
Section 1: 10-Q (FORM 10-Q)

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

FORM 10-Q

(Mark One)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2019

OR

- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number: 001-36409

CITY OFFICE REIT, INC.

(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of
incorporation or organization)

98-1141883
(I.R.S. Employer
Identification No.)

666 Burrard Street
Suite 3210
Vancouver, BC
V6C 2X8

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (604) 806-3366

Former name, former address and former fiscal year, if changed since last report: N/A

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of each Exchange on Which Registered
Common Stock, \$0.01 par value	"CIO"	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares of Common Stock, \$0.01 par value, of the registrant outstanding at July 29, 2019 was 39,647,063.

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City Office REIT, Inc.
Quarterly Report on Form 10-Q
For the Quarter Ended June 30, 2019

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

City Office REIT, Inc.
Condensed Consolidated Balance Sheets
(Unaudited)

(In thousands, except par value and share data)

	June 30, 2019	December 31, 2018
Assets		
Real estate properties		
Land	\$ 224,837	\$ 223,789
Building and improvement	762,537	704,113
Tenant improvement	86,374	77,426
Furniture, fixtures and equipment	285	319
	<u>1,074,033</u>	<u>1,005,647</u>
Accumulated depreciation	(86,475)	(70,484)
	<u>987,558</u>	<u>935,163</u>
Cash and cash equivalents	11,581	16,138
Restricted cash	19,295	17,007
Rents receivable, net	31,008	26,095
Deferred leasing costs, net	11,039	10,402
Acquired lease intangible assets, net	71,972	75,501
Other assets	17,141	2,755
Assets held for sale	—	17,370
Total Assets	<u>\$1,149,594</u>	<u>\$ 1,100,431</u>
Liabilities and Equity		
Liabilities:		
Debt	\$ 709,670	\$ 645,354
Accounts payable and accrued liabilities	22,960	25,892
Deferred rent	5,625	5,331
Tenant rent deposits	5,780	4,564
Acquired lease intangible liabilities, net	9,249	8,887
Other liabilities	19,512	11,148
Liabilities related to assets held for sale	—	878
Total Liabilities	<u>772,796</u>	<u>702,054</u>
Commitments and Contingencies (Note 9)		
Equity:		
6.625% Series A Preferred stock, \$0.01 par value per share, 5,600,000 shares authorized, 4,480,000 issued and outstanding	112,000	112,000
Common stock, \$0.01 par value, 100,000,000 shares authorized, 39,647,063 and 39,544,073 shares issued and outstanding	396	395
Additional paid-in capital	377,937	377,126
Accumulated deficit	(114,565)	(92,108)
Total Stockholders' Equity	375,768	397,413
Non-controlling interests in properties	1,030	964
Total Equity	<u>376,798</u>	<u>398,377</u>
Total Liabilities and Equity	<u>\$1,149,594</u>	<u>\$ 1,100,431</u>

Subsequent Events (Note 11)

The accompanying notes are an integral part of these condensed consolidated financial statements.

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City Office REIT, Inc.
Condensed Consolidated Statements of Operations
(Unaudited)

(In thousands, except per share data)

	<u>Three Months Ended</u> <u>June 30,</u>		<u>Six Months Ended</u> <u>June 30,</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Rental and other revenues	\$ 41,171	\$ 30,236	78,291	61,770
Operating expenses:				
Property operating expenses	14,526	11,748	28,370	23,374
General and administrative	3,362	1,966	5,660	3,943
Depreciation and amortization	14,604	11,771	29,022	23,665
Total operating expenses	<u>32,492</u>	<u>25,485</u>	<u>63,052</u>	<u>50,982</u>
Operating income	8,679	4,751	15,239	10,788
Interest expense:				
Contractual interest expense	(7,502)	(5,081)	(14,645)	(10,269)
Amortization of deferred financing costs and debt fair value	(334)	(354)	(671)	(986)
	<u>(7,836)</u>	<u>(5,435)</u>	<u>(15,316)</u>	<u>(11,255)</u>
Net gain on sale of real estate property	478	—	478	46,980
Net income/(loss)	1,321	(684)	401	46,513
Less:				
Net income attributable to non-controlling interests in properties	(165)	(114)	(334)	(249)
Net income/(loss) attributable to the Company	1,156	(798)	67	46,264
Preferred stock distributions	(1,855)	(1,855)	(3,710)	(3,710)
Net (loss)/income attributable to common stockholders	<u>\$ (699)</u>	<u>\$ (2,653)</u>	<u>\$ (3,643)</u>	<u>\$ 42,554</u>
Net (loss)/income per common share:				
Basic	<u>\$ (0.02)</u>	<u>\$ (0.07)</u>	<u>\$ (0.09)</u>	<u>\$ 1.18</u>
Diluted	<u>\$ (0.02)</u>	<u>\$ (0.07)</u>	<u>\$ (0.09)</u>	<u>\$ 1.17</u>
Weighted average common shares outstanding:				
Basic	<u>39,640</u>	<u>36,132</u>	<u>39,603</u>	<u>36,103</u>
Diluted	<u>39,640</u>	<u>36,132</u>	<u>39,603</u>	<u>36,452</u>
Dividend distributions declared per common share	<u>\$ 0.235</u>	<u>\$ 0.235</u>	<u>\$ 0.470</u>	<u>\$ 0.470</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

distributions declared	—	—	—	—	—	(8,491)	(8,491)	—	(8,491)
Preferred stock dividend distributions declared	—	—	—	—	—	(1,855)	(1,855)	—	(1,855)
Contributions	—	—	—	—	—	—	—	43	43
Distributions	—	—	—	—	—	—	—	(135)	(135)
Net income	—	—	—	—	—	(798)	(798)	114	(684)
Balance - June 30, 2018	<u>4,480</u>	<u>\$ 112,000</u>	<u>36,133</u>	<u>\$ 361</u>	<u>\$ 335,009</u>	<u>\$ (61,556)</u>	<u>\$ 385,814</u>	<u>\$ 336</u>	<u>\$ 386,150</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

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City Office REIT, Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

(In thousands)

	Six Months Ended June 30,	
	2019	2018
Cash Flows from Operating Activities:		
Net income	\$ 401	\$ 46,513
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	29,022	23,665
Amortization of deferred financing costs and debt fair value	671	986
Amortization of above/below market leases	(92)	(140)
Increase in straight-line rent/expense	(3,424)	(1,842)
Non-cash stock compensation	879	705
Net gain on sale of real estate property	(478)	(46,980)
Changes in non-cash working capital:		
Rents receivable, net	(1,677)	(93)
Other assets	(1,082)	(3,034)
Accounts payable and accrued liabilities	(5,241)	(6,467)
Deferred rent	53	(2,042)
Tenant rent deposits	(394)	89
Net Cash Provided By Operating Activities	18,638	11,360
Cash Flows (to)/from Investing Activities:		
Additions to real estate properties	(9,881)	(9,156)
Acquisition of real estate	(61,012)	(55,453)
Net proceeds from sale of real estate	33,941	84,839
Deferred leasing costs	(1,598)	(2,057)
Net Cash (Used In)/Provided By Investing Activities	(38,550)	18,173
Cash Flows from/(to) Financing Activities:		
Debt issuance and extinguishment costs	(648)	(1,942)
Proceeds from mortgage loans payable	40,950	—
Repayment of mortgage loans payable	(2,327)	(34,121)
Proceeds from credit facility	55,000	82,000
Repayment of credit facility	(52,500)	(57,000)
Shares withheld for payment of taxes on restricted stock unit vesting	(246)	(86)
Contributions from non-controlling interests in properties	22	43
Distributions to non-controlling interests in properties	(290)	(165)
Dividend distributions paid to stockholders and Operating Partnership unitholders	(22,318)	(20,664)
Net Cash Provided By/(Used In) Financing Activities	17,643	(31,935)
Net Decrease in Cash, Cash Equivalents and Restricted Cash	(2,269)	(2,402)
Cash, Cash Equivalents and Restricted Cash, Beginning of Period	33,145	35,014
Cash, Cash Equivalents and Restricted Cash, End of Period	\$ 30,876	\$ 32,612
Reconciliation of Cash, Cash Equivalents and Restricted Cash:		
Cash and Cash Equivalents, End of Period	\$ 11,581	\$ 14,655
Restricted Cash, End of Period	19,295	17,957
Cash, Cash Equivalents and Restricted Cash, End of Period	\$ 30,876	\$ 32,612
Supplemental Disclosures of Cash Flow Information:		
Cash paid for interest	\$ 14,696	\$ 9,962
Purchases of additions in real estate properties included in accounts payable	\$ 1,411	\$ 3,380
Purchases of deferred leasing costs included in accounts payable	\$ 160	\$ 158
Debt assumed on acquisition of real estate	\$ 22,473	\$ —

The accompanying notes are an integral part of these condensed consolidated financial statements.

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City Office REIT, Inc. Notes to the Condensed Consolidated Financial Statements

1. Organization and Description of Business

City Office REIT, Inc. (the “Company”) was organized in the state of Maryland on November 26, 2013. On April 21, 2014, the Company completed its initial public offering (“IPO”) of shares of the Company’s common stock. The Company contributed the net proceeds of the IPO to City Office REIT Operating Partnership, L.P., a Maryland limited partnership (the “Operating Partnership”), in exchange for common units of limited partnership interest in the Operating Partnership (“common units”).

The Company’s interest in the Operating Partnership entitles the Company to share in distributions from, and allocations of profits and losses of, the Operating Partnership in proportion to the Company’s percentage ownership of common units. As the sole general partner of the Operating Partnership, the Company has the exclusive power under the Operating Partnership’s partnership agreement to manage and conduct the Operating Partnership’s business, subject to limited approval and voting rights of the limited partners.

The Company has elected to be taxed, and will continue to operate in a manner that will allow it to continue to qualify, as a real estate investment trust (“REIT”) under the Internal Revenue Code of 1986, as amended (the “Code”). Subject to qualification as a REIT, the Company will be permitted to deduct dividend distributions paid to its stockholders, eliminating the U.S. federal taxation of income represented by such distributions at the Company level. REITs are subject to a number of organizational and operational requirements. If the Company fails to qualify as a REIT in any taxable year, the Company will be subject to U.S. federal and state income tax on its taxable income at regular corporate tax rates and, for tax years beginning before 2018, any applicable alternative minimum tax.

2. Summary of Significant Accounting Policies

Basis of Preparation and Summary of Significant Accounting Policies

The accompanying unaudited condensed consolidated financial statements have been prepared by the Company in accordance with Securities and Exchange Commission rules and regulations and generally accepted accounting principles in the United States of America (“US GAAP”) and in the opinion of management contain all adjustments (including normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows for the periods presented. The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018.

New Accounting Pronouncements

Adopted in the Current Year

In February 2016, the Financial Accounting Standards Board, or FASB, established Topic 842, Leases, by issuing Accounting Standards Update (“ASU”) No. 2016-02, which requires lessors to classify leases as a sales-type, direct financing, or operating lease and requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. Topic 842 was subsequently amended by ASU No. 2018-01, Land Easement Practical Expedient for Transition to Topic 842; ASU No. 2018-10, Codification Improvements to Topic 842, Leases; and ASU No. 2018-11, Targeted Improvements.

The Company adopted the new standard effective January 1, 2019 and elected the effective date method for the transition. The Company elected the following practical expedients:

- Transition method practical expedient – permits the Company to use the effective date as the date of initial application. Upon adoption, the Company did not have a cumulative-effect adjustment to the opening balance of retained earnings. Financial information and disclosures for periods before January 1, 2019 were not updated.

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- Package of practical expedients – permits the Company not to reassess under the new standard its prior conclusions about lease identification, lease classification, and initial direct costs. This allowed the Company to continue classifying its leases at transition in substantially the same manner.
- Single component practical expedient – permits the Company to not separate lease and non-lease components of leases. Upon transition, rental income, expense reimbursement, and other were aggregated into a single line within rental and other revenues on the condensed consolidated statement of operations.
- Land easement practical expedient – permits the Company not to reassess under the new standard its prior conclusions about land easements.
- Short-term lease practical expedient – permits the Company not to recognize leases with a term equal to or less than 12 months.

Lessor Accounting

The accounting for lessors under the new standard remained relatively unchanged with a few targeted updates impacting the Company, which included: (i) narrower definition of initial direct costs that requires certain costs to be expensed rather than capitalized, and (ii) provisions for uncollectible rents to be recorded as a reduction in revenue rather than as bad debt expense.

Lessee Accounting

The new standard requires lessees to recognize a right-of-use asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases are classified as finance or operating at inception, with classification affecting the pattern and recording of expenses in the statement of operations. Upon transition the Company recognized right-of use assets and lease liabilities principally for its ground and office leases.

3. Real Estate Investments

Acquisitions

During the six months ended June 30, 2019 and 2018 the Company acquired the following properties:

<u>Property</u>	<u>Date Acquired</u>	<u>Percentage Owned</u>
Cascade Station	June 2019	100%
Canyon Park	February 2019	100%
Pima Center	April 2018	100%

Each of the foregoing acquisitions were accounted for as asset acquisitions.

The following table summarizes the Company's allocation of the purchase price of assets acquired and liabilities assumed during the six months ended June 30, 2019 (in thousands):

	<u>Canyon Park</u>	<u>Cascade Station</u>	<u>Total June 30, 2019</u>
Land	\$ 7,098	\$ —	\$ 7,098
Buildings and improvements	36,619	25,141	61,760
Tenant improvements	1,797	2,080	3,877
Acquired intangible assets	8,109	3,134	11,243
Other assets	10	3,164	3,174
Debt	—	(697)	(697)
Accounts payable and other liabilities	(1,266)	(186)	(1,452)
Lease intangible liabilities	(1,297)	(220)	(1,517)
Net assets acquired	\$ 51,070	\$ 32,416	\$ 83,486

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The acquisition of the Cascade Station property was partially funded through an assumption of debt in the amount of \$22.5 million.

The following table summarizes the Company's allocation of the purchase price of assets acquired and liabilities assumed during the six months ended June 30, 2018 (in thousands):

	Pima Center
Buildings and improvements	\$ 42,235
Tenant improvements	2,898
Acquired intangible assets	10,691
Other assets	95
Accounts payable and other liabilities	(337)
Lease intangible liabilities	(129)
Net assets acquired	\$ 55,453

Sale of Real Estate Property

On May 7, 2019, the Company sold the 10455 Pacific Center building of the Sorrento Mesa property in San Diego, California for \$16.5 million, resulting in an aggregate gain of \$0.5 million net of disposal-related costs, which has been classified as net gain on sale of real estate property in the condensed consolidated statements of operations.

On February 7, 2019, the Company sold the Plaza 25 property in Denver, Colorado for \$17.9 million. No gain or loss was recognized on the sale as the property was carried at fair value less cost to sell on the date of disposition.

On March 8, 2018, the Company sold the Washington Group Plaza property in Boise, Idaho for \$86.5 million, resulting in an aggregate net gain of \$47.0 million, net of \$1.7 million in costs, which has been classified as net gain on sale of real estate property in the condensed consolidated statements of operations. In connection with the sale of the property, certain debt repayments were made.

