UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

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

For the fiscal year ended December 31, 2015

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: 1-9900

PACIFIC OFFICE PROPERTIES TRUST, INC.

(Exact name of registrant as specified in its charter)

Maryland	**86-0602478**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

841 Bishop Street, Suite 1700
Honolulu, Hawaii 96813
(Address of principal executive offices) (Zip Code)

(Registrant's telephone number, including area code): (808) 521-7444

Securities registered pursuant to Section 12(b) of the Act:
None

Securities registered pursuant to Section 12(g) of the Act:
Senior Common Stock, par value $0.0001 per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☑

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15 (d) of the Exchange Act. Yes ☐ No ☑

Indicate by check mark whether the registrant (1) has filed all reports required 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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☑

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

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☑

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

The aggregate market value of the Class A Common Stock held by non-affiliates of the registrant computed by reference to the last sale price of the registrant's Class A Common Stock on the OTCQB tier of the OTC Markets on June 30, 2015 was approximately $246,000.

As of March 10, 2016 there were issued and outstanding 3,941,142 shares of Class A Common Stock, par value $0.0001 per share; 100 shares of Class B Common Stock, par value $0.0001 per share; and 2,410,839 shares of Senior Common Stock, par value $0.0001 per share.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement to be issued in conjunction with the registrant's annual meeting of stockholders to be held in 2016 are incorporated by reference in Part III of this Annual Report on Form 10-K. The proxy statement will be filed by the registrant with the Securities and Exchange Commission not later than 120 days after the end of the registrant's fiscal year ended December 31, 2015.

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PACIFIC OFFICE PROPERTIES TRUST, INC.

TABLE OF CONTENTS

FORM 10-K

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PART I

ITEM 1. - BUSINESS

Pacific Office Properties Trust, Inc. (the "Company") is a Maryland corporation which has elected to be treated as a real estate investment trust, or REIT, under the Internal Revenue Code of 1986, as amended, which we refer to as the Code. We are a REIT that owns and operates primarily institutional-quality office properties in Hawaii. As of December 31, 2015, we owned three office properties, comprising 1.2 million rentable square feet, and were partners with third parties in three joint ventures holding two office properties, comprising four buildings and 0.8 million rentable square feet, and a sports club associated with our City Square property in Phoenix, Arizona. Our ownership interest percentage in each of these joint ventures is 5.0%. As of December 31, 2015, our property portfolio included office buildings in Honolulu and Phoenix.

We were formed on March 19, 2008 via a merger, and related transactions, of The Shidler Group's western U.S. office portfolio and joint venture operations into Arizona Land Income Corporation. We are the sole general partner of our Operating Partnership, Pacific Office Properties, L.P., a Delaware limited partnership.

We are externally advised by Shidler Pacific Advisors, LLC ("Shidler Pacific Advisors"), an entity that is owned and controlled by Jay H. Shidler ("Mr. Shidler"), our Chairman of the Board. Lawrence J. Taff, our President, Chief Executive Officer, Chief Financial Officer and Treasurer, also serves as President of Shidler Pacific Advisors. Shidler Pacific Advisors is responsible for the day-to-day operation and management of the Company, including management of our wholly-owned properties.

Regulation

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

Americans with Disabilities Act

Our properties must comply with Title III of the Americans with Disabilities Act of 1990, or the ADA, to the extent that such properties are "public accommodations" as defined by the ADA. Under the ADA, all public accommodations must meet federal requirements related to access and use by disabled persons. The ADA may require removal of structural barriers to access by persons with disabilities in certain public areas of our properties where such removal is readily achievable. The obligation to make readily achievable accommodations is an ongoing one, and continual assessment of the properties is required. Although we believe that our wholly-owned properties in the aggregate substantially comply with present requirements of the ADA, we have not conducted a comprehensive audit or investigation of all of our properties to determine compliance. If one or more of our properties is not in compliance with the ADA, then we would be required to incur additional costs to bring the property into compliance. Noncompliance could result in imposition of fines by the U.S. government or an award of damages and/or attorneys' fees to private litigants, or both. Additional federal, state and local laws also may require us to modify properties or could restrict our ability to renovate properties. Complying with the ADA or other legislation at noncompliant properties could be very expensive.

Environmental Matters

Environmental laws regulate, and impose liability for, releases of hazardous or toxic substances into the environment. Under some of these laws, an owner or operator of real estate may be liable for costs related to soil or groundwater contamination on or migrating to or from its property. In addition, persons who arrange for the disposal or treatment of hazardous or toxic substances may be liable for the costs of cleaning up contamination at the disposal site. These laws often impose liability regardless of whether the person knew of, or was responsible for, the presence of the hazardous or toxic substances that caused the contamination. The presence of, or contamination resulting from, any of these substances, or the failure to properly remediate them, may adversely affect our ability to sell or rent our property or to borrow funds using the property as collateral. In addition, persons exposed to hazardous or toxic substances may sue for personal injury damages. For example, some laws impose liability for release of or exposure to materials containing asbestos, a substance known to be present in a number of our buildings. In addition, some of our properties may have been affected by contamination from past operations or from off-site sources. As a result, we may be potentially liable for investigation and cleanup costs, penalties and damages under environmental laws.

Although our wholly-owned properties have been subjected to preliminary environmental assessments, known as Phase I assessments, by independent environmental consultants that identify conditions that could pose potential environmental liabilities, Phase I assessments are limited in scope, and may not include or identify all potential environmental liabilities or risks associated with the property. Unless required by applicable law or any of our lenders, we may decide not to further investigate, remedy or ameliorate the liabilities disclosed in the Phase I assessments. Further, these or other environmental studies may not identify all potential environmental liabilities or accurately assess whether we will incur material environmental liabilities in the future. If we do incur material environmental liabilities in the future, we may face significant remediation costs, and we may find it difficult to sell any affected properties.

Insurance

We carry comprehensive liability, fire, extended coverage, business interruption and rental loss insurance covering all of our properties under blanket insurance policies. We believe the policy specifications and insured limits are appropriate and adequate given the relative risk of loss, the cost of the coverage and industry practice; however, the insurance coverage may not be sufficient to fully cover losses.

Our business operations in Honolulu and Phoenix are susceptible to, and could be significantly affected by, adverse weather conditions and natural disasters such as earthquakes, tsunamis, hurricanes, volcanoes, wind, floods, landslides, drought and fires. These adverse weather conditions and natural disasters could cause significant damage to the properties in our portfolio, the risk of which is enhanced by the concentration of our properties' locations. Our insurance may not be adequate to cover business interruption or losses resulting from adverse weather or natural disasters. In addition, our insurance policies include customary deductibles and limitations on recovery. As a result, we may be required to incur significant costs in the event of adverse weather conditions and natural disasters. We may discontinue earthquake or any other insurance coverage on some or all of our properties in the future if the cost of premiums for any of these policies in our judgment exceeds the value of the coverage discounted for the risk of loss.

Furthermore, we do not carry insurance for certain losses, including, but not limited to, losses caused by war or by certain environmental conditions, such as mold or asbestos. In addition, if a loss or damages are suffered at one or more of our properties, the insurer may attempt to limit or void coverage by arguing that the loss resulted from facts or circumstances not covered by our policy. Furthermore, our title insurance policies may not insure for the current aggregate market value of our portfolio, and we do not intend to increase our title insurance coverage as the market value of our portfolio increases. As a result, we may not have sufficient coverage against all losses that we may experience, including from adverse title claims. If we experience a loss that is uninsured or that exceeds policy limits, we could incur significant costs and lose the capital invested in the damaged or otherwise adversely affected properties as well as the anticipated future cash flows from those properties.

In addition, our properties may not be able to be rebuilt to their existing height, size or utility at their existing location under current land-use laws and policies. In the event that we experience a substantial or comprehensive loss of one of our properties, we may not be able to rebuild such property to its existing specifications or operate it in accordance with its current use, or we may be required to upgrade such property in connection with any rebuilding to meet current code requirements.

Competition

We compete with a number of developers, owners and operators of office real estate, many of which own properties similar to ours in the same markets in which our properties are located. If our competitors offer space at rental rates below current market rates, or below the rental rates we currently charge our tenants, we may lose existing or potential tenants and we may be pressured to reduce our rental rates below those we currently charge or to offer more substantial rent abatements, tenant improvements, early termination rights or below-market renewal options in order to retain tenants when our tenants' leases expire or to entice new tenants to lease space in our properties. In that case, our financial condition, results of operations, cash flow, market price of our Class A Common Stock and ability to satisfy our debt service obligations and to pay dividends may be adversely affected.

Employment

We are externally advised by Shidler Pacific Advisors and have no employees of our own.

Available Information

Our website is located at *http://www.pacificofficeproperties.com*. We make available free of charge, on or through our website, our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission, or the SEC. You can also read and copy any materials we file with the SEC at its Public Reference Room at 100 F Street, NE, Washington, DC 20549 (1-800-SEC-0330), on official business days during the hours of 10:00 am to 3:00 pm. The SEC maintains an Internet site (*http://www.sec.gov*) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

ITEM 1A. - RISK FACTORS

The following section sets forth material factors that may adversely affect our business and operations. This is not an exhaustive list, and additional factors could adversely affect our business and financial performance. Moreover, we operate in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for us to predict all such risk factors, nor can we assess the impact of all such risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. This discussion of risk factors includes many forward-looking statements. For cautions about relying on forward-looking statements, please refer to the section entitled "Note Regarding Forward-Looking Statements" in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Risks Related to our Business and Properties

The report of our independent registered public accounting firm expresses substantial doubt about our ability to continue as a going concern.

Our independent registered public accounting firm has indicated in an explanatory paragraph in its audit report for the year ended December 31, 2015 that, due to our potential cash shortfall as a result of loans maturing in 2016, there is substantial doubt about our ability to continue as a going concern. Our financial statements do not include any adjustment that might result from the outcome of this uncertainty. We cannot provide any assurance that we will be able to continue as a going concern.

Our business is capital intensive and our ability to maintain our operations depends on our cash flow from operations and our ability to raise additional capital on acceptable terms.

We have not consistently achieved positive cash flow from operations since our formation transactions were consummated in March 2008. We expect that our funds from operations, alone, will be insufficient to meet working capital requirements and to fund discretionary leasing capital and tenant improvements. Accordingly, we expect that we will need to sell existing properties, contribute existing properties to joint ventures with third parties or raise additional capital, either from debt or equity, to meet these needs. We may also consider strategic alternatives, including a sale, merger, other business combination or recapitalization, of the Company. In January 2015, we completed the sale of our Clifford Center property, located in Honolulu, Hawaii, to an unaffiliated third party. The net proceeds from the sale of the Clifford Center property, after repaying the related mortgage loans and transaction-related expenses, were approximately $2.1 million. In January 2016, we engaged Eastdil Secured to assist in the potential sale, financing or recapitalization of our remaining wholly-owned properties, but there can be no assurance that this engagement will result in a transaction. We cannot be certain that we will be able to raise additional capital on acceptable terms or at all. If we are unable to raise needed capital, our ability to operate our properties may suffer and our ability to operate the company will be impaired.

We are restricted from disposing of or refinancing our wholly-owned properties under certain circumstances until March 2018, which may further restrict our ability to raise additional capital.

A sale of any of the properties contributed by POP Venture, LLC, a Delaware limited liability company controlled by Mr. Shidler, which we refer to as Venture, in connection with our formation transactions in March 2008 that would not provide continued tax deferral to Venture is contractually restricted for ten years after the closing of the transactions related to such properties. All of our wholly-owned properties continue to be subject to these restrictions. These restrictions on the sale of such properties may prevent us from selling the properties or may adversely impact the terms available to us upon a disposition. In addition, we have agreed that, during such ten-year period, we will not prepay or defease any mortgage indebtedness of such properties, other than in connection with a concurrent refinancing with non-recourse mortgage debt of an equal or greater amount and subject to certain other restrictions. These restrictions limit our ability to refinance indebtedness on those properties and to manage our debt structure. As a result, we may be unable to access certain capital resources that would otherwise be available to us. Furthermore, if any such sale or defeasance is foreseeable, we are required to notify Venture and to cooperate with it in considering strategies to defer or mitigate the recognition of gain under the Code. These contractual obligations may limit our operating flexibility and compel us to take actions or enter into transactions that we otherwise would not undertake. If we fail to comply with any of these requirements, we may be liable for a make-whole cash payment to Venture, the cost of which could be material and could adversely affect our liquidity.

We have a substantial amount of debt outstanding, which may affect our ability to pay dividends, may expose us to interest rate fluctuation risk and may expose us to the risk of additional default under our debt obligations.

As of December 31, 2015, our total consolidated indebtedness (which includes our mortgage and other loans with a carrying value of $290.9 million and our unsecured promissory notes with a carrying value of $29.4 million) was $320.3 million. Our unconsolidated joint venture properties are also leveraged with an aggregate of $45.6 million in indebtedness as of December 31, 2015.

Payments of principal and interest on borrowings may leave our property-owning entities with insufficient cash resources to operate our properties and/or pay distributions to us so that we can make distributions to stockholders. Furthermore, any property-owning entity may default on its obligations and the lenders or mortgagees may foreclose on our properties and execute on any collateral that secures their loans. For tax purposes, a foreclosure of any of our properties would be treated as a sale of the property for a purchase price equal to the outstanding balance of the debt secured by the mortgage. If the outstanding balance of the debt secured by the mortgage exceeds our tax basis in the property, we would recognize taxable income on foreclosure, but we would not receive any cash proceeds.

Our substantial outstanding debt, and the limitations imposed on us by our debt agreements, could have significant other adverse consequences, including the following:

- our cash flow may be insufficient to meet our required principal and interest payments;
- we may be unable to borrow additional funds as needed or on favorable terms, which could adversely affect our liquidity;
- we may be forced to dispose of one or more of our properties, possibly on disadvantageous terms; and
- we will be exposed to interest and future interest rate volatility with respect to indebtedness that is variable rate.

If any one of these events were to occur, our financial condition, results of operations, cash flow, the value of our outstanding Senior Common Stock and Class A Common Stock and ability to satisfy our debt service obligations and to pay dividends could be adversely affected. In addition, any foreclosure on our properties could create taxable income without accompanying cash proceeds, which could adversely affect our ability to meet the REIT distribution requirements imposed by the Code.

We may be unable to refinance, extend or repay our substantial indebtedness, all of which is scheduled to mature in 2016.

As of December 31, 2015, we had a fully drawn $25 million unsecured credit facility and promissory notes payable to certain current and former affiliates in the aggregate outstanding principal amount of $29.4 million (together with accrued and unpaid interest of $15.6 million) scheduled to mature on December 31, 2016. In addition, our mortgage loans amounting to $266 million secured by each of our wholly-owned properties are scheduled to mature in 2016. We do not currently have any committed financing sources available to refinance our debt as it matures. If we are unable to repay, extend or refinance our existing mortgage debt, we may be forced to give back one or more of these assets to the relevant mortgage lenders.

We cannot assure you that we will be able to refinance, extend or repay our substantial indebtedness on acceptable terms or at all. The ability to refinance our indebtedness may be negatively affected by reduced loan-to-value limits commonly being employed in current commercial lending markets and the appraised value of our properties at the time our indebtedness matures.

Our organizational documents have no limitation on the amount of indebtedness that we may incur. As a result, we may become more highly leveraged in the future, which could adversely affect our financial condition.

Our organizational documents contain no limitations regarding the maximum level of debt that we may incur nor do they restrict the form of our debt (including recourse, non-recourse and cross-collateralized debt). Accordingly, we could, without stockholder approval, become more highly leveraged, which could result in an increase in our debt service, could materially adversely affect our cash flow and our ability to make distributions to our stockholders and/or the distributions required to maintain our REIT qualification, and could harm our financial condition. Higher leverage will also increase the risk of default on our obligations.

All of our properties, including properties held in joint ventures, are located in Honolulu and Phoenix. We are dependent on the Honolulu and Phoenix office markets and economies, and are therefore susceptible to risks of events in those markets that could adversely affect our business, such as adverse market conditions, changes in local laws or regulations, and natural disasters.

Because all of our properties are concentrated in Honolulu and Phoenix, we are exposed to greater economic risks than if we owned a more geographically dispersed portfolio. All of our wholly-owned properties are located in Honolulu. We are susceptible to adverse developments in the Honolulu and Phoenix economic and regulatory environments (such as business layoffs or downsizing, industry slowdowns, relocations of businesses, increases in real estate and other taxes, costs of complying with governmental regulations or increased regulation and other factors) as well as natural disasters that occur in these areas (such as earthquakes, hurricanes, floods, wildfires and other events). Any adverse developments in the economy or real estate markets in Honolulu or Phoenix, or any decrease in demand for office space resulting from the Honolulu or Phoenix regulatory or business environments, could adversely impact our financial condition, results of operations and cash flow, the value of our outstanding Senior Common Stock and Class A Common Stock and our ability to satisfy our debt service obligations and to pay dividends to stockholders.

The illiquidity of real estate investments could significantly impede our ability to respond to adverse changes in the performance of our properties and harm our financial condition.

Real estate investments, especially office properties like the properties we currently own, are relatively illiquid and may become even more illiquid during periods of economic downturn. In particular, these risks could arise from weakness in or even the lack of an established market for a property, changes in the financial condition or prospects of prospective purchasers, changes in national or international economic conditions and changes in laws, regulations or fiscal policies of jurisdictions in which the property is located. As a result, we may not be able to sell a property or properties quickly or on favorable terms and realize our investment objectives, or otherwise promptly modify our portfolio, in response to changing economic, financial and investment conditions when it otherwise may be prudent to do so. This inability to respond quickly to changes in the performance of our properties and sell an unprofitable property could adversely affect our cash flows and results of operations, thereby limiting our ability to make distributions to our stockholders. Our financial condition could also be adversely affected if we were, for example, unable to sell one or more of our properties in order to meet our debt obligations upon maturity.

The Code imposes restrictions on a REIT’s ability to dispose of properties that are not applicable to other types of real estate companies. In particular, the tax laws applicable to REITs require that we hold our properties for investment, rather than primarily for sale in the ordinary course of business, which may cause us to forgo or defer sales of properties that otherwise would be in our best interest. Therefore, we may not be able to vary our portfolio in response to economic or other conditions promptly or on favorable terms, which may adversely affect our cash flows, financial condition and results of operations, the value of our outstanding Senior Common Stock and Class A Common Stock and our ability to make distributions to our stockholders.

In addition, our ability to dispose of some of our properties could be constrained by their tax attributes. Properties which we own for a significant period of time or which we acquire through tax deferred contribution transactions in exchange for units in our Operating Partnership may have low tax bases. If we dispose of these properties outright in taxable transactions, we may need to distribute a significant amount of the taxable gain to our stockholders under the requirements of the Code for REITs or pay federal income tax at regular corporate rates on the amount of any gain, which in turn would impact our cash flow and increase our leverage. To dispose of low basis or tax-protected properties efficiently, we may from time to time use like-kind exchanges, which qualify for non-recognition of taxable gain, but can be difficult to consummate and result in the property for which the disposed assets are exchanged inheriting their low tax bases and other tax attributes (including tax protection covenants).

Our operating performance is subject to risks associated with the real estate industry.

Real estate investments are subject to various risks and fluctuations and cycles in value and demand, many of which are beyond our control. Certain events may decrease cash available for dividends, as well as the value of our properties. These events include, but are not limited to:

- adverse changes in economic and demographic conditions;
- vacancies or our inability to rent space on favorable terms or at all;
- adverse changes in financial conditions of buyers, sellers and tenants of properties;
- inability to collect rent from tenants;
- competition from other real estate investors with significant capital, including other real estate operating companies, publicly traded REITs and institutional investment funds;
- reductions in the level of demand for office space, including trends such as telecommuting and flexible workplaces, and changes in the relative popularity of properties;
- increases in the supply of office space;
- declining real estate valuations and impairment charges;
- fluctuations in interest rates, which could adversely affect our ability, or the ability of buyers and tenants of properties, to obtain financing on favorable terms or at all;
- increases in expenses, including insurance costs, labor costs, energy prices, real estate assessments and other taxes and costs of compliance with laws, regulations and governmental policies, and our inability to pass on some or all of these increases to our tenants; and
- changes in, and changes in enforcement of, laws, regulations and governmental policies, including, without limitation, health, safety, environmental, zoning and tax laws, governmental fiscal policies and the ADA.

In addition, periods of economic slowdown or recession, rising interest rates or declining demand for real estate, or the public perception that any of these events may occur, could result in a general decline in rents or an increased incidence of defaults under existing leases without a corresponding decrease in expenses. Costs associated with real estate investments, such as real estate taxes, ground lease payments, insurance, loan payments and maintenance, generally will not be reduced even if the vacancy rate at a property increases or rental rates decrease. If we cannot operate our properties so as to meet our financial expectations, our financial condition, results of operations, cash flow, the value of our outstanding Senior Common Stock and Class A Common Stock and ability to satisfy our debt service obligations and to pay dividends to our stockholders could be adversely affected. There can be no assurance that we can achieve our economic objectives.

We may be adversely affected by trends in the office real estate industry.

Some businesses are rapidly evolving to make employee telecommuting, flexible work schedules, open workplaces and teleconferencing increasingly common. These practices enable businesses to reduce their space requirements. A continuation of the movement towards these practices could over time erode the overall demand for office space and, in turn, place downward pressure on occupancy, rental rates and property valuations, each of which could have an adverse effect on our financial position, results of operations, cash flows and ability to make distributions to our stockholders.

Our success depends on the ability of Shidler Pacific Advisors to operate our properties, and Shidler Pacific Advisors' failure to operate our properties in a sufficient manner could have a material adverse effect on the value of our real estate investments and results of operations.

We are externally advised by Shidler Pacific Advisors. We depend on the ability of Shidler Pacific Advisors to operate our properties and manage our other investments in a manner sufficient to maintain or increase revenues and to generate sufficient revenues in excess of our operating and other expenses. Shidler Pacific Advisors is not required to dedicate any particular number of employees or employee hours to our business in order to fulfill its obligations under our Advisory Agreement with them. We are subject to the risk that Shidler Pacific Advisors can terminate the Advisory Agreement and that no suitable replacement may be found to manage us. We believe that our success depends to a significant extent upon the experience of Shidler Pacific Advisors' executive officers, whose continued service is not guaranteed. If Shidler Pacific Advisors terminates its Advisory Agreement with us, we may not be able to execute our business plan and may suffer losses, which could have a material adverse effect on our ability to make distributions to our stockholders. The failure of Shidler Pacific Advisors to operate our properties and manage our other investments may adversely affect the underlying value of our real estate investments, the results of our operations and our ability to make distributions to our stockholders and to pay amounts due on our indebtedness.

Our operating expenses may increase, causing our results of operations to be adversely affected.

Under our Advisory Agreement with Shidler Pacific Advisors, management-related services and costs such as salaries and wages, office rent, equipment costs, travel costs, insurance costs, telecommunications and supplies are the responsibility of Shidler Pacific Advisors, in exchange for corporate management fees that we pay to Shidler Pacific Advisors. Shidler Pacific Advisors has the right under our Advisory Agreement with it to renegotiate quarterly the amount of its corporate management fee, which may result in increased corporate management fees. Further, under the Advisory Agreement, we continue to be directly liable for certain direct costs, such as legal and accounting fees, that have been substantial in the past and are expected to be substantial in the future. Property management and related services for our wholly-owned properties, are also performed by Shidler Pacific Advisors for property management fees paid by us ranging from 2.5% to 3.0% of the rental cash receipts collected by the properties. There can be no assurance that such fees will not increase in the future since such property management and other related fees are required to be consistent with prevailing market rates for similar services provided on an arms-length basis in the area in which the subject property is located. Other factors that may adversely affect our ability to control operating costs include the need to pay for property insurance and other operating costs, including real estate taxes, which could increase over time, the need periodically to repair, renovate and re-lease space, the cost of compliance with governmental regulation, including zoning and tax laws, the potential for liability under applicable laws, interest rate levels and the availability of financing. If our operating costs increase as a result of any of the foregoing factors, our results of operations may be adversely affected.

Shidler Pacific Advisors' corporate management fee is payable regardless of our performance, which may reduce its incentive to devote time and resources to our portfolio.

For the year ended December 31, 2014, Shidler Pacific Advisors received corporate management fees of $0.21 million per quarter. Effective January 1, 2015, Shidler Pacific Advisors agreed to reduce the corporate management fee to $0.18 million per quarter beginning with the first quarter of 2015. Shidler Pacific Advisors' entitlement to substantial non-performance based compensation might reduce its incentive to devote its time and effort to seeking profitable opportunities for our portfolio. This in turn could hurt our ability to make distributions to our stockholders.

We face intense competition, which may decrease, or prevent increases of, the occupancy and rental rates of our properties.

We compete with a number of developers, owners and operators of office real estate, many of which own properties similar to ours in the same markets in which our properties are located. If our competitors offer space at rental rates below current market rates, or below the rental rates we currently charge our tenants, we may lose existing or potential tenants and we may be pressured to reduce our rental rates below those we currently charge or to offer more substantial rent abatements, tenant improvements, early termination rights or below-market renewal options in order to retain tenants when our tenants' leases expire or to entice new tenants to lease space in our properties. In that case, our financial condition, results of operations, cash flow, the value of our outstanding Senior Common Stock and Class A Common Stock and ability to satisfy our debt service obligations and to pay dividends to our stockholders may be adversely affected.

The actual rents we receive for the properties in our portfolio may be less than our asking rents, and we may experience lease roll down from time to time, which would negatively impact our ability to generate cash flow growth.

We may be unable to realize our asking rents across the properties in our portfolio because of:

- competitive pricing pressure in our markets;
- adverse conditions in the Honolulu or Phoenix real estate markets;
- general economic downturn; and
- a lesser desirability of our properties compared to other properties in our markets.

In addition, the degree of discrepancy between our asking rents and the actual rents we are able to obtain may vary both from property to property and among different leased spaces within a single property. If we are unable to achieve our asking rents across our portfolio, then our ability to generate cash flow growth will be negatively impacted. In addition, depending on asking rental rates at any given time as compared to expiring leases in our portfolio, rental rates for expiring leases may be higher than starting rental rates for new leases.

The expense of owning and operating a property is not necessarily reduced when circumstances such as market factors and competition cause a reduction in income from the property. As a result, if revenues decline, we may not be able to reduce our expenses accordingly. If a property is mortgaged and we are unable to meet the mortgage payments, the lender could foreclose on the mortgage and take possession of the property, resulting in a further reduction in net income.

Leases representing 19.1% of the rentable square feet of our total portfolio are scheduled to expire in 2016. We may be unable to renew leases or lease vacant space at favorable rates or at all, which would negatively impact our ability to generate cash flow.

As of December 31, 2015, leases representing 19.1% of the 2.0 million rentable square feet of our total portfolio (including our consolidated properties and unconsolidated joint venture properties) are scheduled to expire in 2016, and an additional 21.9% of the square footage of our total portfolio was available for lease. These leases may not be renewed, or may be re-leased at rental rates equal to or below existing rental rates. In addition, some of our leases include early termination provisions that permit the lessee to terminate all or a portion of its lease with us after a specified date or upon the occurrence of certain events with little or no liability to us. Substantial rent abatements, tenant improvements, early termination rights or below-market renewal options may be offered to attract new tenants or retain existing tenants. Portions of our properties may remain vacant for extended periods of time. In addition, some existing leases currently provide tenants with options to renew the terms of their leases at rates that are less than the current market rate or to terminate their leases prior to the expiration date thereof. If we are unable to obtain rental rates that are on average comparable to our asking rents across our portfolio, then our ability to generate cash flow growth will be negatively impacted.

We may be required to make significant capital expenditures to improve our properties in order to retain and attract tenants. If we are unable to do so, this could cause a decline in operating revenues and a reduction in cash available for debt service and distributions to stockholders.

