

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2022

OR

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

For the transition period from _____ to _____

Commission file number: 001-40873

Orion Office REIT Inc.

(Exact name of registrant as specified in its charter)

Maryland

87-1656425

(State or other jurisdiction of incorporation or organization)

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

2325 E. Camelback Road, Suite 850

Phoenix

AZ

85016

(Address of principal executive offices)

(Zip Code)

(602) 698-1002

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934:

<i>Title of each class:</i>	<i>Trading Symbol(s):</i>	<i>Name of each exchange on which registered:</i>
Common Stock	\$0.001 par value per share ONL	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act") 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

* The registrant became subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, on October 22, 2021.

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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>	Non-accelerated filer	<input checked="" type="checkbox"/>
Smaller reporting company	<input type="checkbox"/>	Emerging growth company	<input checked="" type="checkbox"/>		

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The Registrant's shares of common stock, \$0.001 par value per share, are listed and trade on the New York Stock Exchange ("NYSE") and began trading publicly in regular way on November 15, 2021.

There were 56,625,650 shares of common stock of Orion Office REIT Inc. outstanding as of April 29, 2022.

Explanatory Note

This quarterly report of Orion Office REIT Inc. (the “Company”, “Orion”, “we” or “us”) includes the financial statements of the Company, as of and for the three months ended March 31, 2022 and 2021. The financial statements also include VEREIT Office Assets (as defined below), a predecessor of the Company, for the three months ended March 31, 2021, as further described below.

On November 1, 2021, pursuant to the Agreement and Plan of Merger, dated as of April 29, 2021 (as amended, the “Merger Agreement”), by and among Realty Income Corporation (“Realty Income”), VEREIT, Inc. (“VEREIT”), Rams Acquisition Sub II, LLC, a wholly owned subsidiary of Realty Income (“Merger Sub 2”) and Rams MD Subsidiary I, Inc., a wholly owned subsidiary of Realty Income (“Merger Sub 1”), Merger Sub 2 merged with and into VEREIT Operating Partnership, L.P. (“VEREIT OP”), with VEREIT OP continuing as the surviving partnership, and immediately thereafter, VEREIT merged with and into Merger Sub 1, with Merger Sub 1 continuing as the surviving corporation (together, the “Mergers”, and such effective time of the Mergers, the “Merger Effective Time”). Upon the Merger Effective Time, as part of the Mergers, Realty Income acquired certain office real properties and related assets previously owned by subsidiaries of VEREIT (collectively, “VEREIT Office Assets”). Following the Merger Effective Time, in accordance with the Merger Agreement, Realty Income contributed the portion of the combined business comprising certain office real properties and related assets previously owned by subsidiaries of Realty Income (collectively, “Realty Income Office Assets”) and VEREIT Office Assets (the “Separation”) to the Company and its operating partnership, Orion Office REIT LP (“Orion OP”). On November 12, 2021, following the Separation, in accordance with the Merger Agreement and that certain Separation and Distribution Agreement, Realty Income effected a special distribution to its stockholders (including the former holders of VEREIT common stock and certain former VEREIT OP common unitholders prior to the Mergers) of all of the outstanding shares of common stock of the Company (the “Distribution”).

The Distribution is more fully described in the preliminary information statement included as Exhibit 99.1 to the Company’s Registration Statement on Form 10 (File No. 001-40873) (the “Form 10”) filed with the U.S. Securities and Exchange Commission (the “SEC”) on October 4, 2021, the final version of which was included as Exhibit 99.1 to the Current Report on Form 8-K filed with the SEC on October 25, 2021 (the “Information Statement”). The Distribution became effective at 4:01 p.m., Eastern Time, on November 12, 2021.

Following the Distribution, the Company became an independent publicly traded company and intends to qualify and elect to be taxed as a Real Estate Investment Trust (“REIT”) under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the “Code”), commencing with the Company’s initial taxable year ended December 31, 2021. The Company’s common stock trades on the New York Stock Exchange under the symbol “ONL”.

The consolidated and combined financial statements of the Company included in this report include the accounts of Realty Income Office Assets for the three months ended March 31, 2021 as the ownership interests were under common control of Realty Income during that period. From and after the Merger Effective Time, the consolidated and combined financial statements of the Company include the accounts of the Company and its consolidated subsidiaries and a consolidated joint venture. Therefore, the Company’s consolidated and combined financial statements set forth in this report are not necessarily indicative of the future results of operations or cash flows of the Company as an independent, publicly traded company. Moreover, the combined and consolidated financial statements for the VEREIT Office Assets are not necessarily indicative of the results of operations, cash flows or financial position that would have been obtained if VEREIT Office Assets had been an independent, stand-alone company. For more information regarding the risks related to our business, refer to Part I - Item 1A. Risk Factors contained in the Company’s Annual Report on Form 10-K filed with the SEC on March 24, 2022.

ORION OFFICE REIT INC.
For the quarterly period ended March 31, 2022

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements.

ORION OFFICE REIT INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except for share and per share data) (Unaudited)

	March 31, 2022	December 31, 2021
ASSETS		
Real estate investments, at cost:		
Land	\$ 254,786	\$ 250,194
Buildings, fixtures and improvements	1,231,469	1,231,551
Total real estate investments, at cost	1,486,255	1,481,745
Less: accumulated depreciation and amortization	137,217	128,109
Total real estate investments, net	1,349,038	1,353,636
Accounts receivable, net	22,032	17,916
Intangible lease assets, net	272,623	298,107
Cash and cash equivalents	18,585	29,318
Other assets, net	92,671	60,501
Total assets	<u>\$ 1,754,949</u>	<u>\$ 1,759,478</u>
LIABILITIES AND EQUITY		
Bridge facility, net	\$ —	\$ 354,357
Mortgages payable, net	351,648	—
Credit facility term loan, net	172,793	172,490
Credit facility revolver	91,000	90,000
Accounts payable and accrued expenses	17,929	17,379
Below-market lease liabilities, net	18,993	20,609
Distributions payable	5,663	—
Other liabilities, net	19,897	16,355
Total liabilities	<u>677,923</u>	<u>671,190</u>
Common stock, \$0.001 par value, 100,000,000 shares authorized and 56,625,650 shares issued and outstanding as of each of March 31, 2022 and December 31, 2021	57	57
Additional paid-in capital	1,145,548	1,145,278
Accumulated other comprehensive income	4,356	299
Accumulated deficit	(74,328)	(58,715)
Total stockholders' equity	<u>1,075,633</u>	<u>1,086,919</u>
Non-controlling interest	1,393	1,369
Total equity	<u>1,077,026</u>	<u>1,088,288</u>
Total liabilities and equity	<u>\$ 1,754,949</u>	<u>\$ 1,759,478</u>

The accompanying notes are an integral part of this statement.

ORION OFFICE REIT INC.
CONSOLIDATED AND COMBINED STATEMENTS OF OPERATIONS
(In thousands, except for per share data) (Unaudited)

	Three Months Ended March 31,	
	2022	2021
Rental	\$ 53,017	\$ 13,028
Fee income from unconsolidated joint venture	189	—
Total revenues	53,206	13,028
Operating expenses:		
Property operating	15,314	1,468
General and administrative	3,517	556
Depreciation and amortization	34,353	5,988
Impairments	1,602	—
Acquisition related	63	—
Transaction costs	756	—
Total operating expenses	55,605	8,012
Other (expenses) income:		
Interest expense	(6,847)	(465)
Loss on extinguishment of debt, net	(468)	—
Other income, net	39	—
Equity in income of unconsolidated joint venture	(41)	—
Total other (expenses) income, net	(7,317)	(465)
(Loss) income before taxes	(9,716)	4,551
Provision for income taxes	(166)	—
Net (loss) income	(9,882)	4,551
Net (income) loss attributable to non-controlling interest	(24)	—
Net (loss) income attributable to common stockholders	\$ (9,906)	\$ 4,551
Weighted-average shares outstanding - basic and diluted	\$ 56,626	\$ 56,626
Basic and diluted net (loss) income per share attributable to common stockholders	\$ (0.17)	\$ 0.08

The accompanying notes are an integral part of this statement.

ORION OFFICE REIT INC.
CONSOLIDATED AND COMBINED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In thousands) (Unaudited)

	Three Months Ended March 31,	
	2022	2021
Net (loss) income	\$ (9,882)	\$ 4,551
Total other comprehensive income (loss)		
Unrealized gain on interest rate derivatives	3,818	—
Reclassification of previous unrealized loss on interest rate derivatives into net (loss) income	239	—
Total other comprehensive income (loss)	4,057	—
Total comprehensive (loss) income	(5,825)	4,551
Comprehensive (income) loss attributable to non-controlling interests ⁽¹⁾	(24)	—
Total comprehensive (loss) income	\$ (5,849)	\$ 4,551

(1) Represents comprehensive (income) loss attributable to a consolidated joint venture partner.

The accompanying notes are an integral part of these statements.

ORION OFFICE REIT INC.
CONSOLIDATED AND COMBINED STATEMENTS OF EQUITY
(In thousands, except for share and per share data) (Unaudited)

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Stockholders' Equity	Non- Controlling Interests	Total Equity
	Number of Shares	Par Value						
Balance, January 1, 2022	56,625,650	\$ 57	\$ 1,145,278	\$ 299	\$ (58,715)	\$ 1,086,919	\$ 1,369	\$ 1,088,288
Net (loss) income	—	—	—	—	(9,906)	(9,906)	24	(9,882)
Distributions	—	—	—	—	(5,707)	(5,707)	—	(5,707)
Equity-based compensation, net	—	—	270	—	—	270	—	270
Other comprehensive income	—	—	—	4,057	—	4,057	—	4,057
Balance, March 31, 2022	<u>56,625,650</u>	<u>\$ 57</u>	<u>\$ 1,145,548</u>	<u>\$ 4,356</u>	<u>\$ (74,328)</u>	<u>\$ 1,075,633</u>	<u>\$ 1,393</u>	<u>\$ 1,077,026</u>

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Net Parent Investment	Total Parent Company Equity	Non- Controlling Interests	Total Equity
	Number of Shares	Par Value							
Balance, January 1, 2021	—	\$ —	\$ —	\$ —	\$ —	\$ 497,118	\$ 497,118	\$ —	\$ 497,118
Net income	—	—	—	—	—	4,551	4,551	—	4,551
Distributions to parent company, net	—	—	—	—	—	(14,122)	(14,122)	—	(14,122)
Balance, March 31, 2021	<u>—</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 487,547</u>	<u>\$ 487,547</u>	<u>\$ —</u>	<u>\$ 487,547</u>

The accompanying notes are an integral part of this statement.

ORION OFFICE REIT INC.
CONSOLIDATED AND COMBINED STATEMENTS OF CASH FLOWS
(In thousands) (Unaudited)

	Three Months Ended March 31,	
	2022	2021
Cash flows from operating activities:		
Net (loss) income	\$ (9,882)	\$ 4,551
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	34,353	5,988
Non-cash revenue adjustments	(1,092)	(390)
Amortization of net premiums on mortgages payable	—	(21)
Impairments	1,602	—
Loss on extinguishment of debt, net	468	—
Amortization of deferred financing costs	1,172	—
Equity-based compensation	270	—
Equity in income of unconsolidated joint venture	41	—
Changes in assets and liabilities:		
Accounts receivable, net and other assets, net	(1,989)	(226)
Accounts payable, accrued expenses and other liabilities, net	3,210	1,248
Net cash provided by operating activities	28,153	11,150
Cash flows from investing activities:		
Capital expenditures and leasing costs	(1,836)	(55)
Return of investment from unconsolidated joint venture	601	—
Net cash used in investing activities	(1,235)	(55)
Cash flows from financing activities:		
Repayment of bridge facility, including debt extinguishment costs	(355,026)	—
Proceeds from mortgage notes payable	355,000	—
Payments on mortgage notes payable	—	(163)
Proceeds from credit facility revolver	70,000	—
Repayments of credit facility revolver	(69,000)	—
Distributions to parent company, net	—	(14,122)
Payments of deferred financing costs	(3,096)	—
Other financing activities	(46)	—
Net cash used in financing activities	(2,168)	(14,285)
Net change in cash and cash equivalents and restricted cash	24,750	(3,190)
Cash and cash equivalents and restricted cash, beginning of period	29,318	3,915
Cash and cash equivalents and restricted cash, end of period	\$ 54,068	\$ 725
Reconciliation of Cash and Cash Equivalents and Restricted Cash		
Cash and cash equivalents at beginning of period	\$ 29,318	\$ —
Restricted cash at beginning of period	—	3,915
Cash and cash equivalents and restricted cash at the beginning of the period	\$ 29,318	\$ 3,915
Cash and cash equivalents at end of period	\$ 18,585	\$ —
Restricted cash at the end of the period	35,483	725
Cash and cash equivalents and restricted cash at the end of the period	\$ 54,068	\$ 725

The accompanying notes are an integral part of this statement.

ORION OFFICE REIT INC.
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS
March 31, 2022 (Unaudited)

Note 1 – Organization

Organization

Orion Office REIT Inc. (the “Company”, “Orion”, “we” or “us”) was incorporated in the state of Maryland on July 1, 2021 and was capitalized on July 15, 2021.

On April 29, 2021, Realty Income Corporation (“Realty Income”) entered into an Agreement and Plan of Merger (as amended, the “Merger Agreement”) with VEREIT, Inc. (“VEREIT”), its operating partnership, VEREIT Operating Partnership, L.P. (“VEREIT OP”), Rams MD Subsidiary I, Inc., a wholly owned subsidiary of Realty Income (“Merger Sub 1”), and Rams Acquisition Sub II, LLC, a wholly owned subsidiary of Realty Income (“Merger Sub 2”). On November 1, 2021, pursuant to the Merger Agreement, Merger Sub 2 merged with and into VEREIT OP, with VEREIT OP continuing as the surviving partnership, and immediately thereafter, VEREIT merged with and into Merger Sub 1, with Merger Sub 1 continuing as the surviving corporation (together, the “Mergers”, and such effective time of the Mergers, the “Merger Effective Time”). Upon the Merger Effective Time, as part of the Mergers, Realty Income acquired certain office real properties and related assets previously owned by subsidiaries of VEREIT (collectively, “VEREIT Office Assets”). Following the Merger Effective Time, in accordance with the Merger Agreement, Realty Income contributed the portion of the combined business comprising certain office real properties and related assets previously owned by subsidiaries of Realty Income (collectively, “Realty Income Office Assets”) and VEREIT Office Assets (the “Separation”) to the Company and its operating partnership, Orion Office REIT LP (“Orion OP”). On November 12, 2021, following the Separation, in accordance with the Merger Agreement and that certain Separation and Distribution Agreement, Realty Income effected a special distribution to its stockholders (including the former holders of VEREIT common stock and certain former VEREIT OP common unitholders prior to the Mergers) of all of the outstanding shares of common stock of the Company (the “Distribution”). Approximately \$595.0 million was distributed by the Company to Realty Income in accordance with the Separation and Distribution Agreement. In connection with the Separation and the Distribution, the Company entered into certain agreements with Realty Income to govern the ongoing relationships between the Company and Realty Income and to provide mechanisms for an orderly transition to the Company’s status as an independent, publicly traded company, including the Separation and Distribution Agreement and a transition services agreement to provide certain administrative and other services between the parties for a limited time. Following the Distribution, the Company became independent and publicly traded and intends to qualify and elect to be taxed as a REIT, commencing with the Company’s initial taxable year ended December 31, 2021.

The Company’s common stock, par value \$0.001 per share, trades on the New York Stock Exchange (the “NYSE”) under the symbol “ONL”.

At March 31, 2022, the Company owned and operated 92 office properties and related assets previously owned by Realty Income and VEREIT, totaling approximately 10.5 million leasable square feet located within 29 states and Puerto Rico. In addition, the Company owns an equity interest in an unconsolidated joint venture with an affiliate of Arch Street Capital Partners (the “Arch Street Joint Venture”), which, as of March 31, 2022 owned a portfolio consisting of six office properties totaling approximately 1.0 million leasable square feet located within six states.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The consolidated and combined statements of the Company presented herein include the accounts of the Company and its consolidated subsidiaries. All intercompany transactions have been eliminated upon consolidation. The financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States (“U.S. GAAP”). The consolidated and combined financial statements reflect all adjustments which are, in the opinion of management, necessary to a fair statement of the results for the interim periods presented. These adjustments are considered to be of a normal, recurring nature.

The operating results presented for interim periods are not necessarily indicative of the results that may be expected for any other interim period or for the entire year. These financial statements should be read in conjunction with the Company’s audited consolidated and combined financial statements and notes thereto as of and for the year ended December 31, 2021, which are included in the Company’s Annual Report on Form 10-K filed with the SEC on March 24, 2022. Information and footnote disclosures normally included in financial statements have been condensed or omitted pursuant to the rules and regulations of the SEC and U.S. GAAP.

ORION OFFICE REIT INC.
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS
March 31, 2022 (Unaudited)

Principles of Consolidation and Combination and Basis of Presentation

The consolidated and combined statements of the Company include the accounts of Realty Income Office Assets presented on a combined basis for the three months ended March 31, 2021 as the ownership interests were under common control and ownership of Realty Income during that period. For the three months ended March 31, 2022, the consolidated and combined financial statements include the accounts of the Company and its consolidated subsidiaries and a consolidated joint venture. The portion of the consolidated joint venture not owned by the Company is presented as non-controlling interest in the Company's consolidated balance sheets, statements of operations, statements of comprehensive income (loss) and statements of changes in equity.

