

**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 September 30, 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 001-34626

Piedmont Office Realty Trust, Inc.

(Exact name of registrant as specified in its charter)

Maryland

(State or other jurisdiction of incorporation or organization)

58-2328421

(I.R.S. Employer Identification Number)

5565 Glenridge Connector Ste. 450

Atlanta, Georgia 30342

(Address of principal executive offices) (Zip Code)

(770) 418-8800

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of exchange on which registered
Common Stock, \$0.01 par value	PDM	New York Stock Exchange

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

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

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input 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 provided pursuant to Section 13(a) of the Exchange Act.

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

**Number of shares outstanding of the Registrant's
common stock, as of November 1, 2022:**

123,395,381 shares

FORM 10-Q
PIEDMONT OFFICE REALTY TRUST, INC.
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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this Form 10-Q may constitute forward-looking statements within the meaning of the federal securities laws. In addition, Piedmont Office Realty Trust, Inc. ("Piedmont," "we," "our," or "us"), or our executive officers on our behalf, may from time to time make forward-looking statements in reports and other documents we file with the Securities and Exchange Commission or in connection with other written or oral statements made to the press, potential investors, or others. Statements regarding future events and developments and our future performance, as well as management's expectations, beliefs, plans, estimates, or projections relating to the future, are forward-looking statements. Forward-looking statements include statements preceded by, followed by, or that include the words "may," "will," "expect," "intend," "anticipate," "estimate," "believe," "continue," or other similar words. Examples of such statements in this report include descriptions of our real estate, financings, and operating objectives; discussions regarding future dividends and share repurchases; and discussions regarding the potential impact of economic conditions on our real estate and lease portfolio, among others.

These statements are based on beliefs and assumptions of our management, which in turn are based on information available at the time the statements are made. Important assumptions relating to the forward-looking statements include, among others, assumptions regarding the demand for office space in the markets in which we operate, competitive conditions, and general economic conditions. These assumptions could prove inaccurate. The forward-looking statements also involve certain known and unknown risks and uncertainties, which could cause actual results to differ materially from those contained in any forward-looking statement. Many of these factors are beyond our ability to control or predict. Such factors include, but are not limited to, the following:

- Economic, regulatory, socio-economic (including work from home), technological (e.g. Metaverse, Zoom, etc), and other changes (including accounting standards) that impact the real estate market generally, the office sector or the patterns of use of commercial office space in general, or the markets where we primarily operate or have high concentrations of Annualized Lease Revenue ("ALR") (see definition below);
- The impact of competition on our efforts to renew existing leases or re-let space on terms similar to existing leases;
- Lease terminations, lease defaults, lease contractions, or changes in the financial condition of our tenants, particularly by one of our large lead tenants;
- Impairment charges on our long-lived assets or goodwill resulting therefrom;
- The success of our real estate strategies and investment objectives, including our ability to implement successful redevelopment and development strategies or identify and consummate suitable acquisitions and divestitures;
- The illiquidity of real estate investments, including economic changes, such as rising interest rates, which could impact the number of buyers/sellers of our target properties, and regulatory restrictions to which real estate investment trusts ("REITs") are subject and the resulting impediment on our ability to quickly respond to adverse changes in the performance of our properties;
- The risks and uncertainties associated with our acquisition and disposition of properties, many of which risks and uncertainties may not be known at the time of acquisition or disposition;
- Development and construction delays, including the potential of supply chain disruptions, and resultant increased costs and risks;
- Future acts of terrorism, civil unrest, or armed hostilities in any of the major metropolitan areas in which we own properties, or future cybersecurity attacks against any of our properties or our tenants;
- Risks related to the occurrence of cyber incidents, or a deficiency in our cybersecurity, which could negatively impact our business by causing a disruption to our operations, a compromise or corruption of our confidential information, and/or damage to our business relationships;
- Costs of complying with governmental laws and regulations, including environmental standards imposed on office building owners;
- Uninsured losses or losses in excess of our insurance coverage, and our inability to obtain adequate insurance coverage at a reasonable cost;
- Additional risks and costs associated with directly managing properties occupied by governmental tenants, such as potential changes in the political environment, a reduction in federal or state funding of our governmental tenants, or an increased risk of default by government tenants during periods in which state or federal governments are shut down or on furlough;
- Significant price and volume fluctuations in the public markets, including on the exchange which we listed our common stock;
- Changes in the method pursuant to which the London Interbank Offered Rate ("LIBOR") and the Secured Overnight Financing Rate ("SOFR") rates are determined and the planned phasing out of United States dollar ("USD") LIBOR after June 2023;
- Changing capital reserve requirements on our lenders and rapidly rising interest rates in the public bond markets could impact our ability to finance properties or refinance existing debt or significantly increase operating/financing costs;

- The effect of future offerings of debt or equity securities on the value of our common stock;
- Additional risks and costs associated with inflation and continuing increases in the rate of inflation, including the possibility of a recession that could negatively impact our operations and the operations of our tenants and their ability to pay rent;
- Uncertainties associated with environmental and regulatory matters;
- Changes in the financial condition of our tenants directly or indirectly resulting from geopolitical developments that could negatively affect important supply chains and international trade, the termination or threatened termination of existing international trade agreements, or the implementation of tariffs or retaliatory tariffs on imported or exported goods;
- The effect of any litigation to which we are, or may become, subject;
- Additional risks and costs associated with owning properties occupied by tenants in particular industries, such as oil and gas, hospitality, travel, co-working, etc., including risks of default during start-up and during economic downturns;
- Changes in tax laws impacting REITs and real estate in general, as well as our ability to continue to qualify as a REIT under the Internal Revenue Code of 1986, as amended (the “Code”), or other tax law changes which may adversely affect our stockholders;
- The future effectiveness of our internal controls and procedures;
- Actual or threatened public health epidemics or outbreaks, such as experienced during the COVID-19 pandemic, as well as governmental and private measures taken to combat such health crises, could have a material adverse effect on our business operations and financial results;
- The adequacy of our general reserve related to tenant lease-related assets or the establishment of any other reserve in the future; and
- Other factors, including the risk factors discussed under Item 1A. of our Annual Report on Form 10-K for the year ended December 31, 2021.

Management believes these forward-looking statements are reasonable; however, undue reliance should not be placed on any forward-looking statements, which are based on current expectations. Further, forward-looking statements speak only as of the date they are made, and management undertakes no obligation to update publicly any of them in light of new information or future events.

Information Regarding Disclosures Presented

ALR is calculated by multiplying (i) current rental payments (defined as base rent plus operating expense reimbursements, if payable by the tenant on a monthly basis under the terms of a lease that has been executed, but excluding (a) rental abatements and (b) rental payments related to executed but not commenced leases for space that was covered by an existing lease), by (ii) 12. In instances in which contractual rents or operating expense reimbursements are collected on an annual, semi-annual, or quarterly basis, such amounts are multiplied by a factor of 1, 2, or 4, respectively, to calculate the annualized figure. For leases that have been executed but not commenced relating to unleased space, ALR is calculated by multiplying (i) the monthly base rental payment (excluding abatements) plus any operating expense reimbursements for the initial month of the lease term, by (ii) 12. Unless stated otherwise, this measure excludes revenues associated with development properties and properties taken out of service for redevelopment, if any.

PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS.

The information presented in the accompanying consolidated balance sheets and related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows reflects all adjustments that are, in management's opinion, necessary for a fair and consistent presentation of financial position, results of operations, and cash flows in accordance with generally accepted accounting principles ("GAAP").

The accompanying financial statements should be read in conjunction with the notes to Piedmont's financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations included in this report on Form 10-Q and with Piedmont's Annual Report on Form 10-K for the year ended December 31, 2021. Piedmont's results of operations for the nine months ended September 30, 2022 are not necessarily indicative of the operating results expected for the full year.

PIEDMONT OFFICE REALTY TRUST, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except for share and per share amounts)

	(Unaudited) September 30, 2022	December 31, 2021
Assets:		
Real estate assets, at cost:		
Land	\$ 578,722	\$ 529,941
Buildings and improvements, less accumulated depreciation of \$926,357 and \$861,206 as of September 30, 2022 and December 31, 2021, respectively	2,825,365	2,513,697
Intangible lease assets, less accumulated amortization of \$88,721 and \$83,777 as of September 30, 2022 and December 31, 2021, respectively	123,527	94,380
Construction in progress	44,977	43,406
Real estate assets held for sale, net	—	63,887
Total real estate assets	3,572,591	3,245,311
Cash and cash equivalents	10,653	7,419
Tenant receivables, net of allowance for doubtful accounts of \$2,000 and \$4,000 as of September 30, 2022 and December 31, 2021, respectively	7,796	2,995
Straight-line rent receivables	173,122	162,632
Notes receivable	—	118,500
Restricted cash and escrows	2,191	1,441
Prepaid expenses and other assets	23,925	20,485
Goodwill	98,918	98,918
Interest rate swaps	3,760	—
Deferred lease costs, less accumulated amortization of \$218,399 and \$205,100 as of September 30, 2022 and December 31, 2021, respectively	292,537	264,571
Other assets held for sale, net	—	8,393
Total assets	<u>\$ 4,185,493</u>	<u>\$ 3,930,665</u>
Liabilities:		
Unsecured debt, net of discount and unamortized debt issuance costs of \$13,592 and \$12,210 as of September 30, 2022 and December 31, 2021, respectively	\$ 1,948,408	\$ 1,877,790
Secured debt	197,000	—
Accounts payable, accrued expenses and accrued capital expenditures	111,262	114,453
Dividends payable	—	26,048
Deferred income	70,798	80,686
Intangible lease liabilities, less accumulated amortization of \$38,636 and \$35,880 as of September 30, 2022 and December 31, 2021, respectively	60,694	39,341
Interest rate swaps	—	4,924
Total liabilities	2,388,162	2,143,242
Commitments and Contingencies (Note 7)	—	—
Stockholders' Equity:		
Shares-in-trust, 150,000,000 shares authorized; none outstanding as of September 30, 2022 or December 31, 2021	—	—
Preferred stock, no par value, 100,000,000 shares authorized; none outstanding as of September 30, 2022 or December 31, 2021	—	—
Common stock, \$0.01 par value, 750,000,000 shares authorized; 123,395,381 and 123,076,695 shares issued and outstanding as of September 30, 2022 and December 31, 2021, respectively	1,234	1,231
Additional paid-in capital	3,709,234	3,701,798
Cumulative distributions in excess of earnings	(1,905,544)	(1,899,081)
Accumulated other comprehensive loss	(9,194)	(18,154)
Piedmont stockholders' equity	1,795,730	1,785,794
Noncontrolling interest	1,601	1,629
Total stockholders' equity	1,797,331	1,787,423
Total liabilities and stockholders' equity	<u>\$ 4,185,493</u>	<u>\$ 3,930,665</u>

