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

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**FORM 10-Q**

(Mark One)

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

**For the quarterly period ended June 30, 2016**  
**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: 000-55599**

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**Hines Global REIT II, Inc.**

*(Exact name of registrant as specified in its charter)*

**Maryland**

*(State or other jurisdiction of incorporation or organization)*

**80-0947092**

*(I.R.S. Employer Identification No.)*

**2800 Post Oak Boulevard**

**Suite 5000**

**Houston, Texas**

*(Address of principal executive offices)*

**77056-6118**

*(Zip code)*

**(888) 220-6121**

*(Registrant's telephone number, including area code)*

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

Indicate by check mark whether the registrant has submitted electronically 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 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 ☐

Smaller reporting company ☒

(Do not check if a 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 ☒

As of August 9, 2016, approximately 14.5 million shares of the registrant's Class A common stock and 4.8 million shares of the registrant's Class T common stock were outstanding.

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**PART I - FINANCIAL INFORMATION**
**Item 1. Condensed Consolidated Financial Statements**

**HINES GLOBAL REIT II, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**(UNAUDITED)**

	June 30, 2016	December 31, 2015
<b>ASSETS</b>		
Investment property, net	\$ 128,516,836	\$ 72,426,072
Cash and cash equivalents	51,484,196	17,224,448
Restricted cash	1,620,123	1,565,083
Derivative instruments	2,200	6,344
Tenant and other receivables	1,964,471	3,890,367
Intangible lease assets, net	51,967,404	52,152,477
Deferred leasing costs, net	58,684	60,787
Deferred financing costs, net	8,324	17,342
Other assets	5,907,817	1,713,329
<b>Total assets</b>	<b>\$ 241,530,055</b>	<b>\$ 149,056,249</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 1,254,497	\$ 920,657
Due to affiliates	7,433,192	3,186,210
Intangible lease liabilities, net	2,303,242	2,470,106
Other liabilities	2,260,208	1,866,926
Distributions payable	796,680	479,917
Notes payable, net	94,890,587	59,693,212
<b>Total liabilities</b>	<b>\$ 108,938,406</b>	<b>\$ 68,617,028</b>
Commitments and contingencies (Note 10)	—	—
<b>Equity:</b>		
Stockholders' equity:		
Preferred shares, \$0.001 par value per share; 500,000,000 preferred shares authorized, none issued or outstanding as of June 30, 2016 and December 31, 2015	—	—
Class A common stock, \$0.001 par value per share; 600,000,000 authorized; 13,962,691 and 10,274,377 issued and outstanding as of June 30, 2016 and December 31, 2015, respectively	13,963	10,275
Class T common stock, \$0.001 par value per share; 900,000,000 authorized; 3,831,828 and 787,405 issued and outstanding as of June 30, 2016 and December 31, 2015, respectively	3,832	787
Additional paid-in capital	149,198,840	91,576,720
Accumulated distributions in excess of earnings	(15,948,125)	(9,756,797)
Accumulated other comprehensive income (loss)	(676,861)	(1,391,764)
<b>Total stockholders' equity</b>	<b>132,591,649</b>	<b>80,439,221</b>
Noncontrolling interests	—	—
<b>Total equity</b>	<b>132,591,649</b>	<b>80,439,221</b>
<b>Total liabilities and equity</b>	<b>\$ 241,530,055</b>	<b>\$ 149,056,249</b>

See notes to the condensed consolidated financial statements.

**HINES GLOBAL REIT II, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)**  
**For the Three and Six Months Ended June 30, 2016 and 2015**  
**(UNAUDITED)**

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>Revenues:</b>				
Rental revenue	\$ 3,712,343	\$ 2,654,563	\$ 7,039,432	\$ 3,888,368
Other revenue	152,715	40,827	244,341	52,349
Total revenues	3,865,058	2,695,390	7,283,773	3,940,717
<b>Expenses:</b>				
Property operating expenses	758,212	542,171	1,320,503	807,621
Real property taxes	148,563	74,480	274,265	148,961
Property management fees	66,861	36,481	120,949	55,921
Depreciation and amortization	2,360,226	1,211,059	4,310,794	1,837,837
Acquisition related expenses	357,087	105,527	439,944	2,667,536
Asset management and acquisition fees	—	251,841	1,336,257	2,579,556
General and administrative expenses	465,471	332,237	973,224	741,693
Total expenses	4,156,420	2,553,796	8,775,936	8,839,125
<b>Income (loss) before other income (expenses)</b>	<b>(291,362)</b>	<b>141,594</b>	<b>(1,492,163)</b>	<b>(4,898,408)</b>
<b>Other income (expenses):</b>				
Gain (loss) on derivative instruments	(1,320)	12,170	(4,261)	(14,511)
Foreign currency gains (losses)	(89,450)	—	49,026	(234)
Interest expense	(428,497)	(445,031)	(785,675)	(746,568)
Interest income	30,240	157	40,819	2,048
<b>Net income (loss)</b>	<b>(780,389)</b>	<b>(291,110)</b>	<b>(2,192,254)</b>	<b>(5,657,673)</b>
Net (income) loss attributable to noncontrolling interests	(3,051)	(3,026)	(6,078)	(6,020)
<b>Net income (loss) attributable to common stockholders</b>	<b>\$ (783,440)</b>	<b>\$ (294,136)</b>	<b>\$ (2,198,332)</b>	<b>\$ (5,663,693)</b>
<b>Basic and diluted income (loss) per common share</b>	<b>\$ (0.05)</b>	<b>\$ (0.07)</b>	<b>\$ (0.15)</b>	<b>\$ (2.18)</b>
Weighted average number of common shares outstanding	16,014,138	4,051,587	14,276,944	2,592,589
Cash distributions declared per Class A share	\$ 0.14	\$ 0.14	\$ 0.29	\$ 0.29
Cash distributions declared per Class T share	\$ 0.12	\$ —	\$ 0.24	\$ —
<b>Comprehensive income (loss):</b>				
Net income (loss)	\$ (780,389)	\$ (291,110)	\$ (2,192,254)	\$ (5,657,673)
<b>Other comprehensive income (loss):</b>				
Foreign currency translation adjustment	(912,211)	918,487	714,903	(679,147)
<b>Comprehensive income (loss)</b>	<b>\$ (1,692,600)</b>	<b>\$ 627,377</b>	<b>\$ (1,477,351)</b>	<b>\$ (6,336,820)</b>
Comprehensive (income) loss attributable to noncontrolling interests	(3,051)	—	(6,078)	—
<b>Comprehensive income (loss) attributable to common stockholders</b>	<b>\$ (1,695,651)</b>	<b>\$ 627,377</b>	<b>\$ (1,483,429)</b>	<b>\$ (6,336,820)</b>

See notes to the condensed consolidated financial statements.

**HINES GLOBAL REIT II, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF EQUITY**  
**For the Six Months Ended June 30, 2016 and 2015**  
**(UNAUDITED)**

**Hines Global REIT II, Inc. Stockholders**

	Common Shares				Additional Paid-in Capital	Accumulated Distributions in Excess of Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity (Deficit)	Noncontrolling Interests
	Class A		Class T						
	Shares	Amount	Shares	Amount					
Balance as of January 1, 2016	10,274,377	\$ 10,275	787,405	\$ 787	\$ 91,576,720	\$ (9,756,797)	\$ (1,391,764)	\$ 80,439,221	\$ —
Issuance of common shares	3,712,446	3,712	3,044,423	3,045	65,790,960	—	—	65,797,717	—
Distributions declared	—	—	—	—	—	(3,992,996)	—	(3,992,996)	(6,078)
Redemption of common shares	(24,132)	(24)	—	—	(233,740)	—	—	(233,764)	—
Selling commissions, dealer manager fees and distribution and stockholder servicing fees	—	—	—	—	(6,459,670)	—	—	(6,459,670)	—
Issuer costs	—	—	—	—	(1,475,430)	—	—	(1,475,430)	—
Net income (loss)	—	—	—	—	—	(2,198,332)	—	(2,198,332)	6,078
Foreign currency translation adjustment	—	—	—	—	—	—	714,903	714,903	—
Balance as of June 30, 2016	13,962,691	\$ 13,963	3,831,828	\$ 3,832	\$149,198,840	\$ (15,948,125)	\$ (676,861)	\$ 132,591,649	\$ —

**Hines Global REIT II, Inc. Stockholders**

	Common Shares				Additional Paid-in Capital	Accumulated Distributions in Excess of Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity (Deficit)	Noncontrolling Interests
	Class A		Class T						
	Shares	Amount	Shares	Amount					
Balance as of January 1, 2015	420,541	\$ 421	—	\$ —	\$ 42,218	\$ (1,182,941)	\$ —	\$ (1,140,302)	\$ —
Issuance of common shares	4,898,666	4,898	—	—	48,833,704	—	—	48,838,602	—
Distributions declared	—	—	—	—	—	(717,057)	—	(717,057)	(6,020)
Selling commissions and dealer manager fees	—	—	—	—	(4,765,876)	—	—	(4,765,876)	—
Issuer costs	—	—	—	—	(2,213,213)	—	—	(2,213,213)	—
Net income (loss)	—	—	—	—	—	(5,663,693)	—	(5,663,693)	6,020
Foreign currency translation adjustment	—	—	—	—	—	—	(679,147)	(679,147)	—
Balance as of June 30, 2015	5,319,207	\$ 5,319	—	\$ —	\$ 41,896,833	\$ (7,563,691)	\$ (679,147)	\$ 33,659,314	\$ —

See notes to the condensed consolidated financial statements.

**HINES GLOBAL REIT II, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the Six Months Ended June 30, 2016 and 2015**  
**(UNAUDITED)**

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income (loss)	\$ (2,192,254)	\$ (5,657,673)
Adjustments to reconcile net income (loss) to net cash from operating activities:		
Depreciation and amortization	4,204,435	1,743,525
Foreign currency (gains) losses	(49,026)	234
(Gain) loss on derivative instruments	4,261	14,511
Changes in assets and liabilities:		
Change in other assets	134,065	28,118
Change in tenant and other receivables	(143,247)	(2,036,576)
Change in accounts payable and accrued expenses	296,249	896,744
Change in other liabilities	1,025	1,346,621
Change in due to affiliates	41,625	(254,916)
Net cash from operating activities	2,297,133	(3,919,412)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investments in acquired properties and lease intangibles	(56,518,873)	(102,689,457)
Capital expenditures at operating property	(53,247)	—
Deposits on investment property	(5,780,000)	—
Change in restricted cash	(24,235)	(87,984)
Net cash from investing activities	(62,376,355)	(102,777,441)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from issuance of common stock	66,022,622	48,421,015
Redemption of common shares	(233,764)	—
Payment of issuer costs	(2,837,067)	(2,580,038)
Reimbursement of issuer costs	4,049,963	—
Payment of selling commissions, dealer manager fees and distribution and stockholder servicing fees	(4,944,350)	(4,766,817)
Distributions paid to stockholders and noncontrolling interests	(1,826,202)	(279,449)
Proceeds from notes payable	34,300,000	61,768,800
Proceeds from related party note payable	3,000,000	50,300,000
Payments on related party note payable	(3,000,000)	(43,782,286)
Change in security deposit liability	19,683	(247)
Deferred financing costs paid	(252,864)	(625,876)
Payments related to interest rate contracts	—	(47,876)
Net cash from financing activities	94,298,021	108,407,226
<b>Effect of exchange rate changes on cash</b>	40,949	(81,886)
<b>Net change in cash and cash equivalents</b>	34,259,748	1,628,487
<b>Cash and cash equivalents, beginning of period</b>	17,224,448	2,726,742
<b>Cash and cash equivalents, end of period</b>	\$ 51,484,196	\$ 4,355,229
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash paid for interest	\$ 647,571	\$ 445,077
<b>Supplemental Schedule of Non-Cash Investing and Financing Activities</b>		
Distributions declared and unpaid	\$ 796,680	\$ 231,649
Distributions reinvested	\$ 1,856,109	\$ 230,350
Offering proceeds due from transfer agent	\$ 868,560	\$ 249,438
Non-cash net liabilities acquired	\$ 100,238	\$ 470,144
Offering costs payable to the Advisor	\$ 1,339,612	\$ 1,848,513
Distribution and stockholder servicing fees payable to the Dealer Manager	\$ 1,825,776	\$ —
Equipment acquired under capital lease	\$ 214,748	\$ —

See notes to the condensed consolidated financial statements.

**HINES GLOBAL REIT II, INC.**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Three and Six Months Ended June 30, 2016 and 2015**

**1. ORGANIZATION**

*The accompanying interim unaudited condensed consolidated financial information has been prepared according to the rules and regulations of the United States Securities and Exchange Commission (“SEC”). In the opinion of management, all adjustments and eliminations, consisting only of normal recurring adjustments, necessary to present fairly and in conformity with accounting principles generally accepted in the United States of America (“GAAP”) the financial position of Hines Global REIT II, Inc. as of June 30, 2016 and December 31, 2015, the results of operations for the three and six months ended June 30, 2016 and 2015 and cash flows for the six months ended June 30, 2016 and 2015 have been included. The results of operations for such interim periods are not necessarily indicative of the results for the full year. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted according to such rules and regulations. For further information, refer to the financial statements and footnotes for the year ended December 31, 2015 included in Hines Global REIT II, Inc.’s Annual Report on Form 10-K for the year ended December 31, 2015.*

Hines Global REIT II, Inc. (the “Company”), was formed as a Maryland corporation on July 31, 2013 for the purpose of engaging in the business of investing in and owning commercial real estate properties and other real estate investments. The Company intends to conduct substantially all of its operations through Hines Global REIT II Properties, LP (the “Operating Partnership”). Beginning with its taxable year ended December 31, 2015, the Company has operated and intends to continue to operate in a manner to qualify as a real estate investment trust (“REIT”) for federal income tax purposes. The business of the Company is managed by Hines Global REIT II Advisors LP (the “Advisor”), an affiliate of Hines Interests Limited Partnership (“Hines”), pursuant to the Advisory Agreement between the Company, the Advisor and the Operating Partnership (defined below).

On August 20, 2014, the Company commenced an offering of up to \$2.5 billion of its common stock (the “Offering”) in any combination of Class A shares (“Class A Shares”) and Class T shares (“Class T Shares”) of the Company’s common stock. The Company engaged Hines Securities, Inc. (the “Dealer Manager”), an affiliate of the Advisor, to serve as the dealer manager for the Offering and market its shares. As of August 9, 2016, the Company had received gross offering proceeds of \$190.3 million from the sale of 19.4 million shares.

The Company intends to invest the net proceeds from the Offering in a diversified portfolio of quality commercial real estate properties and other real estate investments throughout the United States and internationally. As of June 30, 2016, the Company owned direct investments in three properties. These properties consist of 2819 Loker Avenue East, an industrial building located in Carlsbad, California, Bishop’s Square, a Class A office building located in Dublin, Ireland, and the Domain Apartments, a multi-family community, located near Las Vegas in Henderson, Nevada. See [Note 11](#) — Subsequent Events for additional information regarding the Company’s acquisition of Cottonwood Corporate Center in July 2016.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Basis of Presentation*

The condensed consolidated financial statements of the Company included in this Quarterly Report on Form 10-Q include the accounts of Hines Global REIT II, Inc. and the Operating Partnership (over which the Company exercises financial and operating control). All intercompany balances and transactions have been eliminated in consolidation. As a result of the adoption of ASU 2015-02, the Company has determined that the Operating Partnership is considered a variable interest entity (“VIE”). However, the Company meets the disclosure exemption criteria, as the Company is the primary beneficiary of the VIE and the Company’s partnership interest is considered a majority voting interest. Additionally, the Company has retroactively changed, for the six months ended June 30, 2015, its classification of distributions in its consolidated balance sheet and statement of equity by reflecting such distributions as charges against “accumulated distributions in excess of earnings” to be consistent with the 2016 presentation. This presentation change had no impact on the balances in total equity in any of the periods presented.

### *Tenant and Other Receivables*

As of June 30, 2016 and December 31, 2015, in addition to the straight-line rent receivable discussed below, tenant and other receivables also consisted of a receivable from the Company's transfer agent related to offering proceeds not yet received of \$868,560 and \$2.9 million, respectively.

### *Deferred Financing Costs*

Deferred financing costs consist of direct costs incurred in obtaining debt financing. These costs are presented as a direct reduction from the related debt liability for permanent mortgages and presented as an asset for revolving credit arrangements. In total, deferred financing costs had a carrying value of \$711,817 and \$525,250 as of June 30, 2016 and December 31, 2015, respectively. These costs are amortized into interest expense on a straight-line basis, which approximates the effective interest method, over the terms of the obligations. For the three months ended June 30, 2016 and 2015, the Company had \$40,361 and \$26,798, respectively, of deferred financing costs amortized into interest expense in the accompanying condensed consolidated statement of operations. For the six months ended June 30, 2016 and 2015, the Company had \$75,731 and \$36,916, respectively, of deferred financing costs amortized into interest expense in the accompanying condensed consolidated statement of operations.

### *Other Assets*

Other assets included the following:

	June 30, 2016	December 31, 2015
Deposits on investment property <sup>(1)(2)</sup>	\$ 5,780,000	\$ 1,500,000
Prepaid insurance	96,988	202,859
Other	30,829	10,470
Other assets	<u>\$ 5,907,817</u>	<u>\$ 1,713,329</u>

- (1) As of June 30, 2016, this amount consisted of \$4.8 million in earnest money deposits in connection with the acquisition of Cottonwood Corporate Center, which the Company acquired in July 2016, and a \$1.0 million earnest money deposit in connection with the potential acquisition of Goodyear Crossing II. See [Note 11](#) — Subsequent Events for additional information regarding Cottonwood Corporate Center and [Note 3](#) — Investment Property for additional information regarding Goodyear Crossing II.
- (2) As of December 31, 2015, this amount consisted of a deposit that had been paid related to the acquisition of the Domain Apartments, which was completed in January 2016.

### *Revenue Recognition*

The Company recognizes rental revenue on a straight-line basis over the life of the lease including rent holidays, if any. Straight-line rent receivables were \$968,930 and \$627,875 as of June 30, 2016 and December 31, 2015, respectively. Straight-line rent receivables consist of the difference between the tenants' rents calculated on a straight-line basis from the date of acquisition or lease commencement over the remaining terms of the related leases and the tenants' actual rents due under the lease agreements and is included in tenant and other receivables in the accompanying condensed consolidated balance sheets. Revenues associated with operating expense recoveries are recognized in the period in which the expenses are incurred based upon the tenant lease provisions. Revenues relating to lease termination fees are recognized on a straight-line basis amortized from the time that a tenant's right to occupy the leased space is modified through the end of the revised lease term.

### *Issuer Costs*

Subject to the limitations described below, the Company reimburses the Advisor and its affiliates for any issuer costs related to the Offering that it pays on the Company's behalf. Such costs consist of, among other costs, expenses of the Company's organization, actual legal, accounting, bona fide out-of-pocket itemized and detailed due diligence costs, printing, filing fees, transfer agent costs, postage, escrow fees, data processing fees, advertising and sales literature and other offering-related costs. Organizational issuer costs, such as expenses associated with the formation of the Company and its board of directors, are expensed as incurred, and offering-related issuer costs are recorded as an offset to additional paid-in capital. From inception to June 30, 2016, issuer costs incurred by the Advisor on the Company's behalf totaled \$9.4 million, of which \$45,914 related to organizational issuer costs.



The Advisory Agreement was amended, effective February 29, 2016, to reflect that the Company will not reimburse the Advisor for the cumulative issuer costs incurred in connection with the Company's organization and public offerings, in excess of 2.5% of gross offering proceeds from the Company's public offerings. On April 14, 2016, the Advisor reimbursed the Company for \$4.0 million in issuer costs that the Company had previously reimbursed to the Advisor in excess of this new 2.5% cap. Despite the new 2.5% cap, the Company expects cumulative issuer costs to be less than 2.5% of gross offering proceeds at the conclusion of its public offerings. As the Company raises additional offering proceeds, the Company expects to reimburse the Advisor for the \$4.0 million that the Advisor repaid to the Company in April 2016. As a result, the Company has recorded a liability equal to all unreimbursed issuer costs that have been incurred to date to reflect its expectation that all of these amounts will be reimbursed to the Advisor.

#### *Distribution and Stockholder Servicing Fee*

Per the terms of the Company's Third Amended and Restated Dealer Manager Agreement, the Company will pay a distribution and stockholder servicing fee of 1.0% per annum of the gross offering price per share (or, if the Company is no longer offering primary shares, the then-current estimated net asset value per share, if any has been disclosed) for Class T Shares sold in the Offering. The Company will cease paying the distribution and stockholder servicing fee with respect to any particular Class T Share and that Class T Share will convert into a number of Class A Shares on the earlier of: (i) a listing of the Class A Shares on a national securities exchange; (ii) a merger or consolidation of the Company with or into another entity, or the sale or other disposition of all or substantially all of the Company's assets; (iii) the end of the month in which the Dealer Manager determines that total underwriting compensation paid in the Offering including the distribution and stockholder servicing fee paid on all Class T Shares sold in the Offering is equal to 10.0% of the gross proceeds of the Offering from the sale of both Class A Shares and Class T Shares; (iv) the end of the month in which the transfer agent, on behalf of the Company, determines that underwriting compensation paid in the primary offering including the distribution and stockholder servicing fee paid with respect to the Class T Shares held by a stockholder within his or her particular account equals 10.0% of the gross offering price at the time of investment of the Class T Shares held in such account; and (v) on any Class T Share that is redeemed or repurchased. Although the Company cannot predict the length of time over which this fee will be paid due to potential changes in the offering price or estimated net asset value of the Company's Class T Shares, this fee would be paid over approximately 5.25 years from the date of purchase, assuming a constant per share offering price or estimated net asset value, as applicable.

The Company records distribution and stockholder servicing fees as a reduction to additional paid-in capital and the related liability in an amount equal to the maximum fees payable in relation to the Class T Shares on the date the shares are issued. The liability will be relieved over time, as the fees are paid to the Dealer Manager, or it will be adjusted if the fees are no longer payable pursuant to the conditions described above. As of June 30, 2016, the Company has recorded a \$1.8 million liability related to these fees, which is included in due to affiliates on the condensed consolidated financial statements. See [Note 7](#) — Related Party Transactions for additional information regarding this fee.

#### *Recent Accounting Pronouncements*

In September 2015, the FASB issued new guidance that eliminates the requirement that an acquirer in a business combination account for measurement-period adjustments retrospectively. Instead, an acquirer will recognize a measurement-period adjustment during the period in which it determines the amount of the adjustment. This new guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2015 and early adoption is permitted. The adoption of this guidance did not have a material impact on the Company's financial statements.

### 3. INVESTMENT PROPERTY

Investment property consisted of the following amounts as of June 30, 2016 and December 31, 2015:

	June 30, 2016	December 31, 2015
Buildings and improvements <sup>(1)</sup>	\$ 118,717,488	\$ 66,683,711
Less: accumulated depreciation	(3,090,652)	(1,457,639)
Buildings and improvements, net	115,626,836	65,226,072
Land	12,890,000	7,200,000
Investment property, net	<u>\$ 128,516,836</u>	<u>\$ 72,426,072</u>

- (1) Included in buildings and improvements is approximately \$183,685 and \$175,747 of construction-in-progress related to a planned expansion at Bishop's Square as of June 30, 2016 and December 31, 2015, respectively.

In January 2016, the Company acquired the Domain Apartments, a multi-family community located near Las Vegas in Henderson, Nevada. The net purchase price was \$58.1 million, exclusive of transaction costs and working capital reserves. The Domain Apartments community was constructed in January 2014, and consists of 308 units that were 98% leased as of June 30, 2016. See [Note 4](#) — Recent Acquisitions of Real Estate for additional information on the Domain Apartments.

In June 2016, the Company entered into a contract to acquire Goodyear Crossing II, a Class-A industrial warehouse located in Goodyear, Arizona, a submarket of Phoenix, Arizona. The contract purchase price is \$56.2 million, exclusive of transaction costs and working capital reserves. Goodyear Crossing II was constructed during the period between 2008 and 2009 and consists of 820,384 square feet of net rentable area that is 100% leased to Amazon.com. The Company funded a \$1.0 million earnest money deposit on June 27, 2016, which may not be refunded if the Company does not close on this acquisition. The Company expects the closing of this acquisition to occur in August 2016, subject to a number of closing conditions.

See [Note 11](#) — Subsequent Events for additional information regarding the acquisition of Cottonwood Corporate Center in July 2016.

As of June 30, 2016, the cost basis and accumulated amortization related to lease intangibles are as follows:

	Lease Intangibles		
	In-Place Leases	Out-of-Market Lease Assets	Out-of-Market Lease Liabilities
Cost	\$ 57,004,025	\$ 421,952	\$ (2,866,118)
Less: accumulated amortization	(5,384,174)	(74,399)	562,876
Net	<u>\$ 51,619,851</u>	<u>\$ 347,553</u>	<u>\$ (2,303,242)</u>

As of December 31, 2015, the cost basis and accumulated amortization related to lease intangibles were as follows:

	Lease Intangibles		
	In-Place Leases	Out-of-Market Lease Assets	Out-of-Market Lease Liabilities
Cost	\$ 54,447,775	\$ 414,428	\$ (2,815,011)
Less: accumulated amortization	(2,664,151)	(45,575)	344,905
Net	<u>\$ 51,783,624</u>	<u>\$ 368,853</u>	<u>\$ (2,470,106)</u>

Amortization expense of in-place leases was \$1.5 million and \$792,768 for the three months ended June 30, 2016 and 2015, respectively. Net amortization of out-of-market leases resulted in an increase to rental revenue of \$93,412 and \$96,260 for the three months ended June 30, 2016 and 2015, respectively.

Amortization expense of in-place leases was \$2.7 million and \$1.2 million for the six months ended June 30, 2016 and 2015, respectively. Net amortization of out-of-market leases resulted in an increase to rental revenue of \$184,648 and \$129,578 for the six months ended June 30, 2016 and 2015, respectively.

Anticipated amortization of the Company's in-place leases and out-of-market leases, net for the period from July 1, 2016 through December 31, 2016 and for each of the years ending December 31, 2017 through December 31, 2020 are as follows:

	<b>In-Place Lease</b>	<b>Out-of-Market Leases, Net</b>
July 1, 2016 through December 31, 2016	\$ 1,494,934	\$ (162,163)
2017	2,759,497	(267,210)
2018	2,364,467	(168,931)
2019	2,005,504	(168,931)
2020	1,503,616	(168,931)

### *Leases*

The Company has entered into non-cancelable lease agreements with tenants for space. As of June 30, 2016, the approximate fixed future minimum rentals for the period from July 1, 2016 through December 31, 2016, for each of the years ending December 31, 2017 through 2020 and thereafter are as follows:

	<b>Fixed Future Minimum Rentals</b>
July 1, 2016 through December 31, 2016	\$ 4,102,374
2017	8,470,398
2018	8,171,209
2019	7,438,462
2020	6,293,417
Thereafter	38,411,004
<b>Total</b>	<b>\$ 72,886,864</b>

Of the Company's total rental revenue for the six months ended June 30, 2016, approximately 34% was earned from the Commissioner of Public Works in Ireland, a state agency of Ireland, whose lease expires in 2028, 17% was earned from Acushnet, a tenant in the manufacturing industry, whose lease expires in 2019, and approximately 12% was earned from International Financial Data Services, an investor record-keeping and transfer agency provider, whose lease expires in 2024.

