.

Table of Contents

However, the Plan Asset Regulation provides an exception to the look-through rule for equity interests that are publicly offere
security is a security that is:

- freely transferable;
- part of a class of securities that is widely held; and
- either part of a class of securities that is registered under section 12(b) or 12(g) of the Exchange Act or sold t
securities to the public pursuant to an effective registration statement under the Securities Act, and the class c
part is registered under the Exchange Act within 120 days, or longer if allowed by the SEC, after the end of t
which this offering of these securities to the public occurred.

Whether a security is considered freely transferable depends on the facts and circumstances of each case. Under the Plan As
an offering in which the minimum investment is $10,000 or less, then any restriction on, or prohibition against, any transfer or
purposes of preventing a termination or reclassification of the entity for federal or state tax purposes will not ordinarily prevent
freely transferable. Additionally, limitations or restrictions on the transfer or assignment of a security which are created or impo
of the security or persons acting for or on behalf of the issuer will ordinarily not prevent the security from being considered fre

A class of securities is considered widely held if it is a class of securities that is owned by 100 or more investors independen
security will not fail to be widely held because the number of independent investors falls below 100 subsequent to the initial
beyond the issuer s control.

The shares of our common stock offered in this prospectus may meet the criteria of the publicly offered securities exception to
common stock could be considered to be freely transferable, as the minimum investment will be less than $10,000 and the only
generally permitted under the Department of Labor regulations, those required under federal tax laws to maintain our status as a
applicable federal securities laws with respect to securities not purchased pursuant to this prospectus and those owned by our o
and voluntary restrictions agreed to by the selling stockholder regarding volume limitations.

Second, we expect (although we cannot confirm) that our common stock will be held by 100 or more investors, and we expect t
investors will be independent of us and of one another.

Third, the shares of our common stock will be part of an offering of securities to the public pursuant to an effective registration
and the common stock is registered under the Exchange Act.

In addition, the Plan Asset Regulation provides exceptions to the look-through rule for equity interests in some types of entities
as either a real estate operating company or a venture capital operating company. We have not endeavored to determine v
operating company or venture capital operating company exception.

**The above discussion is a summary of some of the material considerations under ERISA and Section 4975 of the Code a
that are Plans. It is not intended to be a complete discussion of all relevant law nor to be construed as legal advice or a l
should consult their own counsel on these matters concerning the impact of ERISA and Section 4975 of the Code or Sim
potential consequences in their specific circumstances of an investment in such shares.**

175

Table of Contents

UNDERWRITING

Janney Montgomery Scott LLC and Wunderlich Securities, Inc. are acting as representatives of each of the underwriters named
conditions set forth in an underwriting agreement dated the date of this prospectus among us and the underwriters, we have agr
each of the underwriters has agreed, severally and not jointly, to purchase from us, the number of shares of common stock set f

Underwriter
Janney Montgomery Scott LLC
Wunderlich Securities, Inc.
Total

Subject to the terms and conditions set forth in the underwriting agreement, the underwriters have agreed, severally and not joi
under the underwriting agreement if any of these shares are purchased, other than those covered by the over-allotment option d
defaults, the underwriting agreement provides that the purchase commitments of the nondefaulting underwriters may be increas
may be terminated.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, or to con
may be required to make because of those liabilities.

The underwriters are offering the shares, subject to prior sale, when, as and if issued to and accepted by them, subject to approv
including the validity of the shares, and other conditions contained in the underwriting agreement, such as the receipt by the un
legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in who

Discounts

The representatives have advised us that the underwriters propose initially to offer the shares to the public at the public offering
this prospectus and to securities dealers at that price less a selling concession of $ per share. After the initial offering, th
any other term of the offering may be changed.

The following table shows the public offering price, underwriting discount that we are to pay to the underwriters in connection
expenses to us. The information assumes either no exercise or full exercise by the underwriters of their option to purchase addit

	Per Share	Without O
Public offering price	$	$
Underwriting discount	$	$
Proceeds, before expenses, to us	$	$

The expenses of the offering, not including the underwriting discount, are estimated at $ and are payable by us.

Over-Allotment Option

We have granted an option to the underwriters, exercisable for 30 days after the date of this prospectus, to purchase up to
offering price less the underwriting discount. If the underwriters exercise this option, each will be obligated, subject to conditio
agreement, to purchase a number of additional shares proportionate to that underwriter s initial amount reflected in the above t

the option will be issued and sold on the same terms and conditions as the other shares that are the subject of this offering.

Table of Contents

No Sales of Similar Securities

We have agreed not to sell or transfer any common stock or securities convertible into, exchangeable for, exercisable for, or rep
securities), for a period of 180 days after the date of this prospectus without first obtaining the written consent of Janney Mon
officers, directors, our Advisor, the Second City Group and our other existing security holders (each, a lock-up party) have a
securities, for a period of (i) 180 days, (ii) 12 months and (iii) 18 months for each of one-third of the lock-up securities a lock-u
date of this prospectus without first obtaining the written consent of Janney Montgomery Scott LLC. Specifically, we and these
certain limited exceptions, not to directly or indirectly

- offer, pledge, sell or contract to sell any common stock,
- sell any option or contract to purchase any common stock,
- purchase any option or contract to sell any common stock,
- grant any option, right or warrant for the sale of any common stock,
- lend or otherwise dispose of or transfer any common stock,
- request or demand that we file a registration statement related to the common stock, or
- enter into any swap or other agreement that transfers, in whole or in part, the economic consequence of owne
any such swap or transaction is to be settled by delivery of shares or other securities, in cash or otherwise.

This lock-up provision applies to common stock and to securities convertible into or exchangeable or exercisable for or repayal
to common stock owned now or acquired later by the person executing the agreement or for which the person executing the agr
disposition.

New York Stock Exchange

We expect the shares to be approved for listing on the NYSE under the symbol CIO. In order to meet the requirements for li
have undertaken to sell a minimum number of shares to a minimum number of beneficial owners as required by that exchange.

Before this offering, there has been no public market for our common stock. The initial public offering price will be determined
the representatives. In addition to prevailing market conditions, the factors to be considered in determining the initial public off
our record of operations, our management, our estimated net income, our estimated funds from operations, our estimated cash a
anticipated dividend yield, our growth prospects, the current market valuations, the financial performance and dividend yields o
considered by us and the underwriters to be comparable to us and the current state of the commercial real estate industry and th

An active trading market for the shares may not develop. It is also possible that after the offering the shares will not trade in the
public offering price.

The underwriters do not expect to sell more than 5% of the shares in the aggregate to accounts over which they exercise discret

Price Stabilization, Short Positions and Penalty Bids

Until the distribution of the shares is completed, SEC rules may limit underwriters and selling group members from bidding for
However, the representatives may engage in transactions that stabilize the price of the common stock, such as bids or purchases

177

In connection with the offering, the underwriters may purchase and sell our common stock in the open market. These transactio
may include purchases pursuant to the over-allotment option, purchases on the open market to cover positions created by short
Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in the offering.
an amount not greater than the underwriters option to purchase additional shares described above. The underwriters may close
either exercising their option to purchase additional shares or purchasing shares in the open market. In determining the source o
position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as co
purchase shares through the option granted to them. Naked short sales are sales in excess of such option. The underwriters m
purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that
the price of our common stock in the open market after pricing that could adversely affect investors who purchase in the offerin
various bids for or purchases of shares of common stock made by the underwriters in the open market prior to the completion o

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion
by it because the representatives have repurchased shares sold by or for the account of such underwriter in stabilizing or short c

Similar to other purchase transactions, the underwriters purchases to cover the syndicate short sales may have the effect of rai
our common stock or preventing or retarding a decline in the market price of our common stock. As a result, the price of our co
price that might otherwise exist in the open market. The underwriters may conduct these transactions on the NYSE, in the over-

Neither we nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that
have on the price of our common stock. In addition, neither we nor any of the underwriters make any representation that the rep
transactions or that these transactions, once commenced, will not be discontinued without notice.

Electronic Distribution

In connection with the offering, certain of the underwriters or securities dealers may distribute prospectuses by electronic mean

Other Relationships

Some of the underwriters and their affiliates have engaged in, and may in the future engage in, investment banking and other co
course of business with us or our affiliates. They have received, or may in the future receive, customary fees and commissions

In addition, in the ordinary course of their business activities, the underwriters and their affiliates may make or hold a broad arr
debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own accou
customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. The un
also make investment recommendations and/or publish or express independent research views in respect of such securities or fi
recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Table of Contents

LEGAL MATTERS

Certain legal matters relating to this offering will be passed upon for us by Shearman & Sterling LLP. Ballard Spahr LLP will i
certain matters of Maryland law, including the validity of the common stock offered hereby. Certain legal matters relating to th
underwriters by Hunton & Williams LLP. Hunton & Williams LLP may rely upon the opinion of Ballard Spahr LLP.

EXPERTS

The balance sheet of City Office REIT, Inc. as of December 5, 2013 has been included herein in reliance upon the report of KP
public accounting firm, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

The combined financial statements and financial statement schedule III of the City Office Predecessor as of December 31, 2012
each of the years in the two-year period ended December 31, 2012, have been included herein in reliance upon the report of KP
public accounting firm, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

The financial statements of ROC-SCCP Cherry Creek I, LP as of December 31, 2012 and December 31, 2011, and for each of t
and the period from acquisition to December 31, 2011, have been included herein in reliance upon the report of KPMG LLP, in
accounting firm, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

The statements of revenues and certain expenses of Washington Group Plaza, Boise and Corporate Parkway, Allentown for the
been included herein in reliance upon the report of KPMG LLP, independent registered public accounting firm, appearing elsev
of said firm as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-11 under the Securities Act with respect to the shares of our co
prospectus. This prospectus, which constitutes part of the registration statement, does not contain all of the information set fort
should refer to the registration statement and its exhibits and schedules filed as a part of the registration statement for additiona
reference in this prospectus to any of our contracts, agreements or other documents, the references are not necessarily complete
filed as part of the registration statement for copies of the actual contract, agreement or other document. When we complete thi
file annual, quarterly and special reports, proxy statements and other information with the SEC.

You can read our SEC filings, including the registration statement, over the internet at the SEC s website at www.sec.gov. You
that we file with the SEC at its Public Reference Room at 100 F Street, N.E. Room 1580, Washington, D.C. 20549. You may a
prescribed rates by writing to the Public Reference Room of the SEC at 100 F Street, NE, Washington, D.C. 20549. Please call
further information on the operation of the public reference facilities. We intend to make this information available on the inves
at . Information on, or accessible through, our website is not part of this prospectus.

Table of Contents

INDEX TO FINANCIAL STATEMENTS

City Office REIT, Inc. Pro Forma Consolidated Financial Statements (Unaudited)

Pro Forma Consolidated Balance Sheet as of September 30, 2013
Pro Forma Consolidated Statement of Operations for the nine months ended September 30, 2013
Pro Forma Consolidated Statement of Operations for the year ended December 31, 2012
Notes and Management s Assumptions to Pro Forma Consolidated Financial Statements

City Office REIT, Inc. Predecessor Combined Financial Statements

Report of Independent Registered Public Accounting Firm
Combined Balance Sheets as of September 30, 2013 (unaudited) and December 31, 2012 and 2011
Combined Statements of Operations for the nine months ended September 30, 2013 and 2012 (unaudited) and the years ended December 31, 2012 and 2011
Combined Statements of Changes in Equity for the nine months ended September 30, 2013 (unaudited), and for the years ende December 31, 2012 and 2011
Combined Statements of Cash Flows for the nine months ended September 30, 2013 and 2012 (unaudited) and the years endec December 31, 2012 and 2011
Notes to Combined Financial Statements
Schedule III Real Estate Properties and Accumulated Depreciation as of December 31, 2012

City Office REIT, Inc. Historical Financial Statements

Report of Independent Registered Public Accounting Firm
Balance Sheet as of December 5, 2013
Notes to Balance Sheet

ROC-SCCP Cherry Creek I, LP

Report of Independent Auditors
Balance Sheets as of September 30, 2013 (unaudited), and December 31, 2012 and 2011
Statements of Operations for the nine months ended September 30, 2013 and 2012 (unaudited), the year ended December 31, 2 and the period from July 22, 2011 to December 31, 2011
Statements of Changes in Partners Capital
Statements of Cash Flows for the nine months ended September 30, 2013 and 2012 (unaudited), the year ended December 31, and the period from July 21, 2011 to December 31, 2011
Notes to Financial Statements

Washington Group Plaza, Boise

Report of Independent Auditors
Statements of Revenues and Certain Expenses for the three months ended March 31, 2013 (unaudited) and the year ended December 31, 2012
Notes to Statements of Revenues and Certain Expenses

Corporate Parkway

Report of Independent Auditors
Statements of Revenues and Certain Expenses for the three months ended March 31, 2013 (unaudited) and the year ended December 31, 2012

Notes to Statements of Revenues and Certain Expenses

F-1

Table of Contents

CITY OFFICE REIT, INC.