See accompanying notes

PIEDMONT OFFICE REALTY TRUST, INC.
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
(in thousands, except for share and per share amounts)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2022	2021	2022	2021
Revenues:				
Rental and tenant reimbursement revenue	\$ 139,572	\$ 127,427	\$ 403,635	\$ 380,306
Property management fee revenue	303	626	1,280	1,920
Other property related income	4,225	3,018	11,643	8,320
	<u>144,100</u>	<u>131,071</u>	<u>416,558</u>	<u>390,546</u>
Expenses:				
Property operating costs	59,039	51,767	166,295	154,849
Depreciation	34,941	30,562	98,828	88,663
Amortization	23,290	20,373	67,022	63,978
General and administrative	6,590	6,955	21,212	22,417
	<u>123,860</u>	<u>109,657</u>	<u>353,357</u>	<u>329,907</u>
Other income (expense):				
Interest expense	(17,244)	(12,450)	(44,917)	(37,375)
Other income	335	2,337	2,302	7,324
Gain on sale of real estate assets	—	—	50,674	—
	<u>(16,909)</u>	<u>(10,113)</u>	<u>8,059</u>	<u>(30,051)</u>
Net income	<u>3,331</u>	<u>11,301</u>	<u>71,260</u>	<u>30,588</u>
Net loss applicable to noncontrolling interest	<u>—</u>	<u>5</u>	<u>1</u>	<u>9</u>
Net income applicable to Piedmont	<u>\$ 3,331</u>	<u>\$ 11,306</u>	<u>\$ 71,261</u>	<u>\$ 30,597</u>
Per share information – basic and diluted:				
Net income applicable to common stockholders	\$ 0.03	\$ 0.09	\$ 0.58	\$ 0.25
Weighted-average common shares outstanding – basic	<u>123,395,381</u>	<u>124,135,556</u>	<u>123,329,626</u>	<u>124,056,908</u>
Weighted-average common shares outstanding – diluted	<u>123,697,455</u>	<u>124,627,409</u>	<u>123,630,501</u>	<u>124,471,786</u>

See accompanying notes

PIEDMONT OFFICE REALTY TRUST, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
(in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net income applicable to Piedmont	\$ 3,331	\$ 11,306	\$ 71,261	\$ 30,597
Other comprehensive income:				
Effective portion of gain on derivative instruments that are designated and qualify as cash flow hedges (See Note 5)	2,662	582	7,507	1,848
Plus: Reclassification of net loss included in net income (See Note 5)	194	750	1,453	2,216
Other comprehensive income	2,856	1,332	8,960	4,064
Comprehensive income applicable to Piedmont	\$ 6,187	\$ 12,638	\$ 80,221	\$ 34,661

See accompanying notes

PIEDMONT OFFICE REALTY TRUST, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021
(in thousands, except per share amounts)

	Common Stock		Additional Paid-In Capital	Cumulative Distributions in Excess of Earnings	Accumulated Other Comprehensive Income/(Loss)	Non- controlling Interest	Total Stockholders' Equity
	Shares	Amount					
Balance, June 30, 2022	123,390	\$ 1,234	\$3,707,833	\$ (1,882,962)	\$ (12,050)	\$ 1,608	\$ 1,815,663
Costs of issuance of common stock	—	—	(461)	—	—	—	(461)
Dividends to common stockholders (\$0.21 per share) and stockholders of subsidiaries	—	—	—	(25,913)	—	(7)	(25,920)
Shares issued and amortized under the 2007 Omnibus Incentive Plan, net of tax	5	—	1,862	—	—	—	1,862
Net income applicable to Piedmont	—	—	—	3,331	—	—	3,331
Other comprehensive income	—	—	—	—	2,856	—	2,856
Balance, September 30, 2022	123,395	\$ 1,234	\$3,709,234	\$ (1,905,544)	\$ (9,194)	\$ 1,601	\$ 1,797,331

	Common Stock		Additional Paid-In Capital	Cumulative Distributions in Excess of Earnings	Accumulated Other Comprehensive Income/(Loss)	Non- controlling Interest	Total Stockholders' Equity
	Shares	Amount					
Balance, June 30, 2021	124,132	\$ 1,241	\$3,698,656	\$ (1,807,679)	\$ (21,368)	\$ 1,658	\$ 1,872,508
Dividends to common stockholders (\$0.21 per share) and stockholders of subsidiaries	—	—	—	(26,068)	—	(6)	(26,074)
Shares issued and amortized under the 2007 Omnibus Incentive Plan, net of tax	4	—	1,552	—	—	—	1,552
Net loss applicable to noncontrolling interest	—	—	—	—	—	(5)	(5)
Net income applicable to Piedmont	—	—	—	11,306	—	—	11,306
Other comprehensive income	—	—	—	—	1,332	—	1,332
Balance, September 30, 2021	124,136	\$ 1,241	\$3,700,208	\$ (1,822,441)	\$ (20,036)	\$ 1,647	\$ 1,860,619

See accompanying notes

PIEDMONT OFFICE REALTY TRUST, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021
(in thousands, except per share amounts)

	Common Stock		Additional Paid-In Capital	Cumulative Distributions in Excess of Earnings	Accumulated Other Comprehensive Income/(Loss)	Non- controlling Interest	Total Stockholders' Equity
	Shares	Amount					
Balance, December 31, 2021	123,077	\$ 1,231	\$3,701,798	\$ (1,899,081)	\$ (18,154)	\$ 1,629	\$ 1,787,423
Costs of issuance of common stock	—	—	(461)	—	—	—	(461)
Dividends to common stockholders (\$0.63 per share) and stockholders of subsidiaries	—	—	—	(77,724)	—	(27)	(77,751)
Shares issued and amortized under the 2007 Omnibus Incentive Plan, net of tax	318	3	7,897	—	—	—	7,900
Net loss applicable to noncontrolling interest	—	—	—	—	—	(1)	(1)
Net income applicable to Piedmont	—	—	—	71,261	—	—	71,261
Other comprehensive income	—	—	—	—	8,960	—	8,960
Balance, September 30, 2022	123,395	\$ 1,234	\$3,709,234	\$ (1,905,544)	\$ (9,194)	\$ 1,601	\$ 1,797,331

	Common Stock		Additional Paid-In Capital	Cumulative Distributions in Excess of Earnings	Accumulated Other Comprehensive Income/(Loss)	Non- controlling Interest	Total Stockholders' Equity
	Shares	Amount					
Balance, December 31, 2020	123,839	\$ 1,238	\$3,693,996	\$ (1,774,856)	\$ (24,100)	\$ 1,683	\$ 1,897,961
Costs of issuance of common stock	—	—	(55)	—	—	—	(55)
Dividends to common stockholders (\$0.63 per share) and stockholders of subsidiaries	—	—	—	(78,182)	—	(27)	(78,209)
Shares issued and amortized under the 2007 Omnibus Incentive Plan, net of tax	297	3	6,267	—	—	—	6,270
Net loss applicable to noncontrolling interest	—	—	—	—	—	(9)	(9)
Net income applicable to Piedmont	—	—	—	30,597	—	—	30,597
Other comprehensive income	—	—	—	—	4,064	—	4,064
Balance, September 30, 2021	124,136	\$ 1,241	\$3,700,208	\$ (1,822,441)	\$ (20,036)	\$ 1,647	\$ 1,860,619

See accompanying notes

PIEDMONT OFFICE REALTY TRUST, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(in thousands)

	Nine Months Ended September 30,	
	2022	2021
Cash Flows from Operating Activities:		
Net income	\$ 71,260	\$ 30,588
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	98,828	88,663
Amortization of debt issuance costs inclusive of settled interest rate swaps	2,738	2,396
Other amortization	60,457	58,743
General reserve/ (reversal) for uncollectible accounts	(2,000)	412
Stock compensation expense	6,880	8,201
Gain on sale of real estate assets	(50,674)	—
Changes in assets and liabilities:		
Increase in tenant and straight-line rent receivables	(14,760)	(13,448)
Increase in prepaid expenses and other assets	(933)	(2,815)
Cash received upon settlement of interest rate swaps	—	623
Increase in accounts payable and accrued expenses	4,571	342
Decrease in deferred income	(12,383)	(8,671)
Net cash provided by operating activities	<u>163,984</u>	<u>165,034</u>
Cash Flows from Investing Activities:		
Acquisition of real estate assets, net of related debt assumed, and intangibles	(270,899)	—
Capitalized expenditures	(95,507)	(83,477)
Net sales proceeds from wholly-owned properties	143,596	—
Proceeds from notes receivable	118,500	—
Deferred lease costs paid	(16,042)	(10,324)
Net cash used in investing activities	<u>(120,352)</u>	<u>(93,801)</u>
Cash Flows from Financing Activities:		
Debt issuance and other costs paid	(194)	(454)
Proceeds from debt	761,420	526,580
Repayments of debt	(693,000)	(484,610)
Costs of issuance of common stock	(311)	(55)
Value of shares withheld for payment of taxes related to employee stock compensation	(3,764)	(3,050)
Repurchases of common stock as part of announced plan	—	(685)
Dividends paid	(103,799)	(103,891)
Net cash used in financing activities	<u>(39,648)</u>	<u>(66,165)</u>
Net increase in cash, cash equivalents, and restricted cash and escrows	3,984	5,068
Cash, cash equivalents, and restricted cash and escrows, beginning of period	8,860	9,214
Cash, cash equivalents, and restricted cash and escrows, end of period	\$ 12,844	\$ 14,282

See accompanying notes

PIEDMONT OFFICE REALTY TRUST, INC.
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2022
(Unaudited)

1. Organization

Piedmont Office Realty Trust, Inc. ("Piedmont") (NYSE: PDM) is a Maryland corporation that operates in a manner so as to qualify as a real estate investment trust ("REIT") for federal income tax purposes and engages in the ownership, management, development, redevelopment, and operation of high-quality, Class A office properties located primarily in the Sunbelt. Piedmont was incorporated in 1997 and commenced operations in 1998. Piedmont conducts business through its wholly-owned subsidiary, Piedmont Operating Partnership, L.P. ("Piedmont OP"), a Delaware limited partnership. Piedmont OP owns properties directly, through wholly-owned subsidiaries, and through various joint ventures which it controls. References to Piedmont herein shall include Piedmont and all of its subsidiaries, including Piedmont OP and its subsidiaries and joint ventures.

As of September 30, 2022, Piedmont owned 53 in-service, Class A office properties and one redevelopment asset, primarily located within the Sunbelt. As of September 30, 2022, the in-service portfolio comprised approximately 16.8 million square feet (unaudited) and was 86.8% leased.

2. Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The consolidated financial statements of Piedmont have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (the "SEC"), including the instructions to Form 10-Q and Article 10 of Regulation S-X, and do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, the statements for the unaudited interim periods presented include all adjustments, which are of a normal and recurring nature, necessary for a fair presentation of the results for such periods. Results for these interim periods are not necessarily indicative of a full year's results.

Piedmont's consolidated financial statements include the accounts of Piedmont, Piedmont's wholly-owned subsidiaries, any variable interest entity ("VIE") of which Piedmont or any of its wholly-owned subsidiaries is considered to have the power to direct the activities of the entity and the obligation to absorb losses/right to receive benefits, or any entity in which Piedmont or any of its wholly-owned subsidiaries owns a controlling interest. In determining whether Piedmont or Piedmont OP has a controlling interest, the following factors, among others, are considered: equity ownership, voting rights, protective rights of investors, and participatory rights of investors. For further information, refer to the financial statements and footnotes included in Piedmont's Annual Report on Form 10-K for the year ended December 31, 2021.

All intercompany balances and transactions have been eliminated upon consolidation.

Further, Piedmont has formed special purpose entities to acquire and hold real estate. Each special purpose entity is a separate legal entity. Consequently, the assets of these special purpose entities are not available to all creditors of Piedmont. The assets owned by these special purpose entities are being reported on a consolidated basis with Piedmont's assets for financial reporting purposes only.

Use of Estimates

The preparation of the accompanying consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the accompanying consolidated financial statements and notes. The most significant of these estimates include the underlying cash flows and holding periods used in assessing impairment, judgements regarding the recoverability of goodwill, and the assessment of the collectibility of receivables. While Piedmont has made, what it believes to be, appropriate accounting estimates based on the facts and circumstances available as of the reporting date, actual results could materially differ from those estimates.

Income Taxes

Piedmont has elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended, and has operated as such, beginning with its taxable year ended December 31, 1998. To qualify as a REIT, Piedmont must meet certain organizational and operational requirements, including a requirement to distribute at least 90% of its annual REIT taxable income. As a REIT, Piedmont is generally not subject to federal income taxes, subject to fulfilling, among other things, its taxable income distribution requirement. Piedmont is subject to certain taxes related to the operations of properties in certain locations, as well as operations conducted by its taxable REIT subsidiary which have been provided for in the financial statements.

