

City Office REIT, Inc.  
Form S-11/A  
January 10, 2014  
**Table of Contents**

**As filed with the Securities and Exchange Commission on January 10, 2014**

**Registration No. 333-193219**

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

**AMENDMENT NO. 1 TO  
FORM S-11**

**FOR REGISTRATION UNDER THE SECURITIES ACT OF 1933  
OF SECURITIES OF CERTAIN REAL ESTATE COMPANIES**

**City Office REIT, Inc.**

**(Exact name of registrant as specified in governing instruments)**

**1075 West Georgia Street**

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**Suite 2600**

**Vancouver, British Columbia, V6E 3C9**

**Tel: (604) 806-3366**

**(Address, including zip code, and telephone number,  
including area code, of registrant's principal executive offices)**

**Anthony Maretic**

**Chief Financial Officer**

**City Office REIT, Inc.**

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**Approximate date of commencement of proposed sale to the public:** As soon as practicable after the effective date of this registration statement.

If any of the Securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, check the following box. "

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. "

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer	"	Accelerated filer	"
Non-accelerated filer	<input checked="" type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	"

**The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to Section 8(a), may determine.**

**Table of Contents**

**The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.**

**SUBJECT TO COMPLETION, DATED JANUARY 10, 2014**

**Shares**

**City Office REIT, Inc.**

**Common Stock**

City Office REIT, Inc. is a newly organized, externally managed Maryland corporation formed to acquire, own and operate high-quality office properties located within our specified target markets, which are located in metropolitan areas in the Southern and Western United States. We will be externally managed by City Office Real Estate Management Inc. ( our Advisor ). As described more fully in this prospectus, our Advisor is an affiliate of Second City Capital Partners II, Limited Partnership, a real estate focused private equity fund founded in 2010 that manages a \$400 million office building and multifamily platform with a national footprint.

This is our initial public offering of our common stock. We are offering all of the \_\_\_\_\_ shares of common stock to be sold in this offering. We currently expect that the public offering price of our common stock will be between \$ \_\_\_\_\_ and \$ \_\_\_\_\_ per share.

Prior to this offering, there has been no public market for our common stock. We intend to apply to have our common stock listed on the New York Stock Exchange under the symbol CIO.

We intend to elect to qualify as a real estate investment trust for U.S. federal income tax purposes ( REIT ) commencing with our taxable year ending December 31, 2014. Shares of our common stock are subject to limitations on ownership and transfer that are primarily intended to assist us in qualifying as a REIT. Our charter generally prohibits any person from actually, beneficially or constructively owning more than 9.8% in value or number of shares, whichever is more restrictive, of the outstanding shares of our common stock or more than 9.8% in value of the aggregate outstanding shares of all classes and series of our common stock. See the section entitled Description of Stock Restrictions on Ownership and Transfer included in this prospectus.

**We are an emerging growth company as the term is used in the Jumpstart Our Business Startups Act of 2012 and, as such, have elected to comply with certain reduced public company reporting requirements.**

Investing in our common stock involves risks. See Risk Factors beginning on page 16 of this prospectus to read about factors that you should consider before investing in our common stock.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public offering price	\$	\$
Underwriting discount	\$	\$
Proceeds, before expenses, to us	\$	\$

We have granted the underwriters an option to purchase up to additional shares of our common stock at the initial public offering price less the underwriting discount for 30 days after the date of this prospectus to cover over-allotments, if any.

The underwriters expect to deliver the shares of common stock to purchasers on or about , 2014 through the book-entry facilities of The Depository Trust Company.

*Book-Running Managers*

**Janney Montgomery Scott**

**Wunderlich  
Securities**

The date of this prospectus is , 2014

Table of Contents

## TABLE OF CONTENTS

	<b>Page</b>
<u>Prospectus Summary</u>	1
<u>Risk Factors</u>	16
<u>Forward-Looking Statements</u>	41
<u>Structure and Formation of Our Company</u>	43
<u>Use of Proceeds</u>	48
<u>Distribution Policy</u>	49
<u>Capitalization</u>	50
<u>Dilution</u>	51
<u>Selected Financial Data</u>	52
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	54
<u>Industry Overview</u>	68
<u>Business</u>	77
<u>Management</u>	101
<u>Executive and Director Compensation</u>	106
<u>Our Advisor and the Advisory Agreement</u>	111
<u>Conflicts of Interest</u>	116
<u>Certain Relationships and Related Person Transactions</u>	119
<u>Policies with Respect to Certain Activities</u>	123
<u>Principal Stockholders</u>	127
<u>Description of Stock</u>	128
<u>Certain Provisions of Maryland Law and of Our Charter and Bylaws</u>	134
<u>Description of the Partnership Agreement of City Office REIT Operating Partnership, L.P.</u>	140
<u>Shares Eligible for Future Sale</u>	155
<u>U.S. Federal Income Tax Considerations</u>	157
<u>ERISA Considerations</u>	174
<u>Underwriting</u>	176
<u>Legal Matters</u>	179
<u>Experts</u>	179
<u>Where You Can Find More Information</u>	179
<u>Index to Financial Statements</u>	F-1

We have not, and the underwriters and their affiliates and agents have not, authorized any person to provide any information or represent anything about us other than what is contained in this prospectus. None of the information on our website referred to in this prospectus is incorporated by reference herein. We do not, and the underwriters and their affiliates and agents do not, take any responsibility for, and can provide no assurance as to the reliability of, any information that others may provide to you. We are not, and the underwriters and their affiliates and agents are not, making an offer to sell or soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted. No action is being taken in any jurisdiction outside the United States to permit a public offering of the

common stock or possession or distribution of this prospectus in any jurisdiction. Any person who comes into possession of this prospectus in jurisdictions outside the United States is required to inform themselves about and to observe any restrictions as to this offering and the distribution of this prospectus to that jurisdiction. You should assume that the information contained in this prospectus is accurate only as of the date on the front cover of this prospectus, regardless of the time of delivery of this prospectus or any sale of shares of our common stock. Our business, financial condition, results of operations, cash flows and prospects may have changed since that date.

Until \_\_\_\_\_, 2014 (the 25th day after the date of this prospectus), all dealers that effect transactions in our common stock, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to any unsold allotments or subscriptions.

**Table of Contents**

**INDUSTRY AND MARKET DATA**

We use market data and industry forecasts throughout this prospectus and, in particular, in the sections entitled **Industry Overview** and **Business**. Unless otherwise indicated, statements in this prospectus concerning our industry and the markets in which we operate, including our general expectations, competitive position, business opportunity and market size, growth and share, are based on information obtained from industry publications, government publications and third party forecasts. The forecasts and projections are based upon industry surveys and the preparers experience in the industry. There can be no assurance that any of the projections will be achieved. We believe that the surveys and market research performed by others are reliable, but we have not independently verified this information. Accordingly, the accuracy and completeness of the information is not guaranteed.

**ENFORCEMENT OF CIVIL LIABILITIES**

Some of the members of our board of directors, our officers and the principals of our Advisor reside in Canada, our Advisor is incorporated in British Columbia, Canada, and all or a significant portion of the assets of such persons are located in Canada. As a result, it may not be possible for investors to effect service of process within the United States or in any other jurisdiction outside Canada upon such persons or to enforce against them in courts of any jurisdiction outside Canada judgments predicated upon the civil liability provisions of the federal securities laws of the United States. We have appointed \_\_\_\_\_ as an agent, Second City Capital Partners II, Limited Partnership has appointed \_\_\_\_\_ as an agent and our Advisor has appointed \_\_\_\_\_ as an agent to receive service of process with respect to any action brought against us, Second City or our Advisor, respectively, in any federal or state court in the State of New York arising from this offering.



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**Table of Contents**

**PROSPECTUS SUMMARY**

*The following is a summary of material information discussed in this prospectus. This summary is not complete and does not contain all of the information that you should consider before investing in our common stock. You should read this entire prospectus carefully, including the risks discussed under the section entitled Risk Factors and our financial statements and the related notes included elsewhere in this prospectus, before making an investment decision to purchase shares of our common stock. Some of the statements in this summary constitute forward-looking statements. See Forward-Looking Statements.*

*Unless the context suggests otherwise, references in this prospectus to City Office, company, we, us and our are to City Office REIT, Inc., a Maryland corporation, together with its consolidated subsidiaries after giving effect to the formation transactions described in this prospectus, including City Office REIT Operating Partnership, L.P., a Maryland limited partnership of which we are the sole general partner and through which we will conduct substantially all of our business ( our operating partnership ), except where it is clear from the context that the term only means the issuer of the shares of common stock in this offering. Our Advisor refers to our external advisor, City Office Real Estate Management Inc. Second City refers to Second City Capital Partners II, Limited Partnership. Second City GP refers to Second City General Partner II, L.P. Gibralt refers to Gibralt U.S. Inc. GCC Amberglen refers to GCC Amberglen Investments LP. The Second City Group refers to Second City, future funds created by the principals of Second City, Second City GP, Gibralt and GCC Amberglen, from which we expect to acquire all of our initial properties.*

*In connection with the formation transactions, each of Second City and Second City GP may split into two separate limited partnerships. In such case, the common units in our operating partnership to be received by Second City and Second City GP would be split between these entities, and all of these entities would become parties to the contribution agreements, the tax protection agreements and the Registration Rights Agreement (as defined below). Accordingly, references to Second City and Second City GP also refer to any successor of each, if the split described above would occur.*

*Unless otherwise indicated, the information contained in this prospectus is as of September 30, 2013 and assumes that (1) the underwriters over-allotment option is not exercised, (2) the consummation of the formation transactions described in this prospectus, (3) the common stock to be sold in this offering is sold at \$ per share, which is the midpoint of the initial public offering price range indicated on the front cover of this prospectus, and (4) the initial value of the common units of partnership interest in our operating partnership ( common units ) to be issued in the formation transactions is equal to the public offering price of our common stock as set forth on the front cover of this prospectus.*

**City Office REIT, Inc.**

We are a newly organized, externally managed Maryland corporation formed to acquire, own and operate high-quality office properties located within our specified target markets in the United States. We have currently identified eleven target markets, each of which is located in a metropolitan area in the Southern and Western United States. We believe that our target markets possess a number of the following characteristics: favorable economic growth trends, growing populations with above average employment growth forecasts, a large number of government offices, large international, national and regional employers across a diversified set of industries, low-cost centers for business operations, proximity to large universities and increasing office occupancy rates. We also believe that there is a lower participation of large institutional investors in our target markets because they generally have concentrated on Gateway markets, which are commonly defined as New York, Los Angeles, Washington, D.C., Boston and San Francisco. In addition, we believe that our target markets offer the opportunity for attractive risk-adjusted returns

because they exhibit positive economic and demographic trends and are generally characterized by local real estate operators that typically do not benefit from the same access to capital as public REITs. We also believe that our target markets have experienced limited new construction of office properties since 2008 because rental rates in these markets have generally not supported new development. We anticipate identifying additional target markets with the foregoing characteristics in the future.

**Table of Contents**

Upon completion of this offering and the formation transactions, we will own six office complexes comprised of 16 office buildings with a total of approximately 1.85 million square feet of net rentable area ( NRA ) in the metropolitan areas of Boise (ID), Denver (CO), Portland (OR), Tampa (FL), Allentown (PA) and Orlando (FL) ( our initial properties ). We believe that our initial properties are high quality assets that provide excellent access to transportation options, are located near affluent neighborhoods, contain extensive amenities and are well maintained. We also believe that our initial properties have a stable and diverse tenant base, including federal and state governmental agencies and national and regional businesses. As of September 30, 2013, approximately 61.1% of the base rental revenue from our initial properties was derived from tenants in these markets that are federal or state governmental agencies or tenants that have received or whose parent companies have received an investment grade credit rating from either Standard & Poor's Ratings Services, a division of McGraw Hill Financial, Inc. ( Standard & Poor's ), or Moody's Investors Services, Inc. ( Moody's ) ( investment grade tenants ). Our initial properties have a stable, long-term tenancy profile and our occupied and committed leases have staggered expirations and a weighted average remaining lease term to maturity of 5.3 years (10 years taking into account tenant renewal options). Our leases typically include rent escalation provisions designed to provide annual growth in our rental stream.

We intend to elect to be taxed, and to operate in a manner that will allow us to qualify, as a real estate investment trust for U.S. federal income tax purposes ( REIT ) commencing with our taxable year ending December 31, 2014. We will be structured as an umbrella partnership REIT ( UPREIT ), which means that we will conduct substantially all of our business through our operating partnership, of which we will serve as the sole general partner and own approximately % . As an UPREIT, we may be able to acquire properties on more attractive terms from sellers that may be able to defer tax obligations by contributing properties to our operating partnership in exchange for interests in the partnership, which will be redeemable for cash or shares of our common stock. As a result, we believe that having our common stock listed on the New York Stock Exchange ( NYSE ) will make our common units more attractive to tax-sensitive sellers.

**Our Properties****Our Initial Portfolio**

Upon completion of this offering and the formation transactions, we will own six office complexes comprised of 16 office buildings with a total of approximately 1.85 million square feet of net rentable area in the metropolitan areas of Boise (ID), Denver (CO), Portland (OR), Tampa (FL), Allentown (PA) and Orlando (FL). The following table presents an overview of our initial properties based on information as of September 30, 2013.

Property	Metropolitan Area	Year Built / Last Major Renovation <sup>(1)</sup>	Interest to be Acquired by City Office <sup>(2)</sup>	NRA (000s SF) <sup>(3)</sup>	In Place Occupancy	In Place and Committed Occupancy <sup>(3)</sup>	Annualized Base Rent <sup>(4)</sup>	Largest Tenant by NRA
Washington Group Plaza	Boise, Idaho	1970-1982 / 2012 <sup>(5)</sup>	100.0%	556	91.6%	91.6%	\$ 8,816,688	URS Corporation <sup>(6)</sup>
Cherry Creek	Denver, Colorado	1962-1980 / 2012	100.0	356	100.0	100.0	5,819,649	Colorado Department of Public Health and Environment
AmberGlen	Portland, Oregon	1984-2002 <sup>(7)</sup>	76.0	353	86.7	91.3	4,633,010	Planar Systems, Inc.

City Center	Tampa, Florida	1984 /2012	95.0	241	84.6	94.4	4,559,952	RBC Capital Markets
Corporate Parkway	Allentown, Pennsylvania	2006	100.0	178	100.0	100.0	3,056,772	Dun & Bradstreet, Inc.
Central Fairwinds <sup>(8)</sup>	Orlando, Florida	1982 /2012	90.0	167	58.2	63.3	2,699,881	Fairwinds Credit Union
<b>Total / Weighted Average</b>				<b>1,851</b>	<b>89.2%</b>	<b>91.8%</b>	<b>\$ 29,585,948</b>	

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

(2) Net rentable area in thousands of square feet ( SF ).

(3) Includes both in place and committed tenants, which we define as our tenants in occupancy as well as tenants that have executed binding leases for space undergoing improvement but are not yet in occupancy, as of September 30, 2013.

(4) Annualized base rent is calculated by multiplying (i) rental payments (defined as cash rents before abatements) for the month ended September 30, 2013, by (ii) 12. If rent abatements that were applied in September 2013 are subtracted from rental payments for September 2013, annualized rent

**Table of Contents**

would be \$4,357,550 for AmberGlen (a decrease of \$0.90 per net rentable square foot) and \$3,216,993 for City Center (a decrease of \$6.61 per square foot). The contractual rent abatements currently in place at the AmberGlen and City Center properties will all expire on or before January 2015. The other properties in our initial portfolio did not have any rent abatements in place for the month of September 2013. The Second City Group will pay our operating partnership at closing a lump sum payment representing reimbursement for the amount of all future contractual rent abatements in place at closing for existing tenants at the initial properties.