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

The unaudited pro forma consolidated financial statements as of and for the nine months ended September 30, 2013 and for the presented as if this offering by City Office REIT, Inc. (City Office) of approximately million shares of its common s offering), our formation transactions and the other pro forma adjustments described below all had occurred on September 30 pro forma consolidated balance sheet and on the first day of the periods presented for the purposes of the unaudited pro forma c

The unaudited pro forma consolidated financial statements reflect the historical results of City Office REIT, Inc. Predecessor (a ended September 30, 2013 (unaudited) and for the year ended December 31, 2012 and have been adjusted to give effect to:

- this offering;
- our formation transactions;
- the use of proceeds from this offering;
- incurrence of a new $118.5 million mortgage loan;
- the acquisition of certain noncontrolling interests;
- the incremental general and administrative expenses to be incurred to operate as a public company;
- the annual base management fee in accordance with the advisory agreement; and
- the probable acquisition by the Predecessor of the controlling interest in Cherry Creek in which the Predecessor cu interest subsequent to September 30, 2013.

You should read the information below along with all other financial information and analysis presented in this prospectus, incl Management s Discussion and Analysis of Financial Condition and Results of Operations and the Predecessor combined fin included elsewhere in this prospectus. The unaudited pro forma consolidated financial statements are not necessarily indicative City Office as of September 30, 2013 or the actual results of operations for the nine months ended September 30, 2013 or for th are they indicative of the results of operations of future periods. The unaudited pro forma adjustments and eliminations are base assumptions the City Office believes are reasonable.

City Office REIT, Inc. Predecessor (the Predecessor) is engaged in the business of developing, owning and managing high-c States. The Predecessor is not a legal entity, but rather a combination of entities under common control.

The following table presents the interest to be acquired by City Office and the common units to be issued in exchange for each

Property	Interest to be Acquired by City Office	Debt Securing Pro
Washington Group Plaza	100.0%	Existing $35.1 million mortgage loan
Cherry Creek	100.0	New $118.5 million non-recourse mortgage loan
AmberGlen	76.0	New $118.5 million non-recourse mortgage loan
City Center	95.0	New $118.5 million non-recourse mortgage loan
Corporate Parkway	100.0	New $118.5 million non-recourse mortgage loan
Central Fairwinds	90.0	New $11 million senior revolving credit facility

Table of Contents

City Office REIT, Inc.

Pro Forma Consolidated Balance Sheet

As of September 30, 2013

(Unaudited)

	City Office REIT, Inc.	Predecessor (A)	Acquisition of Controlling Interest in Cherry Creek (B)	Acquisition of Non-controlling Interest (C)
Assets				
Real estate properties, net	$	$ 99,311,479		
Investments in unconsolidated entity		4,465,706		
Cash and cash equivalents	1,000	7,553,397		
Restricted cash		7,137,822		
Rents receivable, net		4,308,760		
Deferred financing costs, net		793,863		
Deferred leasing costs, net		2,296,560		
Acquired lease intangible, net		15,773,477		
Prepaid expenses and other assets		443,381		
Total Assets	$ 1,000	$ 142,084,445		
Liabilities and Equity				
Liabilities:				
Mortgage loans payable		$ 108,912,724		
Accounts payable and accrued liabilities		2,843,144		
Deferred rent		2,045,807		
Tenant rent deposits		1,391,453		
Acquired lease intangibles, net		170,976		
Total Liabilities		$ 115,364,104		
Commitments and Contingencies				
Owners Equity:				
Common stock and additional paid in capital	$ 1,000	$		
Total predecessor equity		25,652,589		

Noncontrolling interests		1,067,752
Total Equity	1,000	26,720,341
Total Liabilities and Owners Equity	$ 1,000	$ 142,084,445

Table of Contents

City Office REIT, Inc.

Pro Forma Consolidated Statement of Operations

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

	City Office REIT, Inc.	Predecessor (AA)	Acquisition of Properties (BB)	Acquisition of Non-controlling Interest (CC)	Acquisi of Control Intere in Cherr Cree (DD
Revenue:					
Rental income		$ 12,938,686			
Expense reimbursement		1,093,117			
Other		593,724			
Total Revenues		14,625,527			
Operating Expenses:					
Property operating expenses		4,005,302			
Insurance		374,655			
Property taxes		1,015,164			
Property acquisition costs		1,479,292			
Base management fee					
General and administrative					
Property management fees		397,297			
Depreciation and amortization		5,245,498			
Total Operating Expenses		12,517,208			
Operating Income		2,108,319			
Interest expense, net		3,704,586			
Equity in income of unconsolidated entity		(255,422)			
Net (Loss) Income		(1,340,845)			
Net (Loss) Income Attributable to Noncontrolling Interests		(60,356)			
Net (Loss) Income Attributable to City Office REIT, Inc.		$ (1,280,489)			

Pro forma weighted average common shares outstanding - basic and diluted	
Pro forma basic earnings per share	

F-4

Table of Contents

City Office REIT, Inc.

Pro Forma Consolidated Statement of Operations

For the Year Ended December 31, 2012 (Unaudited)

	City Office REIT, Inc.	Predecessor (AA)	Acquisition of Properties (BB)	Acquisition of Non-controlling Interest (CC)	Ac... Co... I... C...
Revenue:					
Rental income	$	$ 9,991,712			
Expense reimbursement		1,053,466			
Other		471,280			
Total Revenues		11,516,458			
Operating Expenses:					
Property operating expenses		4,109,993			
Insurance		398,083			
Property taxes		969,564			
Property acquisition costs		212,765			
Base management fee					
General and administrative					
Property management fees		571,420			
Depreciation and amortization		3,956,204			
Total Operating Expenses		10,218,029			
Operating Income		1,298,429			
Interest expense, net		3,685,881			
Equity in income of unconsolidated entity		(505,877)			
Net Loss		(1,881,575)			
Net Income (Loss) Attributable to Noncontrolling Interests		(286,481)			
Net Income (Loss) Attributable to City Office REIT, Inc.	$	$ (1,595,094)			

Pro forma weighted average common shares outstanding - basic and diluted	
Pro forma basic earnings per share	

F-5

Table of Contents

City Office REIT, Inc.

Notes and Management s Assumptions to Unaudited Pro Forma Consolidated Financial Sta

1. Adjustments to the Unaudited Pro Forma Consolidated Balance Sheet as of September 30, 2013

(A) Reflects the historical combined balance sheet of the Predecessor as of September 30, 2013. City Office REIT, Inc. and the
control. Accordingly, pursuant to the planned formation transactions, the Predecessor s assets and liabilities will be recorded a

(B) Reflects the acquisition of controlling interest in ROC-SCCP Cherry Creek I (Cherry Creek). As a result of the acquisiti
the City Office. In accordance with Financial Accounting Standards Board, or FASB, ASC 805-10 Business Combinations
recorded at their fair values on the acquisition date. As a final purchase allocation has not been completed, the purchase price w
these pro forma financial statements. The net cash paid to acquire the interest is as follows:

Land
Building
Mortgage loan obtained in connection with acquisition
Elimination of investment in Cherry Creek

(C) Reflects the acquisition of noncontrolling interest in Washington Group Plaza and City Center of 11.1% and 5.0%, respecti
minority partners economic participation incentives at Corporate Parkway, City Center, Central Fairwinds and AmberGlen an
interest in AmberGlen. The acquisition and disposals of these noncontrolling interests will be recorded as equity transactions in
Consolidation . The following table represents the changes in the net property ownership expected to occur as a result of the

Property	Net interes pre- acquisiti
Washington Group Plaza	89.9%
AmberGlen	85.0%
CityCenter	90.0%

The Predecessor and the minority holder have an arrangement to share profits in a manner other than in proportion to their own

	City Center	Central Fairwinds	AmberGlen	Corporate Parkway
Assets				
Cash				
Total Assets				
Equity				

Predecessor Equity

Non-controlling Interest

Total Equity

(D) Reflects assumed gross proceeds in the offering of common shares of $, net of $ estimated offering exp

F-6

Table of Contents

City Office REIT, Inc.

Notes and Management s Assumptions to Unaudited Pro Forma Consolidated Financial Sta

Furthermore, approximately will be withheld/(distributed) as a working capital adjustment at closing. Cash require
tenant improvements and leasing commissions of approximately $ million is retained as a cash holdback.

(E)

New Mortgage Financing (1)
Repayment of Mortgage Loan of Predecessor (2)
Repayment of Cherry Creek Acquisition Mortgage Loan (3)
Net Debt Repayment
Deferred Financing Costs
Write-off of Unamortized Financing Cost

(1) Reflects the $118.5 million proceeds from the issuance of mortgage loan to be guaranteed by the Company
non-recourse covenants and secured by a mortgage on the fee simple interest in the AmberGlen, Cherry
Parkway properties.

(2) Reflects the repayment of mortgage loan secured by City Center, Central Fairwinds, AmberGlen and Corpo

(3) Reflects the repayment of a mortgage loan secured by Cherry Creek.

2. Adjustments to the Unaudited Pro Forma Consolidated Statements of Operations for the Nine Months Ended Septem
Ended December 31, 2012

(AA) Reflects the historical combined statements of operations of the Predecessor for the nine months ended September 30, 20
December 31, 2012.

(BB) Reflects the acquisition of the following properties: (1) Washington Group Plaza, located in Boise, Idaho with a purchase
in June 2013; and (2) Corporate Parkway, located in Allentown, Pennsylvania with a purchase price of $28.4 million, which oc
acquisitions were accounted for in accordance with FASB ASC 805-10 Business Combinations . The Predecessor statements
for Central Fairwinds for the period January 1, 2012 until its acquisition in May 2012 due to the lack of information provided b

(CC) Reflects the acquisition of noncontrolling interest in Washington Group Plaza and City Center of 11.1% and 5.0%, respec
at AmberGlen related to the elimination of minority partner s economic participation incentive.

	City Center	Central Fairwinds	AmberGlen	Corporate Parkway

Net Income Attributable to Noncontrolling
Interests
Net Income Attributable to City Office Real
Estate Corp
(DD) Reflects consolidated results for Cherry Creek and reversal of previously recorded earnings. As a result of the acquisition
by City Office.

(EE) Reflects the costs to operate the entity as a public company comprised of insurance, directors, public reporting and other r

(FF) Reflects the reduction of interest expense from the anticipated repayment of mortgage debt upon consummation of this off

Additionally, reflects the increase in interest expense for the periods presented on the $118.5 million mortgage loan to be guara
partnership as to certain non-recourse covenants and secured by a mortgage on

F-7

Table of Contents

City Office REIT, Inc.

Notes and Management s Assumptions to Unaudited Pro Forma Consolidated Financial Sta

the fee simple interest in the AmberGlen, Cherry Creek Corporate Campus, City Center and Corporate Parkway properties. A s
$11 million is expected to be obtained following the formation. No interest expense is reflected from this loan as the pro forma
acquisition. Pro forma also reflects the amortization of the associated financing costs of the $118.5 million mortgage loan and t
the periods presented.

(GG) City Office will pay the advisor an annual base management fee in accordance with the advisory agreement.