Operating Leases

Piedmont recognized the following fixed and variable lease payments, which together comprised rental and tenant reimbursement revenue in the accompanying consolidated statements of income for the three and nine months ended September 30, 2022 and 2021, respectively, as follows (in thousands):

	Three Months Ended		Nine Months Ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Fixed payments	\$ 114,280	\$ 105,592	\$ 334,256	\$ 315,971
Variable payments	25,292	21,835	69,379	64,335
Total Rental and Tenant Reimbursement Revenue	\$ 139,572	\$ 127,427	\$ 403,635	\$ 380,306

Operating leases where Piedmont is the lessee relate primarily to office space in buildings owned by third parties. Piedmont's right of use asset and corresponding lease liability was approximately \$0 and \$60,000 as of September 30, 2022 and December 31, 2021, respectively. The right of use asset is recorded as a component of prepaid expenses and other assets, whereas the corresponding liability is presented as a component of accounts payable, accrued expenses, and accrued capital expenditures in the accompanying consolidated balance sheets. For both the three and nine months ended September 30, 2022 and 2021, Piedmont recognized approximately \$20,000 and \$60,000, respectively, of operating lease costs related to these office space leases. As of September 30, 2022, the lease term of Piedmont's right of use asset had ended; however, the lease was renewed effective October 1, 2022 for 26 months.

Intangible Assets and Liabilities Resulting from Purchasing Real Estate Assets

Upon the acquisition of real properties, Piedmont allocates the purchase price of the properties to tangible assets, consisting of land, building, site improvements, and identified intangible assets and liabilities, including the value of in-place leases, based in each case on Piedmont's estimate of their fair values in accordance with Accounting Standards Codification ("ASC") 820 *Fair Value Measurements*.

Gross intangible lease assets and liabilities arising from in-place leases, inclusive of amounts classified as real estate assets held for sale, recorded at acquisition as of September 30, 2022 and December 31, 2021, respectively, are as follows (in thousands):

	September 30, 2022	December 31, 2021
Intangible Lease Assets:		
Above-Market In-Place Lease Assets	\$ 1,967	\$ 1,882
In-Place Lease Valuation	\$ 210,281	\$ 176,275
Intangible Lease Origination Costs (included as component of Deferred Lease Costs)	\$ 296,672	\$ 266,575
Intangible Lease Liabilities (Below-Market In-Place Leases)	\$ 99,330	\$ 75,221

For the three and nine months ended September 30, 2022 and 2021, respectively, Piedmont recognized amortization of intangible lease costs as follows (in thousands):

	Three Months Ended		Nine Months Ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Amortization of Intangible Lease Origination Costs and In-Place Lease Valuation included in amortization expense	\$ 18,905	\$ 16,580	\$ 54,582	\$ 51,208
Amortization of Above-Market and Below-Market In-Place Lease intangibles as a net increase to rental revenues	\$ 3,542	\$ 2,686	\$ 9,713	\$ 8,082

Net intangible assets and liabilities as of September 30, 2022 will be amortized as follows (in thousands):

	Intangible Lease Assets			
	Above-Market In-place Lease Assets	In-Place Lease Valuation	Intangible Lease Origination Costs ⁽¹⁾	Below-Market In-place Lease Liabilities
For the remainder of 2022	\$ 51	\$ 8,987	\$ 10,502	\$ 3,700
For the years ending December 31:				
2023	160	29,545	34,523	12,625
2024	126	22,101	26,919	10,071
2025	48	16,680	21,541	8,441
2026	22	13,146	18,228	6,904
2027	13	10,426	15,010	5,814
Thereafter	30	22,192	33,220	13,139
	<u>\$ 450</u>	<u>\$ 123,077</u>	<u>\$ 159,943</u>	<u>\$ 60,694</u>
Weighted-Average Amortization Period (in years)	4	6	6	6

⁽¹⁾ Included as a component of Deferred Lease Costs in the accompanying consolidated balance sheets.

3. Acquisitions

During the three months ended September 30, 2022, Piedmont acquired 100% of the ownership interest in 1180 Peachtree Street in Midtown Atlanta, Georgia (part of the Atlanta geographic segment), consisting of 691,092 square feet and 95% leased. The net contractual purchase price of \$465.7 million included the assumption of an existing \$197 million, 4.10% mortgage secured by the property. The remaining cash portion of the purchase price was primarily funded using a new \$200 Million Unsecured Term Loan Facility (further described in [Note 4](#) below), as well as cash on hand and our \$600 Million Unsecured 2022 Line of Credit.

The purchase price of 1180 Peachtree Street, inclusive of approximately \$2.2 million of closing costs, was allocated as follows:

	1180 Peachtree Street	
Land	\$	56,932
Building and improvements		336,219
Intangible lease assets ⁽¹⁾		53,426
Lease acquisition costs, net of tenant credits received from seller ⁽¹⁾		(4,071)
Intangible lease origination costs ⁽¹⁾		56,748
Intangible lease liabilities ⁽¹⁾		(31,355)
Total allocated purchase price	\$	467,899
Assumption of secured mortgage note		(197,000)
Net cash paid upon acquisition	\$	270,899

⁽¹⁾ Amortization of in-place lease intangibles and lease acquisition costs are recognized using the straight-line method over approximately 7.4 years, the average remaining life of in-place leases.

4. Debt

As noted above, in conjunction with the acquisition of 1180 Peachtree Street during the three months ended September 30, 2022, Piedmont entered into a Loan Assignment and Assumption Agreement for an existing \$197 million fixed rate mortgage secured by the property (the "\$197 Million Fixed Rate Mortgage"). The \$197 Million Fixed Rate Mortgage has a remaining term of approximately six years and a final maturity date of October 1, 2028. Interest only at a fixed rate of 4.10% per annum is payable until October 1, 2023, at which point the loan becomes amortizing.

Piedmont also entered into a new \$200 million, floating-rate, unsecured term loan facility (the "\$200 Million Unsecured Term Loan Facility") during the three months ended September 30, 2022 to fund the majority of the cash portion of the 1180 Peachtree Street purchase price. The term of the \$200 Million Unsecured Term Loan Facility is six months, with an option to extend twice for an additional three months for a final maturity date of July 24, 2023. Piedmont may prepay the loan in whole or in part, at any time without premium or penalty. The stated interest rate spread over Adjusted Term SOFR can vary from 0.80% to 1.65% based upon the then current credit rating of Piedmont. As of September 30, 2022, the applicable interest rate spread on the loan was 1.00%.

During the nine months ended September 30, 2022, Piedmont amended and restated its \$500 Million Unsecured 2018 Line of Credit which had an initial maturity date of September 30, 2022. As amended and restated, the capacity of the line of credit has been expanded to \$600 million (the "\$600 Million Unsecured 2022 Line of Credit"). The term of the new \$600 Million Unsecured 2022 Line of Credit was extended to June 30, 2026, and Piedmont may extend the term for up to one additional year (through two available six-month extensions) provided Piedmont is not then in default and all representations and warranties are true and correct in all material respects and upon payment of applicable extension fees. Under certain terms of the agreement, Piedmont may increase the new facility by up to an additional \$500 million, to an aggregate size of \$1.1 billion, provided that no existing bank has any obligation to participate in such increase. Piedmont paid customary arrangement and upfront fees to the lenders in connection with the closing of the new facility.

The \$600 Million Unsecured 2022 Line of Credit has the option to bear interest at varying levels (determined with reference to the greater of the credit rating for Piedmont or Piedmont OP) based on the Adjusted Term SOFR Rate, Adjusted Daily Effective SOFR Rate, or the Base Rate, all as defined in the facility agreement. Further, the Base Rate is defined as the greater of the

prime rate, the federal funds rate plus 0.5%, or the Adjusted Term SOFR Rate for a one-month period plus 1.0%. The term SOFR loans are available with interest periods selected by Piedmont of one, three, or six months. The stated interest rate spread over Adjusted SOFR can vary from 0.725% to 1.4% based upon the greater of the then current credit rating of Piedmont or Piedmont OP. As of September 30, 2022, based upon Piedmont's current BBB credit rating, the current stated Adjusted SOFR spread on the loan is 0.85%.

The \$600 Million Unsecured 2022 Line of Credit and the \$200 Million Unsecured Term Loan Facility have certain financial covenants that require, among other things, the maintenance of an unencumbered interest rate coverage ratio of at least 1.75, an unencumbered leverage ratio of at least 1.60, a fixed charge coverage ratio of at least 1.50, a leverage ratio of no more than 0.60, and a secured debt ratio of no more than 0.40.

The following table summarizes the terms of Piedmont's indebtedness outstanding as of September 30, 2022 and December 31, 2021 (in thousands):

Facility ⁽¹⁾	Stated Rate	Effective Rate ⁽²⁾	Maturity	Amount Outstanding as of	
				September 30, 2022	December 31, 2021
<i>Secured (Fixed)</i>					
\$197 Million Fixed Rate Mortgage	4.10 %		10/1/2028	\$ 197,000	\$ —
Subtotal				197,000	—
<i>Unsecured (Variable and Fixed)</i>					
\$200 Million Unsecured Term Loan Facility	SOFR + 1.00%	4.13 % ⁽³⁾	1/23/2023 ⁽⁴⁾	\$ 200,000	\$ —
\$350 Million Unsecured Senior Notes due 2023	3.40 %	3.43 %	6/01/2023 ⁽⁵⁾	350,000	350,000
\$400 Million Unsecured Senior Notes due 2024	4.45 %	4.10 %	3/15/2024	400,000	400,000
\$250 Million Unsecured 2018 Term Loan	LIBOR + 0.95%	3.86 % ⁽⁶⁾	3/31/2025	250,000	250,000
\$600 Million Unsecured 2022 Line of Credit ⁽⁷⁾	SOFR + 0.85%	3.86 % ⁽³⁾	6/30/2026 ⁽⁸⁾	162,000	290,000
\$300 Million Unsecured Senior Notes due 2030	3.15 %	3.90 %	8/15/2030	300,000	300,000
\$300 Million Unsecured Senior Notes due 2032	2.75 %	2.78 %	4/1/2032	300,000	300,000
Discounts and unamortized debt issuance costs				(13,592)	(12,210)
Subtotal/Weighted Average ⁽⁹⁾	3.65 %			\$ 1,948,408	\$ 1,877,790
Total/Weighted Average ⁽⁹⁾	3.69 %			\$ 2,145,408	\$ 1,877,790

⁽¹⁾ All of Piedmont's outstanding debt as of September 30, 2022 is unsecured and interest-only until maturity, except for the \$197 Million Fixed Rate Mortgage, secured by 1180 Peachtree Street, which will begin amortizing principal in October 2023.

⁽²⁾ Effective rate after consideration of settled or in-place interest rate swap agreements and issuance discounts.

⁽³⁾ On a periodic basis, Piedmont may select from multiple interest rate options, including the prime rate and various-length SOFR locks on all or a portion of the principal. All SOFR selections are subject to an additional spread over the selected rate based on Piedmont's current credit rating.

⁽⁴⁾ Piedmont intends to repay the \$200 Million Unsecured Term Loan Facility due January 2023 using the net sales proceeds from the future disposition of properties, cash on hand from operations, and/or draws under its existing \$600 Million Unsecured 2022 Line of Credit. Additionally, Piedmont may extend the term for up to six additional months (through two available three month extensions to a final extended maturity date of July 24, 2023) provided Piedmont is not then in default and upon payment of extension fees.

⁽⁵⁾ Piedmont currently intends to repay the \$350 Million Unsecured Senior Notes due 2023 through debt refinancing, cash on hand from operations, and/or draws under its existing \$600 million Unsecured 2022 Line of Credit.