### Capital Lease Obligations

In May 2016, the Company entered into a lease agreement for equipment at Bishop's Square which is being treated as a capital lease that expires in May 2017. This leased asset with a value of approximately \$220,000 has been recorded in buildings and improvements in the Company's condensed consolidated balance sheet as of June 30, 2016. The following schedule provides the future minimum lease payments together with the present value of the net minimum lease payments under the Company's capital lease obligation for the period from July 1, 2016 through December 31, 2016 and for the year ending December 31, 2017:

July 1, 2016 through December 31, 2016	\$	61,295
2017		146,350
<b>Total</b>	<b>\$</b>	<b>207,645</b>
Less: amount representing interest (1)	\$	(1,797)
<b>Present value of net minimum lease payments (2)</b>	<b>\$</b>	<b>205,848</b>

(1) Amount necessary to reduce net minimum lease payments to present value calculated at the incremental borrowing rate at lease inception.

(2) Included in the condensed consolidated balance sheet under the caption, other liabilities, as of June 30, 2016.

### 4. RECENT ACQUISITIONS OF REAL ESTATE

The amounts recognized for major assets acquired as of the acquisition date were determined by allocating the purchase price of each property acquired in 2016 and 2015 as follows:

Property Name	Acquisition Date	Building and Improvements <sup>(1)</sup>	Land <sup>(1)</sup>	In-place Lease Intangibles <sup>(1)</sup>	Out-of-Market Lease Intangibles, Net <sup>(1)</sup>	Total <sup>(1)</sup>
<b>2016</b>						
Domain Apartments	1/29/2016	\$ 50,789,500	\$ 5,690,000	\$ 1,640,000	\$ —	\$ 58,119,500
<b>2015</b>						
Bishop's Square	3/3/2015	\$ 53,643,075	\$ — <sup>(2)</sup>	\$ 51,994,603	\$ (2,478,077)	\$ 103,159,601

(1) For Bishop's Square, which was denominated in Euros, amounts have been translated at an exchange rate based on the rate in effect on the acquisition date.

(2) The land at Bishop's Square is subject to a 999-year ground lease with the local municipality in Ireland. Since the Company does not have title to the land, approximately \$33.4 million has been recorded to in-place lease intangibles and will be amortized over the remaining term of the ground lease.

The purchase price allocation for the acquisition of the Domain Apartments is preliminary and subject to change until the Company finalizes the allocation, which will be no later than twelve months from the acquisition date.

The weighted average amortization period for the intangible assets and liabilities acquired in connection with the 2016 and 2015 acquisitions, as of the date of the respective acquisition, was as follows (in years):

	In-Place Leases	Above-Market Lease Assets	Below-Market Lease Liabilities
<b>2016 Acquisition:</b>			
Domain Apartments	0.6	—	—
<b>2015 Acquisition:</b>			
Bishop's Square <sup>(1)</sup>	10.7	7.5	8.3

(1) Excludes the effect of the ground lease, which significantly increases the weighted average useful life for these intangibles.

The table below includes the amounts of revenue and net income (loss) of the acquisition completed during the six months ended June 30, 2016, which are included in the Company's condensed consolidated statements of operations and comprehensive income (loss) for the three and six months ended June 30, 2016:

<b>2016 Acquisitions</b>		<b>For the Three Months Ended June 30, 2016</b>		<b>For the Six Months Ended June 30, 2016</b>	
Domain Apartments	Revenue	\$	1,160,027	\$	1,934,432
	Net income (loss)	\$	(658,281)	\$	(1,332,571)

The following unaudited consolidated information is presented to give effect to the Company's 2016 acquisition as if the acquisition had occurred on January 1, 2015. The pro forma net income (loss) was adjusted to exclude acquisition-related fees and expenses of \$357,087 and \$1.7 million for the three and six months ended June 30, 2016, respectively. For the six months ended June 30, 2015, the pro forma net loss was adjusted to include acquisition fees and expenses of \$1.9 million, relating to the 2016 acquisition, as if these fees and expenses had been incurred as of January 1, 2015. There were \$105,527 of acquisition fees and expenses excluded for the three months ended June 30, 2015.

The information below is not necessarily indicative of what the actual results of operations would have been had the Company completed this acquisition on January 1, 2015, nor does it purport to represent the Company's future operations:

	<b>For the Three Months Ended June 30,</b>		<b>For the Six Months Ended June 30,</b>	
	<b>Pro Forma 2016</b>	<b>Pro Forma 2015</b>	<b>Pro Forma 2016</b>	<b>Pro Forma 2015</b>
Revenues	\$ 3,865,058	\$ 3,838,463	\$ 7,635,488	\$ 6,226,864
Net income (loss) attributable to stockholders	\$ (426,353)	\$ (965,534)	\$ (639,102)	\$ (8,752,056)

The table below includes the amounts of revenue and net income (loss) of the acquisition completed during the six months ended June 30, 2015, which are included in the Company's condensed consolidated statements of operations and comprehensive income (loss) for the three and six months ended June 30, 2015:

<b>2015 Acquisitions</b>		<b>For the Three Months Ended June 30, 2015</b>		<b>For the Six Months Ended June 30, 2015</b>	
Bishop's Square	Revenue	\$	2,094,817	\$	2,744,411
	Net income (loss)	\$	307,973	\$	(2,518,060)

The following unaudited consolidated information is presented to give effect to the Company's 2015 acquisition as if the acquisition had occurred on January 1, 2014. The pro forma net income (loss) was adjusted to exclude acquisition-related fees and expenses of \$105,527 and \$5.0 million for the three and six months ended June 30, 2015, respectively. For the three and six months ended June 30, 2014, the pro forma net income (loss) was adjusted to include acquisition fees and expenses of zero and \$4.9 million, respectively, relating to the 2015 acquisition, as if these fees and expenses had been incurred as of January 1, 2014.

The information below is not necessarily indicative of what the actual results of operations would have been had the Company completed this acquisition on January 1, 2014, nor does it purport to represent the Company's future operations:

	<b>For the Three Months Ended June 30,</b>		<b>For the Six Months Ended June 30,</b>	
	<b>Pro Forma 2015</b>	<b>Pro Forma 2014</b>	<b>Pro Forma 2015</b>	<b>Pro Forma 2014</b>
Revenues	\$ 2,695,390	\$ 2,081,178	\$ 5,335,793	\$ 4,139,487
Net income (loss) attributable to stockholders	\$ (185,583)	\$ 195,076	\$ (2,263,417)	\$ (4,541,049)

## 5. DEBT FINANCING

As of June 30, 2016 and December 31, 2015, the Company had approximately \$95.6 million and \$60.2 million of debt outstanding with a weighted average interest rate of 1.57% and 1.30%, respectively. The following table provides additional information regarding the Company's debt outstanding at June 30, 2016 and December 31, 2015:

Description	Origination or Assumption Date	Maturity Date	Maximum Capacity in Functional Currency	Interest Rate Description	Interest Rate as of June 30, 2016	Principal Outstanding at June 30, 2016	Principal Outstanding at December 31, 2015
<b>Secured Mortgage Debt</b>							
Bishop's Square	3/3/2015	3/2/2022	€ 55,200,000	Euribor + 1.30% <sup>(1)</sup>	1.30%	\$ 61,294,080	\$ 60,201,120
Domain Apartments	1/29/2016	1/29/2020	\$ 34,300,000	Libor + 1.60%	2.07%	34,300,000	—
<b>Notes Payable</b>						<b>\$ 95,594,080</b>	<b>\$ 60,201,120</b>
<b>Affiliate Note Payable</b>							
Credit Facility with Hines	12/15/2014	12/15/2016 <sup>(2)</sup>	\$ 75,000,000	Variable	N/A	—	—
<b>Total Note Payable to Affiliate</b>						<b>\$ —</b>	<b>\$ —</b>
<b>Total Principal Outstanding</b>						<b>\$ 95,594,080</b>	<b>\$ 60,201,120</b>
Unamortized financing fees						(703,493)	(507,908)
<b>Total</b>						<b>\$ 94,890,587</b>	<b>\$ 59,693,212</b>

- (1) The Company entered into a 2.0% Euribor interest rate cap agreement at the loan origination date as an economic hedge against the variability of future interest rates on this borrowing.
- (2) Each advance under the credit facility with Hines (the "Hines Credit Facility") must be repaid within six months, subject to one six-month extension at the option of the Company and subject to the satisfaction of certain conditions. Notwithstanding that each advance under the Hines Credit Facility matures six months after it is made, the Company is required to repay each advance under the Hines Credit Facility with proceeds from its public offering as such proceeds are raised, unless the Company, through the Operating Partnership, enters into a revolving credit facility (the "OP Facility"), at which point the Company may use such proceeds from its public offering to repay the OP Facility, if any, prior to repaying any advances under its credit facility with Hines. The Hines Credit Facility also permits voluntary prepayment of principal and accrued interest.

### *Domain Apartments Facility*

In connection with the acquisition of the Domain Apartments, the Company entered into a loan agreement with Wells Fargo Bank, National Association for a principal sum of \$34.3 million. Interest accrued on the loan is due and payable on the first business day of each month commencing in February 2016. The loan has a floating interest rate of Libor + 1.60%. Repayment of principal is due upon the maturity of the loan on January 29, 2020. The Company has the option to extend the term for an additional one-year period, subject to the satisfaction of certain conditions. The loan may be prepaid at any time on or after July 29, 2017, subject to certain conditions, including but not limited to, providing 30 days' advance notice to Wells Fargo.

### *Hines Credit Facility*

For the period from January 2016 through June 2016, the Company made draws of \$3.0 million and payments of \$3.0 million under the Hines Credit Facility. Additionally, from July 1, 2016 through August 12, 2016, the Company made draws and repayments of \$8.0 million under the Hines Credit Facility, which resulted in the Company continuing to have no outstanding balance under the Hines Credit Facility as of August 12, 2016.

### *Financial Covenants*

The Company's loan documents for the debt described in the table above contain customary events of default, with corresponding grace periods, including payment defaults, bankruptcy-related defaults, and customary covenants, including limitations on liens and indebtedness and maintenance of certain financial ratios. The Company is not aware of any instances of noncompliance with financial covenants as of June 30, 2016.

### *Principal Payments on Debt*

The Company is required to make the following principal payments on its outstanding notes payable for the period from July 1, 2016 through December 31, 2016, for each of the years ending December 31, 2017 through December 31, 2020 and for the period thereafter.

	Payments Due by Year					
	July 1, 2016 through December 31, 2016	2017	2018	2019	2020	Thereafter
Principal payments	\$ —	\$ —	\$ —	\$ —	\$ 34,300,000	\$ 61,294,080

## 6. DISTRIBUTIONS

With the authorization of its board of directors, the Company declared distributions with respect to Class A Shares of the Company's common stock for the period from October 1, 2014 through August 31, 2016. For the period from October 1, 2014 through April 30, 2016, distributions for Class A Shares were calculated based on stockholders of record each day in an amount equal to \$0.001575342 per share, per day. The distribution rate per share, per day was increased effective May 1, 2016. As a result, with respect to the period from May 1, 2016 through August 31, 2016, distributions for Class A Shares were or will be calculated based on stockholders of record each day in an amount equal to \$0.001594766 per share, per day. Also, with the authorization of the board of directors, the Company declared distributions with respect to Class T Shares of the Company's common stock for the period from August 24, 2015 through August 31, 2016. For the period from August 24, 2015 through April 30, 2016, distributions for Class T Shares were calculated based on stockholders of record each day in an amount equal to \$0.001575342 per share, per day less the distribution and stockholder servicing fees that were payable with respect to such Class T Shares (as calculated on a daily basis). The distribution rate per share, per day was increased effective May 1, 2016. As a result, with respect to the period from May 1, 2016 through August 31, 2016, distributions for Class T Shares were or will be calculated based on stockholders of record each day in an amount equal to \$0.001594766 per share, per day less the distribution and stockholder servicing fees that are payable with respect to such Class T Shares (as calculated on a daily basis).

All distributions were or will be paid in cash or reinvested in shares of the Company's common stock for those participating in the Company's distribution reinvestment plan and have been or will be paid or issued, respectively, on the first business day following the completion of the month to which they relate. Distributions reinvested pursuant to the distribution reinvestment plan were or will be reinvested in shares of the same class as the shares on which the distributions are being made. Some or all of the cash distributions may be paid from sources other than cash flows from operations.

The following table outlines the Company's total distributions declared to stockholders and noncontrolling interests (HALP II) for each of the quarters ended during 2016 and 2015, including the breakout between the distributions declared in cash and those reinvested pursuant to the Company's distribution reinvestment plan.

Distributions for the Three Months Ended	Stockholders			Noncontrolling Interests
	Cash Distributions	Distributions Reinvested	Total Declared	Total Declared
<b>2016</b>				
June 30, 2016	\$ 1,106,860	\$ 1,128,377	\$ 2,235,237	\$ 3,052
March 31, 2016	871,004	886,755	1,757,759	3,026
Total	<u>\$ 1,977,864</u>	<u>\$ 2,015,132</u>	<u>\$ 3,992,996</u>	<u>\$ 6,078</u>
<b>2015</b>				
December 31, 2015	\$ 603,936	\$ 655,664	\$ 1,259,600	\$ 3,059
September 30, 2015	457,698	489,796	947,494	3,060
June 30, 2015	279,432	287,799	567,231	3,027
March 31, 2015	91,135	58,691	149,826	2,993
Total	<u>\$ 1,432,201</u>	<u>\$ 1,491,950</u>	<u>\$ 2,924,151</u>	<u>\$ 12,139</u>



## 7. RELATED PARTY TRANSACTIONS

The table below outlines fees and expense reimbursements incurred that are payable by the Company to Hines and its affiliates for the periods indicated below:

Type and Recipient	Incurred				Unpaid as of	
	Three Months Ended June 30,		Six Months Ended June 30,		June 30, 2016	December 31, 2015
	2016	2015	2016	2015		
Selling Commissions- Dealer Manager	\$ 1,427,053	\$ 1,938,836	\$ 2,761,308	\$ 3,319,480	\$ 57,508	\$ 276,686
Dealer Manager Fee- Dealer Manager	1,022,301	837,296	1,836,765	1,446,395	7,168	98,451
Distribution & Stockholder Servicing Fee- Dealer Manager	1,861,597	—	1,861,597	—	1,825,776	7,246
Issuer Costs- the Advisor <sup>(1)</sup>	874,348	883,010	1,475,430	1,848,513	5,389,575	2,701,249
Acquisition Fee- the Advisor and affiliates of Hines	—	—	1,307,689	2,327,715	—	—
Asset Management Fee- the Advisor and affiliates of Hines <sup>(2)</sup>	—	251,841	—	251,841	—	(119,781)
Other- the Advisor <sup>(3)</sup>	193,942	119,724	363,780	449,150	94,427	180,488
Interest Expense- Hines <sup>(4)</sup>	—	206,321	2,020	431,337	—	—
Property Management Fee- Hines	11,929	11,600	23,859	23,200	—	—
Expense Reimbursement- Hines (with respect to management and operations of the Company's properties)	86,100	85,812	170,982	120,308	58,738	41,871
<b>Total</b>	<b>\$ 5,477,270</b>	<b>\$ 4,334,440</b>	<b>\$ 9,803,430</b>	<b>\$ 10,217,939</b>	<b>\$ 7,433,192</b>	<b>\$ 3,186,210</b>

- (1) See [Note 2](#) — Summary of Significant Accounting Policies – Issuer Costs for additional information on the amendment to the Company's Advisory Agreement regarding the reimbursement of issuer costs to the Advisor.
- (2) The Advisor waived all of the \$376,550 and \$740,423 in asset management fees payable to it during the three and six months ended June 2016, respectively. The Advisor also waived \$129,524 in asset management fees payable to it during the three months ended March 31, 2015. However, since MFFO exceeded distributions declared to the Company's stockholders during the three months ended June 30, 2015, no asset management fees were waived by the Advisor for that period.
- (3) Includes amounts the Advisor paid on behalf of the Company such as general and administrative expenses and acquisition-related expenses. These amounts are generally reimbursed to the Advisor during the month following the period in which they are incurred.
- (4) Includes amounts paid related to the Hines Credit Facility.

## 8. FAIR VALUE MEASUREMENTS

Fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities the Company has the ability to access. Fair values determined by Level 2 inputs utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets and inputs other than quoted prices observable for the asset or liability, such as interest rates and yield curves observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. In instances in which the inputs used to measure fair value may fall into different levels of the fair value hierarchy, the level in the fair value hierarchy within which the fair value measurement in its entirety has been determined is based on the lowest level input significant to the fair value measurement in its entirety. The Company's 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.



As of June 30, 2016, the Company estimated that the fair value of its notes payable, excluding deferred financing costs, which had a book value of \$94.9 million, was \$95.3 million. As of December 31, 2015, the Company estimated that the book value of its note payable, excluding deferred financing costs, approximates its fair value since its variable interest rate approximated the then current lending rate for loans with similar maturities and credit quality. Management has utilized available market information such as interest rate and spread assumptions of notes payable with similar terms and remaining maturities, to estimate the amounts required to be disclosed. Although the Company has determined that the majority of the inputs used to value its notes payable fall within Level 2 of the fair value hierarchy, the credit quality adjustments associated with its fair value of notes payable utilize Level 3 inputs. However, the Company has assessed the significance of the impact of the credit quality adjustments on the overall valuations of the fair market value of its notes payable and has determined they are not significant. Other financial instruments not measured at fair value on a recurring basis include cash and cash equivalents, restricted cash, tenant and other receivables, accounts payable and accrued expenses, other liabilities, due to affiliates and distributions payable. The carrying value of these items reasonably approximates their fair value based on their highly-liquid nature and/or short-term maturities. Due to the short-term nature of these instruments, Level 1 inputs are utilized to estimate the fair value of the cash and cash equivalents and restricted cash and Level 2 inputs are utilized to estimate the fair value of the remaining financial instruments.

## 9. REPORTABLE SEGMENTS

As described previously, the Company intends to invest the net proceeds from the Offering in a diversified portfolio of quality commercial real estate properties and other real estate investments throughout the United States and internationally. The Company's current business consists of owning, operating, acquiring, developing, investing in, and disposing of real estate assets. All of the Company's consolidated revenues and property operating expenses as of June 30, 2016 are from the Company's three consolidated real estate properties owned as of that date. As a result, the Company's operating segments have been classified into one of three reportable segments: domestic multi-family investments, domestic other investments, and international office investments.

The tables below provide additional information related to each of the Company's segments and a reconciliation to the Company's net loss, as applicable. "Corporate-Level Accounts" includes amounts incurred by the corporate-level entities which are not allocated to any of the reportable segments.

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>Total Revenue</b>				
Domestic multi-family investments	\$ 1,160,027	\$ —	\$ 1,934,432	\$ —
Domestic other investments	600,662	600,573	1,208,329	1,196,306
International office investments	2,104,369	2,094,817	4,141,012	2,744,411
<b>Total Revenue</b>	<b>\$ 3,865,058</b>	<b>\$ 2,695,390</b>	<b>\$ 7,283,773</b>	<b>\$ 3,940,717</b>

For the three and six months ended June 30, 2016 and 2015, the Company's total revenue was attributable to the following countries:

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>Total Revenue</b>				
United States	46%	22%	43%	30%
Ireland	54%	78%	57%	70%

For the three and six months ended June 30, 2016 and 2015, the Company's property revenues in excess of expenses by segment were as follows:

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>Property revenues in excess of expenses <sup>(1)</sup></b>				
Domestic multi-family investments	\$ 697,622	\$ —	\$ 1,226,415	\$ —
Domestic other investments	460,033	449,628	908,390	849,746
International office investments	1,733,767	1,592,630	3,433,251	2,078,468
<b>Property revenues in excess of expenses</b>	<b>\$ 2,891,422</b>	<b>\$ 2,042,258</b>	<b>\$ 5,568,056</b>	<b>\$ 2,928,214</b>

(1) Revenues less property operating expenses, real property taxes and property management fees.

As of June 30, 2016 and December 31, 2015, the Company's total assets by segment were as follows:

	<b>June 30, 2016</b>	<b>December 31, 2015</b>
<b>Total Assets</b>		
Domestic multi-family investments	\$ 56,549,931	\$ —
Domestic other investments	23,916,392	24,294,382
International office investments	105,590,438	105,076,935
Corporate-level accounts	55,473,294	19,684,932
<b>Total Assets</b>	<b>\$ 241,530,055</b>	<b>\$ 149,056,249</b>

As of June 30, 2016 and December 31, 2015, the Company's total assets were attributable to the following countries:

	<b>June 30, 2016</b>	<b>December 31, 2015</b>
<b>Total Assets</b>		
United States	56%	30%
Ireland	44%	70%

For the three and six months ended June 30, 2016 and 2015 the Company's reconciliation of the Company's property revenues in excess of expenses to the Company's net loss is as follows:

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>Reconciliation to net income (loss)</b>				
Total property revenues in excess of expenses	\$ 2,891,422	\$ 2,042,258	\$ 5,568,056	\$ 2,928,214
Depreciation and amortization	(2,360,226)	(1,211,059)	(4,310,794)	(1,837,837)
Acquisition related expenses	(357,087)	(105,527)	(439,944)	(2,667,536)
Asset management and acquisition fees	—	(251,841)	(1,336,257)	(2,579,556)
General and administrative expenses	(465,471)	(332,237)	(973,224)	(741,693)
Gain (loss) on derivatives	(1,320)	12,170	(4,261)	(14,511)
Foreign currency gains (losses)	(89,450)	—	49,026	(234)
Interest expense	(428,497)	(445,031)	(785,675)	(746,568)
Interest income	30,240	157	40,819	2,048
<b>Net income (loss)</b>	<b>\$ (780,389)</b>	<b>\$ (291,110)</b>	<b>\$ (2,192,254)</b>	<b>\$ (5,657,673)</b>

## 10. COMMITMENTS AND CONTINGENCIES

The Company may be subject to various legal proceedings and claims that arise in the ordinary course of business. These matters are generally covered by insurance. While the resolution of these matters cannot be predicted with certainty, management believes the final outcome of such matters will not have a material adverse effect on the Company's condensed consolidated financial statements.

## 11. SUBSEQUENT EVENTS

### *Cottonwood Corporate Center*

In July 2016, the Company acquired Cottonwood Corporate Center, a four-building, Class-A office project located in Cottonwood, Utah, a submarket of Salt Lake City, Utah. The net purchase price was \$139.2 million, exclusive of transaction costs and working capital reserves. Cottonwood Corporate Center was constructed during the period between in 1997 and 2000 and consists of 490,030 square feet of net rentable area that is 93% leased. The Company has not concluded its accounting for this recent acquisition, but it expects that the purchase price will primarily be allocated to building, land, in-place leases and out-of-market lease intangibles.

The Company entered into a loan agreement with Principal Life Insurance Company ("Principal Life") for a principal sum of \$78.0 million to fund the acquisition of Cottonwood Corporate Center. The loan is secured by a first priority lien on the Company's interest in Cottonwood Corporate Center and assignments of all of its leases and rents and the personal property on the premises of Cottonwood Corporate Center. Principal and interest accrued on the loan are due and payable on the first day of each month commencing in September 2016. The note has a fixed interest rate per annum equal to 2.98% and matures on August 1, 2023. The loan may be prepaid at any time on or after April 1, 2023, subject to certain conditions, including but not limited to providing 30 days' advance written notice to Principal Life and, in the event of prepayment of the loan prior to April 1, 2023, the payment of a prepayment penalty.

### *Amendment to the Dealer Manager Agreement, Update to Primary Share Offering Prices and Dividend Reinvestment Plan Prices*

On July 25, 2016, the Company, the Dealer Manager and the Advisor entered into the Third Amended and Restated Dealer Manager Agreement, effective as of August 2, 2016 (the "Amended Dealer Manager Agreement"). Pursuant to the Amended Dealer Manager Agreement, the Advisor will pay a portion of the dealer manager fees payable to the dealer manager in an amount equal to 1.5% of the gross offering proceeds with respect to Class A Shares and Class T Shares sold in the primary Offering on and after August 2, 2016. The Advisor will not be reimbursed by the Company in any way for the payment of such dealer manager fees.

In conjunction with the entry into the Amended Dealer Manager Agreement, the Company's board of directors determined new primary offering prices of \$9.96 per Class A Share and \$9.411 per Class T Share, effective as of August 2, 2016. These new primary offering prices reflect a reduction equal to the per share amount of dealer manager fees the Company's Advisor has agreed to pay with respect to the Class A Shares and Class T Shares sold in the primary Offering on and after August 2, 2016.

In addition, effective August 5, 2016, the Company's board of directors adopted the fourth amended and restated distribution reinvestment plan (the "Amended DRP") to reflect a new offering price for the Class A Shares to be issued pursuant to the distribution reinvestment plan. The offering price for the Class T Shares to be issued pursuant to the plan did not change. The offering prices under the Amended DRP are \$9.46 per Class A Share and \$9.08 per Class T Share. The new offering price of the Class A Shares under the Amended DRP will first be applied to distributions declared for the month of August 2016, which will be reinvested on September 1, 2016.

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

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and the notes thereto included in Item 1 in this Quarterly Report on Form 10-Q. The following discussion should also be read in conjunction with our audited consolidated financial statements and the notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our Annual Report on Form 10-K for the year ended December 31, 2015.*

### **Cautionary Note Regarding Forward-Looking Statements**

This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 (the "Securities Act"), as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as amended. Such statements include statements concerning future financial performance and distributions, future debt and financing levels, acquisitions and investment objectives, payments to Hines Global REIT II Advisors LP (the "Advisor"), and its affiliates and other plans and objectives of management for future operations or economic performance, or assumptions or forecasts related thereto as well as all other statements that are not historical statements. These statements are only predictions. We caution that forward-looking statements are not guarantees. Actual events or our investments and results of operations could differ materially from those expressed or implied in forward-looking statements. Forward-looking statements are typically identified by the use of terms such as "may," "should," "expect," "could," "intend," "plan," "anticipate," "estimate," "believe," "continue," "predict," "potential" or the negative of such terms and other comparable terminology.

The forward-looking statements included in this Quarterly Report on Form 10-Q are based on our current expectations, plans, estimates, assumptions and beliefs that involve numerous risks and uncertainties. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions, the availability of future financing and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond our control. Any of the assumptions underlying forward-looking statements could prove to be inaccurate. To the extent that our assumptions differ from actual results, our ability to meet such forward-looking statements, including our ability to generate positive cash flow from operations, pay distributions to our shareholders and maintain the value of any real estate investments and real estate-related investments in which we may hold an interest in the future, may be significantly hindered.

The following are some of the risks and uncertainties, which could cause actual results to differ materially from those presented in certain forward-looking statements:

- Our current offering is a best efforts offering and as such, the risk that we will not be able to accomplish our business objectives and that the poor performance of a single investment will materially adversely affect our overall investment performance, will increase if only a small number of shares are purchased in the offering;
- Whether we will have the opportunity to invest offering and distribution reinvestment plan proceeds to acquire properties or other investments or whether such proceeds will be needed to redeem shares or for other purposes, and if proceeds are available for investment, our ability to make such investments in a timely manner and at appropriate amounts that provide acceptable returns;
- Competition for tenants and real estate investment opportunities, including competition with Hines Global REIT, Inc. and other programs sponsored by or affiliated with Hines Interests Limited Partnership ("Hines");
- Our reliance on our Advisor, Hines and affiliates of Hines for our day-to-day operations and the selection of real estate investments, and our Advisor's ability to attract and retain high-quality personnel who can provide service at a level acceptable to us;
- Risks associated with conflicts of interests that result from our relationship with our Advisor and Hines, as well as conflicts of interests certain of our officers and directors face relating to the positions they hold with other entities;
- The potential need to fund tenant improvements, lease-up costs or other capital expenditures, as well as increases in property operating expenses and costs of compliance with environmental matters or discovery of previously undetected environmentally hazardous or other undetected adverse conditions at our properties;
- The availability and timing of distributions we may pay is uncertain and cannot be assured;

- Our distributions have been paid using cash flows from financing activities, including proceeds from our public offering, as well as cash from the waiver of fees by our Advisor, and some or all of the distributions we pay in the future may be paid from similar sources or sources such as cash advances by our Advisor, cash resulting from a waiver or deferral of fees, borrowings and/or proceeds from the offering. When we pay distributions from sources other than our cash flow from operations, we will have less funds available for the acquisition of properties, and your overall return may be reduced;
- Risks associated with debt and our ability to secure financing;
- Risks associated with adverse changes in general economic or local market conditions, including terrorist attacks and other acts of violence, which may affect the markets in which we and our tenants operate;
- Catastrophic events, such as hurricanes, earthquakes, tornadoes and terrorist attacks; and our ability to secure adequate insurance at reasonable and appropriate rates;
- The failure of any bank in which we deposit our funds could reduce the amount of cash we have available to pay distributions and make additional investments;
- Changes in governmental, tax, real estate and zoning laws and regulations and the related costs of compliance and increases in our administrative operating expenses, including expenses associated with operating as a public company;
- International investment risks, including the burden of complying with a wide variety of foreign laws and the uncertainty of such laws, the tax treatment of transaction structures, political and economic instability, foreign currency fluctuations, and inflation and governmental measures to curb inflation may adversely affect our operations and our ability to make distributions;
- The lack of liquidity associated with our assets; and
- Our ability to qualify as a real estate investment trust (“REIT”) for federal income tax purposes.