(HH) Reflects the expense of stock based compensation to be granted to the Advisor as part of the formation transactions for th

F-8

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Partners and Directors of City Office REIT, Inc., Predecessor

We have audited the accompanying combined balance sheets of City Office REIT, Inc. Predecessor as of December 31, 2012 a
combined statements of operations, changes in equity and cash flows for each of the years in the two year period ended Decem
audit of the combined financial statements, we also have audited the financial statement schedule III for the year ended Decem
financial statements and financial statement schedule III are the responsibility of City Office REIT, Inc. Predecessor manageme
opinion on these combined financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States)
and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. A
basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accoun
estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits p
opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position
Predecessor as of December 31, 2012 and December 31, 2011, and the results of their operations and their cash flows for each
ended December 31, 2012, in conformity with US generally accepted accounting principles. Also in our opinion, the related fin
considered in relation to the basic combined financial statements taken as a whole, present fairly, in all material respects, the in

/s/ KPMG LLP

Vancouver, Canada

January 9, 2014

Table of Contents

City Office REIT, Inc. Predecessor

Combined Balance Sheets

	September 30, 2013 (Unaudited)
Assets	
Real estate properties, cost	
Land	$ 30,164,513
Building and improvement	62,646,898
Tenant improvement	12,981,814
Furniture, fixtures and equipment	59,131
	105,852,356
Accumulated depreciation	(6,540,877)
	99,311,479
Investments in unconsolidated entity	4,465,706
Cash and cash equivalents	7,553,397
Restricted cash	7,137,822
Rents receivable, net	4,308,760
Related party receivable	
Deferred financing costs, net of accumulated amortization	793,863
Deferred leasing costs, net of accumulated amortization	2,296,560
Acquired lease intangibles assets, net	15,773,477
Prepaid expenses and other assets	443,381
Total Assets	**$ 142,084,445**
Liabilities and Equity	
Liabilities:	
Mortgage loans payable	$ 108,912,724
Accounts payable and accrued liabilities	2,843,144
Deferred rent	2,045,807
Tenant rent deposits	1,391,453
Acquired lease intangibles liability, net	170,976
Total Liabilities	**115,364,104**
Commitments and Contingencies (note 11)	
Equity:	
Owners equity	25,652,589
Noncontrolling interests	1,067,752
Total Equity	**26,720,341**

Total Liabilities and Equity	**$ 142,084,445**

See accompanying notes to the combined financial statements.

F-10

Table of Contents

City Office REIT, Inc. Predecessor

Combined Statements of Operations

	Nine months ended September 30,	
	2013	**2012**
	(Unaudited)	
Revenues:		
Rental income	$ 12,938,686	$ 7,087,735
Expense reimbursement	1,093,117	775,458
Other	593,724	324,944
Total Revenues	**14,625,527**	**8,188,137**
Operating Expenses:		
Property operating expenses	4,005,302	2,883,611
Insurance	374,655	288,680
Property taxes	1,015,164	770,775
Property acquisition costs	1,479,292	155,349
Property management fees	397,297	303,717
Depreciation and amortization	5,245,498	2,867,342
Total Operating Expenses	**12,517,208**	**7,269,474**
Operating Income	**2,108,319**	**918,663**
Interest expense, net	3,704,586	2,403,278
Equity in (income) loss of unconsolidated entity	(255,422)	(356,886)
Net Loss	**(1,340,845)**	**(1,127,729)**
Net Loss Attributable to Noncontrolling Interests	60,356	165,806
Net Loss Attributable to Predecessor	**$ (1,280,489)**	**$ (961,923)**

See accompanying notes to the combined financial statements.

Table of Contents

City Office REIT, Inc. Predecessor

Combined Statements of Changes in Equity

	Owners	N
Balance January 1, 2011	**$ 11,182,144**	**$**
Contributions	6,557,358	
Distributions	(219,481)	
Net loss	(617,446)	
Balance December 31, 2011	**16,902,575**	
Contributions	4,612,500	
Distributions	(13,770,577)	
Net loss	(1,595,094)	
Balance December 31, 2012	**6,149,404**	
Contributions	22,007,794	
Distributions	(1,224,120)	
Net loss	(1,280,489)	
Balance September 30, 2013 (Unaudited)	**$ 25,652,589**	**$**

See accompanying notes to the combined financial statements.

F-12

Table of Contents

City Office REIT, Inc. Predecessor

Combined Statements of Cash Flows

	Nine months ended September 30,	
	2013	**2012**
	(Unaudited)	
Cash Flows from Operating Activities:		
Net loss	$ (1,340,845)	$ (1,127,729)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	5,245,498	2,867,342
Amortization of deferred costs	638,938	570,072
Amortization of above/below market lease	371,930	181,157
Increase in straight-line rent	(1,667,624)	(796,805)
Equity in (income) loss of unconsolidated entity	(255,422)	(356,886)
Change in fair value of interest rate swap		
Changes in non-cash working capital:		
Restricted cash	(5,540,614)	(1,648,816)
Rents receivable, net	(365,362)	(231,982)
Prepaid expenses and other assets	277,711	(222,640)
Related party receivables		4,121,507
Accounts payable and accrued liabilities	1,015,543	493,457
Deferred rent	1,791,921	(13,484)
Tenant rent deposits	658,273	195,714
Net Cash Provided By Operating Activities	**829,947**	**4,030,907**
Cash Flows from Investing Activities:		
Additions to real estate properties	(1,885,438)	(2,569,853)
Acquisition of real estate, net of cash assumed	(71,313,835)	(13,888,281)
Investment in unconsolidated entity		
Distributions from unconsolidated entity	672,469	1,077,129
Deferred leasing cost	(722,775)	(615,046)
Net Cash Used In Investing Activities	**(73,249,579)**	**(15,996,051)**
Cash Flows from Financing Activities:		
Debt issuance cost	(841,035)	(749,121)
Proceeds from mortgage loans payable	56,294,637	36,547,037
Repayment of mortgage loans payable	(638,513)	(15,606,216)
Owners contributions	22,007,794	4,612,500
Contributions from non-controlling interests	1,365,000	512,500
Owners distributions	(1,224,120)	(9,960,515)
Distributions to holders of noncontrolling interests in combined subsidiaries	(97,350)	(1,815,201)

Net Cash Provided By Financing Activities	**76,866,413**	**13,540,984**
Net Increase (Decrease) in Cash and Cash Equivalents	**4,446,781**	**1,575,840**
Cash and Cash Equivalents, Beginning of Period	**3,106,616**	**1,467,404**
Cash and Cash Equivalents, End of Period	**$ 7,553,397**	**$ 3,043,244**
Supplemental Disclosures of Cash Flow Information:		
Cash paid for interest	**$ 3,067,866**	**$ 1,699,951**

See accompanying notes to the combined financial statements.

F-13

Table of Contents

City Office REIT, Inc. Predecessor

Notes to Combined Financial Statements

1. Organization and Description of Business

City Office REIT, Inc. Predecessor (the Predecessor), represents the combination of the five properties outlined below (the
investment in an entity, Cherry Creek Campus (Cherry Creek), that owns an office complex containing three buildings locat
does not represent a legal entity. The Predecessor and its related assets and liabilities are under common control and are expect
formed entity, City Office REIT, Inc., (City Office) in connection with a contemplated initial public offering (the Offering

City Office is a newly incorporated Maryland corporation formed on November 26, 2013 and has conducted no operations. Cit
registration statement with the Securities and Exchange Commissions in connection with the Offering. City Office will contrib
City Office REIT Operating Partnership LP, a Maryland limited Liability partnership (the Operating Partnership) in exchan
in our partnership.

The Operating Partnership will use the net proceeds of the Offering to pay fees in connection with the assumption of the indebt
connection with the Offering and the formation transactions; repay loans that were made to several of the contributing entities
for general working capital purposes and to fund potential future acquisitions.

If this offering is successful, City Office intends that it will become a publicly owned corporation that elects and qualifies to be
trust, or REIT, for U.S. federal income tax purposes commencing with its taxable year ending December 31, 2014.

The Properties include:

City Center: The Predecessor holds a 90% interest in a property in Tampa, Florida, acquired in December 2010.

Central Fairwinds: The Predecessor holds a 90% interest in a property in Orlando, Florida, acquired in May 2012.

AmberGlen: The Predecessor holds an 85% interest in a Limited Partnership that owns a property in Portland, Oregon, acquire

Washington Group Plaza: The Predecessor holds an 89.9% interest in a property in downtown Boise, Idaho, acquired in June

Corporate Parkway: The Predecessor holds a 100% interest in a property in Allentown, Pennsylvania, acquired in May 2013.

2. Summary of Significant Accounting Policies

Basis of Preparation

The Predecessor represents a combination of certain entities holding interests in real estate that are commonly controlled. Due t
statements of the separate entities which own the properties are presented on a combined basis.

The accompanying combined financial statements have been prepared in accordance with accounting principles generally acce
significant intercompany balances and transactions have been eliminated in combination.

Table of Contents

City Office REIT, Inc. Predecessor

Notes to Combined Financial Statements

Variable interest entities (VIE) are accounted for within the scope of Financial Accounting Standards Board (FASB) Acc
Consolidation and are required to be consolidated by their primary beneficiary. The primary beneficiary of a variable interes
power to direct the activities that most significantly impact the variable interest entity s economic performance and the obligat
receive benefits of the variable interest entity that could be significant to the variable interest entity. Management has evaluated
to its investments in Cherry Creek and determined that this entity is not a variable interest entity and that the Predecessor is not
therefore, consolidation of this investment is not required. This investment is accounted for using the equity method of account

Noncontrolling Interest

The Predecessor follows the provisions pertaining to noncontrolling interests of ASC Topic 810. A noncontrolling interest is th
attributable, directly or indirectly, to a parent. Among other matters, the noncontrolling interest standards require that noncontr
equity in the combined balance sheet (separately from the controlling interest s equity). The noncontrolling interest standards a
changes in the noncontrolling interest in the statement of equity or in a separate note to the financial statements; and require tha
attributable to the noncontrolling interest with disclosure on the face of the statement of operations of the amounts attributable t
interest.

Use of Estimates

Management has made a number of significant estimates and assumptions relating to the reporting of assets and liabilities, the d
liabilities and the reported amounts of revenues and expenses to prepare these combined financial statements in conformity wit
assumptions are based on management s best estimates and judgment. Management evaluates its estimates and assumptions or
experience and other factors, including the current economic environment. Management adjusts such estimates when facts and
significant estimates made include the recoverability of accounts receivable, allocation of property purchase price to tangible an
liabilities assumed, the determination of VIEs and which entities should be consolidated, the determination of impairment of lo
equity method investments, valuation of derivative financial instruments and the useful lives of long-lived assets. Actual results
estimates.

Cash and Cash Equivalents

Cash and cash equivalents include unrestricted cash and short-term investments with a maturity date of less than three months v

Restricted Cash

Restricted cash consists of cash held in escrow by lenders pursuant to certain lender agreements.

Rent Receivable, Net

The Predecessor continuously monitors collections from tenants and makes a provision for estimated losses based upon historic
collection issues that the Predecessor has identified. As of September 30, 2013, December 31, 2012 and December 31, 2011, th
accounts was not significant.

Business Combinations

The fair value of the real estate acquired, which includes the impact of fair value adjustments for assumed mortgage debt relate
to the acquired tangible assets, consisting of land, building and improvements and identified intangible assets and liabilities, co
and below-market

City Office REIT, Inc. Predecessor

Notes to Combined Financial Statements

leases, other value of in place leases and value of tenant relationships, based in each case on their fair values. Acquisition costs
accompanying combined statements of operations. Also, noncontrolling interests acquired are recorded at estimated fair market

The fair value of the tangible assets of an acquired property (which includes land, building and improvements and fixtures and
the property as if it were vacant. The as-if-vacant value is then allocated to land and building and improvements based on m
values of these assets. Factors considered by management in performing these analyses include an estimate of carrying costs du
considering current market conditions and costs to execute similar leases. In estimating carrying costs, management includes re
operating expenses and estimates of lost rental revenue during the expected lease-up periods based on current market demand.
execute similar leases including leasing commissions.

The fair value of above-market and below-market lease values are recorded based on the difference between the current in-plac
estimate of current market rents. Below-market lease intangibles are recorded as part of acquired lease intangibles liability and
non-cancelable periods and bargain renewal periods of the respective leases. Above-market leases are recorded as part of intan
charge against rental revenue over the non-cancelable portion of the respective leases.

The fair value of acquired in place leases are recorded based on the costs management estimates the Predecessor would have in
occupancy level of the property at the date of acquisition. Such estimates include the fair value of leasing commissions and leg
lease the property to this occupancy level. Additionally, management evaluates the time period over which such occupancy lev
estimate of the net operating costs incurred during the lease-up period. Acquired in place leases are amortized on a straight-line
leases.

Revenue Recognition

The Predecessor recognizes lease revenue on a straight-line basis over the term of the lease. If the Predecessor funds tenant imp
deemed to be owned by the Predecessor, revenue recognition will commence when the improvements are substantially complet
space is turned over to the tenant. If the Predecessor determines that the tenant allowances are lease incentives, the Predecessor
when possession or control of the space is turned over to the tenant for tenant work to begin. The lease incentive is recorded as
reduction of revenue on a straight-line basis over the respective lease term. The Predecessor recognizes lease termination fees a
writes off unamortized lease-related intangible and other lease-related account balances, provided there are no further Predeces
Otherwise, such fees and balances are recognized on a straight-line basis over the remaining obligation period with the termina
component of rent receivable-deferred or deferred revenue on the combined balance sheets.