⁽⁶⁾ The facility has a stated variable rate; however, Piedmont has entered into interest rate swap agreements which effectively fix, exclusive of changes to Piedmont's credit rating, \$100 million of the principal balance to 3.56% through the maturity date of the loan. For the remaining variable portion of the loan, Piedmont may periodically select from multiple interest rate options, including the prime rate and various-length LIBOR locks on all or a portion thereof. All LIBOR selections are subject to an additional spread.

over the selected rate based on Piedmont's current credit rating. The rate presented is the weighted-average rate for the effectively fixed and variable portions of the debt outstanding as of September 30, 2022 (see [Note 5](#) for more detail).

- (7) The \$500 Million Unsecured 2018 Line of Credit was amended and restated during the nine months ended September 30, 2022 and is now reflected as the \$600 Million Unsecured 2022 Line of Credit. The \$500 Million Unsecured 2018 Line of Credit had a stated rate of LIBOR + 0.90% as of December 31, 2021.
- (8) Piedmont may extend the term for up to one additional year (through two available six month extensions to a final extended maturity date of June 30, 2027) provided Piedmont is not then in default and upon payment of extension fees.
- (9) Weighted average is based on contractual balance of outstanding debt and the stated or effectively fixed interest rates as of September 30, 2022.

Piedmont made interest payments on all debt facilities, including interest rate swap cash settlements, of approximately \$18.3 million and \$16.2 million for the three months ended September 30, 2022 and 2021, respectively, and approximately \$46.9 million and \$41.5 million for the nine months ended September 30, 2022 and 2021, respectively. Also, Piedmont capitalized interest of approximately \$1.1 million and \$1.0 million for the three months ended September 30, 2022 and 2021, respectively, and approximately \$3.2 million and \$2.7 million for the nine months ended September 30, 2022 and 2021, respectively. As of September 30, 2022, Piedmont believes it was in compliance with all financial covenants associated with its debt instruments.

See [Note 6](#) for a description of Piedmont's estimated fair value of debt as of September 30, 2022.

5. Derivative Instruments

Risk Management Objective of Using Derivatives

In addition to operational risks which arise in the normal course of business, Piedmont is exposed to economic risks such as interest rate, liquidity, and credit risk. In certain situations, Piedmont has entered into derivative financial instruments such as interest rate swap agreements and other similar agreements to manage interest rate risk exposure arising from current or future variable rate debt transactions. Interest rate swap agreements involve the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates. Piedmont's objective in using interest rate derivatives is to add stability to interest expense and to manage its exposure to interest rate movements.

Cash Flow Hedges of Interest Rate Risk

Interest rate swaps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty in exchange for Piedmont making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount. During the three months ended September 30, 2021, Piedmont entered into, and subsequently settled, one forward starting interest rate swap agreement with a notional value of \$50 million to hedge the risk of changes in the interest-related cash flows associated with the issuance of the \$300 Million Unsecured Senior Notes due 2032. The settlement resulted in a gain of approximately \$0.6 million, which was recorded as accumulated other comprehensive income ("OCI") and is being amortized as an offset to interest expense over ten years.

The maximum length of time over which Piedmont is hedging its exposure to the variability in future cash flows for forecasted transactions is 30 months. A detail of Piedmont's interest rate derivatives outstanding as of September 30, 2022 is as follows:

Interest Rate Derivatives:	Number of Swap Agreements	Associated Debt Instrument	Total Notional Amount (in millions)	Effective Date	Maturity Date
Interest rate swaps	2	\$250 Million Unsecured 2018 Term Loan	\$ 100	3/29/2018	3/31/2025

Piedmont presents its interest rate derivatives on its consolidated balance sheets on a gross basis as interest rate swap assets and interest rate swap liabilities. A detail of Piedmont's interest rate derivatives on a gross and net basis as of September 30, 2022 and December 31, 2021, respectively, is as follows (in thousands):

Interest rate swaps classified as:	September 30, 2022	December 31, 2021
Gross derivative assets	\$ 3,760	\$ —
Gross derivative liabilities	—	(4,924)
Net derivative asset/(liability)	\$ 3,760	\$ (4,924)

The gain/(loss) on Piedmont's interest rate derivatives, including previously settled forward swaps, that was recorded in OCI and the accompanying consolidated statements of income as a component of interest expense for the three and nine months ended September 30, 2022 and 2021, respectively, is as follows (in thousands):

	Three Months Ended		Nine Months Ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Interest Rate Swaps in Cash Flow Hedging Relationships				
Amount of gain recognized in OCI	\$ 2,662	\$ 582	\$ 7,507	\$ 1,848
Amount of previously recorded loss reclassified from OCI into interest expense	\$ (194)	\$ (750)	\$ (1,453)	\$ (2,216)
Total amount of interest expense presented in the consolidated statements of income	\$ (17,244)	\$ (12,450)	\$ (44,917)	\$ (37,375)

Piedmont estimates that approximately \$1.3 million will be reclassified from OCI as an decrease in interest expense over the next twelve months. Additionally, see [Note 6](#) for fair value disclosures of Piedmont's derivative instruments.

Credit-risk-related Contingent Features

Piedmont has agreements with its derivative counterparties that contain a provision whereby if Piedmont defaults on any of its indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender, then Piedmont could also be declared in default on its derivative obligations. If Piedmont were to breach any of the contractual provisions of the derivative contracts, it could be required to settle its liability obligations under the agreements at their termination value of the estimated fair values plus accrued interest. However, as of September 30, 2022, both of Piedmont's interest rate swap agreements are in an asset position. Additionally, Piedmont has rights of set-off under certain of its derivative agreements related to potential termination fees and amounts payable under the agreements, if a termination were to occur.

6. Fair Value Measurement of Financial Instruments

Piedmont considers its cash and cash equivalents, tenant receivables, notes receivable, restricted cash and escrows, accounts payable and accrued expenses, interest rate swap agreements, and debt to meet the definition of financial instruments. The following table sets forth the carrying and estimated fair value for each of Piedmont's financial instruments, as well as its level within the GAAP fair value hierarchy, as of September 30, 2022 and December 31, 2021, respectively (in thousands):

Financial Instrument	September 30, 2022			December 31, 2021		
	Carrying Value	Estimated Fair Value	Level Within Fair Value Hierarchy	Carrying Value	Estimated Fair Value	Level Within Fair Value Hierarchy
Assets:						
Cash and cash equivalents ⁽¹⁾	\$ 10,653	\$ 10,653	Level 1	\$ 7,419	\$ 7,419	Level 1
Tenant receivables, net ⁽¹⁾	\$ 7,796	\$ 7,796	Level 1	\$ 2,995	\$ 2,995	Level 1
Notes receivable	\$ —	\$ —	Level 2	\$ 118,500	\$ 120,075	Level 2
Restricted cash and escrows ⁽¹⁾	\$ 2,191	\$ 2,191	Level 1	\$ 1,441	\$ 1,441	Level 1
Interest rate swaps	\$ 3,760	\$ 3,760	Level 2	\$ —	\$ —	Level 2
Liabilities:						
Accounts payable and accrued expenses ⁽¹⁾	\$ 16,712	\$ 16,712	Level 1	\$ 45,065	\$ 45,065	Level 1
Interest rate swaps	\$ —	\$ —	Level 2	\$ 4,924	\$ 4,924	Level 2
Debt, net	\$ 2,145,408	\$ 1,997,395	Level 2	\$ 1,877,790	\$ 1,938,563	Level 2

⁽¹⁾ For the periods presented, the carrying value of these financial instruments, net of applicable allowance, approximates estimated fair value due to their short-term maturity.

Piedmont's debt was carried at book value as of September 30, 2022 and December 31, 2021, and its notes receivable were carried at book value as of December 31, 2021; however, Piedmont's estimate of the fair value of each of these financial instruments as of each period end is disclosed in the table above. Piedmont uses widely accepted valuation techniques including discounted cash flow analysis based on the contractual terms of its notes receivables and debt, including the period to maturity

of each note receivable and debt facility, and uses observable market-based inputs for similar loan and debt facilities which have transacted recently in the market. Scaling adjustments are made to these inputs to make them applicable to the remaining life of Piedmont's notes receivables and outstanding debt. Consequently, the estimated fair values of the notes receivable and debt as of December 31, 2021 and the estimated fair value of debt as of September 30, 2022 are considered to be based on significant other observable inputs (Level 2). Piedmont has not changed its valuation technique for estimating the fair value of its notes receivable or debt.

Piedmont's interest rate swap agreements presented above, and as further discussed in [Note 5](#), are classified as "Interest rate swaps" in the accompanying consolidated balance sheets and were carried at estimated fair value as of September 30, 2022 and December 31, 2021. The valuation of these derivative instruments was determined using widely accepted valuation techniques including discounted cash flow analysis based on the contractual terms of the derivatives, including the period to maturity of each instrument, and uses observable market-based inputs, including interest rate curves and implied volatilities. Therefore, the estimated fair values determined are considered to be based on significant other observable inputs (Level 2). In addition, Piedmont considered both its own and the respective counterparties' risk of nonperformance in determining the estimated fair value of its derivative financial instruments by estimating the current and potential future exposure under the derivative financial instruments as of the valuation date. The credit risk of Piedmont and its counterparties was factored into the calculation of the estimated fair value of the interest rate swaps; however, as of September 30, 2022 and December 31, 2021, this credit valuation adjustment did not comprise a material portion of the estimated fair value. Therefore, Piedmont believes that any unobservable inputs used to determine the estimated fair values of its derivative financial instruments are not significant to the fair value measurements in their entirety, and does not consider any of its derivatives to be Level 3 financial instruments.

7. Commitments and Contingencies

Commitments Under Existing Lease Agreements

As a recurring part of its business, Piedmont is typically required under its executed lease agreements to fund tenant improvements, leasing commissions, and building improvements. In addition, certain agreements contain provisions that require Piedmont to issue corporate or property guarantees to provide funding for capital improvements or other financial obligations. Such commitments will be accrued and capitalized as the related expenditures are incurred. In addition to the amounts that Piedmont has already committed to as a part of executed leases, Piedmont also anticipates continuing to incur similar market-based tenant improvement allowances and leasing commissions in conjunction with procuring future leases for its existing portfolio of properties. Both the timing and magnitude of expenditures related to future leasing activity can vary due to a number of factors and are highly dependent on the size of the leased square footage and the competitive market conditions of the particular office market at the time a lease is being negotiated.

Contingencies Related to Tenant Audits/Disputes

Certain lease agreements include provisions that grant tenants the right to engage independent auditors to audit their annual operating expense reconciliations. Such audits may result in different interpretations of language in the lease agreements from that made by Piedmont, which could result in requests for refunds of previously recognized tenant reimbursement revenues, resulting in financial loss to Piedmont. There were no reductions in rental and reimbursement revenues related to such tenant audits/disputes during the three or nine months ended September 30, 2022 or 2021.

8. Property Dispositions

The following properties were sold during the nine months ended September 30, 2022 (in thousands):

Buildings Sold	Location / Reportable Segment	Date of Sale	Gain on Sale of Real Estate Assets	Net Sales Proceeds
Two Pierce Place	Itasca, Illinois / Other	January 25, 2022	\$ 1,741	\$ 24,272
225 and 235 Presidential Way	Boston, Massachusetts / Boston	January 28, 2022	48,933	119,324
Total			<u>\$ 50,674</u>	<u>\$ 143,596</u>

The 225 and 235 Presidential Way assets met the criteria to be presented in the accompanying consolidated balance sheet as held for sale assets as of December 31, 2021. Details of such amounts as of December 31, 2021 are as follows (in thousands):

	December 31, 2021
Real estate assets held for sale, net:	
Land	\$ 7,750
Building and improvements, less accumulated depreciation of \$16,699 as of December 31, 2021	55,110
Construction in progress	1,027
Total real estate assets held for sale, net	<u>\$ 63,887</u>
Other assets held for sale, net:	
Straight-line rent receivables	\$ 2,966
Deferred lease costs, less accumulated amortization of \$996 as of December 31, 2021	5,427
Total other assets held for sale, net	<u>\$ 8,393</u>

Also during the nine months ended September 30, 2022, Piedmont received \$118.5 million in proceeds from the payoff of two notes receivable that Piedmont had received in late 2020 from the buyer of its remaining New Jersey properties. The proceeds were used to pay down Piedmont's unsecured line of credit.