- (5) Plaza I was built in 1970 with the last major renovation completed in 2012; Plaza II was built in 1975 with the last major renovation completed in 2012; Central Plaza was built in 1982 with the last major renovation completed in 2011; and Plaza IV was built in 1982 with the last major renovation completed in 2010.
- (6) Lease is to Washington Holdings Inc. and URS Energy & Construction Inc.
- (7) Building 1040 was built in 1984; Building 1195 was built in 2002; Building 1400 was built in 1984; Building 1600 was built in 1987; Building 2345 was built in 1998; and Building 2430 was built in 1998.
- (8) Subject to the earn-out payments described under *Structure and Formation of Our Company Formation Transactions*.

**Our Competitive Strengths**

We believe that the following competitive strengths distinguish us from other owners and operators of office properties and will enable us to successfully expand and operate our portfolio.

***Experienced Management Team:*** Our senior management team, led by James Farrar, our chief executive officer, Gregory Tylee, our president and chief operating officer, and Anthony Maretic, our chief financial officer, has an intimate knowledge and understanding of each of our initial properties as well as a strong familiarity with the local markets in which the properties are located. Mr. Farrar has over 15 years of experience in real estate acquisitions, management and finance and has completed acquisitions and divestitures with a combined enterprise value in excess of \$1 billion and has completed over \$500 million of financings. Mr. Tylee has over 20 years of experience negotiating and structuring complex real estate transactions and developments and has been involved in real estate transactions with a combined enterprise value of approximately \$1.5 billion over the course of his career. Mr. Maretic has acted as chief financial officer and chief operating officer of Earls Restaurants Ltd. and has over 20 years of experience in financing, public company reporting requirements and internal controls. Upon completion of this offering and the formation transactions, the principals of our Advisor and their affiliates will own approximately % of our company on a fully diluted basis, which we 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 properties in markets where it has relationships with well-established local real estate operators that provide property management services and, in some cases, hold minority interests in the properties that they manage. We believe that this strategy of permitting local real estate operators to invest in our properties helps to align their interests with ours. Consistent with this strategy, five of our six initial properties are managed by well-established local real estate operators, three of which will continue to hold a minority interest in our initial properties after completion of the formation transactions, furthering the alignment of their interests with ours. The Corporate Parkway property in Allentown, Pennsylvania, is self-managed by the sole tenant, Dun & Bradstreet, Inc. ( D&B ). Our strategy of utilizing local real estate operators also eliminates the need for us to incur the overhead associated with creating a real estate operation function in each of our markets. We intend to continue this strategy of offering ownership interests and other incentives to local real estate operators, which we believe can enhance the operating performance of our properties and strengthen our relationships with them.

***Initial Properties with Attractive Real Estate Fundamentals:*** Our initial properties consist of 16 office buildings comprised of six office complexes with a total of approximately 1.85 million square feet of net rentable area in the

metropolitan areas of Boise (ID), Denver (CO), Portland (OR), Tampa (FL), Allentown (PA) and Orlando (FL). We believe that our target markets have a number of the following characteristics: favorable economic growth trends, growing populations with above average employment growth forecasts, a large number of government offices, large international, national and regional employers across a diversified set of industries, low-cost centers for business operations, proximity to large universities and increasing office occupancy rates. Most of the buildings included in our initial properties have undergone recent investment programs since being acquired with approximately \$4.9 million of capital improvements and \$12.6 million for tenant 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 base rental revenue of our initial properties was derived from tenants in these markets that are federal or state government agencies or investment grade tenants. Five of our top ten tenants are investment grade tenants, representing

## **Table of Contents**

approximately 45.8% of the base rental revenue of our initial properties as of September 30, 2013. Our largest tenant is the Colorado Department of Public Health and Environment, whose lease at the Cherry Creek property represents approximately 16.9% of the aggregate net rentable area of our initial properties and expires in 2026. Our initial properties also have a stable, long-term tenancy profile and our occupied and committed leases have staggered expirations and a weighted average remaining lease term to maturity of 5.3 years (10 years taking into account tenant renewal options).

***Experienced Board of Directors:*** Our board of directors has extensive experience in the real estate industry, real estate capital markets and as public company directors. Our independent directors include John McLernon, formerly the chairman and chief executive officer of Colliers Macaulay Nicolls Group, a global commercial real estate service company, and Mark Murski, a managing partner with Brookfield Financial, a global investment bank. Our chief executive officer, James Farrar, and our president and chief operating officer, Gregory Tylee, are on our board of directors. We expect to have six directors at the completion of this offering, 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 believes possess the attractive economic and demographic characteristics described above. We expect to use our Advisor's market specific knowledge as well as the expertise of local real estate operators and our investment partners to identify acquisition opportunities that we believe will offer cash flow stability and long-term value appreciation. Our target markets are attractive because we believe that these markets are characterized by local real estate operators that typically do not benefit from the same access to capital as public REITs and there is a lower level of participation of large institutional investors, which can result in more attractive pricing levels and risk-adjusted returns.

***Strong Lender Relationships:*** Our management has strong lending relationships with various banks, insurance companies and commercial mortgage-backed securities ( CMBS ) platforms. We expect to complete a refinancing of four of our initial properties (AmberGlen, Cherry Creek, City Center and Corporate Parkway) with a new \$118.5 million non-recourse mortgage loan. We also expect to enter into a new \$11 million senior secured revolving credit facility. We expect that this credit facility will have an accordion 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 combination of dividends and capital 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 Advisor's hands on approach to real estate management alongside local real estate operators. We will focus on maintaining strong relationships with existing tenants, which we believe can help reduce marketing, leasing and tenant improvement costs required for new tenancies and minimize interruptions in rental revenue resulting from periods of vacancy and 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 contractual increases in base rental rates per square foot averaging approximately 2.0% per annum over the next three years. These rental escalations are expected to result in predictable increases in rental revenues for us over time. We will continue to seek to include contractual rent escalators in future leases to further facilitate

predictable growth in rental income.

***Expanding Our Properties:*** We will seek to enhance our asset base through select expansion and improvement of our properties. We believe that there are several expansion opportunities within our initial properties. As an example, management has identified an attractive 1.8 acre pad site at the Washington Group Plaza property that would be suitable for a potential future retail development either by us or through a sale to a developer. We have identified an additional 75,000



## **Table of Contents**

square feet of net rentable area at the Washington Group Plaza property that had been under-reported by the previous owner due to the use of out-of-date measurement standards. When new tenants take occupancy where the rentable square feet was under-reported, we intend to have the leases reflect the updated measurement 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 our initial properties was 91.8% and we believe that there is significant potential to generate additional rental income by leasing up space in these properties that is currently unoccupied. We believe that our initial properties compete for tenants with other landlords that are capital constrained and may not be able to enhance their buildings' appeal through capital investments or offer tenants attractive tenant improvements packages.

***Implementing Improvements and Preventive Maintenance Programs:*** We will seek to operate our portfolio as efficiently as possible. Site visits, property inspections and preventive maintenance programs will be performed to ensure that our properties are well maintained so that we will minimize long-term capital expenditures. In addition, we intend to actively pursue cost reduction initiatives, such as eliminating redundant or unnecessary expenses and engaging property tax appeal specialists to lower property tax costs, and make an ongoing effort to increase expense recoveries from tenants on new and renewed leases. We believe that there are opportunities for continued cost reductions at each of our initial properties. We will also seek to acquire properties within close geographic proximity to one another in order to benefit from economies of scale in the operation of the 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 office properties primarily located in our target markets. We believe that current economic conditions and relatively low levels of competition from institutional buyers have created attractive investment opportunities for the acquisition of office properties in our target markets as compared to Gateway markets. We expect to use our management team's market specific knowledge as well as the expertise of our local real estate operators and our investment partners to identify acquisitions that we believe will offer cash flow stability and price appreciation.

***Leveraging Opportunities From Our Advisor:*** We expect to benefit from the strong existing industry relationships of our management team, which has completed approximately \$200 million in acquisitions since April 2013. Historically, our management team has proactively sourced acquisition opportunities through a number of channels, including institutional owners and their advisors, local real estate professionals and the traditional brokerage community. We believe that through the activities of the Second City Group, our Advisor will be able to maintain relationships in our target markets that may result in acquisition opportunities for us. During the term of the Advisory Agreement (as defined in Our Advisor and the Advisory Agreement), we will have an exclusive right of first opportunity to purchase any office property or property interest that the Second City Group (including any future funds created by the principals of Second City) is pursuing, provided that the property has a greater than 85% occupancy and an average remaining lease term of more than three years.

## **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 100% of our outstanding common stock. 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 assets and conduct substantially all of our operations. All of the initial property interests that we will acquire in the formation transactions currently are owned by entities that own and control our initial properties (the Property Ownership

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**Table of Contents**

Entities ). Pursuant to the formation transactions, (i) we intend to enter into the Advisory Agreement with our Advisor pursuant to which our Advisor will provide management and advisory services to us; (ii) we will sell \_\_\_\_\_ shares of our common stock in this offering ( \_\_\_\_\_ additional shares if the underwriters exercise their over-allotment option in full) and we will contribute the net proceeds to our operating partnership in exchange for common units; and (iii) pursuant to separate contribution agreements, each dated as of \_\_\_\_\_, 2014, our operating partnership will acquire interests in the Property Ownership Entities in exchange for common units and cash. As a result, we will acquire a 100% interest in each of the Washington Group Plaza, Cherry Creek and Corporate Parkway properties and we will acquire an approximately 76% interest in the AmberGlen property, 90% interest in the Central Fairwinds property and 95% interest in the City Center property. The parties retaining the remaining interests in the AmberGlen, Central Fairwinds and City Center properties at the conclusion of the formation transactions will not receive any common units, common stock or cash from us for their property interests. 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 exercise, if any, to redeem from Second City common units issued to it in the formation transactions at a redemption price per common unit equal to the public offering price per share in this offering.

With respect to the Central Fairwinds property (which is currently approximately 63% leased, including committed tenants), we will be obligated to make additional payments to Second City following the closing of this offering, which payments are contingent on the property having certain occupancy levels from qualified tenants. See Structure and Formation of Our Company.

**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 receive material financial and other benefits as shown below. For a more detailed discussion of these benefits, see Structure and Formation of Our Company, 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 will beneficially own \_\_\_\_\_ common units with a value of approximately \$ \_\_\_\_\_, which represents \_\_\_\_\_ % of the total number of shares of our common stock outstanding on a fully diluted basis;
- Gregory Tylee, our chief operating officer and president, and his immediate family member will beneficially own \_\_\_\_\_ common units with a value of approximately \$ \_\_\_\_\_, which represents \_\_\_\_\_ % of the total number of shares of our common stock outstanding on a fully diluted basis;
- Anthony Maretic, our chief financial officer, secretary and treasurer, will beneficially own \_\_\_\_\_ common units with a value of approximately \$ \_\_\_\_\_, which represents \_\_\_\_\_ % of the total number of shares of our common stock outstanding on a fully diluted basis; and

- Samuel Belzberg, chairman of our Advisor, will own        common units with a value of approximately \$        , which represents    % of 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 properties and their owners (including parties related to us) if we dispose of any interest with respect to our initial properties in a taxable transaction or fail to maintain a minimum level of indebtedness during the four years immediately following the completion of the formation transactions. See Certain Relationships and Related Person Transactions.

**Table of Contents**

*Indemnification Agreements*

We also expect to enter into indemnification agreements with our directors and executive officers at the closing of this offering, providing for procedures for indemnification by us to the fullest extent permitted by law and advancements by us of certain expenses and costs relating to claims, suits or proceedings arising from their service to us as directors or officers. See *Certain Relationships and Related 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 transactions, including the Second City Group and certain of our executive officers. See *Certain Relationships and Related Person Transactions Registration Rights Agreement*.

**Our Advisor and the Advisory Agreement**

In connection with this offering, we and our operating partnership will enter into an advisory agreement (the *Advisory Agreement*) with our Advisor pursuant to which our Advisor will provide management and advisory services. The *Advisory Agreement* requires our Advisor to manage our business affairs in conformity with policies and investment guidelines that are approved and monitored by our board of directors.

The principals of our Advisor, James Farrar, Gregory Tylee, Anthony Maretic and Samuel Belzberg, have been actively involved in the U.S. real estate markets for over 10, 12, 16 and 48 years, respectively, and have extensive existing relationships with the brokerage community and local operators in our target markets. We expect to benefit from the experience, skill, resources, relationships and contacts of the executive officers and other key personnel of our Advisor under the *Advisory Agreement*. All of our executive officers are equity holders of our Advisor and we do not expect to have any employees upon completion of this offering and the formation transactions.

The *Advisory Agreement* requires us to pay our Advisor an advisory fee and an acquisition fee and to reimburse it for various expenses. The advisory fee is an annual base management fee, calculated and payable in cash in arrears on a monthly basis, equal to (i) 0.5% multiplied by the value of common units that the Second City Group will receive in this offering in exchange for their contributed properties and (ii) 1.0% multiplied by the sum of the net proceeds of this offering plus the 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 depreciation relating to periods*

*following the completion of this offering through the balance sheet date of the applicable month - stockholders' equity at the*

*completion of this offering))).*

In addition, the *Advisory Agreement* requires us to grant one-time equity compensation, representing 3% of our common stock upon completion of this offering (exclusive of any shares issued pursuant to the underwriters' exercise of the over-allotment option), to our Advisor. However, we are permitted to, and intend to, fulfill this obligation by

granting restricted stock units, on behalf of our Advisor, to Advisor employees serving as our executive officers. See Executive and Director Compensation. Following completion of this offering, our Advisor employees will be eligible for additional equity incentive grants pursuant to our Equity Incentive Plan (as defined below).

An acquisition fee equal to 1.0% of the gross purchase price of each property (other than our initial properties, and, with respect to acquisition by a joint venture, 1.0% of the gross purchase price of such property multiplied by our or our subsidiary's beneficial ownership interest in such joint venture) is due at the closing of each acquisition.

The Advisory Agreement has an initial four-year term and will automatically be renewed for additional one-year terms unless terminated by either us or our Advisor upon prior notice. Our board of directors will have the option to internalize our management with no termination payment to our Advisor once our fully-diluted equity market capitalization exceeds \$500 million. While there is no termination payment associated with an internalization event, our Advisor is entitled to receive a termination payment from us under certain limited circumstances. If we terminate the Advisory Agreement as a result of a

## **Table of Contents**

change of control of our company or if the Advisor terminates the Advisory Agreement as a result of an event of default by our company under the Advisory Agreement, we must pay our Advisor a termination fee equal to three times the amount of the advisory fees earned by the Advisor for the twelve months preceding the termination, as further described in Our Advisor and the Advisory Agreement Term and Termination. Upon completion of this offering, we will be prohibited from acquiring properties directly from the Second City Group, which is composed of affiliates of our Advisor, without first obtaining the approval of the majority of our stockholders. See Our Advisor and the Advisory Agreement Advisory Agreement and Conflicts of Interest Non-Competition and Non-Solicitation Provisions.

## **Our Administrator**

In connection with this offering, our Advisor will enter into an administration agreement (the Administration Agreement ) with Second City Capital II Corporation (our Administrator ), an affiliate of Second City. Pursuant to the Administration Agreement, our Advisor will have access to the Second City Group s employees, infrastructure, business relationships, information technologies, capital raising capabilities, legal and compliance functions and accounting, treasury and investor relations capabilities, which will enable our Advisor to fulfill its responsibilities under the Advisory Agreement. The Administration Agreement will terminate upon termination of the Advisory Agreement.

## **Conflicts of Interest**

We will be externally managed by our Advisor. Our executive officers, certain of whom are also our directors, are owners of our Advisor. Related parties participated in the negotiation of the Advisory Agreement and its terms, including fees payable to our Advisor, may not be as favorable to us if such related parties did not participate in such negotiations. In addition, we may choose not to enforce, or to enforce less vigorously, our rights under the Advisory Agreement because of our desire to maintain our ongoing relationship with our Advisor. Pursuant to the Advisory Agreement, our Advisor is obligated to supply us with all of our management team. However, our Advisor is not obligated to dedicate any specific personnel exclusively to us, nor will they or their personnel be obligated to dedicate any specific portion of their time to the management of our business. In addition, subject to the direction and oversight of our board of directors, our Advisor has significant discretion regarding the implementation of our operating policies and strategies, including our investment, finance and leverage and conflicts of interest policies. Our Advisor has advised us that it does not currently intend to provide management or advisory services to other entities but may decide to do so in the future. See Conflicts of Interest.