Recoveries from tenants for real estate taxes, insurance and other operating expenses are recognized as revenues in the period t
The Predecessor recognizes differences between estimated recoveries and the final billed amounts in the subsequent year. Final
taxes, insurance and other operating expenses did not vary significantly as compared to the estimated receivable balances.

City Office REIT, Inc. Predecessor

Notes to Combined Financial Statements

Real Estate Properties

Real estate properties are stated at cost less accumulated depreciation, except land. Depreciation is computed on the straight-lin

Buildings and improvements
Furniture, fixtures and equipment
Expenditures for maintenance and repairs are charged to operations as incurred.

Impairment of Real Estate Properties

Long-lived assets currently in use are reviewed periodically for possible impairment and will be written down to fair value if co
to be disposed of are written down to the lower of cost or fair value less the estimated cost to sell. The Predecessor reviews its r
when there is an event or a change in circumstances that indicates that the carrying amount may not be recoverable. The Predec
impairment losses and reduces the carrying value of properties when indicators of impairment are present and the expected und
properties are less than their carrying amounts. In cases where the Predecessor does not expect to recover its carrying costs on p
Predecessor reduces its carrying costs to fair value. Management does not believe that the values of its properties within the por
September 30, 2013, December 31, 2012 and December 31, 2011.

Investment in Unconsolidated Entity

The Predecessor accounts for its investment in the unconsolidated entity using the equity method as it does not exercise control
as buying, selling or financing nor is it the primary beneficiary under ASC Topic 810, as discussed above. Under the equity me
investment balance by recording its proportionate share of net income and contributions and decreases its investment balance b
net loss and distributions.

The Predecessor periodically reviews its investment in unconsolidated entity for other-than-temporary declines in market value
Predecessor uses a discounted cash flow analysis to estimate the fair value of its investment taking into account expected cash f
and net proceeds from the dispositions of the property. Any decline that is not expected to be recovered is considered other thar
is recorded as a reduction in the carrying value of the investment. During the nine months ended September 30, 2013 and for th
December 31, 2011, there were no impairment charges related to the Company s investment in unconsolidated entity.

Concentration of Credit Risk

The Predecessor places its temporary cash investments in high credit financial institutions. However, a portion of temporary ca
insured levels from time to time. The Predecessor has never experienced any losses related to these balances. All of the Compa
were fully insured at December 31, 2012 due to a temporary federal program in effect from December 31, 2010 through Decem
there was no limit to the amount of insurance for eligible accounts. Beginning in 2013, insurance coverage has reverted to $250
institution, and the Company s noninterest-bearing cash balances may again exceed Federally insured limits.

Table of Contents

City Office REIT, Inc. Predecessor

Notes to Combined Financial Statements

Income Tax

For U.S. federal income tax purposes, the Predecessor is treated as a partnership and all items of income and loss are attributab
Accordingly, no provision for federal income taxes has been made in these combined financial statements. However, the Prede
and local entity level taxes which are expensed as incurred.

The Predecessor applies FASB ASC Topic 740 (Topic 740), Income Taxes, in accounting for income tax uncertainties. Top
the tax benefits of certain tax positions only when the position is more likely than not to be sustained assuming examination
benefit recognized is the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settleme
September 30, 2013, December 31, 2012 and December 31, 2011 that the Predecessor did not have any liabilities for any uncer
returns for the prior three years are subject to examination by U.S. federal and state revenue authorities. The Company s policy
as a component of general and administrative expenses.

Derivative Instruments and Hedging Activities

The Predecessor records all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of deriva
Predecessor has elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging
necessary to apply hedge accounting. The Predecessor has not elected to designate any instruments as a hedge under ASC 815-

As of September 30, 2013, December 31, 2012 and December 31, 2011, the Predecessor has interest rate cap swaps that are not
derivatives are not speculative and are used to manage the Company s exposure to interest rate movements and other identified
not to designate these instruments in hedging relationships based on the provisions in ASC 815-10. The changes in fair value of
hedging relationships have been recognized in earnings. Summarized below are the interest rate derivatives that were not desig
value of all derivative assets and liabilities at September 30, 2013, December 31, 2012 and December 31, 2011:

Property	Type of Instrument	Notional amount	Maturity date	Effective rate	Estimated fair Market Value September 30 2013 (Unaudited)
City Center	Interest Rate Swap	$ 15,000,000	June 2019	6%	

Fair Value of Financial Instruments

ASC 820-10, Fair Value Measurements and Disclosures (ASC 820-10) defines fair value, establishes a framework for measu
about fair value measurements. ASC 820-10 applies to reported balances that are required or permitted to be measured at fair v
pronouncements; accordingly, the standard does not require any new fair value measurements of reported balances.

ASC 820-10 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair v
determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for consider
fair value measurements, ASC 820-10 establishes a fair value hierarchy that distinguishes between market participant assumpti
from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) ar
assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

City Office REIT, Inc. Predecessor

Notes to Combined Financial Statements

Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Predecessor has the a
inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Lev
for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quote
yield curves that are observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the asset or liability,
own assumptions, as there is little, if any, related market activity. In instances where the determination of the fair value measure
different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement f
that is significant to the fair value measurement in its entirety. The Company s assessment of the significance of a particular in
entirety requires judgment, and considers factors specific to the asset or liability.

Cash Equivalents, Restricted Cash, Accounts Receivable and Accounts Payable and Accrued Liabilities

The Predecessor estimates that the fair value approximates carrying value due to the relatively short-term nature of these instru

Interest Rate Swap

The majority of the inputs used to value the Company s interest rate swap liability fall within Level 2 of the fair value hierarch
rate curves; however, the credit valuation associated with the interest rate swap liability utilizes Level 3 inputs, such as estimate
the likelihood of default by the Predecessor and its counterparties. As of September 30, 2013, December 31, 2012 and Decemb
determined that the credit valuation adjustment relative to the overall interest rate swap liability is not significant. As a result, t
has been classified in Level 2 of the fair value hierarchy.

Mortgage Loans Payable

The Predecessor determines the fair value of its fixed rate debt based on a discounted cash flow analysis using a discount rate t
borrowing rates for instruments of similar maturities. Based on this, the Predecessor has determined that the fair value of these
$35,715,000 and $15,606,000 as of September 30, 2013, December 31, 2012 and December 31, 2011, respectively. Although t
majority of the inputs used to value its fixed rate debt fall within Level 2 of the fair value hierarchy, the credit valuation adjustm
debt utilize Level 3 inputs, such as estimates of current credit spreads. Accordingly, mortgage loans payable have been classifie

The Predecessor estimates the fair value of its variable mortgage loan payable approximates its carrying value due to the variab

Deferred Costs

Fees and costs paid in the successful negotiation of leases are deferred and amortized on a straight-line basis over the terms of t
incurred in connection with obtaining financing are deferred and amortized over the term of the related debt obligation.

Accumulated amortization of deferred leasing costs as of September 30, 2013, December 31, 2012 and December 31, 2011 was
respectively.

Segment Reporting

The Predecessor operates in one industry segment, commercial real estate.

F-19

City Office REIT, Inc. Predecessor

Notes to Combined Financial Statements

New Accounting Pronouncements

During February 2013, the FASB issued ASU No. 2013-02, Reporting of Amounts Reclassified out of Accumulated Other Co
requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by co
required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclas
comprehensive income by the respective line items of net income but only if the amount reclassified is required under GAAP to
entirety in the same reporting period. ASU is effective prospectively for reporting periods beginning after December 15, 2012.
expected to have a material impact on the Company s financial condition or results of operations.

3. Rents Receivable, Net

The Company s rents receivable is comprised of the following components:

	September 30, 2013 (Unaudited)	**Dece**
Billed receivables	$ 634,232	$
Straight-line receivables	3,674,528	
Total rents receivable	**$ 4,308,760**	**$**

Substantially all of these assets have been pledged as collateral for mortgage loans payable (see Note 8).

4. Acquisition

During the nine months period ended September 30, 2013 and for the year ended December 31, 2012, the Predecessor acquired

Property
Central Fairwinds
Corporate Parkway
Washington Group Plaza

The above acquisitions have been accounted for as business combinations.

The following table summarizes the Company s allocations of the purchase prices of assets acquired and liabilities assumed du
September 30, 2013 and for the year ended December 31, 2012:

	Washington Group Plaza	Co Pa
Land	$ 12,748,491	$ 3
Building and improvements	17,999,655	18
Tenant improvements	2,717,043	1
Prepaid expenses and other assets	217,170	
Deferred leasing costs	12,492	
Acquired intangible assets	10,470,441	4
Accounts payable and accrued liabilities	(1,233,521)	
Acquired intangible liabilities	(17,936)	
Total consideration	$ 42,913,835	$ 28

Table of Contents

City Office REIT, Inc. Predecessor

Notes to Combined Financial Statements

Land
Building and improvements
Tenant improvements
Prepaid expenses and other assets
Acquired intangible assets
Accounts payable and accrued liabilities
Total consideration

The Predecessor recognized expenses relating to acquisition of $1,479,292, $155,349, $212,765 and $0 for the nine month peri
2012 and the years ended December 31, 2012 and 2011, respectively.

The operating results of the acquired properties since the dates of their respective acquisition have been included in the Predece
The following table presents the results of the properties operations since the date of acquisition on a stand-alone basis:

	September 30, 2013 (Unaudited)	Septe 2 (Un
Revenues		
Central Fairwinds	$ 2,261,224	$
Corporate Parkway	$ 1,669,198	$
Washington Group Plaza	$ 3,048,044	$
Operating expenses, excluding depreciation and amortization		
Central Fairwinds	$ 1,341,303	$
Corporate Parkway	$ 1,076,008	$
Washington Group Plaza	$ 1,747,126	$
Depreciation and amortization		
Central Fairwinds	$ 787,084	$
Corporate Parkway	$ 898,043	$
Washington Group Plaza	$ 1,317,169	$
Income (loss) from operations		
Central Fairwinds	$ 132,837	$
Corporate Parkway	$ (304,853)	$
Washington Group Plaza	$ (16,252)	$

F-21

Table of Contents

City Office REIT, Inc. Predecessor

Notes to Combined Financial Statements

The following table presents the Corporate Parkway and Washington Group Plaza s unaudited revenues and income from cont
as if the Predecessor had completed the acquisition of the properties as of January 1, 2012:

Total revenues as reported by the Predecessor
Plus : Corporate Parkway
Washington Group Plaza
Proforma total revenues
Total income from operations as reported by the Predecessor
Plus : Corporate Parkway
Washington Group Plaza
Proforma income from operations

No pro forma information is provided for Central Fairwinds for the years December 31, 2011 and December 31, 2012 due to th
seller.