4. Lease Intangibles

Lease intangibles and the value of assumed lease obligations as of June 30, 2019 and December 31, 2018 were comprised as follows (in thousands):

	Lease Intangible Assets					Lease Intangible Liabilities		
	Above Market Leases	Below Market Ground Lease⁽¹⁾	In Place Leases	Leasing Commissions	Total	Below Market Leases	Below Market Ground Lease⁽¹⁾	Total
June 30, 2019								
Cost	\$11,924	\$ —	\$ 86,640	\$ 35,126	\$133,690	\$ (14,359)	\$ (138)	\$ (14,497)
Accumulated amortization	(5,784)	—	(41,672)	(14,262)	(61,718)	5,210	38	5,248
	<u>\$ 6,140</u>	<u>\$ —</u>	<u>\$ 44,968</u>	<u>\$ 20,864</u>	<u>\$ 71,972</u>	<u>\$ (9,149)</u>	<u>\$ (100)</u>	<u>\$ (9,249)</u>
	Above Market Leases	Below Market Ground Lease⁽¹⁾	In Place Leases	Leasing Commissions	Total	Below Market Leases	Below Market Ground Lease⁽¹⁾	Total
December 31, 2018								
Cost	\$10,595	\$ 1,855	\$ 82,474	\$ 31,706	\$126,630	\$ (12,925)	\$ (138)	\$ (13,063)
Accumulated amortization	(4,800)	(19)	(34,273)	(12,037)	(51,129)	4,140	36	4,176
	<u>\$ 5,795</u>	<u>\$ 1,836</u>	<u>\$ 48,201</u>	<u>\$ 19,669</u>	<u>\$ 75,501</u>	<u>\$ (8,785)</u>	<u>\$ (102)</u>	<u>\$ (8,887)</u>

(1) For the below market ground lease asset, the Company is the lessee, whereas, for the below market ground lease liability, the Company is the lessor. Upon the adoption of Topic 842 on January 1, 2019, the Company derecognized the below market ground lease intangible asset related to one of its lessee ground leases and included the net carrying value of the intangible asset within the right-of-use asset recognized upon transition to the new standard.

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The estimated aggregate amortization expense for lease intangibles for the next five years and in the aggregate are as follows (in thousands):

2019	\$10,192
2020	18,332
2021	15,022
2022	7,255
2023	4,393
Thereafter	7,529
	<u>\$62,723</u>

5. Debt

The following table summarizes the indebtedness as of June 30, 2019 and December 31, 2018 (dollars in thousands):

Property	June 30, 2019	December 31, 2018	Interest Rate as of June 30, 2019 ⁽¹⁾	Maturity
Unsecured Credit Facility ⁽²⁾	\$150,000	\$ 147,500	LIBOR + 1.60% ⁽³⁾	March 2022
Midland Life Insurance ⁽⁴⁾	86,142	86,973	4.34	May 2021
Mission City	47,000	47,000	3.78	November 2027
190 Office Center	41,152	41,250	4.79	October 2025
Canyon Park ⁽⁵⁾	40,950	—	4.30	March 2027
Circle Point	39,650	39,650	4.49	September 2028
SanTan	34,347	34,682	4.56	March 2027
Intellicenter	33,227	33,481	4.65	October 2025
The Quad	30,600	30,600	4.20	September 2028
FRP Collection	29,288	29,589	3.85	September 2023
2525 McKinnon	27,000	27,000	4.24	April 2027
Cascade Station	22,474	—	4.55	May 2024
Greenwood Blvd	22,425	22,425	4.60	December 2025
5090 N 40 th St	22,000	22,000	3.92	January 2027
AmberGlen	20,000	20,000	3.69	May 2027
Lake Vista Pointe	17,882	18,044	4.28	August 2024
Central Fairwinds	17,712	17,882	4.00	June 2024
FRP Ingenuity Drive	17,000	17,000	4.44	December 2024
Carillon Point	16,154	16,330	3.50	October 2023
Total Principal	715,003	651,406		
Deferred financing costs, net	(6,030)	(6,052)		
Unamortized fair value adjustments	697	—		
Total	<u>\$709,670</u>	<u>\$ 645,354</u>		

- (1) All interest rates are fixed interest rates with the exception of the unsecured credit facility (“Unsecured Credit Facility”) as explained in footnote 2 below.
- (2) As of June 30, 2019, the Unsecured Credit Facility had \$250 million authorized with \$150 million drawn and a \$5.3 million letter of credit to satisfy escrow requirements for a mortgage lender. On March 15, 2018, the Company entered into a \$250 million Unsecured Credit Facility, which includes an accordion feature that will permit the Company to borrow up to \$500 million, subject to customary terms and conditions. The Unsecured Credit Facility matures in March 2022, which may be extended to March 2023 at the Company’s option upon meeting certain conditions. Borrowings under the Unsecured Credit Facility will bear interest at a rate equal to the LIBOR rate plus a margin of between 140 to 225 basis points depending upon the Company’s consolidated leverage ratio. The Unsecured Credit Facility requires the Company to maintain a fixed charge coverage ratio of no less than 1.50x.
- (3) As of June 30, 2019, the one month LIBOR rate was 2.40%.
- (4) The mortgage loan is cross-collateralized by DTC Crossroads, Cherry Creek and City Center.
- (5) The mortgage loan anticipated repayment date (“ARD”) is March 1, 2027. The final scheduled maturity date can be extended up to 5 years beyond the ARD. If the loan is not paid off at ARD, loan’s interest rate shall be adjusted to the greater of (i) the initial interest rate plus 200 basis points or (ii) the yield on the five year “on the run” treasury reported by Bloomberg market data service plus 450 basis points.

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The scheduled principal repayments of debt as of June 30, 2019 are as follows (in thousands):

2019	\$ 2,692
2020	6,186
2021	89,125
2022	156,165
2023	47,822
Thereafter	413,013
	<u>\$715,003</u>

6. Fair Value of Financial Instruments

Fair value measurements are based on assumptions that market participants would use in pricing an asset or a liability. The hierarchy for inputs used in measuring fair value is as follows:

Level 1 Inputs – quoted prices in active markets for identical assets or liabilities

Level 2 Inputs – observable inputs other than quoted prices in active markets for identical assets and liabilities

Level 3 Inputs – unobservable inputs

As of each of June 30, 2019 and December 31, 2018, the Company did not have any hedges or derivatives.

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

The Company estimates that the fair value approximates carrying value due to the relatively short-term nature of these instruments.

Fair Value of Financial Instruments Not Carried at Fair Value

With the exception of fixed rate mortgage loans payable, the carrying amounts of the Company's financial instruments approximate their fair value. The Company determines the fair value of its fixed rate mortgage loan payable based on a discounted cash flow analysis using a discount rate that approximates the current borrowing rates for instruments of similar maturities. Based on this, the Company has determined that the fair value of these instruments was \$580.7 million and \$503.3 million as of June 30, 2019 and December 31, 2018, respectively. Accordingly, the fair value of mortgage loans payable have been classified as Level 3 fair value measurements.

7. Related Party Transactions

Administrative Services Agreement

For the six months ended June 30, 2019 and 2018, the Company earned \$0.3 million and \$0.4 million, respectively, in administrative services performed for Second City Real Estate II Corporation and its affiliates (collectively, "Second City"). Also during the six months ended June 30, 2019, the Company was assigned a purchase contract which had been entered into by an entity affiliated with principals of Second City, which principals are also officers of the Company. The Company subsequently assigned the purchase contract to a third party during the six months ended June 30, 2019. The Company paid no consideration to the related party for the contract other than return of deposits which the Company subsequently recovered from a third party in addition to an assignment fee. The Company recognized income of \$2.6 million on the assignment of the purchase contract to the third party, which was recorded in rental and other revenues on the condensed consolidated statement of operations.

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8. Leases

Lessor Accounting

The Company is focused on acquiring, owning and operating high-quality office properties for lease to a stable and diverse tenant base. Our properties have both full-service gross and net leases which are generally classified as operating leases. Rental income related to such leases is recognized on a straight-line basis over the remaining lease term. The Company's total revenue includes fixed base rental payments provided under the lease and variable payments which principally consist of tenant expense reimbursements for certain property operating expenses. The Company elected the practical expedient to account for its lease and non-lease components as a single combined operating lease component under the new leasing standard. As a result, rental income, expense reimbursement, and other were aggregated into a single line within rental and other revenues on the condensed consolidated statement of operations.

For the three and six months ended June 30, 2019, the Company recognized \$38.5 million and \$75.6 million, respectively, of rental and other revenue related to its operating leases (in thousands):

	Three months ended June 30, 2019	Six months ended June 30, 2019
Fixed payments	\$ 32,861	\$ 65,060
Variable payments	5,646	10,526
	<u>\$ 38,507</u>	<u>\$ 75,586</u>

Future minimum lease payments to be received by the Company as of June 30, 2019 under non-cancellable operating leases for the next five years and thereafter are as follows (in thousands):

2019	\$ 60,208
2020	113,808
2021	102,819
2022	85,402
2023	67,284
Thereafter	143,674
	<u>\$573,195</u>

The Company's leases may include various provisions such as scheduled rent increases, renewal options and termination options. The majority of the Company's leases include defined rent increase rather than variable payments based on an index or unknown rate. Seven state government tenants currently have the exercisable right to terminate their leases if the applicable state legislature does not appropriate rent in its annual budget. The Company has determined that the occurrence of any government tenant not being appropriated the rent in the applicable annual budget is a remote contingency and accordingly recognizes lease revenue on a straight-line basis over the respective lease term. These tenants represent approximately 8.2% of the Company's total future minimum lease payments as of June 30, 2019.

Lessee Accounting

As a lessee, the Company has ground and office leases classified as operating leases and one office lease classified as a financing lease. Upon adoption of Topic 842, on January 1, 2019, the Company recognized right-of-use assets of \$9.2 million and lease liabilities of \$7.2 million. The difference between the recorded right-of-use assets and lease liabilities is mainly due to the reclassification of the below market ground lease intangible asset, which was included within the right-of-use assets recognized upon transition. As of June 30, 2019, these leases had remaining terms of 2 to 70 years and a weighted average remaining lease term of 56 years. Operating and financing

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right-of-use assets and lease liabilities have been included within other assets and other liabilities on the Company's condensed consolidated balance sheet as follows (in thousands):

	As of	
	June 30, 2019	
Right-of-use asset – operating leases	\$	13,215
Lease liability – operating leases	\$	8,250
Right-of-use asset – financing leases	\$	91
Lease liability – financing leases	\$	90

Lease liabilities are measured at the commencement date based on the present value of future lease payments. One of the Company's operating ground leases includes rental payment increases over the lease term based on increases in the Consumer Price Index ("CPI"). Changes in the CPI were not estimated as part of the measurement of the operating lease liability. As most of the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of future payments. The Company used a weighted average discount rate of 6.31% in determining its lease liabilities. The discount rates were derived from the Company's assessment of the credit quality of the Company and adjusted to reflect secured borrowing, estimated yield curves and long-term spread adjustments.

Right-of-use assets include any prepaid lease payments and exclude any lease incentives and initial direct costs incurred. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term. The lease terms may include options to extend or terminate the lease if it is reasonably certain that the Company will exercise that option.

Operating lease expense for the three and six months ended June 30, 2019 was \$0.2 million and \$0.4 million, respectively. Financing lease expense for the three and six months ended June 30, 2019 was nominal.

Future minimum lease payments to be paid by the Company as a lessee as of June 30, 2019 for the next five years and thereafter are as follows (in thousands):

	Operating Leases	Financing Leases
2019	\$ 303	\$ 13
2020	782	27
2021	781	27
2022	741	27
2023	659	4
Thereafter	<u>27,277</u>	<u>—</u>
Total future minimum lease payments	30,543	98
Discount	<u>(22,293)</u>	<u>(8)</u>
Total	<u>\$ 8,250</u>	<u>\$ 90</u>

9. Commitments and Contingencies

The Company is obligated under certain tenant leases to fund tenant improvements and the expansion of the underlying leased properties.

Under various federal, state and local laws, ordinances and regulations relating to the protection of the environment, a current or previous owner or operator of real estate may be liable for the cost of removal or remediation of certain hazardous or toxic substances disposed, stored, generated, released, manufactured or discharged from, on, at, under, or in a property. As such, the Company may be potentially liable for costs associated with any potential environmental remediation at any of its formerly or currently owned properties.

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The Company believes that it is in compliance in all material respects with all federal, state and local ordinances and regulations regarding hazardous or toxic substances. Management is not aware of any environmental liability that it believes would have a material adverse impact on the Company's financial position or results of operations. Management is unaware of any instances in which the Company would incur significant environmental costs if any or all properties were sold, disposed of or abandoned. However, there can be no assurance that any such non-compliance, liability, claim or expenditure will not arise in the future.

The Company is involved from time to time in lawsuits and other disputes which arise in the ordinary course of business. As of June 30, 2019, management believes that these matters will not have a material adverse effect, individually or in the aggregate, on the Company's financial position or results of operations.

10. Stockholders' Equity

Common Stock and Common Unit Distributions

On June 14, 2019, the Company's Board of Directors approved and the Company declared a cash dividend distribution of \$0.235 per common share for the quarterly period ended June 30, 2019. The dividend was paid subsequent to quarter end on July 25, 2019 to common stockholders and common unitholders of record as of the close of business on July 11, 2019, resulting in an aggregate payment of \$9.3 million.

Preferred Stock Distributions

On June 14, 2019, the Company's Board of Directors approved and the Company declared a cash dividend of \$0.4140625 per preferred share for the quarterly period ended June 30, 2019. The dividend was paid subsequent to quarter end on July 25, 2019 to preferred stockholders of record as of the close of business on July 11, 2019, resulting in an aggregate payment of \$1.9 million.

Restricted Stock Units

The Company has an equity incentive plan ("Equity Incentive Plan") for executive officers, directors and certain non-executive employees, and with approval of the Board of Directors, for subsidiaries and their respective affiliates. The Equity Incentive Plan provides for grants of restricted common stock, restricted stock units, phantom shares, stock options, dividend equivalent rights and other equity-based awards (including LTIP Units), subject to the total number of shares available for issuance under the plan. The Equity Incentive Plan is administered by the compensation committee of the Board of Directors (the "Plan Administrator").

On May 2, 2019, the Company's stockholders approved an amendment to the Equity Incentive Plan increasing the maximum number of shares of common stock that may be issued under the Equity Incentive Plan from 1,263,580 shares to 2,263,580 shares. To the extent an award granted under the Equity Incentive Plan expires or terminates, the shares subject to any portion of the award that expires or terminates without having been exercised or paid, as the case may be, will again become available for the issuance of additional awards.

During the six months ended June 30, 2019, 162,500 restricted stock units ("RSUs") were granted to executive officers, directors and certain non-executive employees with a fair value of \$1.8 million. The awards will vest in three equal, annual installments on each of the first three anniversaries of the date of grant. For the three and six months ended June 30, 2019, the Company recognized net compensation expense of \$0.5 million and \$0.9 million, respectively, related to the RSUs. For the three and six months ended June 30, 2018 the Company recognized net compensation expense of \$0.3 million and \$0.7 million, respectively, related to the RSUs.

A RSU award represents the right to receive shares of the Company's common stock in the future, after the applicable vesting criteria, determined by the Plan Administrator, has been satisfied. The holder of an award of RSU has no rights as a stockholder until shares of common stock are issued in settlement of vested RSUs. The Plan Administrator may provide for a grant of dividend equivalent rights in connection with the grant of RSU; provided, however, that if the RSUs do not vest solely upon satisfaction of continued employment or service, any payment in respect to the related dividend equivalent rights will be held by the Company and paid when, and only to the extent that, the related RSU vests.

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11. Subsequent Events

On July 31, 2019, an indirect, wholly-owned subsidiary of the Company entered into an Administrative Services Agreement (the “Administrative Services Agreement”) with Clarity Real Estate III GP, Limited Partnership and Clarity Real Estate Ventures GP, Limited Partnership (together, “Clarity”), entities affiliated with principals of Second City and officers of the Company. Pursuant to the Administrative Services Agreement, the Company will provide various administrative services and support to the related entities managing the Clarity funds.

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

The following discussion and analysis is based on, and should be read in conjunction with, the condensed, consolidated financial statements and the related notes thereto of the City Office REIT, Inc. contained in this Quarterly Report on Form 10-Q.

As used in this section, unless the context otherwise requires, references to “we,” “our,” “us,” and “our company” refer to City Office REIT, Inc., a Maryland corporation, together with our consolidated subsidiaries, including City Office REIT Operating Partnership L.P., a Maryland limited partnership, of which we are the sole general partner and which we refer to in this section as our Operating Partnership, except where it is clear from the context that the term only means City Office REIT, Inc.