These risks are more fully discussed in, and all forward-looking statements should be read in light of, all of the risk factors discussed in “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2015.

You are cautioned not to place undue reliance on any forward-looking statements included in this Quarterly Report on Form 10-Q. All forward-looking statements are made as of the date of this Quarterly Report on Form 10-Q and the risk that actual results will differ materially from the expectations expressed in this Quarterly Report on Form 10-Q may increase with the passage of time. In light of the significant uncertainties inherent in the forward-looking statements included in this Quarterly Report on Form 10-Q, the inclusion of such forward-looking statements should not be regarded as a representation by us or any other person that the objectives and plans set forth in this Quarterly Report on Form 10-Q will be achieved. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by reference to these risks and uncertainties. Each forward-looking statement speaks only as of the date of the particular statement, and we do not undertake to update any forward-looking statement.

## **Executive Summary**

Hines Global REIT II, Inc. (“Hines Global II” and, together with its consolidated subsidiaries, “we,” “us” or the “Company”) was formed in July 2013 to invest in a diversified portfolio of quality commercial real estate properties and other real estate investments located throughout the United States and internationally. In August 2014, we commenced an offering of up to \$2.5 billion of our common stock (the “Offering”) in any combination of Class A shares (“Class A Shares”) and Class T shares (“Class T Shares”) of our common stock. We engaged Hines Securities, Inc. (the “Dealer Manager”), an affiliate of our Advisor, to serve as the dealer manager for the Offering and market our shares. As of August 9, 2016, we have received gross offering proceeds of \$190.3 million from the sale of 19.4 million shares.

On April 13, 2016, our board of directors unanimously approved an estimated net asset value, or NAV, per share of our common stock of \$9.03, based on the number of shares issued and outstanding as of February 29, 2016. The estimated NAV per share reflects a 6.1% increase in the aggregate appraised value of our real estate investments when compared to the purchase price of our real estate investments excluding closing costs, transaction fees and additional capital investments since acquisition. This 6.1% net increase resulted from a 7.9% appreciation in the aggregate appraised values of our real estate investments since their purchase, which was offset by 1.8% dilution resulting from the devaluation of the Euro against the U.S. dollar. See our Current Report on Form 8-K filed with the SEC on April 15, 2016 for more information on the methodologies used to determine, and the limitations of, our estimated NAV per share.

Our cash flow from operations has been and may continue to be insufficient to fund distributions to stockholders. We may choose to use advances, deferrals or waivers of fees, if available, from our Advisor or affiliates, borrowings and/or proceeds of the Offering or other sources to fund distributions to our stockholders. Commencing with the quarter ended December 31, 2014, our Advisor agreed to waive the asset management fees for each quarter through September 30, 2016, to the extent that our modified funds from operations (“MFFO”), for a particular quarter is less than our distributions declared for such quarter, as disclosed in each Quarterly Report on Form 10-Q or Annual Report on Form 10-K, as applicable. As a result of these waivers, our Advisor waived all of the \$376,550 and \$740,423 in asset management fees payable to it for the three and six months ended June 30, 2016, respectively. Further, our Advisor waived \$129,524 of the asset management fees payable to it for the six months ended June 30, 2015. However, since MFFO exceeded distributions declared during the three months ended June 30, 2015, no asset management fees were waived by our Advisor for that period. There can be no assurances that our Advisor will continue this waiver, and if not, cash available to pay distributions in future periods may be reduced.

We intend to meet our primary investment objectives by investing in a portfolio of real estate properties and other real estate investments that relate to properties that are generally diversified by geographic area, lease expirations and tenant industries. The following table provides additional information regarding each of the properties in which we owned an interest as of June 30, 2016 and includes the effect of Cottonwood Corporate Center, which we acquired on July 5, 2016.

Property <sup>(1)</sup>	Location	Investment Type	Date Acquired/ Net Purchase Price (in millions) <sup>(2)</sup>	Estimated Going-in Capitalization Rate <sup>(3)</sup>	Leasable Square Feet	Percent Leased
2819 Loker Avenue East	Carlsbad, California	Industrial	12/2014; \$25.4	6.5%	161,310	100%
Bishop's Square	Dublin, Ireland	Office	3/2015; \$103.2	6.1%	153,569	100%
Domain Apartments	Las Vegas, Nevada	Multi-family	1/2016; \$58.1	5.5%	331,038	98%
Cottonwood Corporate Center	Salt Lake City, Utah	Office	7/2016; \$139.2	6.9%	490,030	93%
<b>Total for All Investments</b>					<b>1,135,947</b>	<b>96%</b>

- (1) We effectively owned a 99.9% interest in the properties we had acquired as of June 30, 2016 through our ownership interest in the Operating Partnership as its sole general partner. Hines Global REIT II Associates Limited Partnership (“HALP II”), an affiliate of Hines, owned the remaining 0.1% interest in the Operating Partnership as of that date.
- (2) The net purchase price for Bishop’s Square was denominated in Euros and has been translated at an exchange rate based on the rate in effect on the acquisition date.
- (3) The estimated going-in capitalization rate is determined as of the date of acquisition by dividing the projected property revenues in excess of expenses for the first fiscal year by the net purchase price (excluding closing costs and taxes). Property revenues in excess of expenses includes all projected operating revenues (rental income, tenant reimbursements, parking and any other property-related income) less all projected operating expenses (property operating and maintenance expenses, property taxes, insurance and property management fees). The projected property revenues in excess of expenses includes assumptions which may not be indicative of the actual future performance of the property, including the assumption that the tenants will perform under their lease agreements during the 12 months following our acquisition of the properties and assumptions concerning estimates of timing and rental rates related to re-leasing vacant space.

In June 2016, we entered into a contract to acquire Goodyear Crossing II, a Class-A industrial warehouse located in Goodyear, Arizona, a submarket of Phoenix, Arizona. The contract purchase price is \$56.2 million, exclusive of transaction costs and working capital reserves. Goodyear Crossing II was constructed during the period between 2008 and 2009 and consists of 820,384 square feet of net rentable area that is 100% leased to Amazon.com. We funded a \$1.0 million earnest money deposit on June 27, 2016, which may not be refunded if we do not close on this acquisition. We expect the closing of this acquisition to occur in August 2016, subject to a number of closing conditions.



## **Critical Accounting Policies**

Each of our critical accounting policies involves the use of estimates that require management to make assumptions that are subjective in nature. Management relies on its experience, collects historical and current market data, and analyzes these assumptions in order to arrive at what it believes to be reasonable estimates. In addition, application of these accounting policies involves the exercise of judgments regarding assumptions as to future uncertainties. Actual results could materially differ from these estimates. For a discussion of recent accounting pronouncements, see [Note 2](#) — Summary of Significant Accounting Policies, to the accompanying condensed consolidated financial statements. Also, a disclosure of our critical accounting policies is included in our Annual Report on Form 10-K for the year ended December 31, 2015 in Management's Discussion and Analysis of Financial Condition and Results of Operations. Unless described below, there have been no significant changes to our policies during 2016.

### *Distribution and Stockholder Servicing Fee*

Per the terms of our Amended Dealer Manager Agreement, we will pay a distribution and stockholder servicing fee of 1.0% per annum of the gross offering price per share (or, if we are no longer offering primary shares, the then-current estimated net asset value per share, if any has been disclosed) for Class T Shares sold in the Offering. The distribution and stockholder servicing fees are ongoing fees that are not paid at the time of purchase. We will cease paying the distribution and stockholder servicing fee with respect to any particular Class T Share and that Class T Share will convert into a number of Class A Shares on the earlier of: (i) a listing of the Class A Shares on a national securities exchange; (ii) a merger or consolidation of us with or into another entity, or the sale or other disposition of all or substantially all of our assets; (iii) the end of the month in which the Dealer Manager determines that total underwriting compensation paid in the Offering including the distribution and stockholder servicing fee paid on all Class T Shares sold in the Offering is equal to 10.0% of the gross proceeds of the Offering from the sale of both Class A Shares and Class T Shares; (iv) the end of the month in which the transfer agent, on behalf of the us, determines that underwriting compensation paid in the primary offering including the distribution and stockholder servicing fee paid with respect to the Class T Shares held by a stockholder within his or her particular account equals 10.0% of the gross offering price at the time of investment of the Class T Shares held in such account; and (v) on any Class T Share that is redeemed or repurchased. Although we cannot predict the length of time over which this fee will be paid due to potential changes in the offering price or estimated net asset value of our Class T Shares, this fee would be paid over approximately 5.25 years from the date of purchase, assuming a constant per share offering price or estimated net asset value, as applicable.

We record distribution and stockholder servicing fees as a reduction to additional paid-in capital and the related liability in an amount equal to the maximum fees payable in relation to the Class T Shares on the date the shares are issued. The liability will be relieved over time, as the fees are paid to the Dealer Manager, or it will be adjusted if the fees are no longer payable pursuant to the conditions described above.

## **Financial Condition, Liquidity and Capital Resources**

Our principal demands for funds are to make real estate investments, for the payment of operating expenses and distributions, and for the payment of principal and interest on any indebtedness we incur. Generally, we expect to meet operating cash needs from our cash flows from operating activities, and we expect to fund our investments using proceeds of the Offering and debt proceeds.

We expect that once we have fully invested the proceeds of the Offering and other potential subsequent offerings, our debt financing, including our pro rata share of the debt financing of entities in which we invest, will be in the range of approximately 40% to 60% of the aggregate value of our real estate investments and other assets. Financing for acquisitions and investments may be obtained at the time an asset is acquired or an investment is made or at such later time as determined to be appropriate. In addition, debt financing may be used from time to time for property improvements, lease inducements, tenant improvements and other working capital needs. Additionally, the amount of debt placed on an individual property or related to a particular investment, including our pro rata share of the amount of debt incurred by an individual entity in which we invest, may be less than 40% or more than 60% of the value of such property/investment or the value of the assets owned by such entity, depending on market conditions and other factors. Our aggregate borrowings, secured and unsecured, must be reasonable in relation to our net assets and must be reviewed by our board of directors at least quarterly.

Our charter limits our borrowing to 300% of our net assets (which approximates 75% of the cost of our assets) unless any excess borrowing is approved by a majority of our independent directors and is disclosed to our stockholders in our next quarterly report along with justification for the excess. Our independent directors approved borrowings in excess of these limitations in connection with our first two investments, since we are in the early stages of raising capital through the Offering. As of June 30, 2016, our portfolio was approximately 38% leveraged, based on the most recent appraised values of our real estate investments.

Notwithstanding the above, depending on market conditions and other factors, we may choose not to place debt on our portfolio or our assets and may choose not to borrow to finance our operations or to acquire properties. Any indebtedness we do incur will likely be subject to continuing covenants, and we will likely be required to make continuing representations and warranties about our company in connection with such debt. Moreover, some or all of our debt may be secured by some or all of our assets. If we default in the payment of interest or principal on any such debt, breach any representation or warranty in connection with any borrowing or violate any covenant in any loan document, our lender may accelerate the maturity of such debt requiring us to immediately repay all outstanding principal. If we are unable to make such payment, our lender could foreclose on our assets that are pledged as collateral to such lender. The lender could also sue us or force us into bankruptcy. Any such event would have a material adverse effect on the value of an investment in our common shares.

The discussions below provide additional details regarding our cash flows.

### ***Cash Flows from Operating Activities***

Our properties generate cash flow in the form of rental revenues, which are used to pay direct leasing costs, property-level operating expenses and interest payments. Property-level operating expenses consist primarily of salaries and wages of property management personnel, utilities, cleaning, insurance, security and building maintenance costs, property management and leasing fees, and property taxes. Additionally, we incur general and administrative expenses, acquisition fees and expenses and asset management fees.

Net cash provided by operating activities was \$2.3 million for the six months ended June 30, 2016 compared to net cash used in operating activities of \$3.9 million for the six months ended June 30, 2015. Net cash provided by operating activities increased as a result of the acquisition of the Domain Apartments in January 2016 and the operation of Bishop's Square (acquired March 2015) for the entire six months ended June 30, 2016, as well as a reduction of acquisition fees and acquisition-related expenses paid during the six months ended June 30, 2016. We paid acquisition fees and acquisition-related expenses totaling \$1.6 million and \$5.2 million for the six months ended June 30, 2016 and 2015, respectively. Under accounting principles generally accepted in the United States ("GAAP"), acquisition fees and expenses and acquisition-related expenses are expensed and therefore reduce cash flows from operating activities. However, we fund these expenses with proceeds from the Offering and/or acquisition-related indebtedness.

### ***Cash Flows from Investing Activities***

Net cash used in investing activities for the six months ended June 30, 2016 and 2015 were primarily due to the following:

#### *Six months ended June 30, 2016*

- Payment of \$56.5 million related to the acquisition of the Domain Apartments.
- Payment of \$4.8 million in earnest money deposits in connection with the acquisition of Cottonwood Corporate Center, which we acquired in July 2016, and payment of a \$1.0 million earnest money deposit in connection with the potential acquisition of Goodyear Crossing II, an industrial property located near Phoenix, Arizona.

#### *Six months ended June 30, 2015*

- Payment of \$102.7 million related to the acquisition of Bishop's Square.

### ***Cash Flows from Financing Activities***

#### *Initial Public Offering*

We commenced the Offering in August 2014 and met our minimum offering requirements for every state, except Washington and Pennsylvania, in September 2014 (the minimum offering requirements were met in March 2015 with respect to the state of Washington and December 2015 with respect to the state of Pennsylvania). During the six months ended June 30, 2016 and 2015, we raised gross proceeds of \$66.0 million and \$48.4 million, respectively, from the Offering, excluding



proceeds from the distribution reinvestment plan. In addition, during the six months ended June 30, 2016, we redeemed \$233,764 in shares of common stock pursuant to our redemption program. No shares of our common stock were redeemed pursuant to our share redemption program for the six months ended June 30, 2015.

In addition to the investing activities described previously, we use proceeds from the Offering to make certain payments to our Advisor, our Dealer Manager and Hines and their affiliates during the various phases of our organization and operation. During the organization and offering stage, these include, without limitation, payments to our Dealer Manager for selling commissions, dealer manager fees, distribution and stockholder servicing fees and payments to our Advisor for reimbursement of issuer costs. During the six months ended June 30, 2016 and 2015, we made payments of \$7.8 million and \$7.3 million, respectively, for selling commissions, dealer manager fees, distribution and shareholder servicing fees and issuer costs related to the Offering.

Our Advisory Agreement was amended, effective February 29, 2016, to cap the amount which we will reimburse our Advisor for the cumulative issuer costs incurred in connection with our organization and our public offerings. As a result of the cap on reimbursement as a percentage of gross offering proceeds, on April 14, 2016, our Advisor reimbursed us for \$4.0 million in issuer costs that we had previously reimbursed in excess of this new 2.5% cap. As we raise additional offering proceeds, we expect to reimburse our Advisor for the \$4.0 million in issuer costs they recently repaid to us to the extent such costs do not exceed 2.5% of gross offering proceeds from our public offerings.

### *Distributions*

With the authorization of the board of directors, we declared distributions with respect to Class A Shares of our common stock for the period from October 1, 2014 through August 31, 2016. For the period from October 1, 2014 through April 30, 2016, distributions for Class A Shares were calculated based on stockholders of record each day in an amount equal to \$0.001575342 per share, per day. The distribution rate per share, per day was increased effective May 1, 2016. As a result, with respect to the period from May 1, 2016 through August 31, 2016, distributions for Class A Shares were or will be calculated based on stockholders of record each day in an amount equal to \$0.001594766 per share, per day.

Also, with the authorization of the board of directors, we declared distributions with respect to Class T Shares of our common stock for the period from August 24, 2015 through August 31, 2016. For the period from August 24, 2015 through April 30, 2016, distributions for Class T Shares were calculated based on stockholders of record each day in an amount equal to \$0.001575342 per share, per day less the distribution and stockholder servicing fees that were payable with respect to such Class T Shares (as calculated on a daily basis). The distribution rate per share, per day was increased effective May 1, 2016. As a result, with respect to the period from May 1, 2016 through August 31, 2016, distributions for Class T Shares were or will be calculated based on stockholders of record each day in an amount equal to \$0.001594766 per share, per day less the distribution and stockholder servicing fees that are payable with respect to such Class T Shares (as calculated on a daily basis).

All distributions were or will be paid in cash or reinvested in shares of our common stock for those participating in our distribution reinvestment plan and have been or will be paid or issued, respectively, on the first business day following the completion of the month to which they relate. Distributions reinvested pursuant to the distribution reinvestment plan have been or will be reinvested in shares of the same class as the shares on which the distributions are being made. Distributions paid to stockholders during the three months ended June 30, 2016 and 2015 were \$2.1 million and \$425,152, respectively, including those reinvested in shares pursuant to our distribution reinvestment plan. Distributions paid to stockholders during the six months ended June 30, 2016 and 2015 were \$3.7 million and \$503,716, respectively, including those reinvested in shares pursuant to our distribution reinvestment plan.

We have not generated sufficient cash flows from operations to fully fund distributions paid. Therefore some or all of our distributions have been and may continue to be paid from other sources, such as proceeds from our debt financings, proceeds from the Offering, cash advances by our Advisor, cash resulting from a waiver or deferral of fees and/or proceeds from the sale of assets. We have not placed a cap on the amount of our distributions that may be paid from any of these sources. For example, for the six months ended June 30, 2016, we funded 44% of total distributions with cash flows from financing activities, which included offering proceeds. For the six months ended June 30, 2015, we funded 21% of total distributions with cash flows from financing activities, which includes offering proceeds. Commencing with the quarter ended December 31, 2014, our Advisor agreed to waive the asset management fees for each quarter through September 30, 2016, to the extent that our MFFO, for a particular quarter, as disclosed in our Quarterly Report on Form 10-Q or Annual Report on Form 10-K, as applicable, amounts to less than the aggregate distributions declared to our stockholders for such quarter. As a result of these waivers, our Advisor waived all of the \$376,550 and \$740,423 in asset management fees payable to it for the three and six months ended June 30, 2016, respectively. Further, our Advisor waived \$129,524 of the asset management fees payable to it for the six months ended June 30, 2015. However, since MFFO exceeded distributions declared during the three

months ended June 30, 2015, no asset management fees were waived by our Advisor for that period. Also, as a result of these waivers, cash flows from operations that would have been paid to our Advisor for asset management fees may be available to pay distributions to stockholders. These fee waivers are not deferrals and accordingly, any fees that are waived will not be paid to our Advisor in cash at any time in the future.

The following table outlines our total distributions declared to stockholders and noncontrolling interests (HALP II) for each of the quarters during 2016 and 2015, including the breakout between the distributions declared in cash and those reinvested pursuant to our distribution reinvestment plan.

Distributions for the Three Months Ended	Stockholders			Noncontrolling Interests	Sources			
	Cash Distributions	Distributions Reinvested	Total Declared	Total Declared	Cash Flows From Operating Activities		Cash Flows From Financing Activities	
<b>2016</b>								
June 30, 2016	\$ 1,106,860	\$ 1,128,377	\$ 2,235,237	\$ 3,052	\$ 2,238,289	100%	\$ —	—%
March 31, 2016	871,004	886,755	1,757,759	3,026	—	—%	1,760,785	100%
Total	<u>\$ 1,977,864</u>	<u>\$ 2,015,132</u>	<u>\$ 3,992,996</u>	<u>\$ 6,078</u>	<u>\$ 2,238,289</u>	<u>56%</u>	<u>\$ 1,760,785</u>	<u>44%</u>
<b>2015</b>								
December 31, 2015	\$ 603,936	\$ 655,664	\$ 1,259,600	\$ 3,059	\$ 754,717	60%	\$ 507,942	40%
September 30, 2015	457,698	489,796	947,494	3,060	950,554	100%	—	—%
June 30, 2015	279,432	287,799	567,231	3,027	570,258	100%	—	—%
March 31, 2015	91,135	58,691	149,826	2,993	—	—%	152,819	100%
Total	<u>\$ 1,432,201</u>	<u>\$ 1,491,950</u>	<u>\$ 2,924,151</u>	<u>\$ 12,139</u>	<u>\$ 2,275,529</u>	<u>77%</u>	<u>\$ 660,761</u>	<u>23%</u>

### *Debt Financings*

As mentioned previously, our portfolio was approximately 38% leveraged as of June 30, 2016 (based on the most recent appraised values of our real estate investments) with a weighted average interest rate of 1.57%. Below is additional information regarding our loan activity for the six months ended June 30, 2016 and 2015. See [Note 5](#) — Debt Financing for additional information regarding our outstanding debt.

### 2016

- We entered into \$34.3 million of permanent mortgage financing related to the acquisition of the Domain Apartments.
- We borrowed \$3.0 million under the Hines Credit Facility and made payments of \$3.0 million on this facility. No amounts were outstanding under this facility as of June 30, 2016.
- We made payments of \$252,864 for financing costs primarily related to our mortgage loan on the Domain Apartments.

### 2015

- We entered into \$61.8 million of permanent mortgage financing related to the acquisition of Bishop's Square.
- We borrowed \$50.3 million under the Hines Credit Facility and made payments of \$43.8 million on this facility.
- We made payments of \$625,876 for financing costs related to our loans and \$47,876 for an interest rate cap related to the mortgage loan secured by Bishop's Square.

## **Results of Operations**

We owned three properties that were 99% leased as of June 30, 2016 compared to two properties that were 99% leased as of June 30, 2015. As we are currently in the acquisition phase of our life cycle, changes in our results of operations related to our properties are primarily due to the acquisition of properties. Amounts recorded in our condensed consolidated statements of operations for the three and six months ended June 30, 2016 and 2015 are due to the following:

- Total revenues, property operating expenses, real property taxes, property management fees, depreciation and amortization, and interest expense relate to the operation of 2819 Loker Avenue East (acquired in December 2014), Bishop's Square (acquired in March 2015), and the Domain Apartments (acquired in January 2016).

- Acquisition-related expenses represent costs related to the acquisition of our real estate investments, including those properties which we may acquire in future periods.
- We expect to pay monthly asset management fees to our Advisor based on an annual fee equal to 0.75% of (i) the cost of our real estate investments or (ii) with respect to our real estate investments included in our board of directors' most recent determination of an estimated net asset value per share, the most recently determined value of such real estate investments. As described previously, our Advisor agreed to waive asset management fees for each of the quarters ended June 30, 2016 and 2015, to the extent that our MFFO, for a particular quarter, is less than our distributions declared for such quarter. As a result of these waivers, our Advisor waived all of the \$376,550 and \$740,423 in asset management fees payable to it for the three and six months ended June 30, 2016, respectively. Further, our Advisor waived \$129,524 of the asset management fees payable to it for the six months ended June 30, 2015. However, since MFFO exceeded distributions declared during the three months ended June 30, 2015, no asset management fees were waived by our Advisor for that period.
- We pay our Advisor acquisition fees equal to 2.25% of the purchase price of our real estate investments. Acquisition fees for the six months ended June 30, 2016 and 2015 are comprised of the \$1.3 million acquisition fee incurred in relation to our acquisition of the Domain Apartments in January 2016 and the \$2.3 million acquisition fee incurred in relation to our acquisition of Bishop's Square in March 2015.
- General and administrative expenses for the six months ended June 30, 2016 and 2015 primarily consist of legal and accounting fees, costs and expenses associated with our board of directors, transfer agent costs and insurance costs. Certain of these costs are variable and will increase in the future as we continue to raise capital and make additional real estate investments.
- Foreign currency gains (losses) reflect the effect of changes in foreign currency exchange rates on transactions that were denominated in currencies other than our functional currencies. During the six months ended June 30, 2016 and 2015, these foreign currency gains (losses) were primarily related to the change in the U.S. dollar against the Euro.

#### ***Funds from Operations and Modified Funds from Operations***

Funds from Operations ("FFO") is a non-GAAP financial performance measure defined by the National Association of Real Estate Investment Trusts ("NAREIT") and is widely recognized by investors and analysts as one measure of operating performance of a real estate company. FFO excludes items such as real estate depreciation and amortization. Depreciation and amortization, as applied in accordance with GAAP, implicitly assumes that the value of real estate assets diminishes predictably over time and also assumes that such assets are adequately maintained and renovated as required in order to maintain their value. Since real estate values have historically risen or fallen with market conditions such as occupancy rates, rental rates, inflation, interest rates, the business cycle, unemployment and consumer spending, it is management's view, and we believe the view of many industry investors and analysts, that the presentation of operating results for real estate companies using historical cost accounting alone is insufficient. In addition, FFO excludes gains and losses from the sale of real estate and impairment charges related to depreciable real estate assets and in-substance real estate equity investments, which we believe provides management and investors with a helpful additional measure of the historical performance of our real estate portfolio, as it allows for comparisons, year to year, that reflect the impact on operations from trends in items such as occupancy rates, rental rates, operating costs, general and administrative expenses and interest costs. A property will be evaluated for impairment if events or circumstances indicate that the carrying amount may not be recoverable (i.e. the carrying amount exceeds the total estimated undiscounted future cash flows from the property). Undiscounted future cash flows are based on anticipated operating performance, including estimated future net rental and lease revenues, net proceeds on the sale of the property, and certain other ancillary cash flows. While impairment charges are excluded from the calculation of FFO as described above, stockholders are cautioned that due to the limited term of our operations, it could be difficult to recover any impairment charges.

In addition to FFO, management uses MFFO, as defined by the Investment Program Association, (the "IPA"), as a non-GAAP supplemental financial performance measure to evaluate our operating performance. The IPA has recommended the use of MFFO as a supplemental measure for publicly registered, non-listed REITs to enhance the assessment of the operating performance of a non-listed REIT. MFFO is not equivalent to our net income or loss as determined under GAAP, and MFFO may not be useful as a measure of the long-term operating performance of our investments or as a comparative measure to other publicly registered, non-listed REITs if we do not continue to operate with a limited life and targeted exit strategy, as currently intended and described herein. MFFO includes funds generated by the operations of our real estate investments and funds used in our corporate-level operations. MFFO is based on FFO, but includes certain additional adjustments which we

believe are appropriate. Such items include reversing the effects of straight-line rent revenue recognition, fair value adjustments to derivative instruments that do not qualify for hedge accounting treatment and certain other items as described below. Some of these adjustments are necessary to address changes in the accounting and reporting rules under GAAP such as the accounting for acquisition-related expenses from a capitalization/depreciation model to an expensed-as-incurred model that were put into effect in 2009 and other changes to GAAP rules for real estate subsequent to the establishment of NAREIT's definition of FFO. These changes in the accounting and reporting rules under GAAP affected all industries, and as a result of these changes, acquisition fees and expenses are typically accounted for as operating expenses under GAAP. Management believes these fees and expenses do not affect our overall long-term operating performance. These changes also have prompted a significant increase in the magnitude of non-cash and non-operating items included in FFO, as defined. Such items include amortization of out-of-market lease intangible assets and liabilities and certain tenant incentives.