5. Lease Intangibles

Lease intangibles and the value of assumed lease obligations at September 30, 2013, December 31, 2012, and December 31, 20

September 30, 2013	**Above Market Leases**	**In Place Leases**	**Leasing Commissions**	**Total**	**Below Mar Leases**
Cost	$ 3,043,030	$ 15,731,887	$ 5,447,198	$ 24,222,115	$ (168,9
Accumulated Amortization	(1,153,393)	(5,824,606)	(1,470,639)	(8,448,638)	120,9
	$ 1,889,637	$ 9,907,281	$ 3,976,559	$ 15,773,477	$ (47,9

December 31, 2012	**Above Market Leases**	**In Place Leases**	**Leasing Commissions**	**Total**	**Below Mar Leases**
Cost	$ 1,839,335	$ 6,027,484	$ 1,735,686	$ 9,602,505	$ (150,9
Accumulated Amortization	(765,985)	(3,902,265)	(931,966)	(5,600,216)	108,4

	$ 1,073,350	$ 2,125,219	$ 803,720	$ 4,002,289	$ (42,4

December 31, 2011	**Above Market Leases**	**In Place Leases**	**Leasing Commissions**	**Total**	**Below Mar Leases**
Cost	$ 904,247	$ 4,797,229	$ 1,256,232	$ 6,957,708	$ (150,9
Accumulated Amortization	(441,922)	(2,216,339)	(672,861)	(3,331,122)	65,3
	$ 462,325	$ 2,580,890	$ 583,371	$ 3,626,586	$ (85,6

Table of Contents

City Office REIT, Inc. Predecessor

Notes to Combined Financial Statements

The estimated aggregate amortization expense for lease intangibles for the five succeeding years and in the aggregate are as fol

	Above Market Leases	In Place Leases	Leasing Commissions	Total	Below Ma Lease
2014	$ 574,955	$ 3,409,474	$ 1,204,255	$ 5,188,684	$ 16
2015	573,678	2,594,102	1,141,042	4,308,822	16
2016	307,921	2,465,834	700,713	3,474,468	9
2017	139,754	550,438	298,634	988,826	3
2018	79,709		170,344	250,053	
Thereafter	73,255		162,537	235,792	
	$ 1,749,272	$ 9,019,848	3,677,525	$ 14,446,645	$ 45

6. Investment in Unconsolidated Entity

In July 2011, the Predecessor acquired a 42.3% ownership interest in Cherry Creek. The financial information summary of Che

	September 30, 2013 (Unaudited)
Assets:	
Real estate, at cost	
Land	$ 21,295,615
Building	14,278,948
Tenant improvement	5,614,715
	41,189,278
Accumulated depreciation	(3,492,241)
Real estate, net	37,697,037
Cash and cash equivalents	575,823
Restricted cash	47,601
Accounts receivable	887,050
Related party receivable	154,000
Deferred costs	68,294
Deferred leasing costs, net	1,749,066

Acquired lease intangibles, net		5,877,696
Prepaid expenses and other assets		65,387
Total Assets	$	47,121,954
Liabilities:		
Mortgage loan payable	$	36,000,000
Accounts payable and accrued expenses		151,009
Acquired lease intangibles, net		81,949
Tenant rent deposits		133,986
Other liabilities		189,397
Deferred rent		1,304
Total liabilities		36,557,645
Members Equity		10,564,309
Total Liabilities & Members Equity	$	47,121,954

F-23

Table of Contents

City Office REIT, Inc. Predecessor

Notes to Combined Financial Statements

	Nine months ended September 30,	
	2013	2012
	(Unaudited)	
Operating revenues	$ 4,864,171	$ 4,984,501
Operating expenses	3,616,684	3,327,559
Interest	642,939	812,241
Net income (loss)	$ 604,548	$ 844,701
Amount recorded in equity in income (loss)	$ 255,422	$ 356,886

The Cherry Creek property is pledged as security for a loan with an outstanding balance of $36 million at September 30, 2013. rate swap with a notional amount of $36 million to limit its exposure to fluctuations in the interest rate on this variable rate mor

The Cherry Creek property is cross collateralized with $18,000,000, $12,575,167, and $9,713,063 of indebtedness at Septembe December 31, 2011, respectively. This indebtedness was repaid in December 2013. In addition, Cherry Creek and a related part interest rate swap contract with a third party financial institution, and the estimated fair value of this swap was $133,162, $116, 30, 2013, December 31, 2012 and December 31, 2011, respectively. This swap is not recorded in these financial statements, bu responsible for making payments under this swap agreement should the other related party not make the required payment. The million with a maturity date of July 22, 2014. This swap was terminated in December 2013.

7. Mortgage Loans Payable

The following table summarizes the Predecessor s secured indebtedness as of September 30, 2013, December 31, 2012 and De

Property	September 30, 2013	December 31, 2012	December 31, 2011	Int Ra Septe 2
City Center [(1)]	$ 20,851,237	$ 19,756,600	$ 11,331,579	
Central Fairwinds [(4)]	10,000,000	10,000,000		
AmberGlen	23,500,000	23,500,000	15,606,216	
Corporate Parkway [(4)]	19,458,333			
Washington Group Plaza [(7)]	35,103,154			
Totals	$ 108,912,724	$ 53,256,600	$ 26,937,795	

(1) Interest payable monthly plus monthly principal payment of $20,000.
(2) Interest rate is equal to a floating rate per annum equal to LIBOR plus 4%, but in no event shall the interest rate be lower t
(3) In November 2013, the Predecessor exercised its option to extend the maturity date of the loan, for a six month period. Th of additional extension option.
(4) Interest only payable monthly, principal due on maturity.
(5) The Predecessor has the option to extend the plan to July 2022.
(6) With extension option of three consecutive terms of one year.
(7) Interest payable monthly plus principal based on 360 months of amortization.

Table of Contents

City Office REIT, Inc. Predecessor

Notes to Combined Financial Statements

The scheduled principal repayments of mortgage payable as of September 30, 2013 are as follows:

2013
2014
2015
2016
2017
2018
Thereafter

8. Noncontrolling Interests

The following table summarizes the noncontrolling interests as of September 30, 2013, December 31, 2012 and December 31, 2

	September 30, 2013 (Unaudited)	December
City Center	$ 68,271	$
Central Fairwinds	459,586	
AmberGlen	(776,900)	(
Washington Group Plaza	1,316,795	
	$ 1,067,752	$ (

9. Related Party Transactions

Property Management Fees

Four of the properties, City Center, Central Fairwinds, AmberGlen, and Washington Group Plaza engaged related parties to per services for a fee ranging from 1.75% to 3.5% of gross revenue.

In addition to the base property management fee of 1.75%, paid to the related party for property management at Washington Gr also entitled to an additional management fee equal to the greater of 1% of gross revenue or 15% of NOI in excess of $5.0 mill $5.6 million in 2015.

The costs of these services, aggregating $397,297, $303,717, $571,420 and $360,212 for the nine month periods ended Septem years ended December 31, 2012 and 2011, respectively, were recorded as Property management fees on the accompanying com

Table of Contents

City Office REIT, Inc. Predecessor

Notes to Combined Financial Statements

10. Future Minimum Rent Schedule

Future minimum lease payments as of September 30, 2013 under noncancellable operating leases for the next five years and th

2014
2015
2016
2017
2018
Thereafter

The above minimum lease payments do not include reimbursements from tenants for certain operating expenses and real estate termination payments provided for in certain leases.

One state government tenant has the currently exercisable right to terminate their leases if this state does not appropriate rent in tenant represents approximately 8.3% of our total future minimum lease payments as of September 30, 2013.

11. Commitments and Contingencies

Property Management Fees

In June 2013, Washington Group Plaza engaged a third party to perform asset and management services equal to the greater of per month and an incentive commission equal to the lesser of (a) 15% of net operating income in excess of $5 million in 2013, million in 2015; or (b) 1% of all monthly gross revenue. The asset and management agreement has an initial term of three years successive two year periods.

Fees under this agreement were $45,123 for the nine month period ended September 30, 2013 and are included recorded as ma combined statements of operations.

Other

The Predecessor is obligated under certain tenant leases to fund tenant improvements and the expansion of the underlying lease

Under various federal, state and local laws, ordinances and regulations relating to the protection of the environment, a current o estate may be liable for the cost of removal or remediation of certain hazardous or toxic substances disposed, stored, generated, from, on, at, under, or in a property. As such, the Predecessor may be potentially liable for costs associated with any potential e formerly or currently owned properties.

The Predecessor believes that it is in compliance in all material respects with all federal, state and local ordinances and regulati
substances. Management is not aware of any environmental liability that it believes would have a material adverse impact on th
results of operations. Management is unaware of any instances in which the Predecessor would incur significant environmental
sold, disposed of or abandoned. However, there can be no assurance that any such non-compliance, liability, claim or expenditu

Table of Contents

City Office REIT, Inc. Predecessor

Notes to Combined Financial Statements

The Predecessor is involved from time to time in lawsuits and other disputes which arise in the ordinary course of business; hov
management believes that these matters will not have a material adverse effect, individually or in the aggregate, on the Predece
operations.

12. Subsequent Events

On January 6, 2014, an entity under common control with the Predecessor purchased the real estate property held by Cherry Cr
approximately $59.5 million, financed primarily through a $50 million loan with an interest rate of 5% and a maturity date of J

The acquisition will be accounted for as a business combination in accordance with ASC Topic 805, Business Combinations. T
combination is incomplete as of the date of issuance of the financial statements as the Predecessor is still preparing the required
information.

City Office REIT, Inc. Predecessor

SCHEDULE III REAL ESTATE PROPERTIES AND ACCUMULATED DEPRECIA

December 31, 2012

(In Thousands)

		Initial Cost to Predecessor		Costs Capitalized Subsequent to Acquisition	Gross Amount At Which Carried at December 31, 2012				
Description	**Encumbrances**	**Land**	**Buildings and Improvements**	**Improvements**	**Land**	**Buildings and Improvements**	**Total**	**Accumulated Amortizatio**	**Date o Construc**
AmberGlen	$ 23,500	$ 8,790	$ 5,705	$ 2,244	$ 8,790	$ 7,949	$ 16,739	$ 2,097	1984-2
City Center	19,756	3,123	10,656	4,052	3,123	14,708	17,831	1,645	1
Central Fairway	10,000	1,747	9,751	188	1,747	9,939	11,686	342	1
	$ 53,256	$ 13,660	$ 26,112	$ 6,484	$ 13,660	$ 32,596	$ 46,256	$ 4,084	

(1) The aggregate cost for Federal tax purposes at December 31, 2012 of our real estate assets was $56,882.

(2) A summary of activity for real estate and accumulated depreciation for the year ended December 31, 2012 and 2011 is as f

Real Estate Properties
Balance, beginning of year
Acquisitions
Capital improvements
Balance, end of year
Accumulated depreciation
Balance, beginning of year
Depreciation
Balance, end of year

F-27

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Stockholder of City Office REIT, Inc.

We have audited the accompanying balance sheet of City Office REIT, Inc. as of December 5, 2013. This financial statement is
management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States).
and perform the audit to obtain reasonable assurance about whether the balance sheet is free of material misstatement. An audit
evidence supporting the amounts and disclosures in the balance sheet. An audit also includes assessing the accounting principle
by management, as well as evaluating the overall balance sheet presentation. We believe that our audit provides a reasonable ba

In our opinion, the balance sheet referred to above presents fairly, in all material respects, the financial position of City Office
conformity with U.S. generally accepted accounting principles.

/s/ KPMG LLP

Vancouver, Canada

January 9, 2014

F-28

Table of Contents

CITY OFFICE REIT, INC.

BALANCE SHEET

As of December 5, 2013

ASSETS	
Cash and cash equivalent	
Total assets	
STOCKHOLDERS EQUITY:	
Common stock, $0.01 par value, 100,000 shares authorized, 1,000 shares issued and outstanding	
Additional paid in capital	
Total stockholders equity	

See accompanying notes to balance sheet

F-29

Table of Contents

CITY OFFICE REIT, INC.

NOTES TO BALANCE SHEET

As of December 5, 2013

NOTE 1. ORGANIZATION

City Office REIT, Inc. (the Company) is a newly organized Maryland corporation formed on November 26, 2013 and has co
anticipates filing a registration statement with the Securities and Exchange Commission with respect to a proposed initial publi
its common stock. The Company will contribute the net proceeds of the Offering to City Office REIT Operating Partnership, L
(the Operating Partnership) in exchange for common units of partnership interest of the Operating Partnership. The Compan
will entitle the Company to share in cash distributions from, and allocations of profits and losses of, the Operating Partnership i
percentage ownership of common units. As the sole general partner of the Operating Partnership, the Company will have the ex
agreement to manage and conduct the Operating Partnership s business, subject to limited approval and voting rights of the lin
Company will consolidate the Operating Partnership.

The Operating Partnership will use a portion of the net proceeds of the Offering to acquire a controlling ownership interest in s
properties are located in the metropolitan areas of Boise (ID), Denver (CO), Portland (OR), Tampa (FL), Allentown (PA) and C
Operating Partnership will use a portion of the net proceeds of the Offering to pay expenses incurred in connection with the Of
for general working capital purposes and to fund future acquisitions.

The Company intends to elect to be taxed and to operate in a manner that will allow it to qualify as a real estate investment trus
860 of the Internal Revenue Code of 1986, as amended, for U.S. federal income tax purposes commencing with its taxable yea

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basic of Presentation

The balance sheet has been prepared by management in accordance with United States generally accepted accounting principle

Income Taxes

Subject to qualification as a REIT, the Company will be permitted to deduct distributions paid to its stockholders, eliminating t
represented by such distributions at the Company level.

REITs are subject to a number of organizational and operational requirements. If the Company fails to qualify as a REIT in any
subject to U.S. federal income tax (including any applicable alternative minimum tax) on its taxable income at regular corporat

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requir
estimates and assumptions that affect the reported amounts in the balance sheet and accompanying notes. Actual results could d

Offering Costs

Costs related to the Offering and related formation transactions that have been paid by the Company s predecessor will be rei
Offering.