Cautionary Statement Regarding Forward-Looking Statements

This quarterly report on Form 10-Q, including “Item 2. Management’s Discussion and Analysis of Results of Operations and Financial Condition,” contains both historical and forward-looking statements. All statements, other than statements of historical fact are, or may be deemed to be, forward looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward looking statements are not based on historical facts, but rather reflect our current expectations and projections about our future results, performance, prospects and opportunities. These forward looking statements may be identified by the use of words including “anticipate,” “believe,” “expect,” “intend,” “may,” “might,” “plan,” “estimate,” “project,” “should,” “will,” “result” and similar terms and phrases. These forward looking statements are subject to a number of known and unknown risks, uncertainties and other factors that are difficult to predict and which could cause our actual future results, performance, prospects or opportunities to differ materially from those expressed in, or implied by, these forward looking statements. These risks, uncertainties and other factors include, among others:

- adverse economic or real estate developments in the office sector or the markets in which we operate;
- changes in local, regional, national and international economic conditions;
- our inability to compete effectively;
- our inability to collect rent from tenants or renew tenants’ leases on attractive terms if at all;
- demand for and market acceptance of our properties for rental purposes;
- defaults on or non-renewal of leases by tenants;
- increased interest rates and any resulting increase in financing or operating costs;
- decreased rental rates or increased vacancy rates;
- our failure to obtain necessary financing or access the capital markets on favorable terms or at all;
- changes in the availability of acquisition opportunities;
- availability of qualified personnel;
- our inability to successfully complete real estate acquisitions or dispositions on the terms and timing we expect, or at all;
- our failure to successfully operate acquired properties and operations;
- changes in our business, financing or investment strategy or the markets in which we operate;

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- 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 real estate investment trust (“REIT”);
- government approvals, actions and initiatives, including the need for compliance with environmental requirements;
- outcome of claims and litigation involving or affecting us;
- financial market fluctuations;
- changes in real estate, taxation and zoning laws and other legislation and government activity and changes to real property tax rates and the taxation of REITs in general;
- uncertainty regarding the Company’s obligations under its floating rate debt instruments upon discontinuation of LIBOR;
- a material increase in institutional ownership of real estate in secondary markets that could result in, among others, compression of cap rates and fewer acquisition opportunities being available to the Company; and
- other factors described in our news releases and filings with the United States Securities and Exchange Commission (the “SEC”), including but not limited to those described in our Annual Report on Form 10-K for the year ended December 31, 2018 under the heading “Risk Factors” and in our subsequent reports filed with the SEC.

The forward looking statements included in this report are made only as of the date of this report, and except as otherwise required by federal securities law, we do not have any obligation to publicly update or revise any forward looking statements to reflect subsequent events or circumstances.

Overview

Company

We were formed as a Maryland corporation on November 26, 2013. On April 21, 2014, we completed our initial public offering (“IPO”) of shares of common stock. We contributed the net proceeds of the IPO to our Operating Partnership in exchange for common units in our Operating Partnership. Both we and our Operating Partnership commenced operations upon completion of the IPO and certain related formation transactions.

Revenue Base

As of June 30, 2019, we owned 27 properties comprised of 65 office buildings with a total of approximately 5.7 million square feet of net rentable area (“NRA”). As of June 30, 2019, our properties were approximately 93.4% leased.

Office Leases

Historically, most leases for our properties were on a full-service gross or net lease basis, and we expect to continue to use such leases in the future. A full-service gross lease generally has a base year expense “stop”, whereby we pay a stated amount of expenses as part of the rent payment while future increases (above the base year stop) in property operating expenses are billed to the tenant based on such tenant’s proportionate square footage in the property. The property operating expenses are reflected in operating expenses; however, only the increased property operating expenses above the base year stop recovered from tenants are reflected as tenant recoveries in our statements of operations. In a triple net lease, the tenant is typically responsible for all property taxes and operating expenses. As such, the base rent payment does not include any operating expenses, but rather all such expenses are

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billed to or paid by the tenant. The full amount of the expenses for this lease type is reflected in operating expenses, and the reimbursement is reflected in tenant recoveries. All tenants in our Lake Vista Pointe, FRP Ingenuity Drive, Sorrento Mesa, and Canyon Park properties have triple net leases. Certain tenants at AmberGlen, Superior Pointe, FRP Collection, 2525 McKinnon, Circle Point, The Quad and Cascade Station have leases on a triple net basis. We are also a lessor for a fee simple ground lease at the AmberGlen property. All of our remaining leases are full-service gross leases.

Factors That May Influence Our Operating Results and Financial Condition

Business and Strategy

We focus on owning and acquiring office properties in our target markets. Our target markets generally possess what we believe are 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 diversified industries, are generally low-cost centers for business operations, and exhibit favorable occupancy trends. We utilize our management's market-specific knowledge and relationships 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, among other reasons, because we believe that ownership is often concentrated among local real estate operators that typically do not benefit from the same access to capital as public REITs and there is a relatively low level of participation of large institutional investors. We believe that these factors result in attractive pricing levels and risk-adjusted returns.

Rental Revenue and Tenant Recoveries

The amount of net rental revenue generated by our properties will depend principally on our ability to maintain the occupancy rates of currently leased space and to lease currently available space and space that becomes available from lease terminations. The amount of rental revenue generated also depends on our ability to maintain or increase rental rates at our properties. We believe that the average rental rates for our portfolio of properties are generally in-line or slightly below the current average quoted market rates. Negative trends in one or more of these factors could adversely affect our rental revenue in future periods. Future economic downturns or regional downturns affecting our markets or submarkets or downturns in our tenants' industries that impair our ability to renew or re-let space and the ability of our tenants to fulfill their lease commitments, as in the case of tenant bankruptcies, could adversely affect our ability to maintain or increase rental rates at our properties. In addition, growth in rental revenue will also partially depend on our ability to acquire additional properties that meet our investment criteria.

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Our Properties

As of June 30, 2019, we owned 27 office complexes comprised of 65 office buildings with a total of approximately 5.7 million square feet of NRA in the metropolitan areas of Dallas, Denver, Orlando, Phoenix, Portland, San Diego, Seattle and Tampa. The following table presents an overview of our portfolio as of June 30, 2019 (properties listed by descending NRA by market).

Metropolitan Area	Property	Economic Interest	NRA (000s Square Feet)	In Place Occupancy	Annualized Base Rent per Square Foot	Annualized Gross Rent per Square Foot ⁽¹⁾	Annualized Base Rent ⁽²⁾ (\$000s)
Phoenix, AZ (21.3% of NRA)	Pima Center	100.0%	272	96.5%	\$ 27.15	\$ 27.15	\$ 7,122
	SanTan	100.0%	267	98.6%	\$ 27.67	\$ 27.67	\$ 7,272
	5090 N 40th St	100.0%	175	95.8%	\$ 28.96	\$ 28.96	\$ 4,848
	Camelback Square	100.0%	173	80.8%	\$ 29.24	\$ 29.24	\$ 4,092
	The Quad	100.0%	163	100.0%	\$ 28.14	\$ 28.39	\$ 4,587
	Papago Tech	100.0%	163	100.0%	\$ 21.85	\$ 21.85	\$ 3,556
Denver, CO (18.3%)	Cherry Creek	100.0%	356	100.0%	\$ 18.53	\$ 18.53	\$ 6,591
	Circle Point	100.0%	272	98.8%	\$ 17.46	\$ 30.36	\$ 4,692
	DTC Crossroads	100.0%	189	53.7%	\$ 26.24	\$ 26.24	\$ 2,665
	Superior Pointe	100.0%	151	96.5%	\$ 17.66	\$ 29.17	\$ 2,579
	Logan Tower	100.0%	72	73.3%	\$ 21.62	\$ 21.62	\$ 1,139
Tampa, FL (18.2%)	Park Tower	94.8%	471	93.5%	\$ 24.45	\$ 24.45	\$ 10,761
	City Center	95.0%	241	94.7%	\$ 25.40	\$ 25.40	\$ 5,807
	Intellicenter	100.0%	204	100.0%	\$ 23.99	\$ 23.99	\$ 4,881
	Carillon Point	100.0%	124	100.0%	\$ 28.06	\$ 28.06	\$ 3,485
Orlando, FL (12.6%)	FRP Collection	95.0%	272	84.5%	\$ 24.29	\$ 26.17	\$ 5,575
	Central Fairwinds	97.0%	168	89.5%	\$ 24.49	\$ 24.49	\$ 3,685
	Greenwood Blvd	100.0%	155	100.0%	\$ 22.75	\$ 22.75	\$ 3,527
	FRP Ingenuity Drive	100.0%	125	100.0%	\$ 21.50	\$ 29.50	\$ 2,677
San Diego, CA (10.2%)	Sorrento Mesa	100.0%	296	85.3%	\$ 25.19	\$ 31.19	\$ 6,360
	Mission City	100.0%	286	95.6%	\$ 35.14	\$ 35.14	\$ 9,603
Dallas, TX (10.1%)	190 Office Center	100.0%	303	89.5%	\$ 25.64	\$ 25.64	\$ 6,960
	Lake Vista Pointe	100.0%	163	100.0%	\$ 16.00	\$ 24.00	\$ 2,613
	2525 McKinnon	100.0%	111	90.4%	\$ 28.04	\$ 45.04	\$ 2,822
Portland, OR (5.8%)	AmberGlen	76.0%	201	96.9%	\$ 21.30	\$ 23.89	\$ 4,151
	Cascade Station	100.0%	128	100.0%	\$ 26.37	\$ 32.38	\$ 3,363
Seattle, WA (3.5%)	Canyon Park	100.0%	207	100.0%	\$ 21.20	\$ 29.20	\$ 4,384
Total / Weighted Average – June 30, 2019 (3)			5,708	93.4%	\$ 24.36	\$ 27.00	\$ 129,797

- (1) For FRP Ingenuity Drive, Lake Vista Pointe, 2525 McKinnon, Sorrento Mesa, and Canyon Park the annualized base rent per square foot on a triple net basis was increased by \$8, \$8, \$17, \$6, and \$8 respectively, to estimate a gross equivalent base rent. AmberGlen has a net lease for one tenant which has been grossed up by \$7 on a pro rata basis. Superior Pointe has net leases for eight tenants which have been grossed up by \$12 on a pro-rata basis. FRP Collection has net leases for five tenants which have been grossed up by \$9 on a pro-rata basis. Circle Point has net leases for fourteen tenants which have been grossed up by \$13 on a pro-rata basis. The Quad has one tenant with a net lease, which has been grossed up by \$8 on a pro-rata basis. Cascade Station has net leases for six tenants which have been grossed up by \$7 on a pro-rata basis.
- (2) Annualized base rent is calculated by multiplying (i) rental payments (defined as cash rents before abatements) for the month ended June 30, 2019 by (ii) 12.
- (3) Averages weighted based on the property's NRA, adjusted for occupancy

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Operating Expenses

Our operating expenses generally consist of utilities, property and ad valorem taxes, insurance and site maintenance costs. Increases in these expenses over tenants' base years (until the base year is reset at expiration) are generally passed along to tenants in our full-service gross leased properties and are generally paid in full by tenants in our net leased properties.

Conditions in Our Markets

Positive or negative changes in economic or other conditions in the markets we operate in, including state budgetary shortfalls, employment rates, natural hazards and other factors, may impact our overall performance.

Summary of Significant Accounting Policies

The interim condensed consolidated financial statements follow the same policies and procedures as outlined in the audited consolidated financial statements for the year ended December 31, 2018 included in our Annual Report on Form 10-K for the year ended December 31, 2018 except for the adoption of Accounting Standards Update ("ASU") 2016-02, Leases (Topic 842) as outlined in Note 2 of the condensed consolidated financial statements.

Results of Operations

Comparison of Three Months Ended June 30, 2019 to Three Months Ended June 30, 2018

Rental and Other Revenues. Revenue includes net rental income, including parking, signage and other income, as well as the recovery of operating costs and property taxes from tenants. Rental and other revenues increased \$11.0 million, or 36%, to \$41.2 million for the three months ended June 30, 2019 compared to \$30.2 million for the three months ended June 30, 2018. Of this increase, \$2.1 million was from the acquisition of Circle Point in July 2018, \$1.4 million was from the acquisition of The Quad in July 2018, \$1.2 million was from the acquisition of Greenwood Blvd in December 2018, \$1.2 million was from the acquisition of Camelback Square in December 2018, \$1.4 million was from the acquisition of Canyon Park in February 2019 and \$0.2 million was from the acquisition of Cascade Station in June 2019. Revenue from Central Fairwinds, Park Tower, Mission City and FRP Collection also increased by \$0.1 million, \$0.3 million, \$0.3 million and \$0.2 million, respectively, as a result of increased average occupancy over the prior-year period. Partially offsetting these increases, Plaza 25 decreased by \$0.7 million due to the sale of the property in February 2019. The remaining properties' revenues were modestly higher in comparison to the prior-year period primarily as a result of modest mark-to-market increases in rents upon renewal. Other revenues benefited from a one-time payment of \$2.6 million received as consideration for the assignment of a purchase contract. The assignment fee originated through our administrative services relationship. Upon adoption of Topic 842, prior year amounts disclosed in rental income, expense reimbursement, and other have been combined into a single line to conform to current period presentation.

Operating Expenses

Total Operating Expenses. Total operating expenses consist of property operating expenses, general and administrative expenses and depreciation and amortization. Total operating expenses increased by \$7.0 million, or 27%, to \$32.5 million for the three months ended June 30, 2019, from \$25.5 million for the three months ended June 30, 2018, primarily due to the acquisitions described above. Total operating expenses increased by \$1.9 million, \$0.9 million, \$0.8 million, \$1.1 million, \$0.7 million and \$0.2 million, respectively, from the acquisitions of Circle Point, The Quad, Greenwood Blvd, Camelback Square, Canyon Park and Cascade Station properties. Park Tower operating expenses also increased by \$0.3 million due to the higher occupancy at that property. Plaza 25 operating expenses decreased by \$0.8 million due to its sale in February 2019. General and Administrative Expenses increased by approximately \$1.4 million, of which \$1.1 million was the result of one-time expenses and accruals incurred as a result of the assignment fee income earned during the quarter and the balance related to higher payroll costs. The remaining operating expenses were modestly higher in comparison to the prior year primarily due to higher occupancy at the properties.

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Property Operating Expenses. Property operating expenses are comprised mainly of building common area and maintenance expenses, insurance, property taxes, property management fees, as well as certain expenses that are not recoverable from tenants, the majority of which are related to costs necessary to maintain the appearance and marketability of vacant space. In the normal course of business, property expenses fluctuate and are impacted by various factors including, but not limited to, occupancy levels, weather, utility costs, repairs, maintenance and re-leasing costs. Property operating expenses increased \$2.8 million, or 24%, to \$14.5 million for the three months ended June 30, 2019 from \$11.7 million for the three months ended June 30, 2018. The increase in property operating expenses was primarily due to the acquisitions described above. The acquisition of the Circle Point, The Quad, Greenwood Blvd, Camelback Square, Canyon Park and Cascade Station contributed an additional \$0.9 million, \$0.3 million, \$0.4 million, \$0.4 million, \$0.2 million and \$0.1 million, respectively, in additional property operating expenses. Park Tower operating expenses also increased by \$0.2 million due to the higher occupancy at that property. Plaza 25 decreased by \$0.4 million due to the sale of that property in February 2019. The remaining property operating expenses aggregate to a net \$0.7 million increase in comparison to the prior-year period.

General and Administrative. General and administrative expenses are comprised of public company reporting costs and the compensation of our management team and board of directors as well as non-cash stock-based compensation expenses. General and administrative expenses increased \$1.4 million, or 71%, to \$3.4 million for the three months ended June 30, 2019 compared to \$2.0 million for the three months ended June 30, 2018. Of this increase, \$1.1 million can be attributed to the one-time expenses and accruals incurred as a result of the assignment fee income earned during the quarter as described above and the balance of the increase is primarily attributable to higher payroll costs.