**Table of Contents**

**Our Structure**

The following diagram depicts our expected ownership structure and the expected ownership structure of our operating partnership upon completion of this offering 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 Properties LP (OR) (76%), Core Cherry Limited Partnership (DE) (100%), Central Fairwinds Limited Partnership (FL) (90%), City Center STF Limited Partnership (FL) (95%), SCCP Boise Limited Partnership (DE) (100%) and SCCP Central Valley Limited Partnership (DE) (100%).*
- (3) The general partner interests of each of the Property Ownership Entities is held by a separate entity established for the purpose of holding the following interest: Gibralt Amberglen LLC (DE), Core Cherry GP Co. (DE), Central Fairwinds GP Corporation (FL), City Center STF GP Corp. (FL), SCCP Boise GP, Inc. (DE) and SCCP Central Valley GP Corp (DE), each of which will elect to be a taxable REIT subsidiary of ours (other than Gibralt Amberglen LLC (DE)).*



**Table of Contents**

**Summary Risk Factors**

An investment in shares of our common stock involves a high degree of risk. You should carefully consider the matters discussed below and in the Risk Factors section beginning on page 16 of this prospectus prior to deciding whether to invest in our common stock. If any of the following risks occur, our business, financial condition, results of operations, cash flows and prospects could be materially and adversely affected. In that case, the market price of our common stock could decline and you may lose some or all of your investment.

Some of these risks include:

- there are inherent risks associated with real estate investments and with the real estate industry;
- significant competition may decrease or prevent increases in our initial properties' occupancy and rental rates and may reduce our investment opportunities;
- a decrease in demand for office space may have a material adverse effect on our financial condition and results of operations;
- failure by any major tenant to make rental payments to us could seriously harm our results of operations;
- we will have a substantial amount of indebtedness outstanding following this offering, which may affect our ability to pay dividends, may expose us to interest rate fluctuation risk and may expose us to the risk of default under our debt obligations;
- current challenging economic conditions facing us and our tenants may have a material adverse effect on our financial condition and results of operations;
- potential losses, including from adverse weather conditions, natural disasters and title claims, may not be covered by insurance;
- we may face additional risks and costs associated with owning properties occupied by government tenants;
- we may be unable to complete acquisitions and, even if acquisitions are completed, we may fail to successfully operate acquired properties;
-

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

- our failure to qualify as a REIT would result in significant adverse tax consequences to us and would adversely affect our business and the value of our stock;
- our Advisor and certain of its affiliates may have interests that diverge from the interests of our common stockholders;
- we will depend upon our Advisor to conduct our operations and, therefore, any adverse changes in the financial health of our Advisor, or our relationship with our Advisor, could hinder our operating performance and adversely affect the market price of our common stock;
- if our Advisor loses or is unable to retain or obtain key personnel, our ability to implement our investment strategies could be hindered;
- there is currently no public market for our common stock and an active trading market for our common stock may not develop following this offering; and

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**Table of Contents**

- our board of directors may amend our investing and financing guidelines without stockholder approval, and, accordingly, you would have limited control over changes in our policies that could increase the risk that we default under our debt obligations or that could harm our business, results of operations and share price.

**Our REIT Status**

We intend to elect to be taxed and to operate in a manner that will allow us to qualify as a REIT commencing with our taxable year ending December 31, 2014. We believe that our organization and proposed method of operation will enable us to meet the requirements for qualification and taxation as a REIT. To qualify as a REIT, we must meet a number of organizational and operational requirements, including a requirement that we annually distribute at least 90% of our taxable income to our stockholders. As a REIT, we generally will not be subject to U.S. federal income tax on our taxable income that we currently distribute to our stockholders. If we fail to qualify as a REIT in any taxable year, we will be subject to U.S. federal income tax at regular corporate rates. Even if we qualify for taxation as a REIT, we may be subject to some U.S. federal, state and local taxes on our income or property. In addition, the income of any taxable REIT subsidiary that we own will be subject to taxation at regular corporate rates. See U.S. Federal Income Tax Considerations.

**Restrictions on Ownership and Transfer of Our Stock**

Due to limitations on the concentration of ownership of REIT stock imposed by the Internal Revenue Code of 1986, as amended (the Code), our charter generally prohibits any person from actually, beneficially or constructively owning more than 9.8% in value or number of shares, whichever is more restrictive, of the outstanding shares of our common stock or more than 9.8% in value of the aggregate outstanding shares of all classes and series of our stock. We refer to these restrictions as the ownership limits. Our charter permits our board of directors, in its sole and absolute discretion, to exempt a person, prospectively or retroactively, from one or both of the ownership limits if, among other limitations, the person's ownership of our stock in excess of the ownership limits will not cause us to fail to qualify as a REIT.

Under the Amended and Restated Agreement of Limited Partnership of City Office REIT Operating Partnership, L.P. (the partnership agreement), unitholders do not have redemption or exchange rights, except under limited circumstances, for a period of 12 months, and may not otherwise transfer their units, except under certain limited circumstances, for a period of 12 months from completion of this offering. After the expiration of this 12-month period, transfers of units by limited partners and their assignees are subject to various conditions, including our right of first refusal, as described under Description of the Partnership Agreement of City Office REIT Operating Partnership, L.P. Transfers and Withdrawals. In addition, our executive officers, directors, our Advisor, the Second City Group and our other existing security holders (each, a lock-up party) have agreed not to sell or transfer any lock-up 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-up party owns, respectively, after the date of this prospectus without first obtaining the written consent of Janney Montgomery Scott LLC.

**Distribution Policy**

The Code generally requires that a REIT distribute annually at least 90% of its adjusted REIT taxable income, determined without regard to the deduction for dividends paid and excluding net capital gain. In order to qualify for REIT status and generally not to be subject to U.S. federal income and excise tax, we intend to make regular quarterly distributions of all or substantially all of our net taxable income to holders of our common stock out of assets legally available therefor. Our future distributions will be at the discretion of our board of directors and will depend upon our earnings and financial condition, maintenance of REIT qualification, the applicable provisions of the Maryland

General Corporation Law and such other factors as our board of directors may determine in its sole discretion. See Distribution Policy.

To the extent that our cash available for distribution is less than 90% of our adjusted REIT taxable income, we may consider various funding sources to cover any such shortfall, including borrowing under our credit facility, selling certain of our assets or using a portion of the net proceeds that we receive in this offering or future offerings. Our distribution policy enables us to review the alternative funding sources available to us from time to time.

**Table of Contents**

**Implications of Being an Emerging Growth Company**

We qualify as an emerging growth company under the Jumpstart Our Business Startups Act of 2012 (the JOBS Act). As a result, we are permitted, and intend, to rely on exemptions from certain disclosure requirements that are applicable to other public companies that are not emerging growth companies.

In addition, for so long as we are an emerging growth company, we will not be required to:

- have an auditor report on our internal controls over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act of 2002 ( Sarbanes-Oxley Act );
- comply with any requirement that may be adopted by the Public Company Accounting Oversight Board (United States) regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements (i.e., an auditor discussion and analysis);
- submit certain executive compensation matters to stockholder advisory votes, such as say-on-pay, say-on-frequency and say-on-golden parachutes votes; and
- disclose certain executive compensation-related items such as the correlation between executive compensation and performance and comparisons of the chief executive officer's compensation to median employee compensation.

While we are an emerging growth company, the JOBS Act permits us to delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. However, we are choosing to opt out of such extended transition period and, as a result, we will comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies. Our decision to opt out of the extended transition period for complying with new or revised accounting standards is irrevocable.

We will remain an emerging growth company until the earliest to occur of: (i) the last day of the fiscal year during which we had \$1 billion or more in annual gross revenues; (ii) the end of fiscal year 2019; (iii) our issuance, in a three-year period, of more than \$1 billion in non-convertible debt; or (iv) the end of the fiscal year in which the market value of our common stock held by non-affiliates exceeds \$700 million on the last business day of our second fiscal quarter.

**Corporate Information**

City Office REIT, Inc., a Maryland corporation, was incorporated on November 26, 2013. Our principal executive offices are located at Suite 2600, 1075 West Georgia Street, Vancouver, British Columbia, V6E 3C9. Our telephone number is (604) 806-3366. We will also maintain an internet website at [www.cityofficereit.com](http://www.cityofficereit.com). **Information on, or accessible through, our website is not a part of, and is not incorporated into, this prospectus or the registration statement of which it forms a part.**



**Table of Contents**

**The Offering**

Common stock offered by us	shares (plus up to an additional shares of our common stock that we may issue and sell upon the exercise of the underwriters over-allotment option in full)
Common stock to be outstanding after this offering	shares <sup>(1)(2)</sup>
Common stock and common units to be outstanding after this offering and the formation transactions	shares and common units <sup>(1)(2)(3)</sup>
Use of proceeds	<p>We estimate that the net proceeds of this offering, after deducting underwriting discount and estimated expenses, will be approximately \$ million (\$ million if the underwriters exercise their over-allotment option in full). We will contribute the net proceeds of this offering to our operating partnership for common units. Our operating partnership intends to use the net proceeds of this offering as follows:</p> <ul style="list-style-type: none"> <li>· approximately \$ million to acquire interests in our initial properties; and</li> <li>· the remaining approximately \$ million for general working capital purposes, including payment of expenses associated with our formation transactions, future acquisitions and creating reserves for capital expenditures, tenant improvements and leasing commissions.</li> </ul> <p>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 exercise, if any, to redeem from Second City common units issued to it in the formation transactions at a redemption price per common unit equal to the public offering price per share in this offering.</p>
Our Advisor	Pursuant to the terms of the Advisory Agreement, our Advisor will provide management and advisory services to us.

Risk factors

Table of Contents

Investing in our common stock involves a high degree of risk. You should carefully read and consider the information set forth under the heading **Risk Factors** beginning on page 16 and other information included in this prospectus before investing in our common stock.

Proposed New York Stock Exchange  
symbol

We intend to apply to list our common stock on the NYSE under the  
symbol **CIO**.

- (1) Assumes the underwriters' over-allotment option to purchase up to an additional \_\_\_\_\_ shares of common stock is not exercised.
- (2) Does not include \_\_\_\_\_ shares of our common stock or LTIP units (as defined below) available for future issuance under the Equity Incentive Plan. Includes \_\_\_\_\_ shares of our common stock to be issued upon vesting and settlement of equity compensation grants to our executive officers. See **Executive and Director Compensation** Equity Incentive Plan.
- (3) Includes \_\_\_\_\_ common units held by limited partners expected to be issued and outstanding following the formation transactions.



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**Table of Contents**

**Summary Financial Data**

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

The following table sets forth summary financial and operating data on (i) a pro forma basis for our company after giving effect to (a) the formation transactions, including the acquisition of interests in our initial properties, and required purchase accounting adjustments, (b) the estimated net proceeds, including the use thereof, expected to be received from this offering as if they each occurred on September 30, 2013 and (c) the continuance of an existing mortgage loan on the Washington Group Plaza property, the incurrence, including the use thereof, of indebtedness under our new mortgage loan and our entry into a new revolving credit facility and (ii) a combined historical basis for the real estate activity and holdings of the entities that own the historical interests in the AmberGlen, Central Fairwinds, City Center, Cherry Creek, Corporate Parkway and Washington Group Plaza properties, which are the initial properties being contributed to us in the formation transactions (the City Office Predecessor). We have not presented historical information for City Office because we have not had any corporate activity since our formation other than the issuance of 1,000 shares of common stock to Second City in connection with our initial capitalization, and activity in connection with our formation transactions and this offering, and because we believe that 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 Predecessor and the combined statements of operations information for each of the periods ended December 31, 2012 and 2011 of the City Office Predecessor have been derived from the historical audited combined financial statements included elsewhere in this prospectus. The historical combined balance sheet information as of September 30, 2013 and the combined statements of operations information for the nine months ended September 30, 2013 have been derived from the unaudited combined financial statements of the City Office Predecessor included elsewhere in this prospectus. In the opinion of our management, the historical combined balance sheet information as of September 30, 2013 and the historical combined statements of operations for the nine months ended September 30, 2013 include all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the information set forth therein. Our results of operations for the interim periods are not necessarily indicative of the results to be obtained for the full fiscal year.

Our unaudited summary pro forma financial statements and operating information as of and for the nine months ended September 30, 2013 and for the year ended December 31, 2012 assume completion of this offering and the formation transactions as of the beginning of the periods presented for the operating data and as of the stated date for the balance sheet data. Our pro forma financial information is not necessarily indicative of what our actual financial position and results of operations would have been as of the date and for the periods indicated, nor does it purport to represent our future financial position or results of operations. See Index to Financial Statements.

The information presented below should be read in conjunction with Capitalization, Selected Financial Data, Management's Discussion and Analysis of Financial Condition and Results of Operations, Certain Relationships and Related Person Transactions and our audited and unaudited financial statements and related notes, which are included elsewhere in this prospectus.



**Table of Contents****City Office REIT, Inc. (Pro Forma) and the City Office Predecessor (Historical)**

	Nine Months ended September 30,			Year Ended December 31,		
	Pro Forma Consolidated 2013 (Unaudited)	Historical 2013 (Unaudited)	Combined 2012 (Unaudited)	Pro Forma Consolidated 2012 (Unaudited)	Historical 2012	Combined 2011
<b>Statement of Operations Data:</b>						
<b>REVENUES</b>						
Rental income	\$	\$ 12,938,686	\$ 7,087,735	\$	\$ 9,991,712	\$ 6,973,986
Expense reimbursement		1,093,117	775,458		1,053,466	1,132,503
Other		593,724	324,944		471,280	1,067,465
<b>Total Revenues</b>	\$	\$ 14,625,527	\$ 8,188,137	\$	\$ 11,516,458	\$ 9,173,954
<b>OPERATING EXPENSES</b>						
Property operating expenses	\$	\$ 4,005,302	\$ 2,883,611	\$	\$ 4,109,993	\$ 3,079,294
Insurance		374,655	288,680		398,083	315,653
Property taxes		1,015,164	770,775		969,565	708,017
Property acquisition costs		1,479,292	155,349		212,765	
General and administrative						
Property management fees		397,297	303,717		571,420	360,212
Depreciation and amortization		5,245,498	2,867,342		3,956,204	3,132,438
<b>Total Operating Expenses</b>	\$	\$ 12,517,208	\$ 7,269,474	\$	\$ 10,218,030	\$ 7,595,614
<b>Operating Income</b>	\$	\$ 2,108,319	\$ 918,663	\$	\$ 1,298,428	\$ 1,578,340
<b>OTHER EXPENSE (INCOME)</b>						
Interest expense, net	\$	\$ 3,704,586	\$ 2,403,278	\$	\$ 3,685,881	\$ 2,194,794

Equity in income of unconsolidated entity		(255,422)	(356,886)		(505,877)	(53,138)
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<b>Net Income (Loss)</b>	\$	\$ (1,340,845)	\$ (1,127,729)	\$	\$ (1,881,575)	\$ (669,592)
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Net Income (Loss) Attributable to Noncontrolling Interests	\$	\$ (60,356)	\$ (165,806)	\$	\$ (286,481)	\$ (52,146)
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Net Income (Loss) Attributable to Predecessor		(1,249,445)	(961,922)		(1,595,094)	(617,446)
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<b>Net Income (Loss)</b>	\$	\$ (1,340,845)	\$ (1,127,729)	\$	\$ (1,881,575)	\$ (669,592)
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**Balance Sheet Data (at period end):**

Real estate properties, net of accumulated depreciation	\$	99,311,479		\$	42,171,832	\$ 28,730,503
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Investments in unconsolidated entity		4,465,706			4,882,753	5,769,131
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Total Assets		142,084,445			61,016,126	46,470,784
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Mortgage loans payable		108,912,724			53,256,600	26,937,795
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Total Liabilities		115,364,104			55,006,264	27,944,006
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Members equity		25,652,589			6,149,404	16,902,575
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Noncontrolling interests		1,067,752			(139,542)	1,564,143
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Total Equity		26,720,341			6,009,862	18,466,718
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**Other Data:**