Table of Contents

REPORT OF INDEPENDENT AUDITORS

To the Partners and Directors of City Office REIT, Inc. Predecessor

We have audited the accompanying financial statements of ROC-SCCP Cherry Creek I, LP, which comprise the balance sheets
December 31, 2011, and the related statements of operations, changes in partners capital and cash flows for the year ended De
from July 21, 2011 (inception) to December 31, 2011 and the related notes to the financial statements.

Management s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. gene
this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation o
from material misstatement, whether due to fraud or error.

Auditors Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accord
generally accepted in the United States. Those standards require that we plan and perform the audits to obtain reasonable assura
statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements
the auditors judgment, including the assessment of the risks of material misstatement of the financial statements, whether due
assessments, the auditor considers internal control relevant to the entity s preparation and fair presentation of the financial stat
procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of th
Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used an
accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of ROC-S
December 31, 2012 and December 31, 2011, and the results of its operations and its cash flows for the year ended December 3
July 21, 2011 (inception) to December 31, 2011, in accordance with U.S. generally accepted accounting principles.

/s/ KPMG LLP

Vancouver, Canada

January 9, 2014

Table of Contents

ROC-SCCP CHERRY CREEK I, LP

BALANCE SHEETS

	September 30, 2013 (Unaudited)
Assets	
Real estate, at cost	
Land	$ 21,295,615
Building and improvement	14,278,948
Tenant improvement	5,614,715
	41,189,278
Accumulated depreciation	(3,492,241)
	37,697,037
Cash and cash equivalents	575,823
Restricted cash	47,601
Rents receivable, net	887,050
Related party receivable	154,000
Deferred financing costs, net	68,294
Deferred leasing costs, net	1,749,066
Acquired lease intangibles, net	5,877,696
Prepaid expenses and other assets	65,387
Total Assets	**$ 47,121,954**
Liabilities and Partners Capital	
Liabilities:	
Mortgage loan payable	$ 36,000,000
Accounts payable and accrued liabilities	151,009
Acquired lease intangibles liability, net	81,949
Other liabilities	189,397
Tenant rent deposits	133,986
Deferred rent	1,304
Total Liabilities	**36,557,645**
Commitments and Contingencies (note 8)	
Partners Capital	10,564,309
Total Liabilities and Partners Capital	**$ 47,121,954**

See accompanying notes to the financial statements.

Table of Contents

ROC-SCCP CHERRY CREEK I, LP

STATEMENTS OF OPERATIONS

	Nine months ended September 30,	
	2013	**2012**
	(Unaudited)	
Revenues:		
Rental income	$ 4,474,674	$ 4,501,904
Expense reimbursement	338,142	469,203
Other	51,355	13,394
Total Revenues	**4,864,171**	**4,984,501**
Operating Expenses:		
Property operation expenses	1,416,702	1,178,042
Insurance	30,294	23,489
Property taxes	47,601	47,376
Property acquisition costs		
Management fees	92,170	93,380
Depreciation and amortization	2,029,917	1,985,272
Total Operating Expenses	**3,616,684**	**3,327,559**
Operating Income	**1,247,487**	**1,656,942**
Interest expense, net	642,939	812,241
Net Income (Loss)	**$ 604,548**	**$ 844,701**

See accompanying notes to the financial statements.

Table of Contents

ROC-SCCP CHERRY CREEK I, LP

STATEMENTS OF CHANGES IN EQUITY

Period from July 21, 2011 (Inception) to December 31, 2011, Year ended

December 31, 2012 and the Nine Months ended September 30, 2013

Balance July 21, 2011 (Inception)
Contributions
Distributions
Net loss
Balance December 31, 2011
Contributions
Distributions
Net income
Balance December 31, 2012
Contributions
Distributions
Net income
Balance September 30, 2013 (Unaudited)

See accompanying notes to the financial statements.

F-34

Table of Contents

ROC-SCCP CHERRY CREEK I, LP

STATEMENTS OF CASH FLOWS

	Nine months ended September 30,	
	2013	2012
	(Unaudited)	
Cash Flows from Operating Activities:		
Net income (loss)	$ 604,548	$ 844,701
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	2,029,917	1,985,272
Amortization of financing costs	68,303	68,299
Amortization, net of above/below market leases	22,156	11,398
Straight-lining of rent	(186,303)	(301,800)
Change in fair value of interest rate swap	(124,532)	20,178
Changes in non-cash working capital:		
Restricted cash	24,768	(72,369)
Rents receivable, net	(7,918)	(107,306)
Related party receivable	1,309,791	77,174
Prepaid expenses and other assets	(4,361)	126,243
Accounts payable and accrued liabilities	(13,623)	(161,396)
Tenant rent deposits		
Deferred rent	1,304	
Other liabilities	(927)	13,048
Net Cash Provided By Operating Activities	**3,723,123**	**2,503,442**
Cash Flows from Investing Activities:		
Additions to real estate properties		(175,506)
Acquisition of real estate		
Deferred leasing costs	(1,790,470)	
Net Cash Used In Investing Activities	**(1,790,470)**	**(175,506)**
Cash Flows from Financing Activities:		
Proceeds from mortgage loan payable		
Contributions		
Distributions	(1,593,234)	(2,551,966)
Debt issuance costs		
Net Cash (Used In) Provided By Financing Activities	**(1,593,234)**	**(2,551,966)**

Net Increase (Decrease) in Cash and Cash Equivalents	339,419	(224,030)
Cash and Cash Equivalents, Beginning of Period	236,404	1,841,021
Cash and Cash Equivalents, End of Period	$ 575,823	$ 1,616,991
Supplemental Disclosures of Cash Flow Information:		
Cash paid for interest	$ 699,171	$ 723,763

See accompanying notes to the financial statements.

Table of Contents

ROC-SCCP CHERRY CREEK I, LP

NOTES TO FINANCIAL STATEMENTS

1. Organization and Description of Business

The ROC-SCCP Cherry Creek I LP, a Delaware limited partnership company (the Company), was formed on July 21, 2011
property, consisting of a three building office complex together with all improvements located thereon and parking spaces, in C
as Campus at Cherry Creek (the Property).

The partners of the Company are ROC-SCCP Cherry Creek Investors, LP (ROC-SCCP Investors), as the investor partner, ar
as general partner. ROC-SCCP Investors is 42.3% owned by Second City Capital Partners II Limited Partnership (Second Cit

In connection with the proposed public offering of City Office REIT, Inc. (City Office), City Office is expected to purchase
consummation of the offering.

The Company will terminate on December 31, 2060 or sooner in accordance with the terms of the limited partnership agreemer

The Company acquired the Property on July 22, 2011. The acquisition has been accounted for as a business combination in acc
Codification (ASC) Topic 805, Business Combinations. The purchase price was allocated to the acquired assets and liabilitie
the acquired assets at the date of acquisition.

The following table summarizes the Company s allocations of the purchase price of assets acquired and liabilities assumed:

Land
Building and improvements
Leasing commissions
In place lease
Above-market lease
Below-market lease
Accounts payable and accrued liabilities
Total consideration

The Company recognized expenses relating to acquisition of $679,319 for the period from July 21, 2011 (inception) to Decemb

2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying financial statements have been prepared from the records and accounts of the Company, which are maintai
generally accepted in the United States (GAAP).

Use of Estimates

Management has made a number of significant estimates and assumptions relating to the reporting of assets and liabilities, the d
liabilities and the reported amounts of revenues and expenses to prepare these financial statements in conformity with GAAP. T
based on management s best estimates and judgment. Management evaluates its estimates and assumptions on an ongoing basi
factors, including the current economic environment. Management adjusts such estimates when facts

F-36

Table of Contents

ROC-SCCP CHERRY CREEK I, LP

NOTES TO FINANCIAL STATEMENTS

and circumstances dictate. The most significant estimates made include the recoverability of accounts receivable, allocation of
and intangible assets acquired and liabilities assumed, the determination of impairment of long-lived assets, valuation of deriva
useful lives of long-lived assets. Actual results could differ materially from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include unrestricted cash and short-term investments with a maturity date of less than three months

Restricted Cash

Restricted cash consists of cash held in escrow by lenders pursuant to certain lender agreements.

Rent Receivable, Net

The Company continuously monitors collections from tenants and makes a provision for estimated losses based upon historical
collection issues that the Company has identified. As of September 30, 2013, December 31, 2012 and December 31, 2011, the
accounts was not significant.

Business Combinations

The fair value of the real estate acquired, which includes the impact of fair value adjustments for assumed mortgage debt relate
to the acquired tangible assets, consisting of land, building and improvements and identified intangible assets and liabilities, co
and below-market leases, other value of in-place leases and value of tenant relationships, based in each case on their fair values
incurred and are included in property operating expense in the accompanying statements of operations.

The fair value of the tangible assets of an acquired property (which includes land, building and improvements and fixtures and
the property as if it were vacant. The as-if-vacant value is then allocated to land and building and improvements based on m
values of these assets. Factors considered by management in performing these analyses include an estimate of carrying costs du
considering current market conditions and costs to execute similar leases. In estimating carrying costs, management includes re
operating expenses and estimates of lost rental revenue during the expected lease-up periods based on current market demand.
execute similar leases including leasing commissions.

The fair value of above-market and below-market lease values are recorded based on the difference between the current in plac
estimate of current market rents. Below-market lease intangibles are recorded as part of acquired lease intangibles liability and
non-cancelable periods and bargain renewal periods of the respective leases. Above-market leases are recorded as part of intang
charge against rental revenue over the non-cancelable portion of the respective leases.

The fair value of acquired in place leases are recorded based on the costs management estimates the Company would have incu
occupancy level of the property at the date of acquisition. Such estimates include the fair value of leasing commissions and leg
lease the property to this occupancy level. Additionally, management evaluates the time period over which such occupancy lev
estimate of the net operating costs incurred during the lease-up period. Acquired in place leases are amortized on a straight-line
leases.

Table of Contents

ROC-SCCP CHERRY CREEK I, LP

NOTES TO FINANCIAL STATEMENTS

Revenue Recognition

The Company recognizes lease revenue on a straight-line basis over the term of the lease. If the Company funds tenant improve deemed to be owned by the Company, revenue recognition will commence when the improvements are substantially completed space is turned over to the tenant. If the Company determines that the tenant allowances are lease incentives, the Company com possession or control of the space is turned over to the tenant for tenant work to begin. The lease incentive is recorded as a defe reduction of revenue on a straight-line basis over the respective lease term. The Company recognizes lease termination fees as r and writes off unamortized lease-related intangible and other lease-related account balances, provided there are no further Com Otherwise, such fees and balances are recognized on a straight-line basis over the remaining obligation period with the termina component of rent receivable-deferred or deferred revenue on the balance sheets.

Recoveries from tenants for real estate taxes, insurance and other operating expenses are recognized as revenues in the period t The Company recognizes differences between estimated recoveries and the final billed amounts in the subsequent year. Final b insurance and other operating expenses did not vary significantly as compared to the estimated receivable balances.

Real Estate Properties

Real estate properties are stated at cost less accumulated depreciation, except land. Construction in progress includes costs for s redevelopment. Depreciation is computed on the straight-line basis over estimated useful lives of:

Buildings
Tenant improvements
Site improvements
Furniture, fixtures and equipment

Expenditures for maintenance and repairs are charged to operations as incurred.

Impairment of Real Estate Properties

Long-lived assets currently in use are reviewed periodically for possible impairment and will be written down to fair value if co to be disposed of are written down to the lower of cost or fair value less the estimated cost to sell. The Company reviews its rea when there is an event or a change in circumstances that indicates that the carrying amount may not be recoverable. The Compa losses and reduces the carrying value of property when indicators of impairment are present and the expected undiscounted cas than its carrying amount. In cases where the Company does not expect to recover its carrying costs on property held for use, the to fair value. Management does not believe that the value of the property is impaired as of September 30, 2013, December 31, 2

Concentration of Credit and Tenant Risk

The Company places its temporary cash investments in high credit financial institutions. However, a portion of temporary cash insured levels from time to time. The Company has never experienced any losses related to these balances. All of the Company

were fully insured at December 31, 2012 due to a temporary federal program in effect from December 31, 2010 through Decem

Table of Contents

ROC-SCCP CHERRY CREEK I, LP

NOTES TO FINANCIAL STATEMENTS

there was no limit to the amount of insurance for eligible accounts. Beginning in 2013, insurance coverage will revert to $250,0
institution, and the Company s noninterest-bearing cash balances may again exceed Federally insured limits.