We expect that, upon expiration of leases at our properties, we may be required to make rent or other concessions to tenants, accommodate requests for renovations, build-to-suit remodeling and other improvements or provide additional services to our tenants. As a result, we may have to pay for significant leasing costs or tenant improvements in order to retain tenants whose leases expire and to attract new tenants in sufficient numbers. Additionally, we may need to raise capital to make such expenditures. If we are unable to do so or capital is otherwise unavailable, we may be unable to make the required expenditures. This could result in non-renewals by tenants upon expiration of their leases, which would result in declines in revenues from operations and reduce cash available for debt service and distributions to stockholders.

We depend on tenants for our revenue, and accordingly, lease terminations and/or tenant defaults, particularly by one of our larger tenants, could adversely affect the income produced by our properties, which may harm our operating performance.

The success of our investments materially depends on the financial stability of our tenants, any of whom may experience a change in their business at any time. As a result, our tenants may delay lease commencements, decline to extend or renew their leases upon expiration, fail to make rental payments when due or declare bankruptcy. Any of these actions could result in the termination of the tenants' leases, expiration of existing leases without renewal and the loss of rental income attributable to the terminated or expired leases. In the event of a tenant default or bankruptcy, we may experience delays in enforcing our rights as a landlord and may incur substantial costs in protecting our investment and re-letting our property. It is unlikely that a bankrupt tenant will pay, in full, amounts owed to us under a lease. If significant leases are terminated or defaulted upon, we may be unable to lease the property for the rent previously received or sell the property without incurring a loss. In addition, significant expenditures, such as mortgage payments, real estate taxes and insurance and maintenance costs, are generally fixed and do not decrease when revenues at the related property decrease, so tenant defaults or departures could decrease our cash from operations, liquidity and net income.

Our joint venture investments could be adversely affected by a lack of sole decision-making authority and our reliance on joint venture partners' financial condition and liquidity.

We own properties through "joint venture" investments in which we co-invest with another investor. In the future, we may acquire office properties through joint ventures and/or sell to institutions partial ownership of properties that we wholly own. Joint venture investments involve certain risks, including:

- joint venture partners may control or share certain approval rights over major decisions, such as decisions related to the development, financing, leasing, management and other aspects of the project, which may prevent us from taking actions that are opposed by our joint venture partners;
- joint venture partners may fail to fund their share of any required capital commitments;
- joint venture partners might have economic or other business interests or goals that are inconsistent with our business interests or goals that would affect our ability to operate the property;
- joint venture partners may have the power to act contrary to our instructions and policies, including our current policy with respect to maintaining our REIT qualification;
- joint venture agreements often restrict the transfer of a member's or joint venture partner's interest, provide for a buyout of a joint venture partner's interest in certain instances or may otherwise restrict our ability to sell the interest when we desire or on advantageous terms;
- our relationships with our joint venture partners are contractual in nature and may be terminated or dissolved under the terms of the applicable joint venture agreements and, in such event, we may not continue to own or operate the interests or assets underlying such relationship or may need to purchase such interests or assets at a premium to the market price to continue ownership;

- disputes between us and our joint venture partners may result in litigation or arbitration that would increase our expenses and divert attention from other elements of our business and result in subjecting the properties owned by the applicable joint venture to additional risk; and
- we may in certain circumstances be liable for the actions of our joint venture partners.

The occurrence of one or more of the events described above could adversely affect our financial condition, results of operations, cash flow and our ability to pay dividends.

Global market and economic conditions may adversely affect our liquidity and financial condition and those of our tenants, as well as the pricing of real estate assets.

In the United States, market and economic conditions continue to be challenging with stricter regulations and modest growth. While recent economic data continues to reflect moderate economic growth in the United States, the cost and availability of credit may continue to be adversely affected by governmental budget and global economic factors. Concern about continued stability of the economy and credit markets generally, and the strength of counterparties specifically, has led many lenders and institutional investors to reduce and, in some cases, cease to provide funding to borrowers. Volatility in the U.S. and international capital markets and concern over a return to recessionary conditions in global economies may adversely affect our liquidity and financial condition and the liquidity and financial condition of our tenants. If these market conditions continue, they may limit our ability and the ability of our tenants to timely refinance maturing liabilities and access the capital markets to meet liquidity needs. Furthermore, any turmoil in the capital or credit markets could adversely impact the overall amount of capital and debt financing available to invest in real estate, which may result in decreases in price or value of real estate assets.

Adverse market and economic conditions could cause us to recognize additional impairment charges.

We review our real estate assets for impairment indicators, such as a decline in a property's occupancy or its rental rates, in accordance with accounting principles generally accepted in the United States, or GAAP. If we determine that indicators of impairment are present, we review the properties affected by these indicators to determine whether an impairment charge is required. We use considerable judgment in making determinations about impairments, from analyzing whether there are indicators of impairment to the assumptions used in calculating the fair value of the investment. Accordingly, our subjective estimates and evaluations may not be accurate, and such estimates and evaluations are subject to change or revision.

There may be significant uncertainty in the valuation, or in the stability of the cash flows, discount rates and other factors related to real estate assets due to adverse market and economic conditions and market volatility that could result in a substantial decrease in the value of such assets. We may be required to recognize asset and goodwill impairment charges in the future, which could materially and adversely affect our business, financial condition and results of operations.

If we are deemed an "investment company" under the Investment Company Act of 1940, it could have a material adverse effect on our business.

We do not expect to operate as an "investment company" under the Investment Company Act of 1940, as amended, or the Investment Company Act. However, the analysis relating to whether a company qualifies as an investment company can involve technical and complex rules and regulations. If we own assets that qualify as "investment securities" as such term is defined under the Investment Company Act and the value of such assets exceeds 40% of the value of our total assets, we could be deemed to be an investment company and be required to register under the Investment Company Act. Registered investment companies are subject to a variety of substantial requirements that could significantly impact our operations. The costs and expenses we would incur to register and operate as an investment company, as well as the limitations placed on our operations, could have a material adverse impact on our operations and your investment return. In order to operate in a manner to avoid being required to register as an investment company, we may be unable to sell assets we would otherwise want to sell or we may need to sell assets we would otherwise wish to retain. In addition, we may also have to forgo opportunities to acquire interests in companies or entities that we would otherwise want to acquire.

Potential losses may not be covered by insurance and we could incur significant costs and lose our equity in the damaged properties.

We carry comprehensive liability, fire, extended coverage, business interruption and rental loss insurance covering all of our properties under blanket insurance policies. The insurance coverage contains policy specifications and insured limits customarily carried for similar properties and business activities. However, we do not carry insurance for certain losses, including, but not limited to, losses caused by war or by certain environmental conditions, such as mold or asbestos. In addition, if a loss or damages are suffered at one or more of our properties, the insurer may attempt to limit or void coverage by arguing that the loss resulted from facts or circumstances not covered by our policy. Furthermore, our title insurance policies may not insure for the current aggregate market value of our portfolio, and we do not intend to increase our title insurance coverage as the market value of our portfolio increases. As a result, we may not have sufficient coverage against all losses that we may experience, including from adverse title claims. If we experience a loss that is uninsured or that exceeds policy limits, we could incur significant costs and lose the capital invested in the damaged or otherwise adversely affected properties as well as the anticipated future cash flows from those properties.

Our business operations in Honolulu and Phoenix are susceptible to, and could be significantly affected by, adverse weather conditions and natural disasters such as earthquakes, tsunamis, hurricanes, volcanoes, wind, floods, landslides, drought and fires. These adverse weather conditions and natural disasters could cause significant damage to the properties in our portfolio, the risk of which is enhanced by the concentration of our properties' locations. Our insurance may not be adequate to cover business interruption or losses resulting from adverse weather or natural disasters. In addition, our insurance policies include customary deductibles and limitations on recovery. As a result, we may be required to incur significant costs in the event of adverse weather conditions and natural disasters. We may discontinue earthquake or any other insurance coverage on some or all of our properties in the future if the cost of premiums for any of these policies in our judgment exceeds the value of the coverage discounted for the risk of loss.

In addition, our properties may not be able to be rebuilt to their existing height, size or utility at their existing location under current land-use laws and policies. In the event that we experience a substantial or comprehensive loss of one of our properties, we may not be able to rebuild such property to its existing specifications or operate it in accordance with its current use, or we may be required to upgrade such property in connection with any rebuilding to meet current code requirements.

We face possible risks associated with climate change.

We cannot predict with certainty whether global warming or cooling is occurring and, if so, at what rate. However, the physical effects of climate change could have a material adverse effect on our properties, operations and business. All of our properties are located in Honolulu and Phoenix. To the extent climate change causes changes in weather patterns, our markets could experience increases in storm intensity and rising sea-levels. Over time, these conditions could result in declining demand for office space in our buildings or the inability of us to operate the buildings at all. Climate change may also have indirect effects on our business by increasing the cost of (or making unavailable) property insurance on terms we find acceptable and increasing the cost of energy at our properties. Moreover, compliance with new laws or regulations related to climate change, including compliance with "green" building codes, may require us to make improvements to our existing properties or increase taxes and fees assessed on us or our properties. There can be no assurance that climate change will not have a material adverse effect on our properties, operations or business.

Terrorism and other factors affecting demand for our properties could harm our operating results.

The strength and profitability of our business depends on demand for and the value of our properties. Future terrorist attacks in the United States, such as the attacks that occurred in New York and Washington, D.C. on September 11, 2001, and other acts of terrorism or war may have a negative impact on our operations. Such terrorist attacks could have an adverse impact on our business even if they are not directed at our properties. In addition, the terrorist attacks of September 11, 2001 have substantially affected the availability and price of insurance coverage for certain types of damages or occurrences, and our insurance policies for terrorism include large deductibles and co-payments. Although we maintain terrorism insurance coverage on our portfolio, the lack of sufficient insurance for these types of acts could expose us to significant losses and could have a negative impact on our operations.

We face risks associated with security breaches through cyber attacks, cyber intrusions or otherwise, as well as other significant disruptions of our information technology ("IT") networks and related systems.

We face risks associated with security breaches, whether through cyber attacks or cyber intrusions over the Internet, malware, computer viruses, attachments to e-mails, persons inside our organization or persons with access to systems inside our organization, and other significant disruptions of our IT networks and related systems. The risk of a security breach or disruption, particularly through cyber attack or cyber intrusion, including by computer hackers, foreign governments and cyber terrorists, has generally increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased. Our IT networks and related systems are essential to the operation of our business and our ability to perform day-to-day operations (including managing our building systems), and, in some cases, may be critical to the operations of certain of our tenants. Although we make efforts to maintain the security and integrity of these types of IT networks and related systems, and we have implemented various measures to manage the risk of a security breach or disruption, there can be no assurance that our security efforts and measures will be effective or that attempted security breaches or disruptions would not be successful or damaging. Even the most well protected information, networks, systems and facilities remain potentially vulnerable because the techniques used in such attempted security breaches evolve and generally are not recognized until launched against a target, and in some cases are designed not be detected and, in fact, may not be detected. Accordingly, we may be unable to anticipate these techniques or to implement adequate security barriers or other preventative measures, and thus it is impossible for us to entirely mitigate this risk.

A security breach or other significant disruption involving our IT networks and related systems could:

- disrupt the proper functioning of our networks and systems and therefore our operations and/or those of certain of our tenants;
- result in misstated financial reports, missed reporting deadlines and/or missed permitting deadlines;
- result in our inability to properly monitor our compliance with the rules and regulations regarding our qualification as a REIT;
- result in the unauthorized access to, and destruction, loss, theft, misappropriation or release of proprietary, confidential, sensitive or otherwise valuable information of ours or others, which others could use to compete against us or for disruptive, destructive or otherwise harmful purposes and outcomes;
- result in our inability to maintain the building systems relied upon by our tenants for the efficient use of their leased space;
- require significant management attention and resources to remedy any damages that result;
- subject us to claims for breach of contract, damages, credits, penalties or termination of leases or other agreements; or
- damage our reputation among our tenants and investors generally.

Any or all of the foregoing could have a material adverse effect on our results of operations, financial condition and cash flows.

Because we own real property, we are subject to extensive environmental regulation which creates uncertainty regarding future environmental expenditures and liabilities.

Environmental laws regulate, and impose liability for, releases of hazardous or toxic substances into the environment. Under some of these laws, an owner or operator of real estate may be liable for costs related to soil or groundwater contamination on or migrating to or from its property. In addition, persons who arrange for the disposal or treatment of hazardous or toxic substances may be liable for the costs of cleaning up contamination at the disposal site. These laws often impose liability regardless of whether the person knew of, or was responsible for, the presence of the hazardous or toxic substances that caused the contamination. The presence of, or contamination resulting from, any of these substances, or the failure to properly remediate them, may adversely affect our ability to sell or rent our property or to borrow funds using the property as collateral. In addition, persons exposed to hazardous or toxic substances may sue for personal injury damages. For example, some laws impose liability for release of or exposure to materials containing asbestos, a substance known to be present in a number of our buildings. In addition, some of our properties may have been affected by contamination from past operations or from off-site sources. As a result, we may be potentially liable for investigation and cleanup costs, penalties and damages under environmental laws.

Although our wholly-owned properties have been subjected to preliminary environmental assessments, known as Phase I assessments, by independent environmental consultants that identify conditions that could pose potential environmental liabilities, Phase I assessments are limited in scope, and may not include or identify all potential environmental liabilities or risks associated with the property. Unless required by applicable law or any of our lenders, we may decide not to further investigate, remedy or ameliorate the liabilities disclosed in the Phase I assessments. Further, these or other environmental studies may not identify all potential environmental liabilities or accurately assess whether we will incur material environmental liabilities in the future. If we do incur material environmental liabilities in the future, we may face significant remediation costs, and we may find it difficult to sell any affected properties.

Compliance with ADA, fire, safety and other regulations may require us to make unanticipated expenditures that could significantly reduce the cash available for distribution to our stockholders.

Our properties must comply with Title III of the ADA to the extent that such properties are "public accommodations" as defined by the ADA. Under the ADA, all public accommodations must meet federal requirements related to access and use by disabled persons. The ADA may require removal of structural barriers to access by persons with disabilities in certain public areas of our properties where such removal is readily achievable. The obligation to make readily achievable accommodations is an ongoing one, and continual assessment of the properties is required. Although we believe that our wholly-owned properties in the aggregate substantially comply with present requirements of the ADA, we have not conducted a comprehensive audit or investigation of all of our properties to determine compliance. If one or more of our currently owned properties or future properties is not in compliance with the ADA, then we would be required to incur additional costs to bring the property into compliance. Noncompliance could result in the imposition of fines by the U.S. government or an award of damages and/or attorneys' fees to private litigants, or both. Additional federal, state and local laws also may require us to modify properties or could restrict our ability to renovate properties. Complying with the ADA or other legislation at noncompliant properties could be very expensive. If we incur substantial costs to comply with such laws, our financial condition, results of operations, cash flow, the value of our outstanding Senior Common Stock and Class A Common Stock, our ability to satisfy our debt service obligations and our ability to make distributions to our stockholders could be adversely affected. We cannot predict the ultimate amount of the cost of compliance with the ADA or other legislation.

In addition, our properties are subject to various federal, state and local regulatory requirements, such as state and local fire and life safety requirements. Although we believe that our properties in the aggregate substantially comply with these regulatory requirements, we have not conducted a comprehensive review of all of our properties, and we are aware that some properties may not be in compliance with applicable regulatory requirements. If we were to fail to comply with these various requirements, we might incur governmental fines or private damage awards. If we incur substantial costs to comply with these regulatory requirements, our financial condition, results of operations, cash flow, value of our outstanding Senior Common Stock and Class A Common Stock and our ability to satisfy our debt service obligations and to make distributions to our stockholders could be adversely affected. Local regulations, including municipal or local ordinances, zoning restrictions and restrictive covenants imposed by community developers may restrict our use of our properties and may require us to obtain approval from local officials or community standards organizations at any time with respect to our properties, including prior to acquiring a property or when undertaking renovations of any of our existing properties.

If we default on the ground lease to which one of our properties is subject, our business could be adversely affected.

We currently hold a long-term ground leasehold interest in our Waterfront Plaza property. For this property, instead of owning fee title to the land, we are the lessee under a long-term ground lease. If we default under the terms of this lease, we may be liable for damages and could lose our leasehold interest in the property. If any of these events were to occur, our business and results of operations would be adversely affected.

Our property taxes could increase due to property tax rate changes or reassessment, which would impact our cash flows.

We are required to pay state and local taxes on our properties. The real property taxes on our properties may increase as property tax rates change or as our properties are assessed or reassessed by taxing authorities. Therefore, the amount of property taxes we pay in the future may increase substantially and we may be unable to fully recover these increased costs from our tenants. If the property taxes we pay increase and we are unable to fully recover these increased costs from our tenants, our cash flow would be impacted, and our ability to pay dividends to our stockholders could be adversely affected.

We may become subject to litigation, which could have a material adverse effect on our financial condition.

In the future, we may become subject to litigation, including claims relating to our operations, securities offerings and otherwise in the ordinary course of business. Some of these claims may result in significant defense costs and potentially significant judgments against us, some of which are not, or cannot be, insured against. Resolution of these types of matters against us may result in our having to pay significant fines, judgments or settlements, which, if uninsured, or if the fines, judgments and settlements exceed insured levels, could adversely impact our earnings and cash flows, thereby impacting our ability to service debt and make distributions to our stockholders. Certain litigation or the resolution of certain litigation may affect the availability or cost of some of our insurance coverage, which could adversely impact our results of operations and cash flows and/or expose us to increased risks that would be uninsured. Even if we are successful in defending ourselves, certain litigation may require significant attention from our external management team and distract them from the management of our operations, adversely affecting our financial condition and results of operations.

If we fail to satisfy the regulatory requirements of Section 404 of the Sarbanes-Oxley Act of 2002, or if our disclosure controls or internal control over financial reporting is not effective, investors could lose confidence in our reported financial information, which could adversely affect the perception of our business and the value of our outstanding Senior Common Stock and Class A Common Stock.

As a public company, Section 404 of the Sarbanes-Oxley Act of 2002, or Sarbanes-Oxley, requires that we evaluate the effectiveness of our internal control over financial reporting as of the end of each fiscal year, and to include a management report assessing the effectiveness of our internal control over financial reporting in all annual reports. The design and effectiveness of our disclosure controls and procedures and internal control over financial reporting may not prevent all errors, misstatements, or misrepresentations. Although management will continue to review the effectiveness of our disclosure controls and procedures and internal control over financial reporting, there can be no guarantee that our internal control over financial reporting will be effective in accomplishing all control objectives all of the time. Deficiencies, including any material weakness, in our internal control over financial reporting which may occur in the future could result in misstatements of our results of operations, restatements of our financial statements, a decline in the value of our outstanding Senior Common Stock and Class A Common Stock, or otherwise materially adversely affect our business, reputation, results of operations, financial condition, or liquidity.

Risks Related to Conflicts of Interest and Certain Relationships

There may be various conflicts of interest resulting from the relationships among us, our management and other parties.

There may be conflicts of interest among us, our management and other parties. These potential conflicts of interest include the following:

- Certain of our directors and officers are also officers, managers and members of Shidler Pacific Advisors and may therefore benefit from the compensation arrangements relating to Shidler Pacific Advisors under our Advisory Agreement with that entity, which were not the result of arm's-length negotiations.
- Certain of our directors and officers may engage in the management of other business entities and properties in other business entities, which may result in a potential conflict with respect to the allocation of time of such key personnel.

- In the event that the sale by us of any properties subject to tax protection agreements would be beneficial to us but would negatively impact the tax treatment of Venture, it is possible that any of our directors or officers with a financial interest in Venture may experience a conflict of interest.
- Certain of our current and former affiliates hold promissory notes payable by our Operating Partnership. Those persons have rights under the promissory notes, and their exercise of these rights and pursuit of remedies may be affected by their relationship with each other.
- The debt we maintain for our wholly-owned properties is typically property-specific debt that is non-recourse to our Operating Partnership, except for customary recourse carve-outs for borrower misconduct and environmental liabilities. The recourse liability for borrower misconduct and environmental liabilities is guaranteed by James C. Reynolds ("Mr. Reynolds"), a current shareholder who beneficially owns 12% of our Class A Common Stock. Our Operating Partnership has agreed to indemnify Mr. Reynolds to the extent of his guaranty liability.
- An entity controlled by Mr. Shidler has pledged a certificate of deposit in the amount of $25 million as security for our Operating Partnership's credit agreement with First Hawaiian Bank, for which the Operating Partnership has agreed to pay certain fees and provide certain indemnification rights.

These conflicts may result in terms that are more favorable to our management and/or our other affiliates than would have been obtained on an arm's-length basis, and may operate to the detriment of our stockholders.

We are controlled by Jay H. Shidler.

Jay H. Shidler is the Chairman of our board of directors, controls Venture and is the manager and sole owner of Shidler Pacific Advisors, our external advisor. As part of our formation transactions, we issued one share of Proportionate Voting Preferred Stock, which is entitled to cast a number of votes equal to the total number of shares of Class A Common Stock issuable upon redemption for shares of the Common Units and Preferred Units that our Operating Partnership issued in connection with the formation transactions. This share of Proportionate Voting Preferred Stock is held by Pacific Office Holding, Inc., a corporation owned by Mr. Shidler and certain of our current and former executive officers and other affiliates. Pacific Office Holding, Inc. has agreed to cast its Proportionate Voting Preferred Stock votes on any matter in direct proportion to votes that are cast by limited partners of our Operating Partnership holding the Common Units and Preferred Units issued in the formation transactions. Venture holds those Common Units and Preferred Units and is controlled by Mr. Shidler. As of December 31, 2015, the one share of Proportionate Voting Preferred Stock represented 88% of our voting power. Therefore, because of his position with us, Shidler Pacific Advisors, Venture and Pacific Office Holding, Inc., and the additional shares of our Class A Common Stock that he holds, Mr. Shidler has the ability to effectively vote 91.5% of our currently outstanding voting securities and has significant influence over our policies and strategy and the operations and control of our business and the business of our Operating Partnership. The interests of Mr. Shidler in these matters may conflict with the interests of our other stockholders. As a result, Mr. Shidler could cause us or our Operating Partnership to take actions that our other stockholders do not support.

Mr. Shidler may compete with us and, therefore, may have conflicts of interest with us.

In connection with the externalization of management that we effectuated April 1, 2012, we released Mr. Shidler from a Noncompetition Agreement with us. As a result, Mr. Shidler may invest in office properties in Phoenix or Hawaii that are in markets in which we own an office property. It is therefore possible that a property in which Mr. Shidler or his affiliates have an interest may compete with us in the future.

Risks Related to our Capital Stock, our Corporate Structure and our Status as a REIT

Our Class A Common Stock is quoted on the OTCQB tier of the OTC Markets, which may have an unfavorable impact on our stock price and liquidity.

Our Class A Common Stock is currently quoted on the OTCQB tier of the OTC Markets, which is a significantly more limited trading market than the national or regional stock exchanges. We have no specialist or market maker that is obligated to maintain a market in our stock. Furthermore, brokers and dealers making quotations are not obligated to engage in transactions in our Class A Common Stock at quoted or any other prices. The quotation of our shares on the OTCQB has resulted in and will likely continue to result in a relatively illiquid market to trade shares of our Class A

Common Stock, could depress the trading price of our Class A Common Stock and could have a long-term adverse impact on our ability to raise capital in the future.

When fewer shares of a security are being traded on the OTCQB, volatility of prices may increase and price movement may outpace the ability to deliver accurate quote information. Due to lower trading volumes in shares of our Class A Common Stock, there may be a lower likelihood of orders for shares of our Class A Common Stock being executed, and current prices may differ significantly from the price that was quoted at the time of entering the order.

We expect that the volume of trading of our Class A Common Stock will remain low and the market for selling our shares will remain limited.

Our Class A Common Stock has historically been sporadically or thinly traded. The trading volume of our Class A Common Stock may be limited by the fact that many major institutional investment funds, including mutual funds, as well as individual investors follow a policy of not investing in unlisted stocks, and certain major brokerage firms restrict their brokers from recommending unlisted stocks because they are considered speculative and volatile. The OTCQB is an inter-dealer market much less regulated than the major exchanges, and our Class A Common Stock is subject to abuses, volatility and shorting. As a result, the number of persons interested in purchasing our Class A Common Stock at or near ask prices at any given time may be relatively small or non-existent. There may be periods of several days or more when trading activity in our shares is low or nonexistent and a stockholder may be unable to sell his shares of Class A Common Stock at an acceptable price, or at all. We cannot give stockholders any assurance that a broader or more active public trading market for our Class A Common Stock will develop or be sustained, or that current trading levels will be sustained.

Because the trading volume of our Class A Common Stock has been and may continue to be limited and sporadic, the quoted price for our Class A Common Stock on the OTCQB may not necessarily be a reliable indicator of its fair market value. Further, we are not able to compel continued quotations on the OTCQB. If we cease to be quoted, holders would find it more difficult to dispose of our Class A Common Stock or to obtain accurate quotations as to the market value of our Class A Common Stock and as a result, the market value of our Class A Common Stock likely would decline.

Our Class A Common Stock may be governed by the "penny stock rules," which impose additional requirements on broker-dealers who engage in transactions in our Class A Common Stock.

SEC rules require a broker-dealer to provide certain information to purchasers of securities traded at less than $5.00 which are not traded on a national securities exchange. Because our Class A Common Stock is not listed on an exchange and trades below that price, our Class A Common Stock is considered a "penny stock," and trading in our Class A Common Stock is subject to the requirements of Rules 15g-1 through 15g-9 under the Exchange Act, or the penny stock rules. The penny stock rules require a broker-dealer effecting certain types of transactions in penny stocks to deliver a standardized risk disclosure document prepared by the SEC that provides information about penny stocks and the nature and level of risks in the penny stock market. The broker-dealer may also be required to give bid and offer quotations and broker and salesperson compensation information to the purchaser orally or in writing before or with the confirmation of the transaction. In addition, the penny stock rules may require a broker-dealer to make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction before a transaction in a penny stock. These requirements may severely limit the liquidity of securities in the secondary market because few broker-dealers may be likely to undertake these compliance activities. Further, certain investors may have policies or may otherwise be prohibited from investing in securities subject to these requirements. Therefore, the disclosure requirements under the penny stock rules may have the effect of reducing trading activity in our Class A Common Stock, which may make it more difficult for holders to sell their shares.

Our Class A Common Stock price may be volatile.

There can be no assurance that shares of our Class A Common Stock will be resold at or above their purchase price. The market value of our Class A Common Stock could be substantially affected by many factors, including our financial condition and performance, our quarterly and annual operating results, the non-payment of dividends on our Class A Common Stock and any future actions with respect to dividends, the general reputation of REITs and the attractiveness of their equity securities in comparison to other equity securities (including securities issued by other real estate-based companies), and general market conditions.

Our ability to pay dividends is limited, and we cannot provide assurance that we will be able to pay dividends regularly or at all.

Because we conduct substantially all of our operations through our Operating Partnership, our ability to pay dividends depends almost entirely on distributions received on our interests in our Operating Partnership, the payment of which depends in turn on our ability to operate profitably and generate cash flow from our operations. Our ability to pay dividends to holders of our Class A Common Stock depends on our Operating Partnership's ability first to satisfy its obligations to its creditors and preferred unitholders (including us with respect to the outstanding Senior Common Units of our Operating Partnership, and then to the holder of the outstanding Preferred Units of our Operating Partnership) and then to make distributions to us with respect to our general partnership interest. Our Operating Partnership may not make distributions to the holders of its outstanding Common Units (including us with respect to our general partnership interest) unless full cumulative distributions have been paid on its outstanding Senior Common Units and Preferred Units, and we may not pay dividends on our Class A Common Stock unless full cumulative dividends have been paid on our outstanding Senior Common Stock.