Cash flows from / to:

Operating activities	\$	829,947	\$ 4,030,907	\$	3,891,017	\$ 1,146,871
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Investing activities		(73,249,579)	(15,996,051)		(17,109,811)	(9,123,742)
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Financing activities		76,866,412	13,540,984		14,858,006	7,433,352
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**Table of Contents**

**RISK FACTORS**

*Investing in our common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below, together with all of the other information in this prospectus, including the financial statements and the related notes appearing elsewhere in this prospectus, before making an investment decision. If any of the following risks actually occur, our business, financial condition, results of operations, cash flows and prospects could be materially and adversely affected. The market price of our common stock could decline due to any of these risks and, as a result, you may lose all or part of your investment in our common stock. Some statements in this prospectus, including statements contained in the following risk factors, constitute forward-looking statements. Please refer to the section entitled *Forward-Looking Statements*.*

**Risks Relating to Our Business and Our Properties**

**There are inherent risks associated with real estate investments and with the real estate industry, each of which could have an adverse impact on our financial performance and the value of our properties.**

Real estate investments are subject to various risks and fluctuations and cycles in value and demand, many of which are beyond our control. Our financial performance and the value of our properties can be affected by many of these factors, including the following:

- adverse changes in financial conditions of buyers, sellers and tenants of our properties, including bankruptcies, financial difficulties or lease defaults by our tenants;
- the national, regional and local economy, which may be negatively impacted by concerns about inflation, deflation and government deficit, high unemployment rates, decreased consumer confidence, industry slowdowns, reduced corporate profits, liquidity concerns in our markets and other adverse business concerns;
- local real estate conditions, such as an oversupply of, or a reduction in, demand for office space and the availability and creditworthiness of current and prospective tenants;
- vacancies or ability to rent space on favorable terms, including possible market pressures to offer tenants rent abatements, tenant improvements, early termination rights or below-market renewal options;
- changes in operating costs and expenses, including, without limitation, increasing labor and material costs, insurance costs, energy prices, environmental restrictions, real estate taxes and costs of compliance with laws, regulations and government policies, which we may be restricted from passing on to our tenants;
- fluctuations in interest rates, which could adversely affect our ability, or the ability of buyers and tenants of our properties, to obtain financing on favorable terms or at all;

- competition from other real estate investors with significant capital, including other real estate operating companies, publicly traded REITs and institutional investment funds;
- inability to refinance our indebtedness, which could result in a default on our obligation and trigger cross default provisions that could result in a default on other indebtedness;
- the convenience and quality of competing office properties;
- inability to collect rent from tenants;
- our ability to secure adequate insurance;
- our ability to secure adequate management services and to maintain our properties;
- changes in, and changes in enforcement of, laws, regulations and governmental policies, including, without limitation, health, safety, environmental, zoning and tax laws, government fiscal policies and the Americans with Disabilities Act of 1990 (the "ADA"); and
- civil unrest, acts of war, terrorist attacks and natural disasters, including earthquakes, wind damage and floods, which may result in uninsured and underinsured losses.

## **Table of Contents**

In addition, because the yields available from equity investments in real estate depend in large part on the amount of rental income earned, as well as property operating expenses and other costs incurred, a period of economic slowdown or recession, or declining demand for real estate, or the public perception that any of these events may occur, could result in a general decline in rents or an increased incidence of defaults among our existing leases, and, consequently, our properties, including any held by joint ventures, may fail to generate revenues sufficient to meet operating, debt service and other expenses. As a result, we may have to borrow amounts to cover fixed costs, and our financial condition, results of operations, cash flow, per share market price of our common stock and ability to satisfy our principal and interest obligations and to make distributions to our stockholders may be adversely affected.

### **Significant competition may decrease or prevent increases in our properties occupancy and rental rates and may reduce our investment opportunities.**

We compete with numerous developers, owners and operators of office properties, many of which own properties similar to ours in the same submarkets in which our properties are located. Furthermore, undeveloped land in many of the markets in which we operate is generally more readily available and less expensive than in Gateway markets, which are commonly defined as New York, Los Angeles, Washington, D.C., Boston and San Francisco. If our competitors offer space from existing or new buildings at rental rates below current market rates, or below the rental rates we currently charge our tenants, we may lose existing or potential tenants and we may be pressured to reduce our rental rates below those we currently charge or to offer more substantial rent abatements, tenant improvements, early termination rights or below-market renewal options in order to retain or attract tenants when our tenants' leases expire. Our competitors may have substantially greater financial resources than we do and may be able to accept more risk than we can prudently manage. In the future, competition from these entities may reduce the number of suitable investment opportunities offered to us or increase the bargaining power of property owners seeking to sell. As a result, our financial condition, results of operations, cash flows and market price of our common stock could be adversely affected.

### **A decrease in demand for office space may have a material adverse effect on our financial condition and results of operations.**

Our portfolio of properties consists primarily of office properties and because we seek to acquire similar properties, a decrease in the demand for office space may have a greater adverse effect on our business and financial condition than if we owned a more diversified real estate portfolio. If parts of our properties are leased within a particular sector, a significant downturn in that sector in which the tenants' businesses operate would adversely affect our results of operations. In addition, where a government agency is a tenant, which is the case for a number of our initial properties, austerity measures and governmental deficit reduction programs may lead government agencies to consolidate and reduce their office space, terminate their lease and decrease their workforce, which may reduce demand for office space in the government sector.

### **Failure by any major tenant to make rental payments to us, because of a deterioration of its financial condition or otherwise, could seriously harm our results of operations.**

As of September 30, 2013, approximately 61.5% of the base rental revenue of our initial properties was derived from our ten largest tenants. Our largest tenant is the Colorado Department of Public Health and Environment, which accounted for approximately 18% of our annualized base rental revenue of our initial properties. The Corporate Parkway property is leased to a single tenant, D&B, which accounts for approximately 10% of our annualized base rental revenue as of September 30, 2013. Our results of operations depend on our ability to collect rent from the Colorado Department of Public Health and Environment, D&B and other tenants. At any time, our tenants may experience a downturn in their business which may significantly weaken their financial condition, whether as a result



of general economic conditions or otherwise. As a result, our tenants may fail to make rental payments when due, delay lease commencements, decline to extend or renew leases upon expiration or declare bankruptcy. Any of these actions could result in the termination of the tenants' leases and the loss of rental income attributable to the terminated leases. The occurrence of any of the situations described above could seriously harm our results of operations.

**Table of Contents**

**We may be unable to secure funds for future tenant or other capital improvements or payment of leasing commissions, which could limit our ability to attract or replace tenants and adversely impact our ability to make cash distributions to our stockholders.**

When tenants do not renew their leases or otherwise vacate their space, it is common that, in order to attract replacement tenants, we will be required to expend funds for tenant improvements, payment of leasing commissions and other concessions related to the vacated space. Such tenant improvements may require us to incur substantial capital expenditures. We may not be able to fund capital expenditures solely from cash provided from our operating activities because we must distribute at least 90% of our REIT taxable income excluding net capital gains each year to qualify as a REIT. As a result, our ability to fund tenant and other capital improvements or payment of leasing commissions through retained earnings may be limited. If we have insufficient capital reserves, we will have to obtain financing from other sources. We may also have future financing needs for other capital improvements to refurbish or renovate our properties. If we are unable to secure financing on terms that we believe are acceptable or at all, we may be unable to make tenant and other capital improvements or payment of leasing commissions or we may be required to defer such improvements. If this happens, it may cause one or more of our properties to suffer from a greater risk of obsolescence or a decline in value, as a result of fewer potential tenants being attracted to the property or existing tenants not renewing their leases. If we do not have access to sufficient funding in the future, we may not be able to make necessary capital improvements to our properties, pay leasing commissions or other expenses or pay distributions to our stockholders.

**We may be required to make rent or other concessions and/or significant capital expenditures to improve our properties in order to retain and attract tenants, which could adversely affect our financial condition, results of operations and cash flow.**

In order to retain existing tenants and attract new clients, we may be required to offer more substantial rent abatements, tenant improvements and early termination rights or accommodate requests for renovations, build-to-suit remodeling and other improvements or provide additional services to our tenants. As a result, we may have to make significant capital or other expenditures in order to retain tenants whose leases expire and to attract new tenants in sufficient numbers, which could adversely affect our results of operations and cash flow. Additionally, if we need to raise capital to make such expenditures and are unable to do so, or such capital is otherwise unavailable, we may be unable to make the required expenditures. This could result in non-renewals by tenants upon expiration of their leases, which could adversely affect our financial condition, results of operations and cash flow.

**We depend on external sources of capital that are outside of our control, which may affect our ability to seize strategic opportunities, satisfy our debt obligations and make distributions to our stockholders.**

In order to qualify as a REIT, we are generally required under the Code to annually distribute at least 90% of our REIT taxable income, determined without regard to the distributions paid deduction and excluding any net capital gain. In addition, as a REIT, we will be subject to income tax at regular corporate rates to the extent that we distribute less than 100% of our REIT taxable income, including any net capital gains. Because of these distribution requirements, we may not be able to fund future capital needs (including redevelopment, acquisition, expansion and renovation activities, payments of principal and interest on and the refinancing of our existing debt, tenant improvements and leasing costs), from operating cash flow. Consequently, we may rely on third-party sources to fund our capital needs. We may not be able to obtain the necessary financing on favorable terms, in the time period we desire or at all. Any additional debt we incur will increase our leverage, expose us to the risk of default and may impose operating restrictions on us, and any additional equity we raise could be dilutive to existing stockholders. Our access to third-party sources of capital depends, in part, on:

- general market conditions;
- the market's view of the quality of our assets;
- the market's perception of our growth potential;
- our current debt levels;
- our current and expected future earnings;

**Table of Contents**

- our cash flow and cash distributions; and
- the market price per share of our common stock.

If we cannot obtain capital from third-party sources, we may not be able to acquire or develop properties when strategic opportunities exist, satisfy our principal and interest obligations or make the cash distributions to our stockholders necessary to qualify as a REIT.

**We will have a substantial amount of indebtedness outstanding following this offering, which may affect our ability to pay distributions, may expose us to interest rate fluctuation risk and may expose us to the risk of default under our debt obligations.**

We expect to enter into a new \$118.5 million non-recourse mortgage loan and a new \$11 million senior secured revolving credit facility prior to, or concurrently with, the closing of this offering. We expect that this credit facility will have an accordion feature that will permit us to borrow up to \$150 million, subject to additional collateral availability and lender approval. Following the formation transactions, the Washington Group Plaza property will remain subject to an existing \$35.1 million mortgage loan. Payments of principal and interest on borrowings may leave us with insufficient cash resources to operate our properties or to pay the distributions currently contemplated or necessary to qualify or maintain qualification as a REIT. Our substantial outstanding indebtedness, and the limitations imposed on us by our debt agreements, could have other significant adverse consequences, including the following:

- our cash flow may be insufficient to meet our required principal and interest payments;
- we may be unable to borrow additional funds as needed or on favorable terms, which could, among other things, adversely affect our ability to capitalize upon emerging acquisition opportunities or meet operational needs;
- we may be unable to refinance our indebtedness at maturity or the refinancing terms may be less favorable than the terms of our original indebtedness;
- we may be forced to dispose of one or more of our properties, possibly on disadvantageous terms;
- we may violate restrictive covenants in our loan documents, which would entitle the lenders to accelerate our debt obligations or require us to retain cash for reserves;
- we may be unable to hedge floating rate debt, counterparties may fail to honor their obligations under our hedge agreements and these agreements may not effectively hedge interest rate fluctuation risk;
- we may default on our obligations and the lenders or mortgagees may foreclose on our properties that secure their loans;

- our default under any of our indebtedness with cross default provisions could result in a default on other indebtedness; and

- cross default provisions on properties with minority parties could trigger indemnity obligations.

If any one of these events were to occur, our financial condition, results of operations, cash flows, market price of our common stock and ability to satisfy our debt service obligations and to pay distributions to you could be adversely affected. In addition, any foreclosure on our properties could create taxable income without accompanying cash proceeds, which could adversely affect our ability to meet the distribution requirements necessary to qualify as a REIT.

**Lenders may require us to enter into restrictive covenants relating to our operations, which could limit our ability to make distributions to our stockholders.**

In providing financing to us, a lender may impose restrictions on us that would affect our ability to incur additional debt, make certain investments, reduce liquidity below certain levels, make distributions to our stockholders and otherwise

## **Table of Contents**

affect our distribution and operating policies. In general, we expect that our loan agreements will restrict our ability to encumber or otherwise transfer our interest in the respective property without the prior consent of the lender. Such loan documents may contain other negative covenants that may limit our ability to discontinue insurance coverage, replace our Advisor or impose other limitations. Any such restriction or limitation may limit our ability to make distributions to you. Further, such restrictions could make it difficult for us to satisfy the requirements necessary to qualify as a REIT.

### **We may engage in hedging transactions, which can limit our gains and increase exposure to losses.**

Subject to qualifying as a REIT, we may enter into hedging transactions to protect us from the effects of interest rate fluctuations on floating rate debt. Our hedging transactions may include entering into interest rate swap agreements or interest rate cap or floor agreements, or other interest rate exchange contracts. Hedging activities may not have the desired beneficial impact on our results of operations or financial condition. No hedging activity can completely insulate us from the risks associated with changes in interest rates. Moreover, interest rate hedging could fail to protect us or adversely affect us because, among other things:

- available interest rate hedging may not correspond directly with the interest rate risk for which we seek protection;
- the duration of the hedge may not match the duration of the related liability;
- the party owing money in the hedging transaction may default on its obligation to pay;
- the credit quality of the party owing money on the hedge may be downgraded to such an extent that it impairs our ability to sell or assign our side of the hedging transaction; and
- the value of derivatives used for hedging may be adjusted from time to time in accordance with accounting rules to reflect changes in fair value, such as downward adjustments, or mark-to-market losses, which would reduce our stockholders' equity.

Hedging involves risk and typically involves costs, including transaction costs, that may reduce our overall returns on our investments. These costs increase as the period covered by the hedging increases and during periods of rising and volatile interest rates. These costs will also limit the amount of cash available for distribution to stockholders. We generally intend to hedge as much of the interest rate risk as our Advisor determines is in our best interests given the cost of such hedging transactions. The REIT tax rules may limit our ability to enter into hedging transactions by requiring us to limit our income from non-qualifying hedges. If we are unable to hedge effectively because of the REIT tax rules, we will face greater interest rate exposure than may be commercially prudent.

### **Economic conditions may adversely affect the real estate market and our income.**

Continued concerns regarding the uncertainty over whether the U.S. economy will be adversely affected by inflation, deflation or stagflation, and the systemic impact of increased unemployment and underemployment, volatile energy costs, geopolitical issues, the availability and cost of credit, the mortgage market in the United States and a distressed

real estate market have contributed to increased market volatility and weakened business and consumer confidence. This difficult operating environment could adversely affect our ability to generate revenues, thereby reducing our operating income and earnings.

In addition, local real estate conditions such as an oversupply of properties or a reduction in demand for properties, competition from other similar properties, our ability to provide or arrange for adequate maintenance, insurance and management and advisory services, increased operating costs (including real estate taxes), the attractiveness and location of the property and changes in market rental rates may adversely affect a property's income and value. A rise in energy costs could result in higher operating costs, which may affect our results of operations. In addition, local conditions in the markets in which we own or intend to own properties may significantly affect occupancy or rental rates at such properties. Events that could prevent us from raising or maintaining rents or cause us to reduce rents include layoffs, plant closings, relocations of

**Table of Contents**

significant local employers and other events reducing local employment rates, an oversupply of office space, a decline in household formation 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 applicable to our properties, which could have an adverse impact on our financial conditions, results of operations, cash flows and market price of our common stock.**

The properties in our initial portfolio are subject to various covenants and federal, state and local laws and regulatory requirements, including permitting and licensing requirements. Local regulations, including municipal or local ordinances, zoning restrictions and restrictive covenants imposed by community developers may restrict our use of our properties and may require us to obtain approval or waivers from local officials or restrict our use of our properties and may require us to obtain approval from local officials of community standards organizations at any time with respect to our properties, including prior to acquiring a property or when undertaking renovations of any of our existing properties. Among other things, these restrictions may relate to fire and safety, seismic or hazardous material abatement requirements. There can be no assurance that existing laws and regulatory policies will not adversely affect us or the timing or cost of any future acquisitions or renovations, or that additional regulations will not be adopted that could increase such delays or result in additional costs. Our growth strategy may be affected by our ability to obtain permits, licenses and zoning relief. Our failure to obtain such permits, licenses and zoning relief or to comply with applicable laws could have an adverse effect on our financial condition, results of operations, cash flow and per share market price of our common stock.