The State of Colorado is our largest tenant and was responsible for approximately $5,565,000 and $2,485,000 of rental income
December 31, 2011, respectively.

Income Tax

For U.S. income tax purposes, the Company is treated as a partnership and all items of income and loss are attributable to the p
U.S. federal income taxes has been made in these financial statements. However, the Company is required to pay certain state a
expensed as incurred.

The Company s tax returns for the prior three years are subject to examination by U.S. federal and state revenue authorities. Th
interest and penalties as a component of general and administrative expenses.

Derivative Instruments and Hedging Activities

The Company records all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivativ
has elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship
apply hedge accounting. The Company has not elected to designate any instruments as a hedge under ASC 815-10.

To manage its exposure to the variable interest rate risk of its mortgage loan payable, the Company entered into an interest rate
not speculative and is used to manage the Company s exposure to interest rate movements and other identified risks, but the C
instrument in hedging relationships based on the provisions in ASC 815-10, Derivatives and Hedging. Accordingly, changes in
recognized in earnings.

Summarized below is the interest rate derivative that was not designated as cash flow hedge and the fair value of the derivative
2012 and December 31, 2011:

Type of Instrument	Notional amount	Maturity date	Strike rate	Estim Mark Decemb
Interest Swap	$ 36,000,000	August 1, 2013	0.73%	$

Fair Value of Financial Instruments

ASC 820-10, Fair Value Measurements and Disclosures (ASC 820-10) defines fair value, establishes a framework for measu
about fair value measurements. ASC 820-10 applies to reported balances that are required or permitted to be measured at fair v
pronouncements; accordingly, the standard does not require any new fair value measurements of reported balances.

ASC 820-10 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair v
determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for consider
fair value measurements, ASC 820-10 establishes a fair value hierarchy that distinguishes between market participant assumpti
from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) ar
assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

ROC-SCCP CHERRY CREEK I, LP

NOTES TO FINANCIAL STATEMENTS

Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ab inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Lev for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quote yield curves that are observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the asset or liability, own assumptions, as there is little, if any, related market activity. In instances where the determination of the fair value measur different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement f that is significant to the fair value measurement in its entirety. The Company s assessment of the significance of a particular in entirety requires judgment, and considers factors specific to the asset or liability.

The Company estimates that the fair value of cash equivalents, restricted cash, accounts receivable and accounts payable and ac carrying value due to the relatively short-term nature of these instruments. The Company estimates the fair value of its mortgag carrying value due to the variable nature of the debt.

Interest Rate Swap

The majority of the inputs used to value the Company s interest rate swap liability fall within Level 2 of the fair value hierarch rate curves; however, the credit valuation associated with the interest rate swap liability utilizes Level 3 inputs, such as estimate the likelihood of default by the Predecessor and its counterparties. As of December 31, 2012 and December 31, 2011, the Prede valuation adjustment relative to the overall interest rate swap liability is not significant. As a result, the entire interest rate swap 2 of the fair value hierarchy.

Deferred Costs

Fees and costs paid in the successful negotiation of leases are deferred and amortized on a straight-line basis over the terms of t incurred in connection with obtaining financing are deferred and amortized over the term of the related debt obligation.

Segment Reporting

The Company operates generally in one industry segment, operating commercial real estate.

New Accounting Pronouncements

During February 2013, the FASB issued ASU No. 2013-02, Reporting of Amounts Reclassified out of Accumulated Other Co requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by co required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclas comprehensive income by the respective line items of net income but only if the amount reclassified is required under GAAP to entirety in the same reporting period. ASU is effective prospectively for reporting periods beginning after December 15, 2012. expected to have a material impact on the Company s financial condition or results of operations.

Table of Contents

ROC-SCCP CHERRY CREEK I, LP

NOTES TO FINANCIAL STATEMENTS

3. Rents Receivable, Net

The Company s rents receivable is comprised of the following components:

	September 30, 2013 (Unaudited)	December 3
Billed receivables	$ 50,166	$ 4
Straight-line receivables	836,884	65
Less: Allowance for doubtful accounts		
	$ 887,050	**$ 69**

4. Lease Intangibles

Lease intangibles and the value of assumed lease obligations at September 30, 2013, December 31, 2012 and December 31, 20

September 30, 2013	Above-Market Leases	In Place Leases	Leasing Commission
Cost	$ 305,575	$ 5,107,377	$ 2,926,150
Accumulated amortization	(114,042)	(1,538,017)	(809,34
	$ 191,533	$ 3,569,360	$ 2,116,80

December 31, 2012	Above-Market Leases	In Place Leases	Leasing Commission
Cost	$ 305,575	$ 5,107,377	$ 2,926,150
Accumulated amortization	(75,311)	(1,015,672)	(534,47
	$ 230,264	$ 4,091,705	$ 2,391,67

December 31, 2011	Above-Market Leases	In Place Leases	Leasing Commission
Cost	$ 305,575	$ 5,107,377	$ 2,926,150
Accumulated amortization	(23,669)	(319,212)	(167,97

	$ 281,906	$ 4,788,165	$ 2,758,17

The estimated aggregate amortization expense for lease intangibles for the five succeeding years and in the aggregate are as fol

	Above-Market Leases	In Place Leases
2014	$ 50,623	$ 696,461
2015	27,186	696,461
2016	27,186	696,461
2017	27,186	696,461
2018	27,186	609,403
Thereafter	19,257	
	$ 178,624	$ 3,395,247

Table of Contents

ROC-SCCP CHERRY CREEK I, LP

NOTES TO FINANCIAL STATEMENTS

5. Mortgage Loan Payable

On July 22, 2011, the Company entered into a loan agreement for $36,000,000 with a bank (the Lender) that will mature on
interest rate loan bearing interest at LIBOR plus 1.9% (2.08%, 2.11% and 2.10% at September 30, 2013, December 31, 2012 ar
The loan requires interest payments quarterly with the principal due at maturity. The loan has two one-year extension options. T
to finance the acquisition of the Property. The loan is secured by a mortgage on the Property.

The loan agreement contains a restrictive covenant which requires the Company to maintain a minimum debt service ratio of 1.
2013, December 31, 2012 and December 31, 2011, the Company was in compliance with the minimum debt service ratio.

The Property is cross collateralized with $18,000,000, $12,575,167, and $9,713,063 of indebtedness at September 30, 2013, De
2011, respectively, owed by the owners of the Property on other properties under their ownership. This indebtedness was repai

In addition, the Company and a related party are both counterparties to an interest rate swap contract with a third party financia
value of this swap was $133,162, $116,135 and $107,498 as of September 30, 2013, December 31, 2012 and December 31, 201
recorded in the financial statements of the Company, but the Company would be responsible for making payments under this sw
party not make the required payment. The swap has a notional amount of $9 million with a maturity date of July 22, 2014. This
2013.

6. Related Party Transactions

Management Fees

The Company engaged a related party to perform management services for a fee equal to 2% of gross revenue and project mana
3.5% of the total gross construction activities, as defined, performed. The property and project management agreement shall co
owned by the Company.

The costs of these services, aggregating $92,170, $93,380, $125,739 and $55,531 for the nine month periods ended September
December 31, 2012, and for the period from July 21, 2011 (inception) to December 31, 2011, respectively, were recorded as pr
accompanying statements of operation.

Related party receivable

Related party receivables relates to amounts loaned to a related party, ROC-SCCP Cherry Creek II (Cherry Creek Tower), a
loan was repaid during 2013.

Table of Contents

ROC-SCCP CHERRY CREEK I, LP

NOTES TO FINANCIAL STATEMENTS

7. Future Minimum Rent Schedule

Future minimum lease payments to be received by the Company as of September 30, 2013 under noncancellable operating leas
thereafter are as follows:

2014	
2015	
2016	
2017	
2018	
Thereafter	

The above minimum lease payments do not include reimbursements to be received from tenants for certain operating expenses
include early termination payments provided for in certain leases.

One state government tenant has the currently exercisable right to terminate their leases if this state does not appropriate rent in
tenant represents 98.2% of our total future minimum lease payments as of September 30, 2013.

In addition, certain leases provide the tenant with the right to purchase the leased property at fair market value.

8. Commitments and Contingencies

The Company is obligated under certain tenant leases to fund tenant improvements and the expansion of the underlying leased

Under various Federal, state and local laws, ordinances and regulations relating to the protection of the environment, a current
estate may be liable for the cost of removal or remediation of certain hazardous or toxic substances disposed, stored, generated,
from, on, at, under, or in a property. As such, the Company may be potentially liable for costs associated with any potential env
Property.

The Company believes that it is in compliance in all material respects with all Federal, state and local ordinances and regulatio
substances. Management is not aware of any environmental liability that it believes would have a material adverse impact on th
results of operations. Management is unaware of any instances in which the Company would incur significant environmental co
disposed of or abandoned. However, there can be no assurance that any such non-compliance, liability, claim or expenditure wi

The Company from time to time may be involved in lawsuits and other disputes which arise in the ordinary course of business;
currently involved in any such matter that management believes would have a material adverse effect, individually or in the ag
position or results of operations.

9. Subsequent Events

Subsequent events have been evaluated and any significant events, relative to the Company s financial statements as of Januar disclosure have been included in the notes to the financial statements, except as noted below.

On January 6, 2014, the Company sold its real estate property for consideration of $59.5 million to an entity that is related to a Company.

Table of Contents

REPORT OF INDEPENDENT AUDITORS

To the Partners and Directors of City Office REIT, Inc. Predecessor

We have audited the accompanying statement of revenue and certain expenses of Washington Group Plaza, Boise (the Property
2012. This financial statement is the responsibility of the management of the Property. Our responsibility is to express an opini
on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require
obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examinin
the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and sign
management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable

The accompanying statement of revenue and certain expenses was prepared for the purpose of complying with the rules and reg
Exchange Commission and for inclusion in the registration statement on Form S-11 of City Office REIT, Inc., as described in n
not intended to be a complete presentation of the Property s revenues and expenses.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenue and certain expense
ended December 31, 2012 in conformity with U.S. generally accepted accounting principles.

/s/ KPMG LLP

Vancouver, Canada

January 9, 2014

F-44

Table of Contents

WASHINGTON GROUP PLAZA, BOISE

STATEMENTS OF REVENUES AND CERTAIN EXPENSES

		Year Ended December 31, 2
Revenues:		
Rental revenue	$	9,244,3
Total Revenues		9,244,3
Certain Expenses:		
Property operating expenses		3,484,5
Property taxes		743,3
Insurance		119,6
Management fees		301,6
Total Certain Expenses		4,649,1
Revenues in Excess of Certain Expenses	$	4,595,1

See accompanying notes to the statements of revenues and certain expenses.

WASHINGTON GROUP PLAZA, BOISE

NOTES TO STATEMENTS OF REVENUES AND CERTAIN EXPENSES

1. Organization

The accompanying statements of revenue and certain expenses include the operations of Washington Group Plaza (the Proper
office complex and parking spaces. The Property is located in Boise, Idaho.

In connection with the proposed public offering of common stock of City Office REIT, Inc. (City Office), City Office is exp
Second City Capital II Limited Partnership upon consummation of the offering.

2. Basis of Presentation and Significant Accounting Policies

The accompanying statements of revenue and certain expenses (the statements) have been prepared for the purpose of comp
the Securities and Exchange Commission. The Statements are not intended to be a complete presentation of the revenues and ex
the Statements exclude expenses not directly related to the proposed future operations of the Property such as depreciation and
intangible assets and liabilities, asset management fees, finance costs, and other costs not directly related to the proposed future

Revenue Recognition

Minimum rental revenue is recognized on a straight-line basis over the term of the leases. The leases provide for the reimburser
taxes, insurance and certain property operating expenses to the owner of the Property. These reimbursements are recognized as
expenses are incurred.

The Property increased rental income by $98,370 and decreased rental income by $53,513 to record revenue on a straight line b
31, 2012 and three months ended March 31, 2013 respectively.