Since May 1, 2013, we have paid dividends on our outstanding Senior Common Stock at half the stated annualized rate. The difference between the stated dividend and the paid dividend accrues until paid in full. We did not declare a dividend on our Class A Common Stock in 2015 or 2014, and do not currently expect to declare a dividend on our Class A Common Stock in 2016. Furthermore, our Operating Partnership did not pay a distribution with respect to its outstanding Preferred Units or Common Units in 2015 or 2014, and does not expect to do so in 2016. As noted above, unless full cumulative distributions have been paid on the outstanding Senior Common Units and Preferred Units, our Operating Partnership may not pay a distribution on its outstanding Common Units (including us with respect to our general partnership interest), which effectively means that we will be unable to declare dividends on our Class A Common Stock unless and until all cumulative dividends and distributions have been paid with respect to the Senior Common Stock and the Preferred Units. Unless full cumulative dividends on the Senior Common Stock have been paid for all past dividend periods, we may not repurchase or redeem any shares of Senior Common Stock (or Class A Common Stock) unless all outstanding shares of Senior Common Stock are simultaneously repurchased or redeemed.

We cannot provide any assurance as to when, or if, we will pay the accrued dividends on the Senior Common Stock or resume the payment of dividends at the full stated annualized rate, or if we will continue to pay dividends on the Senior Common Stock at half the stated annualized rate or at all. Any dividends or other distributions we pay in the future will depend upon our legal and contractual obligations, including the provisions of the Senior Common Stock, as well as actual results of operations, economic conditions, debt service requirements and other factors. Our actual results of operations will be affected by a number of factors, including the revenue we receive from our properties, our operating expenses, interest expense, the ability of our tenants to meet their obligations and unanticipated expenditures. We cannot guarantee that we will be able to pay any dividends (including dividends on our Senior Common Stock) on a regular basis or at all in the future.

The potential issuance of Class A Common Stock in exchange for partnership units of our Operating Partnership and future offerings of debt, preferred stock or other securities may dilute the holdings of, or otherwise adversely impact, our existing stockholders.

We may attempt to increase our capital resources by making additional offerings of debt or equity securities, including commercial paper, medium term notes, senior or subordinated notes and classes of preferred stock, convertible preferred units or common stock. Upon liquidation, holders of our debt securities, holders of our Senior Common Stock or any preferred stock with preferential distribution rights that we may issue and lenders with respect to other borrowings would receive a distribution of our available assets prior to the holders of our Class A Common Stock. Future equity offerings and the issuance of Class A Common Stock in exchange for partnership units of our Operating Partnership may dilute the holdings of our existing stockholders. If we decide to issue preferred stock in addition to our Proportionate Voting Preferred Stock already issued, it could have a preference on liquidation distributions or a preference on dividend payments that could limit our ability to make a dividend distribution to our existing stockholders. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings.

Provisions in our charter, bylaws and Maryland law may delay or prevent our acquisition by a third party, even if such acquisition were in the best interests of our stockholders.

Certain provisions of Maryland law and our charter and bylaws could have the effect of discouraging, delaying or preventing transactions that involve an actual or threatened change in control of us, and may have the effect of entrenching our management and members of our board of directors, regardless of their performance. These provisions cover, among other topics, the following:

- removal of directors;
- limitation on stockholder-requested special meetings;
- advance notice provisions for stockholder nominations and proposals;
- exclusive power of our board to amend our bylaws;
- issuance of preferred stock;
- restrictions on transfer and ownership of shares of our stock; and
- duties of directors with respect to unsolicited takeovers.

Our board of directors may classify or reclassify any unissued common stock or preferred stock and establish the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption of any such stock. Thus, our board of directors could authorize the issuance of preferred stock with priority as to distributions and amounts payable upon liquidation over the rights of our existing stockholders. Such preferred stock could also have the effect of delaying, deferring or preventing a change in control of us, including an extraordinary transaction (such as a merger, tender offer or sale of all or substantially all of our assets) that might provide a premium price to our existing stockholders. Our board of directors may also, without stockholder approval, amend our charter to increase or decrease the aggregate number of shares of our stock or the number of shares of stock of any class or series that we have authority to issue.

If we fail to remain qualified as a REIT in any taxable year, our operations and ability to make distributions will be adversely affected because we will be subject to U.S. federal income tax on our taxable income at regular corporate rates with no deduction for distributions made to stockholders.

We believe that we are organized and operate in conformity with the requirements for qualification and taxation as a REIT under the Code, and that our method of operation enables us to continue to meet the requirements for qualification and taxation as a REIT under the Code. However, qualification as a REIT requires us to satisfy highly technical and complex Code provisions for which only limited judicial and administrative authorities exist, and which are subject to change, potentially with retroactive effect. Even a technical or inadvertent mistake could jeopardize our REIT status. Our continued qualification as a REIT will depend on our satisfaction of certain asset, income, organizational, distribution, stockholder ownership and other requirements on a continuing basis. In particular, our ability to qualify as a REIT depends on the relative values of our common stock and our other classes of equity, which are susceptible to fluctuations, and on the actions of third parties in which we may own an interest but over which we have no control or limited influence.

If we were to fail to qualify as a REIT in any tax year, then:

- we would not be required to make distributions to our stockholders;
- we would not be allowed to deduct distributions to our stockholders in computing our taxable income;
- we would be subject to federal income tax, including any applicable alternative minimum tax, at regular corporate rates; and
- any resulting tax liability could be substantial and could require us to borrow money or sell assets to pay such liability, and would reduce the amount of cash available for distribution to stockholders. Unless we were entitled to relief under applicable statutory provisions, we would be disqualified from treatment as a REIT for the subsequent four taxable years following the year during which we lost our qualification, and thus, our cash available for distribution to stockholders would be reduced for each of the years during which we did not qualify as a REIT.

Even if we remain qualified as a REIT, we may face other tax liabilities that reduce our cash flow.

Even if we remain qualified for taxation as a REIT, we may be subject to certain federal, state and local taxes on our income and assets, including taxes on any undistributed income and any taxable REIT subsidiary will be subject to federal, state and local taxes on its income. Any of these taxes would decrease the amount of cash available for distribution to our stockholders. In addition, in order to meet the REIT qualification requirements, or to avert the imposition of a 100% prohibited transactions tax that generally applies to certain gains derived by a REIT from dealer property or inventory, we may in the future hold some of our assets through taxable REIT subsidiaries, which (unlike REITs) are taxed on their taxable income, whether or not distributed.

Complying with REIT requirements may force us to borrow or take other adverse actions to make distributions to stockholders.

As a REIT, we must generally distribute at least 90% of our annual REIT taxable income, subject to certain adjustments, to our stockholders. If we satisfy the REIT distribution requirement but distribute less than 100% of our taxable income, we will be subject to federal corporate income tax on our undistributed taxable income. In addition, we will be subject to a 4% nondeductible excise tax if the actual amount that we pay to our stockholders in a calendar year is less than a minimum amount specified under federal tax laws.

From time to time, we may generate taxable income greater than our cash flow available for distribution to stockholders (for example, due to substantial non-deductible cash outlays, such as capital expenditures or principal payments on debt). In order to avoid income and excise taxes in these situations, we could be required to fund distributions from working capital, liquidate assets at prices or times that we regard as unfavorable or borrow to provide funds for distributions, or we may make distributions in the form of a taxable stock dividend. As a result, having to comply with the distribution requirement could cause us to sell assets in adverse market conditions, borrow on unfavorable terms or distribute amounts that would otherwise be invested in future acquisitions, capital expenditures or repayment of debt. These alternatives could increase our operating costs or diminish our levels of growth.

REIT restrictions on ownership of our capital stock may delay or prevent our acquisition by a third party, even if an acquisition is in the best interests of our stockholders.

In order for us to qualify as a REIT, not more than 50% of the value of our capital stock may be owned, directly or indirectly, by five or fewer individuals during the last half of any taxable year.

Our charter provides that, subject to certain exceptions, no person, including entities, may own, or be deemed to own by virtue of the attribution provisions of the Code, more than 4.9% in economic value of the aggregate of the outstanding shares of capital stock, or more than 4.9% in economic value or number of shares, whichever is more restrictive, of our outstanding shares of common stock. While these restrictions may prevent any five individuals from owning more than 50% of the shares, they could also discourage a change in control of our company. These restrictions may also deter tender offers that may be attractive to stockholders or limit the opportunity for stockholders to receive a premium for their shares if an investor seeks to acquire a block of shares of our capital stock.

Complying with REIT requirements may affect our profitability and may force us to liquidate or forgo otherwise attractive investments.

To qualify as a REIT, we must continually satisfy tests concerning, among other things, the nature and diversification of our assets, the sources of our income and the amounts we distribute to our stockholders. We may be required to liquidate or forgo otherwise attractive investments in order to satisfy the asset and income tests or to qualify under certain statutory relief provisions. We also may be required to make distributions to stockholders at disadvantageous times or when we do not have funds readily available for distribution. Accordingly, satisfying the REIT requirements could have an adverse effect on our business results, profitability and ability to execute our business plan. Moreover, if we are compelled to liquidate our investments to meet any of these asset, income or distribution tests, or to repay obligations to our lenders, we may be unable to comply with one or more of the requirements applicable to REITs or may be subject to a 100% tax on any resulting gain if such sales constitute prohibited transactions.

Liquidation of collateral may jeopardize our REIT status.

To continue to qualify as a REIT, we must comply with requirements regarding our assets and our sources of income. If we are compelled to liquidate investments to satisfy our obligations to our lenders, we may be unable to comply with these requirements, ultimately jeopardizing our status as a REIT.

Complying with REIT requirements may limit our ability to hedge effectively.

The REIT provisions of the Code may limit our ability to hedge our operations. Under current law, any income that we generate from derivatives or other transactions intended to hedge our interest rate risks, or any income from foreign currency or other hedges, will generally be treated as nonqualifying income for purposes of the REIT 75% and 95% gross income tests unless specified requirements are met. As a result of these rules, we may have to limit our use of hedging techniques that might otherwise be advantageous, which could result in greater risks associated with interest rate or other changes than we would otherwise incur.

We may be subject to adverse legislative or regulatory tax changes that could reduce the value of our outstanding Senior Common Stock and Class A Common Stock.

At any time, the federal and state income tax laws governing REITs, or the administrative interpretations of those laws, may be amended. Any of those new laws or interpretations may take effect retroactively and could adversely affect us or you as a stockholder.

ITEM 1B. - UNRESOLVED STAFF COMMENTS

None.

ITEM 2. - PROPERTIES

Our property portfolio is comprised primarily of institutional-quality office buildings located principally in selected long-term growth markets in Hawaii and Phoenix. Each property is owned either through entities wholly-owned by us or through joint ventures. One of our joint ventures owns a sports club associated with our City Square property in Phoenix, Arizona.

As of December 31, 2015, we owned five office properties, including the interests in our joint venture properties, comprising 2.0 million rentable square feet in seven buildings. The following tables contain descriptive information about our properties as of December 31, 2015, excluding the City Square Sports Club.

PROPERTY	NO. OF BUILDINGS	YEAR BUILT/ RENOVATED	RENTABLE SQ.FT.	ANNUALIZED RENT[(1)]	PERCENTAGE OWNERSHIP	INTEREST
Wholly-Owned Properties						
Waterfront Plaza 500 Ala Moana Boulevard Honolulu, HI 96813	1	1988/2006	560,171	$ 19,087,107	100%	Leasehold
Davies Pacific Center 841 Bishop Street Honolulu, HI 96813	1	1972/2006	374,882	9,925,403	100%	Fee Simple
Pan Am Building 1600 Kapiolani Boulevard Honolulu, HI 96814	1	1969/2005	221,451	6,754,461	100%	Fee Simple
Total Wholly-Owned Properties	**3**		**1,156,504**	**$ 35,766,971**		
Joint Venture Properties						
City Square 3800 North Central Avenue 3838 North Central Avenue 4000 North Central Avenue Phoenix, AZ 85012	3	 1961/1988 1971/1994 1965/2000	749,740	$ 8,749,609	5%	Fee Simple
Pacific Business News Building 1833 Kalakaua Avenue Honolulu, HI 96815	1	1964/2006	97,585	2,286,506	5%	Fee Simple
Total Joint Venture Properties	**4**		**847,325**	**$ 11,036,115**		
Total Properties	**7**		**2,003,829**	**$ 46,803,086**		

(1) Annualized rent represents the monthly contractual rent under commenced leases as of December 31, 2015. This amount reflects total rent before abatements and includes contractual expense reimbursements, which are estimated by annualizing December 2015 actual expense reimbursement billings. Joint venture properties are reported with respect to each property in its entirety, rather than the portion of the property represented by our ownership interest. No portion of the joint venture properties' annualized rent is consolidated in our consolidated financial statements because our interests in our joint venture properties are accounted for under the equity method of accounting.

Occupancy Rates and Annualized Rents

The following table sets forth the occupancy rate and average annualized rent per square foot for each of our wholly-owned properties at December 31 of each of the past five years.

	PERCENT LEASED[(1)]					ANNUALIZED RENT PER LEASED SF[(2)]				
PROPERTY	2011	2012	2013	2014	2015	2011	2012	2013	2014	2015
Waterfront Plaza	92%	90%	88%	89%	92%	$ 38.53	$ 38.94	$ 37.90	$ 37.16	$ 38.30
Davies Pacific Center	76%	77%	84%	77%	80%	34.77	34.48	34.31	35.18	34.86
Pan Am Building	89%	90%	94%	94%	90%	37.07	36.51	36.67	35.59	35.82
Total Weighted Average					**88%**					**$ 36.81**

(1) Based on leases signed as of December 31 of each historical year and rentable square footage.

(2) Annualized Rent represents the monthly contractual rent under commenced leases as of December 31 of each respective year. This amount reflects total rent before abatements and includes contractual expense reimbursements, which are estimated by annualizing December actual expense reimbursement billings. Annualized Rent per Leased Square Foot represents Annualized Rent divided by square feet of commenced leases as of December 31 of each respective year.

Tenant Diversification

The following table provides information on the ten largest tenants, by annualized rent, in our wholly-owned properties as of December 31, 2015. No single tenant accounts for 10% or more of our total consolidated revenues.

TENANT	LEASE EXPIRATION	LEASED SQUARE FEET	ANNUALIZED RENT(1)	% OF TOTAL ANNUALIZED RENT	PROPERTY	INDUSTRY
Oahu Publications Inc.	3/31/2023	46,793	$ 1,879,094	5.25%	Waterfront Plaza	Media & Journalism
Farmers Insurance Hawaii Inc.	12/31/2017	53,594	1,796,874	5.02%	Waterfront Plaza	Insurance
General Services Administration	6/20/2025	39,662	1,767,525	4.94%	Waterfront Plaza	Government
AT&T Corp.	6/30/2020	26,160	1,074,937	3.01%	Waterfront Plaza	Communications
Hilton Grand Vacations Company LLC	3/31/2018	25,282	893,974	2.50%	Pan Am Building	Tourism & Hospitality
McCorriston Miller Mukai MacKinnon LLP	12/31/2021	29,231	889,138	2.49%	Waterfront Plaza	Legal Services
Honolulu Surgery Center L.P.	6/30/2025	17,026	831,017	2.32%	Waterfront Plaza	Medical
New York Life Insurance Company	8/10/2021	21,242	789,809	2.21%	Davies Pacific Center	Insurance
Covance CRU Inc.	4/30/2016	18,665	746,993	2.09%	Waterfront Plaza	Medical
Royal State Financial Corp.	12/31/2021	20,565	735,090	2.06%	Pan Am Building	Insurance
Total Annualized Rent for Top 10 Tenants			**$ 11,404,451**	**31.89%**		
Total Annualized Rent			**$ 35,766,971**			

(1) Annualized Rent represents the monthly contractual rent under commenced leases as of December 31, 2015. This amount reflects total rent before abatements and includes contractual expense reimbursements, which are estimated by annualizing December 2015 actual expense reimbursement billings.

The following table contains information about tenants who occupy more than 10% of any of our wholly-owned properties as of December 31, 2015. Two properties have no tenant that occupies more than 10% of the rentable area. No tenant occupies more than 10% of the aggregate rentable area of all of our properties combined.

PROPERTY/TENANT	INDUSTRY	LEASE EXPIRATION(1)	RENEWAL OPTION	TOTAL LEASED SQUARE FEET	% OF RENTABLE SQUARE FEET	ANNUALIZED RENT(2)	% OF ANNUALIZED RENT
Pan Am Building							
Hilton Grand Vacations Company LLC	Tourism & Hospitality	3/31/2018	Yes(3)	25,282	11.42%	$ 893,974	13.24 %

(1) Expiration date assumes no exercise of renewal, extension or termination options.

(2) Annualized rent represents the monthly contractual rent under commenced leases as of December 31, 2015. This amount reflects total rent before abatements and includes contractual expense reimbursements, which are estimated by annualizing December 2015 actual expense reimbursement billings.

(3) Hilton Grand Vacations Company has an option to extend its term for an additional 5 years upon 180-days written notice at 90% of the fair market rent.

Lease Distribution by Square Footage

The following table summarizes the lease distributions by square footage for all our wholly-owned properties as of December 31, 2015.

SQUARE FOOTAGE UNDER LEASE	NUMBER OF LEASES	LEASES AS A % OF TOTAL	RENTABLE SQUARE FEET(1)	SQUARE FEET AS A % OF TOTAL	ANNUALIZED RENT(2)	ANNUALIZED RENT AS A % OF TOTAL
2,500 or less	239	73.09 %	219,187	18.95 %	$ 7,897,938	22.08 %
2,501 - 10,000	67	20.49 %	315,883	27.31 %	11,669,817	32.63 %
10,001 - 20,000	13	3.98 %	173,995	15.05 %	6,372,775	17.82 %
20,001 - 40,000	6	1.83 %	162,142	14.02 %	6,150,473	17.19 %
40,001 - 100,000	2	0.61 %	100,387	8.68 %	3,675,968	10.28 %
Subtotal	**327**	**100.00 %**	**971,594**	**84.01 %**	**$ 35,766,971**	**100.00 %**
Signed Leases Not Commenced	—	—	10,148	0.88 %	—	—
Available for Lease	—	—	136,236	11.78 %	—	—
BOMA Adjustment(3)	—	—	38,526	3.33 %	—	—
Total	**327**	**100.00 %**	**1,156,504**	**100.00 %**	**$ 35,766,971**	**100.00 %**

(1) Based on BOMA 1996 re-measurement.

(2) Annualized Rent represents the monthly contractual rent under commenced leases as of December 31, 2015. This amount reflects total rent before abatements and includes contractual expense reimbursements, which are estimated by annualizing December 2015 actual expense reimbursement billings.

(3) Represents square footage adjustments for leases that do not reflect BOMA 1996 re-measurement.

Lease Expirations and Rate Comparisons

The following table summarizes the lease expirations for leases in place as of December 31, 2015 for our wholly-owned properties. The information set forth in the table assumes that tenants exercise no renewal options or early termination rights.

YEAR OF LEASE EXPIRATION	NUMBER OF LEASES EXPIRING	RENTABLE SQUARE FEET(1)	EXPIRING SQUARE FEET AS A % OF TOTAL	ANNUALIZED RENT(2)	ANNUALIZED RENT AS A % OF TOTAL	ANNUALIZED RENT PER LEASED SQUARE FOOT(3)	ANNUALIZED RENT AT EXPIRATION	ANNUALIZED RENT PER LEASED SQUARE FOOT AT EXPIRATION(4)
2016	124	184,678	15.97 %	$ 6,510,763	18.20 %	$ 35.25	$ 6,049,325	$ 32.76
2017	47	145,478	12.58 %	5,086,748	14.22 %	34.97	5,147,514	35.38
2018	50	122,324	10.58 %	4,577,017	12.80 %	37.42	4,722,322	38.61
2019	35	124,427	10.76 %	4,599,777	12.86 %	36.97	4,790,684	38.50
2020	37	111,703	9.66 %	4,158,679	11.63 %	37.23	4,435,787	39.71
2021	16	109,483	9.47 %	3,793,488	10.61 %	34.65	3,699,235	33.79
2022	5	13,320	1.15 %	480,117	1.34 %	36.04	543,003	40.77
2023	3	54,617	4.72 %	2,160,772	6.04 %	39.56	2,433,373	44.55
2024	1	2,810	0.24 %	97,130	0.27 %	34.57	107,808	38.37
2025	3	64,371	5.56 %	2,936,661	8.21 %	45.62	3,089,294	47.99
Thereafter	6	38,383	3.32 %	1,365,819	3.82 %	35.58	1,591,579	41.47
Subtotal/ Weighted Average	**327**	**971,594**	**84.01 %**	**$ 35,766,971**	**100.00 %**	**$ 36.81**	**$ 36,609,924**	**$ 37.68**
Signed Leases Not Commenced	—	10,148	0.88 %	—	—	—	—	—
Available for Lease	—	136,236	11.78 %	—	—	—	—	—
BOMA Adjustment(5)	—	38,526	3.33 %	—	—	—	—	—
Total/ Weighted Average	**327**	**1,156,504**	**100.00 %**	**$ 35,766,971**	**100.00 %**	**$ 30.93**	**$ 36,609,924**	**$ 31.66**

(1) Based on BOMA 1996 re-measurement.

(2) Annualized Rent represents the monthly contractual rent under commenced leases as of December 31, 2015. This amount reflects total rent before abatements and includes contractual expense reimbursements, which are estimated by annualizing December 2015 actual expense reimbursement billings.

(3) Represents annualized rent divided by leased square feet.

(4) Represents annualized rent at expiration divided by leased square feet.

(5) Represents square footage adjustments for leases that do not reflect BOMA 1996 re-measurement.

The leases scheduled to expire in the next five years represent approximately 0.7 million rentable square feet or 59.6% of our total rentable square feet of our wholly-owned properties. During the year ended December 31, 2015, changes in average rental rates per square foot for new leases and lease renewals that commenced during the year ended December 31, 2015, as compared to prior average rental rates per square foot in effect for the same space were as follows:

	LEASED SQUARE FEET(1)	NEW AVERAGE RENTAL RATE PER SQUARE FOOT(1)(2)	OLD AVERAGE RENTAL RATE PER SQUARE FOOT(1)(2)
New leases	25,400	$ 1.85	$ 1.69
Lease renewals	159,947	$ 1.70	$ 1.52
Total leasing activity	185,347	$ 1.72	$ 1.55

(1) Excludes leases for which the space was vacant longer than one year, month-to-month leases, leases with terms of less than 12 months, related party leases and right-to-use leases.

(2) Average rental rate includes contractual base rents from our tenants pursuant to our lease agreements as adjusted for straight-line rate adjustments and rate abatements.

Variability in buildings, leased square feet and term of expiring leases makes predicting the changes in average rental rates in future periods difficult. More broadly, our rental rates and occupancy are impacted by general economic and market conditions, especially as they pertain to developments in the Honolulu business environment. Therefore, we cannot give any assurance that leases will be renewed or that available space will be re-leased at rental rates equal to or above the current market rates. Additionally, decreased demand and other negative trends or unforeseeable events that impair our ability to timely renew or re-lease space could have further negative effects on our future financial condition, results of operations and cash flows.

Ground Leased Properties

At December 31, 2015 we held a long-term ground leasehold interest in our Waterfront Plaza property.

The Waterfront Plaza ground lease expires December 31, 2060. The annual rental obligation has fixed increases at five year intervals until it resets on January 1, 2036, 2041, 2046, 2051 and 2056 to an amount equal to the greater of (i) 8.0% of the fair market value of the land, and (ii) the ground lease rent payable during the prior period.

See Note 11 of our consolidated financial statements included in this Annual Report on Form 10-K for additional information regarding our ground leased property.

Indebtedness

We maintain material borrowings related to our properties. For detailed information on our borrowings as of December 31, 2015, please refer to the Indebtedness section in Part II, Item 7 of this Annual Report on Form 10-K.

ITEM 3. - LEGAL PROCEEDINGS

We are not currently a party, as plaintiff or defendant, to any legal proceedings which, individually or in the aggregate, are expected by us to have a material effect on our business, financial condition or results of operation if determined adversely to us.

ITEM 4. - MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. - MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our Class A Common Stock is currently quoted in the OTCQB tier of the OTC Markets under the symbol "PCFO." The trading of our Class A Common Stock has been and may continue to be limited and sporadic.

The table below sets forth the high and low sales prices for our Class A Common Stock as reported by the OTC Markets from January 1, 2014 through December 31, 2015. No dividends were declared on our Class A Common Stock for any of these periods.

	HIGH	LOW
2015		
Fourth Quarter	$ 1.00	$ 0.30
Third Quarter	$ 0.80	$ 0.06
Second Quarter	$ 0.25	$ 0.11
First Quarter	$ 0.25	$ 0.06
2014		
Fourth Quarter	$ 0.29	$ 0.12
Third Quarter	$ 0.29	$ 0.18
Second Quarter	$ 0.35	$ 0.17
First Quarter	$ 0.37	$ 0.16

As of March 7, 2016, our Class A Common Stock was held by 42 stockholders of record. This figure does not reflect the beneficial ownership of shares held in nominee name.

Our Class B Common Stock has identical voting and dividend rights to our Class A Common Stock, but has no distribution rights upon liquidation. No established public trading market exists for our Class B Common Stock. As of March 7, 2016, our Class B Common Stock was held by one stockholder of record.

There currently is no established public trading market for our Senior Common Stock, and we do not expect to have our shares of Senior Common Stock listed on any securities exchange or quoted on an automated quotation system. As of March 7, 2016, our Senior Common Stock was held by 884 stockholders of record.

Dividends

Our Senior Common Stock ranks senior to our Class A Common Stock and Class B Common Stock with respect to dividends and distribution of amounts upon liquidation. Subject to the preferential rights of any future series of preferred shares, holders of Senior Common Stock are entitled to receive, when and as authorized by our board of directors and declared by us, cumulative cash dividends in an amount per share equal to a minimum of $0.725 per share per annum, payable monthly. Dividends on the Senior Common Stock are cumulative and accrue to the extent not declared or paid by us. Our board of directors authorized daily dividends on the Senior Common Stock for the months of April 2010 through April 2013, in an amount equal to the stated annualized rate of 7.25% of the original issue price of $10.00 per share. Dividends declared for each month during such periods were paid on or about the 15th day of the following month. Commencing May 1, 2013, and continuing through May 2016, our board of directors has authorized dividends on the Senior Common Stock at half the stated annualized rate. The difference between the stated dividend and the paid dividend will accrue until paid in full.

Because we conduct substantially all of our operations through our Operating Partnership, our ability to pay dividends depends almost entirely on distributions received on our interests in our Operating Partnership, the payment of which depends in turn on our ability to operate profitably and generate cash flow from our operations. Our ability to pay dividends to holders of our Class A Common Stock depends on our Operating Partnership's ability first to satisfy its obligations to its creditors and preferred unitholders (including us with respect to the outstanding Senior Common Units of our Operating Partnership, and then to the holder of the outstanding Preferred Units of our Operating Partnership) and then to make distributions to us with respect to our general partnership interest. Our Operating Partnership may not make distributions to the holders of its outstanding Common Units (including us with respect to our general partnership interest) unless full cumulative distributions have been paid on its outstanding Senior Common Units and Preferred Units, and we may not pay dividends on our Class A Common Stock unless full cumulative dividends have been paid on our outstanding Senior Common Stock.

We did not declare a dividend on our Class A Common Stock in 2015 or 2014, and do not currently expect to declare a dividend on our Class A Common Stock in 2016. Furthermore, our Operating Partnership did not pay a distribution with respect to its outstanding Preferred Units or Common Units in 2015 or 2014, and does not expect to do so in 2016. As noted above, unless full cumulative distributions have been paid on the outstanding Senior Common Units and Preferred Units, our Operating Partnership may not pay a distribution on its outstanding Common Units (including us with respect to our general partnership interest), which effectively means that we will be unable to declare dividends on our Class A Common Stock unless and until all cumulative dividends and distributions have been paid with respect to the Senior Common Stock and the Preferred Units.

Unless full cumulative dividends on the Senior Common Stock have been paid for all past dividend periods, we may not repurchase or redeem any shares of Senior Common Stock (or Class A Common Stock) unless all outstanding shares of Senior Common Stock are simultaneously repurchased or redeemed.