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

Our properties may be subject to environmental liabilities. Under various federal, state and local laws, a current or previous owner, operator or tenant of real estate can face liability for environmental contamination created by the presence, discharge or threat of discharge of hazardous or toxic substances. Liabilities can include the cost to investigate, clean up and monitor the actual or threatened contamination and damages caused by the contamination or threatened contamination.

The liability under such laws may be strict, joint and several, meaning that we may be liable regardless of whether we knew of, or were responsible for, the presence of the contaminants, and the government entity or private party may seek recovery of the entire amount from us even if there are other responsible parties. Liabilities associated with environmental conditions may be significant and can sometimes exceed the value of the affected property. The presence of hazardous substances on 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 properties. Site assessments are intended to discover and evaluate information regarding the environmental condition of the surveyed property and surrounding properties. These assessments do not generally include subsurface investigations or mold or asbestos surveys. None of the recent site assessments revealed any past or present environmental liability that we believe would have a material adverse effect on our business, financial condition, cash flows or results of operations. However, the assessments may have failed to reveal all environmental conditions, liabilities or compliance

## **Table of Contents**

concerns. Material environmental conditions, liabilities or compliance concerns may have arisen after the review was completed or may arise in the future; and 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 remedial measures required to address 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 and costs of remediating the problem, 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 hazards posed by workplace exposure to installed asbestos-containing materials (ACMs) and potential ACMs. We may be subject to an increased risk of personal injury lawsuits by workers and others exposed to ACMs and potential ACMs at our properties as a result of these regulations. The regulations may affect the value of any of our properties containing ACMs and potential ACMs. Federal, state and local laws and regulations also govern the removal, encapsulation, disturbance, handling and/or disposal of ACMs and potential ACMs when such materials are in poor condition or in the event of construction, remodeling, renovation or demolition of a property.

When excessive moisture accumulates in buildings or on building materials, mold growth may occur, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. Some molds may produce airborne toxins or irritants. Concern about indoor exposure to mold has been increasing because 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 to contain or remove the ACMs or mold from the affected property. In addition, the presence of ACMs or significant mold could expose us to claims of liability to our tenants, their or our employees, 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 insurance.**

Certain of our initial properties are located in Florida, Idaho and Oregon, where natural disasters such as hurricanes and earthquakes are more common than in other states. Given recent extreme weather events across other parts of the United States, it is also possible that our other properties could incur significant damage due to other natural disasters. While we carry insurance to cover a substantial portion of the cost of such events, our insurance includes deductible amounts and certain items may not be covered by insurance. Future natural disasters may significantly affect our operations and properties and, more specifically, may cause us to experience reduced rental revenue (including from increased vacancy), incur clean-up costs or otherwise incur costs in connection with such events. Any of these events may have a material adverse effect on our business, cash flows, financial condition, results of operations and ability to make distributions to our stockholders.

Furthermore, we do not carry insurance for certain losses, including, but not limited to, losses caused by certain environmental conditions, such as mold or asbestos, riots or war. In addition, our title insurance policies may not insure for the current aggregate market value of our portfolio, and we do not intend to increase our title insurance coverage as the market value of our portfolio increases. As a result, we may not have sufficient coverage against all losses that we may experience, 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 in the damaged properties as well as the anticipated future cash flows from those properties. In addition, if the damaged properties are subject to recourse indebtedness, we would continue to be liable for 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 insurance carriers were to become insolvent, we would be forced to replace the existing insurance coverage with another suitable carrier and any outstanding claims would be at risk for collection. In such an event, we cannot be certain that we would be able to replace the coverage at similar or otherwise favorable terms. Replacing insurance coverage at unfavorable rates and the potential of uncollectible claims due to carrier insolvency could adversely affect our results of operations and cash flows.

### **We have no operating history and no employees and may not be able to successfully operate our business or generate sufficient cash flow to make or 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 risks and uncertainties associated with any new business, including the risk that we will not achieve our investment objectives as described in this prospectus and that the value of your investment could decline substantially. We may not be able to generate sufficient cash flow over time to pay our operating expenses and make or sustain distributions to our stockholders.

### **We may be limited in our ability to diversify our investments making us more vulnerable economically than if our investments were diversified.**

Our ability to diversify our portfolio may be limited both as to the number of investments owned and the geographic regions in which our investments are located. While we will seek to diversify our portfolio by geographic location, we expect to focus on our specified target markets that we believe offer the opportunity for attractive returns and, accordingly, our actual investments may result in concentrations in a limited number of geographic regions. As a result, there is an increased likelihood that the performance of any single property, or the economic performance of a particular region in which our properties are located, could materially affect our operating results.

### **We may acquire properties with lock-out provisions, or agree to such provisions in connection with obtaining financing, which may prohibit us from selling 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 lock-out provisions, which are intended to preserve favorable tax treatment for the owners of such properties who sell them to us. In addition, we may agree to lock-out provisions in connection with obtaining financing for the acquisition of properties. Lock-out provisions could materially restrict us from selling, otherwise disposing of or refinancing properties. These restrictions could affect our ability to turn our investments into cash and thus affect cash available for distributions to our stockholders. Lock-out provisions could impair our ability to take actions during the lock-out period that would otherwise be in the best interests of our stockholders and, therefore, could adversely impact the market value of our common stock. In particular, lock-out provisions could preclude us from participating in major transactions that could 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 interests of our stockholders.

### **Illiquidity of real estate investments could significantly impede our ability to respond to adverse changes in the performance of our properties and harm 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 promptly sell one or more properties in our initial portfolio in response to changing economic, financial and investment conditions is limited. Return of capital and realization of gains, if any, from an investment generally will occur upon disposition or refinancing of the underlying property. We may be unable to realize our investment objectives by sale, other disposition or refinancing at attractive prices within any given period of time or may

otherwise be unable to complete any exit strategy. In particular, our ability to dispose of one or more properties is subject to weakness in or even the lack of an established market for a property, changes in the financial condition or prospects of prospective purchasers, changes in national or international economic conditions, such as the recent economic downturn, and changes in laws, regulations or fiscal policies of jurisdictions in which the property is located. Furthermore, our ability to dispose of our initial properties within the four years immediately following the 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 real estate companies. In particular, the tax laws applicable to REITs effectively require that we hold our properties for investment, rather than primarily for sale in the ordinary course of business, which may cause us to forego or defer sales of properties that otherwise would be in our best interest. Therefore, we may not be able to adjust our initial portfolio in response to economic or other conditions promptly or on favorable terms, which may adversely affect our financial condition, results of operations, cash flow and 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 some instances we may sell our properties by providing financing to purchasers. If we provide financing to purchasers, we will bear the risk of default by the purchaser which would reduce the 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 our cash flow and the amount of cash 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 cannot assure you that any tenant that 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 guarantor of a tenant's lease obligations could be subject to a bankruptcy proceeding pursuant to Chapter 11 or Chapter 7 of the U.S. Bankruptcy Code. Such a bankruptcy filing would bar all efforts by us to collect pre-bankruptcy rents from these entities or their properties, unless we receive an order from the bankruptcy court permitting us to do so. A tenant or lease guarantor bankruptcy could delay our efforts to collect past due balances under the relevant leases and could ultimately preclude collection of these sums. If a lease is rejected by a tenant in bankruptcy, we would only have a general unsecured claim for damages. This claim could be paid only in the event funds were available and then only in the same percentage as that realized on other unsecured claims. Our claim would be capped at the rent reserved under the lease, without acceleration, for the greater of one year or 15% of the remaining term of the lease, but not greater than three years, plus rent already due but unpaid. Therefore, if a lease is rejected, it is unlikely we would receive any payments from the tenant or we would receive substantially less than the full value of any unsecured claims we hold, which would result in a reduction in our rental income, cash flow and the amount of cash available for distribution to our shareholders.

### **We may face additional risks and costs associated with owning properties occupied by government tenants, which could negatively impact our cash flows 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 government agencies. We intend to pursue the acquisition of office properties in which substantial space is leased to governmental agencies. As such, lease agreements with these federal government agencies contain certain provisions required by federal law, which require, among other things, that the contractor (which is the lessor or the owner of the property), agree to comply with certain rules and regulations, including but not limited to, rules and regulations related to anti-kickback procedures, examination of records, audits and records, equal opportunity provisions, prohibition against segregated facilities, certain executive orders, subcontractor cost or pricing data, certain provisions intending to assist small businesses and contractual rights of termination by the tenants. We may be subject to requirements of the Employment Standards Administration's Office of Federal Contract Compliance Programs and requirements to prepare affirmative action plans pursuant to the applicable executive order 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 tenants, which will allow them to vacate the leased premises before the stated terms of the leases expire with little or no liability. For fiscal policy reasons, security concerns or other reasons, some or all of our government tenants may decide to vacate our properties. If a significant number of such vacancies occur, our rental income may materially decline, our cash flow and results of operations could be adversely affected and our ability to pay regular distributions to you may be jeopardized.

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**Table of Contents**

**Some of the leases at our properties contain go-dark provisions which, if triggered, may allow tenants to terminate their leases without further payment to us, which could adversely affect our financial condition and results of operations and/or the value of the applicable property.**

Although certain, but not all, of our leases contain a go-dark provision requiring tenants to maintain continuous occupancy of leased premises, there can be no assurance that such tenants will continue to occupy such premises. Our lease with Cascade Microtech Inc., which expires in January 2015 and constitutes approximately 3.5% of the net rentable area of our initial properties and approximately 3.6% of our base rent as of September 30, 2013, contains a go-dark provision and the premises are currently not fully occupied. One of our two leases with Planar Systems, Inc., which expires in January 2018 and constitutes approximately 2.0% of the net rentable area of our initial properties and approximately 2.2% of our base rent as of September 30, 2013, contains a go-dark provision and the 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 associated with an early termination. Most of our tenants that are federal or state governmental agencies, which account for approximately 33.6% of the base rental revenue from our initial properties as of September 30, 2013, may, under certain circumstances, vacate the leased premises before the stated terms of the leases expire with little or no liability to us. There can be no assurance that tenants will continue their activities and continue occupancy of the premises. Any cessation of occupancy by tenants may have an adverse 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 leadership in energy and environmental design for commercial interiors, or LEED®-CI, certification in selecting new premises or renewing leases at existing premises. In addition, the Energy Independence and Security Act of 2007 allows the General Services Administration to prefer buildings for lease that have received an Energy Star label. Obtaining such certifications and labels may be costly and time consuming, but our failure to do so may result in our competitive disadvantage in acquiring new or retaining existing government tenants.

**We may be unable to complete acquisitions and, even if acquisitions are completed, we may fail to successfully operate acquired properties.**

Our business plan includes, among other things, growth through identifying suitable acquisition opportunities, consummating acquisitions and leasing such properties. We will evaluate the market of available properties and may acquire properties when we believe strategic opportunities exist. Our ability to acquire 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 substantial capital, including from other REITs and institutional investment funds;
- even if we are able to acquire a desired property, competition from other potential acquirers may significantly increase the purchase price;
-



even if we enter into agreements for the acquisition of properties, these agreements are subject to customary conditions to closing, including completion of due diligence investigations to our satisfaction;

- we may incur significant costs in connection with evaluation and negotiation of potential acquisitions, including acquisitions that we are subsequently unable to complete;
- we may acquire properties that are not initially accretive to our results upon acquisition, and we may not successfully lease those properties to 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 principal and interest payments;
- we may spend more than budgeted to make necessary improvements or renovations to acquired properties;

**Table of Contents**

- we may be unable to quickly and efficiently integrate new acquisitions, particularly the acquisition of portfolios of properties, into our existing 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 respect to unknown liabilities for clean-up of undisclosed environmental contamination, claims by tenants or other persons dealing with former owners of the properties and claims for indemnification by general partners, directors, officers and others indemnified by the former owners of the properties.

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

We may acquire properties in markets that are new to us. When we acquire properties located in new markets, we may face risks associated with a lack of market knowledge or understanding of the local economy, forging new business relationships in the area and unfamiliarity with local government and permitting procedures. We work to mitigate such risks through extensive diligence and research and associations with experienced service providers. However, there can be no guarantee that all such risks will be eliminated.

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

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

Impairment losses would have a direct impact on our operating results because recording an impairment loss results in an immediate negative adjustment to our operating results. The evaluation of anticipated cash flows is highly subjective and is based in part on assumptions regarding future occupancy, rental rates and capital requirements that could differ materially from actual results in future periods. If the real estate market deteriorates, we may reevaluate the assumptions used in our impairment analysis. Impairment charges could materially adversely affect our financial condition, results of operations, cash flows and ability to pay 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 landlord-tenant laws, which may give rise to class action litigation or governmental investigations. Any material litigation not covered by insurance, such as a class action, could result in us incurring 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-venturer's financial condition could make these joint venture investments risky and expose us to losses or impact our ability to qualify or maintain our qualification as a REIT.**

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

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

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**Table of Contents**

- may have economic or other business interests or goals that are inconsistent with our business interests or goals; and
- may be in a position to take actions contrary to our policies or objectives or exercise rights to buy or sell at an inopportune time for us.

Such investments may also have the potential risk of impasses on decisions, such as a sale or refinancing of the property, because neither we nor the partner or joint-venturer would have full control over the partnership or joint venture. Disputes between us and partners or joint-venturers may result in litigation or arbitration that would increase our expenses and prevent our officers and/or directors from focusing their time and effort on our business or result in costs to terminate the relationship. Actions of partners or joint-venturers may cause losses to our investments and adversely affect our ability to qualify as a REIT. In addition, we may in 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;
- third-party managers incur debt or other liabilities on behalf of a joint venture which the joint venture is unable to pay, and the joint venture agreement provides for capital calls, in which case we could be liable to make contributions as set forth in any such joint 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 venture, in which case we could face liability if there is a default relating to those properties in the joint venture or the obligations relating to those properties.

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

All of our initial properties and any future properties that we acquire are and will be required to comply with the ADA. The ADA requires that all public accommodations must meet federal requirements related to access and use by disabled persons. For those projects receiving federal funds, the Rehabilitation Act of 1973 (the RA ) also has requirements regarding disabled access. Although we believe that our initial properties are substantially in compliance with the present requirements, we may incur unanticipated expenses to comply with the ADA, the RA and other applicable legislation in connection with the ongoing operation or redevelopment of our properties. These and other federal, state and local laws may require modifications to our properties, or affect renovations of our properties. Non-compliance with these laws could result in the imposition of fines or an award of damages to private litigants and also could result in an order to correct any 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 cash flows.**

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 on our properties may increase as property tax rates change or as our properties are assessed or

reassessed by taxing authorities. Therefore, the amount of property taxes that we pay in the future may increase substantially. In addition, the real property taxes on Cherry Creek are reduced due to having a government user as its largest tenant and loss of such tenant would increase the amount of property taxes. If the property taxes that we pay increase, our cash flow could be impacted, and our ability to pay expected 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 Advisor.**

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

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**Table of Contents**

Canada upon these persons or to enforce against them in any jurisdiction outside of Canada judgments predicated upon the laws of any such jurisdiction, including 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 our business and the value of our 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 highly technical and complex tax rules, for which there are only limited judicial and administrative interpretations. The fact that we hold substantially all of our assets through a partnership further complicates the application of the REIT requirements. Even a seemingly minor technical or inadvertent mistake could jeopardize our REIT status. Our REIT status depends upon various factual matters and circumstances that may not be entirely within our control. For example, in order to qualify as a REIT, at least 95% of our gross income in any year must be derived from qualifying sources, such as rents from real property, and we must satisfy a number of requirements regarding the composition of our assets. Also, we must make distributions to stockholders aggregating annually at least 90% of our REIT taxable income, excluding net capital gains. In addition, new legislation, regulations, administrative interpretations or court decisions, each of which could have retroactive effect, may make it more difficult or impossible for us to qualify as a REIT, or could reduce the desirability of an investment in a REIT relative to other investments. We have not requested and do not plan to request a ruling from the Internal Revenue Service (the IRS) that we qualify as a REIT, and the statements in this prospectus are not binding on 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 would substantially reduce the funds 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 be subject to U.S. federal income tax at regular corporate rates;
- we could also be subject to the U.S. federal alternative minimum tax and possibly increased state and local taxes; and
- unless we are entitled to relief under applicable statutory provisions, we could not elect to be taxed as a REIT for four taxable years following the 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 factors, our failure to qualify as a REIT could impair our ability to expand our business and raise capital and would adversely affect the value of our common stock.