For legal entities being evaluated for consolidation, the Company must first determine whether the interests that it holds and fees it receives qualify as variable interests in the entity. A variable interest is an investment or other interest that will absorb portions of an entity's expected losses or receive portions of the entity's expected residual returns. The Company's evaluation includes consideration of fees paid to the Company where the Company acts as a decision maker or service provider to the entity being evaluated. If the Company determines that it holds a variable interest in an entity, it evaluates whether that entity is a variable interest entity ("VIE"). VIEs are entities where investors lack sufficient equity at risk for the entity to finance its activities without additional subordinated financial support or where equity investors, as a group, lack one of the following characteristics: (a) the power to direct the activities that most significantly impact the entity's economic performance, (b) the obligation to absorb the expected losses of the entity, or (c) the right to receive the expected returns of the entity. The Company consolidates entities that are not VIEs if it has a majority voting interest or other rights that result in effectively controlling the entity.

The Company then qualitatively assesses whether it is (or is not) the primary beneficiary of a VIE, which is generally defined as the party who has a controlling financial interest in the VIE. Consideration of various factors include, but are not limited to, the Company's ability to direct the activities that most significantly impact the entity's economic performance and its obligation to absorb losses from or right to receive benefits of the VIE that could potentially be significant to the VIE. The Company continually evaluates the need to consolidate VIEs based on standards set forth in U.S. GAAP.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Management makes significant estimates regarding real estate investment impairments.

Revenue Recognition

Rental Revenue

The Company continually reviews receivables related to rent, straight-line rent and property operating expense reimbursements and determines collectability by taking into consideration the tenant's payment history, the financial condition of the tenant, business conditions in the industry in which the tenant operates and economic conditions in the area in which the property is located. The review includes a binary assessment of whether or not substantially all of the amounts due under a tenant's lease agreement are probable of collection. For leases that are deemed probable of collection, revenue continues to be recorded on a straight-line basis over the lease term and the Company recognizes a general allowance on a portfolio-wide basis. For leases that are deemed not probable of collection, revenue is recorded as cash is received and the Company reduces rental revenue for any straight-line rent receivables. The Company recognizes all changes in the collectability assessment for an operating lease as an adjustment to rental revenue. During the three months ended March 31, 2022, the Company did not record a general allowance or any reductions to rental revenue for amounts not probable of collection.

For operating leases with minimum scheduled rent increases, the Company recognizes rental revenue on a straight-line basis, including the effect of any free rent periods, over the lease term when collectability of lease payments is probable. Variable lease payments are recognized as rental revenue in the period when the changes in facts and circumstances on which the variable lease payments are based occur. Variable lease payments, including contingent rent, which is paid by a tenant when the tenant's sales exceed an agreed upon minimum amount, are recognized once tenant sales exceed contractual tenant lease thresholds and is calculated by multiplying the sales in excess of the minimum amount by a percentage defined in the lease.

ORION OFFICE REIT INC.
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS
March 31, 2022 (Unaudited)

Certain of the Company's leases also contain provisions for tenants to reimburse the Company for real estate taxes, insurance and maintenance and other property operating expenses. Such reimbursements are included in rental revenue and amounts paid directly by tenants are recorded on a net basis, as applicable.

Rental revenue also includes lease termination income collected from tenants to allow for the tenant to vacate their space prior to their scheduled termination dates, as well as amortization of above and below-market leases. During the quarters ended March 31, 2022 and 2021, the Company did not recognize any lease termination income.

Fee Income from Unconsolidated Joint Venture

The Company provides various services to our unconsolidated joint venture entity in exchange for market-based fees. Total asset and property management and acquisition fees earned in connection with this entity was \$0.2 million for the quarter ended March 31, 2022. No such fee income was earned for the quarter ended March 31, 2021.

Cash and Cash Equivalents

Cash and cash equivalents include cash in bank accounts, as well as investments in highly-liquid funds with original maturities of three months or less. The Company deposits cash with high quality financial institutions. These deposits are guaranteed by the Federal Deposit Insurance Corporation ("FDIC") up to an insurance limit of \$250,000. At times, the Company's cash and cash equivalents may exceed federally insured levels. Although the Company bears risk on amounts in excess of those insured by the FDIC, it has not experienced and does not anticipate any losses due to the high quality of the institutions where the deposits are held.

Restricted cash

The Company had \$35.5 million in restricted cash as of March 31, 2022, primarily comprised of reserves held by the lender under the CMBS Loan (as defined in Note 6 – Debt, Net) for future rent concessions and tenant improvement allowances. The Company did not have any restricted cash balances as of December 31, 2021. Restricted cash is included in Other Assets, net on the Company's consolidated and combined balance sheets.

Recent Accounting Pronouncements

In July 2021, the FASB issued ASU 2021-05 establishing Topic 842, Lessors - Certain Leases with Variable Lease Payments. ASU 2021-05 further clarifies ASC 842 classification guidance as it relates to a lessor's accounting for certain leases with variable lease payments. This guidance requires a lessor to classify a lease with variable payments that do not depend on an index or rate as an operating lease if either a sales-type lease or direct financing lease classification would trigger a day-one loss. The adoption of ASU 2021-05 did not have a material impact on our consolidated and combined statements.

In March 2020, the FASB issued ASU 2020-04 establishing Topic 848, Reference Rate Reform. ASU 2020-04 contains practical expedients for reference rate reform related activities that impact debt, leases, derivatives and other contracts. The guidance is optional and is effective between March 12, 2020 and December 31, 2022. The guidance may be elected over time as reference rate reform activities occur. We are currently evaluating the impact that the expected market transition from the London Interbank Offered Rate, commonly referred to as LIBOR, to alternative reference rates will have on our financial statements as well as the applicability of the aforementioned expedients and exceptions provided in ASU 2020-04.

Note 3 – Real Estate Investments and Related Intangibles

Property Acquisitions

During the three months ended March 31, 2022, the Company acquired for no consideration the fee interest in one parcel of land in connection with the maturity of a ground lease. As a result of the transaction, \$4.7 million that was previously classified as a finance lease right-of-use asset with respect to such land parcel previously subject to the ground lease was reclassified from other assets, net to real estate investments in the Company's consolidated balance sheet as of March 31, 2022. During the three months ended March 31, 2021, the Company had no acquisitions.

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Intangible Lease Assets

Intangible lease assets consisted of the following (amounts in thousands, except weighted-average useful life):

	Weighted-Average Useful Life (Years)	March 31, 2022	December 31, 2021
Intangible lease assets:			
In-place leases, net of accumulated amortization of \$90,129 and \$65,247, respectively	4.9	\$ 247,807	\$ 272,743
Leasing commissions, net of accumulated amortization of \$694 and \$456, respectively	13.0	11,097	10,349
Above-market lease assets, net of accumulated amortization of \$7,535 and \$6,239, respectively	5.1	13,719	15,015
Total intangible lease assets, net		<u>\$ 272,623</u>	<u>\$ 298,107</u>
Intangible lease liabilities:			
Below-market leases, net of accumulated amortization of \$16,075 and \$14,459, respectively	7.6	\$ 18,993	\$ 20,609

The aggregate amount of amortization of above-market and below-market leases included as a net increase to rental revenue was \$0.3 million for the three months ended March 31, 2022. The aggregate amount of amortization of above-market and below-market leases included as a net decrease to rental revenue was \$0.2 million for the three months ended March 31, 2021. The aggregate amount of in-place leases, leasing commissions and other lease intangibles amortized and included in depreciation and amortization expense was \$25.2 million and \$1.7 million for the three months ended March 31, 2022 and March 31, 2021, respectively.

The following table provides the projected amortization expense and adjustments to rental revenue related to the intangible lease assets and liabilities for the next five years as of March 31, 2022 (amounts in thousands):

	Remainder of 2022	2023	2024	2025	2026	2027
In-place leases:						
Total projected to be included in amortization expense	\$ 69,724	\$ 73,858	\$ 49,213	\$ 21,652	\$ 15,499	\$ 7,441
Leasing commissions:						
Total projected to be included in amortization expense	\$ 759	\$ 1,012	\$ 969	\$ 901	\$ 901	\$ 901
Above-market lease assets and deferred lease incentives:						
Total projected to be deducted from rental revenue	\$ 3,874	\$ 4,791	\$ 2,998	\$ 860	\$ 682	\$ 237
Below-market lease liabilities:						
Total projected to be added to rental revenue	\$ 4,828	\$ 6,091	\$ 3,786	\$ 1,036	\$ 817	\$ 655

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Investment in Unconsolidated Entity

The following is a summary of the Company's investment in one unconsolidated entity, Arch Street Joint Venture, as of March 31, 2022 and for the three months ended March 31, 2022 (dollar amounts in thousands):

Investment	Ownership % ⁽¹⁾	Number of Properties	Carrying Amount of Investment		Equity in Income Three Months Ended ⁽²⁾	
	March 31, 2022		March 31, 2022	December 31, 2021	March 31, 2022	March 31, 2021
Arch Street Joint Venture ⁽³⁾⁽⁴⁾	20%	6	\$ 17,952	18,631	\$ (41)	—

- (1) The Company's ownership interest reflects its legal ownership interest. Legal ownership may, at times, not equal the Company's economic interest because of various provisions in the joint venture agreement regarding capital contributions, distributions of cash flow based on capital account balances and allocations of profits and losses. As a result, the Company's actual economic interest (as distinct from its legal ownership interest) in certain of the properties could fluctuate from time to time and may not wholly align with its legal ownership interests.
- (2) The interest in the Arch Street Joint Venture was acquired by Realty Income as part of the Mergers, and was transferred to the Company upon the consummation of the Distribution. Therefore, the Company's equity in income reflects operations following the Merger Effective Time.
- (3) During three months ended March 31, 2022, the Arch Street Joint Venture did not acquire any properties.
- (4) The total carrying amount of the Company's investment in the unconsolidated joint venture was greater than the underlying equity in net assets by \$ 1.7 million as of March 31, 2022. This difference is related to a step up in the fair value of the investment in the unconsolidated joint venture in connection with the Mergers. The step up in fair value was allocated to the Company's investment in the unconsolidated joint venture and is being amortized in accordance with the Company's depreciation policy.

Note 4 – Receivables and Other Assets:

Accounts receivable, net consisted of the following as of March 31, 2022 and December 31, 2021 (in thousands):

	March 31, 2022	December 31, 2021
Accounts receivable, net	13,271	10,194
Straight-line rent receivable, net	\$ 8,761	\$ 7,722
Total	\$ 22,032	\$ 17,916

Other assets, net consisted of the following as of March 31, 2022 and December 31, 2021 (in thousands):

	March 31, 2022	December 31, 2021
Restricted cash	35,483	—
Right-of-use assets, net ⁽²⁾	26,023	30,958
Investment in unconsolidated entity	17,953	18,631
Deferred costs, net ⁽¹⁾	5,709	6,246
Prepaid expenses	2,813	3,730
Other assets, net	4,690	936
Total	\$ 92,671	\$ 60,501

- (1) Amortization expense for deferred costs related to the revolving credit facility totaled \$ 0.5 million for the three months ended March 31, 2022 as compared to no deferred costs for the three months ended March 31, 2021. Accumulated amortization for deferred costs related to the revolving credit facility was \$0.8 million and \$ 0.3 million as of March 31, 2022 and December 31, 2021, respectively.
- (2) Amortization expense for below market right-of-use asset was less than \$ 0.1 million for the three months ended March 31, 2022. There was no amortization expense for below market right-of-use asset for the three months ended March 31, 2021. Includes right-of-use finance leases of \$9.0 million, right-of-use operating leases of \$ 10.0 million, and a below-market right-of-use asset of \$ 7.1 million, net of less than \$0.1 million in accumulated amortization as of March 31, 2022. Includes right-of-use finance leases of \$13.8 million, right-of-use operating leases of \$ 10.2 million, and a below-market right-of-use asset of \$7.1 million, net of less than \$0.1 million in accumulated amortization as of December 31, 2021.

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Note 5 – Fair Value Measures

Items Measured at Fair Value on a Recurring Basis

The following tables present information about the Company's assets and liabilities measured at fair value on a recurring basis as of March 31, 2022 and December 31, 2021, aggregated by the level in the fair value hierarchy within which those instruments fall (in thousands):

	Level 1	Level 2	Level 3	Balance as of March 31, 2022
Assets:				
Derivative assets	\$ —	\$ 4,356	\$ —	\$ 4,356

	Level 1	Level 2	Level 3	Balance as of December 31, 2021
Assets:				
Derivative assets	\$ —	\$ 299	\$ —	\$ 299

Derivative Assets – The Company's derivative financial instruments relate to interest rate swaps. The valuation of derivative instruments is determined using a discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, as well as observable market-based inputs, including interest rate curves and implied volatilities. In addition, credit valuation adjustments are incorporated into the fair values to account for the Company's potential nonperformance risk and the performance risk of the counterparties.

Although the Company determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with those derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by the Company and its counterparties. However, as of March 31, 2022 and December 31, 2021, the Company assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and determined that the credit valuation adjustments are not significant to the overall valuation of the Company's derivatives. As a result, the Company determined that its derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

Items Measured at Fair Value on a Non-Recurring Basis

Certain financial and nonfinancial assets and liabilities are measured at fair value on a non-recurring basis and are subject to fair value adjustments in certain circumstances, such as when there is evidence of impairment.

Real Estate and Other Investments – The Company performs quarterly impairment review procedures for real estate investments, leasehold improvements and property and equipment, right of use assets and its investment in the unconsolidated entity, primarily through continuous monitoring of events and changes in circumstances that could indicate the carrying value of such assets may not be recoverable.

As part of the Company's impairment review procedures, net real estate assets representing two properties were deemed to be impaired resulting in impairment charges of \$1.6 million during the three months ended March 31, 2022 that relate to adjustments to expected sales prices for certain non-core assets which have been identified by management for potential sale.

There were no impairment charges recorded during the three months ended March 31, 2021.

The following table summarizes our provisions for impairment during the periods indicated below (dollars in thousands):

	Three Months Ended March 31, 2022
Number of properties	2
Carrying value of impaired properties	\$ 8,728
Provisions for impairment	(1,602)
Estimated fair value	\$ 7,126

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The Company estimates fair values using Level 2 and Level 3 inputs and uses a combined income and market approach, specifically using discounted cash flow analysis and/or recent comparable sales transactions. The evaluation of real estate assets for potential impairment requires the Company's management to exercise significant judgment and make certain key assumptions, including the following: (1) capitalization rate; (2) discount rates; (3) number of years the property will be held; (4) property operating expenses; and (5) re-leasing assumptions including number of months to re-lease, market rental revenue and required tenant improvements. There are inherent uncertainties in making these estimates such as market conditions and performance and sustainability of the Company's tenants. For the Company's impairment tests for the real estate assets during the quarter ended March 31, 2022, the fair value measurement for its impaired properties was determined by applying a sales price based on market data.

Real Estate and Other Investments – Separation Fair Value Assessment – Following the Mergers, Realty Income performed a purchase price allocation assessing the value of the assets acquired and liabilities assumed at the date of acquisition of VEREIT. The assessment of fair value is preliminary and is based on information that was available to Realty Income management at the time the consolidated and combined statements were prepared. Measurement period adjustments, if any, will be recorded in the period in which they are determined, as if they had been completed at the acquisition date. The finalization of Realty Income's purchase accounting assessment could result in changes in the valuation of real estate assets and liabilities up to one year after the date of the Mergers, and these changes could be material.

Fair Value of Financial Instruments

The fair value of short-term financial instruments such as cash and cash equivalents, restricted cash, accounts receivable, and accounts payable approximate their carrying value in the accompanying consolidated balance sheets due to their short-term nature. The fair values of the Company's financial instruments are reported below (dollar amounts in thousands):

	Level	Carrying Amount at March 31, 2022	Fair Value at March 31, 2022	Carrying Amount at December 31, 2021	Fair Value at December 31, 2021
Liabilities (1):					
Bridge facility, net	2	—	—	\$ 355,000	\$ 355,000
Mortgages payable, net	2	355,000	359,166	—	—
Credit facility term loan, net	2	175,000	175,000	175,000	175,000
Credit facility revolver	2	91,000	91,000	90,000	90,000
Total		<u>\$ 621,000</u>	<u>\$ 625,166</u>	<u>\$ 620,000</u>	<u>\$ 620,000</u>

(1) Current and prior period liabilities' carrying and fair values exclude net deferred financing costs.

Debt – The fair value is estimated by an independent third party using a discounted cash flow analysis, based on management's estimates of credit spreads and observable market interest rates, representing level 2 on the fair value hierarchy.

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Note 6 – Debt, Net

As of March 31, 2022, the Company had \$615.4 million of debt outstanding, including net deferred financing costs, with a weighted-average years to maturity of 3.6 years and a weighted-average interest rate of 4.17%. The following table summarizes the carrying value of debt as of March 31, 2022 and December 31, 2021, and the debt activity for the three months ended March 31, 2022 (in thousands):

	Balance as of December 31, 2021	Three Months Ended March 31, 2022			Balance, March 31, 2022
		Debt Issuances	Repayments, Extinguishment and Assumptions	Accretion and Amortization	
Mortgages payable:					
Outstanding balance	\$ —	\$ 355,000	\$ —	\$ —	\$ 355,000
Deferred costs	—	(3,446)	—	94	(3,352)
Mortgages payable, net	—	351,554	—	94	351,648
Bridge facility:					
Outstanding balance	355,000	—	(355,000)	—	—
Deferred costs	(643)	—	442	201	—
Bridge facility, net	354,357	—	(354,558)	201	—
Credit facility term loan:					
Outstanding balance	175,000	—	—	—	175,000
Deferred costs	(2,510)	(36)	—	339	(2,207)
Credit facility term loan, net	172,490	(36)	—	339	172,793
Credit facility revolver:					
Outstanding balance	90,000	70,000	(69,000)	—	91,000
Credit facility revolver, net	90,000	70,000	(69,000)	—	91,000
Total debt	\$ 616,847	\$ 421,518	\$ (423,558)	\$ 634	\$ 615,441

Credit Agreement

In connection with the Separation and the Distribution, on November 12, 2021, the Company, as parent, and Orion Office REIT LP (“Orion OP”), as borrower, entered into (i) a credit agreement (the “Revolver/Term Loan Credit Agreement”) providing for a three-year, \$425 million senior revolving credit facility (the “Revolving Facility”), including a \$25 million letter of credit sub-facility, and a two-year, \$175.0 million senior term loan facility (the “Term Loan Facility,” and together with the Revolving Facility, the “Revolver/Term Loan Facilities”) with Wells Fargo Bank, National Association, as administrative agent, and the lenders and issuing banks party thereto and (ii) a credit agreement (the “Bridge Credit Agreement,” and together with the Revolver/Term Loan Credit Agreement, the “Credit Agreements”) providing for a 6-month, \$355.0 million senior bridge term loan facility (the “Bridge Facility,” and together with the Revolver/Term Loan Facilities, the “Facilities”) with Wells Fargo Bank, National Association, as administrative agent, and the lenders party thereto.