We cannot provide any assurance as to when, or if, we will pay the accrued dividends on the Senior Common Stock or resume the payment of dividends at the full stated annualized rate, or if we will continue to pay dividends on the Senior Common Stock at half the stated annualized rate or at all. Any dividends or other distributions we pay in the future will depend upon our legal and contractual restrictions, including the provisions of the Senior Common Stock, as well as actual results of operations, economic conditions, debt service requirements and other factors. Our actual results of operations will be affected by a number of factors, including the revenue we receive from our properties, our operating expenses, interest expense, the ability of our tenants to meet their obligations and unanticipated expenditures. For more information regarding risk factors that could materially adversely affect our actual results of operations, see Part I, Item 1A – "Risk Factors" in this Annual Report on Form 10-K.

ITEM 6. - SELECTED FINANCIAL DATA

Not applicable.

ITEM 7. - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the other sections of this Annual Report on Form 10-K, including the consolidated financial statements and the related notes thereto that appear in Part II, Item 8 of this Annual Report on Form 10-K. Historical results set forth in the consolidated financial statements included in Part II, Item 8 and this Section should not be taken as indicative of our future operations.

Note Regarding Forward-Looking Statements

Our disclosure and analysis in this Annual Report on Form 10-K contains 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 (the "Exchange Act"), which include information relating to future events, future financial performance, strategies, expectations, risks and uncertainties. From time to time, we also provide forward-looking statements in other materials we release to the public as well as oral forward-looking statements. These forward-looking statements include, without limitation, statements regarding: projections, predictions, expectations, estimates or forecasts as to our business, financial and operational results and future economic performance; statements regarding strategic transactions such as mergers, acquisitions, recapitalizations or a possible dissolution of the Company; and statements of management's goals and objectives and other similar expressions. Such statements give our current expectations or forecasts of future events; they do not relate strictly to historical or current facts. Words such as "believe," "assume," "may," "will," "should," "could," "would," "predict," "potential," "continue," "plan," "anticipate," "estimate," "expect," "intend," "objective," "seek," "strive" and similar expressions, as well as statements in future tense, identify forward-looking statements.

Certain matters discussed in this Annual Report on Form 10-K are forward-looking statements. The risks and uncertainties inherent in such statements may cause actual future events or results to differ materially and adversely from those described in the forward-looking statements.

We cannot guarantee that any forward-looking statement will be realized. Achievement of future results is subject to risks, uncertainties and potentially inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could differ materially from past results and those anticipated, estimated or projected. These factors include the risks and uncertainties described in "Risk Factors" in Part I, Item 1A of this Annual Report on Form 10-K. You should bear this in mind as you consider forward-looking statements.

We undertake no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise. You are advised, however, to consult any further disclosures we make on related subjects in our Quarterly Reports on Form 10-Q and Current Reports on Form 8-K filed with the SEC.

Overview

We are an externally advised REIT that owns and operates primarily institutional-quality office properties in Hawaii. As of December 31, 2015, we owned three office properties, comprising 1.2 million rentable square feet, and were partners with third parties in three joint ventures holding two office properties, comprising four buildings and 0.8 million rentable square feet, and a sports club associated with our City Square property in Phoenix, Arizona. Our ownership interest percentage in each of these joint ventures is 5.0%. As of December 31, 2015, our property portfolio included office buildings in Honolulu and Phoenix.

Our advisor is Shidler Pacific Advisors, LLC ("Shidler Pacific Advisors"), an entity that is owned and controlled by Jay H. Shidler ("Mr. Shidler"), our Chairman of the Board. Lawrence J. Taff, our President, Chief Executive Officer, Chief Financial Officer and Treasurer, also serves as President of Shidler Pacific Advisors. Shidler Pacific Advisors is responsible for the day-to-day operation and management of the Company, including management of our wholly-owned properties.

We maintain a website at *www.pacificofficeproperties.com*. The information on or accessible through our website is not part of this Annual Report on Form 10-K. Copies of our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to such reports are available without charge on our website or upon request to us. In addition, our Code of Business Conduct and Ethics is available without charge on our website or upon request to us. Amendments to, or waivers from, our Code of Business Conduct and Ethics that apply to our executive officers will be posted to our website. We also post or otherwise make available on our website from time to time other information that may be of interest to our investors.

Critical Accounting Policies

This discussion and analysis of the historical financial condition and results of operations is based upon the accompanying consolidated financial statements which have been prepared in accordance with United States generally accepted accounting principles, or GAAP. The preparation of these consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions in certain circumstances that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses in the reporting period. Actual amounts may differ from these estimates and assumptions. Summarized below are those accounting policies that require material subjective or complex judgments and that have the most significant impact on financial conditions and results of operations. These estimates have been evaluated on an ongoing basis, based upon information currently available and on various assumptions that management believes are reasonable as of the date hereof. In addition, other companies in similar businesses may use different estimation policies and methodologies, which may impact the comparability of the results of operations and financial conditions to those of other companies.

Investments in Real Estate. We account for acquisitions of real estate utilizing the purchase method and, accordingly, the results of operations of acquired properties are included in our results of operations from the respective dates of acquisition.

Investments in real estate properties are stated at cost, less accumulated depreciation, amortization and impairment. Our wholly-owned properties, all of which were contributed to us at the time of our formation transactions in 2008, are stated at their historical net cost basis in an amount attributable to the ownership interests in such properties owned by Mr. Shidler prior to the formation transactions. Additions to land, buildings and improvements, furniture, fixtures and equipment and construction in progress are recorded at cost.

Transaction costs related to acquisitions are expensed. Costs associated with developing space for its intended use are capitalized and amortized over their estimated useful lives, commencing at the later of the improvement completion date or the lease commencement date.

Estimates of future cash flows and other valuation techniques are used to allocate the acquisition cost of acquired properties among land, buildings and improvements, and identifiable intangible assets and liabilities such as amounts related to in-place at-market leases, acquired below-market leases, and acquired above- and below-market ground leases.

The fair values of real estate assets acquired are determined on an "as-if-vacant" basis. The "as-if-vacant" fair value is allocated to land, and where applicable, buildings, tenant improvements and equipment based on comparable sales and other relevant information obtained in connection with the acquisition of the property.

Fair value is assigned to below-market leases based on the difference between (a) the contractual amounts to be paid by the tenant based on the existing lease and (b) management's estimate of current market lease rates for the corresponding in-place leases, over the remaining terms of the in-place leases. Capitalized below-market lease amounts are reflected in "Acquired below-market leases, net," in the accompanying consolidated balance sheets and are amortized as an increase in rental revenue over the remaining initial non-cancellable lease terms plus the terms of any below-market fixed rate renewal options that are considered bargain renewal options. If a tenant vacates its space prior to the contractual termination of the lease and no rental payments are being made on the lease, any unamortized balance, net of the security deposit, of the related intangible is written off.

Fair value is also assigned to tenant relationships. Capitalized tenant relationship amounts are included in "Intangible assets, net" in the accompanying consolidated balance sheets and are amortized to "Depreciation and amortization" in the accompanying consolidated statements of operations. Amounts are amortized over the remaining terms of the respective leases even if a tenant vacates prior to the contractual termination of the lease. An adjustment to tenant relationship amounts occurs should the property experience an impairment loss.

The aggregate value of other acquired intangible assets consists of acquired in-place leases. The fair value allocated to acquired in-place leases consists of a variety of components including, but not necessarily limited to: (a) the value associated with avoiding the cost of originating the acquired in-place lease (i.e. the market cost to execute a lease, including leasing commissions and legal fees, if any); (b) the value associated with lost revenue related to tenant reimbursable operating costs estimated to be incurred during the assumed lease-up period (i.e. real estate taxes, insurance and other operating expenses); (c) the value associated with lost rental revenue from existing leases during the assumed lease-up period; and (d) the value associated with any other inducements to secure a tenant lease. The value assigned to acquired in-place leases is amortized over the remaining lives of the related leases.

We record the excess of the cost of an acquired entity over the net of the amounts assigned to assets acquired (including identified intangible assets) and liabilities assumed as goodwill. Goodwill is not amortized but is tested for impairment at a level of reporting referred to as a reporting unit on an annual basis, during the fourth quarter of each calendar year, or more frequently, if events or changes in circumstances indicate that the asset might be impaired. See "Goodwill" below. An impairment loss for an asset group is allocated to the long-lived assets of the group on a pro-rata basis using the relative carrying amounts of those assets, except that the loss allocated to an individual long-lived asset shall not reduce the carrying amount of that asset below its fair value. A description of our testing policy is set forth in "Impairment of Long-Lived Assets" below.

Impairment of Long-Lived Assets. In accordance with the provisions of the Impairment or Disposal of Long-Lived Assets Subsections of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC")

360, *Property, Plant and Equipment*, we assess the potential for impairment of our long-lived assets, including real estate properties, whenever events occur or a change in circumstances indicate that the recorded carrying value might not be fully recoverable. Indicators of potential impairment include significant decreases in occupancy levels and/or rental rates or a change in strategy that results in a decreased holding period. We determine whether impairment in value has occurred by comparing the estimated future cash flows, undiscounted and excluding interest, expected from the use and eventual disposition of the asset to its carrying value. If the undiscounted cash flows do not exceed the carrying value, the real estate or intangible carrying value is reduced to fair value and impairment loss is recognized. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell.

No impairment charges for our wholly-owned properties were recorded for the year ended December 31, 2015. For the year ended December 31, 2014, we recorded non-cash impairment charges of $0.5 million on our Clifford Center property as a result of the property's fair value, net of costs to sell, being below its current carrying value, in connection with the anticipated sale of the property, which was completed in January 2015. The non-cash impairment charges are included in "Loss from discontinued operations" on the consolidated statement of operations.

Investments in Unconsolidated Joint Ventures. Our investments in joint ventures are accounted for under the equity method of accounting because we exercise significant influence over, but do not control, our joint ventures. Our joint venture partners have substantive participating rights, including approval of and participation in setting operating budgets. Accordingly, we have determined that the equity method of accounting is appropriate for our investments in joint ventures.

Investments in unconsolidated joint ventures are initially recorded at cost and are subsequently adjusted for our proportionate equity in the net income or net loss of the joint ventures, contributions made to, or distributions received from, the joint ventures and other adjustments. We record distributions of operating profit from our investments in unconsolidated joint ventures as part of cash flows from operating activities and distributions related to a capital transaction, such as a refinancing transaction or sale, as investing activities in the consolidated statements of cash flows.

We evaluate all investments in accordance with the guidance of FASB Accounting Standards Update No. 2009-17, *Consolidations (Topic 810), Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*, which requires ongoing assessments of the investments to determine whether or not they are variable interest entities ("VIEs") and if they are VIEs, whether or not we are determined to be the primary beneficiary. We would consolidate a VIE if it is determined that we are the primary beneficiary. We use qualitative analyses to determine whether we are the primary beneficiary of a VIE. Consideration of various factors could include, but is not limited to, the purpose and design of the VIE, risks that the VIE was designed to create and pass through, the form of our ownership interest, our representation of the entity's governing body, the size and seniority of our investment, our ability to participate in policy making decisions, and the rights of the other investors to participate in the decision making process and/or liquidate the venture, if applicable. We currently do not hold any investments in VIEs.

Impairment of Investments in Unconsolidated Joint Ventures. Our investment in unconsolidated joint ventures is subject to a periodic impairment review and is considered to be impaired when a decline in fair value is judged to be other-than-temporary. An investment in an unconsolidated joint venture that we identify as having an indicator of impairment is subject to further analysis to determine if the investment is other than temporarily impaired, in which case we write down the investment to its estimated fair value.

No impairment charges were recorded in our investments in unconsolidated joint ventures for the year ended December 31, 2015. For the year ended December 31, 2014, we recorded non-cash impairment charges of $0.9 million to write off our investment in the POP San Diego joint venture due to uncertainty surrounding its recoverability. The charge is included in "Equity in net (loss) earnings of unconsolidated joint ventures" on the consolidated statement of operations.

Discontinued Operations. The revenue, expenses, impairment and/or gain on sale of operating properties that meet the applicable criteria of FASB Accounting Standards Update No. 2014-08, *Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360), Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity* are reported as discontinued operations in the consolidated statement of operations. A gain on sale, if any, is recognized in the period the property is disposed of.

In determining whether to report the results of operations, impairment and/or gain on sale of operating properties as discontinued operations, we evaluate whether the property that has been disposed of by sale, disposed of other than by sale or is classified as held for sale represents a strategic shift that has or will have a major effect on our operations and financial results. A strategic shift could include the disposal of a major geographical area, a major line of business, a major equity method investment or other major parts of an entity.

We classify properties as held for sale when certain criteria set forth in the Long-Lived Assets Classified as Held for Sale Subsections of FASB ASC 360, *Property, Plant and Equipment*, are met, including when we receive cash deposits towards the purchase of our properties. At that time, we present the non-cash assets and liabilities of the property held for sale separately in our consolidated balance sheet. We cease recording depreciation and amortization expense at the time a property is classified as held for sale. Properties held for sale are reported at the lower of their carrying amount or their estimated fair value, less estimated costs to sell. In the event that a property classified as held for sale no longer meets the criteria for held for sale classification, the property is reclassified as held for use at the lower of the fair value or the depreciated basis as if the property had continued to be used. As of December 31, 2014, the Clifford Center property was classified as held for sale. In January 2015, we completed the sale of the Clifford Center property, and accordingly, the associated assets and liabilities had been removed from our consolidated balance sheet as of December 31, 2015 and the results of its operations before the sale, including post-closing activities since the sale, for the years ended December 31, 2015 and 2014 are included in "Discontinued operations" in the accompanying consolidated statements of operations.

Goodwill. We record the excess cost of an acquired entity over the net of the amounts assigned to assets acquired (including identified intangible assets) and liabilities assumed as goodwill. Goodwill is not amortized but is tested for impairment on an annual basis during the fourth quarter of each calendar year, or more frequently if circumstances indicate that a possible impairment has occurred. The assessment of impairment involves a two-step process whereby an initial assessment for potential impairment is performed, followed by a measurement of the amount of impairment, if any. Impairment testing is performed using the fair value approach, which requires the use of estimates and judgment, at the "reporting unit" level. A reporting unit is the operating segment, or a business that is one level below the operating segment if discrete financial information is prepared and regularly reviewed by management at that level. The reporting unit's fair value is calculated as the discounted future cash flows based on management's best estimate of the applicable capitalization and discount rates. If the carrying value of a reporting unit exceeds its fair value, the second step of the goodwill impairment test is performed to measure the amount of impairment loss, if any. An impairment charge is recognized as a charge against income equal to the excess of the carrying value of goodwill over its implied value on the date of the impairment. Factors that may cause goodwill to be impaired include, but may not be limited to, a sustained decline in our stock price and the occurrence, or sustained existence, of adverse economic conditions or decreased cash flow from our properties.

We consider our wholly-owned properties one reporting unit due to similar geographic and economic characteristics. As of December 31, 2015 and 2014, goodwill of our wholly-owned properties amounted to \$37.7 million and \$39.1 million, respectively. We wrote off approximately \$1.4 million of goodwill associated with the sale of the Clifford Center property in January 2015.

Revenue Recognition. The following four criteria must be met before we recognize revenue and gains:

- persuasive evidence of an arrangement exists;
- the delivery has occurred or services rendered;
- the fee is fixed and determinable; and
- collectability is reasonably assured.

All of our tenant leases are classified as operating leases. For all leases with scheduled rent increases or other adjustments, minimum rental income is recognized on a straight-line basis over the terms of the related leases. Straight-line rent receivable represents rental revenue recognized on a straight-line basis in excess of billed rents and this amount is included in "Deferred rents" on the accompanying consolidated balance sheets. The straight line rent adjustment included in "Rental revenues" in the accompanying consolidated statements of operations was \$0.02 million and (\$0.01) million for the years ended December 31, 2015 and 2014, respectively. Reimbursements from tenants for real estate taxes, excise taxes and other recoverable operating expenses are recognized as revenues in the period the applicable costs are incurred.

Capitalized below-market lease amounts are amortized as an increase to rental revenue over the remaining initial non-cancellable lease terms plus the terms of any below-market fixed rate renewal options that are considered bargain renewal options.

We have leased space to certain tenants under non-cancellable operating leases, which provide for percentage rents based upon tenant revenues. Percentage rental income is recorded in "Rental revenues" in the accompanying consolidated statements of operations.

Rental revenue from parking operations and month-to-month leases or leases with no scheduled rent increases or other adjustments is recognized on a monthly basis when earned.

Lease termination fees, which are included in "Other" revenue of the accompanying consolidated statements of operations, are recognized when the related leases are canceled and we have no continuing obligation to provide services to such former tenants.

"Other" revenue on the accompanying consolidated statements of operations generally includes income incidental to our operations and is recognized when earned.

Tenant Receivables. Tenant receivables are recorded and carried at the amount billable per the applicable lease agreement, less any allowance for doubtful accounts. An allowance for doubtful accounts is made when collection of the full amounts is no longer considered probable. Tenant receivables are included in "Rents and other receivables, net," in the accompanying consolidated balance sheets. If a tenant fails to make contractual payments beyond any allowance, we may recognize bad debt expense in future periods equal to the amount of unpaid rent. We take into consideration factors including historical termination, default activity and current economic conditions to evaluate the level of reserve necessary. We had an allowance for doubtful accounts of $0.3 million and $0.2 million, as of December 31, 2015 and 2014, respectively.

We had a total of $1.8 million and $1.7 million of lease security available in security deposits, as of December 31, 2015 and 2014, respectively.

Income Taxes. We have elected to be taxed as a REIT under the Code. To qualify as a REIT, we must meet a number of organizational and operational requirements, including a requirement that we currently distribute at least 90% of our REIT taxable income to our stockholders. Also, at least 95% of gross income in any year must be derived from qualifying sources. We intend to adhere to these requirements and maintain our REIT status. As a REIT, we generally will not be subject to corporate level federal income tax on taxable income that we distribute currently to our stockholders. However, we may be subject to certain state and local taxes on our income and property, and to federal income and excise taxes on our undistributed taxable income, if any. Management believes that we have distributed and will continue to distribute a sufficient majority of our taxable income, if any, in the form of dividends and distributions to our stockholders and unit holders. Accordingly, we have not recognized any provision for income taxes.

The Company is subject to the provisions of FASB ASC 740, *Income Taxes* which prescribes a more-likely-than-not threshold for the financial statement recognition of uncertain tax positions. ASC 740 clarifies the accounting for income taxes by prescribing a minimum recognition threshold and measurement attribute for the recognition and measurement of a tax position taken or expected to be taken in a tax return. On a quarterly basis, the Company evaluates the need for income tax accruals in accordance with ASC 740.

Non-Controlling Interests. We account for non-controlling interests in accordance with FASB ASC 810, *Consolidation*. In accordance with FASB ASC 810, we report non-controlling interests in subsidiaries within equity in the consolidated financial statements, but separate from the parent stockholders' equity. Net income attributable to non-controlling interests is presented as a reduction from net income in calculating net income available to common stockholders on the statement of operations. Acquisitions or dispositions of non-controlling interests that do not result in a change of control are accounted for as equity transactions. In addition, FASB ASC 810 requires that a parent company recognize a gain or loss in net income when a subsidiary is deconsolidated upon a change in control. In accordance with FASB ASC 480-10, *Distinguishing Liabilities from Equity*, non-controlling interests that are determined to be redeemable are carried at their redemption value as of the balance sheet date and reported as temporary equity. We periodically evaluate individual non-controlling interests for the ability to continue to recognize the non-controlling interest as permanent equity in the consolidated balance sheets. Any non-controlling interest that fails to qualify as permanent equity will be reclassified as temporary equity and adjusted to the greater of (a) the carrying amount, or (b) its redemption value as of the end of the period in which the determination is made, the resulting adjustment is recorded in the consolidated statement of operations. See Note 12 for a more detailed discussion.

Results of Operations

Our results of operations for the years ended December 31, 2015 and 2014 include the results of our wholly-owned properties (Waterfront Plaza, Davies Pacific Center and Pan Am Building) and our equity in the net earnings (loss) of our unconsolidated joint ventures. Discontinued operations reflects the net results of operations of the Clifford Center property, which was sold in January 2015. The impact on our results of operations from sales of unconsolidated joint venture properties during these periods was not material.

Overview

As of December 31, 2015, our wholly-owned properties were 88.0% leased, with 136,236 square feet available, under a total of 327 leases. As of that date, 16.0% of our leased square footage was scheduled to expire during 2016 and another 12.6% of our leased square footage was scheduled to expire during 2017.

As of December 31, 2014, our wholly-owned properties were 85.0% leased, with 178,295 square feet available, under a total of 349 leases. As of that date, 14.9% of our leased square footage was scheduled to expire during 2015 and another 12.5% of our leased square footage was scheduled to expire during 2016.

The changes in vacant space for our wholly-owned properties for the period from December 31, 2014 to December 31, 2015 are shown below:

	RENTABLE SQUARE FEET
Vacant space available at December 31, 2014	178,295
Sale of Clifford Center property	(24,901)
Leases expired on December 31, 2014	2,303
Expired or terminated during the period	222,055
Square footage adjustments and exclusions(1)	(9,205)
Total space available for lease	368,547
New leases	61,929
Renewed leases	170,382
Total space leased during the period	232,311
Vacant space available at December 31, 2015	136,236

(1) Includes adjustments for remeasured square footage, right-to-use leases and month-to-month storage leases.

We receive income primarily from rental revenue (including tenant reimbursements) from our office properties and, to a lesser extent, from our parking revenues. Our office properties are typically leased to tenants with good credit for terms ranging from two to 20 years. We perform credit evaluations on new tenants by requesting and reviewing their financial statements and recent tax returns. During the terms of our leases, we monitor the credit quality of our tenants by reviewing the timeliness of their lease payments. In addition, we may review financial statements, operating statements and/or performance of other financial covenants as allowed for under their lease.

Comparison of the year ended December 31, 2015 to the year ended December 31, 2014 (in thousands)

	TOTAL			
	2015	**2014**	**$ CHANGE**	**% CHANGE**
Revenue:				
Rental	$ 21,066	$ 20,429	$ 637	3.1%
Tenant reimbursements	16,732	17,220	(488)	(2.8)%
Parking	6,020	5,765	255	4.4%
Other	296	706	(410)	(58.1)%
Total revenue	**44,114**	**44,120**	**(6)**	**—%**
Expenses:				
Rental property operating	25,677	26,597	(920)	(3.5)%
General and administrative	1,684	1,692	(8)	(0.5)%
Depreciation and amortization	10,753	11,144	(391)	(3.5)%
Interest	20,581	20,356	225	1.1%
Total expenses	**58,695**	**59,789**	**(1,094)**	**(1.8)%**
Loss from continuing operations before equity in net earnings (loss) of unconsolidated joint ventures	**(14,581)**	**(15,669)**	**1,088**	**(6.9)%**
Equity in net earnings (loss) of unconsolidated joint ventures	497	(1,147)	1,644	(143.3)%
Loss from continuing operations	**(14,084)**	**(16,816)**	**2,732**	**(16.2)%**
Loss from discontinued operations	(180)	(536)	356	(66.4)%
Net loss	**$ (14,264)**	**$ (17,352)**	**$ 3,088**	**(17.8)%**

Revenues

Rental revenue. Total rental revenue increased by $0.6 million, or 3.1%, primarily due to increases in rental revenues at Pan Am Building for a negotiated lease incentive for a tenant in the prior year period ($0.2 million), a tenant being in holdover in the current year period ($0.1 million) and a tenant who expanded its lease ($0.1 million) and at Waterfront Plaza as a result of write-offs of deferred rent ($0.2 million) related to tenants who vacated their leased premises in the prior year period and additional deferred rent related to a significant new tenant in the current year period ($0.2 million), partially offset by a decrease in rental revenues at Davies Pacific Center related to a a tenant who vacated its leased premises in the prior year ($0.2 million).

Tenant reimbursements. Total tenant reimbursements decreased by $0.5 million, or 2.8%, primarily due to decreases in tenant recoveries for common area maintenance expenses at Davies Pacific Center ($0.3 million) and electricity reimbursements at Waterfront Plaza ($0.2 million) compared to the prior year.

Parking revenue. Total parking revenue increased by $0.3 million, or 4.4%, primarily due to increased parking rates at Waterfront Plaza.

Other revenue. Total other revenue decreased by $0.4 million, or 58.1%, primarily due to a decrease in termination fees ($0.2 million) that arose from a significant Waterfront Plaza tenant who vacated its leased premises in the prior year period and the related write-off of the tenant's lease obligations ($0.2 million).

Expenses

Rental property operating expenses. Total rental property operating expenses decreased by $0.9 million, or 3.5%, primarily due to decreases in utility expenses, primarily resulting from lower electricity rates, at Davies Pacific Center ($0.4 million), Pan Am Building ($0.3 million) and Waterfront Plaza ($0.8 million) compared to the prior year period, partially offset by increases in miscellaneous repairs and maintenance at Davies Pacific Center ($0.1 million), air conditioning repairs at Pan Am Building ($0.1 million) and bad debt expense at Waterfront Plaza ($0.2 million) and at Pan Am Building ($0.1 million) and consulting costs at Waterfront Plaza ($0.1 million) compared to the prior year period.

General and administrative expense. Total general and administrative expense decreased by an insignificant amount compared to the prior year.

Depreciation and amortization expense. Total depreciation and amortization expense decreased by $0.4 million, or 3.5%, primarily due to a decrease in depreciation expenses at Davies Pacific Center ($0.3 million) and at Pan Am Building ($0.1 million) as a result of assets being fully depreciated.

Interest expense. Total interest expense increased by $0.2 million, or 1.1%, primarily due to an increase in interest attributable to additional unsecured notes payable to current and former related parties issued in February 2014.

Equity in net earnings (loss) of unconsolidated joint ventures

Equity in net earnings (loss) of unconsolidated joint ventures increased by $1.6 million for the year ended December 31, 2015 compared to the year ended December 31, 2014. The increase is primarily attributable to our share of losses in, and the subsequent write-off of, our investment in the POP San Diego joint venture in the prior year period ($1.0 million) and an increase in earnings from our joint venture which sold the Valencia Corporate Center property in September 2015 ($0.7 million), partially offset by a decrease in earnings received from one of our joint ventures which was dissolved in the prior year period ($0.1 million).

Loss from discontinued operations

For the year ended December 31, 2015, discontinued operations reflects the net results of operations of the Clifford Center property prior to its sale in January 2015, as well as post-closing activities since the sale. For the year ended December 31, 2014, discontinued operations reflects the net results of operations of the Clifford Center property.

Cash Flows

Net cash provided by operating activities was $0.7 million for the year ended December 31, 2015 compared to $0.05 million for the year ended December 31, 2014. The increase was primarily the result of a decrease in rental operating expense payments as compared to the prior year period.

Net cash provided by investing activities was $3.3 million for the year ended December 31, 2015 compared to net cash used in investing activities of $7.1 million for the year ended December 31, 2014. The increase was primarily the result of net proceeds from the sale of our Clifford Center property in January 2015 ($8.6 million), a decrease in capital expenditures from the prior year period ($1.6 million) and a distribution from one of our joint ventures which sold the Valencia Corporate Center property in September 2015 ($0.7 million), partially offset by the repayment of interim financing by an unconsolidated joint venture ($0.4 million) in November 2014 and an increase in leasing commissions ($0.1 million) compared to the prior year period.

Net cash used in financing activities was $7.1 million for the year ended December 31, 2015 compared to $1.4 million for the year ended December 31, 2014. The increase was primarily due to the repayment of mortgage notes payable related to the Clifford Center property as a result of the sale of the property in January 2015.

Liquidity and Capital Resources

Liquidity is a measure of our ability to meet potential cash requirements, including ongoing commitments to repay borrowings, fund and maintain our assets and operations, make distributions to our stockholders and other general business needs. In order to qualify as a REIT, we must distribute to our stockholders, each calendar year, at least 90% of our REIT taxable income. As discussed further below, however, we did not declare dividends on our Class A Common Stock during fiscal 2015 and 2014, and we do not currently expect to declare dividends on our Class A Common Stock during fiscal 2016.

Our business is capital intensive and our ability to maintain our operations depends on our cash flow from operations and our ability to raise additional capital on acceptable terms. Our primary focus is to preserve and generate cash.