9. Stock Based Compensation

The Compensation Committee of Piedmont's Board of Directors has granted deferred stock award units to eligible employees at its discretion based upon the previous year's financial results measured against various board approved performance metrics. Most employee awards vest ratably over three years. In addition, Piedmont's independent directors receive an annual grant of deferred stock award units for services rendered and such awards vest over a one year service period.

Certain management employees' long-term equity incentive program is split equally between the deferred stock award units described above and a multi-year performance share program whereby actual awards are contingent upon Piedmont's total stockholder return ("TSR") performance relative to the TSR of a peer group of office REITs. The target incentives for these certain employees, as well as the peer group to be used for comparative purposes, are predetermined by the board of directors, advised by an outside compensation consultant. None of the shares potentially earned are awarded until the end of the multi-year performance period (or upon termination) and vest upon award and are pro-rated if certain terminations occur before the end of the multi-year period. The grant date fair value of the multi-year performance share awards is estimated using the Monte Carlo valuation method.

A rollforward of Piedmont's equity based award activity for the nine months ended September 30, 2022 is as follows:

	Shares	Weighted-Average Grant Date Fair Value
Unvested and Potential Stock Awards as of December 31, 2021	1,099,181	\$ 23.97
Deferred Stock Awards Granted	299,322	\$ 16.54
Change in Estimated Potential Share Awards based on TSR Performance	119,589	\$ 19.67
Performance Stock Awards Vested	(267,744)	\$ 29.43
Deferred Stock Awards Vested	(266,675)	\$ 19.15
Deferred Stock Awards Forfeited	(4,953)	\$ 18.08
Unvested and Potential Stock Awards as of September 30, 2022	<u>978,720</u>	<u>\$ 20.27</u>

The following table provides additional information regarding stock award activity during the three and nine months ended September 30, 2022 and 2021, respectively (in thousands, except per share amounts):

	Three Months Ended		Nine Months Ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Weighted-Average Grant Date Fair Value per share of Deferred Stock Granted During the Period	\$ —	\$ —	\$ 16.54	\$ 17.24
Total Grant Date Fair Value of Deferred Stock Vested During the Period	\$ 200	\$ 206	\$ 5,106	\$ 5,208
Share-based Liability Awards Paid During the Period ⁽¹⁾	\$ —	\$ —	\$ 5,481	\$ 3,610

⁽¹⁾ Reflects the value of stock earned pursuant to the 2019-21 and 2018-20 Performance Share Plans during the nine months ended September 30, 2022 and 2021, respectively.

A detail of Piedmont's outstanding stock awards and programs as of September 30, 2022 is as follows:

<u>Date of grant</u>	<u>Type of Award</u>	<u>Net Shares Granted</u> ⁽¹⁾	<u>Grant Date Fair Value</u>	<u>Vesting Schedule</u>	<u>Unvested Shares</u>
May 3, 2019	Deferred Stock Award	30,958 ⁽²⁾	\$ 21.04	Of the shares granted, 20% vested or will vest on July 1, 2020, 2021, 2022, 2023 and 2024 respectively.	19,011
February 19, 2020	Deferred Stock Award	142,083	\$ 24.41	Of the shares granted, 25% vested on the date of grant, and 25% vested or will vest on February 19, 2021, 2022, and 2023, respectively.	41,801
March 19, 2020	Fiscal Year 2020-2022 Performance Share Program	—	\$ 25.83	Shares awarded, if any, will vest immediately upon determination of award in 2023.	207,931 ⁽³⁾
February 17, 2021	Deferred Stock Award	239,521	\$ 17.15	Of the shares granted, 25% vested on the date of grant, and 25% vested or will vest on February 17, 2022, 2023, and 2024, respectively.	129,527
February 18, 2021	Fiscal Year 2021-2023 Performance Share Program	—	\$ 23.04	Shares awarded, if any, will vest immediately upon determination of award in 2024.	154,712 ⁽³⁾
February 10, 2022	Deferred Stock Award	231,933	\$ 16.85	Of the shares granted, 25% vested on the date of grant, and 25% vested or will vest on February 10, 2023, 2024, and 2025, respectively.	190,374
February 17, 2022	Fiscal Year 2022-2024 Performance Share Program	—	\$ 17.77	Shares awarded, if any, will vest immediately upon determination of award in 2025.	194,330 ⁽³⁾
May 11, 2022	Deferred Stock Award-Board of Directors	41,034	\$ 14.62	Of the shares granted, 100% will vest on the earlier of the 2023 Annual Meeting or May 11, 2023.	41,034
Total					978,720

⁽¹⁾ Amounts reflect the total original grant to employees and independent directors, net of shares surrendered upon vesting to satisfy required minimum tax withholding obligations through September 30, 2022.

⁽²⁾ Includes a special, one-time deferred stock award to Piedmont's Chief Executive Officer effective on July 1, 2019, the date of his promotion to the position, which vests in ratable installments over a five year period beginning July 1, 2020.

⁽³⁾ Estimated based on Piedmont's cumulative TSR for the respective performance period through September 30, 2022. Share estimates are subject to change in future periods based upon Piedmont's relative TSR performance compared to its peer group of office REITs.

During the three months ended September 30, 2022 and 2021, Piedmont recognized approximately \$2.0 million and \$1.8 million, respectively, of compensation expense related to stock awards, all of which related to the amortization of unvested and potential stock awards and fair value adjustment for liability awards. During the nine months ended September 30, 2022 and 2021, Piedmont recognized approximately \$6.9 million and \$8.2 million, respectively, of compensation expense related to stock awards, of which \$5.8 million and \$6.9 million is related to the amortization of unvested and potential stock awards and fair value adjustment for liability awards. During the nine months ended September 30, 2022, 318,686 shares (net of shares surrendered upon vesting to satisfy required minimum tax withholding obligations) were issued to employees and independent directors. As of September 30, 2022, approximately \$8.0 million of unrecognized compensation cost related to unvested and potential stock awards remained, which Piedmont will record in its consolidated statements of income over a weighted-average vesting period of approximately one year.

10. Supplemental Disclosures for the Statement of Consolidated Cash Flows

Certain non-cash investing and financing activities for the nine months ended September 30, 2022 and 2021 (in thousands) are outlined below:

	Nine Months Ended	
	September 30, 2022	September 30, 2021
Accrued capital expenditures and deferred lease costs	\$ 18,424	\$ 40,697
Change in accrued dividends	\$ (26,048)	\$ (25,682)
Change in accrued share repurchases as part of an announced plan	\$ —	\$ (685)
Accrued deferred financing costs	\$ 71	\$ 495
Accrued stock issuance costs	\$ 150	\$ —

The following table provides a reconciliation of cash, cash equivalents, and restricted cash and escrows as presented in the accompanying consolidated statements of cash flows for the nine months ended September 30, 2022 and 2021, to the consolidated balance sheets for the respective period (in thousands):

	2022	2021
Cash and cash equivalents, beginning of period	\$ 7,419	\$ 7,331
Restricted cash and escrows, beginning of period	1,441	1,883
Total cash, cash equivalents, and restricted cash and escrows as presented in the accompanying consolidated statement of cash flows, beginning of period	<u>\$ 8,860</u>	<u>\$ 9,214</u>
Cash and cash equivalents, end of period	\$ 10,653	\$ 8,189
Restricted cash and escrows, end of period	2,191	6,093
Total cash, cash equivalents, and restricted cash and escrows as presented in the accompanying consolidated statement of cash flows, end of period	<u>\$ 12,844</u>	<u>\$ 14,282</u>

Amounts in restricted cash and escrows typically represent: escrow accounts required for future property repairs; escrow accounts for the payment of real estate taxes as required under certain of Piedmont's debt agreements; earnest money deposited by a buyer to secure the purchase of one of Piedmont's properties; or security or utility deposits held for tenants as a condition of their lease agreement.

11. Earnings Per Share

There are no adjustments to "Net income applicable to Piedmont" for the diluted earnings per share computations.

Net income per share-basic is calculated as net income available to common stockholders divided by the weighted average number of common shares outstanding during the period. Net income per share-diluted is calculated as net income available to common stockholders divided by the diluted weighted average number of common shares outstanding during the period, including unvested deferred stock awards. Diluted weighted average number of common shares reflects the potential dilution under the treasury stock method that would occur if the remaining unvested and potential stock awards vested and resulted in additional common shares outstanding. Unvested and potential stock awards which are determined to be anti-dilutive are not included in the calculation of diluted weighted average common shares. For the three months ended September 30, 2022 and 2021, Piedmont calculated and excluded weighted average outstanding anti-dilutive shares of approximately 194,330 and 145,222, respectively, and for the nine months ended September 30, 2022 and 2021, Piedmont calculated and excluded weighted average outstanding anti-dilutive shares of 346,695 and 313,140, respectively.

The following table reconciles the denominator for the basic and diluted earnings per share computations shown on the consolidated statements of income for the three and nine months ended September 30, 2022 and 2021, respectively (in thousands):

	Three Months Ended		Nine Months Ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Weighted-average common shares – basic	123,395	124,136	123,330	124,057
Plus: Incremental weighted-average shares from time-vested deferred and performance stock awards	302	491	301	415
Weighted-average common shares – diluted	123,697	124,627	123,631	124,472

12. Segment Information

Piedmont's President and Chief Executive Officer has been identified as Piedmont's chief operating decision maker ("CODM"), as defined by GAAP. The CODM evaluates Piedmont's portfolio and assesses the ongoing operations and performance of its properties utilizing the following geographic segments: Atlanta, Dallas, Washington, D.C., Boston, Orlando, New York, and Minneapolis. These operating segments are also Piedmont's reportable segments. As of September 30, 2022, Piedmont also owned two properties in Houston that do not meet the definition of an operating or reportable segment as the CODM does not regularly review these properties for purposes of allocating resources or assessing performance. Further, Piedmont does not maintain a significant presence or anticipate further investment in this market. These two properties are the primary contributors to accrual-based net operating income ("NOI") included in "Other" below. During the periods presented, there have been no material inter segment transactions. The accounting policies of the reportable segments are the same as Piedmont's accounting policies.

NOI by geographic segment is the primary performance measure reviewed by Piedmont's CODM to assess operating performance and consists only of revenues and expenses directly related to real estate rental operations. NOI is calculated by deducting property operating costs from lease revenues and other property related income. NOI reflects property acquisitions and dispositions, occupancy levels, rental rate increases or decreases, and the recoverability of operating expenses. Piedmont's calculation of NOI may not be directly comparable to similarly titled measures calculated by other REITs.

Asset value information and capital expenditures by segment are not reported because the CODM does not use these measures to assess performance.