Depreciation and Amortization. Depreciation and amortization increased \$2.8 million, or 24%, to \$14.6 million for the three months ended June 30, 2019 compared to \$11.8 million for the three months ended June 30, 2018, primarily due to the addition of the Circle Point, The Quad, Greenwood Blvd, Camelback Square, Canyon Park and Cascade Station properties partially offset by a decrease at Plaza 25 due to the sale of the property.

Other Expense (Income)

Interest Expense. Interest expense increased \$2.4 million, or 44%, to \$7.8 million for the three months ended June 30, 2019, compared to \$5.4 million for the three months ended June 30, 2018. The increase was primarily due to interest expense related to acquisitions. Interest expense for the Circle Point, The Quad, Greenwood Blvd, Canyon Park and Cascade Station property level debt increased by \$0.5 million, \$0.3 million, \$0.3 million, \$0.4 million and \$0.1 million, respectively, and the interest on the line of credit increased by \$1.1 million as a result of acquisitions funded by our \$250 million Unsecured Credit Facility. These increases were partially offset by a \$0.2 million decrease in the Plaza 25 debt as a result of its sale and the extinguishment of its property level debt.

Comparison of Six Months Ended June 30, 2019 to Six Months Ended June 30, 2018

Rental and Other Revenues. Revenue includes net rental income, including parking, signage and other income, as well as the recovery of operating costs and property taxes from tenants. Rental and other revenues increased \$16.5 million, or 27%, to \$78.3 million for the six months ended June 30, 2019 compared to \$61.8 million for the six months ended June 30, 2018. Of this increase, \$1.8 million was attributable to the acquisition of Pima Center in April 2018, \$4.1 million from the acquisition of Circle Point in July 2018, \$2.8 million from the acquisition of The Quad in July 2018, \$2.3 million from the acquisition of Greenwood Blvd in December 2018, \$2.4 million from the acquisition of Camelback Square in December 2018, \$2.0 million from the acquisition of Canyon Park in February 2019 and \$0.2 million from the acquisition of Cascade Station in June 2019. Revenue from Central Fairwinds, Park Tower, Mission City and FRP Collection also increased by \$0.4 million, \$0.7 million, \$0.4 million and \$0.3 million, respectively, as a result of increased average occupancy over the prior year. Partially offsetting these increases, Washington Group Plaza decreased by \$1.7 million due to the sale of the property in March 2018 and Plaza 25 decreased by \$1.0 million due to the sale of the property in February 2019. Revenue from DTC Crossroads decreased \$0.4 million as a result of decreased occupancy over the prior year and Sorrento Mesa also decreased by \$1.2 million as a result of the termination fee payment received in the prior year. The remaining properties' revenues were modestly higher in comparison to the prior year primarily as a result of modest mark-to-market increases in rents upon renewal. Other Revenues benefited from a one-time payment of \$2.6 million received as consideration for the assignment of a purchase contract. The assignment fee originated through our administrative services relationship. Upon adoption of Topic 842, prior year amounts disclosed in rental income, expense reimbursement, and other have been combined into a single line to conform to current period presentation.

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Operating Expenses

Total Operating Expenses. Total operating expenses consist of property operating expenses, general and administrative expenses and depreciation and amortization. Total operating expenses increased by \$12.1 million, or 24%, to \$63.1 million for the six months ended June 30, 2019, from \$51.0 million for the six months ended June 30, 2018, primarily due to the acquisitions described above. Total operating expenses increased by \$1.8 million, \$4.0 million, \$1.9 million, \$1.5 million, \$2.1 million, \$1.0 million and \$0.2 million, respectively, from the acquisitions of Pima Center, Circle Point, The Quad, Greenwood Blvd, Camelback Square, Canyon Park and Cascade Station properties. Park Tower operating expenses also increased by \$0.5 million due to the higher occupancy at that property. Washington Group Plaza operating expenses decreased by \$0.8 million due to its sale in March 2018 and Plaza 25 operating expenses decreased by \$1.3 million due to its sale in February 2019. The remaining operating expenses were modestly higher in comparison to the prior-year period primarily due to higher occupancy at the properties.

Property Operating Expenses. Property operating expenses are comprised mainly of building common area and maintenance expenses, insurance, property taxes, property management fees, as well as certain expenses that are not recoverable from tenants, the majority of which are related to costs necessary to maintain the appearance and marketability of vacant space. In the normal course of business, property expenses fluctuate and are impacted by various factors including, but not limited to, occupancy levels, weather, utility costs, repairs, maintenance and re-leasing costs. Property operating expenses increased \$5.0 million, or 21%, to \$28.4 million for the six months ended June 30, 2019 from \$23.4 million for the six months ended June 30, 2018. The increase in property operating expenses was primarily due to the acquisitions described above. The acquisition of the Pima Center, Circle Point, The Quad, Greenwood Blvd, Camelback Square, Canyon Park and Cascade Station contributed an additional \$0.6 million, \$2.0 million, \$0.7 million, \$0.8 million, \$0.7 million, \$0.3 million and \$0.1 million, respectively, in additional property operating expenses. Park Tower operating expenses also increased by \$0.2 million due to the higher occupancy at that property. Washington Group Plaza decreased by \$0.8 million due to the sale of that property in March 2018 and Plaza 25 decreased by \$0.7 million due to the sale of that property in February 2019. The remaining property operating expenses aggregate to an overall \$1.1 million increase in comparison to the prior-year period.

General and Administrative. General and administrative expenses are comprised of public company reporting costs and the compensation of our management team and board of directors as well as non-cash stock-based compensation expenses. General and administrative expenses increased \$1.8 million, or 44%, to \$5.7 million for the six months ended June 30, 2019 compared to \$3.9 million for the six months ended June 30, 2018. Of this increase, \$1.1 million can be attributed to the one-time expenses and accruals incurred as a result of the assignment fee income earned during the six months ended June 30, 2019 as described above and the balance of the increase was primarily attributable to higher payroll costs.

Depreciation and Amortization. Depreciation and amortization increased \$5.3 million, or 23%, to \$29.0 million for the six months ended June 30, 2019 compared to \$23.7 million for the six months ended June 30, 2018, primarily due to the addition of the Papago Tech, Pima Center, Circle Point, The Quad, Greenwood Blvd, Camelback Square, Canyon Park and Cascade Station properties and partially offset by a decrease at Washington Group Plaza and Plaza 25 due to the sale of those properties.

Other Expense (Income)

Interest Expense. Interest expense increased \$4.0 million, or 36%, to \$15.3 million for the six months ended June 30, 2019, compared to \$11.3 million for the six months ended June 30, 2018. The increase was primarily due to interest expense related to acquisitions. Interest expense for the Circle Point, The Quad, Greenwood Blvd, Canyon Park and Cascade Station property level debt increased by \$0.9 million, \$0.6 million, \$0.5 million, \$0.6 million and \$0.1 million, respectively, and the interest on the line of credit increased by \$2.0 million as a result of acquisitions funded by our \$250 million Unsecured Credit Facility. These increases were partially offset by a \$0.2 million and \$0.4 million, respective decrease in the Washington Group Plaza and Plaza 25 debt as a result of the sale of those properties and the extinguishment of its property level debt.

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Cash Flows

Comparison of Six Months Ended June 30, 2019 to Six Months Ended June 30, 2018

Cash, cash equivalents and restricted cash were \$30.9 million and \$32.6 million as of June 30, 2019 and June 30, 2018, respectively.

Cash flow from operating activities. Net cash provided by operating activities increased by \$7.2 million to \$18.6 million for the six months ended June 30, 2019 compared to \$11.4 million for the six months ended June 30, 2018. The increase was primarily attributable to increased operating cash flows from acquired properties.

Cash flow to investing activities. Net cash used in investing activities increased by \$56.8 million to \$38.6 million for the six months ended June 30, 2019 compared to \$18.2 million provided by investing activities for the six months ended June 30, 2018. The increase in cash used in investing activities was primarily due to the acquisition of Canyon Park and Cascade Station in 2019. Additionally, we realized lower proceeds from the sale of real estate in 2019 compared to 2018, which included proceeds from the sale of Washington Group Plaza in 2018.

Cash flow from financing activities. Net cash provided by financing activities increased by \$49.5 million to \$17.6 million for the six months ended June 30, 2019 compared to \$31.9 million used in financing activities in the six months ended June 30, 2018. Cash flow provided by financing activities increased primarily due to higher proceeds from mortgage loans payable compared to 2018 and lower repayments of mortgage loans payable compared to 2018. The increase was partially offset by lower proceeds from credit facility in 2019 compared to 2018.

Liquidity and Capital Resources

Analysis of Liquidity and Capital Resources

We had approximately \$11.6 million of cash and cash equivalents and \$19.3 million of restricted cash as of June 30, 2019.

On March 15, 2018 the Company entered into a \$250 million Unsecured Credit Facility, which includes an accordion feature that allows the Company to borrow up to \$500 million, subject to customary terms and conditions. The Company's previous secured credit facility was replaced and repaid in full from the proceeds of our Unsecured Credit Facility. Our Unsecured Credit Facility matures in March 2022, and may be extended to March 2023 at the Company's option upon meeting certain conditions. Borrowings under our Unsecured Credit Facility bear an interest at a rate equal to the LIBOR rate plus a margin of between 140 to 225 basis points depending upon the Company's consolidated leverage ratio. As of June 30, 2019, we had approximately \$150.0 million outstanding under our Unsecured Credit Facility and a \$5.3 million letter of credit to satisfy escrow requirements for a mortgage lender.

The Company and the Operating Partnership previously entered into the amended equity distribution agreements (collectively, the "EDAs") with the sales agents named therein (collectively, the "Sales Agents"), pursuant to which the Company may issue and sell from time to time up to 8,000,000 shares of common stock and up to 1,000,000 shares of Series A Preferred Stock through the Sales Agents, acting as agents or principals. Pursuant to the EDAs, the shares may be offered and sold through the Sales Agents in transactions that are deemed to be "at the market" offerings as defined in Rule 415 under the Securities Act, including sales made directly on the New York Stock Exchange or sales made to or through a market maker other than on an exchange or, with the prior consent of the Company, in privately negotiated transactions. The Sales Agents will be entitled to compensation of up to 2.0% of the gross proceeds of shares sold through the Sales Agents from time to time under the EDAs. The Company has no obligation to sell any of the shares under the EDAs and may at any time suspend solicitations and offers under, or terminate, the EDAs. The Company did not make any sales of securities under the EDAs during the six months ended June 30, 2019.

Our short-term liquidity requirements primarily consist of operating expenses and other expenditures associated with our properties, distributions to our limited partners and distributions to our stockholders required to qualify for REIT status, capital expenditures and, potentially, acquisitions. We expect to meet our short-term liquidity requirements through net cash provided by operations, reserves established from existing cash, proceeds from our public offerings, including under our at the market issuance program, and borrowings under our mortgage loans and our Unsecured Credit Facility.

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

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

Contractual Obligations and Other Long-Term Liabilities

The following table provides information with respect to our commitments as of June 30, 2019, including any guaranteed or minimum commitments under contractual obligations. The table does not reflect available debt extension options.

Contractual Obligations	Payments Due by Period (in thousands)				
	Total	2019	2020-2021	2022-2023	More than 5 years
Principal payments on mortgage loans	\$ 715,003	\$ 2,692	\$ 95,311	\$ 203,987	\$ 413,013
Interest payments ⁽¹⁾	162,109	15,110	57,650	40,589	48,760
Tenant-related commitments	10,907	5,890	4,418	599	—
Operating and financing lease obligations	30,641	316	1,617	1,431	27,277
Total	\$ 918,660	\$ 24,008	\$ 158,996	\$ 246,606	\$ 489,050

(1) Contracted interest on the floating rate debt was calculated based on our Unsecured Credit Facility balance and interest rate at June 30, 2019.

Off-Balance Sheet Arrangements

As of June 30, 2019, we had a \$5.3 million letter of credit outstanding under our Unsecured Credit Facility to satisfy escrow requirements for a mortgage lender.

Inflation

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Our future income, cash flows and fair values relevant to financial instruments are dependent upon prevailing market interest rates. Market risk refers to the risk of loss from adverse changes in market prices and interest rates. We have used, and will use, derivative financial instruments to manage or hedge interest rate risks related to borrowings. We do not use derivatives for trading or speculative purposes and only enter into contracts with major financial institutions based upon their credit rating and other factors. We have entered, and we will only enter into, contracts with major financial institutions based on their credit rating and other factors. As of June 30, 2019, our Company did not have any outstanding derivatives.

The primary market risk to which we are exposed is interest rate risk. Our primary interest rate exposure is LIBOR. We primarily use fixed interest rate financing to manage our exposure to fluctuations in interest rates. We consider our interest rate exposure to be minimal because as of June 30, 2019, approximately \$565.0 million, or 79.0%, of our debt had fixed interest rates and approximately \$150.0 million, or 21.0%, had variable interest rates. A

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10% increase in LIBOR would increase our annual interest costs by approximately \$0.4 million on debt outstanding as of June 30, 2019, and would decrease the fair value of our outstanding debt, as well as increase interest costs associated with future debt issuances or borrowings under our Unsecured Credit Facility. A 10% decrease in LIBOR would decrease our annual interest costs by approximately \$0.4 million on debt outstanding as of June 30, 2019, and would increase the fair value of our outstanding debt, as well as decrease interest costs associated with future debt issuances or borrowings under our Unsecured Credit Facility.

Interest rate risk amounts are our management's estimates based on our Company's capital structure and were determined by considering the effect of hypothetical interest rates on our financial instruments. These analyses do not consider the effect of any change in overall economic activity that could occur in that environment. We may take actions to further mitigate our exposure to changes in interest rates. However, due to the uncertainty of the specific actions that would be taken and their possible effects, these analyses assume no changes in our Company's financial structure.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Based on the most recent evaluation, the Company's Chief Executive Officer and Chief Financial Officer determined that the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934, as amended) were effective as of June 30, 2019.

Management's Report on Internal Control Over Financial Reporting

There have been no changes to our internal control over financial reporting that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We and our subsidiaries are, from time to time, parties to litigation arising from the ordinary course of business. As of June 30, 2019, management does not believe that any such litigation will have a material adverse effect, individually or in the aggregate, on our financial position or results of operations.

Item 1A. Risk Factors

The following risk factor replaces the risk factor disclosed under a similar heading in the section entitled “Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2018. Except as presented below, there have been no material changes from the risk factors set forth in such Annual Report.

Our commitments to Second City Real Estate II Corporation (“Second City”), Clarity Real Estate III GP, Limited Partnership (“Clarity RE”), Clarity Real Estate Ventures GP, Limited Partnership (together with Clarity RE, “Clarity”), and their respective affiliates may give rise to various conflicts of interest.

We are subject to conflicts of interest arising out of our relationship with Second City and Clarity. As a result of the internalization of our former external advisor on February 1, 2016, we agreed to allow our management to continue to provide services to Second City under the terms of an administrative services agreement. In addition, the terms of the administrative services agreement and the employment agreements we entered into with each of our executive officers permit, under certain circumstances and subject to the oversight of our Board of Directors, our executive officers to advise or oversee new or additional funds in the future. On July 31, 2019, we, through an indirect, wholly-owned subsidiary, entered into a separate administrative services agreement with Clarity to provide administrative services to Clarity similar to those provided to Second City. These arrangements with Second City and Clarity may create potential conflicts of interests, including competition for the time and services of personnel that work for us and our affiliates

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

On July 31, 2019, CIO Administrative Services, LLC (the “Service Provider”), an indirect, wholly-owned subsidiary of the Company, entered into an Administrative Services Agreement (the “Administrative Services Agreement”) with Clarity Real Estate III GP, Limited Partnership and Clarity Real Estate Ventures GP, Limited Partnership (collectively with their affiliates, “Clarity”), entities affiliated with the Company. James Farrar, the Company’s Chief Executive Officer, and Gregory Tylee, the Company’s President and Chief Operating Officer, are officers of the general partners of the Clarity funds and own equity interests in the Clarity funds. Pursuant to the Administrative Services Agreement, the Service Provider will provide various administrative services and support to Clarity as set forth in the Administrative Services Agreement. The annual payments made by Clarity to the Service Provider for these services under the Administrative Services Agreement will be a percentage of the management fees received by Clarity from Clarity’s managed funds and affiliates under Clarity’s governance documents according to a formula set forth in the Administrative Services Agreement.