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 income or property and, in certain cases, a 100% penalty tax, in the event we sell property as a dealer. In addition, any taxable REIT subsidiary will be subject to tax as a regular corporation in the 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 our stockholders.**

To qualify as a REIT, we generally must distribute to our stockholders at least 90% of our REIT taxable income each year, excluding any net capital gain, and we will be subject to regular corporate income taxes to the extent that we distribute less than 100% of our REIT taxable income each year. In addition, we will be subject to a 4% nondeductible excise tax on the amount, if any, by which distributions paid by us in any calendar year are less than the sum of 85% of our ordinary income, 95% of our capital gain net income and 100% of our undistributed income from prior years. To qualify as a REIT and avoid the payment of income and excise taxes, we may need to borrow funds to meet the REIT distribution requirements. These borrowing needs could result from:

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

**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 borrowings could increase our costs or 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 qualify as a REIT and suffer other adverse consequences.**

We believe that our operating partnership will be treated as a partnership for U.S. federal income tax purposes. As a partnership, our operating partnership will not 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 allocable share of the operating partnership's income. We cannot assure you, however, that the IRS will not challenge the status of the operating partnership or any other subsidiary partnership in which we own an interest as a partnership for U.S. federal income tax purposes, or that a court would not sustain such a challenge. If the IRS were successful in treating our operating partnership or any such other subsidiary partnership as an entity taxable as a corporation for U.S. federal income tax purposes, we would fail to meet the gross income tests and certain of the asset tests applicable to REITs and, accordingly, we would likely cease to qualify as a REIT. Also, the failure of our operating partnership or any subsidiary partnerships to qualify as a partnership could cause it to become subject to U.S. federal and state corporate income tax, which 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 individuals, trusts and estates, is 20%. Dividends payable by REITs, however, generally are not eligible for the reduced rate. Although these rules do not adversely affect the taxation of REITs or dividends payable by REITs, the more favorable rates applicable to regular corporate qualified dividends could cause investors who are individuals, trusts and estates to perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends, which could adversely 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 would be treated as sales for U.S. federal income tax purposes.**

A REIT's net income from prohibited transactions is subject to a 100% penalty tax. In general, prohibited transactions are sales or other dispositions of property, other than foreclosure property held in inventory primarily for sale to customers in the ordinary course of business. Although we do not intend to hold any properties that would be characterized as inventory held for sale to customers in the ordinary course of our business, such characterization is a factual determination and no guarantee can be given that the IRS would agree with our characterization of our properties or that we will always be able to make use of the available safe-harbors.

**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 diversification of our assets, the amounts that we distribute to our stockholders and the ownership of our stock. We may be required to make distributions to stockholders at times when it would be more advantageous to reinvest cash in our business or when we do not have funds readily available for distribution. Thus, compliance with the REIT requirements may 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, cash items, government securities and qualified real estate assets. The remainder of our investment in securities (other than government securities, securities of any qualified REIT subsidiary of ours and securities that are qualified real estate assets) generally may not include more than 10% of the outstanding voting securities of any one issuer or

## **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 value of our assets (other than government securities, securities of any qualified REIT subsidiary of ours and securities that are qualified real estate assets) may consist of the securities of any one issuer. If we fail to comply with these requirements at the end of any calendar quarter, we must remedy the failure within 30 days or qualify for certain limited statutory relief provisions to avoid losing status as a REIT. As a result, we may be required to liquidate otherwise attractive investments. These actions could have 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 operating flexibility and reduce the 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 interpretations of those laws may be changed. We cannot predict when or if any new U.S. federal income tax law, regulation, or administrative and judicial interpretation, or any amendment to any existing U.S. federal income tax law, regulation or administrative or judicial interpretation, will be adopted, promulgated or become effective, and any such law, regulation, or interpretation may be effective retroactively. We and our stockholders could be adversely affected by any such change in, or any new, U.S. federal income tax law, 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 affiliates, including the executive officers and employees of our Advisor on whom we rely, could make substantial profits as a result of pursuing transactions that may not be in our best interest, which could 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 negotiations and may not be on market terms 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 indirect interests in certain properties from affiliates of our Advisor;
- the possibility that our Advisor and its affiliates may make investment or disposition recommendations to us in order to increase their own compensation even though the investments or dispositions may not be in the best interests of our stockholders;

- the possibility that we may acquire or merge with our Advisor, resulting in an internalization of our management functions; and

**We will depend upon our Advisor to conduct our operations and, therefore, any adverse changes in the financial health of our Advisor, or our relationship 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 depend on our Advisor to manage our operations and acquire and manage our portfolio of real estate assets. Our Advisor will make all decisions with respect to the management of our company, subject to the supervision of, and any guidelines established by, our board of directors. Our Advisor will depend upon the fees and other compensation that it will receive from us in connection with the management of our business and sale of our properties to conduct its operations. Any adverse changes in the financial condition of, or our relationship with, our Advisor could hinder its ability to successfully manage our operations and our portfolio of investments.

## **Table of Contents**

### **Our Advisor has no operating history and the prior performance of programs sponsored by or affiliated with Second City may not be an indication of our future results.**

Our Advisor was formed in \_\_\_\_\_ and has never acted as an advisor or external manager to a prior public program. Although the Second City Group has previously invested in office properties, you should not rely upon the past performance of other programs sponsored by or affiliated with the Second City Group to predict our future results. This is particularly true as none of the Second City Group's prior investment programs intended to qualify as a REIT. There can be no assurance that we will be able to find suitable investments or generate sufficient cash flows to pay our operating expenses and make distributions to our stockholders.

### **The nature of our Advisor's business, and our dependence on our Advisor, makes us subject to certain risks to which we would not ordinarily be subject based on our targeted investments.**

While the directors have oversight responsibility with respect to the services provided by our Advisor pursuant to the Advisory Agreement, the services provided by our Advisor under such agreements will not be performed by employees of our company or its subsidiaries, but by our Advisor directly. Personnel and services that we require are provided to us under contracts with our Advisor. As a result, our Advisor will have the ability to influence many matters affecting our company and 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 terminated by either us or our Advisor upon prior notice. Accordingly, there can be no assurance that our company will continue to have the benefit of our Advisor's Advisory Services, including its executive officers, or that our Advisor will continue to be our manager. If our Advisor should cease for whatever reason to provide Advisory Services or be our manager, the cost of obtaining substitute services may be greater than the fees that we pay to our Advisor under the Advisory Agreement, and this may adversely impact our ability to meet our objectives and execute our strategy which could materially and adversely affect our cash flows, results of operations and financial condition.

### **If our Advisor loses or is unable to retain or obtain key personnel, our ability to implement our investment strategies could be hindered, which could 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 Advisor. We cannot guarantee that all, or any, will remain affiliated with our Advisor. If any of our key personnel were to cease their affiliation with our Advisor, our results of operations could suffer.

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

### **Termination of the Advisory Agreement, even for poor performance, could be difficult and costly, including as a result of termination fees, and may cause 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 agreement provides that we may terminate the Advisory Agreement only (i) for cause upon the affirmative vote of two-thirds of our independent directors or a majority of our outstanding common stock or (ii) a change of control of our Advisor upon the affirmative vote of our independent directors. If we terminate the agreement without cause or if

our Advisor terminates the 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 pay our Advisor a termination fee payable in cash, shares of our common stock or any combination thereof at the election of our Advisor. The termination fee, if any, will be equal to three times the amount of the advisory fees earned by the Advisor for the twelve months preceding the termination. These provisions may substantially restrict our ability to terminate the Advisory Agreement without cause and would cause us to incur substantial costs in connection with such a termination. Furthermore, in the event that the Advisory Agreement is terminated and we are unable to identify a suitable replacement to manage us, our ability to execute our business plan could be adversely affected.

**Table of Contents**

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

Our Advisor is authorized to follow broad operating and investment guidelines and, therefore, has discretion in determining the types of properties that will be appropriate investments for us, as well as our individual operating and investment decisions. Our board of directors periodically reviews our operating and investment guidelines and our operating activities and investments, but it does not review or approve each decision made by our Advisor on our behalf. In addition, 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 activities that result in significant costs.**

In the past, in particular following periods of volatility in the overall market or declines in the market price of a company's securities, stockholder litigation, dissident shareholder director nominations and dissident stockholder proposals have often been instituted against companies alleging conflicts of interest in business dealings with affiliated and related persons and entities. Our relationships with our Advisor and its affiliates may precipitate such activities. These activities, if instituted 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 develop following this offering.**

There has not been any public market for our common stock prior to this offering. Our company, Second City and the underwriters have determined the initial public offering price of our common stock, considering such factors as our record of operations, our management, our estimated net income, our estimated funds from operations ( FFO ), our estimated cash available for distribution to you, our anticipated dividend yield, our growth prospects, the current market valuations, financial performance and dividend yields of publicly traded companies considered by us and the underwriters to be comparable to us and the current state of the commercial real estate industry and the economy as a whole. A publicly traded real estate investment trust will not necessarily trade at values determined solely by reference to the underlying value of its real estate assets. The price at which shares of our common stock trade after the completion of this offering may be lower than the price at 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 experience a loss if you sell your shares.**

Even if an active trading market develops for our common stock, the market price of our common stock may be volatile. In addition, the trading volume in our common stock may fluctuate and cause significant price variations to occur. If the market price of our common stock declines significantly, you may be unable to resell your shares at or above the public offering price. We cannot assure you that the market price of our common stock will not fluctuate or decline significantly in 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 common stock include:

- 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, strategic investments or changes in 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 securities issued by other real estate 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 percentage of the price of the stock) relative to market interest rates. An increase in market interest rates may lead prospective purchasers of our common stock to expect a higher dividend yield, and higher interest rates would likely increase our borrowing costs and potentially decrease funds available for distribution. Thus, higher market interest rates could 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 companies in industries similar or related to ours and that have been unrelated to these companies' operating performance. These broad market fluctuations could reduce the market price of our common stock. Furthermore, our results of operations and prospects may be below the expectations of public market analysts and investors or may be lower than those of companies with comparable market capitalizations. Either of these factors could lead to a material decline in the market price of our common stock.

**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 operations, sales or refinancings, as well as the real estate market value of the underlying assets, may cause our common stock to trade at prices that differ from our net asset value per share. If we retain operating cash flow for investment purposes, working capital reserves or other purposes, these retained funds, while increasing the value of our underlying assets, may not correspondingly increase the market price of our common stock. Our failure to meet the market's expectations with regard to future earnings and cash distributions 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 this prospectus may not, be 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 Operations, Prospectus Summary Summary Financial Data and Selected Financial Data certain information relating to the summary consolidated pro forma financial data for our company and the historical performance of the City Office Predecessor and our initial properties. When considering this information, you should bear in mind that the combined

## **Table of Contents**

historical results of the City Office Predecessor and the properties that we will acquire in the formation transactions are not indicative of the future results that you should expect from us or any investment in our common stock. Furthermore, you should also not rely upon the pro forma financial statements included in this 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 securities which may be senior to our common stock for purposes of dividend distributions or upon liquidation, may adversely affect the market price of our common stock.**

In the future, we may attempt to increase our capital resources by making additional offerings of debt or preferred equity securities, including medium-term notes, senior or subordinated notes and preferred stock. Upon liquidation, holders of our debt securities and shares of preferred stock and lenders with respect to other borrowings will receive distributions of our available assets prior to the holders of our common stock. Our preferred stock, if issued, could have a preference on liquidating distributions or a preference on dividend payments that could limit our ability to pay a dividend or make another distribution to the holders of our common stock. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, our stockholders bear the risk of our future offerings reducing the market price of our 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 of public company operating 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 Exchange Act), the Sarbanes-Oxley Act (other than the auditor attestation requirement of Section 404 while we continue to qualify as an emerging growth company), the Dodd-Frank Wall Street Reform and Consumer Protection Act, the listing requirements of the NYSE and other applicable securities rules and regulations. Compliance with these rules and regulations will increase our legal and financial compliance costs, make some activities more difficult, time consuming or costly and increase demand on our systems and resources, particularly after we are no longer an emerging growth company. The Exchange Act requires, among other things, that we file annual, 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 financial condition will become more visible, which we believe may result in threatened or actual litigation, including by competitors and other third parties. If such claims are successful, our business and operating results could be harmed, and even if the claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to 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 director and officer liability insurance, and we may be required to incur substantial costs to obtain coverage. Potential liability associated with serving on a public company's board could make it difficult for us to attract and retain qualified members of our board of directors, particularly to serve on our audit committee and compensation committee, and qualified executive officers.

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

**Our internal controls over financial reporting may not be effective and our independent registered public accounting firm may not be able to certify as to 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 the Sarbanes-Oxley Act, which will require management to certify financial and other information in our quarterly

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**Table of Contents**

and annual reports and provide an annual management report on the effectiveness of controls over financial reporting. Though we will be required to disclose changes made in our internal controls and procedures on a quarterly basis, we will not be required to make our first annual assessment of our internal controls over financial reporting pursuant to Section 404 until the year following our first annual report required to be filed with the SEC. Additionally, as an emerging growth company, as defined in the JOBS Act, our independent registered public accounting firm will not be required to formally attest to the effectiveness of our internal controls over financial reporting pursuant to Section 404 until the later of the year following our first annual report required to be filed with the SEC or the date we are no longer an emerging growth company. At such time, our independent registered public accounting firm may issue a report that is adverse in the event that it is 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 new internal controls and procedures and hiring accounting or internal audit staff. Testing and maintaining internal controls can divert our management's attention from other matters that are important to the operation of our business. In addition, when evaluating our internal controls over financial reporting, we may identify material weaknesses that we may not be able to remediate in time to meet the applicable deadline imposed upon us for compliance with the requirements of Section 404 of the Sarbanes-Oxley Act. If we identify material weaknesses in our internal controls over financial reporting or are unable to comply with the requirements of Section 404 of the Sarbanes-Oxley Act in a timely manner or assert that our internal controls over financial reporting are effective, or if our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal controls over financial reporting, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock could be negatively affected, and we could become subject to investigations by the NYSE, the SEC or 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 emerging growth companies will make 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 from various reporting requirements that are applicable to other public companies but not to emerging growth companies, including, but not limited to, an exemption from the auditor attestation requirement of Section 404 of the Sarbanes-Oxley Act, which may increase the risk that weaknesses or deficiencies in our internal control over financial reporting go undetected, and reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, which may make it more difficult for investors 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 exemptions. If some investors find our common stock less attractive as a result of our choices, there may be a less active trading market for our common stock and our stock price may be more volatile. We may take advantage of these reporting exemptions until we are no longer an emerging growth company. We could be an emerging growth company until the last day of the fiscal year following the fifth anniversary of the completion of this offering, although a variety of circumstances could cause us to lose that status earlier.