On November 12, 2021, Orion OP borrowed \$90.0 million under the Revolving Facility, and each of the Term Loan Facility and the Bridge Facility was fully drawn. Approximately \$595.0 million of the net proceeds of the Facilities was distributed by the Company to Realty Income in accordance with the Separation and Distribution Agreement. Orion OP retained the remaining net proceeds of such borrowings as working capital for the general corporate purposes of the Company, Orion OP and Orion OP’s subsidiaries. In February 2022, as further described below, the Company refinanced the Bridge Facility in full with the \$355.0 million CMBS Loan (defined below), and the Bridge Credit Agreement was terminated. As of March 31, 2022, the Company had borrowed and outstanding \$91.0 million under the Revolving Facility and had \$334.0 million of availability under the Revolving Facility, and no borrowings were outstanding under the Bridge Facility.

The interest rate applicable to the loans under the Facilities may, at the election of Orion OP, be determined on the basis of LIBOR or a base rate, in either case, plus an applicable margin. Under the Revolver/Term Loan Facilities, the applicable margin is (1) in the case of the Revolving Facility, 2.50% for LIBOR loans and 1.50% for base rate loans and (2) in the case of the

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Term Loan Facility, 2.50% for LIBOR loans and 1.50% for base rate loans. Under the Bridge Facility, the applicable margin for LIBOR loans was initially 2.50% with scheduled increases over time to a maximum of 3.50% and the applicable margin on base rate loans was initially 1.50% with scheduled increases over time to a maximum of 2.50%, in each case, based on the number of days elapsed after November 12, 2021. Loans under the Revolver/Term Loan Facilities may be prepaid, and unused commitments under the Revolver/Term Loan Facilities may be reduced, at any time, in whole or in part, without premium or penalty (except for LIBOR breakage costs).

To the extent that amounts under the Revolving Facility remain unused, Orion OP is required to pay a quarterly commitment fee on the unused portion of the Revolving Facility in an amount equal to 0.25% per annum of the unused portion of the Revolving Facility.

The Revolver/Term Loan Facilities are guaranteed pursuant to a Guaranty (the "Revolver/Term Loan Guaranty") and the Bridge Facility was guaranteed pursuant to a Guaranty (the "Bridge Guaranty"), in each case, by the Company and, subject to certain exceptions, substantially all of Orion OP's existing and future subsidiaries (including substantially all of its subsidiaries that directly or indirectly own unencumbered real properties), other than certain joint ventures and subsidiaries that own real properties subject to certain other indebtedness (such subsidiaries of Orion OP, the "Subsidiary Guarantors").

The Revolver/Term Loan Facilities are secured by, among other things, first priority pledges of the equity interests in the Subsidiary Guarantors.

The Revolver/Term Loan Facilities require that Orion OP comply with various covenants, including, without limitation, covenants restricting, subject to certain exceptions, liens, investments, mergers, asset sales and the payment of certain dividends. In addition, the Revolver/Term Loan Facilities require that Orion OP satisfy certain financial covenants, including a:

- ratio of total debt to total asset value of not more than 0.60 to 1.00;
- ratio of adjusted EBITDA to fixed charges of not less than 1.50 to 1.00;
- ratio of secured debt to total asset value of not more than 0.45 to 1.00;
- ratio of unsecured debt to unencumbered asset value of not more than 0.60 to 1.00; and
- ratio of net operating income from all unencumbered real properties to unsecured interest expense of not less than 2.00 to 1.00.

As of March 31, 2022, Orion OP was in compliance with these financial covenants.

The Revolver/Term Loan Facilities include customary representations and warranties of the Company and Orion OP, which must be true and correct in all material respects as a condition to future extensions of credit under the Revolver/Term Loan Facilities. The Revolver/Term Loan Facilities also include customary events of default, the occurrence of which, following any applicable grace period, would permit the lenders to, among other things, declare the principal, accrued interest and other obligations of Orion OP under the Revolver/Term Loan Facilities to be immediately due and payable and foreclose on the collateral securing the Revolver/Term Loan Facilities.

CMBS Loan

On February 10, 2022, certain indirect subsidiaries of the Company (the "Mortgage Borrowers") obtained a \$55.0 million fixed rate mortgage loan (the "CMBS Loan") from Wells Fargo Bank, National Association (together with its successor, the "Lender"), which is secured by the Mortgage Borrowers' fee simple or ground lease interests in 19 properties owned indirectly by the Company (collectively, the "Mortgaged Properties"). During March 2022, Wells Fargo effected a securitization of the CMBS Loan. The CMBS Loan bears interest at a fixed rate of 4.971% per annum and matures on February 11, 2027.

The CMBS Loan requires monthly payments of interest only and all principal is due at maturity. The proceeds of the CMBS Loan were used to repay the Bridge Facility. Upon closing of the CMBS Loan, the Mortgage Borrowers funded \$35.5 million of loan reserves primarily for future rent concessions and tenant improvement allowances under the leases with respect to the 19 Mortgaged Properties. These amounts, as well as the transaction expenses incurred in connection with the CMBS Loan, were funded with cash on hand and borrowings under the Company's Revolving Facility.

The CMBS Loan is secured by, among other things, first priority mortgages and deeds of trust granted by the Mortgage Borrowers and encumbering the Mortgaged Properties.

The CMBS Loan is generally not freely prepayable by the Mortgage Borrowers without payment of certain prepayment premiums and costs. The CMBS Loan may be prepaid in whole, but not in part, except as provided in the loan agreement governing the CMBS Loan (the "CMBS Loan Agreement"), at any time following the Prepayment Lockout Release Date (as

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defined in the CMBS Loan Agreement) (generally two years after the Loan has been fully securitized), subject to the payment of a yield maintenance premium and the satisfaction of other terms and conditions set forth in the CMBS Loan Agreement. Further, releases of individual properties are permitted in connection with an arms' length third party sale upon repayment of the Release Price (as defined in the CMBS Loan Agreement) for the applicable individual property and subject to payment of the applicable yield maintenance premium and the satisfaction of other terms and conditions set forth in the CMBS Loan Agreement.

The CMBS Loan Agreement also contains customary cash management provisions, including certain trigger events (such as failure of the Mortgage Borrowers to satisfy a minimum debt yield) which allow the Lender to retain any excess cash flow as additional collateral for the Loan, until such trigger event is cured.

In connection with the CMBS Loan Agreement, the Company (as the guarantor) delivered a customary non-recourse carveout guaranty to the Lender (the "Guaranty"), under which the Company guaranteed the obligations and liabilities of the Mortgage Borrowers to the Lender with respect to certain non-recourse carveout events and the circumstances under which the CMBS Loan will be fully recourse to the Mortgage Borrowers, and which includes requirements for the Company to maintain a net worth of no less than \$355.0 million and liquid assets of no less than \$10.0 million, in each case, exclusive of the values of the collateral for the CMBS Loan. As of March 31, 2022, the Company was in compliance with these financial covenants.

The Mortgage Borrowers and the Company also provided a customary environmental indemnity agreement, pursuant to which the Mortgage Borrowers and the Company agreed to protect, defend, indemnify, release and hold harmless the Lender from and against certain environmental liabilities relating to the Mortgaged Properties.

The loan documents evidencing the CMBS Loan include customary representations, warranties and covenants of the Mortgage Borrowers and the Company. The loan documents also include customary events of default, the occurrence of which, following any applicable grace period, would permit the Lender to, among other things, declare the principal, accrued interest and other obligations of the Mortgage Borrowers under the loan documents to be immediately due and payable and foreclose on the Mortgaged Properties.

The Company's mortgages payable consisted of the following as of March 31, 2022 (dollar amounts in thousands):

	Encumbered Properties	Net Carrying Value of Collateralized Properties ⁽¹⁾	Outstanding Balance	Weighted-Average Interest Rate	Weighted-Average Years to Maturity
Fixed-rate debt	19	\$ 489,157	\$ 355,000	4.97 %	4.9

(1) Net carrying value is real estate assets, including right-of-use assets, net of real estate liabilities.

The table above does not include mortgage notes associated with the unconsolidated joint venture of \$36.7 million.

Note 7 – Derivatives and Hedging Activities

Cash Flow Hedges of Interest Rate Risk

As of each of March 31, 2022 and December 31, 2021, the Company had interest rate swap agreements with an aggregate notional amount of \$75.0 million, which were designated as cash flow hedges under U.S. GAAP. The interest rate swap agreements were effective on December 1, 2021 and mature on November 12, 2023.

The table below presents the fair value of the Company's derivative financial instrument designated as a cash flow hedge as well as its classification in the Company's consolidated balance sheets as of March 31, 2022 and December 31, 2021 (in thousands):

Derivatives Designated as Hedging Instruments	Balance Sheet Location	March 31, 2022	December 31, 2021
Interest rate swaps	Other assets, net	\$ 4,356	\$ 299

During the three months ended March 31, 2022, the Company recorded unrealized gains of \$.8 million for changes in the fair value of its cash flow hedge in accumulated other comprehensive income. There were no similar amounts recorded during the three months ended March 31, 2021, as the interest rate swap agreement did not exist during such period.

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The Company reclassified previous losses of \$0.2 million for the three months ended March 31, 2022 from accumulated other comprehensive income into interest expense as a result of the hedged transactions impacting earnings. There were no similar amounts recorded during the three months ended March 31, 2021.

During the next twelve months, the Company estimates that an additional \$1.9 million will be reclassified from other comprehensive income as a decrease to interest expense.

Derivatives Not Designated as Hedging Instruments

As of each of March 31, 2022 and December 31, 2021, the Company had no interest rate swaps that were not designated as qualifying hedging relationships.

Tabular Disclosure of Offsetting Derivatives

The table below details a gross presentation, the effects of offsetting and a net presentation of the Company's derivatives as of March 31, 2022 and December 31, 2021 (in thousands). The net amounts of derivative assets or liabilities can be reconciled to the tabular disclosure of fair value.

	Offsetting of Derivative Assets and Liabilities								
	Gross Amounts of Recognized Assets	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Consolidated Balance Sheets	Net Amounts of Assets Presented in the Consolidated Balance Sheets	Net Amounts of Liabilities Presented in the Consolidated Balance Sheets	Financial Instruments	Cash Collateral Received	Net Amount	
March 31, 2022	\$ 4,356	\$ —	\$ —	\$ 4,356	\$ —	\$ —	\$ —	\$ —	\$ 4,356
December 31, 2021	\$ 299	\$ —	\$ —	\$ 299	\$ —	\$ —	\$ —	\$ —	\$ 299

Note 8 – Supplemental Cash Flow Disclosures

Supplemental cash flow information was as follows during the periods indicated below (in thousands):

	Three Months Ended March 31,	
	2022	2021
Supplemental disclosures:		
Cash paid for interest	\$ 5,019	\$ 421
Cash paid for income taxes	\$ 145	\$ —
Non-cash investing and financing activities:		
Accrued capital expenditures and leasing costs	\$ 610	\$ —
Distributions declared and unpaid	\$ 5,663	\$ —
Land acquired upon finance lease termination	\$ 4,707	\$ —

Note 9 – Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consisted of the following as of March 31, 2022 and December 31, 2021 (in thousands):

	March 31, 2022	December 31, 2021
Accrued real estate and other taxes	\$ 7,640	\$ 10,322
Accrued other	5,698	4,159
Accounts payable	2,953	1,805
Accrued interest	1,638	1,093
Total	\$ 17,929	\$ 17,379

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Note 10 – Commitments and Contingencies

Leasing

As part of its ordinary re-leasing activities, the Company has agreed and anticipates that it will continue to agree to provide rent concessions to tenants and incur leasing costs with respect to its properties, including tenant improvement allowances, landlord agreements to pay for certain improvements, as well as leasing commissions. These rent concession and leasing cost commitments could be significant.

Litigation

The Company is party to various legal proceedings which it believes are routine in nature and incidental to the operation of its business. The Company does not believe that any of these outstanding claims against it are expected to have a material adverse effect upon its consolidated and combined position or results of operations.

Environmental Matters

In connection with the ownership and operation of real estate, the Company may potentially be liable for costs and damages related to environmental matters. The Company has not been notified by any governmental authority of any non-compliance, liability or other claim, and is not aware of any other environmental condition, in each case, that it believes will have a material adverse effect upon its consolidated and combined position or results of operations.

Note 11 – Leases

Lessor

As of March 31, 2022, the Company is the lessor for its 92 office properties. The Company's operating leases have non-cancelable lease terms ranging from 0.3 to 16.0 years as of March 31, 2022. Certain leases with tenants include options to extend or terminate the lease agreements or to purchase the underlying assets. Lease agreements may also contain rent increases that are based on an index or rate (e.g., the consumer price index or LIBOR).

The following table presents future minimum operating lease payments due to the Company over the next five years and thereafter as of March 31, 2022 (in thousands).

	Future Minimum Operating Lease Payments	
April 1, 2022 - December 31, 2022	\$	113,038
2023		130,444
2024		99,069
2025		66,974
2026		64,401
2027		45,012
Thereafter		200,614
Total	\$	719,552

Lessee

The Company is the lessee under ground lease arrangements and corporate office leases, which meet the criteria under U.S. GAAP for an operating lease. As of March 31, 2022, the Company's operating leases had remaining lease terms ranging from 0.6 years to 62.8 years, which includes options to extend. Under the operating leases, the Company pays rent and may also pay variable costs, including property operating expenses and common area maintenance. The weighted-average discount rate used to measure the lease liability for the Company's operating leases was 3.16% as of March 31, 2022. As the Company's leases do not provide an implicit rate, the Company used an estimated incremental borrowing rate based on the information available at the lease guidance adoption date or the Merger Effective Time, as applicable, in determining the present value of lease payments.

Operating lease costs were \$0.3 million and less than \$0.1 million for the three months ended March 31, 2022 and March 31, 2021, respectively. No cash paid for operating lease liabilities was capitalized.

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The following table reflects the maturity analysis of payments due from the Company over the next five years and thereafter for ground and corporate office lease obligations as of March 31, 2022 (in thousands).

	Future Minimum Lease Payments
April 1, 2022 - December 31, 2022	750
2023	778
2024	452
2025	442
2026	442
2027	445
Thereafter	12,939
Total	16,248
Less: imputed interest	6,170
Total	<u>\$ 10,078</u>

The following table reflects the maturity analysis of payments due from the Company over the next five years and thereafter for ground and corporate office lease obligations as of December 31, 2021 (in thousands).

	Future Minimum Lease Payments
2022	1,008
2023	778
2024	452
2025	442
2026	442
Thereafter	13,383
Total	16,505
Less: imputed interest	6,248
Total	<u>\$ 10,257</u>

Note 12 – Stockholders’ Equity

Common Stock

The Company was initially capitalized on July 15, 2021 with the issuance of 100,000 shares of common stock (\$0.01 par value per share) to Realty Income for a total of \$1,000.

On November 10, 2021, the Company issued 56,525,650 additional shares of common stock to Realty Income, such that Realty Income owned 56,625,650 shares of the Company’s common stock. Also on November 10, 2021, in connection with the filing of the Company’s Articles of Amendment, the Company changed the par value of its common stock from \$0.01 per share to \$0.001 per share. On November 12, 2021, Realty Income effected the Distribution.

On March 22, 2022, the Company’s Board of Directors declared the Company’s first quarterly dividend as an independent public company. The dividend, which was for the first quarter of 2022, was in the amount of \$0.10 per share, and was paid on April 15, 2022, to stockholders of record as of March 31, 2022.

Stock Warrants

On November 12, 2021, in connection with the Distribution, Orion OP entered into an Amended and Restated Limited Liability Company Agreement (the “LLCA”) of OAP/VER Venture, LLC (the “Arch Street Joint Venture”), by and between Orion OP and OAP Holdings LLC (the “Arch Street Partner”), an affiliate of Arch Street Capital Partners, pursuant to which the Arch Street Partner consented to the transfer of the equity interests of the Arch Street Joint Venture previously held by VEREIT Real Estate, L.P. to Orion OP.

ORION OFFICE REIT INC.
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March 31, 2022 (Unaudited)

Also on November 12, 2021, in connection with the entry into the LLCA, the Company granted certain affiliates of the Arch Street Partner warrants to purchase up to 1,120,000 shares of the Company's common stock (the "Arch Street Warrants"). The Arch Street Warrants entitle the respective holders to purchase shares of the Company's common stock at a price per share equal to \$22.42, at any time. The Arch Street Warrants may be exercised, in whole or in part, through a cashless exercise, in which case the holder would receive upon such exercise the net number of shares of Company common stock determined according to the formula set forth in the Arch Street Warrants. The Arch Street Warrants expire on the earlier of (a) 10 years after issuance and (b) the later of the termination of the Arch Street Joint Venture and seven years after issuance.