In conjunction with the Company’s entry into the Administrative Services Agreement, on July 31, 2019, the Company, through a wholly-owned subsidiary, entered into an amendment to the Company’s employment agreements (collectively, the “Employment Agreement Amendments”) with each of James Farrar, the Company’s

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Chief Executive Officer, Greg Tylee, the Company's President and Chief Operating Officer, and Anthony Maretic, the Company's Chief Financial Officer, Secretary and Treasurer. The Employment Agreement Amendments clarify that the Company's executive officers may participate in the organization and administration of Clarity.

A committee consisting solely of the independent members of the Company's Board of Directors approved the Company's entry into the Administrative Services Agreement and the Employment Agreement Amendments. The foregoing descriptions of the Administrative Services Agreement and the Employment Agreement Amendments are not complete. Reference is made to the full text of the Administrative Services Agreement and each of the Employment Agreement Amendments filed as Exhibit 10.2, Exhibit 10.3, Exhibit 10.4, and Exhibit 10.5, respectively, to this Quarterly Report on Form 10-Q.

Item 6. Exhibits

Exhibit Number	Description
3.1	<u>Articles of Amendment and Restatement of City Office REIT, Inc., as amended and supplemented (incorporated by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-K filed on March 1, 2018).</u>
3.2	<u>Second Amended and Restated Bylaws of City Office REIT, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on March 14, 2017).</u>
4.1	<u>Certificate of Common Stock of City Office REIT, Inc. (incorporated by reference to Exhibit 4.1 of the Company's Registration Statement on Form S-11/A filed with the Commission on February 18, 2014).</u>
4.2	<u>Form of certificate representing the 6.625% Series A Cumulative Redeemable Preferred Stock, \$0.01 par value per share (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form 8-A filed with the Commission on September 30, 2016).</u>
10.1	<u>Amendment No. 1 to the City Officer REIT, Inc. Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on May 6, 2019).</u>
10.2	<u>Administrative Services Agreement, dated July 31, 2019, by and among CIO Administrative Services, LLC, Clarity Real Estate III GP, Limited Partnership and Clarity Real Estate Ventures GP, Limited Partnership. †</u>
10.3	<u>Amendment No. 1 to Executive Employment Agreement, dated as of July 31, 2019, by and between City Office Management Ltd. and James Farrar.* †</u>
10.4	<u>Amendment No. 1 to Executive Employment Agreement, dated as of July 31, 2019, by and between City Office Management Ltd. and Gregory Tylee.* †</u>
10.5	<u>Amendment No. 1 to Executive Employment Agreement, dated as of July 31, 2019, by and between City Office Management Ltd. and Anthony Maretic.* †</u>
31.1	<u>Certification by Chief Executive Officer under Section 302 of the Sarbanes-Oxley Act of 2002. †</u>
31.2	<u>Certification by Chief Financial Officer under Section 302 of the Sarbanes-Oxley Act of 2002. †</u>
32.1	<u>Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. †</u>
32.2	<u>Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. †</u>
101.INS	INSTANCE DOCUMENT**
101.SCH	SCHEMA DOCUMENT**
101.CAL	CALCULATION LINKBASE DOCUMENT**
101.LAB	LABELS LINKBASE DOCUMENT**
101.PRE	PRESENTATION LINKBASE DOCUMENT**
101.DEF	DEFINITION LINKBASE DOCUMENT**

† Filed herewith.

* Compensatory Plan or arrangement

** Submitted electronically herewith. Attached as Exhibit 101 to this report are the following documents formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets; (ii) Consolidated Statements of Income; (iii) Consolidated Statements of Equity; (iv) Consolidated Statements of Cash Flows; and (v) Notes to Consolidated Financial Statements.

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ADMINISTRATIVE SERVICES AGREEMENT

This Administrative Services Agreement (this "Agreement"), dated as of July 31, 2019 is made by and among CIO Administrative Services, LLC ("CIO"), Clarity Real Estate III GP, Limited Partnership ("Clarity Fund GP") and Clarity Real Estate Ventures GP, Limited Partnership ("Clarity Ventures GP"). Clarity Fund GP and Clarity Ventures GP are collectively referred to herein as "Clarity". Clarity and CIO are collectively referred to herein as the "Parties."

RECITALS

WHEREAS, CIO is a special purpose subsidiary of City Office REIT, Inc. ("REIT"), formed to provide real estate asset management and advisory services to Clarity; and

WHEREAS, Clarity Fund GP serves as the sole general partner of Clarity Real Estate III, Limited Partnership, a Delaware limited partnership (the "Fund"), a committed private equity fund; and

WHEREAS, Clarity Ventures GP serves as the sole general partner of Clarity Real Estate Ventures, Limited Partnership, a Delaware limited partnership (the "Ventures"), a vehicle which will pursue programmatic joint venture investments; and

WHEREAS, Clarity has requested that CIO provide certain administrative services to Clarity Fund GP and to Clarity Ventures GP on the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the foregoing and the mutual agreements contained in this Agreement, the Parties hereby agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01 Certain Defined Terms. The following capitalized terms used in this Agreement shall have the meanings set forth below:

"Affiliate" means (i) any Person directly, or indirectly controlling, controlled by, or under common control with such other Person, (ii) any executive officer or general partner of such other Person, (iii) any member of the board of directors or board of managers (or bodies performing similar functions) of such Person, and (iv) any legal entity for which such Person acts as an executive officer or general partner.

"Board of Directors" means the Board of Directors of the REIT.

"Business Day" means any day, except a Saturday, a Sunday or a day on which banking institutions in New York, New York are not required to be open.

"Change of Control" means, with respect to an entity, the direct or indirect acquisition by any Person, or group of Persons, acting jointly or in concert, of voting control or direction over more than 50% of the votes attaching, collectively, to the outstanding voting interests of the entity.

“Code” means the Internal Revenue Code of 1986, as amended.

“Commencement Date” means the date of the initial closing for either the Fund or Ventures.

“Committee” means the investment committee established by the Board of Directors consisting solely of Independent Directors.

“Default” means (a) an Event of Default or (b) any event or condition which with notice or lapse of time or both would, unless cured or waived, become an Event of Default.

“Governing Instruments” means, with regard to any entity, the articles or certificate of incorporation and bylaws in the case of a corporation, certificate of limited partnership (if applicable) and the partnership agreement in the case of a general or limited partnership, the articles or certificate of formation and the operating agreement in the case of a limited liability company, the trust instrument in the case of a trust, or similar governing documents, in each case as amended, restated or supplemented from time to time.

“IC Chairman” means the Chairman of the Committee.

“Independent Directors” means the independent members of the Board of Directors who are not officers or employees of the REIT or any of its Affiliates, and who are otherwise determined by the Independent Directors to be “independent” in accordance with the REIT’s Governing Instruments and policies and, if applicable, the rules of any national securities exchange any securities of the REIT are listed, from time to time.

“Management Fee” shall mean the sum of the following: (i) the cash management fee payable by the Fund to Clarity Fund GP, as the general partner of the Fund, as calculated by the Fund’s Governing Instruments or other agreement (whether using a percentage charged to committed capital, net invested capital or alternative measure), but it shall not include (a) any sums paid to Clarity Fund GP by the Fund which are intended to reimburse Clarity Fund GP or any officer or partner of Clarity Fund GP, for third party costs and expenses incurred by Clarity Fund GP or such officers or partners of Clarity Fund GP, and (b) any carried interest payments or similar back-end promoted performance incentives received by Clarity Fund GP or any officer or partner of Clarity Fund GP from the Fund, and (ii) the cash asset management fee payable by the Ventures to Clarity Ventures GP, as the general partner of the Ventures, as calculated by Venture’s Governing Instruments or other agreement (whether using a percentage charged to committed capital, net invested capital or alternative measure to calculate such asset management fee), but it shall not include (a) any sums paid to Clarity Ventures GP by the Ventures which are intended to reimburse Clarity Ventures GP or any officer or partner of Clarity Ventures GP, for third party costs and expenses incurred by Clarity Ventures GP or such officers or partners of Clarity Ventures GP, and (b) any performance incentives received by Clarity Ventures GP or any officer or partner of Clarity Ventures GP from the Ventures. All Management Fees shall be payable in U.S. Dollars.

“OP” means City Office REIT Operating Partnership, L.P.

“Person” means any individual, corporation, partnership, joint venture, limited liability company, estate, trust, unincorporated association, any federal, state, county or municipal government or any bureau, department or agency thereof and any fiduciary acting in such capacity on behalf of any of the foregoing.

“Suitable Property” shall mean properties which consist of (x) developed commercial real estate properties (i) where at least eight-five (85%) percent of the net rentable area is allocated for office use, (ii) that have leases in place for at least eighty-five (85%) percent of the net rentable area of the building, and (iii) with leases that have, in the aggregate, a weighted average (based on square footage) of at least three (3) years remaining at the time of acquisition, or (y) any underdeveloped or unimproved real property that is contiguous to a property owned by the REIT.

“Top-Up Fees” means any additional cash fees elected to be paid by Clarity to CIO in excess of any Fees contemplated by Section 4.01 of this Agreement so as to satisfy the Minimum Annual Fee requirements of Section 4.04.

ARTICLE II

SERVICES AND DURATION

Section 2.01 Services. Subject to the terms and conditions of this Agreement, beginning on the Commencement Date and continuing during the Term (as defined in Article VII), CIO shall provide (or cause to be provided) to Clarity, as requested from time to time by Clarity, the services listed below (the “Services”):

- (i) administrative record-keeping services and administrative assistance with the preparation of accounting statements for Clarity the Fund, and Ventures;
- (ii) administrative assistance with potential acquisitions, dispositions, capital raising and financings by either the Fund and Ventures and their Affiliates, the terms of which shall be the sole responsibility of Clarity;
- (iii) administering the day-to-day operations of the Fund and Ventures, Clarity and the properties of the Fund and Ventures, including, but not limited to, the collection of revenues and payment of debts and obligations on behalf of Clarity, the Fund and Ventures and the third party expenses, all of which debts and expenses shall be at Clarity’s or the Fund and Ventures’ sole cost and expense;
- (iv) obtaining, upon Clarity’s request and at Clarity’s, the Fund’s or Ventures’ expense, reports and statistical and economic research for the Fund and Ventures, its properties and prospective properties;
- (v) administrative assistance, upon Clarity’s request and at Clarity’s, the Fund’s or Ventures’ expense, in qualifying the Fund and Ventures, Clarity and its Affiliates to do business in jurisdictions determined by Clarity;

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- (vi) administrative assistance with respect to regulatory compliance, risk management policies and any litigation matters provided that responsibility for compliance with any such matters shall be the sole responsibility of Clarity Fund GP or Clarity Ventures GP, as the case may be;
 - (vii) administrative assistance to Clarity and the third party property managers of the properties owned by the Fund and Ventures with regards to operating expenses, lease negotiation terms and capital expenditures;
 - (viii) subject to the provisions below, assist in the preparation of financial statements, the management of external audit and review engagements, Fund and Ventures investor communications, and the preparation and filing of tax returns and distributions of applicable tax documents to Fund and Ventures investors and associated documentation, provided that Clarity shall be solely responsible for all matters described in this paragraph (viii); and
 - (ix) administrative assistance with third-party communications; provided that no communications with third parties shall be on REIT or CIO letterhead or include the REIT or CIO name or logo.

CIO's provision of the Services at all times shall be directed by and subject to the supervision of Clarity Fund GP or Clarity Ventures GP, as the case may be. CIO shall only perform such functions and with such authority as Clarity may specifically delegate to it, including the functions and authority identified herein and delegated to CIO hereby. Notwithstanding anything in this Agreement or otherwise, Clarity, and not CIO or any personnel of the REIT or CIO (other than James Farrar and Gregory Tylee, in their personal capacities as principals of Clarity and not in their capacities as directors, officers, employees or agents of the REIT or CIO), will make and be responsible for all certifications to investors in the Fund or Ventures, auditors, lenders, taxing authorities or other third parties, all of which certifications shall be made solely by officers, employees or partners of Clarity or the Fund or Ventures solely in their capacity as such. Clarity Fund GP or Clarity Ventures GP, as the case may be, will formally approve any and all budgets, schedules, acquisitions or dispositions, distributions to investors, financing or similar activities, financial statements, tax returns and associated documentation for which CIO may provide administrative assistance or services as part of the Services hereunder. In addition, the Parties agree and acknowledge that although Messrs. Farrar and Tylee are employees and executive officers of the REIT, or a subsidiary of the REIT they also are officers, employees and principals of Clarity, and that any and all decisions, consents, approvals or other activities or actions by such persons with respect to budgets, financial statements, acquisition or disposition activities, capital raising, investor relations or any other activities with respect to Clarity Fund GP or Clarity Ventures GP, as the case may be, the Fund, the Ventures or their Affiliates, shall be in their capacity as an officer, principal or employee of Clarity Fund GP or Clarity Ventures GP, as the case may be, and not in their capacity as an officer, director, employee or agent of CIO, the REIT or any of their Affiliates. CIO and its Affiliates shall have no liability or obligation to Clarity or the Fund or Ventures, their partners or lenders or to any third party with respect thereto.

Section 2.02 Personnel. CIO will make available such appropriately qualified personnel as it deems appropriate to provide the Services. In addition, CIO will permit, for the duration of the Fund and Ventures, Messrs. Farrar and Tylee to perform their duties as officers of Clarity Fund GP or Clarity Ventures GP. CIO, in its sole reasonable discretion, may (i) designate the personnel to perform the Services, so long as such personnel will at all times be under the direct supervision of either Messrs. Farrar or Tylee, and (ii) remove and replace such personnel at any time with personnel of similar qualifications and experience levels, if such action would not reasonably be expected to cause a material decrease in the level of Services.

ARTICLE III

OTHER ARRANGEMENTS AND ADDITIONAL AGREEMENTS

Section 3.01 Cooperation. The Parties will cooperate, acting in good faith and using commercially reasonable efforts, to effect a smooth and orderly implementation of this Agreement; provided, however, that this Section 3.01 shall not require CIO to incur any out-of-pocket costs or expenses unless and except as expressly provided in this Agreement or otherwise agreed to in advance by a majority of the Independent Directors.

Section 3.02 Service Following Term. In addition to the activities permitted by Article VIII, following expiration of the Term and for the duration of the existence of the Fund and Ventures, CIO agrees that, consistent with the terms of their employment agreements with City Office Management Ltd., Messrs. Farrar and Tylee may continue to provide reasonable assistance to Clarity Fund GP or Clarity Ventures GP and the Fund and Ventures, but only to the extent that such assistance does not interfere with their ability to perform and satisfy their respective employment obligations to the REIT or a subsidiary thereof, as determined by the Independent Directors in their reasonable discretion consistently applied, but in all cases in compliance with the standards of care imposed by applicable Maryland law on directors of a Maryland corporation. Any such assistance shall be for the sole benefit of Clarity and the Fund and Ventures and shall be performed only as requested by Clarity and the Fund and Ventures from time to time. Any such activities will be undertaken by Messrs. Farrar and Tylee in their individual capacities as officers, principals, or employees of Clarity and the Fund and Ventures and not as an officer, director, employee or agent of CIO, the REIT or their Affiliates and CIO, the REIT, and their Affiliates shall have no liability or obligation to Clarity or any third party for any such activities.

Section 3.03 REIT Investors. Without the prior consent of a majority of Independent Directors, Clarity shall not solicit, entice or otherwise initiate communication with those holders of equity securities of the REIT which are known to hold in excess of one (1%) percent of all issued and outstanding shares of the REIT ("REIT Investors") for the purpose of seeking investments in the Fund. Notwithstanding the foregoing, it is understood that the use of general solicitations not directly targeted at REIT Investors shall not be deemed a violation of this Section 3.03, nor shall this Section 3.03 prevent Clarity, the Fund and Ventures from communicating with any REIT Investor that is known as an active investor in private funds or that proactively contacts Clarity on his, her or its own initiative without any direct solicitation by Clarity, the Fund or Ventures.