Other adjustments included in MFFO are necessary to address issues that are common to publicly registered, non-listed REITs. Publicly registered, non-listed REITs typically have a significant amount of acquisition activity and are substantially more dynamic during their initial years of investment and operations. While other start-up entities may also experience significant acquisition activity during their initial years, we believe that non-listed REITs like us are unique in that they have a limited life with targeted exit strategies within a relatively limited time frame after the acquisition activity ceases. We will use the proceeds raised in our offerings to make real estate investments, and intend to begin the process of considering our alternatives for the execution of a Liquidity Event (i.e., a sale of our assets, our sale or merger, a listing of our shares on a national securities exchange, or another similar transaction) five to eight years following the end of the Offering. Thus, as a limited life REIT we will not continuously purchase assets and will have a limited life.

The purchase of properties, and the corresponding expenses associated with that process, including acquisition fees and expenses, is a key operational feature of our business plan to generate operational income and cash flows in order to make distributions to our stockholders. MFFO excludes acquisition fees payable to our Advisor and acquisition expenses. Under GAAP, acquisition fees and expenses are characterized as operating expenses in determining operating net income. These expenses are paid in cash by us, and therefore such funds will not be available to distribute to our stockholders. All paid and accrued acquisition fees and expenses with respect to the acquisition of a property negatively impact our operating performance during the period in which the property is acquired and will have negative effects on returns to our stockholders, the potential for future distributions, and future cash flows, unless earnings from operations or net sales proceeds from the disposition of other properties are generated to cover the purchase price of the property, the related acquisition fees and expenses and other costs related to such property. In addition, if we acquire a property after all offering proceeds from the Offering have been invested, there will not be any offering proceeds to pay the corresponding acquisition-related costs. Accordingly, unless our Advisor determines to waive the payment of any then-outstanding acquisition-related costs otherwise payable to our Advisor, such costs will be paid from additional debt, operational earnings or cash flow, net proceeds from the sale of properties, or ancillary cash flows. Therefore, MFFO may not be an accurate indicator of our operating performance, especially during periods in which properties are being acquired. Since MFFO excludes acquisition fees and expenses, MFFO would only be comparable to the operations of non-listed REITs that have completed their acquisition activity and have other similar operating characteristics.

Management uses MFFO to evaluate the financial performance of our investment portfolio, including the impact of potential future investments. In addition, management uses MFFO to evaluate and establish our distribution policy and the sustainability thereof. Further, we believe MFFO is one of several measures that may be useful to investors in evaluating the potential performance of our portfolio following the conclusion of the acquisition phase, as it excludes acquisition fees and expenses, as described herein.

MFFO has limitations as a performance measure in an offering such as ours where the price of a share of common stock is a stated value and there is no net asset value determination during the offering stage and for a period thereafter. MFFO is useful in assisting management and investors in assessing the sustainability (that is, the capacity to continue to be maintained) of operating performance in future operating periods, and in particular, after the offering and acquisition stages are complete and net asset value is disclosed. MFFO is not a useful measure in evaluating net asset value because impairments are taken into account in determining net asset value but not in determining MFFO.

FFO and MFFO should not be construed to be more relevant or accurate than the current GAAP methodology in calculating net income or in its applicability in evaluating our operating performance. In addition, FFO and MFFO should not be considered as alternatives to net income (loss) or income (loss) from continuing operations as an indication of our performance or as alternatives to cash flows from operating activities as an indication of our liquidity, but rather should be reviewed in conjunction with these and other GAAP measurements. Further, FFO and MFFO are not intended to be used as liquidity measures indicative of cash flow available to fund our cash needs, including our ability to make distributions to our stockholders. Please see the limitations listed below associated with the use of MFFO:

- As we are currently in the acquisition phase of our life cycle, acquisition costs and other adjustments that are increases to MFFO are, and may continue to be, a significant use of cash and dilutive to the value of an investment in our shares.
- MFFO excludes acquisition fees payable to our Advisor and acquisition expenses. Although these amounts reduce net income, we generally fund such costs with proceeds from the Offering and/or acquisition-related indebtedness and do not consider these fees and expenses in the evaluation of our operating performance and determining MFFO.
- We use an interest rate cap as an economic hedge against the variability of interest rates on one of our variable interest rate borrowings. Although we expect to hold this instrument to maturity, if we were to settle this instrument currently, it would have an impact on our operating performance. Additionally, this derivative instrument is measured at fair value on a quarterly basis in accordance with GAAP. MFFO excludes gains (losses) related to changes in the estimated value of our derivative instrument because such adjustments may not be reflective of ongoing operations and may reflect unrealized impacts on our operating performance.
- We utilize the definition of FFO as set forth by NAREIT and the definition of MFFO as set forth by the IPA. Our FFO and MFFO as presented may not be comparable to amounts calculated by other REITs, if they use different approaches.
- Our business is subject to volatility in the real estate markets and general economic conditions, and adverse changes in those conditions could have a material adverse impact on our business, results of operations and MFFO. Accordingly, the predictive nature of MFFO is uncertain and past performance may not be indicative of future results.

Neither the SEC, NAREIT nor any regulatory body has passed judgment on the acceptability of the adjustments that we use to calculate FFO or MFFO. In the future, the SEC, NAREIT or a regulatory body may decide to standardize the allowable adjustments across the non-listed REIT industry and we would have to adjust our calculation and characterization of FFO or MFFO.

The following section presents our calculation of FFO and MFFO attributable to common stockholders and provides additional information related to our operations for the three and six months ended June 30, 2016 and 2015 and the period from inception through June 30, 2016. As we are in the capital raising and acquisition phase of our operations, FFO and MFFO are not useful in comparing operations for the periods presented below. We expect revenues and expenses to increase in future periods as we raise additional offering proceeds and use them to make additional real estate investments.

	Three months ended June 30,		Six months ended June 30,		Period from July 31, 2013 (date of inception) through June 30, 2016
	2016	2015	2016	2015	
Net income (loss)	\$ (780,389)	\$ (291,110)	\$ (2,192,254)	\$ (5,657,673)	\$ (9,157,493)
Depreciation and amortization <sup>(1)</sup>	2,360,226	1,211,059	4,310,794	1,837,837	8,566,682
Adjustments for noncontrolling interests <sup>(2)</sup>	(5,848)	(439)	(6,658)	38,901	214,030
Funds From Operations attributable to common stockholders	1,573,989	919,510	2,111,882	(3,780,935)	(376,781)
Loss (gain) on derivative instruments <sup>(3)</sup>	1,320	(12,170)	4,261	14,511	44,796
Loss (gain) on foreign currency <sup>(4)</sup>	82,870	—	(45,320)	—	(34,920)
Other components of revenues and expenses <sup>(5)</sup>	(255,857)	(269,660)	(515,238)	(409,645)	(1,459,464)
Acquisition fees and expenses <sup>(6)</sup>	357,087	105,527	1,747,194	4,995,251	7,692,087
Adjustments for noncontrolling interests <sup>(2)</sup>	(220)	83	(1,731)	(39,560)	(74,505)
Modified Funds From Operations attributable to common stockholders	\$ 1,759,189	\$ 743,290	\$ 3,301,048	\$ 779,622	\$ 5,791,213
Basic and diluted loss per common share	\$ (0.05)	\$ (0.07)	\$ (0.15)	\$ (2.18)	\$ (2.05)
Funds From Operations attributable to common stockholders per common share	\$ 0.10	\$ 0.23	\$ 0.15	\$ (1.46)	\$ (0.09)
Modified Funds From Operations attributable to common stockholders per common share	\$ 0.11	\$ 0.18	\$ 0.23	\$ 0.30	\$ 1.32
Weighted average shares outstanding	16,014,138	4,051,587	14,276,944	2,592,589	4,386,114

Notes to the table:

- (1) Represents the depreciation and amortization of real estate assets. Historical cost accounting for real estate assets in accordance with GAAP implicitly assumes that the value of real estate assets diminishes predictably over time. Since real estate values have historically risen or fallen with market conditions, we believe that such depreciation and amortization may be of limited relevance in evaluating current operating performance and, as such, these items are excluded from our determination of FFO.
- (2) Includes income attributable to noncontrolling interests and all adjustments to eliminate the noncontrolling interests' share of the adjustments to convert our net loss to FFO and MFFO.
- (3) Represents components of net income (loss) related to the estimated changes in the values of our interest rate contract derivative. We have excluded this change in value from our evaluation of our operating performance and MFFO because such adjustments may not be reflective of our ongoing performance and may reflect unrealized impacts on our operating performance.



- (4) Represents components of net income (loss) primarily resulting from transactions that are denominated in currencies other than our functional currencies. We have excluded these changes in value from our evaluation of our operating performance and MFFO because such adjustments may not be reflective of our ongoing performance and may reflect unrealized impacts on our operating performance.
- (5) Includes the following components of revenues and expenses that we do not consider in evaluating our operating performance and determining MFFO for the three and six months ended June 30, 2016 and 2015 and the period from inception through June 30, 2016:

	Three months ended June 30,		Six months ended June 30,		Period from July 31, 2013 (date of inception) through June 30, 2016
	2016	2015	2016	2015	
Straight-line rent adjustment <sup>(a)</sup>	\$ (163,739)	\$ (173,400)	\$ (333,148)	\$ (280,067)	\$ (966,027)
Amortization of lease incentives <sup>(b)</sup>	1,294	—	2,558	—	3,394
Amortization of out-of-market leases <sup>(b)</sup>	(93,412)	(96,260)	(184,648)	(129,578)	(496,831)
	<u>\$ (255,857)</u>	<u>\$ (269,660)</u>	<u>\$ (515,238)</u>	<u>\$ (409,645)</u>	<u>\$ (1,459,464)</u>

- (a) Represents the adjustments to rental revenue as required by GAAP to recognize minimum lease payments on a straight-line basis over the respective lease terms. We have excluded these adjustments from our evaluation of our operating performance and in determining MFFO because we believe that the rent that is billable during the current period is a more relevant measure of our operating performance for such period.
- (b) Represents the amortization of lease incentives and out-of-market leases.
- (6) Represents acquisition expenses and acquisition fees paid to our Advisor that are expensed in our condensed consolidated statements of operations. We fund such costs with proceeds from the Offering and/or acquisition-related indebtedness, and therefore do not consider these expenses in evaluating our operating performance and determining MFFO.

Set forth below is additional information relating to certain items excluded from the analysis above which may be helpful in assessing our operating results:

- For the three and six months ended June 30, 2016, we incurred \$66,211 and \$94,779, respectively, in distribution and stockholder servicing fees.

As noted previously, our cash flows from operations have been and may continue to be insufficient to fund distributions to stockholders. We may continue to choose to use proceeds from our debt financings, proceeds from the Offering, cash advances from our Advisor, cash resulting from a waiver or deferral of fees and/or proceeds from the sale of assets to fund distributions to our stockholders. For the six months ended June 30, 2016, we funded 44% of total distributions with cash flows from financing activities, which includes offering proceeds. For the six months ended June 30, 2015, we funded 21% of total distributions with cash flows from financing activities, which includes offering proceeds. Additionally, our Advisor waived \$740,423 and \$129,524 in asset management fees payable to it for the six months ended June 30, 2016 and 2015, respectively. We have not placed a cap on the amount of our distributions that may be paid from sources other than cash flows from operations, including proceeds from our debt financings, proceeds from the Offering, cash advances by our Advisor and cash resulting from a waiver or deferral of fees.

From inception through June 30, 2016, we declared \$7.0 million of cash distributions to our stockholders (including those reinvested in shares pursuant to our distribution reinvestment plan), compared to our total aggregate FFO loss of \$376,781. During the Offering and investment stages, we incur acquisition fees and expenses in connection with our real estate investments, which are recorded as reductions to net income (loss) and FFO. From inception through June 30, 2016, we incurred acquisition fees and expenses totaling \$7.7 million. For the six months ended June 30, 2016, we declared \$4.0 million of cash distributions to our stockholders (including those reinvested in shares pursuant to our distribution reinvestment plan), compared to our total aggregate FFO of \$2.1 million. For the six months ended June 2015, we declared \$717,057 of cash distributions to our stockholders (including those reinvested in shares pursuant to our distribution reinvestment plan), compared to our total aggregate FFO loss of \$3.8 million.

## **Related Party Transactions and Agreements**

We have entered into agreements with our Advisor, Dealer Manager and Hines and its affiliates, whereby we pay certain fees and reimbursements to these entities during the various phases of our organization and operation. During the organization and offering stage, these include payments to our Dealer Manager for selling commissions, the dealer manager fee, distribution and stockholder servicing fees, and payments to our Advisor for reimbursement of issuer costs. During the acquisition and operational stages, these include payments for certain services related to acquisitions, financing and management of our investments and operations provided to us by our Advisor and Hines and its affiliates pursuant to various agreements we have entered into with these entities. See [Note 7](#) — Related Party Transactions and [Note 11](#) — Subsequent Events in this Quarterly Report on Form 10-Q for additional information concerning our related party transactions and agreements.

## **Off-Balance Sheet Arrangements**

As of June 30, 2016 and December 31, 2015, we had no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

## **Subsequent Events**

### *Cottonwood Corporate Center*

In July 2016, we acquired Cottonwood Corporate Center, a four-building, Class-A office project located in Cottonwood, Utah, a submarket of Salt Lake City, Utah. The net purchase price was \$139.2 million, exclusive of transaction costs and working capital reserves. Cottonwood Corporate Center was constructed during the period between in 1997 and 2000 and consists of 490,030 square feet of net rentable area that is 93% leased. We have not concluded our accounting for this recent acquisition, but we expect that the purchase price will primarily be allocated to building, land, in-place leases and out-of-market lease intangibles.

We entered into a loan agreement with Principal Life Insurance Company for a principal sum of \$78.0 million to fund the acquisition of Cottonwood Corporate Center. The loan is secured by a first priority lien on our interest in Cottonwood Corporate Center and assignments of all of its leases and rents and the personal property on the premises of Cottonwood Corporate Center. Principal and interest accrued on the loan are due and payable on the first day of each month commencing in September 2016. The note has a fixed interest rate per annum equal to 2.98% and matures on August 1, 2023. The loan may be prepaid at any time on or after April 1, 2023, subject to certain conditions, including but not limited to providing 30 days' advance written notice to Principal Life and, in the event of prepayment of the loan prior to April 1, 2023, the payment of a prepayment penalty.

### *Amendment to the Dealer Manager Agreement, Update to Primary Share Offering Prices and Dividend Reinvestment Plan Prices*

On July 25, 2016, we, the Dealer Manager and our Advisor entered into the Third Amended and Restated Dealer Manager Agreement, effective as of August 2, 2016 (the "Amended Dealer Manager Agreement"). Pursuant to the Amended Dealer Manager Agreement, our Advisor will pay a portion of the dealer manager fees payable to the dealer manager in an amount equal to 1.5% of the gross offering proceeds with respect to Class A Shares and Class T Shares sold in the primary Offering on and after August 2, 2016. Our Advisor will not be reimbursed by us in any way for the payment of such dealer manager fees.

In conjunction with the entry into the Amended Dealer Manager Agreement, our board of directors determined new primary offering prices of \$9.96 per Class A Share and \$9.411 per Class T Share, effective as of August 2, 2016. These new primary offering prices reflect a reduction equal to the per share amount of dealer manager fees our Advisor has agreed to pay with respect to the Class A Shares and Class T Shares sold in the primary Offering on and after August 2, 2016.

In addition, on July 25, 2016, our board of directors adopted the fourth amended and restated distribution reinvestment plan to reflect a new offering price for the Class A Shares to be issued pursuant to the distribution reinvestment plan. The offering price for the Class T Shares to be issued pursuant to the distribution reinvestment plan did not change. The fourth amended and restated distribution reinvestment plan will take effect on August 5, 2016, with offering prices of \$9.46 per Class A Share and \$9.08 per Class T Share. Distributions are reinvested pursuant to our distribution reinvestment plan on the first day of each month. Accordingly, since the fourth amended and restated distribution reinvestment plan takes effect on August 5, 2016, the new offering price of the Class A Shares under the distribution reinvestment plan will first be applied to distributions declared for the month of August 2016, which will be reinvested on September 1, 2016.



### **Item 3. *Quantitative and Qualitative Disclosures About Market Risk***

Market risk includes risks that arise from changes in interest rates, foreign currency exchange rates, commodity prices, equity prices and other market changes that affect market-sensitive instruments. In pursuing our business plan, we believe that interest rate risk, currency risk and real estate valuation risk are the primary market risks to which we are exposed. As of June 30, 2016, we were exposed to the market risks listed below.

#### *Interest Rate Risk*

We are exposed to the effects of interest rate changes primarily as a result of debt used to maintain liquidity and fund expansion of our real estate investment portfolio and operations. As of June 30, 2016, we had \$95.6 million of variable-rate debt outstanding. If interest rates were to increase by 1%, we would incur an additional \$955,941 in interest expense. Additionally, in March 2015, we entered into an interest rate cap to limit our exposure to rising interest rates related to our mortgage loan secured by Bishop's Square. See [Note 5](#) — Debt Financing in the Notes to the Condensed Consolidated Financial Statements for more information concerning our outstanding debt.

#### *Foreign Currency Risk*

Our investment in Bishop's Square is subject to the effects of exchange rate movements between the Euro and the U.S. dollar, which may affect future costs and cash flows as well as amounts translated into U.S. dollars for inclusion in our condensed consolidated financial statements. We have entered into a mortgage loan denominated in Euros for this investment, which provides a natural hedge with regard to changes in exchange rates between the Euro and U.S. dollar and reduces our exposure to exchange rate differences. Additionally, we are typically a net receiver of Euros, and, as a result, our foreign operations benefit from a weaker U.S. dollar and are adversely affected by a stronger U.S. dollar. Based upon our analysis, a 10% immediate, unfavorable change in the exchange rate between the Euro and U.S. dollar would have decreased the net book value of our investment in Bishop's Square by approximately \$3.8 million and would have reduced the quarterly net income (loss) of Bishop's Square by \$123,432.

#### *Other Risks*

As described elsewhere in this Quarterly Report on Form 10-Q, our Advisor has agreed to waive the asset management fee otherwise payable to it pursuant to our Advisory Agreement for each of the quarters ended March 31, 2016, June 30, 2016, and September 30, 2016, to the extent that our MFFO, for each respective quarter, as disclosed in each Quarterly Report on Form 10-Q, for such quarter, amounts to less than 100% of the aggregate distributions declared for such quarter. There can be no assurances that our Advisor will continue this waiver subsequent to the third quarter of 2016, and if not, cash available to pay distributions in future periods may be reduced.

### **Item 4. *Controls and Procedures***

#### **Disclosure Controls and Procedures**

In accordance with Exchange Act Rules 13a-15 and 15d-15, we carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of June 30, 2016, to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and (ii) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

#### **Change in Internal Controls**

No changes have occurred in our internal controls over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) during the quarter ended June 30, 2016 that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

## PART II - OTHER INFORMATION

### Item 1. *Legal Proceedings*

From time to time in the ordinary course of business, we or our subsidiaries may become subject to legal proceedings, claims or disputes. As of August 12, 2016, neither we nor any of our subsidiaries were a party to any material pending legal proceedings.

### Item 1A. *Risk Factors*

We are subject to a number of risks and uncertainties, which are discussed in Part I, Item 1A, “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2015. With the exception of the risk factors set forth below, there have been no material changes from the risk factors set forth under Part I, Item 1A, “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2015.

***We have disclosed an estimated NAV per share of our common stock and the current purchase price our stockholders pay for shares of each class of our common stock in the Offering is higher than such estimated NAV per share. Neither the estimated NAV per share nor the offering price may be an accurate reflection of the fair market value of our assets and liabilities and likely will not represent the amount of net proceeds that would result if we liquidated or dissolved or the amount you would receive upon the sale of your shares.***

Due to rules of the Financial Industry Regulatory Authority, or FINRA, and due to contractual obligations in the selling agreements between our participating broker dealers and our Dealer Manager, we may from time to time disclose an estimated NAV per share of our common stock. The price at which we sell shares of our common stock is likely to be in excess of such estimated NAV per share. For example, the estimated NAV per share of our common stock determined by our board of directors on April 13, 2016 of \$9.03 per share is lower than the primary offering prices with respect to our Class A Shares and Class T Shares. National Association of Securities Dealers, or “NASD,” Conduct Rule 2340, which took effect on April 11, 2016, sets forth the obligations of FINRA members to provide per share values in customer account statements calculated in a certain manner. In accordance with this rule, the customer account statements that we issue to our stockholders will reflect the estimated NAV per share determined by our board of directors. In addition, we expect to use the estimated NAV per share as the deemed estimated per share value for purposes of reports to fiduciaries of retirement plans. Because we have used a portion of the proceeds from this offering to pay selling commissions, dealer manager fees and issuer costs in connection with our organization and the Offering, which reduce the amount of funds available for investment, unless our aggregate investments increase in value to compensate for these up-front fees and expenses, the estimated NAV per share, which will be the “value” shown on our stockholders’ account statements, will be lower than the purchase price paid by our stockholders in the Offering.

The estimated NAV per share and the primary offering price per share of each class of our common stock are likely to differ from the price that you would receive upon a resale of your shares or upon our liquidation because: (i) there is no public trading market for the shares at this time; (ii) the primary offering price involves the payment of underwriting compensation and other offering-related costs, which are likely to produce a higher purchase price than could otherwise be obtained; (iii) the estimated NAV per share and the primary offering price per share do not take into account how market fluctuations affect the value of our investments, including how disruptions in the financial and real estate markets may affect the values of our investments; and (v) the estimated NAV per share and the primary offering price per share do not take into account how developments related to individual assets may have increased or decreased the value of our portfolio.

Further, the estimated NAV per share and the primary offering price of each class of our common stock may not be an accurate reflection of the fair value of our assets and liabilities in accordance with GAAP, may not reflect the price at which we would be able to sell all or substantially all of our assets or the outstanding shares of our common stock in an arm’s-length transaction, may not represent the value that stockholders could realize upon a sale of the company or upon the liquidation of our assets and settlement of our liabilities, and may not be indicative of the prices at which Class A Shares or Class T Shares would trade if they were listed on a national securities exchange. In addition, any estimated NAV per share that we disclose may not be the equivalent of the disclosure of a market price by an open-ended real estate fund.

The methodology used to determine the estimated NAV per share of our common stock may be based upon assumptions, estimates and judgments that may not be accurate or complete, such that, if different property-specific and general real estate and capital market assumptions, estimates and judgments were used, it could result in an estimated NAV per share that is significantly different.

***The U.S. Department of Labor, or DOL, has adopted certain amendments, including an amendment to the definition of “fiduciary” under the Employee Retirement Income Security Act of 1974, as amended, or ERISA, and the Code, which could impact our ability to raise significant additional capital in the Offering.***

The DOL has adopted certain amendments, including an amendment to the definition of “fiduciary” under ERISA and the Code. The amendments have broadened the definition of “fiduciary” and have changed the prohibited transaction exemptions relating to investments by employee benefit plans subject to Title I of ERISA or retirement plans or accounts subject to Section 4975 of the Code (including individual retirement accounts). The amendments take effect between April 10, 2017 and January 1, 2018. The ultimate impact of the amendments is not yet known, but when they take effect, they could have a significantly negative effect on the sale of shares of our common stock to such plans or accounts.

***Geographic concentration of our portfolio may make us particularly susceptible to adverse economic developments in the real estate markets of those areas.***

In the event that we have a concentration of properties in, or real estate investments that invest in properties located in, a particular geographic area, our operating results and ability to make distributions are likely to be impacted by economic changes affecting the real estate markets in that area. Therefore, an investment in our common stock will be subject to greater risk to the extent that we lack a geographically diversified portfolio. As of June 30, 2016 and including the effect of our acquisition of Cottonwood Corporate Center on July 5, 2016, based on the estimated aggregate value of our real estate investments, approximately 8% of our portfolio consists of a property located in Carlsbad, California, approximately 34% consists of a property located in Dublin Ireland, approximately 17% consists of a property located near Las Vegas in Henderson, Nevada, and approximately 41% consists of a property located near Salt Lake City in Cottonwood Heights, Utah.

***Industry concentration of our tenants may make us particularly susceptible to adverse economic developments in these industries.***

In the event we have a concentration of tenants in a particular industry, our operating results and ability to make distributions may be adversely affected by adverse developments in those industries and we will be subject to a greater risk to the extent that our tenants are not diversified by industry. For example, based on leased square footage of our commercial real estate properties, as of June 30, 2016 and including the effect of our acquisition of Cottonwood Corporate Center on July 5, 2016, approximately 24% is leased to tenants in the manufacturing industry, approximately 22% is leased to tenants in the information industry, approximately 14% is leased to tenants in the government sector, approximately 12% is leased to tenants in the real estate industry, and approximately 11% is leased to tenants in the finance and insurance industry.

***We will depend on tenants for our revenue, and therefore our revenue will be dependent on the success and economic viability of our tenants. Our reliance on single or significant tenants in certain buildings may decrease our ability to lease vacated space.***

We expect that rental income from real property will, directly or indirectly, constitute a significant portion of our income. Delays in collecting accounts receivable from tenants could adversely affect our cash flows and financial condition. In addition, the inability of a single major tenant or a number of smaller tenants to meet their rental obligations would adversely affect our income. Therefore, our financial success will be indirectly dependent on the success of the businesses operated by the tenants in our properties or in the properties securing loans we may own. Of our total rental revenue for the six months ended June 30, 2016, approximately 34% was earned from the Commissioner of Public Works in Ireland, a state agency of Ireland, whose lease expires in 2028, 17% was earned from Acushnet, a tenant in the manufacturing industry, whose lease expires in 2019, and approximately 12% was earned from International Financial Data Services, an investor record-keeping and transfer agency provider, whose lease expires in 2024. The weakening of the financial condition or the bankruptcy or insolvency of a significant tenant or a number of smaller tenants and vacancies caused by defaults of tenants or the expiration of leases, may adversely affect our operations and our ability to pay distributions.

Generally, under U.S. bankruptcy law, a debtor tenant has 120 days to exercise the option of assuming or rejecting the obligations under any unexpired lease for nonresidential real property, which period may be extended once by the bankruptcy court. If the tenant assumes its lease, the tenant must cure all defaults under the lease and may be required to provide adequate assurance of its future performance under the lease. If the tenant rejects the lease, we will have a claim against the tenant's bankruptcy estate. Although rent owing for the period between filing for bankruptcy and rejection of the lease may be afforded administrative expense priority and paid in full, pre-bankruptcy arrears and amounts owing under the remaining term of the lease will be afforded general unsecured claim status (absent collateral securing the claim). Moreover, amounts owing under the remaining term of the lease will be capped. Other than equity and subordinated claims, general unsecured claims are the last claims paid in a bankruptcy and therefore funds may not be available to pay such claims in full. In addition, while the specifics

of the bankruptcy laws of international jurisdictions may differ from the U.S. bankruptcy laws described herein, the bankruptcy or insolvency of a significant tenant or a number of smaller tenants at any of the international properties we may acquire, may similarly adversely impact our operations and our ability to pay distributions.

One of our properties is and in the future, we may invest in additional properties that are leased to a single or significant tenant and, accordingly, may be suited to the particular or unique needs of such tenant. We may have difficulty replacing such a tenant if the floor plan of the vacant space limits the types of businesses that can use the space without major renovation. In addition, the resale value of the property could be diminished because the market value of a particular property will depend principally upon the value of the leases of such property.

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

During the three months ended June 30, 2016, we did not sell or issue any equity securities that were not registered under the Securities Act of 1933, as amended (the "Securities Act").

### *Use of Proceeds from Registered Securities*

On August 20, 2014, the Registration Statement on Form S-11 (File No. 333-191106) for the Offering was declared effective under the Securities Act. The Offering commenced on August 20, 2014 and is currently expected to terminate on or before August 20, 2017, unless extended by our board of directors.