The following table presents accrual-based lease revenue and other property related income included in NOI by geographic reportable segment (in thousands):

	Three Months Ended		Nine Months Ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Atlanta	\$ 34,026	\$ 23,795	\$ 92,558	\$ 69,644
Dallas	28,379	26,478	81,881	82,903
Washington, D.C.	15,608	15,654	46,980	44,937
Boston	14,735	16,992	44,797	48,226
Orlando	15,131	13,074	43,513	41,453
New York	14,525	12,845	42,461	39,329
Minneapolis	15,470	15,788	45,987	46,142
Total reportable segments	137,874	124,626	398,177	372,634
Other	6,226	6,445	18,381	17,912
Total Revenues	\$ 144,100	\$ 131,071	\$ 416,558	\$ 390,546

The following table presents NOI by geographic reportable segment (in thousands):

	Three Months Ended		Nine Months Ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Atlanta	\$ 21,627	\$ 15,127	\$ 58,354	\$ 44,725
Dallas	15,325	16,246	47,189	50,267
Washington, D.C.	9,712	9,802	29,851	27,460
Boston	9,646	12,058	29,922	33,829
Orlando	8,865	7,656	26,206	25,743
New York	7,959	7,502	23,901	22,636
Minneapolis	8,072	8,089	23,950	24,556
Total reportable segments	81,206	76,480	239,373	229,216
Other	3,893	2,731	10,794	6,436
Total NOI	\$ 85,099	\$ 79,211	\$ 250,167	\$ 235,652

A reconciliation of Net income applicable to Piedmont to NOI is presented below (in thousands):

	Three Months Ended		Nine Months Ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Net income applicable to Piedmont	\$ 3,331	\$ 11,306	\$ 71,261	\$ 30,597
Management fee revenue ⁽¹⁾	(177)	(309)	(743)	(946)
Depreciation and amortization	58,230	50,935	165,850	152,641
General and administrative expenses	6,590	6,955	21,212	22,417
Interest expense	17,244	12,450	44,917	37,375
Other income	(119)	(2,121)	(1,655)	(6,423)
Gain on sale of real estate assets	—	—	(50,674)	—
Net loss applicable to noncontrolling interests	—	(5)	(1)	(9)
Total NOI	\$ 85,099	\$ 79,211	\$ 250,167	\$ 235,652

⁽¹⁾ Presented net of related operating expenses incurred to earn such management fee revenue. Such operating expenses are a component of property operating costs in the accompanying consolidated statements of income.

13. Subsequent Event

Fourth Quarter Dividend Declaration

On October 25, 2022, the board of directors of Piedmont declared a dividend for the fourth quarter of 2022 in the amount of \$0.21 per common share outstanding to stockholders of record as of the close of business on November 25, 2022. Such dividend will be paid on January 3, 2023.

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 of Piedmont Office Realty Trust, Inc. (“Piedmont,” “we,” “our,” or “us”). See also “Cautionary Note Regarding Forward-Looking Statements” preceding Part I, as well as the consolidated financial statements and accompanying notes thereto and Management’s Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2021.

Liquidity and Capital Resources

We intend to use cash on hand, cash flows generated from the operation of our properties, net proceeds from the disposition of select properties, and borrowings under our \$600 Million Unsecured 2022 Line of Credit as our primary sources of immediate liquidity. When necessary, we may seek other new secured or unsecured borrowings from third party lenders or issue other debt or equity securities as additional sources of capital. The nature and timing of these additional sources of capital will be highly dependent on market conditions. We believe that we have sufficient liquidity to meet our obligations for the foreseeable future.

During the quarter ended September 30, 2022, we acquired 1180 Peachtree Street, an iconic, 41-story, Class AA, LEED Platinum, trophy office building located at the epicenter of Midtown Atlanta, Georgia, for a net purchase price of approximately \$465 million, comprised of approximately \$268 million in cash and the assumption of an existing \$197 million, 4.10% mortgage secured by the property. The cash portion of the net purchase price was funded primarily from the proceeds of a \$200 million, unsecured, floating rate, term loan put in place during the three months ended September 30, 2022 and bearing interest at Adjusted Term SOFR + 100 bps. On a longer-term basis, we anticipate using the net sales proceeds from the disposition of non-strategic assets over the next several quarters to ultimately fund the acquisition and maintain an approximately leverage-neutral balance sheet.

Our most consistent use of capital has historically been, and we believe will continue to be, to fund capital expenditures for our existing portfolio of properties. During the nine months ended September 30, 2022 and 2021 we incurred the following types of capital expenditures (in thousands):

	Nine Months Ended	
	September 30, 2022	September 30, 2021
Capital expenditures for redevelopment/renovations	\$ 49,592	\$ 39,422
Other capital expenditures, including building and tenant improvements	45,915	44,055
Total capital expenditures ⁽¹⁾	<u>\$ 95,507</u>	<u>\$ 83,477</u>

⁽¹⁾ Of the total amounts paid, approximately \$5.2 million and \$4.5 million relates to soft costs such as capitalized interest, payroll, and other property operating costs for the nine months ended September 30, 2022 and 2021, respectively.

"Capital expenditures for redevelopment/renovations" during both the nine months ended September 30, 2022 and 2021 related to building upgrades, primarily to the lobbies and the addition of tenant amenities at our 60 Broad Street building in New York City; our 200 South Orange Avenue building in Orlando, Florida; and our Galleria buildings in Atlanta, Georgia, among others.

"Other capital expenditures, including building and tenant improvements" includes all other capital expenditures during the period and is typically comprised of tenant and building improvements necessary to lease, maintain, or provide enhancements to our existing portfolio of office properties.

Given that our operating model sometimes results in leases for large blocks of space to credit-worthy tenants, our leasing success can result in capital outlays that vary significantly from one reporting period to another depending upon the specific leases executed. For leases executed during the nine months ended September 30, 2022, we committed to spend approximately \$4.93 per square foot per year of lease term for tenant improvement allowances and lease commissions (net of expired lease commitments) as compared to \$3.95 (net of expired lease commitments) for the nine months ended September 30, 2021. Commitments per square foot per year of lease term for tenant improvement allowances and lease commissions (net of expired lease commitments) for the nine months ended September 30, 2021 were unusually low as they reflected the 330,000 square foot, five-year extension of the New York City lease at our 60 Broad Street asset, which did not include a tenant improvement allowance.

In addition to the amounts that we have already committed to as a part of executed leases, we also anticipate continuing to incur similar market-based tenant improvement allowances and leasing commissions in conjunction with procuring future leases for our existing portfolio of properties. Both the timing and magnitude of expenditures related to future leasing activity can vary due to a number of factors and are highly dependent on the size of the leased square footage and the competitive market conditions of the particular office market at the time a lease is being negotiated.

There are other uses of capital that may arise as part of our typical operations. Subject to the identification and availability of attractive investment opportunities and our ability to consummate such acquisitions on satisfactory terms, acquiring new assets consistent with our investment strategy could also be a significant use of capital. We may also use capital resources to repurchase additional shares of our common stock under our stock repurchase program when we believe the stock is trading disparately from our peers and at a significant discount to net asset value or when we otherwise believe such stock repurchases are prudent. As of September 30, 2022, we had approximately \$150.5 million of remaining capacity under the program which may be used for share repurchases through February 2024. Finally, we have two scheduled debt maturities, the \$200 Million Unsecured Term Loan Facility and the \$350 Million Unsecured Senior Notes, within the next twelve months, which we intend to repay through sales of select properties, debt refinancing, cash on hand, cash flow from operations, and/or draws under our existing \$600 Million Unsecured 2022 Line of Credit.

We may also use capital resources to pay dividends to our stockholders. The amount and form of payment (cash or stock issuance) of future dividends to be paid to our stockholders will continue to be largely dependent upon (i) the amount of cash generated from our operating activities; (ii) our expectations of future cash flows; (iii) our determination of near-term cash needs for debt repayments, development projects, and selective acquisitions of new properties; (iv) the timing of significant expenditures for tenant improvements, leasing commissions, building redevelopment projects, and general property capital improvements; (v) long-term dividend payout ratios for comparable companies; (vi) our ability to continue to access additional sources of capital, including potential sales of our properties; and (vii) the amount required to be distributed to maintain our status as a REIT. With the fluctuating nature of cash flows and expenditures, we may periodically borrow funds on a short-term basis to cover timing differences in cash receipts and cash disbursements.

Results of Operations

Overview

Net income applicable to common stockholders for the three months ended September 30, 2022 was approximately \$3.3 million, or \$0.03 per diluted share, as compared with net income applicable to common stockholders of \$11.3 million, or \$0.09 per diluted share, for the three months ended September 30, 2021. The decrease reflects a \$7.3 million increase in depreciation and amortization expense primarily resulting from acquisition activity during the current period, as well as a \$4.8 million increase in interest expense. The increase in interest expense was driven by increased interest rates on our variable rate debt, as well as a higher average debt balance outstanding during the quarter. Other income also decreased approximately \$2.0 million for the three months ended September 30, 2022 as compared to the three months ended September 30, 2021 due to the payoff of notes receivable due from the purchaser of our New Jersey Portfolio in March of 2022.

Comparison of the three months ended September 30, 2022 versus the three months ended September 30, 2021

Income from Continuing Operations

The following table sets forth selected data from our consolidated statements of income for the three months ended September 30, 2022 and 2021, respectively, as well as each balance as a percentage of total revenues for the same periods presented (dollars in millions):

	September 30, 2022	% of Revenues	September 30, 2021	% of Revenues	Variance
Revenue:					
Rental and tenant reimbursement revenue	\$ 139.5		\$ 127.4		\$ 12.1
Property management fee revenue	0.3		0.6		(0.3)
Other property related income	4.2		3.0		1.2
Total revenues	144.0	100 %	131.0	100 %	13.0
Expense:					
Property operating costs	59.0	41 %	51.7	39 %	7.3
Depreciation	34.9	24 %	30.5	23 %	4.4
Amortization	23.3	16 %	20.4	16 %	2.9
General and administrative	6.6	5 %	7.0	5 %	(0.4)
	123.8		109.6		14.2
Other income (expense):					
Interest expense	(17.2)	12 %	(12.4)	10 %	(4.8)
Other income/(expense)	0.3	— %	2.3	2 %	(2.0)
Net income	\$ 3.3	2 %	\$ 11.3	9 %	\$ (8.0)

Revenue

Rental and tenant reimbursement revenue increased approximately \$12.1 million for the three months ended September 30, 2022, as compared to the same period in the prior year. The increase was primarily due to capital recycling activity (the 1180 Peachtree Street purchase), rental rate increases associated with recent leasing activity across the portfolio, and higher tenant reimbursements as a result of higher recoverable operating expenses as compared to the prior period.

Other property related income increased approximately \$1.2 million for the three months ended September 30, 2022 as compared to the same period in the prior year primarily due to increased parking revenue associated with properties acquired during the twelve months ended September 30, 2022 and higher transient parking volume at our buildings during the current period.

Expense

Property operating costs increased approximately \$7.3 million for the three months ended September 30, 2022, as compared to the same period in the prior year. The variance was primarily due to higher recoverable operating expenses such as janitorial and utilities resulting from higher tenant utilization during the current period as compared to the prior period. Higher real estate taxes in certain jurisdictions associated with increased assessed property values also contributed to the increase, as well as acquisition activity completed during the twelve months ended September 30, 2022.

Depreciation expense increased approximately \$4.4 million for the three months ended September 30, 2022 as compared to the same period in the prior year. The increase was primarily due to additional building and tenant improvements placed in service subsequent to July 1, 2021 as well as capital recycling activity during the twelve months ended September 30, 2022.

Amortization expense increased approximately \$2.9 million for the three months ended September 30, 2022 as compared to the same period in the prior year primarily due to additional amortization associated with property acquisitions during the twelve months ended September 30, 2022, partially offset by certain lease intangible assets at our existing properties becoming fully amortized during the twelve months ended September 30, 2022.

General and administrative expense decreased approximately \$0.4 million for the three months ended September 30, 2022 as compared to the same period in the prior year, primarily reflecting decreased accruals for potential performance-based compensation.