**Differences between the book value of contributed properties and the price paid for shares of common stock in this offering will result in an immediate and 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 transferred to our operating partnership was approximately \$ \_\_\_\_\_, or \$ \_\_\_\_\_ per share of our common stock held

by continuing investors, assuming the exchange of units into shares of our common stock 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 of this offering and the formation transactions will be less than the initial public offering price. The purchasers of shares of our common stock offered hereby will experience immediate and 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, which would reduce our ownership percentage in our operating partnership and could have a dilutive effect on the amount of distributions made to us by our operating partnership and, 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 acquisition of properties or otherwise, cause our operating partnership to issue additional common units to third parties. Such issuances would reduce our ownership percentage in our operating partnership and could affect the amount of distributions made to us by our operating partnership and, therefore, the amount of distributions we can make to our stockholders. Because you will not directly own common units, you will not have any voting rights with respect to any such issuances or other partnership level 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 holders of units in our operating 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 operating partnership or any partner thereof, on the other. Our directors and officers have duties to our company under applicable Maryland law in connection with their management of our company. At the same time, we, as the general partner of our operating partnership, have fiduciary duties and obligations to our operating partnership and its limited partners under Maryland law and the partnership agreement of our operating partnership in connection with the management of our operating partnership. Our fiduciary duties and obligations as general partner to our operating partnership and its partners may come into conflict with the duties of our directors and officers to our company.

Additionally, the partnership agreement provides that we and our officers, directors and employees, will not be liable or accountable to our operating partnership for losses sustained, liabilities incurred or benefits not derived if we, or such officer, director or employee acted in good faith. The partnership agreement also provides that we will not be liable to the operating partnership or any partner for monetary damages for losses sustained, liabilities incurred or benefits not derived by the operating partnership or any limited partner, except for liability for our intentional harm or gross negligence. Moreover, the partnership agreement provides that our operating partnership is required to indemnify us and our officers, directors, employees, agents and designees from and against any and all claims that relate to the operations of our operating partnership, except (1) if the act or omission of the person was material to the matter giving rise to the action and either was committed in bad faith or was the result of active and deliberate dishonesty, (2) for any transaction for which the indemnified party received an improper personal benefit, in money, property or services or otherwise in violation or breach of any provision of the partnership agreement or (3) in the case of a criminal proceeding, if the indemnified person had reasonable cause to believe that the act or omission was unlawful. No reported decision of a Maryland appellate court has interpreted provisions similar to the provisions of the partnership agreement of our operating partnership that modify and reduce our fiduciary duties or obligations as the general partner or reduce or eliminate our liability for money damages to the operating partnership and its partners, and we have not obtained an opinion of counsel as to the enforceability of the provisions set forth in the partnership agreement that purport to modify or reduce the fiduciary duties that would be in effect were it not 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 exceed their aggregate fair market value.**

The amount of consideration that we will pay is based on management's estimate of fair market value, including an analysis of market sales comparables, market capitalization rates for other properties and assets and general market conditions for such properties and assets. In certain instances, the amount of consideration that we will pay was not negotiated on an arm's length basis and management's estimate of fair market value may exceed the fair market value of these properties and 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 increase or decrease if the per share market price of our common stock increases or decreases. The initial public offering price of our common stock will be determined in consultation with the underwriters. The initial public offering price does not necessarily bear a direct relationship to our book value of our properties and assets. As a result, the consideration to be given in exchange by us for the contribution of properties and other assets in the formation transactions may exceed the fair market value of these properties and assets.

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

In connection with our formation transactions and this offering, the Second City Group will own approximately            common units, representing a    % beneficial interest in our company on a fully diluted basis. In addition, our amended and restated bylaws have the effect of granting to the Second City Group the right to nominate up to two directors in accordance with, or as provided pursuant to, our operating partnership's partnership agreement, and our operating partnership's partnership agreement will limit any actions in contravention of an express provision of our operating partnership's partnership agreement, limit any transfers of our general partner interest in our operating partnership and prevent our voluntary withdrawal as the general partner based on the Second City Group's ownership of common units. See Description of the Partnership Agreement of City Office REIT Operating Partnership, L.P. Purpose, Business and Management and Description of the Partnership Agreement of City Office REIT Operating Partnership, L.P. Restrictions on General Partner's Authority. For so long as the Second City Group maintains a significant interest in our company, the Second City Group will have substantial influence on us and could exercise this influence in a manner that 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 redeem its common units and sell any common stock received in exchange therefor. No prediction can be made as to the effect, if any, a future sale of common stock by the Second City Group will have on the market price of the common stock prevailing from time to time. However, the future sale of a substantial number of our common shares by the Second City 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 partnership to pay liabilities, and the interests of our stockholders will be structurally subordinated to all liabilities and obligations of our operating partnership and its subsidiaries.**

We are a holding company and will conduct substantially all of our operations through our operating partnership. We do not have, apart from an interest in our operating partnership, any independent operations. As a result, we will rely on distributions from our operating partnership to pay any dividends that we may declare on shares of our common stock. We will also rely on distributions from our operating partnership to meet any of our obligations, including any tax liability on taxable income allocated to us from our operating partnership. In addition, because we are a holding company, your claims as stockholders will be structurally subordinated to all existing and future liabilities and obligations (whether or not for borrowed money) of our operating partnership and its subsidiaries. Therefore, in the event of our bankruptcy, liquidation or reorganization, our assets and those of our operating partnership and its subsidiaries will be available to satisfy the claims of our stockholders only after all of our operating partnership's and its subsidiaries' liabilities and obligations have been paid in full.

**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 may be unknown or unquantifiable at the time this offering is completed. These assumed liabilities might include liabilities for cleanup or remediation of undisclosed environmental conditions, claims by tenants, vendors or other persons dealing with our predecessor entities (that had not been asserted or threatened prior to this offering), tax liabilities and accrued but unpaid liabilities incurred in the ordinary course of business. While in some instances we may have the right to seek reimbursement against an insurer, any recourse against third parties, including the contributors of our assets, for these liabilities will be limited. There can be no assurance that we will be entitled to any such 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 properties. The contributors provide an indemnification to us for breaches of their representations and warranties under the contribution agreements. However, we are entitled to indemnification under the contribution agreements to the extent our damages exceed 1% of the consideration paid to the contributors. In addition, the indemnification in the contribution agreements is capped at 10% the value of the consideration paid to the contributors. Therefore, it is possible that our liabilities will exceed our indemnification payments.

In addition, we have not obtained and do not intend to obtain new or additional title insurance in connection with this offering and the formation transactions, including any so-called date down endorsements or other modifications to our existing title insurance policies. As a result, we may acquire properties from the Second City Group with unknown material title defects or developments and our title insurance policies may not provide coverage against such defects or developments or insure for the current aggregate market value of our portfolio. There can be no assurance that our current title insurance policies will adequately 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 that if we dispose of any interest in our initial properties in a taxable transaction prior to the fourth anniversary of the completion of the formation transactions, subject to certain exceptions, we will indemnify the contributors of our initial properties for their tax liabilities attributable to the built-in gain that exists with respect to such property as of the time of this offering and their tax liabilities incurred as a result of such tax protection payment. Therefore, although it may be in our stockholders' best interests that we sell one of these properties, it may be economically prohibitive for us to do so because of these obligations. Moreover, as a result of these potential tax liabilities, Second City and its affiliates and certain of our officers may have a conflict of interest with respect to our determination as to these properties.

### **Our tax protection agreements may require our operating partnership to maintain certain debt levels that otherwise would not be required to operate our business.**

Under our tax protection agreements, our operating partnership will be required to maintain a minimum level of indebtedness throughout the four years immediately following the completion of the formation transactions, regardless of whether such debt levels are otherwise required to operate our business. Moreover, our operating partnership may be required to provide the contributors of our initial properties with the opportunity to guarantee debt or enter into deficit restoration obligations both at the completion of the formation transactions and this offering (if needed) and upon a future repayment, retirement, refinancing or other reduction (other than scheduled amortization) of currently outstanding debt prior to the fourth anniversary of the completion of the formation transactions. If we fail to make such opportunities available, we will be required to make a cash payment intended to approximate the sum of the tax liabilities resulting from our failure to make such opportunities available or to maintain the minimum level of indebtedness and the tax liabilities incurred as a result of such tax protection payment. See *Certain Relationships and Related Person Transactions Tax Protection Agreements*. We agreed to these provisions in order to assist the contributors and their owners in deferring the recognition of taxable gain as a result of and after the formation transactions. These obligations may require us to maintain more or different 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 change of control transaction and 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 certain exceptions, authorizes our directors to take such actions as are necessary and desirable to qualify as a REIT. Unless exempted by our board of directors, our charter provides that no person may 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 is more restrictive) of the outstanding shares of our common stock. The board may not grant such an exemption to any proposed transferee whose ownership in excess of 9.8% of the foregoing ownership limits would result in the termination of our status as a REIT. These restrictions on transferability and ownership will not apply if our board of directors determines 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 or a change of control that might involve a premium price for our common stock or otherwise be in the best interests of our stockholders.

**Table of Contents**

***We could authorize and issue stock without stockholder approval that may delay, defer or prevent a change of control transaction.*** Our charter authorizes us to issue additional authorized but unissued shares of our common stock or preferred stock. In addition, our board of directors may classify or reclassify any unissued shares of our common stock or preferred stock and may set the preferences, rights and other terms of the classified or reclassified shares. Our board of directors may also, without stockholder approval, amend our charter to increase the authorized number of shares of our common stock or our preferred stock that we may issue. The board of directors could establish a class or series of common stock or preferred stock that could, depending on the terms of such class or series, delay, defer or prevent a transaction or a change of control that might involve a premium price for our common stock or otherwise be in the best interests of our stockholders.

***Certain provisions of Maryland law could delay, defer or prevent a change of control transaction.*** Certain provisions of the Maryland General Corporation Law ( MGCL ) may have the effect of inhibiting a third party from making a proposal to acquire us or of impeding a change of control. In some cases, such an acquisition or change of control could provide you with the opportunity to realize a premium over the then-prevailing market price of your shares. These MGCL provisions include:

- business combination provisions that, subject to limitations, prohibit certain business combinations between us and an interested stockholder for certain periods. An interested stockholder is generally any person who beneficially owns 10% or more of the voting power of our shares or an affiliate or associate of ours who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of the voting power of our then outstanding voting stock. A person is not an interested stockholder under the statute if our board of directors approved in advance the transaction by which he otherwise would have become an interested stockholder. Business combinations with an interested stockholder are prohibited for five years after the most recent date on which the stockholder becomes an interested stockholder. After that period, the MGCL imposes two super-majority voting requirements on such combinations; and
- control share provisions that provide that control shares of our company acquired in a control share acquisition have no voting rights unless holders of two-thirds of our voting stock (excluding interested shares) consent. Control shares are shares that, when aggregated with other shares controlled by the stockholder, entitle the stockholder to exercise one of three increasing ranges of voting power in electing directors. A control share acquisition is the direct or indirect acquisition of ownership or control of control shares from a party other than the issuer.

In the case of the business combination provisions of the MGCL, we opted out by resolution of our board of directors. In the case of the control share provisions of the MGCL, we opted out pursuant to a provision in our amended and restated bylaws. However, our board of directors may by resolution elect to opt in to the business combination provisions of the MGCL. Further, we may opt in to the control share provisions of the MGCL in the future by amending our bylaws, which our 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 a transaction or a change of control that might involve a premium price for our common stock or otherwise be in the best interest of our stockholders. See Description of Stock and Certain Provisions of 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 consequences to our stockholders.**

Our charter provides that our board of directors may revoke or otherwise terminate our REIT election, without the approval of our stockholders, if it determines that 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. federal income tax on our taxable income and would no longer be required to distribute most of our taxable income to our stockholders, which may have adverse consequences on our total return to our stockholders.

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**Table of Contents**

**Our board of directors may amend our investing and financing guidelines without stockholder approval, and, accordingly, you would have limited control over changes in our policies that could increase the risk that we default under our debt obligations or that could harm our business, results of operations and share price.**

Although we are not required to maintain any particular leverage ratio, we intend, when appropriate, to employ prudent amounts of leverage and to use debt as a means of providing additional funds for the acquisition of our target assets and the diversification of our portfolio. Although our board of directors has not adopted a 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% on future acquisitions. Our Advisor also 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 to any interest rate hedges into which we may enter. However, our organizational documents do not limit the amount or percentage of debt that we may incur, nor do they limit the types of properties we may acquire or develop. The amount of leverage we will deploy for particular investments in our target assets will depend upon our management team's assessment of a variety of factors, which may include the anticipated liquidity and price volatility of the target assets in our investment portfolio, the potential for losses, the availability and cost of financing the assets, our opinion of the creditworthiness of our financing counterparties, the health of the U.S. economy and commercial mortgage markets, our outlook for the level, slope and volatility of interest rates, the credit quality of our target assets and the collateral underlying our target assets. Our board of directors may alter or eliminate our current guidelines on investing and financing at any time without stockholder approval. Changes in our strategy or in our investing and financing guidelines could expose us to greater credit risk and interest rate risk and could also result in a more leveraged balance sheet. These factors could result in an increase in our debt service and could adversely affect our cash flow and our ability to make expected distributions to you. Higher leverage 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 in good faith, in a manner he or she reasonably believes to be in our best interests and with the care that an ordinarily prudent person in a like position would use under similar circumstances. Upon completion of this offering, as permitted by the MGCL, our charter will limit the liability of our directors and officers to us and our stockholders for money damages, 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 indemnify and pay or reimburse our present and former directors and officers for actions taken by them in those capacities to the maximum extent permitted by Maryland law. As a result, we and our stockholders may have more limited rights against our directors and officers than might otherwise exist under common law. Accordingly, in the event that actions taken in good faith by any of our directors or officers impede the performance of our company, your ability to recover damages from such director or officer will be limited.

**Table of Contents**

**FORWARD-LOOKING STATEMENTS**

This prospectus contains forward-looking statements within the meaning of the federal securities laws. These forward-looking statements are included throughout this prospectus, including in the sections entitled Prospectus Summary, Risk Factors, Use of Proceeds, Management's Discussion and Analysis of Financial Condition and Results of Operations, Business and Certain Relationships and Related Person Transactions, and relate to matters such as our industry, business strategy, goals and expectations concerning our market position, future operations, margins, profitability, capital expenditures, financial condition, liquidity, capital resources, cash flows, results of operations and other financial and operating information. We have used the words approximately, anticipate, assume, believe, but, contemplate, continue, could, estimate, expect, future, intend, may, outlook, plan, potential, possibly, should, target, will and similar terms and phrases to identify forward-looking statements in this prospectus. All of our forward-looking statements are subject to risks and uncertainties that may cause actual results to differ 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 requirements;
- 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 Analysis of Financial Condition and Results of Operations and Business.

The forward-looking statements contained in this prospectus are based on historical performance and management's current plans, estimates and expectations in light of information currently available to us and are subject to



**Table of Contents**

uncertainty and changes in circumstances. There can be no assurance that future developments affecting us will be those that we have anticipated. Actual results may differ materially from these expectations due to the factors, risks and uncertainties described above, changes in global, regional or local political, economic, business, competitive, market, regulatory and other factors described in Risk Factors, many of which are beyond our control. We believe that these factors include those described in Risk Factors. Should one or more of these risks or uncertainties materialize, or should any of our assumptions prove to be incorrect, our actual results may vary in material respects from what we may have expressed or implied by these forward-looking statements. We caution that you should not place undue reliance on any of our forward-looking statements. Any forward-looking statement made by us in this prospectus speaks only as of the date on which we make it. 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 predict all of them. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by 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 100% of our outstanding common stock. 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 assets and conduct substantially all of our operations. Subject to other classes or series of units that our operating partnership may issue in the future, our interest in our operating partnership will entitle us to share in cash distributions from our operating partnership in proportion to our percentage ownership of common units. As the sole general partner of our operating partnership, we generally will have the exclusive power under the partnership agreement to manage and conduct its business, subject to limited approval and voting rights of the limited partners described more fully in Description of the Partnership Agreement of City Office REIT Operating Partnership, L.P.