We are working to address challenges to our liquidity position, particularly with respect to mortgage debt on each of our wholly-owned properties that is scheduled to mature in 2016. We do not currently have any committed financing sources available to refinance our debt as it matures. If we are unable to repay, extend or refinance our existing mortgage debt, we may be forced to give back one or more of these assets to the relevant mortgage lenders.

We expect to meet our short-term liquidity and capital requirements primarily through existing cash on hand, net cash provided by rental activities, refinancing of existing debt, distributions from joint ventures and/or asset dispositions. We expect to meet our long-term capital requirements through net cash provided by operating activities, borrowings under our revolving credit facility (if available), refinancing of existing debt or through other available investment and financing activities, including the contribution of existing wholly-owned assets to joint ventures (partial sell-down of equity interests in wholly-owned assets), asset dispositions and/or additional secured or unsecured debt financings. In January 2015, we completed the sale of our Clifford Center property, located in Honolulu, Hawaii, to an unaffiliated third party. The net proceeds from the sale of the Clifford Center property, after repaying the related mortgage loans and transaction-related expenses, were approximately $2.1 million. We may also consider strategic alternatives, including a sale, merger, other business combination or recapitalization, of the Company. In January 2016, we engaged Eastdil Secured to assist in the potential sale, financing or recapitalization of our remaining wholly-owned properties, but there can be no assurance that this engagement will result in a transaction.

While we may be able to anticipate and plan for certain liquidity needs, there may be unexpected increases in uses of cash that are beyond our control and which would affect our financial condition and results of operations. For example, we may be required to comply with new laws or regulations that cause us to incur unanticipated capital expenditures for our properties, thereby increasing our liquidity needs. Even if there are no material changes to our anticipated liquidity requirements, our sources of liquidity may be fewer than, and the funds available from such sources may be less than, anticipated or needed. While we believe that access to future sources of significant cash will be challenging, we believe that we will have access to some of the liquidity sources identified above, and that those sources will be sufficient to meet our near-term liquidity needs.

Actual and Potential Sources of Liquidity

Listed below are our actual and potential sources of liquidity in the near term:

- Unrestricted and restricted cash on hand;
- Net cash flow generated from operations;
- Refinancing of existing debt;
- Distributions from joint ventures; and/or
- Asset dispositions.

These sources are essential to our short-term liquidity and financial position, and we cannot assure you that we will be able to successfully access them. If we are unable to generate adequate cash from these sources, we will have liquidity-related problems and may be exposed to significant risks. For a further discussion of such risks, see Part I, Item 1A, "Risk Factors."

Unrestricted and restricted cash on hand

As of December 31, 2015, we had $3.8 million in unrestricted cash and cash equivalents. In addition, we had restricted cash balances of $4.5 million. A summary of our restricted cash reserves is as follows (in thousands):

	DECEMBER 31, 2015
Tax, insurance and other working capital reserves	$ 1,907
Leasing and capital expenditure reserves	505
Ground lease reserves	1,525
Collateral accounts	528
Total restricted cash	$ 4,465

The ground lease, leasing and capital expenditure, tax, insurance and other working capital reserves are held in restricted accounts by our lenders in accordance with the terms of our mortgage loans. These restricted cash accounts are expected to fund (1) anticipated leasing expenditures (primarily commissions and tenant improvement costs) for existing and prospective tenants, (2) non-recurring discretionary capital expenditures, (3) payments for properties subject to ground leases, and (4) property taxes and insurance. The collateral accounts are held by our lenders under our other obligations.

Net cash flow generated from operations

Our cash flows from operations depend significantly on market rents and the ability of our tenants to make rental payments. While we believe the diversity and high credit quality of our tenants help mitigate the risk of a significant interruption of our cash flows from operations, the challenging Honolulu office market conditions that we are continuing to experience, the potential for an increase in interest rates, or the possibility of a downturn or return to recessionary conditions could adversely impact our operating cash flows. Competition to attract and retain high credit-quality tenants remains intense. At the same time, a significant number of our leases at our properties are scheduled to expire over the next several years, and the capital requirements necessary to maintain our current occupancy levels, including payment of leasing commissions, tenant concessions, and anticipated leasing expenditures, could increase. As such, we will continue to closely monitor our tenant renewals, rental rates, competitive market conditions and our cash flows.

Refinancing of existing debt

The mortgage loans secured by each of our wholly-owned properties are scheduled to mature in 2016. As our debt matures, our principal payment obligations present significant near-term cash requirements. We may not be able to successfully extend, refinance or repay our debt depending on a number of factors, including property valuations, availability of credit, lending standards and economic conditions. Furthermore, as discussed below under "*Asset dispositions*," we have agreed that until March 19, 2018, we will not prepay or defease any mortgage indebtedness secured by these properties, other than in connection with a concurrent refinancing with non-recourse mortgage debt of an equal or greater amount and subject to certain other restrictions. Although these restrictions do not prevent us from refinancing this debt, they limit our flexibility with respect to certain financing options and, as a result, we may be unable to access certain capital resources that would otherwise be available to us. We do not currently have any committed financing sources available to refinance our debt as it matures. If we are unable to successfully extend or refinance any of these loans, we may be unable to retain our ownership of the property secured by such loan.

In addition, our revolving credit facility and promissory notes payable to certain current and former affiliates are scheduled to mature on December 31, 2016.

Distributions from joint ventures

We are currently partners with third parties in three joint ventures, holding two office properties, comprising four buildings, and a sports club associated with one of the office properties. Distributions from our joint ventures depend significantly on our joint ventures' ability to generate positive cash flow from their rental operations or the sale of one or more office properties or buildings held by our joint ventures. Our joint ventures' ability to successfully manage the operations or identify, negotiate and close sale transactions on acceptable terms or at all is uncertain.

Asset dispositions

In the near term or longer term, we may seek to raise additional capital by selling some or all of our existing wholly-owned assets, but we have a limited number of assets remaining that could be sold to generate net cash proceeds and our ability to do so on acceptable terms or at all is highly uncertain. Moreover, a sale of any of our wholly-owned properties that would not provide continued tax deferral to POP Venture, LLC, a Delaware limited liability company controlled by Mr. Shidler, which we refer to as Venture, is contractually restricted until March 19, 2018. These restrictions on the sale of such properties may prevent us from selling the properties or may adversely impact the terms available to us upon a disposition. In addition, we have agreed that, until March 19, 2018, we will not prepay or defease any mortgage indebtedness of such properties, other than in connection with a concurrent refinancing with non-recourse mortgage debt of an equal or greater amount and subject to certain other restrictions. Furthermore, if any such sale or defeasance is foreseeable, we are required to notify Venture and to cooperate with it in considering strategies to defer or mitigate the recognition of gain under the Code. These contractual obligations may limit our future operating flexibility and compel us to take actions or enter into transactions that we otherwise would not undertake. If we fail to comply with any of these requirements, we may be liable for a make-whole cash payment to Venture, the cost of which could be material and could adversely affect our liquidity.

As a result of the sale of our First Insurance Center property in June 2012, certain contract parties holding ownership interests in the contributor of First Insurance claimed they were entitled to a make-whole cash payment under tax protection agreements relating to the property. In February 2014, we issued subordinated promissory notes in the aggregate amount of $8.3 million in settlement of the majority of such claims, and paid cash settlements totaling approximately $0.4 million in settlement of the remainder of such claims. Each party receiving a promissory note or cash payment released us from any other claims under the tax protection agreements arising out of the sale of the First Insurance Center property and the foreclosure of our Sorrento Technology Center property in January 2012, as applicable. See "Indebtedness - Subordinated Promissory Notes" below for additional information regarding the terms of these promissory notes.

In December 2014, we entered into a Purchase and Sale Agreement to sell our fee and leasehold interest in our Clifford Center property, located in Honolulu, Hawaii, to an unaffiliated third party buyer. We completed the sale in January 2015 for aggregate consideration of $8.9 million. We believe that no tax indemnity liability will arise under the tax protection agreements in connection with this sale because the sale of the Clifford Center property resulted in a tax loss.

Actual and Potential Uses of Liquidity

The following are the actual and potential uses of our cash in the near term. There may be other uses of our cash that are unexpected (and that are not identified below):

- Property operating and corporate expenses;
- Capital expenditures (including building and tenant improvements and leasing commissions);
- Debt service and financing costs; and/or
- Dividends to stockholders and distributions to limited partners of our Operating Partnership.

Property operating and corporate expenses

We are focused on ensuring our properties are operating as efficiently as possible. We have taken steps to identify opportunities to reduce discretionary operating costs wherever possible and at the same time maintaining the quality of our buildings and the integrity of our management services. We have no employees and rely upon our advisor to provide substantially all of our day-to-day management. We believe that Shidler Pacific Advisors can provide adequate personnel resources, at lower cost to us, for our current and prospective business. Effective January 1, 2015, Shidler Pacific Advisors agreed to reduce the corporate management fee payable by us from $0.21 million per quarter to $0.18 million per quarter.

Capital expenditures (including building and tenant improvements and leasing commissions)

Capital expenditures fluctuate in any given period, subject to the nature, extent and timing of improvements required to maintain our properties. Leasing costs also fluctuate in any given period, depending upon such factors as the type of property, the term of the lease, the type of lease and overall market conditions. Our costs for capital expenditures and leasing fall into two categories: (1) amounts that we are contractually obligated to spend and (2) discretionary amounts. As of December 31, 2015, we were obligated to spend $3.0 million in capital expenditures and leasing costs through 2016.

The following table summarizes tenant improvement and leasing commission costs related to new and renewed leases of our wholly-owned properties:

	FOR THE YEAR ENDED DECEMBER 31, 2015		
	NEW LEASES	RENEWED LEASES	TOTAL LEASES
Square feet[(1)]	61,929	170,382	232,311
Tenant improvement costs per square foot[(2)]	$ 23.59	$ 6.92	$ 11.36
Leasing commission costs per square foot	8.48	4.86	5.83
Total tenant improvement and leasing commission costs	$ 32.07	$ 11.78	$ 17.19

(1) Excludes Clifford Center property which was sold in January 2015, right-to-use leases and month-to-month storage leases.

(2) Based on the negotiated tenant improvement cost budget at the time of lease execution, which may be incurred in a subsequent year and different than actual costs incurred.

Debt service and financing costs

As of December 31, 2015, our total consolidated debt (which includes our mortgage and other loans with a carrying value of $290.9 million and our unsecured promissory notes with a carrying value of $29.4 million) was $320.3 million, with a weighted average interest rate of 5.78% and a weighted average remaining term of 0.78 years. See "Indebtedness" below for additional information with respect to our consolidated debt.

As discussed above, our obligations with respect to our mortgage debt scheduled to mature in 2016 present significant near-term cash requirements. Even if we are successful in extending or refinancing these loans, we could be required to pay down principal, fund additional reserve amounts and pay certain fees to, and expenses of, the applicable lenders in connection with any extension or refinancing. These fees and cash flow restrictions could be significant and could affect our ability to fund our other liquidity uses.

In May 2013, we agreed to provide short-term financing in the total amount of $0.5 million to one of our unconsolidated joint ventures. As of March 31, 2014, we had funded $0.4 million of this amount. No amounts were advanced in the second and third quarters of 2014. This loan bore interest at the annual compounded rate of 12% and was originally scheduled to mature at the earlier of April 30, 2014 or the sale or disposition of one of the properties included in the portfolio of the joint venture. In April 2014, we agreed to extend the maturity date of the loan from April 30, 2014 to the earlier of September 1, 2014 or the full repayment or discharge of the senior loans secured by the joint venture's properties. In September 2014, we were notified by our unconsolidated joint venture that it would not timely repay the loan, including the accrued interest. As a result, we recorded an allowance for bad debt for the outstanding loan balance, including interest, which amounted to approximately $0.4 million as of September 30, 2014. In November 2014, the joint venture sold its portfolio of properties and repaid the loan and accrued interest in full.

Dividends to stockholders and distributions to limited partners of our Operating Partnership

Because we conduct substantially all of our operations through our Operating Partnership, our ability to pay dividends depends almost entirely on distributions received on our interests in our Operating Partnership, the payment of which depends in turn on our ability to operate profitably and generate cash flow from our operations. Our ability to pay dividends to holders of our Class A Common Stock depends on our Operating Partnership's ability first to satisfy its obligations to its creditors and preferred unitholders (including us with respect to the outstanding Senior Common Units of our Operating Partnership, and then to the holder of the outstanding Preferred Units of our Operating Partnership) and then to make distributions to us with respect to our general partnership interest. Our Operating Partnership may not make distributions to the holders of its outstanding Common Units (including us with respect to our general partnership interest) unless full cumulative distributions have been paid on its outstanding Senior Common Units and Preferred Units, and we may not pay dividends on our Class A Common Stock unless full cumulative dividends have been paid on our outstanding Senior Common Stock.

We did not declare a dividend on our Class A Common Stock during 2015 or 2014, and do not currently expect to declare a dividend on our Class A Common Stock in 2016. Furthermore, our Operating Partnership did not pay a distribution with respect to its outstanding Preferred Units or Common Units during 2015 or 2014, and does not expect to do so for 2016. As noted above, unless full cumulative distributions have been paid on the outstanding Senior Common Units and Preferred Units, our Operating Partnership may not pay a distribution on its outstanding Common Units (including us with respect to our general partnership interest), which effectively means that we will be unable to declare dividends on our Class A Common Stock unless and until all cumulative dividends and distributions have been paid with respect to the Senior Common Stock and the Preferred Units.

For each of the years ended December 31, 2015 and 2014, we paid an aggregate of $0.9 million in cash dividends to holders of our Senior Common Stock, representing an amount equal to half the dividends accruing for such periods at the stated annualized rate of 7.25% of the original issue price of $10.00 per share. Dividends declared for each month during such periods were paid on or about the 15th day of the following month. We believe that paying these dividends at less than the full stated annualized rate is in the best interests of the Company and its stockholders as it preserves a greater amount of our cash in order to fund required leasing and capital improvements for our properties with the goal of maximizing the value of our properties. The difference between the stated dividend and the paid dividend on our outstanding shares of Senior Common Stock will accrue until paid in full, and amounted to $2.4 million in aggregate as of December 31, 2015. Our board of directors has authorized daily dividends on the Senior Common Stock at half the stated annualized rate through May 2016.

Amounts accumulated for distribution to stockholders and Operating Partnership unit holders are invested primarily in interest-bearing accounts which are consistent with our intention to maintain our qualification as a REIT. At December 31, 2015, the cumulative unpaid distributions attributable to Preferred Units were $11.4 million, which we do not anticipate to pay in 2016.

We cannot provide any assurance as to when, or if, we will pay the accrued dividends on the Senior Common Stock or resume the payment of dividends at the full stated annualized rate, or if we will continue to pay dividends on the Senior Common Stock at half the stated annualized rate or at all. Any dividends or other distributions we pay in the future will depend upon our legal and contractual restrictions, including the provisions of the Senior Common Stock, as well as actual results of operations, economic conditions, debt service requirements and other factors. Our actual results of operations will be affected by a number of factors, including the revenue we receive from our properties, our operating expenses, interest expense, the ability of our tenants to meet their obligations and unanticipated expenditures. For a further discussion of such risks, see Part I, Item 1A, "Risk Factors."

Indebtedness

Mortgage and Other Loans

The following table sets forth information relating to the material borrowings with respect to our properties and our revolving line of credit as of December 31, 2015. Each loan requires monthly payments of interest only and balloon payments at maturity, and all dollars are reported in thousands:

PROPERTY	AMOUNT	INTEREST RATE	MATURITY DATE	PRINCIPAL BALANCE DUE AT MATURITY DATE	PREPAYMENT/ DEFEASANCE
Pan Am Building	$ 60,000	6.17%	8/11/2016	$ 60,000	(1)
Waterfront Plaza	100,000	6.37%	9/11/2016	100,000	(2)
Waterfront Plaza	11,000	6.37%	9/11/2016	11,000	(3)
Davies Pacific Center	95,000	5.86%	11/11/2016	95,000	(4)
Subtotal	266,000				
Revolving line of credit[5]	25,000	1.10%	12/31/2016	25,000	
Outstanding principal balance	291,000				
Less: Unamortized discount, net	(122)				
Mortgage and other loans, net	$ 290,878				

(1) Loan is prepayable subject to prepayment premium equal to greater of 1% of principal balance of loan or yield maintenance. No premium is due after May 11, 2016.

(2) Loan may be prepaid subject to payment of a yield maintenance-based prepayment premium; no premium is due after June 11, 2016. Loan may also be defeased.

(3) Loan may be prepaid subject to payment of a yield maintenance-based prepayment premium; no premium is due after June 11, 2016.

(4) Loan is prepayable, subject to prepayment premium equal to greater of 1% of amount prepaid or yield maintenance. No premium is due after August 11, 2016.

(5) The revolving line of credit matures on December 31, 2016. See "Revolving Line of Credit" below.

Revolving Line of Credit

We are party to a Credit Agreement (the "FHB Credit Facility") with First Hawaiian Bank (the "Lender") which provides us with a revolving line of credit in the maximum principal amount of $25.0 million and has a maturity date of December 31, 2016. Amounts borrowed under the FHB Credit Facility bear interest at a fluctuating annual rate equal to the effective rate of interest paid by the Lender on time certificates of deposit, plus 1.00%. We are permitted to use the proceeds of the line of credit for working capital and general corporate purposes, consistent with our real estate operations and for such other purposes as the Lender may approve. As of December 31, 2015 and 2014, we had outstanding borrowings of $25.0 million under the FHB Credit Facility.

As security for the FHB Credit Facility, as amended, Shidler Equities L.P., a Hawaii limited partnership controlled by Mr. Shidler ("Shidler LP"), has pledged to the Lender a certificate of deposit in the principal amount of $25.0 million. As a condition to this pledge, the Operating Partnership and Shidler LP entered into an indemnification agreement pursuant to which the Operating Partnership agreed to indemnify Shidler LP from any losses, damages, costs and expenses incurred by Shidler LP in connection with the pledge. In addition, to the extent that all or any portion of the certificate of deposit is withdrawn by the Lender and applied to the payment of principal, interest and/or charges under the FHB Credit Facility, the Operating Partnership agreed to pay to Shidler LP interest on the withdrawn amount at a rate of 7.0% per annum from the date of the withdrawal until the date of repayment in full by the Operating Partnership to Shidler LP. Pursuant to this indemnification agreement, as amended, the Operating Partnership also agreed to pay to Shidler LP an annual fee of 2.0% of the entire $25.0 million principal amount of the certificate of deposit.

The FHB Credit Facility contains various customary covenants, including covenants relating to disclosure of financial and other information to the Lender, maintenance and performance of our material contracts, our maintenance of adequate insurance, payment of the Lender's fees and expenses, and other customary terms and conditions.

Subordinated Promissory Notes

At December 31, 2015 and 2014, we had promissory notes payable by the Operating Partnership to certain current and former affiliates in the aggregate outstanding principal amounts of $29.4 million.

In 2008, we issued $21.1 million of promissory notes as consideration for having funded certain capital improvements prior to the completion of our formation transactions and upon the exercise of an option granted to us by Venture and its affiliates as part of our formation transactions in 2008. The promissory notes accrue interest at a rate of 7%, per annum, with interest payable quarterly, subject to the Operating Partnership's right to defer the payment of interest for any or all periods until the date of maturity. The promissory notes were originally scheduled to mature on various dates commencing on March 19, 2013 through August 31, 2013, but the Operating Partnership elected to extend maturity for one additional year. The maturity date of the promissory notes has subsequently been extended to December 31, 2016.

In February 2014, we issued to certain current and former affiliates additional promissory notes in the aggregate principal amount of $8.3 million to settle claims under tax protection agreements relating to the sale of our First Insurance Center property in 2012. See "Tax Protection Arrangements" in Note 11 for additional information. These promissory notes accrue interest at a rate of 5% per annum, with interest payable quarterly, subject to the Operating Partnership's right to defer the payment of interest for any or all periods until the date of maturity, and were originally scheduled to mature on December 31, 2015. The maturity date of these promissory notes has subsequently been extended to December 31, 2016.

The maturity of the Operating Partnership's promissory notes will accelerate upon the occurrence of an underwritten public offering of at least $75 million of the Company's common stock, the sale of all or substantially all of the Company's assets or the merger or consolidation of the Company with another entity, and specific to the promissory notes issued in February 2014, under certain circumstances in the event that the Operating Partnership has fully satisfied or is released from liability under its indemnification agreement with Shidler LP relating to the security pledged by Shidler LP in support of the FHB Credit Facility. The promissory notes are unsecured obligations of the Operating Partnership and are subordinated to borrowings under the FHB Credit Facility and our indemnification obligations to Shidler LP in connection with its pledge in support of the FHB Credit Facility.

For the period from March 20, 2008 through December 31, 2015, interest payments on these unsecured notes payable have been deferred with the exception of $0.3 million which was related to the notes exchanged for shares of common stock in 2009. At December 31, 2015 and 2014, $15.6 million and $12.8 million, respectively, of accrued interest attributable to these promissory notes is included in the accompanying consolidated balance sheets.

Off-Balance Sheet Arrangements

The mortgage debt that we maintain for our wholly-owned properties is typically property-specific debt that is non-recourse to our Operating Partnership, except for customary recourse carve-outs for borrower misconduct and environmental liabilities. The recourse liability for borrower misconduct and environmental liabilities was guaranteed by Mr. Reynolds. Our Operating Partnership has agreed to indemnify Mr. Reynolds to the extent of his guaranty liability. This debt strategy isolates mortgage liabilities in separate, stand-alone entities, allowing us to have only our property-specific equity investment at risk, except to the extent of the recourse carve-outs. In management's judgment, it would be remote for us to incur any material liability under these indemnities that would have a material adverse effect on our financial condition, results of operations or cash flows.

Inflation

We are exposed to inflation risk, as income from long-term leases is the primary source of our cash flows from operations. Because the majority of our leases require tenants to pay most operating expenses, including real estate taxes, utilities, insurance, and increases in common area maintenance expenses, we do not believe our exposure to increases in costs and operating expenses resulting from inflation is material. Furthermore, the majority of our existing leases contain contractual annual rental rate increases, which will at least partially offset the effect of inflation on our operating results.

ITEM 7A. - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 8. - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our consolidated financial statements and supplementary data are included as a separate section of this Annual Report on Form 10-K beginning on page F-1 and are incorporated herein by reference.

ITEM 9. - CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. - CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures

As required by Rule 13a-15(b) of the Exchange Act, in connection with the filing of this Annual Report on Form 10-K, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of the end of the period covered by this Annual Report on Form 10-K. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2015, the end of the period covered by this report.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2015. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) ("COSO") in *Internal Controls - Integrated Framework*. Our management has concluded that, as of December 31, 2015, our internal control over financial reporting was effective based on these criteria.

Changes in Internal Control Over Financial Reporting

There have been no changes that occurred during the fourth quarter of the fiscal year covered by this report in our internal control over financial reporting identified in connection with the evaluation referenced above that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. - OTHER INFORMATION

None.

PART III

ITEM 10. - DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information required by Item 10 is incorporated by reference to our definitive proxy statement for our annual stockholders' meeting presently scheduled to be held in May 2016.

ITEM 11. - EXECUTIVE COMPENSATION

Information required by Item 11 is incorporated by reference to our definitive proxy statement for our annual stockholders' meeting presently scheduled to be held in May 2016.

ITEM 12. - SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT, AND RELATED STOCKHOLDER MATTERS

Information required by Item 12 is incorporated by reference to our definitive proxy statement for our annual stockholders' meeting presently scheduled to be held in May 2016.

ITEM 13. - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information required by Item 13 is incorporated by reference to our definitive proxy statement for our annual stockholders' meeting presently scheduled to be held in May 2016.

ITEM 14. - PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information required by Item 14 is incorporated by reference to our definitive proxy statement for our annual stockholders' meeting presently scheduled to be held in May 2016.

PART IV

ITEM 15. - EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) (1) and (2) Consolidated Financial Statements

Index to Consolidated Financial Statements

All other schedules have been omitted since the required information is not present or not present in amounts sufficient to require submission of the schedule, because the information required is included in the consolidated financial statements or notes thereto, or because the information is not required for a registrant that is a smaller reporting company.

(3) List of Exhibits

Exhibit No.	Description
3.1	Articles of Amendment and Restatement of the Company (previously filed as Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2009 (File No. 001-09900) and incorporated herein by reference).
3.2	Articles Supplementary of the Company dated November 20, 2009 (previously filed as Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2009 (File No. 001-09900) and incorporated herein by reference).
3.3	Articles of Amendment of the Company dated November 20, 2009 (previously filed as Exhibit 3.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2009 (File No. 001-09900) and incorporated herein by reference).
3.4	Articles of Amendment of the Company dated January 5, 2010 (previously filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed January 5, 2010 (File No. 001-09900) and incorporated herein by reference).
3.5	Articles Supplementary of Board of Directors Reclassifying and Designating a series of common stock as Senior Common Stock, dated March 4, 2010 (previously filed as Exhibit 3.2 to the Company's Current Report on Form 8-K filed March 9, 2010 (File No. 001-09900) and incorporated herein by reference).
3.6	Certificate of Correction to Articles Supplementary, dated April 30, 2010 (previously filed as Exhibit 3.6 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2010 (File No. 001-09900) and incorporated herein by reference).

Exhibit No.	Description
3.7	Articles of Amendment of the Company dated November 1, 2010 (previously filed as Exhibit 3.7 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2010 (File No. 001-09900) and incorporated herein by reference).
3.8	Articles of Amendment of the Company dated May 21, 2012 (previously filed as Exhibit 3.8 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2012 (File No. 001-09900) and incorporated herein by reference).
3.9	Amended and Restated Bylaws dated December 20, 2010 (previously filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed December 27, 2010 (File No. 001-09900) and incorporated herein by reference).
4.1	Form of Subordinated Promissory Note dated February 6, 2014 (previously filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed on February 12, 2014 (File No. 001-09900) and incorporated herein by reference).
10.1	Advisory and Servicing Agreement between ALI Advisor, Inc. and the Company dated June 13, 1988 (previously filed as Exhibit 10.1 to the Company's Annual Report on Form 10-KSB filed March 31, 2005 (File No. 001-09900) and incorporated herein by reference).
10.2	Indemnification Agreement dated May 12, 1992 between the Company and Robert Blackwell (previously filed as Exhibit 10.2 to the Company's Annual Report on Form 10-KSB filed March 31, 2005 (File No. 001-09900) and incorporated herein by reference).
10.3	Indemnification Agreement dated October 1, 1991 between the Company and Burton Freireich (previously filed as Exhibit 10.3 to the Company's Annual Report on Form 10-KSB filed March 31, 2005 (File No. 001-09900) and incorporated herein by reference).
10.4	Master Formation and Contribution Agreement dated October 3, 2006 between the Company and POP Venture, LLC (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 3, 2006 (File No. 001-09900) and incorporated herein by reference).
10.5	Amendment and Exhibit Acknowledgement to Master Formation and Contribution Agreement, dated November 2, 2006, between the Company and POP Venture, LLC (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on November 6, 2006 (File No. 001-09900) and incorporated herein by reference).
10.6	Second Amendment and Exhibit Acknowledgement to Master Formation and Contribution Agreement, dated December 9, 2006, between the Company and POP Venture, LLC (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 11, 2006 (File No. 001-09900) and incorporated herein by reference).
10.7	Third Amendment and Exhibit Acknowledgement to Master Formation and Contribution Agreement, dated March 27, 2007, between the Company and POP Venture, LLC (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on March 29, 2007 (File No. 001-09900) and incorporated herein by reference).
10.8	Fourth Amendment and Exhibit Acknowledgement to Master Formation and Contribution Agreement, dated November 9, 2007, between the Company and POP Venture, LLC (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on November 13, 2007 (File No. 001-09900) and incorporated herein by reference).
10.9	Form of Contribution Agreement, dated November 2, 2006, between the Company and POP Venture, LLC (previously filed as Exhibit 2.1 to the Company's Current Report on Form 8-K filed on November 6, 2006 (File No. 001-09900) and incorporated herein by reference).
10.10	Master Amendment to Contribution Agreements, dated November 9, 2007, between the Company and POP Venture, LLC (previously filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed on November 13, 2007 (File No. 001-09900) and incorporated herein by reference).