Note 13 - Equity Based Compensation

The Company has an equity-based incentive award plan (the "Equity Plan") for officers, employees, non-employee directors and consultants who provide services to the Company. Awards under the Equity Plan are accounted for under U.S. GAAP as share-based payments. The expense for such awards is recognized over the vesting period or when the requirements for exercise of the award have been met. Under the Equity Plan, the Company may grant various types of awards, including restricted stock units that will vest if the recipient maintains employment with the Company over the requisite service period (the "Time-Based Restricted Stock Units") and restricted stock units that may vest in a number ranging from 0% to 100% of the total number of units granted, based on the Company's total shareholder return measured on an absolute basis ("TSR-Based Restricted Stock Units") and certain operational performance metrics ("Metrics-Based Restricted Stock Units"), in each case during a three-year performance period, subject to the recipient's continued service with the Company (collectively, the "Performance-Based Restricted Stock Units").

During the three months ending March 31, 2022, the Company granted Time-Based Restricted Stock Units and Performance-Based Restricted Stock Units to certain officers and employees of the Company. The fair value of the Time-Based Restricted Stock Units granted to non-executive directors and employees under the Equity Plan is generally determined using the closing stock price on the grant date and is expensed over the requisite service period on a straight-line basis. The fair value of the TSR-Based Restricted Stock Units granted to employees under the Equity Plan is determined using a Monte Carlo simulation which takes into account multiple input variables that determine the probability of satisfying the required total shareholder return, and such fair value is expensed over the performance period. The fair value of the Metrics-Based Restricted Stock Units is determined when the likelihood of achieving the performance metrics becomes probable. As of March 31, 2022, the Company determined that the likelihood of achieving the performance metrics was improbable and recognized no compensation expense related to the Metrics-Based Restricted Stock Units.

Time-Based Restricted Stock Units and Performance-Based Restricted Stock Units do not provide for any rights of a common stockholder prior to the vesting of such restricted stock units. Equity-based compensation expense related to Orion Time-Based Restricted Stock Units and Performance-Based Restricted Stock Units for the three months ended March 31, 2022, was \$0.1 million. As of March 31, 2022, total unrecognized compensation expense related to Time-Based Restricted Stock Units and Performance-Based Restricted Stock Units was approximately \$2.4 million, with an aggregate weighted-average remaining term of 2.9 years. Equity-based compensation expense for the three months ended March 31, 2022, related to Realty Income time-based restricted stock units and stock options granted in connection with the Mergers, was \$0.1 million. As of March 31, 2022, total unrecognized compensation expense related to Realty Income time-based restricted stock units and stock options was approximately \$0.5 million, with an aggregate weighted-average remaining term of 1.6 years.

Note 14 - Net Income (Loss) Per Share

The computation of basic and diluted earnings per share is as follows for the three months ended March 31, 2022 and March 31, 2021 (in thousands, except share and per share data):

	Three Months Ended March 31,	
	2022	2021
Net (loss) income	\$ (9,882)	\$ 4,551
(Income) loss attributable to non-controlling interests	(24)	—
Net (loss) income available to common stockholders used in basic and diluted net income per share	(9,906)	4,551
Weighted average number of Common Stock outstanding - basic	56,625,650	56,625,650
Effect of dilutive securities ⁽¹⁾	—	—
Weighted average number of common shares - diluted	56,625,650	56,625,650
Basic and diluted net (loss) income per share attributable to common stockholders	\$ (0.17)	\$ 0.08

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NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS
March 31, 2022 (Unaudited)

(1) As of March 31, 2022 and March 31, 2021, there were no adjustments to the weighted average common shares outstanding used in the diluted calculation given there were no potentially dilutive shares.

The following were excluded from diluted net (loss) income per share attributable to common stockholders, as the effect would have been antidilutive:

	Three Months Ended March 31,	
	2022	2021
Weighted average unvested Time-Based Restricted Stock Units and Performance-Based Restricted Stock Units ⁽¹⁾	765	—
Weighted average stock warrants	1,120,000	—

(1) Net of assumed repurchases in accordance with the treasury stock method.

Note 15 – Subsequent Events

Distributions

On May 3, 2022, the Company's Board of Directors declared a quarterly dividend of \$0.10 per share for the second quarter of 2022, payable on July 15, 2022, to stockholders of record as of June 30, 2022.

VEREIT OFFICE ASSETS
COMBINED AND CONSOLIDATED STATEMENT OF OPERATIONS
(In thousands) (Unaudited)

	Three Months Ended March 31,	
	2021	
Rental revenue (including reimbursable)	\$	39,782
Fee income from unconsolidated joint venture		140
Total revenues		39,922
Operating expenses:		
Property operating (including reimbursable)		9,890
General and administrative		1,664
Depreciation and amortization		14,957
Impairments		21,180
Total operating expenses		47,691
Other (expenses) income:		
Other income, net		6
Interest expense		(2,032)
Loss on extinguishment of debt, net		(117)
Equity in income of unconsolidated joint venture		202
Total other expenses, net		(1,941)
Loss before taxes		(9,710)
Provision for income taxes		(156)
Net loss		(9,866)
Net loss attributable to non-controlling interest		2
Net loss attributable to VEREIT Office Assets	\$	(9,864)

The accompanying notes are an integral part of this statement.

VEREIT OFFICE ASSETS
COMBINED AND CONSOLIDATED STATEMENT OF EQUITY
(In thousands) (Unaudited)

	<u>Total Equity</u>
Balance, January 1, 2021	\$ 1,161,434
Contributions, net	18,927
Net loss	<u>(9,866)</u>
Balance, March 31, 2021	<u>1,170,495</u>

The accompanying notes are an integral part of this statement.

VEREIT OFFICE ASSETS
COMBINED AND CONSOLIDATED STATEMENT OF CASH FLOWS
(In thousands) (Unaudited)

	Three Months Ended March 31,	
	2021	
Cash flows from operating activities:		
Net loss	\$	(9,866)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization		14,859
Impairments		21,180
Loss on extinguishment of debt, net		117
Equity in income of unconsolidated joint venture		(202)
Distributions from unconsolidated joint venture		202
Changes in assets and liabilities:		
Rents and tenant receivables, operating lease right-of-use and other assets, net		2,404
Accounts payable and accrued expenses		(5,652)
Deferred rent, operating lease and other liabilities		(2)
Net cash provided by operating activities		23,040
Cash flows from investing activities:		
Capital expenditures and leasing costs		(2,969)
Real estate developments		(14)
Return of investment from unconsolidated joint venture		316
Proceeds from the settlement of property-related insurance claims		70
Net cash used in investing activities		(2,597)
Cash flows from financing activities:		
Payments on mortgage notes payable		(40,167)
Refunds of deferred financing costs		280
Net contributions from parent		18,927
Net cash used in financing activities		(20,960)
Net change in cash and cash equivalents and restricted cash		(517)
Cash and cash equivalents and restricted cash, beginning of period		3,414
Cash and cash equivalents and restricted cash, end of period	\$	2,897
Supplemental disclosures:		
Cash paid for interest	\$	2,355
Non-cash investing and financing activities:		
Accrued capital expenditures and real estate developments	\$	(568)

The accompanying notes are an integral part of this statement.

VEREIT OFFICE ASSETS
NOTES TO COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2021 (Unaudited)

Note 1 – Organization and Summary of Significant Accounting Policies

Organization

On April 29, 2021, Realty Income Corporation (“Realty Income”) entered into an Agreement and Plan of Merger (as amended, the “Merger Agreement”) with VEREIT, Inc. (“VEREIT”), its operating partnership, VEREIT Operating Partnership, L.P. (“VEREIT OP”), Rams MD Subsidiary I, Inc., a wholly owned subsidiary of Realty Income (“Merger Sub 1”), and Rams Acquisition Sub II, LLC, a wholly owned subsidiary of Realty Income (“Merger Sub 2”). On November 1, 2021, pursuant to the Merger Agreement, Merger Sub 2 merged with and into VEREIT OP, with VEREIT OP continuing as the surviving partnership, and immediately thereafter, VEREIT merged with and into Merger Sub 1, with Merger Sub 1 continuing as the surviving corporation (together, the “Mergers”, and such effective time of the Mergers, the “Merger Effective Time”). Upon the Merger Effective Time, as part of the Mergers, Realty Income acquired certain office real properties and related assets previously owned by subsidiaries of VEREIT (collectively, “VEREIT Office Assets”). Following the Merger Effective Time, in accordance with the Merger Agreement, Realty Income contributed the portion of the combined business comprising certain office real properties and related assets previously owned by subsidiaries of Realty Income (collectively, “Realty Income Office Assets”) and the VEREIT Office Assets (the “Separation”) to Orion Office REIT Inc. (the “Company”) and its operating partnership, Orion Office REIT LP (“Orion OP”). On November 12, 2021, following the Separation, in accordance with the Merger Agreement and that certain Separation and Distribution Agreement, Realty Income effected a special distribution to its stockholders (including the former holders of VEREIT common stock and certain former VEREIT OP common unitholders prior to the Mergers) of all of the outstanding shares of common stock of the Company (the “Distribution”). Following the Distribution, Orion operates as a separate, publicly-traded company and intends to qualify and elect to be taxed as a REIT, commencing with the Company’s initial taxable year ended December 31, 2021. VEREIT Office Assets includes the combined accounts related to certain of the office properties of VEREIT, historically operated through subsidiaries of VEREIT, and contains certain corporate costs.

As of March 31, 2021, VEREIT Office Assets had one reportable segment which owned 52 properties, including one property owned by a consolidated joint venture, totaling approximately 7.6 million leasable square feet located in 25 states in the United States and Puerto Rico, and an investment in one unconsolidated joint venture that owns four office properties totaling approximately 0.7 million leasable square feet located within four states.

Summary of Significant Accounting Policies

Principles of Combination and Basis of Accounting and Presentation

The accompanying combined and consolidated financial statements were prepared in accordance with generally accepted accounting principles in the United States (“GAAP”) and include the accounts of VEREIT Office Assets on a combined and consolidated basis as the ownership interests were under common control and ownership of VEREIT, including a consolidated joint venture. Any applicable intercompany accounts and transactions have been eliminated in consolidation and combination. The portion of the consolidated joint venture not previously owned by VEREIT, is presented as non-controlling interest in VEREIT Office Assets’ combined and consolidated balances sheets and statements of operations. The information furnished includes all adjustments and accruals of a normal recurring nature, which, in the opinion of management, are necessary for a fair presentation of results for the interim periods. The results of operations for the three months ended March 31, 2021 are not necessarily indicative of the results for the entire year or any subsequent interim period. These combined and consolidated financial statements should be read in conjunction with the audited combined and consolidated financial statements of VEREIT Office Assets and notes thereto as of and for the ten months ended October 31, 2021, included in the Form 10-K for Orion Office REIT Inc. filed on March 24, 2022. Information and footnote disclosures normally included in financial statements have been condensed or omitted pursuant to the rules and regulations of the SEC and GAAP.

For legal entities being evaluated for consolidation, VEREIT Office Assets must first determine whether the interests that it holds and fees it receives qualify as variable interests in the entity. A variable interest is an investment or other interest that will absorb portions of an entity’s expected losses or receive portions of the entity’s expected residual returns. VEREIT Office Assets’ evaluation includes consideration of fees paid to VEREIT Office Assets where VEREIT’s management, on behalf of VEREIT Office Assets, acts as a decision maker or service provider to the entity being evaluated. If VEREIT Office Assets determines that it holds a variable interest in an entity, it evaluates whether that entity is a variable interest entity (“VIE”). VIEs are entities where investors lack sufficient equity at risk for the entity to finance its activities without additional subordinated financial support or where equity investors, as a group, lack one of the following characteristics: (a) the power to direct the activities that most significantly impact the entity’s economic performance, (b) the obligation to absorb the expected losses of

VEREIT OFFICE ASSETS
NOTES TO COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2021 (Unaudited - (Continued))

the entity, or (c) the right to receive the expected returns of the entity. VEREIT Office Assets consolidates entities that are not VIEs if it has a majority voting interest or other rights that result in effectively controlling the entity.

VEREIT Office Assets then qualitatively assesses whether it is (or is not) the primary beneficiary of a VIE, which is generally defined as the party who has a controlling financial interest in the VIE. Consideration of various factors include, but are not limited to, VEREIT Office Assets' ability to direct the activities that most significantly impact the entity's economic performance and its obligation to absorb losses from or right to receive benefits of the VIE that could potentially be significant to the VIE. VEREIT Office Assets consolidates any VIEs when the Company is determined to be the primary beneficiary of the VIE and the difference between consolidating the VIE and accounting for it using the equity method could be material to VEREIT Office Assets' combined and consolidated financial statements. VEREIT Office Assets continually evaluates the need to consolidate these VIEs based on standards set forth in GAAP.

These combined and consolidated financial statements were derived from the books and records of VEREIT and were carved out from VEREIT at a carrying value reflective of historical cost in such VEREIT records. VEREIT Office Assets' historical balance sheets reflect amounts for goodwill based on its proportion of the cost basis of the real estate assets as of December 31, 2018. VEREIT Office Assets' historical financial results reflect charges for certain corporate costs and, we believe such charges are reasonable. Costs of the services that were charged to VEREIT Office Assets were based on either actual costs incurred or a proportion of costs estimated to be applicable to this entity, based on VEREIT Office Assets' pro rata share of VEREIT's annualized rental income. Annualized rental income is rental revenue on a straight-line basis, which includes the effect of rent escalations and any tenant concessions, such as free rent, and excludes any adjustments to rental income due to changes in the collectability assessment, contingent rent, such as percentage rent, and operating expense reimbursements. The historical combined and consolidated financial information presented may therefore not be indicative of the results of operations, financial position or cash flows that would have been obtained if there had been an independent, stand-alone public company during the periods presented or of Orion's future performance as an independent, stand-alone company.

Use of Estimates

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

Real Estate Investments

Real estate and related assets acquired are recorded at cost and accumulated depreciation and amortization are assessed based on the period of future benefit of the asset. Depreciation and amortization are computed using a straight-line method over the estimated useful life of 40 years for buildings and building improvements, 15 years for land improvements and the remaining lease term for tenant improvements and intangible lease assets.

VEREIT management performed quarterly impairment review procedures, primarily through continuous monitoring of events and changes in circumstances that could indicate the carrying value of its real estate assets may not be recoverable. Impairment indicators that VEREIT management considered included, but were not limited to, decrease in operating income, bankruptcy or other credit concerns of a property's major tenant or tenants or a significant decrease in a property's revenues due to lease terminations, vacancies or reduced lease rates.

When impairment indicators are identified or if a property is considered to have a more likely than not probability of being disposed of within the next 12 to 24 months, VEREIT management assessed the recoverability of the assets by determining whether the carrying value of the assets will be recovered through the undiscounted future cash flows expected from the use of the assets and their eventual disposition. GAAP required VEREIT Office Assets to utilize the expected holding period of its properties when assessing recoverability. In the event that such expected undiscounted future cash flows did not exceed the carrying value, the real estate assets have been adjusted to their respective fair values and an impairment loss has been recognized. There are inherent uncertainties in making estimates of expected future cash flows such as market conditions and performance and sustainability of the tenants.

Investment in Unconsolidated Joint Venture

As of March 31, 2021, VEREIT Office Assets owned a 20% ownership interest in an unconsolidated joint venture, the Arch Street Joint Venture, that owned four properties with total real estate investments, at cost, of \$169.3 million and total debt outstanding of \$102.6 million, which was non-recourse to VEREIT Office Assets.

VEREIT OFFICE ASSETS
NOTES TO COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2021 (Unaudited - (Continued))

VEREIT Office Assets accounted for its investment in the unconsolidated joint venture using the equity method of accounting as VEREIT Office Assets had the ability to exercise significant influence, but not control, over operating and financing policies of the joint venture. The equity method of accounting requires the investment to be initially recorded at cost and subsequently adjusted for VEREIT Office Assets' share of equity in the joint venture's earnings and distributions. VEREIT Office Assets recorded its proportionate share of net income (loss) from the unconsolidated joint venture in equity in income of unconsolidated joint venture in the combined and consolidated statements of operations.

VEREIT Office Assets was required to determine whether an event or change in circumstances had occurred that may have had a significant adverse effect on the fair value of its investment in the unconsolidated joint venture. If an event or change in circumstance had occurred, VEREIT Office Assets' management was required to evaluate its investment in the unconsolidated joint venture for potential impairment and determine if the carrying value of its investment exceeded its fair value. An impairment charge is recorded when an impairment is deemed to be other-than-temporary. To determine whether an impairment is other-than-temporary, VEREIT Office Assets' management considered whether it had the ability and intent to hold the investment until the carrying value is fully recovered. The evaluation of an investment in an unconsolidated joint venture for potential impairment required VEREIT Office Assets' management to exercise significant judgment and to make certain assumptions. The use of different judgments and assumptions could result in different conclusions. No impairments were identified during the three months ended March 31, 2021.

Goodwill Impairment

VEREIT evaluated goodwill for impairment annually or more frequently when an event occurred or circumstances changed that indicated the carrying value may not be recoverable. To determine whether it was necessary to perform a quantitative goodwill impairment test, VEREIT first assessed qualitative factors, including macro-economic conditions such as deterioration in the entity's operating environment or industry or market considerations; entity-specific events such as increasing costs, declining financial performance, or loss of key personnel; or other events such as an expectation that a reporting unit will be sold or sustained decrease in VEREIT's stock price on either an absolute basis or relative to peers. If an entity believes, as a result of its qualitative assessment, that it is more-likely-than-not (i.e. greater than 50% chance) that the fair value of a reporting unit is less than its carrying amount, the quantitative impairment test is required. Otherwise, no quantitative testing is required. If it is determined, as a result of the qualitative assessment, that it is more-likely-than-not that the fair value is less than the carrying amount, the provisions of guidance require that the fair value be compared to the carrying value. Goodwill is considered impaired if the carrying value exceeds the fair value. No impairments of VEREIT's goodwill were recorded during the three months ended March 31, 2021. The results of the VEREIT impairment tests carry over to VEREIT Office Assets, therefore no impairments were recorded in the accompanying combined and consolidated statements of operations.