Section 3.04 Acquisition Protocols.

(a) Clarity, the Fund and Ventures each acknowledge and agree that they shall not acquire a Suitable Property, except in compliance with and as may be permitted by the terms and conditions of this Section 3.04. In the event Clarity, the Fund or Ventures identifies for acquisition or investment a property that is a Suitable Property, Clarity shall notify the IC Chairman of the REIT in writing (a "Notice") regarding such acquisition opportunity, which Notice shall include a detailed description of the Suitable Property and the material terms and conditions of the proposed acquisition, including purchase price. Upon request by the IC Chairman, Clarity will provide any and all additional information with respect to the acquisition in Clarity's possession to the IC Chairman. The Committee, or the Independent Directors, acting on behalf of the Board of Directors shall have a ten (10) Business Day period following receipt of the Notice and such information to review the information and consider whether to cause REIT or a subsidiary thereof to pursue the acquisition of the Suitable Property. If the Committee or the Independent Directors elect to cause REIT or a subsidiary thereof to pursue the acquisition of the Suitable Property and notifies Clarity to that effect within the ten Business Day period, Clarity and the Fund or Ventures shall deliver to REIT all reports, analyses and other information regarding the Suitable Property in their possession or control, shall discontinue all efforts to acquire the Suitable Property and will cooperate with REIT in the pursuit and acquisition of the Suitable Property.

(b) If, within the ten Business Day period described in paragraph (a) above, the Committee or the Independent Directors do not notify Clarity that they elect for the REIT or a subsidiary thereof to pursue the acquisition of the Suitable Property or otherwise expressly notify Clarity that the REIT will not pursue the acquisition of the Suitable Property, or the Committee elects not to pursue the acquisition of a Suitable Property presented to it from any other source (each such Suitable Property which is rejected being a "Rejected Suitable Property"), then, in that event, the Fund or Ventures and Clarity shall have the right to pursue the acquisition of such Rejected Suitable Property and thereafter consummate the purchase of the Rejected Suitable Property, subject in all events, to the conditions in this Section 3.04(b). Clarity shall have the right to cause the Fund or Ventures to acquire the Rejected Suitable Property for a purchase price not less than 95% of the price set forth in the Notice or otherwise presented to the Committee and on substantially the same terms and conditions set forth in the Notice or otherwise presented to the Committee. In the event that the purchase price for a Rejected Suitable Property presented to the Independent Directors in the Notice or otherwise rejected by the Committee is subsequently reduced to an amount less than 95% of the purchase price set forth in the Notice or presented to the Committee, and/or other material terms of the acquisition are changed in favor of the buyer, then Clarity shall so notify the IC Chairman in writing and the Committee shall have a period of five (5) Business Days from receipt of such notice from Clarity (or such lesser period as may be available, under the circumstances, from the seller of the Rejected Suitable Property, as specified in such notice) to elect to cause REIT or a subsidiary thereof to acquire the Rejected Suitable Property at the reduced purchase price and/or on the adjusted terms and conditions. It is agreed that the extension of time periods under any such agreement or the modification of the Seller's non-material contractual obligations thereunder shall not constitute a material modification or trigger Clarity's obligation to present to the Committee the amended acquisition agreement for the Rejected Suitable Property.

Section 3.05 Marketing Materials. Except as provided herein, neither Clarity nor the Fund nor Ventures shall be permitted to utilize the name, logo or other information regarding CIO, the REIT or any Affiliate of the REIT in any materials used to solicit any investment in the Fund or Ventures for any purpose whatsoever other than specifically describing the terms of this Agreement to potential investors in the Fund or Ventures or lenders that may be approached to provide financing to Clarity, the Fund, the Ventures or their Affiliates which description must be approved within ten (10) Business Days by the Independent Directors or the Committee. In addition, the Independent Directors shall have the right to review and comment upon and approve within ten (10) Business Days any and all offering circulars, private placement memoranda, marketing materials or comparable documentation relating to Clarity or the Fund or the Ventures prior to their use or dissemination. If, within ten (10) Business Day Period, the Independent Directors or the Committee have not provided any comments to Clarity on any submission presented to the Independent Directors or the Committee pursuant to this Section 3.05, then, in that event, the materials so submitted by Clarity shall be deemed approved for all purposes under this Section 3.05. The subscription documents for the Fund and Ventures shall clearly disclose to investors in the Fund and Ventures the waiver by the Fund and Ventures and Clarity of any potential claims against CIO, the REIT and their Affiliates as contained herein relative to the Services.

Section 3.06 Disclaimer. Clarity shall include a disclaimer substantially similar to the following in any offering circular, private placement memorandum, marketing material or comparable document relating to the offer and sale of interests in the Fund:

“INTERESTS IN THE [FUND OR THE VENTURES] ARE NOT SPONSORED, ENDORSED, SOLD OR PROMOTED BY CITY OFFICE REIT, INC. (“CITY OFFICE”). THIS OFFERING IS CONDUCTED SOLELY BY [CLARITY/THE FUND/THE VENTURES] AND CITY OFFICE HAS NOT APPROVED ANY MATERIALS WITH RESPECT THERETO AND SHALL NOT HAVE ANY LIABILITY FOR ANY ERRORS, OMISSIONS, OR MISSTATEMENTS HEREIN AND MAKES NO WARRANTY, EXPRESS OR IMPLIED, AS TO ANY INFORMATION CONTAINED HEREIN OR OTHERWISE RELATING TO [CLARITY/THE FUND/THE VENTURES] OR OTHER DATA OR INFORMATION INCLUDED HEREIN. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL CITY OFFICE OR ANY OF ITS AFFILIATES HAVE ANY LIABILITY WHATSOEVER, INCLUDING FOR ANY LOSS OF INVESTMENTS, LOST PROFITS OR INDIRECT, PUNITIVE, SPECIAL OR CONSEQUENTIAL DAMAGES OR LOSSES, EVEN IF NOTIFIED OF THE POSSIBILITY THEREOF.”

Section 3.07 Notification of Disposition of Fund Properties. In further consideration of the Services to be provided by CIO, during the term hereof, Clarity agrees to provide written notice to the Independent Directors or the Committee in the event the Fund or Ventures elect to market for sale a property owned by the Fund, and/or the Ventures. The terms of this Section 3.07 only obligate Clarity to provide written notice to the IC Chairman in accordance with the terms of this Section 3.07 and, except as expressly provided in this Section, do not vest in CIO any right to approve or right to purchase the property so identified. The notification from Clarity shall include a detailed description of the property and other information which would typically be made available to potential buyers. The Fund and Ventures agree to reasonably consider in good faith any expressions of interest which may be made by the REIT or CIO in connection with the REIT’s potential purchase of such properties.

Section 3.08 Mandatory Notification. Clarity agrees that it shall provide written notice to the IC Chairman in the event the Fund or Ventures, or any of their affiliated entities, proposes to acquire any property. Such notice shall include a description of the property and a summary of material financial information with respect to the property promptly following the Fund or Ventures being awarded the transaction and/or the execution of a definitive agreement, but in no event later than ten (10) days following the Fund or Venture's purchase of the property. It is agreed that the terms of this Section 3.08 only obligate the Fund or Ventures to provide written notice to the IC Chairman in accordance with the terms hereof and do not vest in CIO or the REIT any right to approve or participate in such purchase that are not otherwise expressly provided to CIO or the REIT in other provisions of this Agreement.

Section 3.09 Non-Solicitation of Employees. Clarity agrees that during the term of this Agreement and for a period of twelve (12) months following the termination of this Agreement, neither Clarity nor the Fund nor Ventures shall directly or indirectly solicit the employment of, or hire any individual who is an employee of CIO, the REIT, or any of their Affiliates. The foregoing restriction, however, shall not apply to employees of CIO who have provided accounting services to Clarity and/or the Fund or Ventures pursuant to this Agreement, or to employees of CIO, the REIT or their Affiliates and who would otherwise be terminated by CIO, the REIT or their Affiliates as a result of the termination of this Agreement or a Change of Control of CIO and/or the REIT.

ARTICLE IV

FEES, TAXES

Section 4.01 Fees. The cash fees payable by Clarity to CIO for the Services under this Agreement ("Fees") shall commence on the Commencement Date and continue during the term. Payments of fees shall be made in arrears on the first day of the first calendar quarter following the Commencement Date and the first business day of each calendar quarter thereafter and shall be based on the Management Fees paid to the Clarity Fund GP (as calculated in Section 4.02 below) plus the Management Fees paid to Clarity Ventures GP (as calculated in Section 4.03 below) during the calendar quarter then ended.

Section 4.02 Clarity Fund GP Fees. The Fees payable by Clarity Fund GP shall be as follows:

- (i) 100% of the Management Fee paid to Clarity Fund GP by the Fund under the Governance Documents of the Fund up to the first \$500,000.00 of such Management Fee, then
- (ii) 25% of the Management Fee paid to Clarity Fund GP by the Fund under the Governance Documents of the Fund until each of Clarity and CIO have received equal amounts of the aggregate Management Fees paid by the Fund, then

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- (iii) 50% of the Management Fee paid to Clarity Fund GP by the Fund under the Governance Documents of the Fund.

Section 4.03 Clarity Ventures GP Fees. The Fees payable by Clarity Ventures GP shall be as follows:

- (i) 50% of the Management Fee paid to Clarity Ventures GP by the Ventures under the Governance Documents of the Ventures during the calendar quarter then ended.

Section 4.04 Taxes. Without limiting any provisions of this Agreement, Clarity Fund GP and Clarity Venture GP shall each pay any sales, use and other similar taxes imposed on, or payable with respect to, any Services provided to it under this Agreement; provided, however, that Clarity shall not pay, or be responsible for, any applicable income, franchise or gross receipts taxes imposed on, or payable with respect to, the income derived by CIO from providing the Services to Clarity.

Section 4.05 No Right to Set-Off. Each of Clarity Fund GP and Clarity Ventures GP shall pay the full Fee amount owed by them to CIO pursuant to the terms of this Agreement and shall not set-off, counterclaim or otherwise withhold any Fee owed to CIO under this Agreement on account of any obligation claimed or owed by CIO to Clarity that has not been finally adjudicated, settled or otherwise agreed upon by the Parties in writing.

Section 4.06 Minimum Annual Fees. Notwithstanding anything contained herein to the contrary, commencing with the first full calendar year following the first closing of the Fund and for each calendar year thereafter during the Term hereof, the minimum annual fees payable by Clarity to CIO for the Services shall be \$250,000 per calendar year ("Minimum Annual Fee"), failing which CIO shall have the right to terminate this Agreement pursuant to and in accordance with Section 7.01(b)(v). Any election to terminate this Agreement by CIO due to the failure to satisfy the Minimum Annual Fee requirements in any calendar year must be made by CIO within thirty (30) days of the end of such calendar year and otherwise be in accordance with Section 7.01(b)(v) provided however, Clarity shall have the right, at their discretion, to pay to CIO a Top-Up Fee so as to satisfy the Minimum Annual Fee requirements of this Section 4.04 for the calendar year then ending. The Top-Up Fee shall be in an amount equal to the positive difference between the amount of Fees paid during such calendar year and \$250,000. The payment of the Top-Up Fee shall be made, if at all, within thirty (30) days of Clarity's receipt of written notice from CIO that the Fees paid in any such calendar year were less than \$250,000. If such Top-Up Fee is paid timely, Clarity shall have satisfied for such calendar year the Minimum Annual Fee requirement and upon such payment any right or election of CIO to terminate this Agreement pursuant to Section 7.01(b)(v) shall be null and void.

ARTICLE V

STANDARD FOR SERVICE

Section 5.01 Standard for Service. CIO agrees (i) to perform the Services in a commercially reasonable manner; (ii) upon receipt of written notice from Clarity identifying any outage, interruption or other failure of any Service, to respond to such outage, interruption or other failure of any Services in a commercially reasonable and prompt manner (the Parties acknowledge that an outage, interruption or other failure of any Service shall not be deemed to be a breach of the provisions of this Section 5.01 so long as CIO complies with this clause (ii)).

Section 5.02 Compliance with Laws and Regulations. Each Party shall be responsible for its own compliance with any and all laws applicable to it and its business.

ARTICLE VI

LIMITATION OF LIABILITY AND INDEMNIFICATION

CIO, the REIT and their Affiliates assume no responsibility under this Agreement or otherwise other than to render the Services specifically set forth in this Agreement and shall not be responsible for any action or inaction of Clarity, the Fund, the Ventures or their Affiliates with respect to the business operations, assets and properties of Clarity, the Fund, the Ventures or their Affiliates. None of CIO, the REIT, the OP, or any of their respective officers, directors, members, employees, managers and personnel, any Person controlling or controlled by CIO or any such Person's directors, officers, stockholders, members, advisors, personnel and directors, or any Person providing sub-advisory services to CIO will be liable hereunder to Clarity, the Fund, the Ventures or any subsidiary or Affiliate thereof, to the board of directors of Clarity, the Fund, the Ventures or their Affiliates or any stockholders, investors, members, employees, partners, lenders or regulators of Clarity, the Fund, the Ventures or their Affiliates for any acts or omissions by any such Person, pursuant to or in accordance with this Agreement or otherwise. Clarity Fund GP and the Fund and Clarity Ventures GP and Ventures, as the case may be, shall reimburse, indemnify and hold harmless CIO, the REIT, the OP and any of their respective officers, stockholders, directors, members, employees and personnel, any Person controlling or controlled by CIO, the REIT or the OP (each, a "CIO Indemnified Party"), harmless of and from any and all expenses, losses, damages, liabilities, demands, charges and claims of any nature whatsoever (including, upon request, reasonable attorneys' fees) in respect of or arising from any acts or omissions of such CIO Indemnified Party performed in good faith hereunder and in all events in connection with any claims by investors arising from the offering of interests in Clarity or the Fund or Ventures and any and all other direct claims by investors in the Fund or Ventures. The provisions of this Article VI shall survive the expiration or earlier termination of this Agreement.

ARTICLE VII

TERM AND TERMINATION

Section 7.01 Term and Termination.

(a) This Agreement shall become effective on the Commencement Date and shall remain in effect until terminated pursuant to this Article VII (the "Term").

(b) CIO shall have the right to terminate this Agreement by providing thirty (30) days written notice to Clarity upon the occurrence of any of the following events:

- (i) Clarity fails to pay or perform its obligations hereunder and such failure continues for more than thirty (30) days following Clarity's receipt of written notice of such default;

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- (ii) James Farrar and Greg Tylee both cease to be an executive officer of the REIT;
 - (iii) a Change of Control of the REIT has occurred;
 - (iv) (A) a Change of Control of both Clarity Fund GP and Clarity Ventures GP has occurred such that neither is controlled by James Farrar or Gregory Tylee or (B) James Farrar and Gregory Tylee both cease to be affiliated with Clarity the Fund and Ventures; or
 - (v) subject to Section 4.04, the annual Fees payable to CIO hereunder in any calendar year, inclusive of any Top-Up Fees, are less than the Minimum Annual Fee.

(c) Clarity shall have the right to terminate this Agreement by providing ninety (90) days advance written notice to CIO upon the occurrence of any of the following events:

- (i) a Change of Control of the REIT has occurred or the REIT has entered into a binding agreement which contemplates a Change in Control;
- (ii) James Farrar and Greg Tylee both cease to be executive officers of the REIT for any reason other than Cause (as defined in their respective employment agreements); or
- (iii) CIO is not providing the Services required hereunder in a commercially reasonable manner and such failure continues for more than thirty (30) days following written notice.

(d) Notwithstanding the foregoing, the REIT may terminate this Agreement at any time, if in the sole judgment of the Independent Directors, doing so is reasonably necessary or desirable to preserve the REIT's qualification as a real estate investment trust (as defined in the Code).

Section 7.02 Payments Upon Termination.