Exhibit No.	Description
10.11	Form of Promissory Note (previously filed as Exhibit 10.11 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2008 (File No. 001-09900) and incorporated herein by reference).
10.12	Form of Indemnity Agreement, dated as of March 19, 2008 (previously filed as Exhibit 10.5 to the Company's Current Report on Form 8-K filed March 25, 2008 (File No. 001-09900) and incorporated herein by reference).
10.13	First Amendment to Indemnity Agreement, dated as of May 17, 2010, between Pacific Office Properties, L.P. and James C. Reynolds (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed May 17, 2010 (File No. 001-09900) and incorporated herein by reference).
10.14	Credit Agreement dated as of September 2, 2009 between Pacific Office Properties, L.P. and First Hawaiian Bank (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed September 4, 2009 (File No. 001-09900) and incorporated herein by reference).
10.15	Promissory Note dated September 2, 2009 issued by Pacific Office Properties, L.P. to First Hawaiian Bank (previously filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed September 4, 2009 (File No. 001-09900) and incorporated herein by reference).
10.16	Indemnification Agreement dated as of September 2, 2009 between Pacific Office Properties, L.P. and Shidler Equities L.P. (previously filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed September 4, 2009 (File No. 001-09900) and incorporated herein by reference).
10.17	Amendment to Loan Documents, dated as of December 31, 2009, among First Hawaiian Bank, Pacific Office Properties, L.P. and Shidler Equities L.P. (previously filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed January 5, 2010 (File No. 001-09900) and incorporated herein by reference).
10.18	Second Amendment to Loan Documents, dated as of May 25, 2010, among First Hawaiian Bank, Pacific Office Properties, L.P. and Shidler Equities L.P. (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed May 26, 2010 (File No. 001-09900) and incorporated herein by reference).
10.19	Amendment to Loan Documents (2013), dated December 31, 2013, among First Hawaiian Bank, Pacific Office Properties, L.P. and Shidler Equities L.P. (previously filed as Exhibit 10.19 to the Company's Annual Report on Form 10-K filed March 13, 2014 (File No. 001-09900) and incorporated herein by reference).
10.20	Amendment to Indemnification Agreement, dated as of December 31, 2009, between Pacific Office Properties, L.P. and Shidler Equities L.P. (previously filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed January 5, 2010 (File No. 001-09900) and incorporated herein by reference).
10.21	Second Amendment to Indemnification Agreement, dated as of May 25, 2010, between Pacific Office Properties, L.P. and Shidler Equities L.P. (previously filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed May 26, 2010 (File No. 001-09900) and incorporated herein by reference).
10.22	Third Amendment to Indemnification Agreement, dated as of December 31, 2013, between Pacific Office Properties, L.P. and Shidler Equities L.P. (previously filed as Exhibit 10.22 to the Company's Annual Report on Form 10-K filed March 13, 2014 (File No. 001-09900) and incorporated herein by reference).
10.23	Second Amended and Restated Agreement of Limited Partnership of Pacific Office Properties, L.P. dated as of December 30, 2009 (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed January 5, 2010 (File No. 001-09900) and incorporated herein by reference).

Exhibit No.	Description
10.24	Dealer Manager Agreement, dated as of January 12, 2010, between the Company and Priority Capital Investments, LLC (previously filed as Exhibit 1.1 to Amendment No. 2 to the Company's Registration Statement on Form S-11 (File No. 333-157128) on January 6, 2010 and incorporated herein by reference).
10.25	Advisory Agreement, dated March 15, 2012, among Pacific Office Properties Trust, Inc., Pacific Office Properties, L.P. and Shidler Pacific Advisors, LLC (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed March 20, 2012 (File No. 001-09900) and incorporated herein by reference).
10.26	Amendment to Subordinated Promissory Notes, dated as of February 6, 2014, among Pacific Office Properties, L.P. and the holders named therein (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on February 12, 2014 (File No. 001-09900) and incorporated herein by reference).
10.27	Purchase and Sale Agreement, dated December 29, 2014, between City Center Land Company, LLC and City Center, LLC and U. Yamane, Limited (previously filed as Exhibit 10.27 to the Company's Annual Report on Form 10-K filed March 13, 2015 (File No. 001-09900) and incorporated herein by reference).
10.28	First Amendment to Purchase and Sale Agreement, dated January 9, 2015, between City Center Land Company, LLC and City Center, LLC and U. Yamane, Limited (previously filed as Exhibit 10.28 to the Company's Annual Report on Form 10-K filed March 13, 2015 (File No. 001-09900) and incorporated herein by reference).
10.29	Amendment to Subordinated Promissory Notes, dated as of March 10, 2015, among Pacific Office Properties, L.P. and the holders named therein (previously filed as Exhibit 10.29 to the Company's Annual Report on Form 10-K filed March 13, 2015 (File No. 001-09900) and incorporated herein by reference).
10.30	Second Amendment to Subordinated Promissory Notes, dated as of December 31, 2015, among Pacific Office Properties, L.P. and the holders named therein (Filed herewith.)
10.31	Fourth Amendment to Loan Documents (2015), dated December 31, 2015, among First Hawaiian Bank, Pacific Office Properties, L.P. and Shidler Equities L.P. (Filed herewith.)
10.32	Fourth Amendment to Indemnification Agreement, dated as of December 31, 2015, between Pacific Office Properties, L.P. and Shidler Equities L.P. (Filed herewith.)
21.1	Subsidiaries of Pacific Office Properties Trust, Inc. (Filed herewith.)
31.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (Filed herewith.)
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (Furnished herewith.)
101	Interactive Data File. (Furnished herewith.)

SIGNATURES

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

PACIFIC OFFICE PROPERTIES TRUST, INC.

Date: March 11, 2016

By: /s/ Lawrence J. Taff
Lawrence J. Taff
Chief Executive Officer and Chief Financial Officer

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

Name	Title	Date
/s/ Lawrence J. Taff Lawrence J. Taff	Chief Executive Officer and Chief Financial Officer (Principal Executive Officer, Principal Financial Officer and Principal Accounting Officer)	March 11, 2016
/s/ Jay H. Shidler Jay H. Shidler	Chairman of the Board	March 11, 2016
/s/ Michael W. Brennan Michael W. Brennan	Director	March 11, 2016

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Pacific Office Properties Trust, Inc.

We have audited the accompanying consolidated balance sheets of Pacific Office Properties Trust, Inc. as of December 31, 2015 and 2014, and the related consolidated statements of operations, equity (cumulative deficit) and cash flows for each of the two years in the period ended December 31, 2015. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Pacific Office Properties Trust, Inc. at December 31, 2015 and 2014, and the consolidated results of its operations and its cash flows for each of the two years in the period ended December 31, 2015, in conformity with U.S. generally accepted accounting principles.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 9 to the consolidated financial statements, $266 million of the Company's mortgage loans, which are recorded in Mortgage and other loans, net, in the consolidated balance sheets, will become due at various dates in the twelve month period ending December 31, 2016. The Company's current and projected cash balances are not sufficient to cover these maturities, which raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Ernst & Young LLP

Honolulu, Hawaii
March 11, 2016

Pacific Office Properties Trust, Inc.
Consolidated Balance Sheets
(in thousands, except share and per share data)

	DECEMBER 31, 2015	DECEMBER 31, 2014
ASSETS		
Investments in real estate, net	$ 197,860	$ 202,133
Real estate and other assets held for sale	—	7,337
Cash and cash equivalents	3,817	6,904
Restricted cash	4,465	3,552
Rents and other receivables, net	971	763
Deferred rents	3,690	3,633
Intangible assets, net	5,988	6,318
Other assets, net	418	1,186
Goodwill	37,665	39,111
Investments in unconsolidated joint ventures	913	1,281
Total assets	$ 255,787	$ 272,218
LIABILITIES AND EQUITY (DEFICIT)		
Liabilities:		
Mortgage and other loans, net	$ 290,878	$ 290,738
Unsecured notes payable to current and former related parties	29,433	29,433
Accounts payable and other liabilities	40,797	35,113
Accrued interest payable to current and former related parties (Note 10)	15,627	12,776
Acquired below-market leases, net	3,242	3,474
Mortgage and other liabilities of real estate held for sale	—	6,589
Total liabilities	379,977	378,123
Commitments and contingencies (Note 11)		
Equity (cumulative deficit):		
Preferred Stock, $0.0001 par value per share, 100,000,000 shares authorized, one share of Proportionate Voting Preferred Stock issued and outstanding at December 31, 2015 and 2014	—	—
Senior Common Stock, $0.0001 par value per share (liquidation preference $10 per share, $24,108 as of December 31, 2015 and 2014) 40,000,000 shares authorized, 2,410,839 shares issued and outstanding at December 31, 2015 and 2014	21,459	21,459
Class A Common Stock, $0.0001 par value per share, 599,999,900 shares authorized, 3,941,142 shares issued and outstanding at December 31, 2015 and 2014	185	185
Class B Common Stock, $0.0001 par value per share, 100 shares authorized, issued and outstanding at December 31, 2015 and 2014	—	—
Additional paid-in capital	110	110
Cumulative deficit	(174,888)	(170,894)
Total stockholders' equity (deficit)	(153,134)	(149,140)
Non-controlling interests:		
Preferred unitholders in the Operating Partnership	127,268	127,268
Common unitholders in the Operating Partnership	(98,324)	(84,033)
Total equity (deficit)	(124,190)	(105,905)
Total liabilities and equity (deficit)	$ 255,787	$ 272,218

See accompanying notes to consolidated financial statements.

Pacific Office Properties Trust, Inc.
Consolidated Statements of Operations
(in thousands, except share and per share data)

	FOR THE YEAR ENDED DECEMBER 31, 2015	FOR THE YEAR ENDED DECEMBER 31, 2014
Revenue		
Rental	$ 21,066	$ 20,429
Tenant reimbursements	16,732	17,220
Parking	6,020	5,765
Other	296	706
Total revenue	44,114	44,120
Expenses		
Rental property operating	25,677	26,597
General and administrative	1,684	1,692
Depreciation and amortization	10,753	11,144
Interest	20,581	20,356
Total expenses	58,695	59,789
Loss from continuing operations before equity in net earnings (loss) of unconsolidated joint ventures	(14,581)	(15,669)
Equity in net earnings (loss) of unconsolidated joint ventures	497	(1,147)
Loss from continuing operations	(14,084)	(16,816)
Loss from discontinued operations	(180)	(536)
Net loss	(14,264)	(17,352)
Net (income) loss attributable to non-controlling interests:		
Preferred unitholders in the Operating Partnership	(2,273)	(2,273)
Common unitholders in the Operating Partnership	14,291	16,704
Net loss attributable to non-controlling interests	12,018	14,431
Net loss attributable to common stockholders before dividends paid and accrued on Senior Common Stock	(2,246)	(2,921)
Dividends paid and accrued on Senior Common Stock	(1,748)	(1,748)
Net loss attributable to common stockholders	$ (3,994)	$ (4,669)
Loss per common share:		
Loss from continuing operations	$ (1.00)	$ (1.15)
Loss from discontinued operations	(0.01)	(0.03)
Net loss per common share - basic and diluted	$ (1.01)	$ (1.18)
Weighted average number of common shares outstanding - basic and diluted	3,941,242	3,941,242

See accompanying notes to consolidated financial statements.

Pacific Office Properties Trust, Inc.
Consolidated Statements of Equity (Cumulative Deficit)
(in thousands, except share and unit data)

	FOR THE YEAR ENDED DECEMBER 31,	
	2015	2014
Common Stock		
Balance at beginning of period	$ 185	$ 185
Balance at end of period	$ 185	$ 185
Senior Common Stock		
Balance at beginning of period	$ 21,459	$ 21,459
Balance at end of period	$ 21,459	$ 21,459
Additional Paid-In Capital		
Balance at beginning of period	$ 110	$ 110
Balance at end of period	$ 110	$ 110
Cumulative Deficit		
Balance at beginning of period	$ (170,894)	$ (166,225)
Net loss	(2,246)	(2,921)
Distributions	(1,748)	(1,748)
Balance at end of period	$ (174,888)	$ (170,894)
Total Stockholders' Equity (Cumulative Deficit)		
Balance at beginning of period	$ (149,140)	$ (144,471)
Net loss	(2,246)	(2,921)
Distributions	(1,748)	(1,748)
Balance at end of period	(153,134)	(149,140)
Non-Controlling Interests		
Balance at beginning of period	43,235	59,939
Net loss	(12,018)	(14,431)
Distributions	(2,273)	(2,273)
Balance at end of period	28,944	43,235
Total Equity (Deficit)	$ (124,190)	$ (105,905)

Pacific Office Properties Trust, Inc.
Consolidated Statements of Equity (Cumulative Deficit), continued
(in thousands, except share and unit data)

	FOR THE YEAR ENDED DECEMBER 31, 2015	2014
Common Units		
Balance at beginning of period	14,101,004	14,101,004
Balance at end of period	14,101,004	14,101,004
Preferred Units		
Balance at beginning of period	4,545,300	4,545,300
Balance at end of period	4,545,300	4,545,300
Shares of Common Stock (Class A and Class B)		
Balance at beginning of period	3,941,242	3,941,242
Balance at end of period	3,941,242	3,941,242
Shares of Senior Common Stock		
Balance at beginning of period	2,410,839	2,410,839
Balance at end of period	2,410,839	2,410,839

See accompanying notes to consolidated financial statements.

Pacific Office Properties Trust, Inc.
Consolidated Statements of Cash Flows
(in thousands)

	FOR THE YEAR ENDED DECEMBER 31, 2015	FOR THE YEAR ENDED DECEMBER 31, 2014
Operating activities		
Net loss	$ (14,264)	$ (17,352)
Loss from discontinued operations	(180)	(536)
Loss from continuing operations	(14,084)	(16,816)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities - continuing operations:		
Depreciation and amortization	10,753	11,144
Deferred rent	(58)	45
Deferred ground rents	2,041	2,041
Interest amortization and interest accrued on related party notes	3,234	3,006
Below-market lease amortization	(232)	(250)
Equity in net (earnings) loss of unconsolidated joint ventures	(497)	1,147
Bad debt expense	156	2
Changes in operating assets and liabilities:		
Restricted cash for operating activities	(805)	543
Rents and other receivables	(360)	78
Other assets	571	7
Accounts payable and other liabilities	120	(1,021)
Net cash provided by (used in) operating activities - continuing operations	839	(74)
Net cash (used in) provided by operating activities - discontinued operations	(135)	120
Net cash provided by operating activities	704	46
Investing activities		
Additions to and improvement of real estate	(4,777)	(6,416)
Distributions from unconsolidated joint ventures	875	207
Contributions to unconsolidated joint ventures	(10)	(182)
Net sales proceeds from the sale of property	8,552	—
Payment of leasing commissions	(1,213)	(1,059)
Interim financing provided to unconsolidated joint venture	—	(175)
Repayment of interim financing by unconsolidated joint venture	—	358
Change in restricted cash used for capital expenditures	(108)	154
Net cash provided by (used in) investing activities	3,319	(7,113)

Pacific Office Properties Trust, Inc.
Consolidated Statements of Cash Flows, continued
(in thousands)

	FOR THE YEAR ENDED DECEMBER 31, 2015	2014
Financing activities		
Repayment of mortgage notes payable	(6,295)	(507)
Security deposits	59	(7)
Financing costs	—	(5)
Senior Common Stock dividends	(874)	(874)
Net cash used in financing activities	(7,110)	(1,393)
Decrease in cash and cash equivalents	(3,087)	(8,460)
Cash and cash equivalents at beginning of period	6,904	15,364
Cash and cash equivalents at end of period	$ 3,817	$ 6,904
Supplemental cash flow information		
Interest paid	$ 17,386	$ 17,621
Supplemental disclosure of non-cash investing and financing activities		
Accrued dividends and distributions	$ 3,147	$ 3,147
Change in accrued capital expenditures	$ 164	$ (1,170)

See accompanying notes to consolidated financial statements.

1. Organization and Ownership, Presentation and Going Concern

Pacific Office Properties -

The terms "Pacific Office Properties," "us," "we," and "our" as used in this Annual Report on Form 10-K refer to Pacific Office Properties Trust, Inc., a Maryland corporation (the "Company"), and its subsidiaries and joint ventures. Through our controlling interest in Pacific Office Properties, L.P. (the "Operating Partnership"), of which we are the sole general partner, and the subsidiaries of the Operating Partnership, we own and operate primarily institutional-quality office properties in Hawaii. We operate in a manner that permits us to satisfy the requirements for taxation as a real estate investment trust ("REIT") under the Internal Revenue Code of 1986, as amended (the "Code").

We are externally advised by Shidler Pacific Advisors, LLC ("Shidler Pacific Advisors"), an entity that is owned and controlled by Jay H. Shidler ("Mr. Shidler"), our Chairman of the Board. Lawrence J. Taff, our President, Chief Executive Officer, Chief Financial Officer and Treasurer, also serves as President of Shidler Pacific Advisors. Shidler Pacific Advisors is responsible for the day-to-day operation and management of the Company, including management of our wholly-owned properties.

Through our Operating Partnership, as of December 31, 2015, we owned three office properties, comprising 1.2 million rentable square feet, and were partners with third parties in three joint ventures holding two office properties, comprising four buildings and 0.8 million rentable square feet, and a sports club associated with our City Square property in Phoenix, Arizona. Our ownership interest percentage in each of these joint ventures is 5.0%. As of December 31, 2015, our Property Portfolio included office buildings in Honolulu and Phoenix.

References to square footage, occupancy or number of properties or buildings made within the notes to the consolidated financial statements are unaudited.

Basis of Presentation

The accompanying consolidated financial statements and related disclosures included herein are presented in accordance with United States generally accepted accounting principles ("GAAP") and include the account balances and transactions of consolidated subsidiaries, which are wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Certain amounts in the summarized financial information for our unconsolidated joint ventures in Note 5 for the prior period have been reclassified to conform to the current period presentation with no corresponding effect on the previously reported consolidated results of operations, or financial position of the Company.

Going Concern

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. We incurred net losses of $14.3 million and $17.4 million for the years ended December 31, 2015 and 2014, respectively, and have incurred cumulative net losses since inception of $229.0 million. We have a substantial amount of debt maturing in 2016 for which the Company does not have committed funding sources. We have a stockholders' deficit of $153.1 million at December 31, 2015. These conditions raise substantial doubt about our ability to continue as a going concern.

Our ability to continue as a going concern is dependent upon obtaining the necessary financing to continue operations (including the refinancing of maturing debt), generating profitable operations in the future and developing and implementing our strategic plan to address these needs. No assurance can be given that we will be successful in these efforts. To meet our capital needs, we may consider strategic alternatives, including a sale, merger, other business combination or recapitalization, of the Company. In January 2016, we engaged Eastdil Secured to assist in this effort.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary if we are unable to continue as a going concern. We believe that our actions presently being taken to obtain additional funding and implement our strategic plans provide the opportunity for the Company to continue as a going concern. No assurance can be given that we will be successful in these efforts.

2. Summary of Significant Accounting Policies

Use of Estimates in Financial Statements

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported periods. Actual results could differ from those estimates.

Liquidity

Our business is capital intensive and our ability to maintain our operations depends on our cash flow from operations and our ability to raise additional capital on acceptable terms. Our primary focus is to preserve and generate cash.

We are working to address challenges to our liquidity position, particularly with respect to mortgage debt on each of our wholly-owned properties that is scheduled to mature in 2016. We do not currently have any committed financing sources available to refinance our debt as it matures. If we are unable to repay, extend or refinance our existing mortgage debt, we may be forced to give back one or more of these assets to the relevant mortgage lenders.

We expect to meet our short-term liquidity and capital requirements primarily through existing cash on hand, net cash provided by rental activities, refinancing of existing debt, distributions from joint ventures and/or asset dispositions. We expect to meet our long-term capital requirements through net cash provided by operating activities, borrowings under our revolving credit facility (if available), refinancing of existing debt or through other available investment and financing activities, including the contribution of existing wholly-owned assets to joint ventures (partial sell-down of equity interests in wholly-owned assets), asset dispositions and/or additional secured or unsecured debt financings. In January 2015, we completed the sale of our Clifford Center property, located in Honolulu, Hawaii, to an unaffiliated third party. The net proceeds from the sale of the Clifford Center property, after repaying the related mortgage loans and transaction-related expenses, were approximately $2.1 million. We may also consider strategic alternatives, including a sale, merger, other business combination or recapitalization, of the Company. In January 2016, we engaged Eastdil Secured to assist in the potential sale, financing or recapitalization of our remaining wholly-owned properties, but there can be no assurance that this engagement will result in a transaction.

We are focused on ensuring our properties are operating as efficiently as possible. We have taken steps to identify opportunities to reduce discretionary operating costs wherever possible and at the same time maintaining the quality of our buildings and the integrity of our management services. We have no employees and rely upon our advisor to provide substantially all of our day-to-day management. We believe that Shidler Pacific Advisors can provide adequate personnel resources, at lower cost to us, for our current and prospective business. Effective January 1, 2015, Shidler Pacific Advisors agreed to reduce the corporate management fee payable by us from $0.21 million per quarter to $0.18 million per quarter.

Capital expenditures fluctuate in any given period, subject to the nature, extent and timing of improvements required to maintain our properties. Leasing costs also fluctuate in any given period, depending upon such factors as the type of property, the term of the lease, the type of lease and overall market conditions. Our costs for capital expenditures and leasing fall into two categories: (1) amounts that we are contractually obligated to spend and (2) discretionary amounts. As of December 31, 2015, we were obligated to spend $3.0 million in capital expenditures and leasing costs through 2016.

As of December 31, 2015, our total consolidated debt (which includes our mortgage and other loans with a carrying value of $290.9 million and our unsecured promissory notes with a carrying value of $29.4 million) was $320.3 million, with a weighted average interest rate of 5.78% and a weighted average remaining term of 0.78 years.

As of December 31, 2015, we had a fully-drawn $25.0 million unsecured credit facility scheduled to mature on December 31, 2016. We also had promissory notes payable to certain current and former affiliates in the aggregate outstanding principal amount of $29.4 million (together with accrued and unpaid interest of $15.6 million) scheduled to mature on December 31, 2016.

While we may be able to anticipate and plan for certain liquidity needs, there may be unexpected increases in uses of cash that are beyond our control and which would affect our financial condition and results of operations. For example, we may be required to comply with new laws or regulations that cause us to incur unanticipated capital expenditures for our properties, thereby increasing our liquidity needs. Even if there are no material changes to our anticipated liquidity requirements, our sources of liquidity may be fewer than, and the funds available from such sources may be less than, anticipated or needed. While we believe that access to future sources of significant cash will be challenging, we believe that we will have access to some of the liquidity sources identified above, and that those sources will be sufficient to meet our near-term liquidity needs.

Investments in Real Estate

We account for acquisitions of real estate utilizing the purchase method and, accordingly, the results of operations of acquired properties are included in our results of operations from the respective dates of acquisition.

Investments in real estate properties are stated at cost, less accumulated depreciation, amortization and impairment. Our wholly-owned properties, all of which were contributed to us at the time of our formation transactions in 2008, are stated at their historical net cost basis in an amount attributable to the ownership interests in such properties owned by Mr. Shidler prior to the formation transactions. Additions to land, buildings and improvements, furniture, fixtures and equipment and construction in progress are recorded at cost.

Transaction costs related to acquisitions are expensed. Costs associated with developing space for its intended use are capitalized and amortized over their estimated useful lives, commencing at the later of the improvement completion date or the lease commencement date.

Estimates of future cash flows and other valuation techniques are used to allocate the acquisition cost of acquired properties among land, buildings and improvements, and identifiable intangible assets and liabilities such as amounts related to in-place at-market leases, acquired below-market leases, and acquired above- and below-market ground leases.

The fair values of real estate assets acquired are determined on an “as-if-vacant” basis. The “as-if-vacant” fair value is allocated to land, and where applicable, buildings, tenant improvements and equipment based on comparable sales and other relevant information obtained in connection with the acquisition of the property.

Fair value is assigned to below-market leases based on the difference between (a) the contractual amounts to be paid by the tenant based on the existing lease and (b) management’s estimate of current market lease rates for the corresponding in-place leases, over the remaining terms of the in-place leases. Capitalized below-market lease amounts are reflected in “Acquired below-market leases, net,” in the consolidated balance sheets and are amortized as an increase in rental revenue over the remaining initial non-cancellable lease terms plus the terms of any below-market fixed rate renewal options that are considered bargain renewal options. If a tenant vacates its space prior to the contractual termination of the lease and no rental payments are being made on the lease, any unamortized balance, net of the security deposit, of the related intangible is written off.

Fair value is also assigned to tenant relationships. Capitalized tenant relationship amounts are included in “Intangible assets, net” in the accompanying consolidated balance sheets and are amortized to “Depreciation and amortization” in the accompanying consolidated statements of operations. Amounts are amortized over the remaining terms of the respective leases even if a tenant vacates prior to the contractual termination of the lease. An adjustment to tenant relationship amounts occurs should the property experience an impairment loss.

The aggregate value of other acquired intangible assets consists of acquired in-place leases. The fair value allocated to acquired in-place leases consists of a variety of components including, but not necessarily limited to: (a) the value associated with avoiding the cost of originating the acquired in-place lease (i.e. the market cost to execute a lease, including leasing commissions and legal fees, if any); (b) the value associated with lost revenue related to tenant reimbursable operating costs estimated to be incurred during the assumed lease-up period (i.e. real estate taxes, insurance and other operating expenses); (c) the value associated with lost rental revenue from existing leases during the assumed lease-up period; and (d) the value associated with any other inducements to secure a tenant lease. The value assigned to acquired in-place leases is amortized over the remaining lives of the related leases.

We record the excess of the cost of an acquired entity over the net of the amounts assigned to assets acquired (including identified intangible assets) and liabilities assumed as goodwill. Goodwill is not amortized but is tested for impairment at a level of reporting referred to as a reporting unit on an annual basis, during the fourth quarter of each calendar year, or more frequently, if events or changes in circumstances indicate that the asset might be impaired. See "Goodwill" below. An impairment loss for an asset group is allocated to the long-lived assets of the group on a pro-rata basis using the relative carrying amounts of those assets, except that the loss allocated to an individual long-lived asset shall not reduce the carrying amount of that asset below its fair value. A description of our testing policy is set forth in "Impairment of Long-Lived Assets" below.

Impairment of Long-Lived Assets

In accordance with the provisions of the Impairment or Disposal of Long-Lived Assets Subsections of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 360, *Property, Plant and Equipment*, we assess the potential for impairment of our long-lived assets, including real estate properties, whenever events occur or a change in circumstances indicate that the recorded carrying value might not be fully recoverable. Indicators of potential impairment include significant decreases in occupancy levels and/or rental rates or a change in strategy that results in a decreased holding period. We determine whether impairment in value has occurred by comparing the estimated future cash flows, undiscounted and excluding interest, expected from the use and eventual disposition of the asset to its carrying value. If the undiscounted cash flows do not exceed the carrying value, the real estate or intangible carrying value is reduced to fair value and impairment loss is recognized. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell.

No impairment charges for our wholly-owned properties were recorded for the year ended December 31, 2015. For the year ended December 31, 2014, we recorded non-cash impairment charges of $0.5 million on our Clifford Center property as a result of the property's fair value, net of costs to sell, being below its current carrying value, in connection with the anticipated sale of the property, which was completed in January 2015. The non-cash impairment charges are included in "Loss from discontinued operations" on the consolidated statement of operations.

Investments in Unconsolidated Joint Ventures

Our investments in joint ventures are accounted for under the equity method of accounting because we exercise significant influence over, but do not control, our joint ventures. Our joint venture partners have substantive participating rights, including approval of and participation in setting operating budgets. Accordingly, we have determined that the equity method of accounting is appropriate for our investments in joint ventures.