Cash and Cash Equivalents

VEREIT Office Assets considers all highly liquid instruments with maturities when purchased of three months or less to be cash equivalents. VEREIT Office Assets considers investments in highly liquid money market accounts to be cash equivalents.

Restricted Cash

As of March 31, 2021, restricted cash included \$2.3 million in lender reserves. Reserves relate to lease expirations, as well as maintenance, structural and debt service reserves.

Rent and Tenant Receivables and Other Assets, Net

Rent and tenant receivables and other assets, net primarily includes amounts to be collected in future periods related to the recognition of rental income on a straight-line basis over the lease term and cost recoveries due from tenants. Prepaid expenses as of the balance sheet date relate to future periods and will be expensed or reclassified to another account during the period to which the costs relate. Any amounts with no future economic benefit are charged to earnings when identified.

VEREIT OFFICE ASSETS
NOTES TO COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2021 (Unaudited - (Continued))

Deferred Financing Costs

Deferred financing costs represent commitment fees, legal fees and other costs associated with obtaining commitments for financing. Deferred financing costs are presented on the combined and consolidated balance sheet as a direct deduction from the carrying amount of the related debt liability. These costs are amortized to interest expense over the terms of the respective financing agreements using the straight-line method, which approximates the effective interest method. Unamortized deferred financing costs are written off when the associated debt is refinanced or repaid before maturity. Costs incurred in connection with potential financial transactions that are not completed are expensed in the period in which it is determined the financing will not be completed.

Leases - Lessor

At the inception of a new lease arrangement, including new leases that arise from amendments, the terms and conditions are assessed to determine the proper lease classification. When the terms of a lease effectively transfer control of the underlying asset, the lease is classified as a sales-type lease. When a lease does not effectively transfer control of the underlying asset to the lessee, but a guarantee is obtained for the value of the asset from a third party, the lease is classified as a direct financing lease. All other leases are classified as operating leases. As of March 31, 2021, no leases were classified as sales-type or direct financing leases.

For operating leases with minimum scheduled rent increases, rental revenue is recognized on a straight-line basis, including the effect of any free rent periods, over the lease term when collectability of lease payments is probable. Variable lease payments are recognized as rental revenue in the period when the changes in facts and circumstances on which the variable lease payments are based occur.

VEREIT Office Assets adopted Accounting Standards Codification Topic 842, Leases effective as of January 1, 2019. Two separate lease components were identified as follows: (i) land lease component and (ii) single property lease component comprised of building, land improvements and tenant improvements. The leases also contain provisions for tenants to reimburse VEREIT Office Assets for real estate taxes and insurance, which are considered noncomponents of the lease, and maintenance and other property operating expenses, which are considered to be non-lease components. VEREIT Office Assets elected the practical expedient to combine lease and non-lease components and the non-lease components will be included with the single property lease component as the predominant component.

VEREIT Office Assets continually reviews receivables related to rent, straight-line rent and property operating expense reimbursements and determines collectability by taking into consideration the tenant's payment history, the financial condition of the tenant, business conditions in the industry in which the tenant operates and economic conditions in the area in which the property is located. The review includes a binary assessment of whether or not substantially all of the amounts due under a tenant's lease agreement are probable of collection. For leases that are deemed probable of collection, revenue continues to be recorded on a straight-line basis over the lease term. For leases that are deemed not probable of collection, revenue is recorded as cash is received. All changes in the collectability assessment for an operating lease are recognized as an adjustment to rental income.

During the year ended December 31, 2020, there was a global outbreak of a new strain of coronavirus, COVID-19. The global and domestic response to the COVID-19 outbreak continues to evolve. Federal, state, and local authorities have responded in a variety of ways, including temporary closure of or imposed limitations on the operations of certain non-essential businesses. Since the COVID-19 outbreak began, each of VEREIT Office Assets' tenants has almost entirely continued to meet its payment obligations under its respective lease. In consideration of each tenant's payment history, among other factors, there have been no changes in the collectability assessment for any of VEREIT Office Assets' operating leases. Though the COVID-19 outbreak did not have a material impact on VEREIT Office Assets' results of operations, cash flows or financial condition for the three months ended March 31, 2021, it could negatively impact tenant operations at VEREIT Office Assets' properties in the future, which could result in a material impact to VEREIT Office Assets' future results of operations, cash flows and financial condition.

VEREIT OFFICE ASSETS
NOTES TO COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2021 (Unaudited - (Continued))

Leases - Lessee

To account for leases for which VEREIT Office Assets is the lessee, contracts must be analyzed upon inception to determine if the arrangement is, or contains, a lease. A lease conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease classification tests and measurement procedures are performed at the lease commencement date.

The lease liability is initially measured as the present value of the lease payments over the lease term, discounted using the interest rate implicit in the lease, if that rate is readily determinable; otherwise, the lessee's incremental borrowing rate is used. The incremental borrowing rate is determined based on the estimated rate of interest that the lessee would pay to borrow on a collateralized basis over a similar term at an amount equal to the lease payments in a similar economic environment. The lease term is the noncancelable period of the lease and includes any renewal and termination options VEREIT Office Assets is reasonably certain to exercise. The lease liability balance is amortized using the effective interest method. The lease liability is remeasured when the contract is modified, upon the resolution of a contingency such that variable payments become fixed or if the assessment of exercising an extension, termination or purchase option changes.

The operating lease right-of-use ("ROU") asset balance is initially measured as the lease liability amount, adjusted for any lease payments made prior to the commencement date, initial direct costs, estimated costs to dismantle, remove, or restore the underlying asset and incentives received.

Income Taxes

As of March 31, 2021, VEREIT Office Assets was owned by VEREIT, which had elected to be taxed as a REIT for U.S. federal income tax purposes under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended, commencing with the taxable year ended December 31, 2011. VEREIT believed it was organized and operating in such a manner as to qualify to be taxed as a REIT for the taxable year ended December 31, 2021. As a REIT, VEREIT was generally not subject to federal income tax on taxable income that it distributed to its stockholders so long as it distributed annually at least 90% of its REIT taxable income (computed without regard to the deduction for dividends paid and excluding net capital gains). Accordingly, no provision has been made for federal income taxes in the accompanying combined and consolidated financial statements of VEREIT Office Assets.

During the three months ended March 31, 2021, VEREIT Office Assets recognized state and local income and franchise tax expense of approximately \$0.2 million. Amounts are included in provision for income taxes in the accompanying combined and consolidated statements of operations.

VEREIT Office Assets had no unrecognized tax benefits as of or during the three months ended March 31, 2021. Any interest and penalties related to unrecognized tax benefits would be recognized in provision for income taxes in the accompanying combined and consolidated statements of operations. As of March 31, 2021, VEREIT Office Assets had no material uncertain income tax positions.

Recent Accounting Pronouncements

In March 2020, the FASB issued ASU 2020-04 establishing Topic 848, Reference Rate Reform. ASU 2020-04 contains practical expedients for reference rate reform related activities that impact debt, leases, derivatives and other contracts. The guidance is optional and is effective between March 12, 2020 and December 31, 2022. The guidance may be elected over time as reference rate reform activities occur. We are currently evaluating the impact that the expected market transition from the London Interbank Offered Rate, commonly referred to as LIBOR, to alternative reference rates will have on our financial statements as well as the applicability of the aforementioned expedients and exceptions provided in ASU 2020-04.

Note 2 – Real Estate Investments and Related Intangibles

Property Acquisitions/Dispositions

There were no property acquisitions or dispositions during the three months ended March 31, 2021.

VEREIT OFFICE ASSETS
NOTES TO COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2021 (Unaudited - (Continued))

Consolidated Joint Venture

VEREIT Office Assets had an interest in one consolidated joint venture that owned one property as of March 31, 2021. As of March 31, 2021, the consolidated joint venture had total assets of \$32.6 million, of which \$28.7 million were real estate investments, net of accumulated depreciation and amortization at each of the respective dates. The property was secured by a mortgage note payable, which was non-recourse to VEREIT Office Assets and had a net balance of \$15.0 million as of March 31, 2021. The joint venture partner is the managing member of the joint venture. However, in accordance with the joint venture agreement, VEREIT Office Assets had the ability to control operating and financing policies of the consolidated joint venture and the joint venture partner must obtain VEREIT Office Assets' approval for any major transactions. VEREIT Office Assets and the joint venture partner were subject to the provisions of the joint venture agreement, which included provisions for when additional contributions may be required to fund certain cash shortfalls.

Impairments

VEREIT management performed quarterly impairment review procedures for real estate investments, leasehold improvements and property and equipment and right of use assets, primarily through continuous monitoring of events and changes in circumstances that could indicate the carrying value of its real estate assets may not be recoverable.

As part of VEREIT management's quarterly impairment review procedures, net real estate assets representing one property of VEREIT Office Assets was deemed to be impaired resulting in impairment charges of \$21.2 million during the three months ended March 31, 2021. The impairment charges related to a property that VEREIT management identified for potential sale or were determined, based on discussions with the current tenants, would not be re-leased by the tenant and VEREIT management believed the property would not be leased to another tenant at a rental rate that supported the book value.

VEREIT estimated fair values using Level 3 inputs and used a combined income and market approach, specifically using discounted cash flow analysis and recent comparable sales transactions. The evaluation of real estate assets for potential impairment required VEREIT's management to exercise significant judgment and make certain key assumptions, including the following: (1) capitalization rate; (2) discount rates; (3) number of years the property will be held; (4) property operating expenses; and (5) re-leasing assumptions, including number of months to re-lease, market rental revenue and required tenant improvements. There are inherent uncertainties in making these estimates such as market conditions and performance and sustainability of VEREIT Office Assets' tenants. For VEREIT's impairment tests for the real estate assets during the three months ended March 31, 2021, VEREIT used a discount rate of 8.6% and a capitalization rate of 8.1% .

Note 3 – Commitments and Contingencies

Litigation

VEREIT Office Assets is party to various legal proceedings which it believes are routine in nature and incidental to the operation of its business. VEREIT Office Assets does not believe that any of these outstanding claims against it are expected to have a material adverse effect upon its consolidated financial position or results of operations.

Environmental Matters

In connection with the ownership and operation of real estate, VEREIT Office Assets may potentially be liable for costs and damages related to environmental matters. VEREIT Office Assets has not been notified by any governmental authority of any non-compliance, liability or other claim, and is not aware of any other environmental condition, in each case, that it believes will have a material adverse effect upon its results of operations.

VEREIT OFFICE ASSETS
NOTES TO COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2021 (Unaudited - (Continued))

Note 4 – Leases

Lessor

As of March 31, 2021, VEREIT Office Assets is the lessor for its 52 office properties. VEREIT Office Assets' operating leases have non-cancelable lease terms ranging from 0.03 years to 12.18 years as of March 31, 2021. Certain leases with tenants include options to extend or terminate the lease agreements or to purchase the underlying assets. Lease agreements may also contain rent increases that are based on an index or rate (e.g., the consumer price index or LIBOR). VEREIT Office Assets believes the residual value risk is not a primary risk because of the long-lived nature of the assets.

The components of rental revenue from VEREIT Office Assets' operating leases were as follows (in thousands):

	Three Months Ended March 31,	
	2021	
Fixed:		
Cash rent	\$	32,146
Straight-line rent		(765)
Lease intangible amortization		(31)
Property operating cost reimbursements		948
Total fixed		32,298
Variable ⁽¹⁾		7,484
Total rental revenue	\$	39,782

(1) Includes costs reimbursed related to property operating expenses, common area maintenance and percentage rent.

Lessee

VEREIT Office Assets is the lessee under one ground lease arrangement, which meets the criteria of an operating lease. As of March 31, 2021, VEREIT Office Assets' lease has a remaining lease term of 36.4 years, which includes options to extend. Under the ground lease arrangement, VEREIT Office Assets pays variable costs, including property operating expenses and common area maintenance. The discount rate for VEREIT Office Assets' operating lease was 5.17% as of March 31, 2021. As VEREIT Office Assets' lease does not provide an implicit rate, VEREIT Office Assets used an estimated incremental borrowing rate based on the information available at the adoption date in determining the present value of lease payments.

Operating lease costs for the three months ended March 31, 2021 were \$2,000. No cash paid for operating lease liabilities was capitalized.

VEREIT OFFICE ASSETS
NOTES TO COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2021 (Unaudited - (Continued))

Note 5 – Subsequent Events

VEREIT Office Assets evaluated subsequent events through May 4, 2022 and no items have come to the attention of management that require recognition or disclosure, except as set forth below.

Property Acquisition

Subsequent to March 31, 2021, VEREIT Office Assets contributed \$2.2 million to the unconsolidated joint venture, which acquired one property for a gross purchase price of \$26.4 million.

Debt

Subsequent to March 31, 2021, each of the outstanding mortgage notes of VEREIT Office Assets were repaid in full by VEREIT on behalf of VEREIT Office Assets.

Mergers, Separation and Distribution

On November 1, 2021, the Mergers were completed. Following the Merger Effective Time, the Separation was completed. On November 12, 2021, following the Separation, the Distribution was completed.

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

The following discussion and analysis should be read in conjunction with the accompanying consolidated financial statements and notes thereto appearing elsewhere in this Quarterly Report on Form 10-Q. Orion Office REIT Inc. (the “Company”, “Orion”, “we”, or “us”) makes statements in this section that are forward-looking statements within the meaning of the federal securities laws. For a complete discussion of forward-looking statements, see the section entitled “[Forward-Looking Statements](#)” in the Company’s Annual Report on Form 10-K filed on March 24, 2022. Certain risks may cause our actual results, performance or achievements to differ materially from those expressed or implied by the following discussion. For a complete discussion of such risk factors, see Part I - Item 1A. Risk Factors contained in the Company’s Annual Report on Form 10-K.

Forward-Looking Statements

This Quarterly Report on Form 10-Q includes “forward-looking statements” which reflect our expectations and projections regarding future events and plans, future financial condition, results of operations, liquidity and business, including leasing and occupancy, acquisitions, dispositions, rent receipts, the payment of future dividends, the Company’s growth and the impact of the coronavirus (COVID-19) on our business. Generally, the words “anticipates,” “assumes,” “believes,” “continues,” “could,” “estimates,” “expects,” “goals,” “intends,” “may,” “plans,” “projects,” “seeks,” “should,” “targets,” “will,” “guidance,” variations of such words and similar expressions identify forward-looking statements. These forward-looking statements are based on information currently available to us and involve a number of known and unknown assumptions and risks, uncertainties and other factors, which may be difficult to predict and beyond the Company’s control, that could cause actual events and plans or could cause our business, financial condition, liquidity and results of operations to differ materially from those expressed or implied in the forward-looking statements. These factors include, among other things, those discussed below. Information regarding historical rent collections should not serve as an indication of future rent collection. We disclaim any obligation to publicly update or revise any forward-looking statements, whether as a result of changes in underlying assumptions or factors, new information, future events or otherwise, except as may be required by law.

The following are some, but not all, of the assumptions, risks, uncertainties and other factors that could cause our actual results to differ materially from those presented in our forward-looking statements:

- the risk of rising interest rates, including that our borrowing costs may increase and we may be unable to refinance our debt obligations on favorable terms or at all;
- the risk of inflation, including that our operating costs, such as insurance premiums, utilities, real estate taxes and capital expenditures and repair and maintenance costs, may rise;
- conditions associated with the global market, including an oversupply of office space, tenant credit risk and general economic conditions;
- the extent to which the ongoing COVID-19 pandemic or any future pandemic or outbreak of a highly infectious or contagious disease or fear of such pandemics or outbreaks impacts our business, operating results, financial condition and prospects, which is highly uncertain and cannot be predicted with confidence, including the scope, severity and duration of the COVID-19 pandemic and its impact on the U.S. economy and potential changes in tenant behavior that could adversely affect the use of and demand for office space;
- our ability to acquire new properties and sell non-core assets on favorable terms and in a timely manner, or at all;
- our ability to comply with the terms of our credit agreements or to meet the debt obligations on certain of our properties;
- our ability to access the capital markets to raise additional equity or refinance maturing debt on favorable terms or at all;
- changes in the real estate industry and in performance of the financial markets and interest rates and our ability to effectively hedge against interest rate changes;
- the risk of tenant defaults on their lease obligations, which are heightened due to our focus on single tenant properties;
- our ability to renew leases with existing tenants or re-let space to new tenants on favorable terms or at all;
- the cost of rent concessions, tenant improvement allowances and leasing commissions;
- the potential for termination of existing leases pursuant to tenant termination rights;
- the amount, growth and relative inelasticity of our expenses;
- risks associated with the ownership and development of real property;

- risks accompanying the management of the Arch Street Joint Venture, our unconsolidated joint venture, as defined in the MD&A Overview, in which we hold a non-controlling ownership interest;
- our ability to close pending real estate transactions, which may be subject to conditions that are outside of our control;
- risks associated with acquisitions, including the integration of the office portfolios of Realty Income Corporation (“Realty Income”) and VEREIT, Inc. into Orion;
- Realty Income’s inability or failure to perform under the various transaction agreements effecting the Separation and the Distribution;
- risks associated with the fact that we have a limited operating history and our future performance is difficult to predict;
- our properties may be subject to impairment charges;
- risks resulting from losses in excess of insured limits or uninsured losses;
- risks associated with the potential volatility of our common stock; and
- other risks and uncertainties detailed from time to time in our SEC filings.