Use of Estimates

The preparation of the statements in conformity with accounting principles generally accepted in the United States of America
estimates and assumptions that affect the amounts reported in the Statements and accompanying notes. Actual results could dif

Unaudited interim statement

The statement of revenue and certain expenses for the three months ended March 31, 2013 is unaudited. In the opinion of mana
adjustments necessary for a fair presentation of the results of the interim period. All such adjustments are of a normal recurring

Table of Contents

WASHINGTON GROUP PLAZA, BOISE

NOTES TO STATEMENTS OF REVENUES AND CERTAIN EXPENSES

3. Rental Revenue

The Property is leased to tenants under operating leases with expiration dates ranging from 2013 to 2025. Two tenants accounte revenue at December 31, 2012. The minimum rental amounts due under the leases are subject to scheduled fixed increases. The reimburse the owner of the Property for certain operating costs and real estate taxes and $316,042 has been recognized as renta December 31, 2012, and $56,565 has been recognized as rental revenue for the three months ended March 31, 2013. Future min years and thereafter under the non-cancelable operating leases in effect at December 31, 2012 are as follows:

Year ending December 31,
2013
2014
2015
2016
2017
Thereafter
Total

Leases generally require reimbursement of the tenant s proportional share of common area, real estate taxes and other operatin base year operating expense amount. These reimbursements are excluded from the amounts above.

One state government tenant has the currently exercisable right to terminate their leases if the state does not appropriate rent in tenant represents approximately 31% of our total minimum lease payments.

4. Subsequent Events

Management has evaluated subsequent events through January 9, 2014, the date the statements were available to be issued. The City Capital II Limited Partnership on June 6, 2013 from a nonaffiliated third party for approximately $44.3 million.

F-47

Table of Contents

REPORT OF INDEPENDENT AUDITORS

To the Partners and Directors of City Office REIT, Inc. Predecessor

We have audited the accompanying statement of revenue and certain expenses of Corporate Parkway (the Property) for the yea
financial statement is the responsibility of the management of the Property. Our responsibility is to express an opinion on this f

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require
obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examinin
the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and sign
management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable

The accompanying statement of revenue and certain expenses was prepared for the purpose of complying with the rules and reg
Exchange Commission and for inclusion in the registration statement on Form S-11 of City Office REIT, Inc., as described in n
not intended to be a complete presentation of the property s revenues and expenses.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenue and certain expense
ended December 31, 2012 in conformity with U.S. generally accepted accounting principles.

/s/ KPMG LLP

Vancouver, Canada

January 9, 2014

F-48

Table of Contents

CORPORATE PARKWAY

STATEMENTS OF REVENUES AND CERTAIN EXPENSES

		Year Ended December 31, 2
Revenues:		
Rental revenue	$	3,013,(
Total Revenues		3,013,(
Certain Expenses:		
Property operating expenses		25,(
Total Certain Expenses		25,(
Revenues in Excess of Certain Expenses	$	2,987,9

See accompanying notes to the statements of revenues and certain expenses.

F-49

Table of Contents

CORPORATE PARKWAY

NOTES TO STATEMENTS OF REVENUES AND CERTAIN EXPENSES

1. Organization

The accompanying statements of revenue and certain expenses include the operations of Corporate Parkway (the Property) v
building and parking spaces. The Property is located in Center Valley, Pennsylvania.

In connection with the proposed public offering of common stock of City Office REIT, Inc. (City Office), City Office is expect
Second City Capital II Limited Partnership upon consummation of the offering.

2. Basis of Presentation and Significant Accounting Policies

The accompanying statements of revenue and certain expenses (the Statements) have been prepared for the purpose of comp
the Securities and Exchange Commission. The Statements are not intended to be a complete presentation of the revenues and ex
the Statements exclude expenses not directly related to the proposed future operations of the Property such as depreciation and
intangible assets and liabilities, asset management fees, income taxes, and other costs not directly related to the proposed future

Revenue Recognition

Minimum rental revenue is recognized on a straight-line basis over the term of the leases.

The Property increased rental income by $37,811 and decreased by $10,935 to record revenue on a straight line basis during the
three months ended March 31, 2013, respectively.

Use of Estimates

The preparation of the Statements in conformity with accounting principles generally accepted in the United States of America
estimates and assumptions that affect the amounts reported in the Statements and accompanying notes. Actual results could dif

Unaudited interim statement

The statement of revenue and certain expenses for the three months ended March 31, 2013 is unaudited. In the opinion of mana
adjustments necessary for a fair presentation of the results of the interim period. All such adjustments are of a normal recurring

3. Rental Revenue

The Property is leased to a single tenant under an operating lease, which expires in 2016. One tenant accounted for 100% of ren
The minimum rental amounts due under the lease are subject to scheduled fixed increases. The lease is on a triple net basis such
certain property operating costs and real estate taxes. The Property remains liable for certain expenditures should the tenant def
Future minimum rents to be received over each of the next five years and thereafter under the non-cancelable operating lease in
follows:

Year ending December 31,
2013

2014
2015
2016
2017
Thereafter
Total

F-50

Table of Contents

CORPORATE PARKWAY

NOTES TO STATEMENTS OF REVENUES AND CERTAIN EXPENSES

4. Subsequent Events

Management has evaluated subsequent events through December 5, 2013, the date the statements were available to be issued. T
City Capital II Limited Partnership on May 17, 2013 from a nonaffiliated third party for approximately $28.4 million.

F-51

Table of Contents

Shares

City Office REIT, Inc.

Common Stock

PROSPECTUS

, 2014

Book-Running Managers

Janney Montgomery Scott

Table of Contents

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 31. Other Expenses of Issuance and Distribution.

The following table sets forth the fees, and expenses, other than the underwriting compensation expected to be incurred, payabl
and distribution of our common stock. All amounts shown are estimated, except the SEC registration fee and the Financial Indu
filing fee.

SEC Registration Fee
Listing Fee
FINRA Filing Fee
Blue Sky Fees and Expenses
Printing and Engraving Costs
Legal Fees and Expenses
Accounting Fees and Expenses
Transfer Agent and Registrar Fees and Expenses
Miscellaneous Expenses
Total

* To be filed by amendment.

Item 32. Sales to Special Parties.

See response to Item 33 below.

Item 33. Recent Sales of Unregistered Equity Securities.

In connection with the initial capitalization of our company, we issued 1,000 shares of our common stock for $1,000 to Second
effected in reliance upon an exemption from registration provided by Section 4(2) under the Securities Act of 1933, as amende

Item 34. Indemnification of Directors and Officers.

The Maryland General Corporation Law (the MGCL) permits us to include a provision in our charter eliminating the liabilit
our stockholders for money damages, except for liability resulting from (a) actual receipt of an improper benefit or profit in mo
and deliberate dishonesty that is established by a final judgment and is material to the cause of action. Our charter contains a pr
and officers liability to the maximum extent permitted by the MGCL.

The MGCL requires us (unless our charter were to provide otherwise, which our charter does not) to indemnify a director or of
merits or otherwise, in the defense of any proceeding, or any claim, issue or matter in any proceeding, to which he or she is ma
service in that capacity.

The MGCL permits us to indemnify our present and former directors and officers, among others, against judgments, penalties, expenses actually incurred by them in connection with any proceeding to which they may be made or threatened to be made a p those or certain other capacities unless it is established that:

- the act or omission of the director or officer was material to the matter giving rise to the proceeding and (a) v the result of active and deliberate dishonesty;
- the director or officer actually received an improper personal benefit in money, property or services; or
- in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or c

II-1

Table of Contents

The MGCL prohibits us from indemnifying a director or officer who has been adjudged liable in a suit by us or on our behalf o
adjudged liable on the basis that a personal benefit was improperly received. A court may order indemnification if it determine
and reasonably entitled to indemnification, even though the director or officer did not meet the prescribed standard of conduct
that personal benefit was improperly received; however, indemnification for an adverse judgment in a suit by us or on our beha
basis that personal benefit was improperly received, is limited to expenses.

In addition, the MGCL permits us to advance reasonable expenses to a director or officer upon our receipt of (a) a written affir
or her good faith belief that he or she has met the standard of conduct necessary for indemnification and (b) a written undertaki
behalf to repay the amount paid or reimbursed if it is ultimately determined that the standard of conduct was not met.

Our charter authorizes us, and our amended and restated bylaws obligate us, to the maximum extent permitted by the MGCL, t
made or threatened to be made a party to or witness in a proceeding by reason of his or her service:

- as our director or officer; or

- while a director or officer and at our request, as a director, officer, partner, manager, member or trustee of an
investment trust, partnership, joint venture, limited liability company, trust, employee benefit plan or other e

from and against any claim or liability to which he or she may become subject or that he or she may incur by reason of his or h
and, without requiring a preliminary determination of the ultimate entitlement to indemnification, to pay or reimburse his or he
final disposition of a proceeding. Our charter and amended and restated bylaws also permit us to indemnify and advance expen
of our predecessors in any of the capacities described above and any employee or agent of us or any of our predecessors.

Furthermore, our officers and directors are indemnified against specified liabilities by the underwriters, and the underwriters ar
liabilities by us, under the underwriting agreement relating to this offering. See Underwriting.

We are currently party to or intend to enter into indemnification agreements with our directors and executive officers. These ag
indemnify these individuals to the fullest extent permitted under the MGCL against liabilities that may arise by reason of their
incurred as a result of any proceeding against them as to which they could be indemnified. Insofar as indemnification for liabili
may be permitted to directors or executive officers, we have been informed that, in the opinion of the SEC, such indemnificatio
therefore unenforceable.

Item 35. Treatment of Proceeds from Stock Being Registered.

None of the proceeds will be credited to an account other than the appropriate capital share account.

II-2

Table of Contents

Item 36. Financial Statements and Exhibits.

(a) See Page F-1 for an index of the financial statements that are being filed as part of this registration statement on Form S-11.

(b) Following is a list of exhibits being filed as part of, or incorporated by reference into, this registration statement on Form S-

Exhibit number	Description
1.1	Form of Underwriting Agreement*
3.1	Articles of Amendment and Restatement of the Registrant*
3.2	Amended and Restated Bylaws of the Registrant*
4.1	Certificate of Common Stock of City Office REIT, Inc.*
5.1	Opinion of Ballard Spahr LLP regarding validity of the shares registered*
8.1	Opinion of Shearman & Sterling LLP regarding certain tax matters*
10.1	Amended and Restated Agreement of Limited Partnership of City Office REIT Operating Partnersl
10.2	Advisory Agreement by and among City Office Real Estate Management Inc., City Office REIT O Office REIT, Inc.*
10.3	Administration Agreement by and between City Office Real Estate Management Inc. and Second C
10.4	Contribution Agreement by and among City Office REIT Operating Partnership, L.P., Gibralt U.S. Investments LP*
10.5	Contribution Agreement by and among City Office REIT Operating Partnership, L.P., Second City City Capital Partners II, LP*
10.6	Registration Rights Agreement*
10.7	Equity Incentive Plan*
10.8	Tax Protection Agreement*
21.1	Subsidiaries of the Company*
23.1	Consent of KPMG LLP
23.2	Consent of Ballard Spahr LLP (included in the opinion filed as Exhibit 5.1)*
23.3	Consent of Shearman & Sterling LLP (included in the opinion filed as Exhibit 8.1)*

* To be filed by amendment

Item 37. Undertakings.

(a) The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agre
denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

II-3

Table of Contents

(b) Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended, may be permitted to directors
the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Secur
indemnification is against public policy as expressed in the Securities Act of 1933, as amended, and is, therefore, unenforceabl
indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, offi
registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person i
registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to
question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final a

(c) The undersigned registrant hereby further undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, as amended, the information omit
as part of this registration statement in reliance under Rule 430A and contained in a form of prospectus filed
Rule 424(b) (1) or (4) or 497(h) under the Securities Act of 1933, as amended, shall be deemed to be part of t
time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, as amended, each post-effectiv
form of prospectus shall be deemed to be a new registration statement relating to the securities offered therei
securities at that time shall be deemed to be the initial bona fide offering thereof.

II-4

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant certifies that it has reasonable grounds to requirements for filing on Form S-11 and has duly caused this Amendment No. 1 to the registration statement to be signed on i thereunto duly authorized in the City of Vancouver, Canada, on January 10, 2014.

CITY OFFICE REIT, INC.

By: /s/ James Farrar
Name: James Farrar
Title: Chief Executi

Pursuant to the requirements of the Securities Act of 1933, as amended, this registration statement has been signed by the follo the dates indicated.

SIGNATURE	TITLE
/s/ James Farrar	Chief Executive Officer and Director
James Farrar	(Principal Executive Officer)
/s/ Anthony Maretic	Chief Financial Officer, Treasurer and Secretary
Anthony Maretic	(Principal Financial and Accounting Officer)
/s/ Gregory Tylee	Chief Operating Officer and President
Gregory Tylee	