Investments in unconsolidated joint ventures are initially recorded at cost and are subsequently adjusted for our proportionate equity in the net income or net loss of the joint ventures, contributions made to, or distributions received from, the joint ventures and other adjustments. We record distributions of operating profit from our investments in unconsolidated joint ventures as part of cash flows from operating activities and distributions related to a capital transaction, such as a refinancing transaction or sale, as investing activities in the consolidated statements of cash flows.

We evaluate all investments in accordance with the guidance of FASB Accounting Standards Update No. 2009-17, *Consolidations (Topic 810), Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*, which requires ongoing assessments of the investments to determine whether or not they are variable interest entities ("VIEs") and if they are VIEs, whether or not we are determined to be the primary beneficiary. We would consolidate a VIE if it is determined that we are the primary beneficiary. We use qualitative analyses to determine whether we are the primary beneficiary of a VIE. Consideration of various factors could include, but is not limited to, the purpose and design of the VIE, risks that the VIE was designed to create and pass through, the form of our ownership interest, our representation of the entity's governing body, the size and seniority of our investment, our ability to participate in policy making decisions, and the rights of the other investors to participate in the decision making process and/or liquidate the venture, if applicable. We currently do not hold any investments in VIEs.

Impairment of Investments in Unconsolidated Joint Ventures

Our investment in unconsolidated joint ventures is subject to a periodic impairment review and is considered to be impaired when a decline in fair value is judged to be other-than-temporary. An investment in an unconsolidated joint venture that we identify as having an indicator of impairment is subject to further analysis to determine if the investment is other than temporarily impaired, in which case we write down the investment to its estimated fair value. No impairment charges were recorded in our investments in unconsolidated joint ventures for the year ended December 31, 2015. For the year ended December 31, 2014, we recorded non-cash impairment charges of $0.9 million to write off our investment in the POP San Diego joint venture due to uncertainty surrounding its recoverability. The charge is included in “Equity in net (loss) earnings of unconsolidated joint ventures” on the consolidated statement of operations.

Discontinued Operations

The revenue, expenses, impairment and/or gain on sale of operating properties that meet the applicable criteria of FASB Accounting Standards Update No. 2014-08, *Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360), Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity* are reported as discontinued operations in the consolidated statement of operations. A gain on sale, if any, is recognized in the period the property is disposed of.

In determining whether to report the results of operations, impairment and/or gain on sale of operating properties as discontinued operations, we evaluate whether the property that has been disposed of by sale, disposed of other than by sale or is classified as held for sale represents a strategic shift that has or will have a major effect on our operations and financial results. A strategic shift could include the disposal of a major geographical area, a major line of business, a major equity method investment or other major parts of an entity.

We classify properties as held for sale when certain criteria set forth in the Long-Lived Assets Classified as Held for Sale Subsections of FASB ASC 360, *Property, Plant and Equipment*, are met, including when we receive cash deposits towards the purchase of our properties. At that time, we present the non-cash assets and liabilities of the property held for sale separately in our consolidated balance sheet. We cease recording depreciation and amortization expense at the time a property is classified as held for sale. Properties held for sale are reported at the lower of their carrying amount or their estimated fair value, less estimated costs to sell. In the event that a property classified as held for sale no longer meets the criteria for held for sale classification, the property is reclassified as held for use at the lower of the fair value or the depreciated basis as if the property had continued to be used. As of December 31, 2014, the Clifford Center property was classified as held for sale. In January 2015, we completed the sale of the Clifford Center property, and accordingly, the associated assets and liabilities had been removed from our consolidated balance sheet as of December 31, 2015 and the results of its operations before the sale, including post-closing activities since the sale, for the years ended December 31, 2015 and 2014 are included in “Discontinued operations” in the accompanying consolidated statements of operations.

Goodwill

We record the excess cost of an acquired entity over the net of the amounts assigned to assets acquired (including identified intangible assets) and liabilities assumed as goodwill. Goodwill is not amortized but is tested for impairment on an annual basis during the fourth quarter of each calendar year, or more frequently if circumstances indicate that a possible impairment has occurred. The assessment of impairment involves a two-step process whereby an initial assessment for potential impairment is performed, followed by a measurement of the amount of impairment, if any. Impairment testing is performed using the fair value approach, which requires the use of estimates and judgment, at the “reporting unit” level. A reporting unit is the operating segment, or a business that is one level below the operating segment if discrete financial information is prepared and regularly reviewed by management at that level. The reporting unit’s fair value is calculated as the discounted future cash flows based on management’s best estimate of the applicable capitalization and discount rates. If the carrying value of a reporting unit exceeds its fair value, the second step of the goodwill impairment test is performed to measure the amount of impairment loss, if any. An impairment charge is recognized as a charge against income equal to the excess of the carrying value of goodwill over its implied value on the date of the impairment. Factors that may cause goodwill to be impaired include, but may not be limited to, a sustained decline in our stock price and the occurrence, or sustained existence, of adverse economic conditions or decreased cash flow from our properties.

We consider our wholly-owned properties one reporting unit due to similar geographic and economic characteristics. As of December 31, 2015 and 2014, goodwill of our wholly-owned properties amounted to $37.7 million and $39.1 million, respectively. We wrote off approximately $1.4 million of goodwill associated with the sale of the Clifford Center property in January 2015.

Revenue Recognition

The following four criteria must be met before we recognize revenue and gains:

- persuasive evidence of an arrangement exists;
- the delivery has occurred or services rendered;
- the fee is fixed and determinable; and
- collectability is reasonably assured.

All of our tenant leases are classified as operating leases. For all leases with scheduled rent increases or other adjustments, minimum rental income is recognized on a straight-line basis over the terms of the related leases. Straight-line rent receivable represents rental revenue recognized on a straight-line basis in excess of billed rents and this amount is included in “Deferred rents” on the accompanying consolidated balance sheets. The straight line rent adjustment included in “Rental revenues” in the accompanying consolidated statements of operations was $0.02 million and ($0.01) million for the years ended December 31, 2015 and 2014, respectively. Reimbursements from tenants for real estate taxes, excise taxes and other recoverable operating expenses are recognized as revenues in the period the applicable costs are incurred.

Capitalized below-market lease amounts are amortized as an increase to rental revenue over the remaining initial non-cancellable lease terms plus the terms of any below-market fixed rate renewal options that are considered bargain renewal options.

We have leased space to certain tenants under non-cancellable operating leases, which provide for percentage rents based upon tenant revenues. Percentage rental income is recorded in “Rental revenues” in the accompanying consolidated statements of operations.

Rental revenue from parking operations and month-to-month leases or leases with no scheduled rent increases or other adjustments is recognized on a monthly basis when earned.

Lease termination fees, which are included in “Other” revenue of the accompanying consolidated statements of operations, are recognized when the related leases are canceled and we have no continuing obligation to provide services to such former tenants.

“Other” revenue on the accompanying consolidated statements of operations generally includes income incidental to our operations and is recognized when earned.

Tenant Receivables

Tenant receivables are recorded and carried at the amount billable per the applicable lease agreement, less any allowance for doubtful accounts. An allowance for doubtful accounts is made when collection of the full amounts is no longer considered probable. Tenant receivables are included in “Rents and other receivables, net,” in the accompanying consolidated balance sheets. If a tenant fails to make contractual payments beyond any allowance, we may recognize bad debt expense in future periods equal to the amount of unpaid rent. We take into consideration factors including historical termination, default activity and current economic conditions to evaluate the level of reserve necessary. We had an allowance for doubtful accounts of $0.3 million and $0.2 million, as of December 31, 2015 and 2014, respectively.

We had a total of $1.8 million and $1.7 million of lease security available in security deposits, as of December 31, 2015 and 2014, respectively.

Cash and Cash Equivalents

We consider all short-term cash investments with maturities of three months or less when purchased to be cash equivalents. Restricted cash is excluded from cash and cash equivalents due to its restriction on withdrawal or use.

We maintain cash balances in various financial institutions. At times, the amounts of cash held in financial institutions may exceed the maximum amount insured by the Federal Deposit Insurance Corporation. We do not believe that we are exposed to any significant credit risk on our cash and cash equivalents.

Restricted Cash

Restricted cash includes escrow accounts for real property taxes, insurance, capital expenditures and tenant improvements, ground lease payments and leasing commissions held by lenders.

Mortgage and Other Loans

Mortgage and other loans assumed upon acquisition of related real estate properties are stated at estimated fair value upon their respective dates of assumption, net of unamortized discounts or premiums to their outstanding contractual balances. Amortization of discount and the accretion of premiums on mortgage and other loans assumed upon acquisition of related real estate properties are recognized from the date of assumption through their contractual maturity date using the straight line method, which approximates the effective interest method.

Deferred Loan Fees

Deferred loan fees include fees and costs incurred in conjunction with long-term financings and are amortized over the terms of the related debt using a method that approximates the effective interest method. Deferred loan fees are included in “Other assets, net” in the accompanying consolidated balance sheets. Amortization of deferred loan fees is included in “Interest” in the accompanying consolidated statements of operations.

Repairs, Maintenance and Major Improvements

The costs of ordinary repairs and maintenance are included when incurred in “Rental property operating” expenses in the accompanying consolidated statements of operations. Major improvements that extend the life of an asset are capitalized and depreciated over the remaining useful life of the asset. Various lenders have required us to maintain reserve accounts for the funding of future repairs and capital expenditures, and the balances of these accounts are included in “Restricted cash” on the accompanying consolidated balance sheets.

Leasing Commissions

Leasing commissions are capitalized and amortized on a straight line basis over the life of the related lease. The payment of leasing commissions is included in “Investing activities” on the accompanying consolidated statement of cash flows because we believe that paying leasing commissions for good tenants is a prudent investment in increasing the value of our income-producing assets.

Depreciation and Amortization

Depreciation and amortization are computed using the straight-line method for financial reporting purposes. Buildings and improvements are depreciated over their estimated useful lives which range from five to 42 years. Tenant improvement costs recorded as capital assets are depreciated over the shorter of the tenant’s remaining lease term or the life of the improvement. Furniture, fixtures and equipment are depreciated over three to seven years. Properties that are acquired that are subject to ground leases are depreciated over the lesser of the useful life or the remaining life of the related leases as of the date of assumption of the lease.

Non-Controlling Interests

We account for non-controlling interests in accordance with FASB ASC 810, *Consolidation*. In accordance with FASB ASC 810, we report non-controlling interests in subsidiaries within equity in the consolidated financial statements, but separate from the parent stockholders' equity. Net income attributable to non-controlling interests is presented as a reduction from net income in calculating net income available to common stockholders on the statement of operations. Acquisitions or dispositions of non-controlling interests that do not result in a change of control are accounted for as equity transactions. In addition, FASB ASC 810 requires that a parent company recognize a gain or loss in net income when a subsidiary is deconsolidated upon a change in control. In accordance with FASB ASC 480-10, *Distinguishing Liabilities from Equity*, non-controlling interests that are determined to be redeemable are carried at their redemption value as of the balance sheet date and reported as temporary equity. We periodically evaluate individual non-controlling interests for the ability to continue to recognize the non-controlling interest as permanent equity in the consolidated balance sheets. Any non-controlling interest that fails to qualify as permanent equity will be reclassified as temporary equity and adjusted to the greater of (a) the carrying amount, or (b) its redemption value as of the end of the period in which the determination is made, the resulting adjustment is recorded in the consolidated statement of operations. See Note 12 for a more detailed discussion.

Preferred Units

The Class A convertible preferred units of the Operating Partnership ("Preferred Units") have fixed rights to distributions at an annual rate of 2% of their liquidation preference of $25 per Preferred Unit. Accordingly, income or loss of the Operating Partnership is allocated among the general partner interest and limited partner common interests after taking into consideration distribution rights allocable to the Preferred Units.

Earnings (Loss) per Share

We present both basic and diluted earnings (loss) per share ("EPS"). Basic EPS is computed by dividing net income (loss) available to common stockholders by the weighted average number of common shares outstanding during each period.

Diluted EPS is computed by dividing net income (loss) available to common stockholders for the period by the weighted average number of common shares that would have been outstanding for the period, assuming the issuance of common shares for all potentially dilutive common shares outstanding during such period.

Income Taxes

We have elected to be taxed as a REIT under the Code. To qualify as a REIT, we must meet a number of organizational and operational requirements, including a requirement that we currently distribute at least 90% of our REIT taxable income to our stockholders. Also, at least 95% of gross income in any year must be derived from qualifying sources. We intend to adhere to these requirements and maintain our REIT status. As a REIT, we generally will not be subject to corporate level federal income tax on taxable income that we distribute currently to our stockholders. However, we may be subject to certain state and local taxes on our income and property, and to federal income and excise taxes on our undistributed taxable income, if any. Management believes that we have distributed and will continue to distribute a sufficient majority of our taxable income, if any, in the form of dividends and distributions to our stockholders and unit holders. Accordingly, we have not recognized any provision for income taxes.

The Company is subject to the provisions of FASB ASC 740, *Income Taxes* which prescribes a more-likely-than-not threshold for the financial statement recognition of uncertain tax positions. ASC 740 clarifies the accounting for income taxes by prescribing a minimum recognition threshold and measurement attribute for the recognition and measurement of a tax position taken or expected to be taken in a tax return. On a quarterly basis, the Company evaluates the need for income tax accruals in accordance with ASC 740.

Recent Accounting Pronouncements

In April 2014, the FASB issued Accounting Standards Update No. 2014-08, *Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360), Reporting Discontinued Operations and Disclosures of*

Disposals of Components of an Entity ("ASU 2014-08"), which amended the criteria for reporting discontinued operations and expanded related disclosure requirements. Under ASU 2014-08, a discontinued operation is defined as 1) a component or group of components of an entity that has been disposed of by sale, disposed of other than by sale or is classified as held for sale that represents a strategic shift that has or will have a major effect on the entity's operations and financial results, or 2) an acquired business activity that is classified as held for sale. A strategic shift could include the disposal of a major geographical area, a major line of business, a major equity method investment or other major parts of an entity. ASU 2014-08 is effective prospectively for reporting periods beginning on or after December 15, 2014. The adoption of this pronouncement did not have a material effect on our consolidated financial statements or disclosures, including the presentation of the Clifford Center property sale in January 2015 since the property was classified as held for sale prior to the adoption of this pronouncement on January 1, 2015.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASU 2014-09"). ASU 2014-09 establishes that companies may recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This pronouncement is effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. We do not expect the adoption of this pronouncement to have a material effect on our consolidated financial statements or disclosures.

In August 2014, the FASB issued Accounting Standards Update No. 2014-15, *Presentation of Financial Statements - Going Concern (Subtopic 205-40), Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern* ("ASU 2014-15") which provides guidance on when and how entities should assess their ability to continue as a going concern and related footnote disclosures. Under ASU 2014-15, management is required to perform annual and interim assessments of an entity's ability to continue as a going concern within one year after the financial statement issuance date. Certain disclosures are required if there are conditions present that raise substantial doubt about an entity's ability to continue as a going concern during this period. This pronouncement is effective for annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. We are currently assessing the impact that this standard will have on our consolidated financial statements and disclosures.

In February 2015, the FASB issued Accounting Standards Update No. 2015-02, *Consolidation (Topic 810), Amendments to the Consolidation Analysis* ("ASU 2015-02") which modifies the evaluation of whether limited partnerships and similar legal entities are variable interest entities ("VIEs") or voting interest entities, eliminates the presumption that a general partner should consolidate a limited partnership and affects the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships. ASU 2015-02 is effective for annual reporting periods beginning after December 15, 2015, including interim reporting periods within that reporting period. Early adoption is permitted. We are currently assessing the impact that this standard will have on our consolidated financial statements and disclosures.

In April 2015, the FASB issued Accounting Standards Update No. 2015-03, *Interest - Imputation of Interest (Subtopic 835-30), Simplifying the Presentation of Debt Issuance Costs* ("ASU 2015-03"). The amendments in ASU 2015-03 require debt issuance costs to be presented in the balance sheet as a direct deduction from the carrying value of the associated debt liability, consistent with the presentation of a debt discount. ASU 2015-03 is limited to the presentation of debt issuance costs and does not affect the recognition and measurement of debt issuance costs. ASU 2015-03 is effective for annual reporting periods beginning after December 15, 2015, including interim reporting periods within that reporting period. Early adoption is permitted for financial statements that have not been previously issued. The adoption of ASU 2015-03 would change the presentation of our debt issuance costs, which we record as deferred loan fees, currently included in "Other assets, net" in the accompanying consolidated balance sheets.

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, *Leases (Topic 842): Section A - Leases: Amendments to the FASB Accounting Standards Codification; Section B - Conforming Amendments Related to Leases: Amendments to the FASB Accounting Standards Codification; and Section C - Background Information and Basis for Conclusions* ("ASU 2016-02"). ASU 2016-02 amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets and making targeted changes to lessor accounting. ASU 2016-02 is effective for annual periods beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption of ASU 2016-02 as of its issuance is permitted. The new leases standard requires a modified retrospective transition approach for all leases existing at, or entered into after, the date of initial application, with an option to use certain transition relief. We are currently evaluating the impact of adopting the new leases standard on our consolidated financial statements.

3. Investments in Real Estate, net

Our investments in real estate, net, are summarized as follows (in thousands):

	DECEMBER 31, 2015	DECEMBER 31, 2014
Land and land improvements	$ 33,819	$ 33,819
Building and building improvements	196,168	194,956
Tenant improvements	32,389	31,667
Construction in progress	5,263	2,979
Furniture, fixtures and equipment	1,377	1,319
Investments in real estate	269,016	264,740
Less: accumulated depreciation	(71,156)	(62,607)
Investments in real estate, net	$ 197,860	$ 202,133

4. Intangible Assets and Acquired Below-Market Leases, net

Our identifiable intangible assets and acquired below-market leases, net, are summarized as follows (in thousands):

	DECEMBER 31, 2015	DECEMBER 31, 2014
Acquired leasing commissions:		
Gross amount	$ 7,499	$ 6,913
Accumulated amortization	(4,073)	(3,783)
Acquired leasing commissions, net	3,426	3,130
Acquired leases in place:		
Gross amount	5,290	5,624
Accumulated amortization	(5,175)	(5,500)
Acquired leases in place, net	115	124
Acquired tenant relationship costs:		
Gross amount	9,254	9,254
Accumulated amortization	(8,776)	(8,223)
Acquired tenant relationship costs, net	478	1,031
Acquired other intangibles:		
Gross amount	3,077	3,125
Accumulated amortization	(1,108)	(1,092)
Acquired other intangibles, net	1,969	2,033
Intangible assets, net	$ 5,988	$ 6,318
Acquired below-market leases:		
Gross amount	$ 6,556	$ 6,640
Accumulated amortization	(3,314)	(3,166)
Acquired below-market leases, net	$ 3,242	$ 3,474

As shown in the following table (in thousands), we recognized amortization of below-market leases. The amortization of below-market leases is included as an increase to "Rental revenues" in the accompanying consolidated statements of operations. Also, we recognized amortization of other intangible assets, including acquired leasing commissions, acquired leases in place, acquired tenant relationship costs and acquired other intangibles. The amortization of these intangible assets is included in "Depreciation and amortization" in the accompanying consolidated statements of operations.

	FOR THE YEAR ENDED DECEMBER 31, 2015	FOR THE YEAR ENDED DECEMBER 31, 2014
Intangible assets amortization	$ 1,561	$ 1,827
Acquired below-market lease amortization	$ 232	$ 250

The following table summarizes the estimated net amortization of intangible assets and acquired below-market leases at December 31, 2015 for the next five years (in thousands):

	2016	2017	2018	2019	2020	THEREAFTER	TOTAL	WEIGHTED AVERAGE AMORT. PERIOD (YEARS)
Leasing commissions	$ 902	$ 789	$ 529	$ 405	$ 271	$ 530	$ 3,426	3.3
Leases in place	8	8	8	8	8	75	115	7.5
Tenant relationship costs	281	112	24	13	3	45	478	2.5
Other intangibles	65	65	65	65	65	1,644	1,969	15.8
Intangible assets, net	$ 1,256	$ 974	$ 626	$ 491	$ 347	$ 2,294	$ 5,988	
Acquired below-market leases	$ 232	$ 232	$ 232	$ 232	$ 232	$ 2,082	$ 3,242	7.5

5. Investments in Unconsolidated Joint Ventures

At December 31, 2015, we were partners with third parties in three joint ventures, holding two office properties, comprised of four buildings and 0.8 million rentable square feet, and a sports club associated with our City Square property in Phoenix, Arizona. Our ownership interest percentage in each of these joint ventures is 5.0%.

No impairment charges were recorded in our investments in unconsolidated joint ventures for the year ended December 31, 2015. For the year ended December 31, 2014, we recorded non-cash impairment charges of $0.9 million to write-off our investment in the POP San Diego joint venture due to uncertainty surrounding the recoverability of our investment in the joint venture. The charge is included in "Equity in net (loss) earnings of unconsolidated joint ventures" on the consolidated statement of operations.

We account for our investments in joint ventures under the equity method of accounting.

The following tables summarize financial information for our unconsolidated joint ventures (in thousands):

	FOR THE YEAR ENDED DECEMBER 31, 2015	FOR THE YEAR ENDED DECEMBER 31, 2014
Revenues:		
Rental	$ 11,915	$ 14,383
Other	2,997	3,035
Total revenues	14,912	17,418
Expenses:		
Rental operating	10,701	11,620
Depreciation and amortization	4,242	4,602
Interest	3,946	5,657
Other	10	—
Total expenses	18,899	21,879
Loss before gain (loss) on sale of properties and gain on extinguishment of debt	(3,987)	(4,461)
Gain (loss) on sale of properties	13,764	(3,340)
Gain on extinguishment of debt	—	3,320
Net income (loss)	$ 9,777	$ (4,481)
Equity in net earnings (loss) of unconsolidated joint ventures	$ 497	$ (1,147)

	DECEMBER 31, 2015	DECEMBER 31, 2014
Investment in real estate, net	$ 56,321	$ 77,655
Other assets	9,938	18,021
Total assets	$ 66,259	$ 95,676
Mortgage and other loans	$ 45,575	$ 66,152
Other liabilities	2,416	3,738
Total liabilities	$ 47,991	$ 69,890
Investment in unconsolidated joint ventures	$ 913	$ 1,281

6. Other Assets, net

Other assets, net, consist of the following (in thousands):

	DECEMBER 31, 2015	DECEMBER 31, 2014
Deferred loan fees, net of accumulated amortization of $1.8 million and $1.7 million at December 31, 2015 and 2014, respectively	$ 158	$ 354
Prepaid expenses	260	832
Total other assets, net	$ 418	$ 1,186

7. Minimum Future Lease Rentals

Future minimum base rentals on non-cancellable office leases for the years succeeding December 31, 2015 are as follows (in thousands):

2016	$	19,448
2017		18,322
2018		14,438
2019		12,333
2020		9,317
Thereafter		24,109
Total future minimum base rental revenue	$	97,967

The above future minimum base rental revenue excludes tenant reimbursements, amortization of deferred rent receivables and below-market lease intangibles. Some leases are subject to termination options. In general, these leases provide for termination payments should the termination options be exercised. The preceding table is prepared assuming such options are not exercised. Lease termination fee revenues were not significant for the year ended December 31, 2015 and $0.2 million for the year ended December 31, 2014.

We have leased space to certain tenants under non-cancellable operating leases, which provide for percentage rents based upon tenant revenues. Percentage rental income is recorded in rental revenues in the consolidated statements of operations. We recorded $0.1 million of percentage rental income for each of the years ended December 31, 2015 and 2014.

8. Accounts Payable and Other Liabilities

Accounts payable and other liabilities consist of the following (in thousands):

	DECEMBER 31, 2015	DECEMBER 31, 2014
Accounts payable	$ 276	$ 1,218
Interest payable	953	953
Deferred revenue	918	922
Security deposits	1,840	1,675
Deferred straight-line ground rent	18,669	16,628
Accrued distributions attributable to Preferred Units	11,363	9,091
Accrued expenses	6,107	4,001
Asset retirement obligations	671	625
Total accounts payable and other liabilities	$ 40,797	$ 35,113

9. Mortgage and Other Loans

The following table sets forth a summary of our mortgage and other loans, net of discount (in thousands). The interest rate of each loan is fixed unless otherwise indicated in the footnotes to the table:

	OUTSTANDING PRINCIPAL BALANCE, NET AT			
PROPERTY	DECEMBER 31, 2015	DECEMBER 31, 2014	INTEREST RATE	MATURITY DATE
Pan Am Building	$ 59,997	$ 59,991	6.17%	8/11/2016
Waterfront Plaza	100,000	100,000	6.37%	9/11/2016
Waterfront Plaza	11,000	11,000	6.37%	9/11/2016
Davies Pacific Center	94,881	94,747	5.86%	11/11/2016
Subtotal	265,878	265,738		
Revolving line of credit[(1)]	25,000	25,000	1.10%	12/31/2016
Total	$ 290,878	$ 290,738		

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(1) The revolving line of credit matures on December 31, 2016. Amounts borrowed under the revolving line of credit bear interest at a fluctuating annual rate equal to the effective rate of interest paid by the lender on time certificates of deposit, plus 1.00%. See "Revolving Line of Credit" below.

The lenders' collateral for these mortgage loans is the property and, in some instances, cash reserve accounts, ownership interests in the underlying entity owning the real property, leasehold interests in certain ground leases and rights under certain service agreements.

As of December 31, 2014, the total outstanding balance of the Clifford Center loans amounted to $6.3 million and is included in "Mortgage and other liabilities of real estate held for sale" in the accompanying consolidated balance sheets. These loans were repaid in full upon the completion of the sale of the Clifford Center property in January 2015.

Revolving Line of Credit

We are party to a Credit Agreement (the "FHB Credit Facility") with First Hawaiian Bank (the "Lender") which provides us with a revolving line of credit in the maximum principal amount of $25.0 million and has a maturity date of December 31, 2016. Amounts borrowed under the FHB Credit Facility bear interest at a fluctuating annual rate equal to the effective rate of interest paid by the Lender on time certificates of deposit, plus 1.00%. We are permitted to use the proceeds of the line of credit for working capital and general corporate purposes, consistent with our real estate operations and for such other purposes as the Lender may approve. As of December 31, 2015 and 2014, we had outstanding borrowings of $25.0 million under the FHB Credit Facility. During each of the years ended December 31, 2015 and 2014, we recognized $0.3 million in interest to the Lender.

As security for the FHB Credit Facility, as amended, Shidler Equities L.P., a Hawaii limited partnership controlled by Mr. Shidler ("Shidler LP"), has pledged to the Lender a certificate of deposit in the principal amount of $25.0 million. As a condition to this pledge, the Operating Partnership and Shidler LP entered into an indemnification agreement pursuant to which the Operating Partnership agreed to indemnify Shidler LP from any losses, damages, costs and expenses incurred by Shidler LP in connection with the pledge. In addition, to the extent that all or any portion of the certificate of deposit is withdrawn by the Lender and applied to the payment of principal, interest and/or charges under the FHB Credit Facility, the Operating Partnership agreed to pay to Shidler LP interest on the withdrawn amount at a rate of 7.0% per annum from the date of the withdrawal until the date of repayment in full by the Operating Partnership to Shidler LP. Pursuant to this indemnification agreement, as amended, the Operating Partnership also agreed to pay to Shidler LP an annual fee of 2.0% of the entire $25.0 million principal amount of the certificate of deposit. During each of the years ended December 31, 2015 and 2014, we recognized $0.5 million in interest to Shidler LP for the annual fee.

The FHB Credit Facility contains various customary covenants, including covenants relating to disclosure of financial and other information to the Lender, maintenance and performance of our material contracts, our maintenance of adequate insurance, payment of the Lender's fees and expenses, and other customary terms and conditions.

10. Unsecured Notes Payable to Current and Former Related Parties

At December 31, 2015 and 2014, we had promissory notes payable by the Operating Partnership to certain current and former affiliates in the aggregate outstanding principal amounts of $29.4 million.