All forward-looking statements should be read in light of the risks identified in Part I, Item 1A. Risk Factors in the Company’s Annual Report on Form 10-K for the year ended December 31, 2021.

We use certain defined terms throughout this Quarterly Report on Form 10-Q that have the following meanings:

When we refer to “annualized base rent,” we mean the monthly aggregate cash amount charged to tenants under our leases (including monthly base rent receivables and certain contractually obligated reimbursements by our tenants), as of March 31, 2022, multiplied by 12, including the Company’s pro rata share of such amounts from its unconsolidated joint venture with an affiliate of Arch Street Capital Partners. Annualized base rent is not indicative of future performance.

Under a “net lease,” the tenant occupying the leased property (usually as a single tenant) does so in much the same manner as if the tenant were the owner of the property. There are various forms of net leases, most typically classified as triple net or double net. Triple net leases typically require that the tenant pay all expenses associated with the property (e.g., real estate taxes, insurance, maintenance and repairs). Double net leases typically require that the tenant pay all operating expenses associated with the property (e.g., real estate taxes, insurance and maintenance), but excludes some or all major repairs (e.g., roof, structure and parking lot). Accordingly, the owner receives the rent “net” of these expenses, rendering the cash flow associated with the lease predictable for the term of the lease. Under a net lease, the tenant generally agrees to lease the property for a significant term and agrees that it will either have no ability or only limited ability to terminate the lease or abate rent prior to the expiration of the term of the lease as a result of real estate driven events such as casualty, condemnation or failure by the landlord to fulfill its obligations under the lease.

Overview

Orion is an internally managed REIT engaged in the ownership, acquisition, and management of a diversified portfolio of mission-critical regional and corporate headquarters office buildings located in high quality suburban markets across the U.S. and leased primarily on a single-tenant net lease basis to creditworthy tenants. Orion Office REIT Inc. was incorporated in the State of Maryland on July 1, 2021 and intends to qualify and elect to be taxed as a REIT for U.S. federal income tax purposes, commencing with our initial taxable year ended December 31, 2021.

The Company has 92 office properties with an aggregate of 10.5 million leasable square feet located in 29 states and Puerto Rico, with an occupancy rate of 88.1% and a weighted-average remaining lease term of 4.0 years as of March 31, 2022. Including the Company’s pro rata share of square feet and annualized base rent from the Company’s unconsolidated joint venture with an affiliate of Arch Street Capital Partners, we owned an aggregate of 10.6 million leasable square feet with an occupancy rate of 88.3% and a weighted-average remaining lease term of 4.1 years as of March 31, 2022.

Merger with Realty Income

On April 29, 2021, Realty Income entered into an Agreement and Plan of Merger (as amended, the “Merger Agreement”) with VEREIT, Inc. (“VEREIT”), its operating partnership, VEREIT Operating Partnership, L.P. (“VEREIT OP”), Rams MD Subsidiary I, Inc., a wholly owned subsidiary of Realty Income (“Merger Sub 1”), and Rams Acquisition Sub II, LLC, a wholly owned subsidiary of Realty Income (“Merger Sub 2”). On November 1, 2021, pursuant to the Merger Agreement, Merger Sub 2 merged with and into VEREIT OP, with VEREIT OP continuing as the surviving partnership, and immediately thereafter, VEREIT merged with and into Merger Sub 1, with Merger Sub 1 continuing as the surviving corporation (together, the “Mergers”, and such effective time of the Mergers, the “Merger Effective Time”). Upon the Merger Effective Time, as part of the Mergers, Realty Income acquired certain office real properties and related assets previously owned by subsidiaries of

VEREIT (collectively, “VEREIT Office Assets”). Following the Merger Effective Time, in accordance with the Merger Agreement, Realty Income contributed the portion of the combined business comprising certain office real properties and related assets previously owned by subsidiaries of Realty Income (collectively, “Realty Income Office Assets”) and the VEREIT Office Assets (the “Separation”) to the Company and its operating partnership, Orion Office REIT LP (“Orion OP”). On November 12, 2021, following the Separation, in accordance with the Merger Agreement and that certain Separation and Distribution Agreement, Realty Income effected a special distribution to its stockholders (including the former holders of VEREIT common stock and certain former VEREIT OP common unitholders prior to the Mergers) of all of the outstanding shares of common stock of the Company (the “Distribution”). Following the Distribution, we became an independent publicly traded company and intend to qualify and elect to be taxed as a REIT, commencing with our initial taxable year ended December 31, 2021.

On November 12, 2021, in connection with the Distribution, Orion OP also entered into an Amended and Restated Limited Liability Company Agreement (the “LLCA”) of OAP/VER Venture, LLC (the “Arch Street Joint Venture”), by and between Orion OP and OAP Holdings LLC (the “Arch Street Partner”), an affiliate of Arch Street Capital Partners, pursuant to which the Arch Street Partner consented to the transfer of the equity interests of the Arch Street Joint Venture previously held by VEREIT Real Estate, L.P. to Orion OP.

Our common stock, par value \$0.001 per share, trades on the NYSE under the symbol “ONL”.

Through November 12, 2021, we had not conducted any business as a separate company other than start-up related activities.

Emerging Growth Company Status

We are an “emerging growth company” as defined in the Jumpstart Our Business Startups Act (the “JOBS Act”). As such, we are eligible to take advantage of certain exemptions from various reporting requirements that apply to other public companies that are not emerging growth companies, including compliance with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act and the requirements to hold a non-binding advisory vote on executive compensation and any golden parachute payments not previously approved. We cannot predict if investors will find our common stock less attractive because we will rely on the exemptions available to us as an emerging growth company. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

In addition, Section 107 of the JOBS Act provides that an emerging growth company may take advantage of the extended transition period provided in Section 13(a) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) for complying with new or revised accounting standards. In other words, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to take advantage of the benefits of this extended transition period and, therefore, will not be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies until we can no longer avail ourselves of the exemptions applicable to emerging growth companies or until we affirmatively and irrevocably opt out of the extended transition period.

We will remain an emerging growth company until the earliest of (i) the last day of the first fiscal year in which our annual gross revenues exceed \$1 billion, (ii) the last day of the fiscal year following the fifth anniversary of the date of the first sale of our common equity securities pursuant to an effective registration statement under the Securities Act, (iii) the date that we become a “large accelerated filer” as defined in Rule 12b-2 under the Exchange Act, which would occur on the last day of the fiscal year in which the market value of our common stock that is held by non-affiliates exceeds \$700 million as of the last business day of our most recently completed second fiscal quarter, or (iv) the date on which we have issued more than \$1 billion in non-convertible debt during the preceding three-year period.

Basis of Presentation

The Company’s consolidated and combined financial statements include the accounts of the Realty Income Office Assets presented on a combined basis for the three months ended March 31, 2021 as the ownership interests were under common control and ownership of Realty Income during that period. For the three months ended March 31, 2022, the consolidated and combined financial statements of the Company include the accounts of the Company and its consolidated subsidiaries and a consolidated joint venture.

The historical combined and consolidated financial results for the VEREIT Office Assets include the accounts of the VEREIT Office Assets on a combined basis as the ownership interests were under common control and ownership of VEREIT. These combined financial results were derived from the books and records of and carved out from VEREIT.

The combined and consolidated financial statements of the VEREIT Office Assets reflect charges for certain corporate costs and, we believe such charges are reasonable. Costs of the services that were charged to the VEREIT Office Assets were based on either actual costs incurred by each business or a proportion of costs estimated to be applicable to each business, based on VEREIT Office Assets' pro-rata share of annualized base rent. The historical combined financial information presented does not necessarily include all of the expenses that would have been incurred had VEREIT Office Assets been operating as a separate, standalone company. Such historical combined and consolidated financial information may not be indicative of the results of operations, financial position or cash flows that would have been obtained if the VEREIT Office Assets had been an independent, standalone public company during the periods presented or of the future performance of the Company as an independent, standalone company.

Election as a REIT

We intend to qualify and elect to be taxed as a REIT for U.S. federal income tax purposes under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended, commencing with the taxable year ended December 31, 2021. To qualify as a REIT, we must meet certain organizational and operational requirements, including a requirement to distribute annually at least 90% of our REIT taxable income, subject to certain adjustments and excluding any net capital gain, to stockholders. As a REIT, except as discussed below, we generally will not be subject to federal income tax on taxable income that we distribute to our stockholders so long as we distribute at least 90% of our annual taxable income (computed without regard to the deduction for dividends paid and excluding net capital gains). REITs are subject to a number of other organizational and operational requirements. Even if we maintain our qualification for taxation as a REIT, we may become subject to certain state and local taxes on our income and property, federal income taxes on certain income and excise taxes on our undistributed income. We believe we are organized and operating in such a manner as to qualify to be taxed as a REIT for the taxable year ended December 31, 2021.

Significant Accounting Estimates

Our accounting policies have been established to conform with U.S. GAAP. The preparation of financial statements in conformity with U.S. GAAP requires us to use judgment in the application of accounting policies, including making estimates and assumptions. These judgments affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Management believes that we have made these estimates and assumptions in an appropriate manner and in a way that accurately reflects our financial condition. We continually test and evaluate these estimates and assumptions using our historical knowledge of the business, as well as other factors, to ensure that they are reasonable for reporting purposes. However, actual results may differ from these estimates and assumptions. If our judgment or interpretation of the facts and circumstances relating to the various transactions had been different, it is possible that different accounting estimates would have been applied, thus resulting in a different presentation of the financial statements. Additionally, other companies may utilize different assumptions or estimates that may impact comparability of our results of operations to those of companies in similar businesses. We believe the following critical accounting policy involves significant judgments and estimates used in the preparation of our financial statements, which should be read in conjunction with the more complete discussion of our accounting policies and procedures included in Note 2 - Summary of Significant Accounting Policies to our consolidated financial statements.

Real Estate Impairment

We invest in real estate assets and subsequently monitor those investments quarterly for impairment. The risks and uncertainties involved in applying the principles related to real estate impairment include, but are not limited to, the following:

- The review of impairment indicators and subsequent determination of the undiscounted future cash flows could require us to reduce the value of assets and recognize an impairment loss.
- The evaluation of real estate assets for potential impairment requires our management to exercise significant judgment and make certain key assumptions. There are inherent uncertainties in making these estimates such as market conditions and performance and sustainability of our tenants.
- Changes related to management's intent to sell or lease the real estate assets used to develop the forecasted cash flows may have a material impact on our financial results.

Recently Issued Accounting Pronouncements

Recently issued accounting pronouncements are described in Note 2 - Summary of Significant Accounting Policies to our consolidated financial statements.

Operating Highlights and Key Performance Indicators

Quarter Ended March 31, 2022 Activity

Real Estate Operations

- We entered into binding contracts to sell two properties for total purchase price of \$9.3 million. As of March 31, 2022, these transactions remain subject to customary conditions for real estate transactions of this nature, including conditions related to the buyer's due diligence, and may be terminated by the buyer in its sole discretion. There can be no assurance these pending sale transactions will be completed on their existing terms or at all.
- We delivered space under one new lease and expanded the premises related to an existing lease comprising a total of approximately 44,000 leasable square feet and extended a total of three leases comprising a total of approximately 137,000 leasable square feet. During the quarter, three leases expired comprising a total of approximately 425,000 leasable square feet. As of March 31, 2022, the Company had a total of ten vacant properties.

Debt

- We refinanced the \$355.0 million Bridge Facility on February 10, 2022 with a \$355.0 million CMBS Loan at a fixed rate of 4.971%. The CMBS Loan matures on February 11, 2027.
- As of March 31, 2022, we had \$334.0 million of borrowing capacity under the Revolving Facility.

Equity

- We declared a quarterly dividend of \$0.10 per share for the first quarter of 2022. The dividend was paid on April 15, 2022.

Real Estate Portfolio Metrics

Our financial performance is impacted by the timing of acquisitions and dispositions and the operating performance of our operating properties. The following table shows the property statistics of our operating properties as of March 31, 2022, including our pro rata share of the applicable statistics of the properties owned by our unconsolidated joint venture:

	2022
Portfolio Metrics	
Operating properties	92
Unconsolidated joint venture properties	6
Rentable square feet (in thousands) ⁽¹⁾	10,646
Occupancy rate ⁽²⁾	88.3%
Investment-grade tenants ⁽³⁾	67.0%
Weighted-average remaining lease term (in years)	4.1

(1) Represents leasable square feet of operating properties and the Company's pro rata share of leasable square feet of properties owned by the unconsolidated joint venture.

(2) Occupancy rate equals the sum of leased square feet divided by rentable square feet.

(3) Based on annualized base rental income of our real estate portfolio, including the Company's pro rata share of annualized base rent for properties owned by the unconsolidated joint venture, as of March 31, 2022. Investment-grade tenants are those with a credit rating of BBB- or higher by Standard & Poor's Financial Services LLC or a credit rating of Baa3 or higher by Moody's Investor Service, Inc. The ratings may reflect those assigned by Standard & Poor's Financial Services LLC or Moody's Investor Service, Inc. to the lease guarantor or the parent company, as applicable.

Operating Performance

In addition, management uses the following financial metrics to assess our operating performance (dollar amounts in thousands, except per share amounts).

	Three Months Ended March 31,	
	2022	
Financial Metrics		
Total revenues	\$	53,206
Net (loss) income	\$	(9,882)
Basic and diluted net (loss) income per share attributable to common stockholders	\$	(0.17)
FFO attributable to common stockholders ⁽¹⁾	\$	26,713
FFO attributable to common stockholders per diluted share ⁽¹⁾	\$	0.47
Core FFO attributable to common stockholders ⁽¹⁾	\$	28,000
Core FFO attributable to common stockholders per diluted share ⁽¹⁾	\$	0.49

(1) See the Non-GAAP Measures section below for descriptions of our non-GAAP measures and reconciliations to the most comparable U.S. GAAP measure.

Results of Operations

The results of operations discussed in this section include the accounts of the Company and its consolidated subsidiaries for the period ended March 31, 2022 and the accounts of Realty Income Office Assets for the period ended March 31, 2021.

Comparison of the three months ended March 31, 2022 to the three months ended March 31, 2021 (dollars in thousands)

The Company's portfolio size significantly increased as a result of the Mergers, which contributed to an increase in revenues and expenses when comparing the three months ended March 31, 2022 to the same period in 2021. At March 31,

2022, we had 92 office properties with an aggregate of 10.5 million leasable square feet as compared to 40 properties with approximately 3.0 million leasable square feet at March 31, 2021.

Revenues

The table below sets forth, for the periods presented, revenue information and the dollar amount change year over year (in thousands):

	Three Months Ended March 31,		
	2022	2021	2022 vs 2021 Increase/(Decrease)
Rental	\$ 53,017	\$ 13,028	\$ 39,989
Fee income from unconsolidated joint venture	189	—	189
Total revenues	\$ 53,206	\$ 13,028	\$ 40,178

Rental

The increase in rental revenue of \$40.0 million during the three months ended March 31, 2022 as compared to the same period in 2021 was primarily due to the increase in our overall portfolio size resulting from the closing of the Mergers. Including the rental revenue from the VEREIT Office Assets for the quarter ended March 31, 2021, rental revenue increased \$1.9 million primarily due to reimbursement revenue, offset by a decrease of \$2.1 million primarily due to vacancies.

Fee income from unconsolidated joint venture

Fee income from unconsolidated joint venture consists of fees earned for providing various services to the Company's unconsolidated joint venture. The increase of \$0.2 million during the three months ended March 31, 2022 as compared to the same period in 2021 was due to fees earned from the Arch Street Joint Venture, including property and asset management fees. Fee income from unconsolidated joint venture from the VEREIT Office Assets for the quarter ended March 31, 2021 was \$0.1 million due to fees earned from the Arch Street Joint Venture, including property and asset management fees.

Operating Expenses

The table below sets forth, for the periods presented, certain operating expense information and the dollar amount change year over year (in thousands):

	Three Months Ended March 31,		
	2022	2021	2022 vs 2021 Increase/(Decrease)
Property operating	15,314	1,468	13,846
General and administrative	3,517	556	2,961
Depreciation and amortization	34,353	5,988	28,365
Impairments	1,602	—	1,602
Acquisition-related	63	—	63
Transaction costs	756	—	756
Total operating expenses	\$ 55,605	\$ 8,012	\$ 47,593

Property Operating Expenses

Property operating expenses such as taxes, insurance, ground rent and maintenance include both reimbursable and non-reimbursable property expenses. The increase in property operating expenses of \$13.8 million during the three months ended March 31, 2022 as compared to the same period in 2021 was primarily attributable to the increase in our portfolio size. Including the property operating expenses from the VEREIT Office Assets for the quarter ended March 31, 2021, property operating expenses increased \$4.0 million primarily due to reimbursable expenses for property owners association, electricity and HVAC repairs and non-reimbursable expenses due to vacancies.

General and Administrative Expenses

General and administrative expenses increased \$3.0 million during the three months ended March 31, 2022 as compared to the same period in 2021, which was primarily due to actual costs recorded during the three months ended March 31, 2022

following the Distribution and the Company's commencement of operations as a standalone business, as compared with an allocation of amounts for the three months ended March 31, 2021. Including the general and administrative expenses from the VEREIT Office Assets for the quarter ended March 31, 2021, general and administrative expenses increased \$1.3 million. General and administrative expenses for Realty Income Office Assets and VEREIT Office Assets for the three months ended March 31, 2021 are primarily an allocation from Realty Income and VEREIT general and administrative expenses, and therefore, do not reflect the full general and administrative expenses of an independent, separate public company.