From August 20, 2014 through June 30, 2016, we received gross proceeds of approximately \$138.8 million through the sale of 14.0 million Class A Shares and \$36.4 million through the sale of 3.8 million Class T Shares to the public in connection with the Offering. Since August 20, 2014, we have used proceeds from the Offering to pay \$14.4 million of selling commissions and dealer manager fees, as well as \$4.1 million of issuer costs related to the Offering. See [Note 7](#) — Related Party Transactions for additional information regarding the amendment to our Advisory Agreement executed in April 2016 and effective February 29, 2016, which has reduced the amount of issuer costs payable to our Advisor as a percentage of gross offering proceeds. As a result of the amendment to our Advisory Agreement, our Advisor reimbursed us for \$4.0 million in issuer costs that we had previously reimbursed to our Advisor. The selling commissions and dealer manager fees were not paid with respect to the shares sold through our distribution reinvestment plan. The selling commissions and dealer manager fees were paid to our dealer manager, which is an affiliate of Hines and is wholly-owned, indirectly, by, or for the benefit of, our Chairman, Jeffrey C. Hines and his father, Gerald D. Hines.

Net proceeds available for investment after the payment of the costs described above were approximately \$152.7 million. A portion of these proceeds, along with proceeds from debt financing, were used to make approximately \$104.3 million of investments in real estate, including the purchase price of our investments, deposits paid for future acquisitions, acquisition fees and expenses, and costs of leveraging each real estate investment. We had approximately \$48.8 million in uninvested offering proceeds as of June 30, 2016 which were used to acquire Cottonwood Corporate Center in July 2016.

Additionally, we have not generated sufficient cash flow from operations to fully fund distributions paid. From inception through June 30, 2016, a portion of our distributions have been funded with cash flows from financing activities, which includes offering proceeds. See "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations — Financial Condition, Liquidity and Capital Resources — Distributions" for a description of the sources that have been used to fund our distributions.

### *Issuer Redemptions of Equity Securities*

All eligible requests for redemptions that were received for the three months ended June 30, 2016 were redeemed using proceeds from our distribution reinvestment plan. The following table lists shares we redeemed under our share redemption program during the period covered by this report, including the average price paid per share.

<b>Period</b>	<b>Total Number of Shares Redeemed</b>	<b>Average Price Paid Per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans of Programs</b>	<b>Maximum Number of Shares that May Yet be Redeemed Under the Plans or Programs <sup>(1)</sup></b>
April 1, 2016 to April 30, 2016	10,031	\$ 10.00	10,031	34,356
May 1, 2016 to May 31, 2016	4,061	\$ 9.99	4,061	35,591
June 1, 2016 to June 30, 2016	—	\$ —	—	40,475
Total	<u>14,092</u>		<u>14,092</u>	

- (1) This amount represents the number of shares available for redemption on June 30, 2016. Our share redemption program was first announced at the commencement of our initial public offering in August 2014. Our share redemption program does not have a fixed expiration date, but it is subject to significant restrictions and limitations and our board of directors may terminate, suspend or amend the program without stockholder approval. We may redeem shares on a monthly basis if the shares were held for at least one year and meet certain other conditions. Any such redemptions will be limited to the amount required to redeem 5% of the shares outstanding as of the same date in the prior calendar year, and unless our board of directors determines otherwise, redemptions will be further limited to the amount of proceeds received from our distribution reinvestment plan in the month prior to the month in which the redemption request was received. Per the terms of our share redemption program, we may waive the one-year holding requirement and limitations described above for share redemption requests made in connection with the bankruptcy, death or disability of a stockholder.

### **Item 3. *Defaults Upon Senior Securities***

Not applicable.

### **Item 4. *Mine Safety Disclosures***

Not applicable.

### **Item 5. *Other Information***

Not applicable.

### **Item 6. *Exhibits***

The exhibits required by this item are set forth on the Exhibit Index attached hereto.

## SIGNATURES

Pursuant to the requirements 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.

HINES GLOBAL REIT II, INC.

August 12, 2016	By: <u>/s/ Sherri W. Schugart</u> Sherri W. Schugart President and Chief Executive Officer
August 12, 2016	By: <u>/s/ Ryan T. Sims</u> Ryan T. Sims Chief Financial Officer and Secretary



## INDEX TO EXHIBITS

Exhibit No.	Description
3.1	Articles of Amendment and Restatement of Hines Global REIT II, Inc. (filed as Exhibit 3.1 to Pre- Effective Amendment No. 5 to the Registrant's Registration Statement on Form S-11, File No. 333-191106 (the "Registration Statement") on August 15, 2014 and incorporated by reference herein)
3.2	Articles Supplementary of Hines Global REIT II, Inc. (filed as Exhibit 3.1 to Post-Effective Amendment No. 1 to the Registration Statement on December 12, 2014 and incorporated by reference herein)
3.3	Amended and Restated Bylaws of Hines Global REIT II, Inc. (filed as Exhibit 3.2 to Pre-Effective Amendment No. 5 to the Registration Statement on August 15, 2014 and incorporated by reference herein)
3.4	Articles Supplementary of Hines Global REIT II, Inc. (filed as Exhibit 3.1 to Post-Effective Amendment No. 6 to the Registration Statement on August 12, 2015 and incorporated by reference herein)
3.5	Amendment No. 1 to Amended and Restated Bylaws of Hines Global REIT II, Inc., dated September 23, 2015 (filed as Exhibit 3.5 to Post-Effective Amendment No. 7 to the Registration Statement on November 17, 2015 and incorporated by reference herein)
4.1	Forms of Subscription Agreement (filed as Appendix B-1 and Appendix B-2 to the Prospectus filed on August 12, 2015 and incorporated by reference herein)
4.2	Hines Global REIT II, Inc. Fourth Amended and Restated Distribution Reinvestment Plan, effective August 5, 2016 (filed as Appendix C to the Prospectus filed on August 2, 2016 and incorporated by reference herein)
10.1	Amendment No. 2 to Advisory Agreement, dated as of April 13, 2016 and effective as of February 29, 2016, among Hines Global REIT II Advisors LP, Hines Global REIT II Properties LP, and Hines Global REIT II, Inc. (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K on April 15, 2016 and incorporated by reference herein)
10.2	Loan Agreement, dated as of January 29, 2016 by and between Wells Fargo Bank, National Association, as Lender and Hines Global REIT II 891 Coronado LLC, as Borrower (filed as Exhibit 10.5 to the Registrant's Current Report on Form 8-K on February 4, 2016 and incorporated by reference herein)
10.3	Promissory Note, dated as of January 29, 2016 by and between Hines Global REIT II 891 Coronado LLC, as borrower, and Wells Fargo Bank, National Association, as lender (filed as Exhibit 10.6 to the Registrant's Current Report on Form 8-K on February 4, 2016 and incorporated by reference herein)
10.4	Amendment No. 3 to Selected Dealer Agreement, dated April 12, 2016, by and among Hines Global REIT II, Inc., Hines Securities, Inc., Hines Global REIT II Advisors LP and Ameriprise Financial Services, Inc. (filed as Exhibit 10.23 to Post-Effective Amendment No. 8 to the Registration Statement on April 15, 2016 and incorporated by reference herein)
10.5	Sale, Purchase and Escrow Agreement, dated as of May 13, 2016, by and between NOP Cottonwood Holdings, LLC, HGREIT II Cottonwood Center LLC, Commonwealth Land Title Insurance Company, Hines Global REIT II Properties LP and National Office Partners LLC (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed May 19, 2016 and incorporated by reference herein)
10.6*	Agreement of Purchase and Sale, dated as of June 24, 2016, by and between RT GOODYEAR, LLC and HGREIT II Goodyear Crossing LLC
31.1*	Certification
31.2*	Certification
32.1*	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C., Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. Pursuant to SEC Release 34-47551 this Exhibit is furnished to the SEC herewith and shall not be deemed to be "filed."
101*	The following materials from Hines Global REIT II, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2016, filed on August 12, 2016, formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Operations, (iii) Condensed Consolidated Statements of Equity (Deficit), (iv) Condensed Consolidated Statements of Cash Flows, and (v) Notes to the Condensed Consolidated Financial Statements.

\* Filed herewith

**AGREEMENT OF PURCHASE AND SALE**

*between*

RT GOODYEAR, LLC  
**Seller**

*and*

HGREIT II GOODYEAR CROSSING LLC  
**Buyer**



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## **EXHIBITS**

- A – Legal Description
- B – Escrow Agreement
- C – Schedule of Lease
- D – Schedule of Service Contracts
- E – Diligence Checklist
- F – Tenant Estoppel Certificate
- G – Bill of Sale
- H – Assignment of Lease
- I – Assignment of Intangible Property

## AGREEMENT OF PURCHASE AND SALE

THIS AGREEMENT OF PURCHASE AND SALE (this “**Agreement**”) made as of the 24th day of June, 2016 (the “**Effective Date**”), between RT GOODYEAR, LLC, a Delaware limited liability company formerly known as DH Goodyear, LLC, having an address c/o Gramercy Property Trust, 521 Fifth Avenue, New York, New York 10175 (“**Seller**”) and HGREIT II Goodyear Crossing LLC, a Delaware limited liability company, having an address at c/o Hines Advisors Limited Partnership, 2800 Post Oak Boulevard, Suite 4800, Houston, Texas 77056 (“**Buyer**”).

### RECITALS

A. Seller is the owner of those properties (collectively, the “**Property**”) consisting of: (i) that certain parcel having an address of 16920 West Commerce Drive, Goodyear, Arizona, located on the land more fully described in **Exhibit A** attached hereto and together with certain improvements situated thereon (the “**Improved Parcel**”) and (ii) that certain unimproved parcel containing approximately 11.83 acres of land more fully described in **Exhibit A-1** attached hereto and contiguous to the Improved Parcel (the “**Unimproved Parcel**”).

B. Seller desires to sell and convey the Property to Buyer and Buyer desires to purchase and acquire the Property from Seller, upon the terms and subject to the conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Seller and Buyer hereby agree as follows:

1. Definitions.

The following words and terms, when used in this Agreement, shall have the respective meanings ascribed to them below unless the context otherwise requires:

**“Affiliate”** means any person or entity that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with Buyer or Seller, as the case may be. For the purposes of this definition, “control” means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person or entity, whether through the ownership of voting securities, by contract or otherwise, and the terms “controlling” and “controlled” have the meanings correlative to the foregoing.

**“Authorities”** means the various governmental and quasi-governmental bodies or agencies having jurisdiction over the Property or any portion thereof.

**“Business Day”** means any day other than a Saturday, Sunday or a legal holiday on which banks are required or permitted to be closed in Goodyear, Arizona.

**“Environmental Laws”** means all federal, state, local and municipal environmental laws (including, without limitation, principles of common law), rules, statutes, directives, binding written interpretations, binding written policies, ordinances and regulations issued by any Authorities and in effect as of the date of this Agreement with respect to or which otherwise pertain to or affect the Property or any portion thereof, or the development, use, ownership, occupancy or operation of the Property or any portion thereof, and as same have been amended, modified or supplemented from time to time prior to and are in effect as of the date of this Agreement, including but not limited to CERCLA, the Hazardous Substances Transportation Act (49 U.S.C. § 1802 et seq.), RCRA, the Water Pollution Control Act (33 U.S.C. § 1251 et seq.), the Safe Drinking Water Act (42 U.S.C. § 300f et seq.), the Clean Air Act (42 U.S.C. § 7401 et seq.), the Toxic Substances Control Act (15 U.S.C. § 2601 et seq.), the Emergency Planning and Community Right-to-Know Act of 1986 (42 U.S.C. § 11001 et seq.), the Radon and Indoor Air Quality Research Act (42 U.S.C. § 7401 note, et seq.), comparable state and local laws, and any and all rules and regulations which are in effect as of the date of this Agreement under any and all of the aforementioned laws.

**“Tenant Inducement Costs”** shall mean any out-of-pocket payments required under the Lease (hereinafter defined) to be paid by the landlord thereunder to or for the benefit of the tenant thereunder which is in the nature of a tenant inducement, including specifically, but without limitation, tenant improvement costs, lease buyout payments, and moving, design, refurbishment and costs.

2. Agreement to Purchase and Sell; Deposit

2.1 Agreement to Purchase and Sell. Subject to and upon the terms and conditions contained in this Agreement, Seller agrees to sell and convey to Buyer and Buyer agrees to purchase from Seller the Property for a total purchase price of FIFTY-SIX MILLION, TWO HUNDRED THOUSAND and 00/100 Dollars (\$56,200,000.00) (the **“Purchase Price”**).

2.2 Deposit; Payment of Purchase Price. Within two (2) Business Days from the Effective Date (as defined in Section 19.16), Buyer shall pay a deposit in the amount of ONE MILLION and 00/100 Dollars (\$1,000,000.00) (the “**Deposit**”) to First American Title Insurance Company the (“**Escrow Agent**”) having an office at 601 Travis, Suite 1875, Houston, TX 77002, Attention: Ronda Husselman, by wire or intra-bank transfer of immediately available funds. Escrow Agent shall give prompt written confirmation to Seller of Escrow Agent’s receipt of the Deposit. If the Deposit is not paid when due, Seller shall have the right, at its option, to terminate this Agreement. The Deposit constitutes a deposit to be applied, subject to the provisions of this Agreement, toward the payment of the Purchase Price. Notwithstanding the foregoing, in the event Buyer terminates this Agreement pursuant to Section 6.2, or as elsewhere provided in this Agreement, the Deposit and all interest earned thereon shall be returned to Buyer. The Deposit shall be invested and disbursed by Escrow Agent in accordance with the terms and conditions of the Escrow Agreement attached hereto as Exhibit B the (“**Escrow Agreement**”) and to be executed by Seller, Buyer and the Escrow Agent. All interest earned on the Deposit shall be considered part of the Deposit. Buyer shall pay Seller by wire transfer of federal funds at the Closing (hereinafter defined) an amount (the “**Closing Payment**”) equal to (i) the Purchase Price, (ii) plus or minus net adjustments and prorations provided for in this Agreement, and (iii) minus the Deposit. The Deposit shall be disbursed by Escrow Agent to Seller at the Closing.

3. Other Property Included in Purchase and Sale.

In addition to the Property, all right, title and interest of Seller, if any, in and to the following, to the extent that the same apply to the Property, shall be included within the term “**Property**”:

3.1 all easements, rights of way, privileges, licenses, appurtenances and other rights and benefits running with the Property;

3.2 all fixtures, machinery, equipment and other tangible personal property owned by Seller (but not by tenants or subtenants of the Property or by Hulfish Managers, LLC (the “**Property Manager**”)) and attached and appurtenant to, or forming part of, the Property (the “**Personal Property**”);

3.3 all of Seller’s right, title and interest, as landlord, in (i) the currently existing lease for the Property now between Seller and Amazon.com.azdc LLC (“**Tenant**”), including all amendments, modifications and supplements thereto (the “**Lease**”) as listed in the Schedule of Lease attached hereto as Exhibit C (the “**Schedule of Lease**”), and (ii) all security deposits (whether in the form of cash or a letter of credit) and advance rentals, if any, made under the Lease;

3.4 all assignable service, utility, maintenance and other contracts and agreements in the name of Seller or the Property Manager affecting the operation of the Property and listed in Exhibit D attached hereto (collectively, the “**Service Contracts**”), but expressly excluding therefrom the existing management and leasing agreement for the Property (the “**Management Agreement**”) which shall be terminated by Seller at or before Closing;

3.5 all consents, authorizations, variances, licenses, permits and certificates of occupancy, if any, issued by any governmental authority with respect to the Property; and

3.6 all intangible personal property, if any, owned by Seller and related primarily to the Property, including, without limitation, all warranties and guarantees, plans and specifications, photographs and other identifying material, all Property specific logos, websites, marketing materials, trade or business names and telephone numbers (the “**Intangible Property**”).

4. Documents Furnished by Seller; Confidentiality.

Within three (3) Business Days from the Effective Date, Seller shall, to the extent in Seller’s possession or control, deliver electronically (if available) or otherwise, copies of, or make available at the Property or the offices of the Property Manager, for inspection by Buyer the following (collectively, the “**Review Materials**”): (i) the Lease, (ii) the Service Contracts, (iii) the Existing Surveys (as hereinafter defined), and (iv) the materials listed in **Exhibit E** attached hereto (the “**Diligence Checklist**”). The Review Materials, all other materials, reports, studies, books and records obtained or examined by or on behalf of Buyer pursuant to this Agreement, and the terms of this Agreement shall: (i) be held in strict confidence by Buyer prior to Closing; (ii) not be used for any purpose other than the investigation and evaluation of the Property by Buyer and its lenders, attorneys, investors, members, employees, agents, engineers, consultants and representatives (collectively, “**Buyer’s Agents**”); and (iii) not be disclosed, divulged or otherwise furnished to any other person or entity prior to the Closing except to Buyer’s Agents who need to know such information for the purpose of consummating this transaction, or as required by law or by any court or administrative order or in connection with a dispute between Buyer and Seller. Buyer shall inform Buyer’s Agents of the confidential nature of the information related to the Property, Buyer shall cause Buyer’s Agents to treat such information confidentially, and Buyer shall be responsible and liable for any breach of the confidentiality provisions of this Agreement by Buyer or Buyer’s Agents. If this Agreement is terminated for any reason whatsoever, Buyer shall return to Seller or otherwise destroy all of the Review Materials in the possession of Buyer and Buyer’s Agents.

Notwithstanding the foregoing, (i) Buyer may use or disclose any terms of this Agreement or any information contained in the Review Materials which has been previously publicly disclosed, and (ii) Seller acknowledges and agrees that Buyer, and entities which directly or indirectly own the equity interests in Buyer (including, without limitation, Hines Global REIT II, Inc. which is a public non-traded company), may disclose in press releases, SEC and other filings with governmental authorities, financial statements and/or other communications such information regarding the transactions contemplated hereby and any such information relating to the Property as may be necessary or advisable under federal or state securities law, rules or regulations (including U.S. Securities and Exchange Commission (“SEC”) rules and regulations, “generally accepted accounting principles” or other accounting rules or procedures or in accordance with Buyer’s and such direct or indirect owners’ prior custom, practice or procedure). One or more of such owners will be required to publicly disclose the possible transactions contemplated hereby and file this Agreement with the SEC promptly after the execution of the same by both parties or as soon as required by law. Without limiting the foregoing, Seller consents to Hines Global REIT II, Inc. publicly disclosing the possible transactions contemplated hereby and the filing this Agreement with the SEC promptly after the execution of the same by both parties. The provisions of this **Section 4** shall survive the termination of this Agreement.

5. Title.

5.1 Title. Buyer shall cause the Escrow Agent (also referred to herein as the “**Title Company**”) to issue to Buyer (with a copy to Seller), within ten (10) days after the Effective Date, a title insurance commitment for the Property (the “**Title Commitment**”). The title insurance policy to be issued at the Closing by the Title Company pursuant to the Title Commitment (the “**Title Policy**”) shall be an ALTA Owner’s Policy (2006) with extended coverage. Seller shall cause the Title Policy to be issued to Buyer subject only to the Permitted Exceptions (hereinafter defined) and free and clear of all standard or general exceptions contained in the Title Commitment which the Title Company shall remove upon delivery of a standard title affidavit from Seller.

5.2 Survey. Seller has delivered to Buyer a copy of the existing “as-built” surveys of the Property (collectively the “**Existing Surveys**”) consisting of (i) survey prepared by Robert A. Johnson, R.L.S. No. 37495 of V3 Companies dated November 11, 2009 and (ii) survey prepared by Deron J. Millman, L.S., License No. 37599, Millman Surveying, Inc. last revised February 2, 2015. Buyer may, at its option, obtain updates of the Existing Surveys (the “**New Surveys**”) (with copies to Seller) prior to the expiration of the Due Diligence Period certified to Buyer, Seller, the Title Company and any other party required by Buyer. If Buyer obtains the New Surveys after the expiration of the Due Diligence Period, Buyer shall be deemed to have accepted all matters shown or contained thereon.

5.3 Title Defects. No later than twenty (20) days after the Effective Date (the “**Title Objection Period**”), Buyer shall give written notice to Seller (the “**Defects Notice**”) of any material claim, lien or exception set forth in the Title Commitment and/or on the Existing Surveys and/or the New Surveys which Buyer is not willing to accept (a “**Defect**”). Seller shall have the right, but not the obligation, to cure any Defect (other than as provided below where Seller is obligated to cure) within the five (5) day period immediately following the expiration of the Title Objection Period (the “**Response Period**”), or in the case of any Defect which cannot with due diligence be cured prior to the expiration of the Response Period, such later date by which such Defect can reasonably be cured; provided that Seller commences to cure such Defect prior to the expiration of the Response Period and thereafter continues diligently and in good faith to cure the Defect; provided, further, that in no event shall such cure period extend the Closing except as set forth in the immediately following sentence. The Closing shall be extended, if necessary, in order to permit the cure described above, but in no event shall the date of the Closing be extended for more than ten (10) days. In the event that Seller elects not to cure any such Defect, Seller shall notify Buyer of such election prior to the expiration of the Response Period provided that Seller’s failure to provide any written notice shall be deemed an election not to cure any Defect other than as provided below where Seller is obligated to cure. Seller shall have no obligation to cure any Defect created by any acts or omissions of Buyer, and Seller’s failure to cure any such Defect shall not relieve Buyer from its obligation to close under this Agreement. If Seller elects, or is deemed to have elected, not to cure any Defect as set forth above or, if by the expiration of the Response Period, Seller has failed to cure all Defects (other than any Defects created by any acts or omissions of Buyer), Buyer may, at its option, either (i) proceed to close subject to any such Defects, with no offset against, or reduction in, the Purchase Price or (ii) terminate this Agreement by written notice given to Seller within five (5) Business Days after the later of (a) the expiration of Response Period,



(b) Seller's delivery of written notice of election not to cure any Defect, and (c) the expiration of the Due Diligence Period, as the case may be. In the event this Agreement is so terminated by Buyer, the Deposit and all interest earned thereon shall be delivered to Buyer and the parties shall be released from all further obligations and liabilities hereunder, except with respect to the covenants and indemnities set forth in Sections 4, 6.1, 6.3, 13 and 19.14 (collectively, the "**Surviving Obligations**"). In the event that any Defect(s) is a mortgage, deed of trust, ground lease, UCC Financing Statement or similar encumbrance granted by Seller or a mechanic's or materialmen's lien or other encumbrance, Seller shall satisfy such Defect(s) of record or, for payments in the aggregate of a readily ascertainable sum of money of up to \$50,000.00, as an alternative to causing such Defect(s) to be satisfied of record and provided that the Title Company agrees to omit such Defect(s) from the Title Policy: (i) bond or cause to be bonded such Defect(s); (ii) deliver or cause to be delivered to Buyer or the Title Company, on the date of the Closing, instruments in recordable form and sufficient to satisfy such Defect(s) of record, together with the appropriate recording or filing costs; (iii) deposit or cause to be deposited with the Title Company sufficient monies, acceptable to and reasonably requested by the Title Company, to assure the obtaining and recording of a satisfaction of the Defect(s); or (iv) otherwise cause the Title Company to omit such Defect(s) from the Title Policy. Notwithstanding the foregoing, neither notices of commencement of work to be performed by contractors or subcontractors engaged by Tenant or subtenants nor any liens filed with respect to any work performed by or on behalf of Tenant or subtenants shall constitute Defect(s) that Seller must satisfy except to the extent that such liens have been filed or recorded with respect to work that has not been paid for by Tenant or subtenants due to Seller's failure to pay to Tenant or subtenants, or to their respective contractors or subcontractors, as applicable, any tenant improvement allowance required to be provided by Seller in accordance with the Lease.

5.4 Permitted Title Exceptions. All items set forth in the Existing Survey, the New Survey and the Title Commitment, other than Defects specified in the Defects Notice which Seller elects in writing to cure or is required to cure as provided in Section 5.3 shall be deemed "**Permitted Exceptions**".

## 6. Buyer's Inspection of the Property.

6.1 Inspection and Examination. From the date hereof until Closing, Buyer and Buyer's Agents will be given the right to (i) perform non-invasive physical tests (except that, upon Seller's prior written consent, which consent may be withheld in Seller's sole and absolute discretion, Buyer may perform minor intrusive testing to determine the presence of asbestos-containing materials, termites and other wood destroying insects, provided that all damage resulting therefrom is promptly repaired by Buyer at its sole expense (the "**Repair Obligation**")) and (ii) conduct any and all necessary engineering, environmental and other inspections at the Property and examine and evaluate the Review Materials and all other relevant agreements and documents within the possession of Seller or subject to its control, as Buyer may reasonably request. No soil and/or ground water sampling shall be performed unless and until the location, scope and methodology of such sampling and the environmental consultant selected by Buyer to perform such sampling have all been approved by Seller. Prior to conducting any such sampling, Buyer shall have a utility mark-out performed for the Property. Copies of all environmental and engineering reports prepared by or on behalf of Buyer with respect to the Property shall be provided promptly to Seller upon request

(the “**Report Obligation**”); provided that Buyer shall have no liability with respect to the accuracy, contents or completeness thereof and, further, Buyer shall not be obligated to provide Seller with Buyer’s or Buyer’s attorneys’ internal analysis or work product. With respect to Buyer’s right to inspect the Property, Buyer agrees that (i) Seller shall receive at least twenty-four (24) hours’ prior written notice of each inspection, (ii) each inspection shall be performed during normal business hours or at such other times as Seller and Buyer shall mutually agree and shall be subject to any special limitations on access to certain areas of the Property arising under the Lease, (iii) Buyer and Buyer’s Agents shall not unreasonably interfere with the Tenant, subtenants, guests, employees, occupants of the Property and the operation thereof, (iv) Buyer and Buyer’s Agents shall fully comply with all applicable Laws and Regulations (hereinafter defined) of all governmental authorities having jurisdiction with respect to Buyer’s investigations on the Property and all its other activities undertaken in connection therewith; and (v) Buyer shall not permit any mechanics’ liens to be filed against the Property or any part thereof resulting from the inspections performed on behalf of Buyer. Buyer or Buyer’s Agents shall not perform any such inspection or examination unless accompanied by Seller or a representative of the Property Manager. The Repair Obligation and the Report Obligation shall survive the termination of this Agreement. Prior to any entry by Buyer or Buyer’s Agents on the Property to conduct the inspections and tests described above, Buyer shall obtain and maintain, at Buyer’s sole cost and expense, and shall deliver to Seller evidence thereof (including, without limitation, a copy of a certificate evidencing each such insurance policy): (1) commercial general liability insurance, from an insurer reasonably acceptable to Seller, in the amount of TWO MILLION and 00/100 Dollars (\$2,000,000.00) combined single limit for personal injury and property damage per occurrence, such policy to name each of Seller, GPT Operating Partnership, LP and Property Manager as an additional insured party, which insurance shall provide coverage against any claim for personal liability or property damage resulting from the inspections, tests, access to the Property or other activities of Buyer and Buyer’s Agents in connection with the performance of its due diligence; (2) property insurance insuring Buyer’s equipment against all perils; and (3) workers’ compensation insurance in amounts required by law. Buyer’s commercial general liability insurance shall be written on an occurrence basis, shall include a contractual liability endorsement that insures the Repair Obligation and Buyer’s indemnity obligations hereunder, and shall contain a waiver of subrogation provision consistent with the terms of this Section. Buyer hereby represents and warrants that it carries the insurance required under this Section. Seller from time to time may establish reasonable rules of conduct for Buyer and Buyer’s agents in furtherance of the terms of this Section 6.1.