All of the initial property interests that we will acquire in the formation transactions currently are owned by the Property Ownership Entities. Prior to or concurrently with the completion of this offering, we will engage in the formation transactions described below, which are designed to consolidate the ownership of our initial properties into our operating partnership; facilitate this offering; enable us to raise necessary capital to repay existing and future indebtedness related to certain properties in our portfolio; enable us to qualify as a REIT commencing with our taxable year ending December 31, 2014; and 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. All monetary amounts are based on 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 be taxed and to operate in a manner 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 management and advisory services to 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 exercise their over-allotment option in full) and we will contribute the net proceeds to our operating partnership in exchange for common units. 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 exercise, if any, to redeem from Second City common units issued to it in the formation transactions at a redemption price per common unit equal to the public offering price per share in this offering.

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

**Table of Contents**

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

In addition, with respect to the Central Fairwinds property (which is currently approximately 63% leased, including committed tenants), we will be obligated to make additional payments to Second City (each, an Earn-Out Payment ) following the closing of this offering, which is contingent on the Central Fairwinds property achieving increased occupancy levels from qualified tenants within 5 years of the closing of this offering (the Earn-Out Term ). Second City will be entitled to receive an Earn-Out Payment (net of the associated leasing costs inclusive of leasing commissions and tenant improvements/allowances) as the occupancy of Central Fairwinds reaches each of 70%, 80% and 90% based on the incremental cash flow generated by vacant suites and a 7.75% stabilized capitalization rate. We will make an Earn-Out Payment on the last day of the Earn-Out Term if the occupancy levels of Central Fairwinds reaches certain additional marginal levels. We can pay 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 will receive material financial and other benefits as shown below. Amounts below are based on the midpoint of the initial public offering price range set forth on the cover page of this prospectus. For a 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 will beneficially own common units with a value of approximately \$ , which represents % of the total number of shares of our common stock outstanding on a fully diluted basis;
- Gregory Tylee, our chief operating officer and president, and his immediate family member will beneficially own common units with a value of approximately \$ , which represents % of the total number of shares of our common stock outstanding on a fully diluted basis;
- Anthony Maretic, our chief financial officer, secretary and treasurer, will beneficially own common units with a value of approximately \$ , which represents % of the total number of shares of our common stock outstanding on a fully diluted basis; and
- Samuel Belzberg, chairman of our Advisor, will own common units with a value of approximately \$ , which represents % of 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 properties and their owners (including parties related to us) if we dispose of any interest with respect to our initial properties in a taxable transaction or fail to maintain a minimum level of indebtedness during the four years immediately following the completion of the formation transactions. See Certain Relationships and Related Person Transaction.

*Indemnification Agreements*

We also expect to enter into indemnification agreements with our directors and executive officers at the closing of this offering, providing for procedures for 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 Certain Relationships and Related 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 transactions, including the Second City Group and certain of our executive officers. See Certain Relationships and Related Person Transactions Registration Rights Agreement.

**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 the midpoint of the initial public 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 our initial properties (or our interest therein).
- We will be the sole general partner of our operating partnership and will own % of the common units therein, equal to the number of shares of our common stock outstanding. If the underwriters over-allotment option is exercised in full and we redeem from Second City common units 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 % on a fully diluted basis, assuming the exchange of all units for shares of our common stock ( % of our outstanding common stock, or % on a fully diluted basis, if the underwriters over-allotment option is exercised in full and we redeem from Second City common units issued to it in the formation transactions).

The following table presents the interest to be acquired by City Office in the formation transactions and the common units to be issued in exchange for each property interest:

<b>Property</b>	<b>Interest to be Acquired by City Office</b>	<b>Debt Securing Property</b>
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.

## **Table of Contents**

### **Our Structure**

The following diagram depicts our expected ownership structure and the expected ownership structure of our operating partnership upon completion of this offering 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 Properties LP (OR) (76%), Core Cherry Limited Partnership (DE) (100%), Central Fairwinds Limited Partnership (FL) (90%), City Center STF Limited Partnership (FL) (95%), SCCP Boise Limited 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 purpose of holding such interests: Gibralt Amberglen LLC (DE), Core Cherry GP Co. (DE), Central Fairwinds GP Corporation (FL), City Center STF GP Corp. (FL), SCCP Boise GP, Inc. (DE) and SCCP Central Valley GP Corp. (DE), each of which will elect to be a taxable REIT subsidiary of ours (other than Gibralt Amberglen LLC (DE)).*

### **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. The consideration paid to each of the sellers or contributors in the formation transactions will be based on the terms of the applicable contribution agreements. Under these agreements, each contributor will receive either (i) a fixed number of common units, subject to adjustment for pre-closing unit splits or similar structural changes to our pre-closing unit capitalization, (ii) a fixed amount of cash or (iii) a combination of the foregoing. In all cases, the number or value of common units will be subject to working capital adjustments and changes in indebtedness encumbering the properties, among other things. The value of common units issued will be equal to (i) the initial public 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 between the representatives of the underwriters and us. In determining the initial public offering price of our common stock, we and the representatives of the underwriters will consider, among other things, our record of operations, our management, our estimated net income, our estimated funds from operations, our estimated cash available for distribution, our anticipated dividend yield, our growth prospects, the financial performance and dividend yields of publicly traded companies considered by us and the underwriters to be comparable to us and the current state of the commercial real estate industry and the economy as a whole. The initial public offering price does not necessarily bear a direct relationship to the book value of the properties and assets to be acquired in the formation transactions, our financial condition or any other established 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 us, we estimate that the net proceeds that we will receive from this offering will be approximately \$ , or approximately \$ if the underwriters over-allotment option is exercised in full, in each case assuming an initial public offering price of \$ per share (which is the midpoint of the initial public offering price range set forth on the cover page of this prospectus). A \$1.00 increase (decrease) in the assumed initial public offering price of \$ per share would increase (decrease) net proceeds to us from this offering by approximately \$ , assuming the number of shares offered by us as set forth on the cover page of this prospectus remains the same. We will contribute the net proceeds of this offering to our operating partnership in exchange for common units, and we expect that our operating partnership will use the 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 expenses associated with our formation transactions, future acquisitions and creating reserves for capital expenditures, tenant improvements and leasing 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 exercise, if any, to redeem from Second City common units issued to it in the formation transactions at a redemption price per common unit equal to the public offering price per share in this offering.

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

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**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. federal income tax law requires that a REIT distribute annually at least 90% of its net taxable income, excluding net capital gains, and that it pay tax at regular corporate rates to the extent that it annually distributes less than 100% of its net taxable income, including net capital gains. In addition, a REIT is required to pay a 4% non-deductible excise tax on the amount, 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 its capital gain net income and 100% of its undistributed income from prior years. For more information, please see U.S. Federal Income Tax Considerations. To satisfy the requirements to qualify as a REIT and generally not be subject to U.S. federal income and excise tax, we generally intend to make regular quarterly distributions to holders of our common stock, beginning at such time as our board of directors determines that we have sufficient cash flow to do so, over time in an amount equal to our taxable income, which would be reduced by, among other things, the amount of the annual base management fee payable, and our allocable share of expenses reimbursable, to our Advisor. Although we anticipate making quarterly distributions to our stockholders over time, our board of directors has the sole discretion to determine the timing, form (including cash and shares of our common stock at the election of each of our stockholders) and amount of any distributions to our stockholders. Although not currently anticipated, in the event that our board of directors determines to make distributions in excess of the income or cash flow generated from our portfolio of assets, we may make such distributions from the proceeds of this or future offerings of equity or debt securities or other forms of debt financing or the sale of assets.

If we pay a taxable stock distribution, our stockholders would be sent a form that would allow each stockholder to elect to receive its proportionate share of such distribution in all cash or in all stock and the distribution will be made in accordance with such elections, provided that if the stockholders' elections, in the aggregate, would result in the payment of cash in excess of the maximum amount of cash to be distributed, then cash payments to stockholders who elected to receive cash will be prorated and the excess of each such stockholder's entitlement in the distribution, less such prorated cash payment, would be paid to such stockholder in shares of 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 required to fund distributions from working capital, sell assets or borrow funds to make cash distributions or make a portion of the required distribution in the form of a taxable stock distribution or distribution of debt securities. In addition, we could be required to utilize the net proceeds of this offering to fund our quarterly distributions, which would reduce the amount of cash that we have available for investing and other purposes. For more information, see U.S. Federal Income Tax Considerations Annual Distribution Requirements.

Our charter allows us to issue preferred stock that could have a preference on distributions. We currently have no intention to issue any preferred stock, but if we do, the distribution preference on the preferred stock could limit our ability to make distributions to the holders of our common stock.

Dividends and other distributions made by us will be authorized and determined by our board of directors in its sole discretion out of funds legally available therefor and will be dependent upon a number of factors, including restrictions under applicable law and other factors described below. We cannot assure you that our distributions will be made or sustained or that our board of directors will not change our distribution policy in the future. Any dividends or other distributions that we pay in the future will depend upon our actual results of operations, economic conditions, debt service requirements and other factors that could differ materially from our current expectations. Our actual results of operations will be affected by a number of factors, including the revenue that we receive from our assets, operating expenses, interest expense and unanticipated expenditures. For more information regarding risk factors that could materially adversely affect our actual results of 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 Predecessor as of September 30, 2013 on an actual basis, as adjusted to give effect to the formation transactions but before giving effect to this offering and, as further adjusted to give effect to this offering and the intended use of the net proceeds from this offering as described in Use of Proceeds. You should read this table in conjunction with Structure and Formation of Our Company, Use of Proceeds, Selected Financial Data, Management's Discussion and Analysis of Financial Condition and Results of Operations and our financial statements and related notes appearing elsewhere in this prospectus.

	<b>As of September 30, 2013</b>		
	<b>Historical</b>	<b>Pro Forma Formation Transactions<sup>(1)(2)(3)</sup></b>	<b>Pro Forma Adjusted<sup>(1)(2)(3)</sup></b>
	<b>(In thousands, except share and per share data)</b>		
Cash and cash equivalents	\$	\$	\$
Debt:			
Total debt <sup>(4)</sup>	\$	\$	\$
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			
<b>Total capitalization <sup>(5)</sup></b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

(1) Assume      shares of common stock will be sold in this offering at an initial public offering price of \$      per share for net proceeds of approximately \$      after deducting the underwriting discounts and estimated expenses of this offering and the formation transactions approximately \$      . See Use 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 directors, executive officers and certain service providers and (ii) \_\_\_\_\_ shares of our common stock or LTIP units available for future issuance under the Equity Incentive Plan. See *Executive and 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 this offering. Following the formation 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 as adjusted cash and cash equivalents, additional paid-in capital, stockholders' equity and total capitalization by approximately \$ \_\_\_\_\_, assuming that the number of shares that we are offering, as set forth on the cover page of this prospectus, remains the same and that the underwriters do not exercise their over-allotment option. An increase (decrease) of 1,000,000 shares that we are offering would increase (decrease) each of pro forma as adjusted cash and cash equivalents, additional paid in capital, stockholders' equity and total capitalization by approximately \$ \_\_\_\_\_, assuming the initial public offering price per share remains the same. 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 exercise, if any, to redeem from Second City common units issued to it in the formation transactions at a redemption price per common unit equal to the public offering price per share in this offering.

**Table of Contents****DILUTION**

Purchasers of shares of our common stock offered in this prospectus will experience an immediate and substantial dilution in the net tangible book value per share of our common stock from the initial public offering price. As of September 30, 2013, we had a pro forma combined net tangible book value of \$ million, or \$ per share of our common stock by prior investors, after giving effect to the formation transactions and assuming the exchange of outstanding common 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 offered hereby, including the use of proceeds as described under Use of Proceeds, the formation transactions, the deduction of underwriting discounts and the estimated offering and formation transactions expenses payable by us, the pro forma net tangible book value as of September 30, 2013 attributable to common stockholders, including the effects of the grants of awards covering shares of our common stock to our directors, executive officers and certain other service providers, would have been \$ , or \$ per share of our common stock. This amount represents an immediate increase in net tangible book value of \$ per share to prior investors and an immediate dilution in pro forma net tangible book value of \$ per share to new public investors. The following table illustrates this per share dilution:

Assumed initial public offering price per share	\$
Net tangible book value per share before the formation transactions and this offering <sup>(1)</sup>	
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 <sup>(2)</sup>	
Dilution in pro forma net tangible book value per share to new investors <sup>(3)</sup>	\$

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

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

*(3) Dilution is determined by subtracting pro forma net tangible book value per share of our common stock after giving effect to the formation transactions and this 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 the formation transactions, the differences between the number of shares of our common units to be received by the prior investors in the formation transactions, the number of common shares issuable to our directors, executive officers and certain service providers and the number of common shares purchased by the new investors in this offering and the total consideration paid and the average price per common unit paid by the prior investors in the formation transactions (based on the net tangible book value of the assets and properties being acquired by our operating partnership in the formation transactions) and the total consideration paid and the average price per share paid by our directors, executive officers and certain service providers and by the new investors purchasing shares of our common stock in this offering.

	Common Units/Shares Issued		Net Tangible Book Value of Contribution/Cash		Average Price Per Share/ Common Units
	Number (in millions)	Percentage <sup>(1)</sup>	Amount (in millions)	Percentage	
Prior Investors		%	\$	%	\$
New Investors					
<b>Total</b>		%	\$	%	\$

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



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**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 notes, and our unaudited pro forma 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 historical basis for the real estate activity and holdings of the entities that own the historical interests in the AmberGlen, Central Fairwinds, City Center, Cherry Creek, Corporate Parkway and Washington Group Plaza properties, which are the initial properties being contributed to us in the formation transactions. We have not presented historical information for City Office because we have not had any corporate activity since our formation other than the issuance of 1,000 shares of common stock to Second City in connection with our initial capitalization, and activity in connection with our formation transactions and this offering, and because we believe that 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 Predecessor and the combined statements of operations information for each of the periods ended December 31, 2012 and 2011 of the City Office Predecessor have been derived from the historical audited combined financial statements included elsewhere in this prospectus. The historical combined balance sheet information as of September 30, 2013 and the combined statements of operations information for the nine months ended September 30, 2013 have been derived from the unaudited combined financial statements of the City Office Predecessor included elsewhere in this prospectus. In the opinion of our management, the historical combined balance sheet information as of September 30, 2013 and the historical combined statements of operations for the nine months ended September 30, 2013 include all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the information set forth therein. Our results of operations for the interim periods are not necessarily indicative of 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 ended September 30, 2013 and for the year ended December 31, 2012 assumes completion of this offering and the formation transactions as of the beginning of the periods presented for the operating data and as of the stated date for the balance sheet data. Our pro forma financial information is not necessarily indicative of what our actual financial position and results of operations would have been as of the date and for the periods indicated, nor does it purport to represent our future financial position or results of operations. See Index to Financial Statements.

The information presented below should be read in conjunction with Capitalization, Selected Financial Data, Management's Discussion and Analysis of Financial Condition and Results of Operations, Certain Relationships and Related Person Transactions and our audited and unaudited financial statements and related notes, which are included elsewhere in this prospectus.

**Table of Contents****City Office REIT, Inc. (Pro Forma) and the City Office Predecessor (Historical)**

	Nine Months ended September 30,			Year Ended December 31,		
	Pro Forma Consolidated 2013 (Unaudited)	Historical 2013 (Unaudited)	Combined 2012 (Unaudited)	Pro Forma Consolidated 2012 (Unaudited)	Historical 2012 (Unaudited)	Combined 2011
<b>Statement of Operations Data:</b>						
<b>REVENUES</b>						
Rental income	\$	\$ 12,938,686	\$ 7,087,735	\$	\$ 9,991,712	\$ 6,973,986
Expense reimbursement		1,093,117	775,458		1,053,466	1,132,503
Other		593,724	324,944		471,280	1,067,465
<b>Total Revenues</b>	\$	\$ 14,625,527	\$ 8,188,137	\$	\$ 11,516,458	\$ 9,173,954
<b>OPERATING EXPENSES</b>						
Property operating expenses	\$	\$ 4,005,302	\$ 2,883,611	\$	\$ 4,109,993	\$ 3,079,294
Insurance		374,655	288,680		398,083	&nbsp;