(a) Upon termination, any unpaid Fees applicable to the period prior to termination shall be paid by Clarity to CIO and any prepaid Fees, if any, applicable to the period after the Termination Date shall be refunded by CIO to Clarity, in each case based on the number of days expired or remaining in the applicable period.

(b) Upon termination by CIO pursuant to Section 7.01(b)(i) or (ii), Clarity shall reimburse CIO for all directly related costs incurred by CIO as a result of the termination of this Agreement (but not related to any other business), including, without limitation, employee severance costs incurred as a direct result of the reduction in the personnel requirements of CIO directly attributed to termination of this Agreement (by way of example and without limitation, severance costs related to personnel hired by CIO to perform the Services), contract termination costs and related costs hereunder (collectively, "Special Termination Reimbursements").

(c) Upon termination by CIO pursuant to Section 7.01(b)(iv) as a result of a sale of Clarity Fund GP (or the Fund) or sale of Clarity Ventures GP (or Ventures), the entity sold shall pay to CIO an additional sum equal to the lesser of (i) the Fees payable to CIO by Clarity Fund GP and Clarity Ventures GP, as the case may be, during the twelve calendar months preceding the date of termination, and (ii) twenty percent (20%) of the net sales price of such sale.

(d) Upon termination by Clarity pursuant to Section 7.01(c)(ii), Clarity Fund GP and Clarity Fund GP shall each pay to CIO (i) an additional sum equal to the Fees payable to CIO by Clarity Fund GP and Clarity Fund GP during the six calendar months preceding the date of termination, and (ii) a proportionate share of the Special Termination Reimbursements.

(e) Any demand for payment of Special Termination Reimbursements contemplated by Section 7.02(b) or Section 7.02(d) shall be delivered to Clarity by CIO in writing within thirty (30) days after the effective date of such Termination (time being of the essence), such notice to contain a detailed description of all such Special Termination Reimbursements.

ARTICLE VIII

OTHER ACTIVITIES

During the Term and subject to the terms of their respective employment contracts and this Agreement, in the event James Farrar and Gregory Tylee propose to participate in the formation of new real estate investment funds sponsored by Clarity, the Fund, the Ventures and their affiliates, the approval of the Independent Directors will be required prior to any such participation, with such approval not to be unreasonably withheld. With respect to any such new real estate investment funds sponsored by Clarity, the Fund, the Ventures and their affiliates, Messrs. Farrar and Tylee will act only in their individual capacities as officers, employees and principals of Clarity, or such newly formed entities, and not as officers, directors, employees or agents of CIO, the REIT or their Affiliates. CIO, the REIT and their Affiliates shall not have any liability to any Person in connection with such activities. Clarity agrees to indemnify CIO, the REIT and their Affiliates in accordance with Article VI of this Agreement in connection with any such activities (other than disclosing their respective titles at CIO and the terms of this Agreement).

ARTICLE IX

GENERAL PROVISIONS

Section 9.01 Subcontractors. Subject to the approval of Clarity, which approval shall not be unreasonably withheld, CIO may hire or engage one or more subcontractors to perform any or all of the Services; provided, that (i) CIO shall use the same degree of care in selecting any such subcontractor as it would if such contractor were being retained to provide similar services to CIO, (ii) CIO shall in all cases remain primarily responsible for all of its obligations under this Agreement with respect to the scope of the Services, the standard for Services as set forth in Article V and the Services provided to Clarity, and (iii) any such subcontractor will be supervised by either Mr. Farrar or Mr. Tylee. Notwithstanding the foregoing, (x) Clarity and its Affiliates shall have the right to hire or engage any subcontractor directly and (y) if CIO does hire or engage any subcontractor to provide any Services hereunder, then, notwithstanding any provision of this Agreement to the contrary, the Fees payable by Clarity for the provision of such Service performed by such subcontractor shall be only the amount actually paid to such subcontractor for providing such Service, without any additional charge or mark up. Clarity shall be responsible for paying directly any accountants, lawyers, or other service providers performing services for Clarity or the Fund or Ventures whether engaged by Clarity or CIO.

Section 9.02 Treatment of Confidential Information.

(a) Subject to the terms of this Agreement, the Parties shall not, and shall cause their respective Affiliates and all other Persons providing Services or having access to information of the other Party that is known to such Party as confidential or proprietary (“Confidential Information”) not to, disclose to any other Person or use, except for purposes of this Agreement, any Confidential Information of the other Party; provided, however, that each Party may disclose Confidential Information of the other Party and to the extent permitted by applicable law: (i) to its Affiliates on a need-to-know basis in connection with the performance of such Party’s obligations under this Agreement; (ii) in any report, statement, testimony or other submission required to be made to any Governmental Authority having jurisdiction over the disclosing Party; or (iii) in order to comply with applicable law or regulation, or in response to any summons, subpoena or other legal process or formal or informal investigative demand issued to the disclosing Party in the course of any litigation, investigation or administrative proceeding. In the event that a Party becomes legally compelled (based on advice of counsel) by deposition, interrogatory, request for documents, subpoena, civil investigative demand or similar judicial or administrative process to disclose any Confidential Information of the other Party, such disclosing Party shall provide the other Party with prompt prior written notice of such requirement, and, to the extent reasonably practicable and legally permissible, cooperate with the other Party (at such other Party’s expense) to obtain a protective order or similar remedy to cause such Confidential Information not to be disclosed, including interposing all available objections thereto, such as objections based on settlement privilege. In the event that such protective order or other similar remedy is not obtained, the disclosing Party shall furnish only that portion of the Confidential Information that has been legally compelled, and shall exercise its commercially reasonable efforts (at such other Party’s expense) to obtain assurance that confidential treatment will be accorded such Confidential Information.

(b) Each Party shall, and shall cause its Affiliates to protect the Confidential Information of the other Party by using the same degree of care to prevent the unauthorized disclosure of such as the Party uses to protect its own confidential information of a like nature but in any event not less than reasonable means.

(c) Each Party shall cause its Affiliates to agree to be bound by the same restrictions on use and disclosure of Confidential Information as are binding upon such Party in advance of the disclosure of any such Confidential Information to them.

(d) Each Party shall comply with all applicable state, federal and foreign privacy and data protection laws that are or that may in the future be applicable to the provision of Services under this Agreement.

Section 9.03 Insurance. Clarity or the Fund or the Ventures shall at all times during the Term maintain (or reimburse CIO for maintaining) an Asset Management Liability Policy (“AMLP”) which includes blended D&O and Errors and Omissions insurance covering CIO’s Services hereunder in an initial amount not less than \$2,000,000.00 which policy shall be endorsed to name REIT as an additional insured. CIO shall have the right to review annually the coverage thresholds in the AMLP and to require such coverages be increased as may be reasonably required by the REIT.

Section 9.04 Further Assurances. Each Party covenants and agrees that, without any additional consideration, it shall execute and deliver any further legal instruments and perform any acts that are or may become necessary to effectuate this Agreement.

Section 9.05 Notices. All notices, requests, claims, demands and other communications under this Agreement shall be in writing and shall be given or made (and shall be deemed to have been duly given or made upon receipt) by delivery in person, by overnight courier service, by facsimile or electronic transmission with receipt confirmed (followed by delivery of an original via overnight courier service) or by registered or certified mail (postage prepaid, return receipt requested) to the respective Parties at the following addresses (or at such other address for a Party as shall be specified in a notice given in accordance with this Section 9.05):

- (i) if to Clarity:
James Farrar
5361 Brookside Ave
West Vancouver, British Columbia V7W 1N2
Canada

with a copy to:
Gregory Tylee
3160 Canterbury Drive
Surrey, British Columbia V3S 0X5
Canada

with a copy to:
Joseph M. Fazio, Esq.
Miller Canfield Paddock and Stone, PLC
101 North Main St., Suite 700
Ann Arbor, Michigan 40104
Facsimile: 734-747-7147
- (ii) if to CIO, REIT, the Independent Directors or the Committee:
City Office REIT, Inc.
666 Burrard Street, Suite 3210
Vancouver, British Columbia V6C 2X8
Canada
Attention: Chairman of the Board

with a copy to:

Hunton Andrews Kurth LLP
951 E. Byrd Street
Richmond, Virginia 23219
Attention: David C. Wright, Esq.
Facsimile: 804-343-4580

Section 9.06 Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced under any law or as a matter of public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated by this Agreement is not affected in any manner materially adverse to any Party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated by this Agreement be consummated as originally contemplated to the greatest extent possible.

Section 9.07 Entire Agreement. Except as otherwise expressly provided in this Agreement, this Agreement constitutes the entire agreement of the Parties with respect to the subject matter of this Agreement and supersedes all prior agreements and undertakings, both written and oral, between or on behalf of the Parties with respect to the subject matter of this Agreement, including any prior term sheets or letters of intent.

Section 9.08 No Third-Party Beneficiaries. Except as provided in Article VI with respect to CIO Indemnified Parties, this Agreement is for the sole benefit of the Parties and their permitted successors and assigns and nothing in this Agreement, express or implied, is intended to or shall confer upon any other Person, any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

Section 9.09 Governing Law. This Agreement (and any claims or disputes arising out of or related to this Agreement or to the transactions contemplated by this Agreement or to the inducement of any Party to enter into this Agreement or the transactions contemplated by this Agreement, whether for breach of contract, tortious conduct or otherwise and whether predicated on common law, statute or otherwise) shall in all respects be governed by, and construed in accordance with, the laws of the State of New York, including all matters of construction, validity and performance, in each case without reference to any conflict of law rules that might lead to the application of the laws of any other jurisdiction.

Section 9.10 Amendment. No provision of this Agreement may be amended, supplemented or modified except by a written instrument making specific reference to this Agreement signed by all the Parties.

Section 9.11 Rules of Construction. Interpretation of this Agreement shall be governed by the following rules of construction: (a) words in the singular shall be held to include the plural and vice versa, and words of one gender shall be held to include the other gender as the context requires; (b) references to the terms Article, Section and paragraph are references to the Articles, Sections and paragraphs of this Agreement unless otherwise specified; (c) references to "\$" shall mean U.S. dollars; (d) the word "including" and words of similar import when used in

this Agreement shall mean “including without limitation,” unless otherwise specified; (e) the word “or” shall not be exclusive; (f) references to “written” or “in writing” include in electronic form; (g) provisions shall apply, when appropriate, to successive events and transactions; (h) the headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement; (i) Clarity and CIO have each participated in the negotiation and drafting of this Agreement and if an ambiguity or question of interpretation should arise, this Agreement shall be construed as if drafted jointly by the Parties and no presumption or burden of proof shall arise favoring or burdening either Party by virtue of the authorship of any of the provisions in this Agreement or any interim drafts of this Agreement; (j) a reference to any Person includes such Person’s successors and permitted assigns; (k) any reference to “days” means calendar days unless Business Days are expressly specified; and (l) when calculating the period of time before which, within which or following which any act is to be done or step taken pursuant to this Agreement, the date that is the reference date in calculating such period shall be excluded, and if the last day of such period is not a Business Day, the period shall end on the next succeeding Business Day.

Section 9.12 Counterparts. This Agreement may be executed in one or more counterparts, and by each Party in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by facsimile or portable document format (.pdf) shall be as effective as delivery of a manually executed counterpart of this Agreement.

Section 9.13 Assignability. (a) This Agreement shall not be assigned by operation of law or otherwise without the prior written consent of each of the Parties, except that CIO may assign all of its rights and obligations under this Agreement to an Affiliate; provided, that no such assignment shall release CIO from any liability or obligation under this Agreement.

Section 9.14 Waiver of Jury Trial. EACH PARTY TO THIS AGREEMENT WAIVES TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT TO ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT. EACH PARTY (I) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER; AND (II) ACKNOWLEDGES THAT IT AND THE OTHER PARTY TO THIS AGREEMENT HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER TRANSACTION AGREEMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 9.14.

Section 9.15 Successors and Assigns. This Agreement will inure to the benefit of and be binding upon the Parties and their respective successors and permitted assigns.

Section 9.16 Expense Reimbursement. All legal fees incurred by the REIT in connection with the negotiation and preparation of this Agreement shall be reimbursed by James Farrar, Greg Tylee or Clarity within thirty (30) days of presentation of an invoice for same.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed on the date first written above by their respective duly authorized officers.

CIO:

CIO Administrative Services, LLC, a Delaware limited liability company

By: City Office REIT Operating Partnership, L.P., a Maryland limited partnership, its sole member

By: City Office REIT, Inc., a Maryland corporation, its sole general partner

By: /s/ John McLernon

Name: John McLernon

Title: Chairman of the Board of Directors

CLARITY FUND GP:

CLARITY REAL ESTATE III GP, LIMITED PARTNERSHIP, a Delaware limited partnership.

By: CLARITY GP III, INC., a Delaware corporation, its sole general partner.

By: /s/ Greg Tylee

Name: Greg Tylee

Title: President

CLARITY VENTURES GP:

CLARITY REAL ESTATE VENTURES GP, LIMITED PARTNERSHIP, a Delaware limited partnership.

By: CLARITY REAL ESTATE GP CORP., a Delaware corporation, its sole general partner.

By: /s/ Greg Tylee

Name: Greg Tylee

Title: President

FUND:

The undersigned has executed below to evidence its agreement and obligations pursuant to Article VI of this Agreement

CLARITY REAL ESTATE III, LIMITED
PARTNERSHIP, a Delaware limited partnership.

By: CLARITY REAL ESTATE III GP, LIMITED
PARTNERSHIP, a Delaware limited
partnership, its sole general partner.

By: CLARITY GP III, INC., a Delaware
corporation, its sole general partner.

By: /s/ Greg Tylee
Name: Greg Tylee
Title: President

VENTURES:

The undersigned has executed below to evidence its agreement and obligations pursuant to Article VI of this Agreement

CLARITY REAL ESTATE VENTURES, LIMITED
PARTNERSHIP, a Delaware limited partnership.

By: CLARITY REAL ESTATE VENTURES GP,
LIMITED PARTNERSHIP, a Delaware limited
partnership, its sole general partner.

By: CLARITY REAL ESTATE GP CORP., a
Delaware corporation, its sole general partner.

By: /s/ Greg Tylee
Name: Greg Tylee
Title: President

Signature Page to Administrative Services Agreement

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Section 3: EX-10.3 (EX-10.3)

Exhibit 10.3

**AMENDMENT NO. 1
TO
EXECUTIVE EMPLOYMENT AGREEMENT
OF
CITY OFFICE REIT, INC.**

This Amendment No. 1 (the "Amendment"), dated as of July 31, 2019, to the Executive Employment Agreement (the "Agreement") between City Office Management Ltd. (the "Company"), a wholly-subsiary of City Office REIT, Inc. (the "REIT"), and Mr. James Farrar, as Chief Executive Officer of the REIT, dated as of February 1, 2018, is entered into by the Company pursuant to Section 17 of the Agreement. Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Agreement. Unless otherwise indicated, all section references in this Amendment refer to sections of the Agreement.