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS AGREEMENT, (I) BUYER HEREBY WAIVES ANY AND ALL RIGHTS OF RECOVERY, CLAIM, ACTION OR CAUSE OF ACTION AGAINST SELLER, ITS AGENTS, EMPLOYEES, OFFICERS, DIRECTORS, PARTNERS, MEMBERS, SERVANTS OR SHAREHOLDERS FOR ANY LOSS OR DAMAGE TO BUYER’S PROPERTY BY REASON OF FIRE, THE ELEMENTS, OR ANY OTHER CAUSE WHICH IS COVERED OR COULD BE COVERED BY STANDARD “ALL-RISKS” PROPERTY INSURANCE, REGARDLESS OF CAUSE OR ORIGIN, INCLUDING NEGLIGENCE OF SELLER, ITS AGENTS, EMPLOYEES, OFFICERS, DIRECTORS, PARTNERS, MEMBERS, SERVANTS OR SHAREHOLDERS, AND (II) WITHOUT IN ANY WAY LIMITING OR SUBROGATING ANY RECOVERY UNDER THE INSURANCE COVERAGE SPECIFIED IN SECTION 6.1, SELLER HEREBY WAIVES ANY

AND ALL RIGHTS OF RECOVERY, CLAIM, ACTION OR CAUSE OF ACTION AGAINST BUYER, ITS AGENTS, EMPLOYEES, OFFICERS, DIRECTORS, PARTNERS, MEMBERS, SERVANTS OR SHAREHOLDERS FOR ANY LOSS OR DAMAGE TO SELLER'S PROPERTY BY REASON OF FIRE, THE ELEMENTS, OR ANY OTHER CAUSE WHICH IS COVERED OR COULD BE COVERED BY STANDARD "ALL-RISKS" PROPERTY INSURANCE, REGARDLESS OF CAUSE OR ORIGIN, INCLUDING NEGLIGENCE OF BUYER, ITS AGENTS, EMPLOYEES, OFFICERS, DIRECTORS, PARTNERS, MEMBERS, SERVANTS OR SHAREHOLDERS.

6.2 Right of Termination. During the period extending until the date that is the later of (x) two (2) Business Days after Buyer's receipt of the Waiver pursuant to Section 8.3, or (y) thirty (30) days from the Effective Date (the "**Due Diligence Period**"), Buyer's obligation to purchase the Property shall be contingent, upon Buyer being satisfied, in its sole and absolute discretion and for any or no reason, with the Property (the "**Due Diligence Condition**"). In the event that the Due Diligence Condition is so satisfied, Buyer shall notify Seller in writing (the "**Diligence Satisfaction Notice**") prior to the expiration of the Due Diligence Period. If Buyer shall fail to give the Diligence Satisfaction Notice to Seller prior to the expiration of the Due Diligence Period and if Buyer delivers notice of its election to terminate this Agreement prior to the expiration of the Due Diligence Period, which Buyer may do for any or no reason, this Agreement shall terminate and the Deposit and all interest earned thereon shall be promptly returned to Buyer and the parties hereto shall be released from all further obligations and liabilities hereunder, except with respect to the Surviving Obligations. In the event that Buyer does give the Diligence Satisfaction Notice to Seller prior to the expiration of the Due Diligence Period, Buyer shall be deemed to have waived the Due Diligence Condition and Buyer's right to terminate this Agreement pursuant to this Section 6.2 shall be deemed deleted from this Agreement, and this Agreement shall continue in effect subject to the other provisions hereof. Notwithstanding anything herein to the contrary, if Buyer delivers the Diligence Satisfaction Notice prior to the expiration of the Due Diligence Period, the Deposit shall become non-refundable, except as otherwise expressly provided in this Agreement.

6.3 Inspection Indemnity. Notwithstanding anything to the contrary contained in this Agreement, any investigation or examination of the Property performed by Buyer or Buyer's Agents prior to the Closing shall be performed at the sole risk and expense of Buyer, and Buyer shall be solely responsible for the acts or omissions of any of Buyer's Agents brought on, or to, the Property by Buyer. In addition, Buyer shall defend, indemnify and hold Seller and any agent, advisor, representative, Affiliate, employee, director, partner, member, beneficiary, investor, servant, shareholder, trustee or other person or entity acting on Seller's behalf or otherwise related to or affiliated with Seller (collectively, "**Seller Related Parties**") harmless from and against all loss, expense (including, but not limited to, reasonable attorneys' fees and court costs arising from the enforcement of this indemnity), damage and liability resulting from claims for personal injury, wrongful death or property damage against Seller or any of Seller Related Parties or any of the Property arising from or as a result of, any act or omission of Buyer or Buyer's Agents in connection with the inspection or examination of the Property by Buyer or Buyer's Agents, but expressly excluding any claims, loss, cost or damage arising out of the discovery of a pre-existing condition except to the extent exacerbated by Buyer or Buyer's Agents or the acts or omissions of any Seller

Related Parties. The provisions of this Section 6.3 shall survive the Closing or the earlier termination of this Agreement.

6.4 Condition. As a material inducement to Seller to execute this Agreement, Buyer acknowledges, represents and warrants that, upon Closing, (i) Buyer will have fully examined and inspected the Property, including the construction, operation and leasing of the Property, together with the Review Materials and such other documents, reports, studies and materials with respect to the Property which Buyer deems necessary or appropriate in connection with its investigation and examination of the Property, (ii) Buyer will have accepted and will be fully satisfied in all respects with the foregoing and with the physical condition, value, presence/absence of hazardous or toxic materials, financing status, use, leasing, operation, tax status, income and expenses of the Property, (iii) the Property will be purchased by Buyer “AS IS” and “WHERE IS” and with all faults and, upon Closing, Buyer shall take the Property subject to the physical and environmental condition of the Property and (iv) Buyer will have decided to purchase the Property solely on the basis of its own independent investigation, except to the extent Buyer is relying on anything expressly set forth herein or in any document executed by Seller and delivered to Buyer pursuant to Section 9.2. Except as expressly set forth herein or in any document executed by Seller and delivered to Buyer pursuant to Section 9.2 (“**Seller’s Documents**”), Seller has not made, does not make, and has not authorized anyone else to make any representation as to the present or future physical condition, value, presence/absence of hazardous or toxic materials, financing status, leasing, operation, use, tax status, income and expenses or any other matter or thing pertaining to the Property, and Buyer acknowledges that no such representation or warranty has been made and that in entering into this Agreement it does not rely on any representation or warranty other than those expressly set forth in this Agreement or in Seller’s Documents. EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT OR IN SELLER’S DOCUMENTS, SELLER MAKES NO WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED OR ARISING BY OPERATION OF LAW, INCLUDING, WITHOUT LIMITATION, ANY WARRANTY OF CONDITION, HABITABILITY, MERCHANTABILITY, OR FITNESS FOR A PARTICULAR PURPOSE OF THE PROPERTY. Seller shall not be liable for or bound by any verbal or written statements, representations, real estate broker’s “setups” or information pertaining to the Property furnished by any real estate broker, agent, employee, servant or any other person unless the same are specifically set forth in this Agreement or in Seller’s Documents. The provisions of this Section 6.4 shall survive the Closing.

6.5 Release. Except for any Claims (as defined below) arising out of a breach or default by Seller under this Agreement (including a breach of any of Seller’s representations and warranties herein) or the Seller’s Documents (“**Excepted Claims**”), Buyer and anyone claiming by, through or under Buyer hereby waive their right to recover from and fully and irrevocably release Seller and Seller’s employees, advisors, investors, beneficiaries, officers, trustees, shareholders, members, representatives, agents, servants, attorneys, Affiliates, parents, subsidiaries, their successors and assigns, and all persons, firms, corporations and organizations acting on their behalf (“**Released Parties**”) from any and all claims, responsibility and/or liability that it may now have or hereafter acquire against any of the Released Parties for any and all costs, losses, claims, liabilities, damages, expenses, demands, debts, controversies, claims, actions or causes of actions (collectively, “**Claims**”) arising from or related to the condition (including any construction defects, errors,

omissions or other conditions, latent or otherwise, and the presence in the soil, air, structures and surface and subsurface waters of materials or substances that have been or may in the future be deemed to be hazardous materials or otherwise toxic, hazardous, undesirable or subject to regulation and that may need to be specifically treated, handled and/or removed from the Property under current or future federal, state and local laws, regulations or guidelines or common law), valuation, salability or utility of the Property, the condition of title to the Property, compliance with any applicable federal, state or local law, rule or regulations or common law with respect to the Property, or the Property's suitability for any purposes whatsoever, and any information furnished by the Released Parties in connection with this Agreement.

7. Representations and Warranties.

7.1 Representations and Warranties of Seller. Seller makes the following representations and warranties to Buyer, which representations and warranties shall be true and correct in all material respects as of the Effective Date and on the day of the Closing:

7.1.1 Seller is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware.

7.1.2 The execution, delivery and performance of this Agreement and all other documents, instruments and agreements now or hereafter to be executed and delivered by Seller pursuant to this Agreement are within the limited liability company power of Seller and have been duly authorized by all necessary or proper limited liability company action.

7.1.3 Seller is not a "foreign person" as defined in Section 1445(f)(3) of the Internal Revenue Code of 1986, as amended (the "**Code**").

7.1.4 As of the Effective Date, there is no pending suit or action against Seller or the Property which, if adversely decided, would prevent the consummation of the transaction contemplated by this Agreement or materially and adversely affect the Property. Without limiting the generality of the foregoing, to Seller's knowledge, as of the Effective Date there are no actual or threatened suits, actions or proceedings with respect to all or part of the Property (a) for condemnation or (b) alleging any material violation of any applicable law, regulation, ordinance or code (collectively, "**Laws and Regulations**").

7.1.5 Seller has not received any written notice (which remains uncured) from any governmental authority stating that the Property violates any Laws and Regulations in any material respect.

7.1.6 Except as may be disclosed in the Seller's Documents, Seller has not received written notice of violations of applicable Environmental Laws with respect to the ownership, use, condition, or operation of the Property that remain outstanding.

7.1.7 With respect to the Lease:

(a) As of the date of the Schedule of Lease, there are no tenant leases or tenancy agreements affecting the Property, or any portion thereof, other than the Lease and any subleases thereunder that may have been entered into by Tenant (or subtenants of Tenant) with third parties;

(b) The Lease is in full force and effect and has not been amended or modified in any respect except as set forth in the Schedule of Lease. Seller has not given, nor has Seller received, any written notice of a default under the Lease which remains uncured (the foregoing does not apply to delinquencies in the payment of monthly rent that have existed for less than thirty (30) days), except as set forth in the Schedule of Lease and Seller has no knowledge of any event or circumstance which, with the passage of time or the delivery of notice, would cause or constitute a default under the Lease by either landlord or tenant thereunder;

(c) The Schedule of Lease contains a complete and accurate list of all outstanding tenant security deposits under the Lease;

(d) As of the Closing, Seller will have paid in full all leasing, broker's or finder's commissions (including any commissions for renewal or expansion options that have been exercised by Tenant under the Lease prior to the Closing), and tenant finish-out obligations, that are unpaid although presently due and payable by Seller with respect to the Lease and, with respect to the current term of the Lease, there are no other outstanding credits, abatements or other incentives owed to Tenant pursuant to the terms of the Lease;

(e) The copy of the Lease delivered by Seller to Buyer is a true, complete and correct copy of the Lease; and

(f) Tenant has waived the right of first offer under Revised Addendum 7 to the Lease in connection with the sale of the Property to Buyer.

7.1.8 With respect to the Service Contracts:

(a) As of the Effective Date, there are no material equipment leases or service, maintenance or other similar contracts or agreements affecting the Property, or any portion thereof, other than the Service Contracts and any equipment leases or other contracts or agreements that may have been entered into by Tenant (or subtenants of Tenant) of the Property with third parties; and

(b) Each Service Contract is in full force and effect and has not been amended in any material respect except as set forth in **Exhibit D**. Seller has not given, nor has Seller received, any written notice of a material default under any of the Service Contracts which remains uncured, except as set forth in **Exhibit D**.

7.1.9 The Management Agreement will be terminated by Seller as of the Closing without cost to Buyer and Buyer shall have no liability whatsoever with respect thereto.



## 7.2 Limitation of Seller's Representations.

7.2.1 Survival Period. The representations and warranties of Seller contained in Section 7.1 are made as of the Effective Date. Prior to the date of the Closing, Seller shall notify Buyer of any modifications to such representations that are required to make such representations true in all material respects, including any modifications arising from actions taken in compliance with Section 14. If any representation of Seller herein, although true as of the Effective Date, is no longer true at the Closing as a result of a matter, event or circumstance beyond Seller's reasonable control, Buyer may not consider same as an event of default hereunder; but rather, in such case, Buyer may, at Buyer's option and as Buyer's sole and exclusive remedy, terminate this Agreement and have the Deposit refunded by Escrow Agent, whereupon the parties hereto shall have no further rights, obligations or liabilities with respect to each other hereunder, except for the any rights and obligations that expressly survive herein. The representations and warranties set forth in Section 7.1 and in Seller's Documents shall survive the Closing to the date (the "**Representation Termination Date**") occurring nine (9) months after the date of the Closing, at which time such representations and warranties shall terminate and be of no further force or effect, except for any claims made prior to the Representation Termination Date as hereinafter set forth. All other representations and warranties made by Seller in this Agreement, unless expressly provided otherwise, shall not survive the Closing. In order to make a claim for damages based on the inaccuracy of any of the representations or warranties of Seller contained in Section 6.1 or in Seller's Documents, promptly after discovery of any such inaccuracy (but in any event prior to the Representation Termination Date), Buyer shall notify Seller in writing (a "**Misrepresentation Notice**") that Buyer has discovered the existence of an inaccuracy in a warranty or representation (such Misrepresentation Notice to describe the inaccuracy in reasonable detail). Thereupon, the claim set forth in such Misrepresentation Notice shall continue to survive until final resolution or settlement thereof. No post-Closing claim for breach of any representation or warranty of Seller shall be actionable or payable if the breach in question results from or is based on a condition, state of facts, circumstance or event of which Buyer had actual or deemed knowledge prior to the Closing. For purposes of this Section, the term "deemed knowledge" shall mean knowledge of any fact, condition, circumstance or event which is disclosed in this Agreement, Seller's Documents, the Review Materials, the Tenant Estoppel Certificate, the reports or studies documenting the results of Buyer's due diligence tests, investigations and inspections of the Property, the Title Commitment, the Existing Survey, the New Survey or in any other documents or materials delivered to, or obtained by, Buyer in connection with this Agreement.

7.2.2 Seller's Representatives. Where representations and warranties are made in this Agreement to "Seller's knowledge," such phrase shall mean and be limited to the current actual knowledge of Allan B. Rothschild, a Managing Director of Seller, and Austin Reynolds, an Asset Manager of Seller, such individuals having responsibility for oversight of the management, leasing and operation of the Property (collectively, "**Seller's Representatives**"); provided, however, that neither Allan B. Rothschild nor Austin Reynolds shall have any personal liability in connection with, or arising out of, any representation or warranty of Seller contained in this Agreement and/or Seller's Documents. For purposes of the representations and warranties made by Seller in this Agreement and/or Seller's Documents, (1) "Seller's knowledge" shall not include that of any independent contractor hired by Seller and (2) notices received by any

independent contractor hired by Seller and not delivered by such contractor to Seller shall not be deemed to have been received by Seller. Furthermore, Seller's knowledge shall not include any implied, imputed or constructive knowledge of Seller's Representatives and shall not constitute any representation that Seller's Representatives have made or are obligated to make any independent investigation or have any implied duty to investigate.

7.3 Representations and Warranties of Buyer. Buyer makes the following representations and warranties to Seller, which representations and warranties shall be true and correct in all material respects on the date of the Closing:

7.3.1 Buyer is a duly organized, validly existing limited partnership and in good standing under the laws of the State of Delaware.

7.3.2 The execution, delivery and performance of this Agreement and all other documents, instruments and agreements now or hereafter to be executed and delivered by Buyer pursuant to this Agreement are within the power of Buyer and have been duly authorized by all necessary or proper limited partnership action.

7.3.3 Buyer and, each person or entity owning a controlling interest in Buyer is (1) not currently identified on the Specially Designated Nationals and Blocked Persons List maintained by the Office of Foreign Assets Control, Department of the Treasury and/or on any other similar list, (ii) not a person or entity with whom a citizen of the United States is prohibited to engage in transactions by any trade embargo, economic sanction, or other prohibition of United States law, regulation, or Executive Order of the President of the United States, and (iii) not an "Embargoed Person." None of the funds or other assets of Buyer constitute property of, or are beneficially owned, directly or indirectly, by any Embargoed Person, and no Embargoed Person has any interest of any nature whatsoever in Buyer (whether directly or indirectly). The term "**Embargoed Person**" means any person, entity or government subject to trade restrictions under U.S. Law, including but not limited to, the International Emergency Economic Powers Act, 50 U.S.C. § 1701 *et seq.*, The Trading With The Enemy Act, 50 U.S.C. App. 1 *et seq.*, and any Executive Orders or regulations promulgated thereunder.

The representations and warranties of Buyer contained in this Section 7.3 shall survive the Closing to the Representation Termination Date, at which time such representations and warranties shall terminate and be of no further force or effect, except for any claims made prior to the Representation Termination Date, in the manner set forth in Section 7.2.

## 8. Conditions to Closing.

8.1 Buyer's Conditions. Buyer's obligation to close the transaction contemplated by this Agreement is subject to the satisfaction, at or prior to the applicable date set forth below, of the following conditions precedent, which Buyer may waive in writing.

8.1.1 Tenant Estoppel Certificate. That Seller shall have obtained an executed tenant estoppel certificate (the "**Tenant Estoppel Certificate**") from Tenant. The Tenant Estoppel Certificate shall be in substantially the same form attached hereto as **Exhibit F** and dated

after the Effective Date. Any qualification of any assertion in the Tenant Estoppel Certificate regarding the status of the performance of any of landlord's obligations under the Lease that such assertion is made "to Tenant's knowledge" or similar qualification made by Tenant shall be acceptable. Buyer shall have ten (10) Business Days after receipt of an executed Tenant Estoppel Certificate to advise Seller in writing of any objections thereto and, if Buyer fails to notify Seller of any such objections, then such Tenant Estoppel Certificate shall be deemed approved by Buyer. Seller shall have no obligation to make any payment or to institute any action or proceeding pursuant to the Lease in order to obtain the Tenant Estoppel Certificate.

8.1.2 Seller's Obligations. Seller shall have performed in all material respects each of the obligations of Seller set forth in Section 9.2 as of the Closing Date.

8.1.3 Seller's Representations and Warranties. Subject to Section 7.2, Seller's representations and warranties made in Section 7.1 shall be true and correct in all material respects as of the Closing and shall be deemed remade on the Closing Date.

8.1.4 Title Policy. The Title Company shall be irrevocably committed to issue the Title Policy.

8.1.5 Lease. As of the Closing Date, Tenant shall (i) not be subject to a bankruptcy, insolvency, reorganization, liquidation, dissolution or similar proceeding, (ii) not have terminated its Lease in writing, (iii) not be in default under the Lease, and (iv) shall have waived its right to purchase the Property as a result of the transaction contemplated by this Agreement.

8.1.6 Declaration Estoppel. That Seller shall have obtained an estoppel certificate from the Goodyear Crossing Industrial Park Owners Association, Inc. indicating that (i) no fees or assessments levied against the Property are unpaid (or, if unpaid, the amount thereof) and (ii) to the knowledge of the certifying party, the Property is not in violation of the Declaration of Protective Covenants, Conditions, Restrictions and Easements for Goodyear Crossing Industrial Park.

8.2 Failure of Buyer's Condition. If the condition precedent set forth in Section 8.1.1 is not satisfied or waived by Buyer on or prior to the date set for the Closing, Buyer or Seller may postpone the date of the Closing for up to thirty (30) days by written notice of postponement given to the other party at least two (2) Business Days prior to the original date of the Closing in order to obtain the required Tenant Estoppel Certificate. Furthermore, if the condition precedent set forth in Section 8.1.1 is not satisfied or waived by Buyer on or prior to the date set for the Closing, as it may be extended pursuant to the preceding sentence, Buyer may terminate this Agreement, in which event the Deposit, including all interest earned thereon, shall be promptly returned to Buyer and the parties shall be released from all further obligations and liabilities hereunder, except with respect to the Surviving Obligations.

8.3 Joint Condition. The obligation of Seller and Buyer, respectively, to close the transaction contemplated by this Agreement is subject to the satisfaction, at or prior to the date set forth below, of the following condition precedent (the "**Joint Condition**"):

8.3.1 Waiver of Rights of First Offer. That the right of first offer of Tenant under Addendum 8 to the Lease has been waived or deemed waived (the “**Waiver**”). Prior to the Effective Date, Seller has requested the Waiver and shall diligently pursue obtaining same.

8.4 Failure of Joint Condition. If the Joint Condition is not satisfied on or prior to the date that is thirty (30) days after the Effective Date (the “**Waiver Period**”), Buyer or Seller may extend the Waiver Period until the date which is two (2) Business Days after the date (including any extension periods) that Tenant will have been required to either exercise or waive its right of first offer, in order to satisfy the Joint Condition, by written notice of extension given to the other party prior to the expiration of the Waiver Period, in which case the Closing Date shall be extended accordingly. Furthermore, if the Joint Condition is not satisfied on or prior to the expiration of the Waiver Period, as it may be extended pursuant to the preceding sentence, either Buyer or Seller may terminate this Agreement, in which event the Deposit, including all interest earned thereon, shall be promptly returned to Buyer and, in addition, Seller shall reimburse Buyer for all out-of-pocket costs and expenses actually incurred by Buyer in connection with its due diligence activities and negotiation of this Agreement, up to a maximum aggregate amount of One Hundred Thousand and 00/100 Dollars (\$100,000.00).

## 9. Closing.

9.1 Time and Place. The closing contemplated by this Agreement (the “**Closing**”) shall take place on the date that is thirty (30) days after the expiration of the Due Diligence Period (the “**Closing Date**”), through an escrow with Escrow Agent. If the Closing Date is not a Business Day, the Closing shall be held on the next ensuing Business Day. Time is of the essence with respect to the Closing. Buyer shall have the right to extend the Closing Date for an additional period of up to fifteen (15) days, by written notice to Seller given at least three (3) Business Days prior to the original Closing Date.

9.2 Seller’s Closing Documentation and Requirements. At the Closing, Seller shall deliver the following to Buyer:

9.2.1 a special warranty deed, duly executed and acknowledged, conveying to Buyer fee simple title to the Property, subject only to the Permitted Exceptions;

9.2.2 a bill of sale, duly executed and acknowledged, transferring to Buyer all of the Personal Property in the form attached hereto as **Exhibit G**;

9.2.3 a lease assignment and assumption, duly executed and acknowledged, transferring to Buyer the Lease in the form attached hereto as **Exhibit H** (the “**Lease Assignment**”);

9.2.4 an affidavit of Seller stating, under penalty of perjury, its United States taxpayer identification number and that it is not a “foreign person” as defined in Section 1445(f) (3) of the Code, and otherwise in the form prescribed by the Internal Revenue Service;

9.2.5 a current Schedule of the Lease for the Property certified by Seller;

9.2.6 executed original or certified copies of the Lease and the Service Contracts, to the extent within Seller's possession or subject to Seller's control;

9.2.7 a written notice, executed by Seller addressed to Tenant indicating that the Property has been sold to Buyer and that the tenant security deposit under the Lease has been transferred to Buyer;

9.2.8 the Tenant Estoppel Certificate obtained by Seller pursuant to Section 8.1.1;

9.2.9 an assignment and assumption of the Service Contracts (the "**Assignment of Service Contracts**"), duly executed and acknowledged, assigning and transferring to Buyer all right, title and interest of Seller in and to, and all post-closing obligations of the owner of the Property under, the Service Contracts (excluding any Service Contracts terminated prior to Closing);

9.2.10 an assignment of the Intangible Property (the "**Assignment of Intangible Property**"), assigning and transferring to Buyer all right, title and interest of Seller in and to the Intangible Property in the form attached as **Exhibit I**;

9.2.11 all good standing certificates and other governmental certificates (if any) required of Seller under the Title Commitment;

9.2.12 a written notice to Escrow Agent pursuant to Section 3.1 of the Escrow Agreement;

9.2.13 an Affidavit of Property Value, duly executed and acknowledged;

9.2.14 a Seller's executed ALTA statement, Owner's Affidavit or similar statement which may be required by the Title Company to omit from the Title Policy any exceptions for unfiled mechanics', materialmen's or similar liens, and parties in possession (other than Tenant);

9.2.15 such other Seller's affidavits acceptable to Title Company as it may reasonably require to issue the Title Policy; and

9.2.16 such other documents and instruments as Buyer may reasonably request in order to consummate the transaction contemplated hereby.

9.3 **Buyer's Closing Documentation and Requirements**. At the Closing, Buyer shall pay the Closing Payment in accordance with the provisions of this Agreement and shall deliver the following to Seller:

9.3.1 the Assignment of Service Contracts, each duly executed and acknowledged;

9.3.2 all good standing certificates and other governmental certificates (if any) required of Buyer under the Title Commitment;

9.3.3 a written notice to Escrow Agent pursuant to Section 3.1 of the Escrow Agreement;

9.3.4 the Lease Assignment duly executed and acknowledged, transferring to Buyer the Lease;

9.3.5 an Affidavit of Property Value, duly executed and acknowledged; and

9.3.6 such other documents and instruments as Seller may reasonably request in order to consummate the transaction contemplated hereby.

9.4 Form. All documents and instruments required hereby shall be in form and substance reasonably acceptable to Seller and Buyer.

10. Adjustments and Prorations. The following items in this Section 10 shall be adjusted and prorated between Seller and Buyer as of the day of Closing, based upon the actual number of days in the applicable month or year:

(a) Taxes. All real estate taxes, assessments and governmental charges, payments in lieu of taxes or assessments imposed by any governmental authority ("Taxes") which accrued during the 2015 calendar year (but which are due and payable during the 2016 calendar year) shall be paid by Seller. All payments of Taxes attributable to the 2016 calendar year that are received by Seller from Tenant prior to Closing shall be paid over to Buyer at Closing or otherwise credited against the Purchase Price. If the Closing occurs prior to the receipt by Seller of the tax bill for the Property for applicable tax period in which the Closing occurs, Taxes with respect to the Property shall be prorated for such calendar year or other applicable tax period based upon the prior year's tax bill.

(b) Reproration of Taxes. Within thirty (30) days of receipt of final bills for Taxes, the party receiving said final tax bills shall furnish copies of the same to the other party and shall prepare and present to such other party a calculation of the reproration of such Taxes based upon the actual amount of such Taxes for the year on the basis of the fiscal year assessed. The parties shall make the appropriate adjusting payment between them within thirty (30) days after presentment to Seller of Buyer's calculation and appropriate back-up information. The provisions of this Section 10(b) shall survive the Closing until all Taxes for calendar year 2016 and prior have been finally determined.

(c) Rents, Income and Other Expenses. Rents and any other amounts paid to Seller by Tenant under the Lease shall be prorated as of 11:59 P.M. on the day preceding the Closing Date and be adjusted against the Purchase Price on the basis of a schedule which shall be prepared by Seller and delivered to Buyer for Buyer's review and approval prior to Closing. Seller and Buyer shall prorate all rents, additional rent, common area maintenance charges, operating expense contributions, and escalations, and all other payments under the Lease received as of the Closing Date so that at Closing Seller will receive monthly basic rent payments attributable to the period through the day prior to the Closing Date and so that Seller will receive reimbursement for all operating expenses paid by Seller, and recoverable from Tenant, through the day prior to the Closing Date (including, without limitation, Taxes, unless full taxes are paid by Tenant) (such expenses shall



be reasonably estimated if not ascertainable as the Closing Date and then shall be re-adjusted as provided in (e) below when actual amounts are determined) to the extent received or paid, as applicable, as of the Closing Date. Buyer agrees to pay to Seller, upon receipt, any rents or other payments by Tenant under the Lease that apply to periods prior to Closing but which are received by Buyer after Closing and Seller agrees to pay to Buyer, upon receipt, any rents or other payments by Tenant under the Lease that apply to periods on and after the Closing but which are received by Seller after Closing; provided, however, that, in all cases, any rents or other payments by any tenant received by Buyer or Seller after Closing shall be applied first to any amounts then due and owed to Buyer by any tenant with the balance, if any, paid over to Seller to the extent of delinquencies existing on the date of Closing. Buyer agrees to use commercially reasonable efforts, short of termination of the Lease or pursuing litigation or arbitration, to collect from any tenant on behalf of Seller any rents or other charges payable with respect to the Lease or any portion thereof which are delinquent or past due as of the Closing Date. Upon collection of any such delinquent or past due amounts, Buyer shall promptly remit the same to Seller. Buyer will keep Seller reasonably apprised of the progress of any such collection efforts by Buyer on behalf of Seller. The provisions of this Section 10(c) shall survive the Closing.