Depreciation and Amortization Expenses

The increase in depreciation and amortization expenses of \$28.4 million during the three months ended March 31, 2022 as compared to the same period in 2021 was primarily due to the increase in our portfolio size. Including the depreciation and amortization expenses from the VEREIT Office Assets for the quarter ended March 31, 2021, depreciation and amortization expenses increased \$13.4 million primarily due to the fair valuation of the VEREIT Office Assets as a result of the Mergers.

Impairments

Impairments of \$1.6 million were recorded during the three months ended March 31, 2022 as compared to no impairments during the same period in 2021. As part of the consummation of the Distribution, the Company's portfolio became subject to new management which identified certain non-core assets for potential sale. Based on management's estimates, the carrying value of certain assets was determined to be unrecoverable, resulting in the recognition of impairment losses during the period. Impairments for the VEREIT Office Assets for the quarter ended March 31, 2021 was \$21.2 million due to one real estate asset that was deemed to be impaired.

Acquisition-Related Expenses

During the three months ended March 31, 2022, the Company incurred \$0.1 million of acquisition-related expenses, which primarily consist of internal salaries allocated to acquisition-related activities as well as costs incurred for deals that were not consummated. No such costs were incurred during the same period in 2021.

Transaction Costs

During the three months ended March 31, 2022, the Company incurred \$0.8 million of transaction costs, which primarily consist of legal and accountant fees related to the Mergers and the Distribution and the Company's start-up activities. No such costs were incurred during the same period in 2021.

Other (Expense) Income and Provision for Income Taxes

The table below sets forth, for the periods presented, certain financial information and the dollar amount change year over year (in thousands):

	Three Months Ended March 31,		
	2022	2021	2022 vs 2021 Increase/(Decrease)
Interest expense	\$ (6,847)	\$ (465)	\$ 6,382
Loss on extinguishment of debt, net	\$ (468)	\$ —	\$ 468
Equity in income of unconsolidated joint venture	\$ (41)	\$ —	\$ 41
Other income, net	\$ 39	\$ —	\$ (39)
Provision for income taxes	\$ (166)	\$ —	\$ 166

Interest Expense

The increase in interest expense of \$6.4 million during the three months ended March 31, 2022 as compared to the same period in 2021 was primarily due to an increase in debt outstanding from \$36.9 million as of March 31, 2021 to \$615.4 million as of March 31, 2022, as discussed in Note 6 – Debt, Net. Including the interest expense from the VEREIT Office Assets for the quarter ended March 31, 2021, interest expense increased \$4.4 million primarily due to the increase in debt outstanding in connection with the capitalization of the Company.

Loss on extinguishment of debt, net

Loss on extinguishment of debt, net increased \$0.5 million during the three months ended March 31, 2022 as compared to no loss on extinguishment of debt in the same period in 2021. The loss relates to the write off of deferred financing costs due to the early extinguishment of the Company's Bridge Facility, as discussed in Note 6 – Debt, Net. Loss on extinguishment of debt for the VEREIT Office Assets for the quarter ended March 31, 2021 was \$0.1 million which primarily related to the write off of deferred financing costs due to the early extinguishment of mortgage notes payable.

Equity in income of unconsolidated joint venture

Equity in income of the unconsolidated joint venture was a loss of \$41,000 during the three months ended March 31, 2022 as compared to no equity in income of the unconsolidated joint venture for the same period in 2021, which relates to the Company's investment in one unconsolidated joint venture, which interest was transferred to the Company in connection with the Separation and Distribution. Including the equity in income of unconsolidated joint venture from the VEREIT Office Assets for the quarter ended March 31, 2021, income decreased \$0.2 million primarily related to amortization of the step up in basis of the investment as a result of the Mergers.

Provision for Income Taxes

The provision for income taxes consists of certain state and local income and franchise taxes. The increase to \$0.2 million during the three months ended March 31, 2022, as compared to no provision for income taxes prior to the time the Company became an independent, separate public company. The provision for income taxes for the VEREIT Office Assets for the quarter ended March 31, 2021 was \$0.2 million.

Non-GAAP Measures

Our results are presented in accordance with U.S. GAAP. We also disclose certain non-GAAP measures, as discussed further below. Management uses these non-GAAP financial measures in our internal analysis of results and believes these measures are useful to investors for the reasons explained below. These non-GAAP financial measures should not be considered as substitutes for any measures derived in accordance with U.S. GAAP.

Funds From Operations ("FFO") and Core Funds from Operations ("Core FFO") Attributable to Orion

Due to certain unique operating characteristics of real estate companies, as discussed below, the National Association of Real Estate Investment Trusts, Inc. ("Nareit"), an industry trade group, has promulgated a supplemental performance measure known as funds from operations ("FFO"), which we believe to be an appropriate supplemental performance measure to reflect the operating performance of a REIT. FFO is not equivalent to our net income or loss as determined under U.S. GAAP.

Nareit defines FFO as net income or loss computed in accordance with U.S. GAAP adjusted for gains or losses from disposition of real estate assets, depreciation and amortization of real estate assets, impairment write-downs on real estate, and our pro rata share of FFO adjustments related to the Unconsolidated Joint Venture. We calculate FFO in accordance with Nareit's definition described above.

In addition to FFO, we use Core FFO as a non-GAAP supplemental financial performance measure to evaluate the operating performance of the Company. Core FFO, as defined by the Company, excludes from FFO non-recurring or infrequent items such as acquisition-related expenses, transaction costs and gains or losses on extinguishment of swaps and/or debt. We believe that FFO and Core FFO allow for a comparison of the performance of our operations with other publicly-traded REITs, as FFO and Core FFO, or equivalent measures, are routinely reported by publicly-traded REITs, each adjust for items that we believe do not reflect the ongoing operating performance of our business and we believe are often used by analysts and investors for comparison purposes.

For all of these reasons, we believe FFO and Core FFO, in addition to net income (loss), as defined by U.S. GAAP, are helpful supplemental performance measures and useful in understanding the various ways in which our management evaluates the performance of the Company over time. However, not all REITs calculate FFO and Core FFO the same way, so comparisons with other REITs may not be meaningful. FFO and Core FFO should not be considered as alternatives to net income (loss) and are not intended to be used as a liquidity measure indicative of cash flow available to fund our cash needs. Neither the SEC, Nareit, nor any other regulatory body has evaluated the acceptability of the exclusions used to adjust FFO in order to calculate Core FFO and its use as a non-GAAP financial performance measure.

The table below presents a reconciliation of FFO and Core FFO to net (loss) income attributable to common stockholders, the closest GAAP financial measure, for the three months ended March 31, 2022 and 2021 (dollars in thousands):

	Three Months Ended March 31,	
	2022	2021
Net (loss) income attributable to common stockholders	\$ (9,906)	\$ 4,551
Depreciation and amortization of real estate assets	34,337	5,988
Impairment of real estate	1,602	—
Proportionate share of adjustments for unconsolidated entity	680	—
FFO attributable to common stockholders	\$ 26,713	\$ 10,539
Acquisition-related expenses	63	—
Transaction costs ⁽¹⁾	756	—
Loss (gain) on extinguishment and forgiveness of debt, net	468	—
Core FFO attributable to common stockholders	\$ 28,000	\$ 10,539

(1) Transaction costs primarily consist of attorney fees and accountant fees related to the Mergers and the Distribution and the Company's start-up activities.

Liquidity and Capital Resources

General

Our principal liquidity needs for the next twelve months are to: (i) fund operating expenses; (ii) meet our debt service requirements; (iii) make distributions to our stockholders, as required for us to qualify as a REIT; (iv) fund capital expenditures at properties we own; and (v) fund new acquisitions, including acquisitions related to the Arch Street Joint Venture. We believe that our principal sources of short-term liquidity, which are our cash and cash equivalents on hand, cash flows from operations, and borrowings under the Revolving Facility, are sufficient to meet our liquidity needs for the next twelve months. As of March 31, 2022, we had \$18.6 million of cash and cash equivalents and \$334.0 million of borrowing capacity under the Revolving Facility.

Our principal liquidity needs beyond the next twelve months are to: (i) repay or refinance debt at maturity, (ii) fund capital expenditures at properties we own and (iii) fund new acquisitions. We generally believe we will be able to satisfy these liquidity needs by a combination of cash flows from operations, borrowings under the Revolving Facility, proceeds from real estate dispositions, new borrowings such as bank term loans or other secured or unsecured debt, issuances of equity securities, and/or proceeds from the sale of assets. We believe we will be successful in either repaying or refinancing our debt obligations at or prior to maturity, but we cannot provide any assurance we will be able to do so. Our ability to refinance debt, raise capital and/or sell assets will be affected by various factors existing at the relevant time, such as capital and credit market conditions, the state of the national and regional economies, commercial real estate market conditions, available interest rate levels, the lease terms for and equity in and value of any related collateral, our financial condition and the operating history of the collateral, if any.

Credit Agreements

Summary and Obligations

In connection with the Separation and the Distribution, on November 12, 2021, we, as parent, and Orion Office REIT LP ("Orion OP"), as borrower, entered into (i) a credit agreement (the "Revolver/Term Loan Credit Agreement") providing for a three-year, \$425.0 million Revolving Facility, including a \$25.0 million letter of credit sub-facility, and a two-year, \$175.0 million Term Loan Facility with Wells Fargo Bank, National Association, as administrative agent, and the lenders and issuing banks party thereto and (ii) a credit agreement (the "Bridge Credit Agreement," and together with the Revolver/Term Loan Credit Agreement, the "Credit Agreements") providing for a 6-month, \$355.0 million senior bridge term loan facility (the "Bridge Facility," and together with the Revolver/Term Loan Facilities, the "Facilities") with Wells Fargo Bank, National Association, as administrative agent, and the lenders party thereto.

On November 12, 2021, Orion OP borrowed \$90.0 million under the Revolving Facility, and each of the Term Loan Facility and the Bridge Facility was fully drawn. Approximately \$595.0 million of the net proceeds of the Facilities was distributed by the Company to Realty Income in accordance with the Separation and Distribution Agreement. Orion OP retained the remaining net proceeds of such borrowings as working capital for general corporate purposes of the Company, Orion OP and Orion OP's subsidiaries.

In February 2022, as further described below, we refinanced the Bridge Facility in full with the \$355.0 million CMBS Loan (defined below), and the Bridge Credit Agreement was terminated.

As of March 31, 2022, the Company had approximately \$621.0 million of total consolidated debt outstanding, consisting of a \$355.0 million CMBS Loan, a \$175.0 million Term Loan Facility and a \$425.0 million Revolving Facility, \$91.0 million of which was outstanding. In addition, the Company's pro rata share of the mortgage notes of the unconsolidated joint venture was \$27.3 million as of March 31, 2022.

The interest rate applicable to the loans under the Revolver/Term Loan Facilities may, at the election of Orion OP, be determined on the basis of LIBOR or a base rate, in either case, plus an applicable margin. Under the Revolver/Term Loan Facilities, the applicable margin is (1) in the case of the Revolving Facility, 2.50% for LIBOR loans and 1.50% for base rate loans and (2) in the case of the Term Loan Facility, 2.50% for LIBOR loans and 1.50% for base rate loans. Loans under the Revolver/Term Loan Facilities may be prepaid, and unused commitments under the Revolver/Term Loan Facilities may be reduced, at any time, in whole or in part, without premium or penalty (except for LIBOR breakage costs).

To the extent that amounts under the Revolving Facility remain unused, Orion OP is required to pay a quarterly commitment fee on the unused portion of the Revolving Facility in an amount equal to 0.25% per annum of the unused portion of the Revolving Facility.

The Revolver/Term Loan Facilities are guaranteed pursuant to a Guaranty (the "Revolver/Term Loan Guaranty") by us and, subject to certain exceptions, substantially all of Orion OP's existing and future subsidiaries (including substantially all of its subsidiaries that directly or indirectly own unencumbered real properties), other than certain joint ventures and subsidiaries that own real properties subject to certain other indebtedness (such subsidiaries of Orion OP, the "Subsidiary Guarantors").

The Revolver/Term Loan Facilities are secured by, among other things, first priority pledges of the equity interests in the Subsidiary Guarantors.

Revolver/Term Loan Facility Covenants

The Revolver/Term Loan Facilities require that Orion OP comply with various covenants, including, without limitation, covenants restricting, subject to certain exceptions, liens, investments, mergers, asset sales and the payment of certain dividends. In addition, the Revolver/Term Loan Facilities require that Orion OP satisfy certain financial covenants. The following is a summary of key financial covenants for the Company's Revolver/Term Loan Facilities and the Company's compliance therewith, as calculated per the terms of the Revolver/Term Loan Credit Agreement:

Credit Facility Key Covenants	Required	March 31, 2022
Ratio of total indebtedness to total asset value	≤ 60%	32.3%
Ratio of adjusted EBITDA to fixed charges	≥ 1.5x	5.92x
Ratio of secured indebtedness to total asset value	≤ 45%	19.1%
Ratio of unsecured indebtedness to unencumbered asset value	≤ 60%	18.7%
Ratio of unencumbered adjusted NOI to unsecured interest expense	≥ 2.00x	12.35x

As of March 31, 2022, Orion OP was in compliance with these financial covenants.

The Revolver/Term Loan Facilities include customary representations and warranties of us and Orion OP, which must be true and correct in all material respects as a condition to future extensions of credit under the Revolver/Term Loan Facilities. The Revolver/Term Loan Facilities also include customary events of default, the occurrence of which, following any applicable grace period, would permit the lenders to, among other things, declare the principal, accrued interest and other obligations of Orion OP under the Revolver/Term Loan Facilities to be immediately due and payable and foreclose on the collateral securing the Revolver/Term Loan Facilities.

CMBS Loan

On February 10, 2022, certain indirect subsidiaries of the Company (the "Mortgage Borrowers") obtained a \$355.0 million fixed rate mortgage loan (the "CMBS Loan") from Wells Fargo Bank, National Association (together with its successor, the "Lender"), which is secured by the Mortgage Borrowers' fee simple or ground lease interests in 19 properties owned indirectly by the Company (collectively, the "Mortgaged Properties"). During March 2022, Wells Fargo effected a securitization of the CMBS Loan. The CMBS Loan bears interest at a fixed rate of 4.971% per annum and matures on February 11, 2027.

The CMBS Loan requires monthly payments of interest only and all principal is due at maturity. The proceeds of the CMBS Loan were used to repay the Bridge Facility. Upon closing of the CMBS Loan, the Mortgage Borrowers funded \$35.5 million of loan reserves primarily for future rent concessions and tenant improvement allowances under the leases with respect to the 19 Mortgaged Properties. These amounts, as well as the transaction expenses incurred in connection with the CMBS Loan, were funded with cash on hand and borrowings under the Company's Revolving Facility.

The CMBS Loan is secured by, among other things, first priority mortgages and deeds of trust granted by the Mortgage Borrowers and encumbering the Mortgaged Properties.

The CMBS Loan is generally not freely prepayable by the Mortgage Borrowers without payment of certain prepayment premiums and costs. The CMBS Loan may be prepaid in whole, but not in part, except as provided in the loan agreement governing the CMBS Loan (the "CMBS Loan Agreement"), at any time following the Prepayment Lockout Release Date (as defined in the CMBS Loan Agreement) (generally two years after the Loan has been fully securitized), subject to the payment of a yield maintenance premium and the satisfaction of other terms and conditions set forth in the CMBS Loan Agreement. Further, releases of individual properties are permitted in connection with an arms' length third party sale upon repayment of the Release Price (as defined in the CMBS Loan Agreement) for the applicable individual property and subject to payment of the applicable yield maintenance premium and the satisfaction of other terms and conditions set forth in the CMBS Loan Agreement.

The CMBS Loan Agreement also contains customary cash management provisions, including certain trigger events (such as failure of the Mortgage Borrowers to satisfy a minimum debt yield) which allow the Lender to retain any excess cash flow as additional collateral for the Loan, until such trigger event is cured.

In connection with the CMBS Loan Agreement, the Company (as the guarantor) delivered a customary non-recourse carveout guaranty to the Lender (the "Guaranty"), under which the Company guaranteed the obligations and liabilities of the Mortgage Borrowers to the Lender with respect to certain non-recourse carveout events and the circumstances under which the CMBS Loan will be fully recourse to the Mortgage Borrowers, and which includes requirements for the Company to maintain a net worth of no less than \$355.0 million and liquid assets of no less than \$10.0 million, in each case, exclusive of the values of the collateral for the CMBS Loan. As of March 31, 2022, the Company was in compliance with these financial covenants.

The Mortgage Borrowers and the Company also provided a customary environmental indemnity agreement, pursuant to which the Mortgage Borrowers and the Company agreed to protect, defend, indemnify, release and hold harmless the Lender from and against certain environmental liabilities relating to the Mortgaged Properties.

The loan documents evidencing the CMBS Loan include customary representations, warranties and covenants of the Mortgage Borrowers and the Company. The loan documents also include customary events of default, the occurrence of which, following any applicable grace period, would permit the Lender to, among other things, declare the principal, accrued interest and other obligations of the Mortgage Borrowers under the loan documents to be immediately due and payable and foreclose on the Mortgaged Properties.

Equity

On November 10, 2021, we issued 56,525,650 additional shares of our common stock to Realty Income, such that Realty Income owned 56,625,650 shares of our common stock. Also on November 10, 2021, in connection with the filing of our Articles of Amendment, we changed the par value of our common stock from \$0.01 per share to \$0.001 per share. On November 12, 2021, Realty Income effected the Distribution.

On March 22, 2022, the Company's Board of Directors declared the Company's first quarterly dividend as an independent public company. The dividend, which was for the first quarter of 2022, was in the amount of \$0.10 per share, and was paid on April 15, 2022, to stockholders of record as of March 31, 2022.