Other Income (Expense)

Interest expense increased approximately \$4.8 million for the three months ended September 30, 2022 as compared to the same period in the prior year primarily driven by a higher average debt balance outstanding during the quarter as a result of the purchase of 1180 Peachtree Street, as well as increased interest rates on our variable rate debt.

Other income/(expense) decreased approximately \$2.0 million for the three months ended September 30, 2022 as compared to the same period in the prior year due to the payoff of notes receivable due from the purchaser of our New Jersey Portfolio in March of 2022.

Results of Operations

Comparison of the nine months ended September 30, 2022 versus the nine months ended September 30, 2021

The following table sets forth selected data from our consolidated statements of income for the nine months ended September 30, 2022 and 2021, respectively, as well as each balance as a percentage of total revenues for the same period presented (dollars in millions):

	September 30, 2022	% of Revenues	September 30, 2021	% of Revenues	Variance
Revenue:					
Rental and tenant reimbursement revenue	\$ 403.6		\$ 380.3		\$ 23.3
Property management fee revenue	1.3		1.9		(0.6)
Other property related income	11.6		8.3		3.3
Total revenues	416.5	100 %	390.5	100 %	26.0
Expense:					
Property operating costs	166.3	40 %	154.8	40 %	11.5
Depreciation	98.8	23 %	88.6	23 %	10.2
Amortization	67.0	16 %	64.0	16 %	3.0
General and administrative	21.2	5 %	22.4	5 %	(1.2)
	353.3		329.8		23.5
Other income (expense):					
Interest expense	(44.9)	11 %	(37.4)	10 %	(7.5)
Other income	2.3	— %	7.3	2 %	(5.0)
Gain on sale of real estate assets	50.7	12 %	—	— %	50.7
Net income	\$ 71.3	17 %	\$ 30.6	8 %	\$ 40.7

Revenue

Rental and tenant reimbursement revenue increased approximately \$23.3 million for the nine months ended September 30, 2022 as compared to the same period in the prior year. The increase was primarily due to capital recycling activity, rental rate increases associated with recent leasing activity across the portfolio, and higher tenant reimbursements as a result of higher recoverable operating expenses as compared to the prior period.

Other property related income increased approximately \$3.3 million for the nine months ended September 30, 2022 as compared to the same period in the prior year primarily due to higher transient parking at our buildings during the current period, as compared to the prior period, and additional parking revenue associated with properties acquired during the twelve months ended September 30, 2022.

Expense

Property operating costs increased approximately \$11.5 million for the nine months ended September 30, 2022 as compared to the same period in the prior year. The variance was primarily due to higher recoverable operating expenses such as janitorial and utilities resulting from higher tenant utilization during the current period, and capital recycling activity during the twelve months ended September 30, 2022.

Depreciation expense increased approximately \$10.2 million for the nine months ended September 30, 2022 as compared to the same period in the prior year. The increase was primarily due to additional building and tenant improvements acquired and/or placed in service during the twelve months ended September 30, 2022.

Amortization expense increased approximately \$3.0 million for the nine months ended September 30, 2022 as compared to the same period in the prior year primarily due to additional amortization associated with property acquisitions during the twelve months ended September 30, 2022, partially offset by certain lease intangible assets at our existing properties becoming fully amortized during the twelve months ended September 30, 2022.

General and administrative expenses decreased approximately \$1.2 million for the nine months ended September 30, 2022 as compared to the same period in the prior year, primarily reflecting decreased accruals for potential performance-based compensation.

Other Income (Expense)

Interest expense increased approximately \$7.5 million for the nine months ended September 30, 2022 as compared to the same period in the prior year primarily driven by a higher average debt balance outstanding during the current period as a result of the purchase of 1180 Peachtree Street, as well as increased interest rates on our variable rate debt. This increase was partially offset by a \$0.5 million increase in capitalized interest associated with various redevelopment projects in progress during the nine months ended September 30, 2022.

Other income decreased approximately \$5.0 million for the nine months ended September 30, 2022 as compared to the same period in the prior year due to the payoff of notes receivable due from the purchaser of our New Jersey Portfolio in March of 2022.

Gain on sale of real estate assets during the nine months ended September 30, 2022 primarily consisted of the gain recognized on the sale of the 225 & 235 Presidential Way buildings, which closed in January of 2022.

Issuer and Guarantor Financial Information

Piedmont, through its wholly-owned subsidiary Piedmont Operating Partnership, LP ("Piedmont OP" or the "Issuer"), has issued senior unsecured notes payable of \$350 million that mature in 2023, \$400 million that mature in 2024, and two separate issuances of \$300 million each, that mature in 2030 and 2032, respectively, (collectively, the "Notes"). The Notes are senior unsecured obligations of Piedmont OP and rank equally in right of payment with all of Piedmont OP's other existing and future senior unsecured indebtedness and would be effectively subordinated in right of payment to Piedmont OP's mortgage or any other future secured indebtedness (to the extent of the value of the collateral securing such indebtedness) and to all existing and future indebtedness and other liabilities of Piedmont OP's subsidiaries, whether secured or unsecured.

The Notes are fully and unconditionally guaranteed by Piedmont Office Realty Trust, Inc. (the "Guarantor"), the parent entity that consolidates Piedmont OP and all other subsidiaries. By execution of the guarantee, the Guarantor guarantees to each holder of the Notes that the principal and interest on the Notes will be paid in full when due, whether at the maturity dates of the respective loans, or upon acceleration, upon redemption, or otherwise, and interest on overdue principal and interest on any overdue interest, if any, on the Notes and all other obligations of the Issuer to the holders of the Notes will be promptly paid in full. The Guarantor's guarantee of the Notes is its senior unsecured obligation and ranks equally in right of payment with all of the Guarantor's other existing and future senior unsecured indebtedness and guarantees. The Guarantor's guarantee of the Notes is effectively subordinated in right of payment to any future mortgage or other secured indebtedness or secured guarantees of the Guarantor (to the extent of the value of the collateral securing such indebtedness and guarantees); and all existing and future indebtedness and other liabilities, whether secured or unsecured, of the Guarantor's subsidiaries.

In the event of the bankruptcy, liquidation, reorganization or other winding up of Piedmont OP or the Guarantor, assets that secure any of their respective secured indebtedness and other secured obligations will be available to pay their respective obligations under the Notes or the guarantee, as applicable, and their other respective unsecured indebtedness and other unsecured obligations only after all of their respective indebtedness and other obligations secured by those assets have been repaid in full.

The non-Guarantors are separate and distinct legal entities and have no obligation, contingent or otherwise, to pay any amounts due pursuant to the Notes, or to make any funds available therefore, whether by dividends, loans, distributions or other payments.

Pursuant to Rule 13-01 of Regulation S-X, *Guarantors and Issuers of Guaranteed Securities Registered or Being Registered*, the following tables present summarized financial information for Piedmont OP as Issuer and Piedmont Office Realty Trust, Inc. as Guarantor on a combined basis after elimination of (i) intercompany transactions and balances among the Issuer and the Guarantor and (ii) equity in earnings from and investments in any subsidiary that is a non-Guarantor (in thousands):

Combined Balances of Piedmont OP and Piedmont Office Realty Trust, Inc. as Issuer and Guarantor, respectively

	As of September 30, 2022	As of December 31, 2021
Due from non-guarantor subsidiary	\$ 900	\$ 900
Total assets	\$ 358,622	\$ 352,788
Total liabilities	\$ 1,982,165	\$ 1,945,846
		For the Nine Months Ended September 30, 2022
Total revenues		\$ 39,419
Net loss		\$ (37,769)

Net Operating Income by Geographic Segment

Our President and Chief Executive Officer has been identified as our chief operating decision maker ("CODM"), as defined by GAAP. Our CODM evaluates Piedmont's portfolio and assesses the ongoing operations and performance of its properties utilizing the following geographic segments: Atlanta, Dallas, Washington, D.C., Boston, Orlando, New York, and Minneapolis. These operating segments are also our reportable segments. As of September 30, 2022, we also owned two properties in Houston that do not meet the definition of an operating or reportable segment as the CODM does not regularly review these properties for purposes of allocating resources or assessing performance. Further, we do not maintain a significant presence or anticipate further investment in this market. These two properties are the primary contributors to NOI included in "Other" below. See [Note 12](#) to the accompanying consolidated financial statements for additional information and a reconciliation of Net income applicable to Piedmont to accrual-based net operating income ("NOI").

The following table presents NOI by geographic segment (in thousands):

	Three Months Ended		Nine Months Ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Atlanta	\$ 21,627	\$ 15,127	\$ 58,354	\$ 44,725
Dallas	15,325	16,246	47,189	50,267
Washington, D.C.	9,712	9,802	29,851	27,460
Boston	9,646	12,058	29,922	33,829
Orlando	8,865	7,656	26,206	25,743
New York	7,959	7,502	23,901	22,636
Minneapolis	8,072	8,089	23,950	24,556
Total reportable segments	81,206	76,480	239,373	229,216
Other	3,893	2,731	10,794	6,436
Total NOI	\$ 85,099	\$ 79,211	\$ 250,167	\$ 235,652

*Comparison of the Nine Months Ended September 30, 2022 Versus the Nine Months Ended September 30, 2021*Atlanta

NOI increased primarily due to the acquisition of 999 Peachtree Street during the fourth quarter of 2021 and 1180 Peachtree Street during the third quarter of 2022.

Dallas

NOI decreased primarily due to a contraction by a tenant at our 750 West John Carpenter Freeway during fourth quarter 2021, as well as an expiration of a lease at our One Galleria Tower property during 2021.

Washington, D.C.

NOI increased due to the commencement of certain leases subsequent to July 1, 2021, primarily at 400 Virginia Avenue and 3100 Clarendon Boulevard.

Boston

NOI decreased primarily due to the disposition of the 225 and 235 Presidential Way assets in January 2022.

Other

NOI increased primarily due to the expiration of rental and operating expense abatements associated with the Transocean lease at our Enclave Place building in Houston, Texas during the second quarter of 2021.

Funds From Operations ("FFO"), Core Funds From Operations ("Core FFO"), and Adjusted Funds From Operations ("AFFO")

Net income calculated in accordance with GAAP is the starting point for calculating FFO, Core FFO, and AFFO. These metrics are non-GAAP financial measures and should not be viewed as an alternative measurement of our operating performance to net income. Management believes that accounting for real estate assets in accordance with GAAP implicitly assumes that the value of real estate assets diminishes predictably over time. Since real estate values have historically risen or fallen with market conditions, many industry investors and analysts have considered the presentation of operating results for real estate companies that use historical cost accounting alone to be insufficient. As a result, we believe that the additive use of FFO, Core FFO, and AFFO, together with the required GAAP presentation, provides a more complete understanding of our performance relative to our competitors and a more informed and appropriate basis on which to make decisions involving operating, financing, and investing activities.

We calculate FFO in accordance with the current National Association of Real Estate Investment Trusts ("NAREIT") definition. NAREIT currently defines FFO as Net income (calculated in accordance with GAAP), excluding depreciation and amortization related to real estate, gains and losses from the sale of certain real estate assets, gains and losses from change in control, and impairment write-downs of certain real estate assets and investment in entities when the impairment is directly attributable to decreases in the value of depreciable real estate held by the entity, along with appropriate adjustments to those reconciling items for joint ventures, if any. Other REITs may not define FFO in accordance with the NAREIT definition, or may interpret the current NAREIT definition differently than we do; therefore, our computation of FFO may not be comparable to the computation made by other REITs.