(d) Tenant Inducement Costs. Except as otherwise set forth herein, (i) Seller shall pay all Tenant Inducement Costs and leasing commissions payable under the Lease and attributable to the current term of the Lease and unpaid as of the Closing Date, and (ii) if such amounts have not been paid in full on or before Closing, Buyer shall receive a credit against the Purchase Price in the aggregate amount of all such Tenant Inducement Costs and leasing commissions remaining unpaid at Closing, and Buyer shall assume the obligation to pay amounts after Closing. Buyer shall be responsible for the payment of all Tenant Inducement Costs and leasing commissions (i) as a result of any renewals or extensions or expansions of the Lease exercised by Tenant after the Effective Date. The provisions of this Section 10(d) shall survive the Closing.

(e) Operating Expenses; Year End Reconciliation. Installment payments of special assessment liens, vault charges, sewer charges, utility charges, and normally prorated operating expenses actually paid or payable by Seller as of the Closing Date shall be prorated as of the Closing Date and adjusted against the Purchase Price, provided that within ninety (90) days after the Closing, Buyer and Seller will make a further adjustment for such expenses which may have accrued or been incurred prior to the Closing Date, but which were not paid as of the Closing Date. In addition, within ninety (90) days after the close of the fiscal year used in calculating the pass-through to any tenant of operating expenses and/or common area maintenance costs under the Lease (where such fiscal year includes the Closing Date), Seller and Buyer shall re-prorate on a fair and equitable basis all rents and income prorated pursuant to this Section 10 as well as all expenses prorated pursuant to this Section 10. The provisions of this Section 10(e) shall survive the Closing.

(f) Security Deposits. The following adjustments to the Purchase Price shall be made between the parties at the Closing: (a) Buyer shall be credited and Seller charged with outstanding cash security deposits or advance rentals made by Tenant under the Lease, and (b) Seller shall be credited and Buyer charged with transferable deposits under the Service Contracts.

(g) Tenant Audits. Notwithstanding anything to the contrary set forth in this Agreement, in the event Tenant conducts an audit of operating expenses or other additional rent or charges paid, or payable, by Tenant pursuant to the Lease which audit is of the 2016 calendar year or any prior period, and such audit discloses an overcollection by Seller of any such operating expenses, additional rent or other charges, Seller shall be liable for the amount of any such overcollection. This Section 10(g) shall survive the Closing for a period of one (1) year.

11. Expenses.

11.1 Expenses. Buyer shall pay (a) the cost of all endorsements and any extended or affirmative coverage obtained by Buyer under the Title Policy; (b) the cost of the New Surveys; (c) one-half (1/2) of all escrow fees and expenses charged by Escrow Agent; and (d) all recording fees on any conveyance document recorded pursuant to this Agreement (excluding the cost of recording any document required to cure a Defect). Seller shall pay (a) all state and county transfer taxes with respect to the transaction contemplated hereby; (b) the cost of the base owner's policy premium charged by the Title Company for the Title Policy; (c) one-half (1/2) of all escrow fees and expenses charged by the Escrow Agent; and (d) the cost of recording any document required to cure a Defect.

11.2 Attorney's Fees. Each party shall pay its own attorney's fees and all of its other expenses, except as otherwise expressly set forth herein.

12. Risk of Loss; Casualty and Eminent Domain.

12.1 Casualty. If, prior to the Closing, the Property is damaged by fire, vandalism, acts of God or other casualty or cause, Seller shall promptly give Buyer notice of any such damage (the "**Damage Notice**"), together with Seller's estimate of the cost and period of repair and restoration. In any such event: (a) in the case of damage to the Property of less than Two Million and No/100 Dollars (\$2,000,000.00) and from a risk covered by insurance maintained with respect to the Property that does not give rise to a termination or abatement right by Tenant, Buyer shall take the Property at the Closing as it is together with any applicable insurance proceeds or the right to receive the same; or (b) in the case of either (i) damage to the Property of Two Million and No/100 Dollars (\$2,000,000.00) or more, (ii) damage to the Property from a risk not covered by insurance, or (iii) damage to the Property giving rise to a termination or abatement right by Tenant, then in any such event Buyer shall have the option of (x) taking the Property at the Closing in accordance with item (a) above or (y) terminating this Agreement. If, pursuant to the preceding sentence, Buyer is either obligated or elects to take the Property as it is together with any applicable insurance proceeds or the right to receive the same, (A) Seller agrees to cooperate with Buyer in any loss adjustment negotiations, legal actions and agreements with the insurance company, and to assign to Buyer at the Closing its rights to any such insurance proceeds with respect to such claim and will not settle any insurance claims or legal actions relating thereto without Buyer's prior written consent, which consent shall not be unreasonably withheld or delayed; and (B) an amount equal to any deductible from the insurance proceeds shall be credited against the Closing Payment. Notwithstanding the foregoing, in any case where Buyer does not otherwise have the right to terminate this Agreement, or has the right to terminate this Agreement but does not exercise such right, then, if the sum of the deductible amount credited against the Purchase Price plus the proceeds

of insurance that the applicable insurer has agreed to pay and which are to be delivered to Buyer at Closing are not sufficient to repair and restore the damage, Buyer shall have the additional right to terminate this Agreement. This Section 12.1 shall survive the Closing

12.2 Eminent Domain. If, prior to the Closing, all or substantially all of the Property is taken by eminent domain, this Agreement shall be terminated without further act or instrument. If a material part of the Property is so taken (including, without limitation, any taking which would give rise to a termination or abatement right by Tenant), Buyer shall have the option, by written notice given to Seller within fifteen (15) days after receiving notice of such taking, to terminate this Agreement. If Buyer does not elect to terminate this Agreement, it shall remain in full force and effect and Seller shall assign, transfer and set over to Buyer at the Closing all of Seller's right, title and interest in and to any awards that may be made for such taking. If this Agreement is not terminated as set forth herein, Buyer shall proceed with the Closing and take the Property as affected by such taking, together with all awards or the right to receive same. For the purposes of this Section, a part of the Property shall be deemed "material" if it (i) includes any of the parking areas, buildings or structures at the Property, (ii) otherwise (on a permanent basis) materially restricts ingress and egress to and from the Property, and (iii) gives rise to a termination or abatement right in favor of Tenant. This Section 12.2 shall survive the Closing

12.3 Termination. If, prior to the Closing, this Agreement is terminated pursuant to this Section, the Deposit, including all interest earned thereon, shall be promptly returned to Buyer and the parties hereto shall be released from all further obligations and liabilities hereunder, except with respect to the Surviving Obligations.

13. Broker.

Buyer and Seller represent and warrant to each other that neither they nor their Affiliates have dealt with any broker, finder or the like in connection with the transaction contemplated by this Agreement other than Jones Lang LaSalle (the "**Broker**"). At the Closing, Seller shall pay a commission to the Broker pursuant to a separate agreement. Buyer and Seller each agrees to indemnify, defend and hold the other harmless from and against all loss, expense (including reasonable attorneys' fees and court costs), damage and liability resulting from the claims of any other broker or finder (including anyone claiming to be a broker or finder) on account of any services claimed to have been rendered to the indemnifying party in connection with the transaction contemplated by this Agreement. The provisions of this Section shall survive the Closing or the earlier termination of this Agreement.

14. Management of the Property.

Between the date of this Agreement and the date of the Closing: (i) Seller shall cause the Property to be operated, maintained, managed and insured in a manner consistent with the present management of the Property; (ii) Seller shall not enter into or amend any contract or agreement that would remain binding on the owner of the Property after the Closing without the prior written consent of Buyer, which consent shall not be unreasonably withheld or delayed; provided that no consent shall be required for any contract that is terminable without cost upon prior notice of thirty (30) days or less; (iii) Seller will not sell, transfer, convey, lease, or encumber, or cause or permit

to be sold, transferred, conveyed, leased, or encumbered, the Property or any part thereof or interest therein, (iv) Seller shall not alter or amend the zoning classification of the Property, or otherwise perform or permit any act or deed which shall diminish, encumber, or affect Seller's rights in and to the Property or prevent it from fully performing its obligations hereunder, and (v) Seller shall not enter into any renewals, amendments, expansions or other modifications of the Lease without the prior written consent of Buyer, which consent shall may be withheld in Buyer's sole discretion and shall be deemed to have been given if Buyer fails to disapprove any renewal, amendment, expansion or other modification of the Lease submitted to it by Seller within five (5) Business Days after Buyer's receipt thereof.

15. Defaults.

15.1 BY BUYER. IF, THE CLOSING FAILS TO OCCUR AS A RESULT OF A DEFAULT BY BUYER IN ITS OBLIGATIONS UNDER SECTION 9.3, AND SUCH DEFAULT IS NOT CURED OR REMEDIED WITHIN FIVE (5) BUSINESS DAYS AFTER RECEIPT OF WRITTEN NOTICE THEREOF GIVEN BY SELLER TO BUYER, SELLER MAY TERMINATE THIS AGREEMENT AND, AS ITS SOLE AND EXCLUSIVE REMEDY, RECEIVE THE DEPOSIT AND ALL INTEREST EARNED THEREON FROM THE ESCROW AGENT, AS LIQUIDATED DAMAGES, IN WHICH EVENT THIS AGREEMENT SHALL BE DEEMED NULL AND VOID AND THE PARTIES SHALL BE RELEASED FROM ALL FURTHER OBLIGATIONS AND LIABILITIES UNDER THIS AGREEMENT, EXCEPT WITH RESPECT TO THE SURVIVING OBLIGATIONS. IT IS RECOGNIZED BY SELLER AND BUYER THAT THE DAMAGES SELLER WILL SUSTAIN BY REASON OF BUYER'S DEFAULT, BREACH OR FAILURE WILL BE SUBSTANTIAL, BUT DIFFICULT, IF NOT IMPOSSIBLE, TO ASCERTAIN. THE DEPOSIT HAS BEEN DETERMINED BY THE PARTIES AS A REASONABLE SUM FOR DAMAGES.

15.2 BY SELLER. IF, PRIOR TO THE CLOSING, SELLER IS IN DEFAULT WITH RESPECT TO, OR BREACHES, OR FAILS TO PERFORM ONE OR MORE OF THE REPRESENTATIONS, COVENANTS, WARRANTIES OR OTHER TERMS OF THIS AGREEMENT (BUT NOT INCLUDING ANY MISREPRESENTATIONS OF WHICH BUYER HAD ACTUAL OR DEEMED KNOWLEDGE PRIOR TO THE EXPIRATION OF THE DUE DILIGENCE PERIOD), AND SUCH DEFAULT, BREACH OR FAILURE IS NOT CURED OR REMEDIED WITHIN FIVE (5) BUSINESS DAYS AFTER RECEIPT OF WRITTEN NOTICE THEREOF GIVEN BY BUYER TO SELLER, BUYER MAY EITHER (A) TERMINATE THIS AGREEMENT, IN WHICH EVENT THE DEPOSIT AND ALL INTEREST EARNED THEREON SHALL BE RETURNED BY THE TITLE COMPANY TO BUYER, SELLER SHALL REIMBURSE BUYER FOR ALL OUT-OF-POCKET EXPENSES INCURRED BY BUYER IN CONNECTION WITH NEGOTIATING THIS AGREEMENT AND INSPECTING THE PROPERTY UP TO \$100,000 (WHICH OBLIGATION SHALL SURVIVE THE TERMINATION OF THIS AGREEMENT), AND THE PARTIES SHALL BE RELEASED FROM ALL FURTHER OBLIGATIONS AND LIABILITIES UNDER THIS AGREEMENT, EXCEPT WITH RESPECT TO THE SURVIVING OBLIGATIONS, OR (B) COMMENCE WITHIN SIXTY (60) DAYS AFTER THE DATE THE CLOSING WAS TO HAVE OCCURRED AN ACTION IN THE NATURE OF SPECIFIC PERFORMANCE. IF AN ACTION IN THE NATURE OF SPECIFIC

PERFORMANCE IS NOT AN AVAILABLE REMEDY OR IF BUYER ELECTS TO COMMENCE SUCH ACTION AND IS UNSUCCESSFUL, THEN THE DEPOSIT (INCLUDING ALL INTEREST AND INCOME) WILL BE RETURNED TO BUYER AND THE PARTIES RELEASED FROM THEIR OBLIGATIONS UNDER THIS AGREEMENT (EXCEPT THOSE THAT EXPRESSLY SURVIVE TERMINATION OF THIS AGREEMENT). THE REMEDIES SET FORTH ABOVE SHALL BE BUYER'S SOLE REMEDIES ARISING FROM A DEFAULT, BREACH OR FAILURE TO PERFORM BY SELLER.

16. Notices.

Any notice, demand, consent, authorization or other communication (collectively, a "**Notice**") which either party is required or may desire to give to or make upon the other party pursuant to this Agreement shall be effective and valid only if in writing, signed by the party giving such Notice, and delivered personally (upon an officer of the other party or to such individual as may be noted in the addresses stated below) to the other party or sent by a nationally recognized overnight courier or by registered or certified mail of the United States Postal Service, return receipt requested, and addressed to the other party as follows (or to such other address or person as either party or person entitled to notice may by Notice to the other specify) or sent by email in PDF format to the email address below, read receipt requested, and followed by a hard copy notice received by the second business day following the email notice (in which case notice shall be deemed delivered upon receipt of confirmation of transmission of such email notice):

To Seller:

RT Goodyear, LLC  
c/o Gramercy Property Trust  
521 Fifth Avenue  
New York, New York 10175  
Attention: Allan B. Rothschild, Managing Director  
Peter M. Tubesing, Managing Director  
Email: [arothschild@gptreit.com](mailto:arothschild@gptreit.com)  
[ptubesing@gptreit.com](mailto:ptubesing@gptreit.com)

and to:

Troutman Sanders LLP  
875 Third Avenue  
New York, New York 10022  
Attention: Jeffrey H. Weitzman, Esq.  
Telephone: (212) 704-6077  
Email: [jeffrey.weitzman@troutmansanders.com](mailto:jeffrey.weitzman@troutmansanders.com)

To Buyer:

Hines Global REIT II Properties LP  
c/o Hines Advisors Limited Partnership  
2800 Post Oak Boulevard, Suite 4800  
Houston, Texas 77056  
Attn: A. Blake Williams  
Email: [blake.williams@hines.com](mailto:blake.williams@hines.com)

with a copy to:

Hines Global REIT II Properties LP  
c/o Hines Advisors Limited Partnership  
2800 Post Oak Boulevard, Suite 4800  
Houston, Texas 77056  
Attention: Jason P. Maxwell  
Email: [jason.maxwell@hines.com](mailto:jason.maxwell@hines.com)

with a copy to:

Baker Botts L.L.P.  
2001 Ross Avenue  
Dallas, Texas 75201-2980  
Attention: Jonathan W. Dunlay  
Email: [jon.dunlay@bakerbotts.com](mailto:jon.dunlay@bakerbotts.com)

To Escrow Agent: First American Title Insurance Company  
601 Travis, Suite 1875  
Houston, TX 77002  
Attention: Ronda Husselman, Senior Commercial Escrow  
Officer  
Telephone: (713) 346-1650  
Email: [RHusselman@firstam.com](mailto:RHusselman@firstam.com)

Unless otherwise specified, notices shall be deemed given when received, but if delivery is not accepted, on the earlier of the date delivery is refused or the third day after the same is deposited with the United States Postal Service. Notices given by counsel to the Buyer shall be deemed given by Buyer and notices given by counsel to the Seller shall be deemed given by Seller.

17. Assignment.

This Agreement and all rights of Buyer arising hereunder shall not be assigned, sold, pledged or otherwise transferred by Buyer in whole or in part, without the prior written consent of Seller, which consent may be withheld in the sole discretion of Seller. Notwithstanding the foregoing, Buyer may assign this Agreement and all of its rights hereunder to an Affiliate. Any assignment permitted or consented to hereunder shall be effected by a written assignment and assumption agreement between Buyer and its assignee (with a fully executed counterpart thereof to be delivered to Seller at or prior to the Closing) and Buyer shall continue to remain liable hereunder jointly and severally with such assignee; provided that upon Closing Buyer shall be released from all obligations hereunder and the assignee shall be solely liable for such obligations.

18. Limitation of Liability.

Notwithstanding anything to the contrary contained herein, after the Closing: (a) the maximum aggregate liability of Seller, and the maximum aggregate amount which may be awarded to and collected by Buyer (including, without limitation, for any breach of any representation, warranty and/or covenant by Seller or any indemnity of Buyer given by Seller) under this Agreement or any documents executed pursuant hereto or in connection herewith (collectively, the “**Other Documents**”), shall under no circumstances whatsoever exceed two percent (2%) of the Purchase Price; and (b) no claim by Buyer alleging a breach by Seller of any representation, warranty and/or covenant of Seller contained herein or in any of the Other Documents may be made, and Seller shall not be liable for any judgment in any action based upon any such claim, unless and until such claim, either alone or together with any other claims by Buyer alleging a breach by Seller of any such representation, warranty and/or covenant is for an aggregate amount in excess of Fifty Thousand Dollars and No/100 Dollars (\$50,000.00) (the “**Floor Amount**”), in which event Seller’s liability respecting any such claim or claims shall be for the entire amount thereof, subject to the limitation set forth in clause (a) above; provided that the foregoing Floor Amount and limitation of two percent (2%) shall not apply to Seller’s obligations under Sections 10, 11, 12 and 13 of this Agreement or to the fraud of Seller or any Seller Related Parties. This provision shall expressly survive the Closing or the termination of this Agreement.



19. General Provisions.

19.1 Successors and Assigns. This Agreement shall bind and inure to the benefit of the respective successors and permitted assigns of the parties hereto.

19.2 Gender and Number. Whenever the context so requires, the singular number shall include the plural and the plural the singular, and the use of any gender shall include all genders.

19.3 Entire Agreement. This Agreement contains the complete and entire agreement between the parties respecting the transaction contemplated herein and supersedes all prior negotiations, agreements, representations and understandings, if any, between the parties respecting such matters.

19.4 Counterparts. This Agreement may be executed in any number of original counterparts, all of which evidence only one agreement and only one of which need be produced for any purpose.

19.5 Modifications. This Agreement may not be modified, discharged or changed in any respect whatsoever, except by a further agreement in writing duly executed by Buyer and Seller. However, any consent, waiver, approval or authorization shall be effective if signed by the party granting or making such consent, waiver, approval or authorization.

19.6 Exhibits. All exhibits referred to in this Agreement are incorporated herein by reference and shall be deemed part of this Agreement for all purposes as if set forth at length herein.

19.7 Governing Law. This Agreement shall be construed and enforced in accordance with the laws of the State of Arizona. Seller and Buyer hereby irrevocably agree that all actions or proceedings in any way, manner or respect, arising out of or from or related to this Agreement shall be litigated in courts located within the State of Arizona. Seller and Buyer hereby consent and submit to the jurisdiction of any state court located within the County of Maricopa or federal court located within the State of Arizona. Each party hereby irrevocably waives any right it may have to transfer or change the venue of any litigation brought against it by the other party in accordance with this Section.

19.8 No Recordation. This Agreement shall not be recorded by either party in the official real property records of Maricopa County, Arizona; provided that Buyer may file a lis pendens in connection with a suit for specific performance.

19.9 Captions. The captions of this Agreement are for convenience and reference only and in no way define, describe, extend or limit the scope, meaning or intent of this Agreement.

19.10 Severability. The invalidation or unenforceability in any particular circumstance of any of the provisions of this Agreement shall in no way affect any of the other provisions hereof, which shall remain in full force and effect.

19.11 No Joint Venture. This Agreement shall not be construed as in any way establishing a partnership, joint venture, express or implied agency, or employer-employee relationship between Buyer and Seller.

19.12 No Third Party Beneficiaries. This Agreement is for the sole benefit of the parties hereto, their respective successors and permitted assigns, and no other person or entity shall be entitled to rely upon or receive any benefit from this Agreement or any term hereof.

19.13 Survival. Except as otherwise expressly set forth herein, the covenants, warranties, representations and indemnities of Seller and Buyer contained in this Agreement shall not survive the Closing.

19.14 Public Disclosure. Except to the extent required by applicable statute, law rule, regulation, regulatory practice, subpoena or Authorities, and subject to Section 4, neither Seller nor Buyer shall make any public disclosure of the transaction contemplated by this Agreement, except as reasonably necessary to carry out the objectives of this Agreement, without the prior written consent of the other party, which consent shall not be unreasonably withheld or delayed. Notwithstanding the foregoing, after the Closing, Seller and Buyer shall be permitted to issue a press release describing the transaction contemplated by this Agreement, the name of the Buyer, the location and description of the Property, the date of Closing and the Purchase Price.

**19.15 WAIVER OF TRIAL BY JURY. THE RESPECTIVE PARTIES HERETO SHALL AND HEREBY DO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT BY EITHER OF THE PARTIES HERETO AND AGAINST THE OTHER ON ANY MATTERS WHATSOEVER ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS AGREEMENT, OR FOR THE ENFORCEMENT OF ANY REMEDY UNDER ANY STATUTE, EMERGENCY OR OTHERWISE.**

19.16 Execution. The submission of this Agreement for examination does not constitute an offer by or to either party. This Agreement shall be effective and binding only after due execution and delivery by the parties hereto. Signatures to this Agreement transmitted by e-mail or PDF shall be valid and effective to bind the party so signing.

19.17 Holiday or Weekend. If the date for performance or the expiration of any time period under this Agreement, including, without limitation, the time period for giving notice under Section 16, is on a Saturday, Sunday or federal bank holiday, then the date for performance or the expiration of the time period shall be the next day which is not a Saturday, Sunday or federal bank holiday.

19.18 Attorney's Fees/Damages. In the event either party defaults in the performance of any of the terms of this Agreement and the other party employs attorney(s) in connection therewith, the defaulting party agrees to pay the prevailing party's reasonable attorneys' fees (calculated at such attorneys' reasonable and customary hourly rates and without regard to the amount in controversy) and costs of litigation.

19.19 Cooperation With Buyer's Auditors And SEC Filing Requirements. Seller shall provide to Buyer (at Buyer's expense) copies of, or shall provide Buyer access to, such factual information as may be reasonably requested by Buyer, and in the possession of Seller, or its property manager or accountants, to enable Buyer's auditor (Deloitte & Touche LLP or any successor auditor selected by Buyer) to conduct an audit of the income statements of the Property for the year to date of the year in which the Closing occurs plus up to the one additional prior calendar year. Buyer shall be responsible for all out-of-pocket costs associated with this audit. Seller shall cooperate (at no cost to Seller) with Buyer's auditor in the conduct of such audit. In addition, Seller agrees to provide to Buyer's auditor, if requested by such auditor, up to 3 years of historical financial statements for the Property, including income data for the Property, whether required before or after Closing. Without limiting the foregoing, (i) Buyer or its designated independent or other auditor may audit Seller's operating statements of the Property, at Buyer's expense, and Seller shall provide such documentation as Buyer or its auditor may reasonably request in order to complete such audit, and (ii) Seller shall furnish to Buyer, at Buyer's expense, such financial and other information (but not including copies of invoices) as may be reasonably required by Buyer or any Affiliate of Buyer to make any required filings with the SEC or other governmental authority; provided, however, that the foregoing obligations of Seller shall be limited to providing such information or documentation as may be in the possession of, or reasonably obtainable by, Seller, its property manager or accountants, at no material cost to Seller, and in the format that Seller (or its property manager or accountants) have maintained such information. This Section 19.19 shall survive the Closing for one year.

**[SIGNATURE PAGE TO FOLLOW]**

IN WITNESS WHEREOF, the parties have caused this instrument to be executed as of the date first above written.

**SELLER:**

RT GOODYEAR, LLC,  
a Delaware limited liability company

By: /s/ Allan B. Rothschild  
Name: Allan B. Rothschild  
Title: Managing Director

Date: June 24, 2016

**BUYER:**

HGREIT II GOODYEAR CROSSING LLC,  
a Delaware limited liability company

By: /s/ David L. Steinbach  
Name: David L. Steinbach  
Title: Manager

Date: June 24, 2016

**JOINDER**

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned, Gramercy Property Trust, a Maryland real estate investment trust and an indirect Affiliate of Seller, hereby joins this Agreement for the sole purpose of being jointly and severally liable with Seller for any obligations of Seller which survive Closing, subject in all cases to all of the limitations set forth in Section 7.2.1 and Section 18 of the Agreement. Capitalized terms used but not defined in this Joinder shall have the meaning given them in the Agreement of Purchase and Sale to which this Joinder is attached.

GRAMERCY PROPERTY TRUST,  
a Maryland real estate investment trust

By: /s/ Allan B. Rothschild  
Name: Allan B. Rothschild  
Title: Managing Director

## **EXHIBIT A**

### **LEGAL DESCRIPTION - IMPROVED PARCEL**

PARCEL NO. 1: LOT 1B-1 OF "A MINOR LAND DIVISION OF LOT 1B, GOODYEAR CROSSING INDUSTRIAL PARK," ACCORDING TO THE PLAT OF RECORD IN THE OFFICE OF THE COUNTY RECORDER OF MARICOPA COUNTY, ARIZONA, RECORDED IN BOOK 1038 OF MAPS, PAGE 30.

PARCEL NO. 2:  
NON-EXCLUSIVE EASEMENTS LISTED BELOW:

EASEMENT FOR FIRE SERVICE CONTAINED IN THE DECLARATION OF FIRE SERVICE EASEMENT BY DUKE REALTY LIMITED PARTNERSHIP RECORDED NOVEMBER 09, 2009 AS 2009-1031652 OF OFFICIAL RECORDS;

CROSS STORMWATER DRAINAGE AND STORMWATER MANAGEMENT EASEMENT CONTAINED IN THE DECLARATION OF DRAINAGE EASEMENT BY DUKE REALTY LIMITED PARTNERSHIP RECORDED NOVEMBER 09 AS 2009-1031653 OF OFFICIAL RECORDS;

EASEMENTS FOR CROSS IRRIGATION, CROSS STORMWATER DRAINAGE AND STORMWATER MANAGEMENT CONTAINED IN THE DECLARATION OF EASEMENTS BY DUKE REALTY LIMITED PARTNERSHIP NOVEMBER 09, 2009 AS 2009-1031654 OF OFFICIAL RECORDS; AND EASEMENTS AS CREATED, LIMITED AND DEFINED IN THE DECLARATION OF PROTECTIVE COVENANTS, CONDITIONS, RESTRICTIONS, RESERVATIONS, AND EASEMENTS FOR GOODYEAR CROSSING INDUSTRIAL PARK BY DUKE REALTY LIMITED PARTNERSHIP DATED AND RECORDED JUNE 19, 2007 AS 2007-0703418.

EXHIBIT A-1 - UNIMPROVED PARCEL

PARCEL NO. 1: LOT 1B-2 OF "A MINOR LAND DIVISION OF LOT 1B, GOODYEAR CROSSING INDUSTRIAL PARK," ACCORDING TO THE PLAT OF RECORD IN THE OFFICE OF THE COUNTY RECORDER OF MARICOPA COUNTY, ARIZONA, RECORDED IN BOOK 1038 OF MAPS, PAGE 30.