On November 12, 2021, in connection with the Distribution, Orion OP entered into the Arch Street Joint Venture with the Arch Street Partner, an affiliate of Arch Street Capital Partners, pursuant to which the Arch Street Partner consented to the transfer of the equity interests of the Arch Street Joint Venture previously held by VEREIT Real Estate, L.P. to Orion OP.

Also on November 12, 2021, in connection with the entry into the LLCA, we granted certain affiliates of the Arch Street Partner warrants to purchase up to 1,120,000 shares of our common stock (the "Arch Street Warrants"). The Arch Street Warrants entitle the respective holders to purchase shares of our common stock at a price per share equal to \$22.42, at any time. The Arch Street Warrants may be exercised, in whole or in part, through a cashless exercise, in which case the holder would receive upon such exercise the net number of shares of our common stock determined according to the formula set forth in the

Arch Street Warrants. The Arch Street Warrants expire on the earlier of (a) ten years after issuance and (b) if the Arch Street Joint Venture is terminated, the later of the termination of the Arch Street Joint Venture and seven years after issuance.

We have agreed that, prior to six months following our eligibility to use Form S-3 for the registration of our securities, we will file with the SEC a registration statement on Form S-3 (the “Registration Statement”) for the registration, under the Securities Act, of the shares of our common stock issuable upon exercise of the Arch Street Warrants. We will use our commercially reasonable efforts to cause the Registration Statement to become effective and to maintain the effectiveness of the Registration Statement, and a current prospectus relating thereto, until the earlier of (a) the expiration of the Arch Street Warrants, or (b) the shares issuable upon such exercise become freely tradable under United States federal securities laws by anyone who is not an affiliate (as such term is defined in Rule 144 under the Securities Act (or any successor rule)) of us. The holders of the Arch Street Warrants will also remain subject to the ownership limitations pursuant to our organizational documents.

Also in connection with the entry into the LLCA, the Arch Street Joint Venture’s lender consented to the transfer of the interests of the Arch Street Joint Venture previously held by VEREIT Real Estate, L.P. to Orion OP, and, in connection therewith, Orion OP agreed to become a guarantor of certain limited customary recourse obligations and provide certain customary environmental indemnities under the Arch Street Joint Venture’s existing indebtedness.

Derivatives and Hedging Activities

During the year ended December 31, 2021, the Company entered into interest rate swap agreements with an aggregate notional amount of \$175.0 million, effective on December 1, 2021 and maturing on November 12, 2023, which were designated as cash flow hedges, in order to hedge interest rate volatility with respect to the Company’s borrowings under the Term Loan Facility.

Right of First Offer Agreement

In connection with the entry into the LLCA, we and the Arch Street Joint Venture entered into that certain Right of First Offer Agreement (the “ROFO Agreement”), dated November 12, 2021, pursuant to which, subject to certain limitations, we, on behalf of ourselves and our affiliates, agreed not to acquire or purchase a fee simple or ground leasehold interest in any office real property, including by way of an acquisition of equity interests, within certain investing parameters without first offering the property for purchase to the Arch Street Joint Venture, which will expire upon the earlier of (1) the third anniversary of the execution of the ROFO Agreement, (2) the date on which the Arch Street Joint Venture is terminated or (3) the date on which the Arch Street Joint Venture’s gross book value of assets is below \$50.0 million. If the Arch Street Joint Venture decides not to acquire any such property, we may seek to acquire the property independently, subject to certain restrictions. We do not anticipate that the ROFO Agreement will have a material impact on our ability to acquire additional office real properties, although it could result in us acquiring future properties through the Arch Street Joint Venture rather than as sole 100% owner.

Dividend

We intend to qualify and elect to be taxed as a REIT for U.S. federal income tax purposes beginning with our taxable year commencing on the day prior to the Distribution and ending on December 31, 2021. We intend to make regular distributions to our stockholders to satisfy the requirements to qualify as a REIT. On March 22, 2022, the Company’s Board of Directors declared the Company’s first quarterly dividend as an independent public company. The dividend, which was for the first quarter of 2022, was in the amount of \$0.10 per share, and was paid on April 15, 2022, to stockholders of record as of March 31, 2022. On May 3, 2022, the Company’s Board of Directors declared a quarterly dividend of \$0.10 per share for the second quarter of 2022 payable on July 15, 2022, to stockholders of record as of June 30, 2022.

Our dividend policy is established at the discretion of the Company’s Board of Directors and future dividends may be funded from a variety of sources. In particular, we expect that, initially, our dividends will exceed our net income under GAAP because of non-cash expenses, mainly depreciation and amortization expense, which are included in net income. To the extent that our funds available for distribution are less than the amount we must distribute to our stockholders to satisfy the requirements to qualify as a REIT, we may consider various means to cover any such shortfall, including borrowing under our Revolving Facility or other loans, selling certain of our assets or using a portion of the net proceeds we receive from future offerings of equity, equity-related securities or debt securities or declaring taxable share dividends. In addition, our Articles of Amendment and Restatement allow us to issue shares of preferred equity that could have a preference on dividends, and if we do, the dividend preference on the preferred equity could limit our ability to pay dividends to the holders of our common stock.

Contractual Obligations

The following is a summary of our contractual obligations as of March 31, 2022 (in thousands):

	Payments due by period				
	Total	Less than 1 year	1-3 years	4-5 years	More than 5 years
Principal payments - Mortgage notes payable	\$ 355,000	\$ —	\$ —	\$ 355,000	\$ —
Interest payments - Mortgage notes payable	87,109	13,480	53,725	19,904	—
Principal payments - Credit facility term loan	175,000	—	175,000	—	—
Interest payments - Credit facility term loan ⁽¹⁾	9,150	4,270	4,880	—	—
Principal payments - credit facility revolver	91,000	—	91,000	—	—
Interest payments - credit facility revolver ⁽²⁾	11,974	2,791	9,183	—	—
Operating and ground lease commitments	16,248	750	1,672	887	12,939
Total	\$ 745,481	\$ 21,291	\$ 335,460	\$ 375,791	\$ 12,939

(1) As of March 31, 2022, we had \$175.0 million of variable rate debt on the Credit Facility Term Loan effectively fixed through the use of interest rate swap agreements. We used the interest rates effectively fixed under our swap agreements to calculate the debt payment obligations in future periods.

(2) Interest payments due in future periods on variable rate debt were calculated using a forward LIBOR curve.

As part of its ordinary re-leasing activities, the Company has agreed and anticipates that it will continue to agree to provide rent concessions to tenants and incur leasing costs with respect to its properties, including tenant improvement allowances, landlord agreements to pay for certain improvements, as well as leasing commissions. These rent concession and leasing cost commitments could be significant.

Cash Flow Analysis for the three months ended March 31, 2022

The following table summarizes the changes in cash flows for the three months ended March 31, 2022 and 2021 (dollars in millions):

	Three Months Ended March 31,		
	2022	2021	2022 versus 2021
Net cash provided by operating activities	\$ 28,153	\$ 11,150	\$ 17,003
Net cash used in investing activities	\$ (1,235)	\$ (55)	\$ (1,180)
Net cash used in financing activities	\$ (2,168)	\$ (14,285)	\$ 12,117

Net cash provided by operating activities increased \$17.0 million during the three months ended March 31, 2022, compared to the three months ended March 31, 2021 primarily due to the increase in our portfolio size. At March 31, 2022, we had 92 office properties with an aggregate of 10.5 million leasable square feet as compared to 40 properties with approximately 3.0 million leasable square feet at March 31, 2021.

Net cash used in investing activities increased \$1.2 million during the three months ended March 31, 2022, compared to the three months ended March 31, 2021. The change was primarily due to an increase in capital expenditures and leasing costs associated with lease renewals, partially offset by \$0.6 million of distributions received from the Company's unconsolidated joint venture during the three months ended March 31, 2022.

Net cash used in financing activities decreased \$12.1 million during the three months ended March 31, 2022, compared to the three months ended March 31, 2021, primarily due to no distributions to parent during the three months ended March 31, 2022 as compared to the same period in 2021. Following the Merger Effective Time, Realty Income was no longer the parent of Realty Income Office Assets, and therefore, no further distributions occurred. The reduction in distributions to parent were partially offset by payments of deferred financing costs related to the CMBS Loan entered into by the Company during the three months ended March 31, 2022.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

See information appearing under the caption “Liquidity and Capital Resources” appearing in “Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this Quarterly Report on Form 10-Q.

Market Risk

The market risk associated with financial instruments and derivative financial instruments is the risk of loss from adverse changes in market prices or interest rates. Our market risk arises primarily from interest rate risk relating to variable-rate borrowings. To meet our short and long-term liquidity requirements, we borrow funds at a combination of fixed and variable rates. Our interest rate risk management objectives are to limit the impact of interest rate changes on earnings and cash flows and to manage our overall borrowing costs. To achieve these objectives, from time to time, we may enter into interest rate hedge contracts such as swaps, caps, collars, treasury locks, options and forwards in order to mitigate our interest rate risk with respect to various debt instruments. We would not hold or issue these derivative contracts for trading or speculative purposes.

Interest Rate Risk

As of March 31, 2022, our debt included fixed-rate debt, with a fair value and carrying value of \$359.2 million and \$355.0 million, respectively. Changes in market interest rates on our fixed-rate debt impact the fair value of the debt, but they have no impact on interest incurred or cash flow. For instance, if interest rates rise 100 basis points, and the fixed-rate debt balance remains constant, we expect the fair value of our debt to decrease, the same way the price of a bond declines as interest rates rise. The sensitivity analysis related to our fixed-rate debt assumes an immediate 100 basis point move in interest rates from March 31, 2022 levels, with all other variables held constant. A 100 basis point increase in market interest rates would result in a decrease in the fair value of our fixed-rate debt of \$14.8 million. A 100 basis point decrease in market interest rates would result in an increase in the fair value of our fixed-rate debt of \$15.6 million.

As of March 31, 2022, our debt included variable-rate debt that was swapped-to-fixed through the use of derivative instruments with a fair value and carrying value of \$175.0 million. The sensitivity analysis related to our variable-rate debt that was swapped-to-fixed assumes an immediate 100 basis point move in interest rates from March 31, 2022 levels and excludes the impact of the derivative instrument, with all other variables held constant. A 100 basis point increase in variable interest rates would result in a decrease in the fair value of our variable-rate debt that was swapped-to-fixed of \$0.2 million. A 100 basis point decrease in variable interest rates would result in an increase in the fair value of our variable-rate debt that was swapped-to-fixed of \$0.3 million.

As of March 31, 2022, our debt included variable-rate debt with a fair value and carrying value of \$91.0 million. The sensitivity analysis related to our variable-rate debt assumes an immediate 100 basis point move in interest rates from March 31, 2022 levels, with all other variables held constant. A 100 basis point increase in variable interest rates would result in a decrease in the fair value of our variable-rate debt of \$0.1 million. A 100 basis point decrease in variable interest rates would result in an increase in the fair value of our variable-rate debt of \$0.2 million. A 100 basis point increase or decrease in variable interest rates on our variable-rate debt would increase or decrease our interest expense by \$0.9 million annually. See Note 6 – Debt, Net to our consolidated financial statements.

As of March 31, 2022, our interest rate swaps had a fair value that resulted in net assets of \$4.4 million. See Note 7 – Derivatives and Hedging Activities to our consolidated financial statements for further discussion.

As the information presented above includes only those exposures that existed as of March 31, 2022, it does not consider exposures or positions arising after that date. The information presented herein has limited predictive value. Future actual realized gains or losses with respect to interest rate fluctuations will depend on cumulative exposures, hedging strategies employed and the magnitude of the fluctuations.

These amounts were determined by considering the impact of hypothetical interest rate changes on our borrowing costs and assume no other changes in our capital structure.

Credit Risk

Concentrations of credit risk arise when a number of tenants are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations, including those to the Company, to be similarly affected by changes in economic conditions. The Company is subject to tenant, geographic and industry concentrations. See “Item 1. Business” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2021. Any downturn of the economic conditions in one or more of these tenants, geographies or industries could result in a material reduction of our cash flows or material losses to us.

The factors we consider in determining the credit risk of our tenants include, but are not limited to: payment history; credit status and change in status (credit ratings for public companies are used as a primary metric); change in tenant space needs (*i.e.*, expansion/downsize); tenant financial performance; economic conditions in a specific geographic region; and industry specific credit considerations. We believe that the credit risk of our portfolio is reduced by the high quality and diversity of our existing tenant base, reviews of prospective tenants’ risk profiles prior to lease execution and consistent monitoring of our portfolio to identify potential problem tenants.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms, and that such information is accumulated and communicated to us, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, we recognize that no controls and procedures, no matter how well designed and operated, can provide absolute assurance of achieving the desired control objectives.

As required by Rules 13a-15(b) and 15d-15(b) of the Exchange Act, an evaluation was conducted under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of March 31, 2022. Based on this evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures, as of March 31, 2022, were effective at a reasonable assurance level.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act of 1934) during the three months ended March 31, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

As of the end of the period covered by this Quarterly Report on Form 10-Q, we are not a party to, and none of our properties are subject to, any material pending legal proceedings.

Item 1A. Risk Factors

There have been no material changes to the risk factors previously disclosed in Part I, Item 1A. “Risk Factors” of the Company’s Annual Report on Form 10-K for the year ended December 31, 2021.

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

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits

The following exhibits are included, or incorporated by reference, in this Quarterly Report on Form 10-Q for the period ended March 31, 2022 (and are numbered in accordance with Item 601 of Regulation S-K):

Exhibit No.	Description
2.1	Separation and Distribution Agreement, by and among Realty Income Corporation, Orion Office REIT Inc., and Orion Office REIT LP (filed as Exhibit 2.1 to the Company's Current Report on Form 8-K, filed on November 15, 2021 and incorporated herein by reference).
2.2	Transition Services Agreement by and among Realty Income Corporation and Orion Office REIT Inc. (filed as Exhibit 2.2 to the Company's Current Report on Form 8-K, filed on November 15, 2021 and incorporated herein by reference).
2.3	Tax Matters Agreement by and among Realty Income Corporation and Orion Office REIT Inc. (filed as Exhibit 2.3 to the Company's Current Report on Form 8-K, filed on November 15, 2021 and incorporated herein by reference).
2.4	Employee Matters Agreement by and among Realty Income Corporation, VEREIT, Inc., Orion Office REIT Inc. and Orion Office REIT LP (filed as Exhibit 2.4 to the Company's Current Report on Form 8-K, filed on November 15, 2021 and incorporated herein by reference).
3.1	Articles of Amendment and Restatement of Orion Office REIT Inc. (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K, filed on November 15, 2021 and incorporated herein by reference).
3.2	Amended and Restated Bylaws of Orion Office REIT Inc. (filed as Exhibit 3.2 to the Company's Current Report on Form 8-K, filed on November 15, 2021 and incorporated herein by reference).
4.1	Form of Warrant (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K, filed on November 15, 2021 and incorporated herein by reference).
4.2	Description of Securities (filed as Exhibit 4.2 to the Company's Form 10-K, filed on March 24, 2022 and incorporated herein by reference)
10.1	Loan Agreement, dated February 10, 2022, by and between the entities identified on Schedule I thereto, as Borrower, and Wells Fargo Bank, National Association, as Lender (filed as Exhibit 10.1 to the Company's Form 8-K, filed on February 14, 2022 and incorporated herein by reference)
10.2	Guaranty of Recourse Obligations, dated February 10, 2022, made by Orion Office REIT Inc. in favor of Wells Fargo Bank, National Association, as Lender (filed as Exhibit 10.2 to the Company's Form 8-K filed on February 14, 2022 and incorporated herein by reference)
10.3†	Form of Performance-Based Restricted Stock Unit Agreement pursuant to the Orion Office REIT Inc. 2021 Equity Incentive Plan (filed as Exhibit 10.15 to the Company's Form 10-K, filed on March 24, 2022 and incorporated herein by reference)
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification of Chief Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.SCH**	Inline XBRL Taxonomy Extension Schema Document.
101.CAL**	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF**	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB**	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE**	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104**	Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101.*).

* Filed herewith

** In accordance with Item 601(b)(32) of Regulation S-K, this Exhibit is not deemed “filed” for purposes of Section 18 of the Exchange Act or otherwise subject to the liabilities of that section. Such certifications will not be deemed incorporated by reference into any filing under the federal securities laws, Section 27A of the Securities Act of 1933, as amended (the “Securities Act”) or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference.

† Management contract or compensatory plan or arrangement.

ORION OFFICE REIT INC.
CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO RULES 13a-14(a) AND 15d-14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Paul H. McDowell, certify that:

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

Date: May 4, 2022

/s/ Paul H. McDowell

Paul H. McDowell
Chief Executive Officer and President
(Principal Executive Officer)

ORION OFFICE REIT INC.
CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO RULES 13a-14(a) AND 15d-14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Gavin Brandon, certify that:

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

Date: May 4, 2022

/s/ Gavin Brandon

Gavin Brandon
Chief Financial Officer, Executive Vice President and Treasurer
(Principal Financial Officer)

**ORION OFFICE REIT INC.
CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Orion Office REIT Inc. (the "Company") for the period ended March 31, 2022 (the "Report"), I, Paul H. McDowell, Chief Executive Officer of the Company, certify to my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: May 4, 2022

/s/ Paul H. McDowell

Paul H. McDowell

Chief Executive Officer and President

(Principal Executive Officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

**ORION OFFICE REIT INC.
CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Orion Office REIT Inc. (the "Company") for the period ended March 31, 2022 (the "Report"), I, Gavin Brandon, Executive Vice President and Chief Financial Officer of the Company, certify to my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: May 4, 2022

/s/ Gavin Brandon

Gavin Brandon
Chief Financial Officer, Executive Vice President and Treasurer
(Principal Financial Officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.