WHEREAS, the Board of Directors (the "Board") of the REIT appointed a Special Committee of Independent Directors (the "Committee") on May 2, 2018 to consider the terms and provisions of an administrative services agreement between the REIT and the general partner of a new fund sponsored by certain of the Company's executive officers;

WHEREAS, on August 1, 2018, after considering and discussing fully the REIT's obligations under a proposed administrative services agreement between the REIT and the general partner of a new fund (the "ASA") and the arrangements with respect to the new fund, including conflicts of interest with respect thereto, the Committee approved the form, terms and provisions of the ASA;

WHEREAS, on July 30, 2019, the Committee approved the form, terms and provisions of a revised draft of the ASA and authorized John McLernon, Chairman of the Board, or John Sweet, an independent member of the Board, to execute the ASA on behalf of the REIT at such time as he deems advisable;

WHEREAS, in connection with the execution of ASA, the Committee determined that it is advisable and in the best interest of the REIT that the Agreement between the Company and Mr. Farrar, as Chief Executive Officer, be amended as set forth below in order to clarify certain provisions of the Agreement;

NOW, THEREFORE, for good and adequate consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and Mr. Farrar hereby agree as follows:

1.01 Amendment of Agreement. The Agreement is hereby amended as follows:

(a) Section 15(b) is hereby amended and restated in its entirety as follows:

The covenant against competition herein described shall apply until the termination of the Executive's employment as provided herein and until the earlier of (i) six months after such termination or (ii) a Change in Corporate Control (the "Restriction Period"). During the Restriction Period the Executive shall not, directly or indirectly, own, manage, control or participate in the ownership, management, or control of, or be employed or

engaged by or otherwise affiliated or associated with, in an executive, senior management, strategic or professional capacity, whether as an employee, employer, consultant, agent, principal, partner, stockholder, corporate officer, director or in any other individual or representative capacity, that is similar to an engagement in an executive, senior management, strategic or professional capacity although otherwise named in any business or venture engaged in the Business; provided, however, that, notwithstanding the foregoing, (i) the Executive may own or participate in the ownership of any entity which the Executive owned or managed or participated in the ownership or management of prior to the Effective Date, which ownership, management or participation has been disclosed to the Board; (ii) the Executive may invest in securities of any entity, solely for investment purposes and without participating in the business thereof, if (A) such securities are traded on any national securities exchange or the National Association of Securities Dealers, Inc. Automated Quotation System or equivalent non-U.S. securities exchange, (B) the Executive is not a controlling person of, or a member of a group which controls, such entity and (C) the Executive does not, directly or indirectly, own two percent (2%) or more of any class of securities of such entity; (iii) the Executive may own or participate in the ownership of Second City Capital Partners II, Limited Partnership, Second City Real Estate II, Limited Partnership, SC Principals Limited Partnership, Clarity Real Estate III, Limited Partnership and Clarity Real Estate Ventures, Limited Partnership, as well as their respective general partners, related companies and future affiliated fund vehicles, which ownership, management or participation has been disclosed to the Board; and (iv) the Executive may, directly or indirectly, invest in commercial real estate or other assets so long as they are not Suitable Properties (as defined in Section 15(a)), and the Executive may own or participate in the ownership of Suitable Properties if such opportunity has been first provided to the Company and the Company has declined to acquire it in writing, providing that such ownership, management or participation has been disclosed to the Board. Further, the covenant against competition described herein shall not apply to the Executive with respect to any business or venture that competes with a New Business to the extent that the Executive's actions or participation occurred before the Company became engaged in the New Business.

2.01 Services Agreement. The ASA shall be deemed a "Services Agreement" for all purposes under Section 4 of the Agreement.

3.01 Counterparts. This Amendment may be executed in counterparts, all of which together shall constitute an agreement binding on all the parties hereto, notwithstanding that all such parties are not signatories to the original or the same counterpart.

4.01 Ratification. Except as expressly amended by this Amendment, the Agreement is in all respects ratified and confirmed and all of the terms and conditions and provisions of the Agreement shall remain in full force and effect.

5.01 Applicable Law. This Amendment shall be construed in accordance with and governed by the laws of the province of British Columbia, without regard to the principles of conflicts of law.

[Signature Pages Follow.]

IN WITNESS WHEREOF, the parties hereto execute this Amendment, to be effective as of the date first set forth above.

CITY OFFICE MANAGEMENT LTD.

By: City Office REIT, Inc.

By: /s/ John McLernon

Name: John McLernon

Title: Chairman of the Board of Directors

/s/ James Farrar

JAMES FARRAR

[Signature Page to Amendment No. 1 to the Executive Employment Agreement of City Office REIT, Inc.]

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Section 4: EX-10.4 (EX-10.4)

Exhibit 10.4

**AMENDMENT NO. 1
TO
EXECUTIVE EMPLOYMENT AGREEMENT
OF
CITY OFFICE REIT, INC.**

This Amendment No. 1 (the "Amendment"), dated as of July 31, 2019, to the Executive Employment Agreement (the "Agreement") between City Office Management Ltd. (the "Company"), a wholly-subsiary of City Office REIT, Inc. (the "REIT"), and Mr. Gregory Tylee, as President and Chief Operating Officer of the REIT, dated as of February 1, 2018, is entered into by the Company pursuant to Section 17 of the Agreement. Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Agreement. Unless otherwise indicated, all section references in this Amendment refer to sections of the Agreement.

WHEREAS, the Board of Directors (the "Board") of the REIT appointed a Special Committee of Independent Directors (the "Committee") on May 2, 2018 to consider the terms and provisions of an administrative services agreement between the REIT and the general partner of a new fund sponsored by certain of the Company's executive officers;

WHEREAS, on August 1, 2018, after considering and discussing fully the REIT's obligations under a proposed administrative services agreement between the REIT and the general partner of a new fund (the "ASA") and the arrangements with respect to the new fund, including conflicts of interest with respect thereto, the Committee approved the form, terms and provisions of the ASA;

WHEREAS, on July 30, 2019, the Committee approved the form, terms and provisions of a revised draft of the ASA and authorized John McLernon, Chairman of the Board, or John Sweet, an independent member of the Board, to execute the ASA on behalf of the REIT at such time as he deems advisable;

WHEREAS, in connection with the execution of ASA, the Committee determined that it is advisable and in the best interest of the REIT that the Agreement between the Company and Mr. Tylee, as President and Chief Operating Officer, be amended as set forth below in order to clarify certain provisions of the Agreement;

NOW, THEREFORE, for good and adequate consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and Mr. Tylee hereby agree as follows:

1.01 Amendment of Agreement. The Agreement is hereby amended as follows:

(a) Section 15(b) is hereby amended and restated in its entirety as follows:

The covenant against competition herein described shall apply until the termination of the Executive's employment as provided herein and until the earlier of (i) six months after such termination or (ii) a Change in Corporate Control (the "Restriction Period"). During the Restriction Period the Executive shall not, directly or indirectly, own, manage, control or participate in the ownership, management, or control of, or be employed or

engaged by or otherwise affiliated or associated with, in an executive, senior management, strategic or professional capacity, whether as an employee, employer, consultant, agent, principal, partner, stockholder, corporate officer, director or in any other individual or representative capacity, that is similar to an engagement in an executive, senior management, strategic or professional capacity although otherwise named in any business or venture engaged in the Business; provided, however, that, notwithstanding the foregoing, (i) the Executive may own or participate in the ownership of any entity which the Executive owned or managed or participated in the ownership or management of prior to the Effective Date, which ownership, management or participation has been disclosed to the Board; (ii) the Executive may invest in securities of any entity, solely for investment purposes and without participating in the business thereof, if (A) such securities are traded on any national securities exchange or the National Association of Securities Dealers, Inc. Automated Quotation System or equivalent non-U.S. securities exchange, (B) the Executive is not a controlling person of, or a member of a group which controls, such entity and (C) the Executive does not, directly or indirectly, own two percent (2%) or more of any class of securities of such entity; (iii) the Executive may own or participate in the ownership of Second City Capital Partners II, Limited Partnership, Second City Real Estate II, Limited Partnership, SC Principals Limited Partnership, Clarity Real Estate III, Limited Partnership and Clarity Real Estate Ventures, Limited Partnership, as well as their respective general partners, related companies and future affiliated fund vehicles, which ownership, management or participation has been disclosed to the Board; and (iv) the Executive may, directly or indirectly, invest in commercial real estate or other assets so long as they are not Suitable Properties (as defined in Section 15(a)), and the Executive may own or participate in the ownership of Suitable Properties if such opportunity has been first provided to the Company and the Company has declined to acquire it in writing, providing that such ownership, management or participation has been disclosed to the Board. Further, the covenant against competition described herein shall not apply to the Executive with respect to any business or venture that competes with a New Business to the extent that the Executive's actions or participation occurred before the Company became engaged in the New Business.

2.01 Services Agreement. The ASA shall be deemed a "Services Agreement" for all purposes under Section 4 of the Agreement.

3.01 Counterparts. This Amendment may be executed in counterparts, all of which together shall constitute an agreement binding on all the parties hereto, notwithstanding that all such parties are not signatories to the original or the same counterpart.

4.01 Ratification. Except as expressly amended by this Amendment, the Agreement is in all respects ratified and confirmed and all of the terms and conditions and provisions of the Agreement shall remain in full force and effect.

5.01 Applicable Law. This Amendment shall be construed in accordance with and governed by the laws of the province of British Columbia, without regard to the principles of conflicts of law.

[Signature Pages Follow.]

IN WITNESS WHEREOF, the parties hereto execute this Amendment, to be effective as of the date first set forth above.

CITY OFFICE MANAGEMENT LTD.

By: City Office REIT, Inc.

By: /s/ John McLernon

Name: John McLernon

Title: Chairman of the Board of Directors

/s/ Gregory Tylee

GREGORY TYLEE

[Signature Page to Amendment No. 1 to the Executive Employment Agreement of City Office REIT, Inc.]

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Section 5: EX-10.5 (EX-10.5)

Exhibit 10.5

**AMENDMENT NO. 1
TO
EXECUTIVE EMPLOYMENT AGREEMENT
OF
CITY OFFICE REIT, INC.**

This Amendment No. 1 (the "Amendment"), dated as of July 31, 2019, to the Executive Employment Agreement (the "Agreement") between City Office Management Ltd. (the "Company"), a wholly-subsiary of City Office REIT, Inc. (the "REIT"), and Mr. Anthony Maretic, as Chief Financial Officer, Secretary and Treasurer of the REIT, dated as of February 1, 2018, is entered into by the Company pursuant to Section 17 of the Agreement. Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Agreement. Unless otherwise indicated, all section references in this Amendment refer to sections of the Agreement.

WHEREAS, the Board of Directors (the "Board") of the REIT appointed a Special Committee of Independent Directors (the "Committee") on May 2, 2018 to consider the terms and provisions of an administrative services agreement between the REIT and the general partner of a new fund sponsored by certain of the Company's executive officers;

WHEREAS, on August 1, 2018, after considering and discussing fully the REIT's obligations under a proposed administrative services agreement between the REIT and the general partner of a new fund (the "ASA") and the arrangements with respect to the new fund, including conflicts of interest with respect thereto, the Committee approved the form, terms and provisions of the ASA;

WHEREAS, on July 30, 2019, the Committee approved the form, terms and provisions of a revised draft of the ASA and authorized John McLernon, Chairman of the Board, or John Sweet, an independent member of the Board, to execute the ASA on behalf of the REIT at such time as he deems advisable;

WHEREAS, in connection with the execution of ASA, the Committee determined that it is advisable and in the best interest of the REIT that the Agreement between the Company and Mr. Maretic, as Chief Financial Officer, Secretary and Treasurer, be amended as set forth below in order to clarify certain provisions of the Agreement;

NOW, THEREFORE, for good and adequate consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and Mr. Maretic hereby agree as follows:

1.01 Amendment of Agreement. The Agreement is hereby amended as follows:

(a) Section 15(b) is hereby amended and restated in its entirety as follows:

The covenant against competition herein described shall apply until the termination of the Executive's employment as provided herein and until the earlier of (i) six months after such termination or (ii) a Change in Corporate Control (the "Restriction Period"). During the Restriction Period the Executive shall not, directly or indirectly, own, manage, control or participate in the ownership, management, or control of, or be employed or

engaged by or otherwise affiliated or associated with, in an executive, senior management, strategic or professional capacity, whether as an employee, employer, consultant, agent, principal, partner, stockholder, corporate officer, director or in any other individual or representative capacity, that is similar to an engagement in an executive, senior management, strategic or professional capacity although otherwise named in any business or venture engaged in the Business; provided, however, that, notwithstanding the foregoing, (i) the Executive may own or participate in the ownership of any entity which the Executive owned or managed or participated in the ownership or management of prior to the Effective Date, which ownership, management or participation has been disclosed to the Board; (ii) the Executive may invest in securities of any entity, solely for investment purposes and without participating in the business thereof, if (A) such securities are traded on any national securities exchange or the National Association of Securities Dealers, Inc. Automated Quotation System or equivalent non-U.S. securities exchange, (B) the Executive is not a controlling person of, or a member of a group which controls, such entity and (C) the Executive does not, directly or indirectly, own two percent (2%) or more of any class of securities of such entity; (iii) the Executive may own or participate in the ownership of Second City Capital Partners II, Limited Partnership, Second City Real Estate II, Limited Partnership, SC Principals Limited Partnership, Clarity Real Estate III, Limited Partnership and Clarity Real Estate Ventures, Limited Partnership, as well as their respective general partners, related companies and future affiliated fund vehicles, which ownership, management or participation has been disclosed to the Board; and (iv) the Executive may, directly or indirectly, invest in commercial real estate or other assets so long as they are not Suitable Properties (as defined in Section 15(a)), and the Executive may own or participate in the ownership of Suitable Properties if such opportunity has been first provided to the Company and the Company has declined to acquire it in writing, providing that such ownership, management or participation has been disclosed to the Board. Further, the covenant against competition described herein shall not apply to the Executive with respect to any business or venture that competes with a New Business to the extent that the Executive's actions or participation occurred before the Company became engaged in the New Business.

2.01 Services Agreement. The ASA shall be deemed a "Services Agreement" for all purposes under Section 4 of the Agreement.

3.01 Counterparts. This Amendment may be executed in counterparts, all of which together shall constitute an agreement binding on all the parties hereto, notwithstanding that all such parties are not signatories to the original or the same counterpart.

4.01 Ratification. Except as expressly amended by this Amendment, the Agreement is in all respects ratified and confirmed and all of the terms and conditions and provisions of the Agreement shall remain in full force and effect.

5.01 Applicable Law. This Amendment shall be construed in accordance with and governed by the laws of the province of British Columbia, without regard to the principles of conflicts of law.

[Signature Pages Follow.]

IN WITNESS WHEREOF, the parties hereto execute this Amendment, to be effective as of the date first set forth above.

CITY OFFICE MANAGEMENT LTD.

By: City Office REIT, Inc.

By: /s/ John McLernon

Name: John McLernon

Title: Chairman of the Board of Directors

/s/ Anthony Maretic

ANTHONY MARETIC

[Signature Page to Amendment No. 1 to the Executive Employment Agreement of City Office REIT, Inc.]

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Section 6: EX-31.1 (EX-31.1)

Exhibit 31.1

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO RULE 13a-14(a) OF THE EXCHANGE ACT, AS AMENDED,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, James Farrar, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended June 30, 2019 of City Office REIT, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 1, 2019
Date

/s/ James Farrar

James Farrar
Chief Executive Officer and Director
(Principal Executive Officer)

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Section 7: EX-31.2 (EX-31.2)

Exhibit 31.2

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO RULE 13a-14(a) OF THE EXCHANGE ACT, AS AMENDED,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Anthony Maretic, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended June 30, 2019 of City Office REIT, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 1, 2019

Date

/s/ Anthony Maretic

Anthony Maretic
Chief Financial Officer, Secretary and Treasurer
(Principal Financial Officer and Principal Accounting Officer)

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Section 8: EX-32.1 (EX-32.1)

Exhibit 32.1

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with this Quarterly Report on Form 10-Q for the period ended June 30, 2019 of City Office REIT, Inc. (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James Farrar, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 1, 2019

Date

/s/ James Farrar

James Farrar
Chief Executive Officer and Director
(Principal Executive Officer)

This written report is being furnished to the Securities and Exchange Commission as an exhibit to the Report. A signed original of this written statement required by Section 906 has been provided to City Office REIT, Inc. and will be retained by City Office REIT, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

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Section 9: EX-32.2 (EX-32.2)

Exhibit 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with this Quarterly Report on Form 10-Q for the period ended June 30, 2019 of City Office REIT, Inc. (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Anthony Maretic, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 1, 2019

Date

/s/ Anthony Maretic

Anthony Maretic
Chief Financial Officer, Secretary and Treasurer
(Principal Financial Officer and Principal Accounting Officer)

This written report is being furnished to the Securities and Exchange Commission as an exhibit to the Report. A signed original of this written statement required by Section 906 has been provided to City Office REIT, Inc. and will be retained by City Office REIT, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

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