PARCEL NO. 2:

NON-EXCLUSIVE EASEMENTS LISTED BELOW:

EASEMENT FOR FIRE SERVICE CONTAINED IN THE DECLARATION OF FIRE SERVICE EASEMENT BY DUKE REALTY LIMITED PARTNERSHIP RECORDED NOVEMBER 09, 2009 AS 2009-1031652 OF OFFICIAL RECORDS;

CROSS STORMWATER DRAINAGE AND STORMWATER MANAGEMENT EASEMENT CONTAINED IN THE DECLARATION OF DRAINAGE EASEMENT BY DUKE REALTY LIMITED PARTNERSHIP RECORDED NOVEMBER 09 AS 2009-1031653 OF OFFICIAL RECORDS;

EASEMENTS FOR CROSS IRRIGATION, CROSS STORMWATER DRAINAGE AND STORMWATER MANAGEMENT CONTAINED IN THE DECLARATION OF EASEMENTS BY DUKE REALTY LIMITED PARTNERSHIP NOVEMBER 09, 2009 AS 2009-1031654 OF OFFICIAL RECORDS; AND EASEMENTS AS CREATED, LIMITED AND DEFINED IN THE DECLARATION OF PROTECTIVE COVENANTS, CONDITIONS, RESTRICTIONS, RESERVATIONS, AND EASEMENTS FOR GOODYEAR CROSSING INDUSTRIAL PARK BY DUKE REALTY LIMITED PARTNERSHIP DATED AND RECORDED JUNE 19, 2007 AS 2007-0703418.

## EXHIBIT B

### ESCROW AGREEMENT

ESCROW AGREEMENT made as of the \_\_\_\_ day of \_\_\_\_\_, 2016 by and among RT GOODYEAR, LLC, a Delaware limited liability company having an address c/o Gramercy Property Trust, 521 Fifth Avenue, New York, New York 10175 (**"Seller"**), HGREIT II GOODYEAR CROSSING LLC, a Delaware limited liability company, having an office at c/o Hines Advisors Limited Partnership, 2800 Post Oak Boulevard, Suite 4800, Houston, Texas 77056 (**"Buyer"**), and FIRST AMERICAN TITLE INSURANCE COMPANY, having an office at 601 Travis, Suite 1875, Houston, TX 77002 (**"Escrow Agent"**).

#### RECITALS:

A. Seller and Buyer have entered into that certain Agreement of Purchase and Sale of even date herewith (the **"Agreement"**) with respect to the Property. Pursuant to Section 2.2 of the Agreement, within two (2) Business Days from the Effective Date of the Agreement, Buyer will deposit with Escrow Agent the amount of \$1,000,000.00 (the **"Deposit"**) by wire transfer of immediately available funds.

B. Buyer and Seller desire that Escrow Agent hold the Deposit in escrow until the Closing (as defined in the Agreement) or the sooner termination of the Agreement, on the terms and subject to the conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. Definitions.

Unless otherwise defined in this Escrow Agreement, all capitalized terms used herein shall have the same meanings as set forth in the Agreement.

2. Investment of Deposit.

Promptly upon receipt thereof, Escrow Agent shall acknowledge to Seller and Buyer receipt of the Deposit. Escrow Agent shall promptly invest the Deposit in an interest-bearing money market account unless otherwise instructed in writing by Seller and Buyer. All interest earned on the Deposit shall be paid to the party entitled to receive the Deposit pursuant to the Agreement.

Each of Seller and Buyer has contemporaneously delivered to Escrow Agent a completed Form W-9 to be held by Escrow Agent and submitted on behalf of the applicable party to the Internal Revenue Service following disbursement of the Deposit.



3. Disbursement of Deposit.

Escrow Agent shall hold and disburse the Deposit upon the following terms and conditions:

3.1 Escrow Agent shall disburse the Deposit and all interest earned thereon to Seller upon receipt of a Notice (as hereinafter defined) signed by Seller and Buyer and stating that the Closing has been consummated.

3.2 Escrow Agent shall disburse the Deposit and all interest earned thereon to Buyer promptly upon receipt of a Notice demanding disbursement thereof signed by Buyer and stating that either Seller has defaulted in the performance of its obligations under the Agreement or that Buyer is otherwise entitled to the return of the Deposit and interest thereon pursuant to the provisions of the Agreement; provided, however, that Escrow Agent shall not comply with such demand until at least five (5) business days after the date on which Escrow Agent shall have given a copy of such Notice to Seller, nor thereafter following such five (5) business day period if Escrow Agent shall have received a Notice of objection from Seller given within such five (5) business day period in accordance with the provisions of Section 3.4 hereof.

3.3 Escrow Agent shall disburse the Deposit and all interest earned thereon to Seller promptly upon receipt of a Notice demanding disbursement thereof signed by Seller and stating that Buyer has defaulted in the performance of its obligations under the Agreement or that Seller is otherwise entitled to the payment of the Deposit and interest thereon pursuant to the provisions of the Agreement; provided, however, that Escrow Agent shall not comply with such demand until at least five (5) business days after the date on which Escrow Agent shall have given a copy of such Notice to Buyer, nor thereafter following such five (5) business day period if Escrow Agent shall have received a Notice of objection from Buyer given within such five (5) business day period in accordance with the provisions of Section 3.4 hereof.

3.4 Upon receipt of a Notice demanding disbursement of the Deposit and interest thereon made by Buyer or Seller pursuant to Section 3.2 or 3.3 hereof, Escrow Agent shall promptly give a copy thereof to the other party. The other party shall have the right to object to the disbursement of the Deposit and interest thereon by giving Notice of objection to Escrow Agent within five (5) business days after the date on which Escrow Agent gives such copy of the Notice to the other party, but not thereafter. Upon receipt of such Notice of objection, Escrow Agent shall promptly give a copy thereof to the party who made the written demand.

4. Disputes.

4.1 If (i) Escrow Agent shall have received a Notice of objection as provided for in Section 3.4 hereof within the time therein prescribed or (ii) any other disagreement or dispute shall arise among the parties or any other persons resulting in adverse claims and demands being made for the Deposit and interest thereon whether or not litigation has been instituted, then and in any such event, Escrow Agent shall refuse to comply with any claims or demands for the Deposit and shall continue to hold the same and all interest earned thereon until it receives either (x) a Notice executed by Buyer and Seller and directing the disbursement of the Deposit and all interest earned

thereon or (y) a final nonappealable order of a court of competent jurisdiction, entered in an action, suit or proceeding in which Buyer and Seller are parties, directing the disbursement of the Deposit and all interest earned thereon, in either of which events Escrow Agent shall then disburse the Deposit and all interest earned thereon in accordance with such direction. Escrow Agent shall not be or become liable in any way or to any person for its refusal to comply with any such claims and demands unless and until it has received such direction. Upon compliance with such direction, Escrow Agent shall be released of and from all liability hereunder, except for the bad faith, gross negligence or willful misconduct of Escrow Agent.

4.2 Escrow Agent may institute or defend any action or legal process involving any matter referred to herein which in any manner affects it or its duties and liabilities hereunder, but Escrow Agent shall not be required to institute or defend such action or process unless or until requested to do so by both Buyer and Seller and then only upon receipt of an indemnity in such amount, and of such character, as it may reasonably require against any and all claims, liabilities, judgments, reasonable attorneys' fees and other expenses of every kind in relation thereto. All reasonable costs and expenses incurred by Escrow Agent in connection with any such action or process are to be paid by the non-prevailing party.

5. Fees of Escrow Agent.

Except as set forth in Section 4.2 hereof, all fees and expenses, if any, of Escrow Agent hereunder shall be shared equally by Seller and Buyer.

6. Duties of Escrow Agent.

It is agreed that the duties of Escrow Agent are only as herein specifically provided, and that Escrow Agent shall not be liable for any error in judgment or for any act done or step taken or omitted by it in good faith, or for any mistake of fact or law, or for anything which it may do or refrain from doing in connection therewith, except for the bad faith, negligence or willful misconduct of Escrow Agent. Escrow Agent shall not be obligated to inquire as to the performance of any obligation described in the Agreement. Escrow Agent shall not incur any liability for acting upon any Notice, consent, waiver or document which appears to be signed by Buyer and/or Seller, not only as to its due execution and validity and the effectiveness of its provisions, but also as to the truth of any information therein contained, which Escrow Agent in good faith believes to be genuine and what it purports to be. Buyer and Seller, jointly and severally, agree to indemnify and hold Escrow Agent harmless from and against any loss, damage, claim or expense, including reasonable attorneys' fees, resulting from this Escrow Agreement, except for the bad faith, negligence or willful misconduct of Escrow Agent. Escrow Agent shall not be bound by any modification to this Escrow Agreement, unless the modification shall be in writing and signed by Buyer and Seller, and, if the duties of Escrow Agent hereunder are affected, unless Escrow Agent shall have given its prior written consent thereto.

7. No Third-Party Beneficiaries.

The terms and provisions of this Escrow Agreement shall create no right in any person, firm or corporation other than the parties and their respective successors and permitted

assigns of the Agreement and no third party shall have the right to enforce or benefit from the terms hereof.

8. Notices.

Any notice, demand, consent, authorization or other communication (collectively, a “**Notice**”) which any party is required or may desire to give to or make upon the other party pursuant to this Escrow Agreement shall be effective and valid only if in writing, signed by the party giving such Notice, and delivered personally (upon an officer of the other party or to such individual as may be noted in the addresses stated below) to the other party or sent by a nationally recognized overnight courier or by registered or certified mail of the United States Postal Service, return receipt requested, and addressed to the other party as follows (or to such other address or person as any party or person entitled to notice may by Notice to the other parties specify) or sent by email in PDF format to the email address below, read receipt requested, and followed by a hard copy notice received by the second business day following the email notice (in which case notice shall be deemed delivered upon receipt of confirmation of transmission of such email notice):

To Buyer:

Hines Global REIT II Properties LP  
c/o Hines Advisors Limited Partnership  
2800 Post Oak Boulevard, Suite 4800  
Houston, Texas 77056  
Attn: A. Blake Williams  
Email: [blake.williams@hines.com](mailto:blake.williams@hines.com)

with a copy to:

Hines Global REIT II Properties LP  
c/o Hines Advisors Limited Partnership  
2800 Post Oak Boulevard, Suite 4800  
Houston, Texas 77056  
Attention: Jason P. Maxwell  
Email: [jason.maxwell@hines.com](mailto:jason.maxwell@hines.com)

with a copy to:

Baker Botts L.L.P.  
2001 Ross Avenue  
Dallas, Texas 75201-2980  
Attention: Jonathan W. Dunlay  
Email: [jon.dunlay@bakerbotts.com](mailto:jon.dunlay@bakerbotts.com)

To Seller:

RT Goodyear, LLC  
c/o Gramercy Property Trust  
521 Fifth Avenue  
New York, New York 10175  
Attention: Allan B. Rothschild  
Email: [arothschild@gptreit.com](mailto:arothschild@gptreit.com)

and to:

Troutman Sanders LLP  
875 Third Avenue  
New York, New York 10022  
Attention: Jeffrey H. Weitzman, Esq.  
Telephone: (212) 704-6077  
Email: [jeffrey.weitzman@troutmansanders.com](mailto:jeffrey.weitzman@troutmansanders.com)

To Escrow Agent:

First American Title Insurance Company  
601 Travis, Suite 1875  
Houston, TX 77002  
Attention: Ronda Husselman, Senior Commercial  
Escrow Officer  
Telephone: (713) 346-1650  
Email: [RHusselman@firstam.com](mailto:RHusselman@firstam.com)

Unless otherwise specified, notices shall be deemed given when received, but if delivery is not accepted, on the earlier of the date delivery is refused or the third day after the same is deposited with the United States Postal Service. Notices given by counsel to the Buyer shall be deemed given by Buyer and notices given by counsel to the Seller shall be deemed given by Seller.

9. Governing Law

This Escrow Agreement shall be governed by and construed in accordance with the internal laws of the State of Arizona without regard to principles of conflicts of law.

10. Holiday or Weekend

If the date for performance or the expiration of any time period under this Escrow Agreement, including, without limitation, the time period for giving notice under Section 8, is on a Saturday, Sunday or federal legal holiday, then the date for performance or the expiration of the time period shall be the next day which is not a Saturday, Sunday or federal legal holiday.

11. Counterparts

This Escrow Agreement may be executed in any number of original counterparts, all of which evidence only one agreement and only one of which need be produced for any purpose.

[Signatures appear on the following page]

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Escrow Agreement as of the date first above written.

**SELLER:**

RT GOODYEAR, LLC,  
a Delaware limited liability company

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**BUYER:**

HGREIT II GOODYEAR CROSSING LLC,  
a Delaware limited liability company

By:  
Name:  
Title:

**ESCROW AGENT:**

FIRST AMERICAN TITLE INSURANCE  
COMPANY

By:  
Name:  
Title:

**EXHIBIT C**

**SCHEDULE OF LEASE**

Lease Agreement originally between Duke Realty Limited Partnership and Amazon.com.azdc, Inc. dated April 11, 2008.

First Amendment to Lease Agreement dated April 15, 2009.

Second Amendment to Lease Agreement dated November 24, 2009.

Third Amendment to Lease Agreement dated August 6, 2013.

Parent Guaranty of Amazon.com, Inc. dated April 11, 2008.

## **EXHIBIT D**

### **SCHEDULE OF SERVICE CONTRACTS**

DH Goodyear Crossing 16920 W Commerce Drive Goodyear, AZ 85338					
Vendor	Service	Contact	Phone Number	Email	Contract Details
Accel Communications	Fire Alarm Monitoring	Evan Gavrilles	(623) 582-1420	<a href="mailto:evan@accelaz.com">evan@accelaz.com</a>	03/01/2013 - 02/28/2014
Ace Asphalt	Asphalt	Neal Phelps	(480) 464-0509	<a href="mailto:neal@aceasphalt.com">neal@aceasphalt.com</a>	No Contract, Misc. repairs when needed
Advanced Air	HVAC Maintenance and Repairs	Annie Kuzelka	(602) 821-8080	<a href="mailto:cox.installation@gmail.com">cox.installation@gmail.com</a>	03/01/2013 - 02/28/2014
All Pro Sweeping	Parking Lot Sweeping	Clayton Geenen	(480) 451-7885	<a href="mailto:clayton@allpro-sweeping.com">clayton@allpro-sweeping.com</a>	03/01/2013 - 02/28/2014
AM/PM Restoration	Mold Remediation and repair	Lauren Wood	(623) 581-3492	<a href="mailto:lwood@ampmrestoration.com">lwood@ampmrestoration.com</a>	No Contract, Misc. repairs when needed
Deca Southwest	Outdoor Lighting- repair and maintenance	Julie Maynard	(602) 437-2700	<a href="mailto:jmaynard@decasw.com">jmaynard@decasw.com</a>	03/01/2016 - 02/28/2017
Environmental Excellence, Inc.	Landscape Maintenance	Mary	(602) 395-5007	<a href="mailto:mary@eeilandscape.com">mary@eeilandscape.com</a>	06/01/2015 - 05/31/2016
Highland Commercial Roofing	Roof Maintenance	Greg Pender	(602) 445-4200	<a href="mailto:greg@highlandroof.com">greg@highlandroof.com</a>	03/01/2013 - 02/28/2014
Highland Commercial Roofing	Sky Light Maintenance	Greg Pender	(602) 445-4200	<a href="mailto:greg@highlandroof.com">greg@highlandroof.com</a>	No Contract, Misc. repairs when needed
Marden Electric	Electrical	Martin Skalon	(480) 234-1331	<a href="mailto:martinskalon@mardenelectric.com">martinskalon@mardenelectric.com</a>	03/01/2013 - 02/28/2014
Metro Fire Equipment	Maintenance/ Fire System Repair/Backflows	Chris Moody	(480) 464-0509	<a href="mailto:chris.moody@metrofireaz.com">chris.moody@metrofireaz.com</a>	03/01/2013 - 02/28/2014
Urban Energy Solutions	Controls	Joe LaRovere	(480) 282-9501	<a href="mailto:joelarovere@urbanenergync.com">joelarovere@urbanenergync.com</a>	03/01/2013 - 02/28/2014



## **EXHIBIT E**

### **DILIGENCE CHECKLIST FOR THE PROPERTY**

1. Seller's existing title insurance policy.
2. Plans and specifications.
3. Environmental Phase 1 obtained by Seller.
4. Any (i) ADA reports and (ii) engineering reports regarding roofs and structures.
5. Copies of leasing commission agreements.
6. Copies of latest tenant rent invoices.
7. Copies of real estate tax bills or estimates, assessments, appeals, and related correspondence for the previous 3 calendar years.
8. Operating statements for 2014, 2015, and year to date, including CAM reconciliations.
9. All governmental licenses, permits and approvals (including certificates of occupancy) issued to the owner of the Property.
10. Insurance certificates.
11. All correspondence between Seller or the Property Manager and Tenant which (i) alleges a default by either party, (ii) relates to the reconciliation of operating expenses, taxes or any audit, (iii) relates to a proposed expansion, purchase option or future tenancy.
12. All correspondence with governmental authorities.
13. Aged accounts receivable history.
14. All documentation and correspondence related to the Foreign Trade Zone status or certification process at the Property.

## **EXHIBIT F**

### **TENANT ESTOPPEL CERTIFICATE**

Tenant: AMAZON.COM.AZDC LLC, a Delaware limited liability company, successor by conversion to AMAZON.COM.AZDC, INC., a Delaware corporation

Landlord: RT GOODYEAR, LLC, a Delaware limited liability company formerly known as DH Goodyear, LLC

Company: HGREIT II GOODYEAR CROSSING LLC, a Delaware limited liability company

Regarding: Lease Agreement now between Landlord and Tenant dated April 11, 2008 (the "Original Lease"), as amended by that certain First Amendment to Lease Agreement dated April 13, 2009 (the "First Amendment"), as further amended by that certain Second Amendment to Lease Agreement dated November 24, 2009, and as further amended by that certain Third Amendment dated August 6, 2013 (as so amended, the "Lease"), and that certain Parent Guaranty of Amazon.Com, Inc. dated April 11, 2008 (the "Guaranty"). Capitalized terms used but not defined in this Tenant Estoppel Certificate have the meanings given them in the Lease.

Leased Premises: 16920 W. Commerce Drive, Goodyear, AZ 85338 containing approximately 820,384 rentable square feet.

Property See Exhibit B.

The undersigned, as Tenant under the Lease, hereby certifies to Company, its lender, and their successors and assigns as follows:

1. A true, correct and complete list of the Lease and all amendments, modifications and supplements thereto (including the Guaranty) is attached hereto as Exhibit A. The Lease and the Guaranty are in full force and effect and (other than approvals, consents, or waivers given by Landlord in connection with the Lease) have not been modified, supplemented, or amended in any way, except as set forth on Exhibit A.
2. As of the date hereof, the monthly fixed, minimum or basic rent under the Lease has been paid as required by the Lease. No such rent has been paid more than one (1) month in advance of the due date except as permitted under the Lease.
3. To Tenant's actual knowledge, Landlord is not in default in any of its obligations under the Lease. To Tenant's actual knowledge, Tenant has no claim, offset or defense against

Landlord arising out of the Lease or against the payment of rent or other charges under the Lease or in any way relating thereto.

4. In connection with Landlord's sale of the Property to the Company, Tenant has waived: (i) Tenant's right of first offer under Addendum 8 to the Lease and (ii) Tenant's right of first offer under Revised Addendum 7 to the Lease.

Tenant's "actual knowledge" means the current, actual knowledge of the person executing this document on behalf of Tenant, without any duty of investigation or inquiry.

Tenant's certifications are made solely to estop Tenant from asserting to or against Company, or its lender, facts or claims contrary to those stated. This estoppel certificate does not constitute an independent contractual undertaking or constitute representations, warranties or covenants or otherwise have legal effect other than estopping Tenant from asserting to or against the Company, its lender, and their successors and assigns any contrary facts or claims. This estoppel certificate does not modify in any way Tenant's relationship, obligations or rights vis-a-vis Landlord.

Furthermore, this estoppel certificate will not be construed or operate to waive any Tenant right to receive any reimbursement in connection with any reconciliation or to audit the records of Landlord to confirm Landlord's compliance with its obligations under the Lease.

Executed this \_\_\_\_ day of \_\_\_\_\_, 2016

TENANT:

AMAZON.COM.AZDC LLC, a Delaware limited liability company, successor by conversion to AMAZON.COM.AZDC, INC., a Delaware corporation

By: \_\_\_\_\_

Printed: \_\_\_\_\_

Title: \_\_\_\_\_

**EXHIBIT G**  
**BILL OF SALE**

For valuable consideration, the receipt and sufficiency of which is hereby acknowledged, RT GOODYEAR, LLC, a Delaware limited liability company, having an address at c/o Gramercy Property Trust, 521 Fifth Avenue, New York, New York 10175 (**"Seller"**), hereby bargains, sells, conveys and transfers to HGREIT II GOODYEAR CROSSING LLC, a Delaware limited liability company (**"Buyer"**), all of those certain items of personal and intangible property owned by Seller (including any warranty made by third parties in connection with the same and the right to sue on any claim for relief under such warranties) (the **"Personal Property"**) and attached and appurtenant to, or forming part of, that certain real property having an address of 16920 W. Commerce Drive, Goodyear, Arizona 85338, as more particularly described on **Exhibit A** attached hereto and made a part hereof.

TO HAVE AND TO HOLD the Personal Property hereby sold, transferred and assigned unto Buyer, its successors and assigns forever and Seller binds itself and its successors and assigns to forever WARRANT AND DEFEND the Personal Property hereby sold unto Buyer, its successors and assigns, forever against every person whomsoever lawfully claiming or to claim such herein described assets or any part thereof by, through or under Seller, but not otherwise.

Except as to title as expressly provided herein, Seller has not made and does not make any express or implied warranty or representation of any kind whatsoever with respect to the Personal Property, including, without limitation, with respect merchantability of the Personal Property or its fitness for any particular purpose, the design or condition of the Personal Property; the quality or capacity of the Personal Property; workmanship or compliance of the Personal Property with the requirements of any law, rule, specification or contract pertaining thereto; patent infringement or latent defects. Buyer accepts the Personal Property on an "as is, where is" basis.

**[SIGNATURES CONTAINED ON FOLLOWING PAGE]**

IN WITNESS WHEREOF, Seller has caused this instrument to be executed and delivered  
as of this \_\_\_\_ day of \_\_\_\_\_, 2016.

SELLER:

RT GOODYEAR, LLC,  
a Delaware limited liability company

By:  
Name:  
Title:

**SCHEDULE A**

**TO BILL OF SALE**

[insert description of real property]

## **EXHIBIT H**

### **ASSIGNMENT OF LEASE**

#### **ASSIGNMENT AND ASSUMPTION OF LEASE**

**THIS ASSIGNMENT AND ASSUMPTION OF LEASE** (this “**Assignment**”) is made and entered into as of the \_\_\_\_ day of \_\_\_\_\_, 2016, by and between RT GOODYEAR, LLC, a Delaware limited liability company (“**Assignor**”) and HGREIT II GOODYEAR CROSSING LLC, a Delaware limited liability company (“**Assignee**”).

#### **RECITALS:**

A. Pursuant to that certain Agreement of Purchase and Sale dated \_\_\_\_\_, 2016, between Assignor and Assignee, Assignor agreed to sell to Assignee, and Assignee agreed to purchase from Assignor, that certain real property located at 16920 W. Commerce Drive, Goodyear, Arizona 85338 (the “**Property**”).

B. Assignor desires to assign to Assignee all of its right, title and interest in and to that certain lease more fully described in **Exhibit A** attached hereto and made a part hereof (the “**Lease**”), and Assignee desires to assume all obligations of Assignor thereunder;

NOW, THEREFORE, in consideration of the foregoing recitals and other good and valuable consideration, the receipt, adequacy and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. **Assignment and Assumption.** Assignor does hereby sell, assign, transfer and set over to Assignee all of Assignor’s right, title and interest as “Landlord” under the Leases, and Assignee hereby assumes all of Assignor’s duties and obligations as “Landlord” under the Lease arising from and after the date hereof.

2. **Successors and Assigns.** This Assignment shall be binding upon and inure to the benefit of Assignor and Assignee and their respective successors and assigns.

**[SIGNATURE PAGE TO FOLLOW]**

IN WITNESS WHEREOF, Assignor and Assignee have caused this Assignment to be executed as of the day and year first above written.

**ASSIGNOR:**

RT GOODYEAR, LLC,  
a Delaware limited liability company

By:  
Name:  
Its:

**ASSIGNEE:**

HGREIT II GOODYEAR CROSSING LLC,  
a Delaware limited liability company

By:  
Name:  
Its:



## EXHIBIT I

### **ASSIGNMENT OF INTANGIBLE PROPERTY**

**THIS ASSIGNMENT OF INTANGIBLE PROPERTY** (this “**Assignment**”) is made and entered into as of the \_\_\_\_ day of June, 2016, by and between RT GOODYEAR, LLC, a Delaware limited liability company (“**Assignor**”) and HGREIT II GOODYEAR CROSSING LLC, a Delaware limited liability company limited partnership (“**Assignee**”).

#### **RECITALS:**

A. Pursuant to that certain Agreement of Purchase and Sale dated \_\_\_\_\_, 2016, between Assignor and Assignee, Assignor agreed to sell to Assignee, and Assignee agreed to purchase from Assignor, that certain real property having an address of 16920 West Commerce Drive, Goodyear, Arizona (the “**Property**”).

B. Assignor desires to assign to Assignee all of its right, title and interest in and to all intangible personal property, if any, owned by Assignor and related solely to the Property, including without limitation, all warranties and guarantees and all Property specific logos, trade or business names and telephone numbers (collectively, the “**Intangible Property**”).

NOW, THEREFORE, in consideration of the foregoing recitals and other good and valuable consideration, the receipt, adequacy and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. **Assignment and Assumption.** Assignor does hereby sell, assign, transfer and set over to Assignee all of Assignor’s right, title and interest in and to the Intangible Property.

2. **Successors and Assigns.** This Assignment shall be binding upon and inure to the benefit of Assignor and Assignee and their respective successors and assigns.

**[SIGNATURE PAGE TO FOLLOW]**

IN WITNESS WHEREOF, Assignor and Assignee have caused this Assignment to be executed as of the day and year first above written.

**ASSIGNOR:**

RT GOODYEAR, LLC,  
a Delaware limited liability company

By:  
Name: Allan B. Rothschild  
Its: Managing Director

**CERTIFICATION  
PURSUANT TO SECTION 302 OF  
THE SARBANES-OXLEY ACT OF 2002**

I, Sherri W. Schugart, certify that:

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

August 12, 2016

By: /s/ Sherri W. Schugart  
Sherri W. Schugart  
President and Chief Executive Officer

**CERTIFICATION  
PURSUANT TO SECTION 302 OF  
THE SARBANES-OXLEY ACT OF 2002**

I, Ryan T. Sims, certify that:

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

August 12, 2016

By: /s/ Ryan T. Sims  
Ryan T. Sims  
Chief Financial Officer and Secretary

**WRITTEN STATEMENT OF CHIEF EXECUTIVE OFFICER AND  
CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 906 OF THE  
SARBANES-OXLEY ACT OF 2002**

The undersigned, the Chief Executive Officer and the Chief Financial Officer of Hines Global REIT II, Inc. (the “Company”), pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each hereby certifies that to his/her knowledge, on the date hereof:

- (a) the Quarterly Report on Form 10-Q of the Company for the quarterly period ended June 30, 2016 filed on the date hereof with the Securities and Exchange Commission (the “Report”) fully complies with the requirements of Section 13(a) or 15 (d) of the Securities Exchange Act of 1934; and
- (b) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 12, 2016

/s/ Sherri W. Schugart

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Sherri W. Schugart

President and Chief Executive Officer

Date: August 12, 2016

/s/ Ryan T. Sims

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Ryan T. Sims

Chief Financial Officer and Secretary