In 2008, we issued $21.1 million of promissory notes as consideration for having funded certain capital improvements prior to the completion of our formation transactions and upon the exercise of an option granted to us by POP Venture, LLC, a Delaware limited liability company controlled by Mr. Shidler ("Venture"), and its affiliates as part of our formation transactions in 2008. The promissory notes accrue interest at a rate of 7%, per annum, with interest payable quarterly, subject to the Operating Partnership's right to defer the payment of interest for any or all periods until the date of maturity. The promissory notes were originally scheduled to mature on various dates commencing on March 19, 2013 through August 31, 2013, but the Operating Partnership elected to extend maturity for one additional year. The maturity date of the promissory notes has subsequently been extended to December 31, 2016.

In February 2014, we issued to certain current and former affiliates additional promissory notes in the aggregate principal amount of $8.3 million to settle claims under tax protection agreements relating to the sale of our First

Insurance Center property in 2012. See "Tax Protection Arrangements" in Note 11 for additional information. These promissory notes accrue interest at a rate of 5% per annum, with interest payable quarterly, subject to the Operating Partnership's right to defer the payment of interest for any or all periods until the date of maturity, and were originally scheduled to mature on December 31, 2015. The maturity date of these promissory notes has subsequently been extended to December 31, 2016.

The maturity of the Operating Partnership's promissory notes will accelerate upon the occurrence of an underwritten public offering of at least $75 million of the Company's common stock, the sale of all or substantially all of the Company's assets or the merger or consolidation of the Company with another entity, and specific to the promissory notes issued in February 2014, under certain circumstances in the event that the Operating Partnership has fully satisfied or is released from liability under its indemnification agreement with Shidler LP relating to the security pledged by Shidler LP in support of the FHB Credit Facility. The promissory notes are unsecured obligations of the Operating Partnership and are subordinated to borrowings under the FHB Credit Facility and our indemnification obligations to Shidler LP in connection with its pledge in support of the FHB Credit Facility.

For the period from March 20, 2008 through December 31, 2015, interest payments on these unsecured notes payable have been deferred with the exception of $0.3 million which was related to the notes exchanged for shares of common stock in 2009. At December 31, 2015 and 2014, $15.6 million and $12.8 million, respectively, of accrued interest attributable to these promissory notes is included in the accompanying consolidated balance sheets.

11. Commitments and Contingencies

Minimum Future Ground Rents

We hold a long-term ground leasehold interest in our Waterfront Plaza property. The Waterfront Plaza ground lease expires December 31, 2060. The annual rental obligation has fixed increases at 5-year intervals until it resets on January 1, 2036, 2041, 2046, 2051, and 2056 to an amount equal to the greater of (i) 8.0% of the fair market value of the land or (ii) the ground rent payable for the prior period.

Ground lease rent expense, including minimum rent and straight-line rent, recorded during each of the years ended December 31, 2015 and 2014 was $4.3 million.

The following table indicates our future minimum ground lease payments of our Waterfront Plaza Property for the years succeeding December 31, 2015 (in thousands):

2016	$	2,928
2017		2,928
2018		2,928
2019		2,928
2020		2,928
Thereafter		191,620
Total future minimum ground lease payments	$	206,260

Contingencies

From time to time, we may be subject to various legal proceedings and claims that arise in the ordinary course of business. These matters are generally covered by insurance, subject to deductibles and other customary limitations on recoveries. We believe that the ultimate settlement of these actions will not have a material adverse effect on our consolidated financial position and results of operations or cash flows.

Concentration of Credit Risk

Our operating wholly-owned properties are located in Honolulu. Our operating properties owned in joint ventures are located in Honolulu and Phoenix. The ability of the tenants to honor the terms of their respective leases is dependent upon the economic, regulatory and social factors affecting the markets in which the tenants operate. As of December 31, 2015, no single tenant accounts for 10% or more of our total annualized base rents. We perform credit evaluations on new tenants by requesting and reviewing their financial statements and recent tax returns. During the terms of our leases, we monitor the credit quality of our tenants by reviewing the timeliness of their lease payments. In addition, we may review financial statements, operating statements and/or performance of other financial covenants as allowed for under their lease.

Financial instruments that subject us to credit risk consist primarily of cash, accounts receivable and deferred rents receivable. We maintain our cash and cash equivalents and restricted cash on deposit with what management believes are relatively stable financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to the maximum amount; and, to date, we have not experienced any losses on our invested cash. Restricted cash held by lenders is held by those lenders in accounts maintained at major financial institutions.

Conditional Asset Retirement Obligations

We record a liability for a conditional asset retirement obligation, defined as a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement is conditional on a future event that may or may not be within a company's control, when the fair value of the obligation can be reasonably estimated. Depending on the age of the construction, certain properties in our portfolio may contain non-friable asbestos. If these properties undergo major renovations or are demolished, certain environmental regulations are in place, which specify the manner in which the asbestos, if present, must be handled and disposed. Based on our evaluation of the physical condition and attributes of certain of our properties, we recorded conditional asset retirement obligations related to asbestos removal. As of December 31, 2015 and 2014, the liability in our consolidated balance sheets for conditional asset retirement obligations was $0.7 million and $0.6 million, respectively. The accretion expense was not significant for each of the years ended December 31, 2015 and 2014.

Waterfront Plaza Ground Lease

We are subject to a surrender clause under the Waterfront Plaza ground lease that provides the lessor with the right to require us, at our own expense, to raze and remove all improvements from the leased land, contingent on the lessor's decision at the time the ground lease expires on December 31, 2060. Accordingly, as of December 31, 2015 and 2014, the liability in our consolidated balance sheets for this asset retirement obligation was $0.4 million as of both dates. The accretion expense was not significant for each of the years ended December 31, 2015 and 2014.

Environmental Matters

We follow the policy of monitoring our properties for the presence of hazardous or toxic substances. While there can be no assurance that a material environmental liability does not exist, we are not currently aware of any environmental liability with respect to the properties that would have a material effect on our financial condition, results of operations, and cash flow. Further, we are not aware of any environmental liability or any unasserted claim or assessment with respect to an environmental liability other than our conditional asset retirement obligations that we believe would require additional disclosure or the recording of a loss contingency.

Capital Commitments

We are required by certain leases and other contractual obligations to complete tenant and building improvements. As of December 31, 2015, we are obligated to spend $3.0 million in capital expenditures and leasing costs through 2016. We anticipate that our reserves, as well as other sources of liquidity, including existing cash on hand, our cash flows from operations, financing and investing activities will be sufficient to fund our capital expenditure obligations.

Tax Protection Arrangements

A sale of any of our wholly-owned properties that would not provide continued tax deferral to Venture is contractually restricted until March 2018, which is 10 years after the closing of the transaction related to such properties. In addition, we have agreed that, during such 10-year period, we will not prepay or defease any mortgage indebtedness of such properties, other than in connection with a concurrent refinancing with non-recourse mortgage debt of an equal or greater amount and subject to certain other restrictions. Furthermore, if any such sale or defeasance is foreseeable, we are required to notify Venture and to cooperate with it in considering strategies to defer or mitigate the recognition of gain under the Code by any of the equity interest holders of the recipient of the Operating Partnership units.

In June 2012, we completed the sale of our fee and leasehold interests in our First Insurance Center property, located in Honolulu, Hawaii, to an unaffiliated third party. As a result of the sale, certain contract parties claimed they were entitled to a make-whole cash payment under tax protection agreements relating to the property. During the third quarter of 2013, we held settlement discussions with certain claimants regarding these tax protection agreements and accrued \$8.7 million for such liability as of December 31, 2013. In February 2014, we issued \$8.3 million of subordinated promissory notes in settlement of the majority of such claims (see Note 10), and paid cash settlements totaling approximately \$0.4 million in settlement of the remainder of such claims. Each party receiving a promissory note or cash payment released us from any other claims under the tax protection agreements arising out of the sale of the First Insurance Center property and the foreclosure of our Sorrento Technology Center property in January 2012, as applicable.

In December 2014, we entered into a Purchase and Sale Agreement to sell our fee and leasehold interest in our Clifford Center property, located in Honolulu, Hawaii, to an unaffiliated third party. We completed the sale in January 2015 for aggregate consideration of \$8.9 million. We believe that no tax indemnity liability will arise under the tax protection agreements in connection with this sale because the sale of the Clifford Center property resulted in a tax loss.

Indemnities

The mortgage debt that we maintain for our wholly-owned properties is typically property-specific debt that is non-recourse to our Operating Partnership, except for customary recourse carve-outs for borrower misconduct and environmental liabilities. The recourse liability for borrower misconduct and environmental liabilities was guaranteed by James C. Reynolds, who beneficially owns 12% of our Class A Common Stock. Our Operating Partnership has agreed to indemnify Mr. Reynolds to the extent of his guaranty liability. This debt strategy isolates mortgage liabilities in separate, stand-alone entities, allowing us to have only our property-specific equity investment at risk, except to the extent of the recourse carve-outs. In management's judgment, it would be unlikely for us to incur any material liability under these indemnities that would have a material adverse effect on our financial condition, results of operations or cash flows.

12. Equity (Deficit) and Earnings (Loss) per Share

Total Equity (Deficit)

The changes in total equity (deficit) for the period from December 31, 2014 to December 31, 2015 are shown below (in thousands):

	PACIFIC OFFICE PROPERTIES TRUST, INC.	NON-CONTROLLING INTEREST - PREFERRED	NON-CONTROLLING INTEREST - COMMON	TOTAL
Balance at December 31, 2014	$ (149,140)	$ 127,268	$ (84,033)	$ (105,905)
Net income (loss)	(2,246)	2,273	(14,291)	(14,264)
Dividends and distributions	(1,748)	(2,273)	—	(4,021)
Balance at December 31, 2015	$ (153,134)	$ 127,268	$ (98,324)	$ (124,190)

Stockholders' Equity (Deficit)

Our Class A Common Stock (which is quoted in the OTCQB tier of the OTC Marketplace) and our Class B Common Stock are identical in all respects, except that in the event of liquidation the Class B Common Stock will not be entitled to any portion of our net assets, which would, if any, be allocated and distributed to the holders of the Class A Common Stock. Shares of our Class A Common Stock and Class B Common Stock vote together as a single class and each share is entitled to one vote on each matter to be voted upon by our stockholders. Dividends on the Class A Common Stock and Class B Common Stock are payable at the discretion of our Board of Directors.

Our Senior Common Stock ranks senior to our Class A Common Stock and Class B Common Stock with respect to dividends and distribution of amounts upon liquidation. It has a \$10.00 per share (plus accrued and unpaid dividends) liquidation preference. Subject to the preferential rights of any future series of preferred shares, holders of Senior Common Stock are entitled to receive, when and as authorized by the Company's Board of Directors and declared by us, cumulative cash dividends in an amount per share equal to a minimum of $0.725 per share per annum, payable monthly. Dividends on the Senior Common Stock are cumulative and accrue to the extent not declared or paid by us. Should the dividend payable on the Class A Common Stock exceed the rate of $0.20 per share per annum, the Senior Common Stock dividend would increase by 25% of the amount by which the Class A Common Stock dividend exceeds $0.20 per share per annum. Holders of Senior Common Stock have the right to vote on all matters presented to stockholders as a single class with holders of the Class A Common Stock, the Class B Common Stock and the Company's outstanding share of Proportionate Voting Preferred Stock (as discussed below). Each share of the Company's Class A Common Stock, the Class B Common Stock and the Senior Common Stock is entitled to one vote on each matter to be voted upon by the Company's stockholders. Shares of Senior Common Stock may be exchanged, at the option of the holder, for shares of Class A Common Stock after the fifth anniversary of the issuance of such shares of Senior Common Stock. The exchange ratio is to be calculated using a value for our Class A Common Stock based on the average of the trailing 30-day closing price of the Class A Common Stock on the date the shares are submitted for exchange, but in no event less than $1.00 per share, and a value for the Senior Common Stock of $10.00 per share. Unless full cumulative dividends on the Senior Common Stock have been paid for all past dividend periods, we may not repurchase or redeem any shares of Senior Common Stock (or Class A Common Stock) unless all outstanding shares of Senior Common Stock are simultaneously repurchased or redeemed. As of December 31, 2015 and 2014, we had a total of 2,410,839 shares of Senior Common Stock issued and outstanding. We terminated our continuous public offering of Senior Common Stock in February 2011 and do not expect to issue any additional shares of Senior Common Stock.

General Partnership Interest

The Company's general partnership interest in the Operating Partnership is denominated in a number of Common Units equal to the number of shares of our Class A Common Stock and Class B Common Stock outstanding. Our general partnership interest includes the right to participate in distributions of the Operating Partnership to holders of Common Units in a percentage equal to the quotient obtained by dividing (a) the number of shares of our Class A Common Stock and Class B Common Stock outstanding by (b) the sum of shares of our Class A Common Stock and Class B Common Stock outstanding plus the number of shares of our Class A Common Stock for which the outstanding Common Units of the Operating Partnership may be redeemed. We also hold a number of Senior Common Units corresponding to the number of shares of Senior Common Stock outstanding, which entitle us to receive distributions from the Operating Partnership in an amount per Senior Common Unit equal to the per share dividend payable to holders of our Senior Common Stock.

Non-controlling Interests

Non-controlling interests include the interests in the Operating Partnership that are not owned by the Company, which amounted to all of the Preferred Units and 78.16% of the Common Units outstanding as of December 31, 2015. During the years ended December 31, 2015 and 2014, no Common Units or Preferred Units were redeemed or issued. As of December 31, 2015, 46,698,532 shares of our Class A Common Stock were reserved for issuance upon redemption of outstanding Common Units and Preferred Units.

The Common Units issued upon the completion of our formation transactions on March 19, 2008 are designated as Class B Common Units, which are redeemable by the holder on a one-for-one basis for shares of Class A Common Stock or a new class of Common Units, designated Class C Common Units, which have no redemption rights, as elected by a majority of our independent directors. All other outstanding Common Units are designated as Class A Common Units, which are redeemable by the holders on a one-for-one basis for shares of Class A Common Stock or cash, as elected by a majority of our independent directors. Each Preferred Unit is convertible by the holder into 7.1717 Class B Common Units, but not before the date we consummate an underwritten public offering (of at least $75 million) of our common stock. Class B Common Units received upon conversion of Preferred Units will not be redeemable by the holder as described above for a period of one year after the date of conversion from Preferred Units to Class B Common Units.

The Preferred Units have fixed rights to annual distributions at an annual rate of 2% of their liquidation preference of $25 per Preferred Unit and priority over Common Units in the event of a liquidation of the Operating Partnership. At December 31, 2015, the cumulative unpaid distributions attributable to Preferred Units were $11.4 million. We anticipate continuing to accrue these distributions.

Common Units of all classes and Preferred Units of the Operating Partnership do not have any right to vote on any matters presented to our stockholders. We have outstanding one share of Proportionate Voting Preferred Stock, which is held by Pacific Office Holding, Inc., a corporation owned by Mr. Shidler and certain of our current and former executive officers and other affiliates. The Proportionate Voting Preferred Stock has no dividend rights and minimal rights to distributions in the event of liquidation, but it entitles its holder to vote on all matters for which the holders of Class A Common Stock are entitled to vote. The Proportionate Voting Preferred Stock entitles its holder to cast a number of votes equal to the total number of shares of Class A Common Stock issuable upon redemption for shares of the Class B Common Units and Preferred Units issued in connection with the completion of our formation transactions on March 19, 2008. This number will decrease to the extent that these Class B Common Units are redeemed for shares of Class A Common Stock in the future, but will not increase in the event of future unit issuances by the Operating Partnership. As of December 31, 2015, that share of Proportionate Voting Preferred Stock represented 88% of our voting power. Pacific Office Holding, Inc. has agreed to cast its Proportionate Voting Preferred Stock votes on any matter in direct proportion to votes that are cast by limited partners of our Operating Partnership holding the Class B Common Units and Preferred Units issued in the formation transactions.

As of December 31, 2015, Venture owned 46,173,693 shares of our Class A Common Stock assuming that all Operating Partnership units were fully redeemed for shares on such date, notwithstanding the restrictions on redemption noted above. Assuming the immediate redemption of all the Operating Partnership units held by Venture, Venture and its related parties control 91.5% of the total voting power in the Company.

Earnings (Loss) per Share

We present both basic and diluted earnings (loss) per share ("EPS"). Basic EPS is computed by dividing net income or loss attributable to common stockholders by the weighted average number of shares of Class A Common Stock and Class B Common Stock outstanding during each period. Diluted EPS is computed by dividing net income or loss attributable to common stockholders for the period by the number of shares of Class A Common Stock and Class B Common Stock that would have been outstanding assuming the issuance of shares of Class A Common Stock for all potentially dilutive shares of Class A Common Stock outstanding during each period. Net income or loss in the Operating Partnership is allocated in accordance with the Partnership Agreement among our general partner and limited partner Common Unit holders in accordance with their weighted average ownership percentages in the Operating Partnership of 21.84% and 78.16%, respectively, as of December 31, 2015, after taking into consideration the priority distributions allocated to the limited partner preferred unit holders in the Operating Partnership. The following is the basic and diluted loss per share (in thousands, except share and per share amounts):

	FOR THE YEAR ENDED DECEMBER 31, 2015	FOR THE YEAR ENDED DECEMBER 31, 2014
Net loss attributable to common stockholders – basic and diluted(1)	$ (3,994)	$ (4,669)
Weighted average number of common shares	3,941,242	3,941,242
Potentially dilutive common shares(2)	—	—
Weighted average number of common shares outstanding – basic and diluted	3,941,242	3,941,242
Net loss per common share – basic and diluted	$ (1.01)	$ (1.18)

(1) For each of the years ended December 31, 2015 and 2014, net loss attributable to common stockholders includes $2.3 million of priority allocation to Preferred Unit holders, which is included in non-controlling interests in the consolidated statements of operations. The Company continues to accrue the distributions but does not anticipate paying the distributions in the near term. See below for additional detail.

(2) For each of the years ended December 31, 2015 and 2014, 14,101,004 shares of Class A Common Stock which may be issued upon redemption of Common Units, 32,597,528 shares of Class A Common Stock which may be issued upon redemption of Preferred Units, and 2,410,839 shares of Senior Common Stock were excluded from the calculation of diluted earnings per share because they were anti-dilutive due to our net loss from continuing operations position;

Refer to "Non-controlling Interests" and "Stockholders' Equity (Deficit)" in this footnote for the redemption and conversion terms and conditions of the Preferred Units and Senior Common Stock.

Dividends and Distributions

For each of the years ended December 31, 2015 and 2014, we paid an aggregate of $0.9 million in cash dividends to holders of our Senior Common Stock, representing an amount equal to half the dividends accruing for such periods at the stated annualized rate of 7.25% of the original issue price of $10.00 per share. Dividends declared for each month during such periods were paid on or about the 15th day of the following month. We believe that paying these dividends at less than the full stated annualized rate is in the best interests of the Company and its stockholders as it preserves a greater amount of our cash in order to fund required leasing and capital improvements for our properties with the goal of maximizing the value of our properties. The difference between the stated dividend and the paid dividend on our outstanding shares of Senior Common Stock will accrue until paid in full, and amounted to $2.4 million in aggregate as of December 31, 2015. Our board of directors has authorized daily dividends on the Senior Common Stock at half the stated annualized rate through May 2016.

Amounts accumulated for distribution to stockholders and Operating Partnership unit holders are invested primarily in interest-bearing accounts which are consistent with our intention to maintain our qualification as a REIT. At December 31, 2015, the cumulative unpaid distributions attributable to Preferred Units were $11.4 million, which we do not anticipate to pay in 2016.

Dividends declared and accrued on the Senior Common Stock are included in “Cumulative deficit” in the accompanying consolidated balance sheets. Accrued distributions on Preferred Units are included in “Non-controlling interests” in the accompanying consolidated balance sheets.

13. Disposition Activity

Disposition of Unconsolidated Joint Venture Investments

On November 25, 2014, the remaining portfolio of properties held by the POP San Diego joint venture (Torrey Hills Corporate Center, Palomar Heights Plaza and Scripps Ranch Business Park), located in San Diego, California, were sold to an unaffiliated third party. Net proceeds from the sale of the properties were used to repay the mortgage note payables, including the short-term financing provided by us, and other transaction related expenses. See Note 14 for more discussion on the short-term financing provided by us. Our investment in the unconsolidated joint venture that owned these properties was written off as of December 31, 2014.

On September 4, 2015, the Valencia Corporate Center property, located in Los Angeles, California, was sold to an unaffiliated third party. Net proceeds from the sale of the property, which was owned by one of our unconsolidated joint ventures, were used to repay the mortgage note payable and other transaction related expenses, and then distributed to the members of the joint venture, including us.

Sale of Clifford Center

On December 29, 2014, we entered into a Purchase and Sale Agreement to sell our fee and leasehold interest in our Clifford Center property, located in Honolulu, Hawaii, to an unaffiliated third party buyer. As of December 31, 2014, the Clifford Center property was classified as held for sale. In January 2015 we completed the sale of the Clifford Center property for aggregate consideration of $8.9 million. Accordingly, the associated assets and liabilities have been removed from our consolidated balance sheet as of December 31, 2015 and the results of its operations before the sale, including post-closing activities since the sale, for the years ended December 31, 2015 and 2014 are included in “Discontinued operations” in the accompanying consolidated statements of operations.

The following table summarizes the operating results of the Clifford Center property that comprise loss from discontinued operations for the years ended December 31, 2015 and 2014 (in thousands):

	FOR THE YEAR ENDED DECEMBER 31,	
	2015	2014
Revenue	$ 134	$ 1,755
Expenses	158	2,291
Loss from discontinued operations before loss on sale of property	(24)	(536)
Loss on sale of property	(156)	—
Loss from discontinued operations	$ (180)	$ (536)

14. Related Party Transactions

We are externally advised by Shidler Pacific Advisors, an entity that is owned and controlled by Mr. Shidler. Shidler Pacific Advisors is responsible for the day to day operations and management of the Company, including management of our wholly-owned properties. For its services, Shidler Pacific Advisors earned a corporate management fee of $0.2 million per quarter, which is reflected in "General and administrative" expenses in the accompanying consolidated statements of operations for the years ended December 31, 2015 and 2014, and property management fees of 2.5% to 3.0% of the rental cash receipts collected by the wholly-owned properties, and related fees; however, such property management and related fees are required to be consistent with prevailing market rates for similar services provided on an arms-length basis in the area in which the subject property is located.

The fees that we paid Shidler Pacific Advisors for services relating to property management, corporate management, construction management and other services are summarized in the table below (in thousands):

	FOR THE YEAR ENDED DECEMBER 31,	
	2015	2014
Property management	$ 1,896	$ 1,961
Corporate management	700	853
Construction management and other	198	109
Total	$ 2,794	$ 2,923

Shidler Pacific Advisors leases space from us at certain of our wholly-owned properties for building management and corporate offices. The rents from these leases totaled $0.6 million and $0.5 million for the years ended December 31, 2015 and 2014, respectively. At December 31, 2015, we have $0.4 million owed to Shidler Pacific Advisors included in "Accounts payable and other liabilities" in the accompanying consolidated balance sheets.

During each of the years ended December 31, 2015 and 2014, we recognized $0.5 million in interest to Shidler LP for the annual fee related to its security pledge for the FHB Credit Facility. See Note 9 for more discussion on the FHB Credit Facility, including the security pledge made by Shidler LP.

The Operating Partnership has agreed to indemnify James C. Reynolds with respect to all of his obligations under certain guaranties provided by Mr. Reynolds to lenders of indebtedness encumbering certain of our properties. Mr. Reynolds is the beneficial owner of 12% of our Class A Common Stock. See Note 11 for additional discussion on these indemnities.

At December 31, 2015 and 2014, $15.6 million and $12.8 million, respectively, of accrued interest attributable to unsecured notes payable to current and former related parties is included in the accompanying consolidated balance sheets. See Note 10 for a detailed discussion on these unsecured notes payable.

In May 2013, we agreed to provide short-term financing of up to $0.5 million to one of our unconsolidated joint ventures. This loan bore interest at the annual compounded rate of 12% and was scheduled to mature at the earlier of September 1, 2014 or the full repayment or discharge of the senior loans secured by the joint venture's properties. In

November 2014, the joint venture sold its portfolio of properties and repaid the loan and accrued interest in full which amounted to approximately $0.4 million.

15. Fair Value of Financial Instruments

We are required to disclose fair value information about all financial instruments, whether or not recognized in the consolidated balance sheet, for which it is practicable to estimate fair value. We measure and disclose the estimated fair value of financial assets and liabilities utilizing a fair value hierarchy that distinguishes between data obtained from sources independent of the reporting entity and the reporting entity's own assumptions about market participant assumptions. This hierarchy consists of three broad levels as follows:

Level 1 - using quoted prices in active markets for identical assets or liabilities.

Level 2 - using quoted prices for similar assets or liabilities in active markets, as well as inputs that are observable for the asset or liability, such as interest rates, foreign exchange rates and yield curves that are observable at commonly quoted intervals.

Level 3 - using unobservable inputs that reflect an entity's own assumptions that market participants would use when pricing of the asset or liability, to the extent observable inputs are not available.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability. The fair market value of debt is determined using the trading price of public debt or a discounted cash flow technique that incorporates a market interest yield curve with adjustments for duration, optionality and risk profile, including the Company's non-performance risk (Level 3). Considerable judgment is necessary to interpret market data and develop estimated fair value. The use of different market assumptions or estimation methods may have a material effect on the estimated fair value amounts.

The carrying amounts for cash and cash equivalents, restricted cash, rents and other receivables, accounts payable and other liabilities approximate fair value because of the short-term nature of these instruments. We calculate the fair value of our mortgage and other loans by using available market information and discounted cash flows analyses based on borrowing rates we believe we could obtain with similar terms and maturities. Because the valuations of our financial instruments are based on these types of estimates, the actual fair value of our financial instruments may differ materially if our estimates do not prove to be accurate. Additionally, the use of different market assumptions or estimation methods may have a material effect on the estimated fair value amounts. The carrying value of the unsecured related party notes approximates its fair value due to the short-term maturity of these liabilities. The carrying value of the revolving line of credit borrowings approximates its fair value since the borrowings bear interest at a variable market rate.

At December 31, 2015, the carrying value (excluding accrued interest) and estimated fair value of the mortgage and other loans were $290.9 million and $289.8 million, respectively. At December 31, 2014, the carrying value (excluding accrued interest) and estimated fair value of the mortgage and other loans (excluding the loans related to our Clifford Center property classified under "Mortgage and other liabilities of real estate assets held for sale" in the accompanying consolidated balance sheets which were repaid in full upon the completion of the sale in January 2015) were $290.7 million and $288.2 million, respectively.

16. Quarterly Financial Information (unaudited)

The table below reflects the selected quarterly information for the years ended December 31, 2015 and 2014 (in thousands, except for common share information). Certain quarterly amounts presented for 2014 have been reclassified to reflect the Clifford Center property as held for sale as of December 31, 2014. Accordingly, the operating results of the Clifford Center property for the years ended December 31, 2015 and 2014 are included in "Discontinued operations" in the accompanying consolidated statements of operations.

	QUARTERS ENDED			
	DECEMBER 31	SEPTEMBER 30	JUNE 30	MARCH 31
2015:				
Total revenue	$ 11,328	$ 11,152	$ 10,555	$ 11,079
Net loss	$ (3,830)	$ (3,076)	$ (4,029)	$ (3,329)
Net loss attributable to common stockholders	$ (1,056)	$ (891)	$ (1,100)	$ (947)
Net loss per common share – basic and diluted	$ (0.26)	$ (0.23)	$ (0.28)	$ (0.24)
Weighted average number of common shares outstanding – basic and diluted	3,941,242	3,941,242	3,941,242	3,941,242
2014:				
Total revenue	$ 10,897	$ 11,438	$ 10,870	$ 10,915
Net loss	$ (4,094)	$ (4,435)	$ (5,128)	$ (3,695)
Net loss attributable to common stockholders	$ (1,114)	$ (1,188)	$ (1,340)	$ (1,027)
Net loss per common share – basic and diluted	$ (0.28)	$ (0.30)	$ (0.34)	$ (0.26)
Weighted average number of common shares outstanding – basic and diluted	3,941,242	3,941,242	3,941,242	3,941,242

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