We calculate Core FFO by starting with FFO, as defined by NAREIT, and adjusting for gains or losses on the extinguishment of swaps and/or debt and any significant non-recurring or infrequent items. Core FFO is a non-GAAP financial measure and should not be viewed as an alternative to net income calculated in accordance with GAAP as a measurement of our operating performance. We believe that Core FFO is helpful to investors as a supplemental performance measure because it excludes the effects of certain infrequent or non-recurring items which can create significant earnings volatility, but which do not directly relate to our core recurring business operations. As a result, we believe that Core FFO can help facilitate comparisons of operating performance between periods and provides a more meaningful predictor of future earnings potential. Other REITs may not define Core FFO in the same manner as us; therefore, our computation of Core FFO may not be comparable to the computation made by other REITs.

We calculate AFFO by starting with Core FFO and adjusting for non-incremental capital expenditures and then adding back non-cash items including: non-real estate depreciation, straight-lined rents and fair value lease adjustments, non-cash components of interest expense and compensation expense, and by making similar adjustments for joint ventures, if any. AFFO is a non-GAAP financial measure and should not be viewed as an alternative to net income calculated in accordance with GAAP as a measurement of our operating performance. We believe that AFFO is helpful to investors as a meaningful supplemental comparative performance measure of our ability to make incremental capital investments in new properties or enhancements to existing properties that improve revenue growth potential. Other REITs may not define AFFO in the same manner as us; therefore, our computation of AFFO may not be comparable to the computation of other REITs.

Reconciliations of net income to FFO, Core FFO, and AFFO are presented below (in thousands except per share amounts):

	Three Months Ended				Nine Months Ended			
	September 30, 2022	Per Share ⁽¹⁾	September 30, 2021	Per Share ⁽¹⁾	September 30, 2022	Per Share ⁽¹⁾	September 30, 2021	Per Share ⁽¹⁾
GAAP net income applicable to common stock	\$ 3,331	\$ 0.03	\$ 11,306	\$ 0.09	\$ 71,261	\$ 0.58	\$ 30,597	\$ 0.25
Depreciation of real estate assets	34,743	0.28	30,336	0.25	98,262	0.79	87,873	0.71
Amortization of lease-related costs	23,278	0.19	20,362	0.16	66,986	0.54	63,943	0.51
Gain on sale of real estate assets	—	—	—	—	(50,674)	(0.41)	—	—
NAREIT Funds From Operations and Core Funds From Operations applicable to common stock	61,352	\$ 0.50	62,004	\$ 0.50	185,835	\$ 1.50	182,413	\$ 1.47
Adjustments:								
Amortization of debt issuance costs, fair market value adjustments on notes payable, and discounts on debt	922		849		2,463		2,076	
Depreciation of non real estate assets	189		216		537		762	
Straight-line effects of lease revenue	(3,268)		(2,122)		(8,874)		(8,627)	
Stock-based compensation adjustments	1,950		1,637		3,116		5,152	
Amortization of lease-related intangibles	(3,542)		(2,731)		(9,713)		(8,192)	
Non-incremental capital expenditures ⁽²⁾	(14,121)		(18,640)		(42,406)		(52,849)	
Adjusted Funds From Operations applicable to common stock	\$ 43,482		\$ 41,213		\$ 130,958		\$ 120,735	
Weighted-average shares outstanding – diluted	<u>123,697</u>		<u>124,627</u>		<u>123,631</u>		<u>124,472</u>	

⁽¹⁾ Based on weighted average shares outstanding – diluted.

⁽²⁾ We define non-incremental capital expenditures as capital expenditures of a recurring nature related to tenant improvements, leasing commissions, and building capital that do not incrementally enhance the underlying assets' income generating capacity. Tenant improvements, leasing commissions, building capital and deferred lease incentives incurred to lease space that was vacant at acquisition, leasing costs for spaces vacant for greater than one year, leasing costs for spaces at newly acquired properties for which in-place leases expire shortly after acquisition, improvements associated with the expansion of a building, and renovations that either enhance the rental rates of a building or change the property's underlying classification, such as from a Class B to a Class A property, are excluded from this measure.

Property and Same Store Net Operating Income

Property Net Operating Income ("Property NOI") is a non-GAAP measure which we use to assess our operating results. We calculate Property NOI beginning with Net income (calculated in accordance with GAAP) before interest, depreciation and amortization and removing any impairments and gains or losses from sales of property and other significant infrequent items that create volatility within our earnings and make it difficult to determine the earnings generated by our core ongoing business. Furthermore, we remove general and administrative expenses, income associated with property management performed by us for other organizations, and other income or expense items, such as interest income from loan investments. For Property NOI (cash basis), the effects of non-cash general reserve for uncollectible accounts, straight-lined rents and fair value lease revenue are also eliminated; while such effects are not adjusted in calculating Property NOI (accrual basis). Property NOI is a non-GAAP financial measure and should not be viewed as an alternative to net income calculated in accordance with GAAP as a measurement of our operating performance. We believe that Property NOI, on either a cash or accrual basis, is helpful to investors as a supplemental comparative performance measure of income generated by our properties alone without our administrative overhead. Other REITs may not define Property NOI in the same manner as we do; therefore, our computation of Property NOI may not be comparable to that of other REITs.

We calculate Same Store Net Operating Income ("Same Store NOI") as Property NOI attributable to the properties (excluding undeveloped land parcels) that were (i) owned by us during the entire span of the current and prior year reporting periods; (ii) that were not being developed or redeveloped during those periods; and (iii) for which no operating expenses were capitalized during those periods. Same Store NOI, on either a cash or accrual basis, is a non-GAAP financial measure and should not be viewed as an alternative to net income calculated in accordance with GAAP as a measurement of our operating performance. We believe that Same Store NOI is helpful to investors as a supplemental comparative performance measure of the income generated from the same group of properties from one period to the next. Other REITs may not define Same Store NOI in the same manner as we do; therefore, our computation of Same Store NOI may not be comparable to that of other REITs.

The following table sets forth a reconciliation from net income calculated in accordance with GAAP to EBITDAre, Core EBITDA, Property NOI, and Same Store NOI, on both a cash and accrual basis, for the three months ended September 30, 2022 and 2021, respectively (in thousands):

	Cash Basis		Accrual Basis	
	Three Months Ended		Three Months Ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Net income applicable to Piedmont (GAAP basis)	\$ 3,331	\$ 11,306	\$ 3,331	\$ 11,306
Net loss applicable to noncontrolling interest	—	(5)	—	(5)
Interest expense	17,244	12,450	17,244	12,450
Depreciation	34,931	30,552	34,931	30,552
Amortization	23,278	20,362	23,278	20,362
Depreciation and amortization attributable to noncontrolling interests	21	21	21	21
EBITDAre⁽¹⁾ and Core EBITDA⁽²⁾	78,805	74,686	78,805	74,686
General & administrative expenses	6,590	6,955	6,590	6,955
Management fee revenue ⁽³⁾	(177)	(309)	(177)	(309)
Other income	(119)	(2,121)	(119)	(2,121)
Non-cash general reserve/(reversal) for uncollectible accounts	(1,000)	—	—	—
Straight-line rent effects of lease revenue	(3,268)	(2,122)	—	—
Straight line effects of lease revenue attributable to noncontrolling interests	(4)	1	—	—
Amortization of lease-related intangibles	(3,542)	(2,731)	—	—
Property NOI	77,285	74,359	85,099	79,211
Net operating income from:				
Acquisitions ⁽⁴⁾	(5,423)	—	(7,895)	—
Dispositions ⁽⁵⁾	1	(2,308)	1	(2,427)
Other investments ⁽⁶⁾	211	267	150	324
Same Store NOI	\$ 72,074	\$ 72,318	\$ 77,355	\$ 77,108
<i>Change period over period in Same Store NOI</i>	<i>(0.3)%</i>	<i>N/A</i>	<i>0.3 %</i>	<i>N/A</i>

⁽¹⁾ We calculate Earnings Before Interest, Taxes, Depreciation, and Amortization- Real Estate ("EBITDAre") in accordance with the current NAREIT definition. NAREIT currently defines EBITDAre as net income (computed in accordance with GAAP) adjusted for gains or losses from sales of property, impairment losses, depreciation on real estate assets, amortization on real estate assets, interest expense and taxes, along with the same adjustments for joint ventures. Some of the adjustments mentioned can vary among owners of identical assets in similar conditions based on historical cost accounting and useful-life estimates. EBITDAre is a non-GAAP financial measure and should not be viewed as an alternative to net income calculated in accordance with GAAP as a measurement of our operating performance. We believe that EBITDAre is helpful to investors as a supplemental performance measure because it provides a metric for understanding our results from ongoing operations without taking into account the effects of non-cash expenses (such as depreciation and amortization) and capitalization and capital structure expenses (such as interest expense and taxes). We also believe that EBITDAre can help facilitate comparisons of operating performance between periods and with other REITs. However, other REITs may not define EBITDAre in accordance with the NAREIT definition, or may interpret the current NAREIT definition differently than us; therefore, our computation of EBITDAre may not be comparable to that of such other REITs.

⁽²⁾ We calculate Core Earnings Before Interest, Taxes, Depreciation, and Amortization ("Core EBITDA") as net income (computed in accordance with GAAP) before interest, taxes, depreciation and amortization and incrementally removing any impairment losses,

gains or losses from sales of property and other significant infrequent items that create volatility within our earnings and make it difficult to determine the earnings generated by our core ongoing business. Core EBITDA is a non-GAAP financial measure and should not be viewed as an alternative to net income calculated in accordance with GAAP as a measurement of our operating performance. We believe that Core EBITDA is helpful to investors as a supplemental performance measure because it provides a metric for understanding the performance of our results from ongoing operations without taking into account the effects of non-cash expenses (such as depreciation and amortization), as well as items that are not part of normal day-to-day operations of our business. Other REITs may not define Core EBITDA in the same manner as us; therefore, our computation of Core EBITDA may not be comparable to that of other REITs.

- (3) Presented net of related operating expenses incurred to earn such management fee revenue.
- (4) Acquisitions include 999 Peachtree Street, purchased during the fourth quarter of 2021, and 1180 Peachtree Street, purchased during the third quarter of 2022, both located in Atlanta, Georgia.
- (5) Dispositions include Two Pierce Place in Itasca, Illinois and 225 and 235 Presidential Way in Woburn, Massachusetts, all sold during the first quarter of 2022.
- (6) Other investments include active out-of-service redevelopment and development projects, land, and recently completed redevelopment and development projects. The operating results from 222 South Orange Avenue in Orlando, Florida, are included in this line item.

The following table sets forth a reconciliation of net income calculated in accordance with GAAP to EBITDAre, Core EBITDA, Property NOI, and Same Store NOI, on both a cash and accrual basis, for the nine months ended September 30, 2022 and 2021 (in thousands):

	Cash Basis		Accrual Basis	
	Nine Months Ended		Nine Months Ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Net income applicable to Piedmont (GAAP)	\$ 71,261	\$ 30,597	\$ 71,261	\$ 30,597
Net loss applicable to noncontrolling interest	(1)	(9)	(1)	(9)
Interest expense	44,917	37,375	44,917	37,375
Depreciation	98,799	88,635	98,799	88,635
Amortization	66,986	63,943	66,986	63,943
Depreciation and amortization attributable to noncontrolling interests	65	63	65	63
Gain on sale of real estate assets	(50,674)	—	(50,674)	—
EBITDAre⁽¹⁾ and Core EBITDA⁽²⁾	231,353	220,604	231,353	220,604
General & administrative expenses	21,212	22,417	21,212	22,417
Management fee revenue ⁽³⁾	(743)	(946)	(743)	(946)
Other income	(1,655)	(6,423)	(1,655)	(6,423)
Non-cash general reserve/(reversal) for uncollectible accounts	(2,000)	412		
Straight-line effects of lease revenue	(8,874)	(8,627)		
Straight line effects of lease revenue attributable to noncontrolling interests	(6)	2		
Amortization of lease-related intangibles	(9,713)	(8,192)		
Property NOI	229,574	219,247	250,167	235,652
Net operating (income)/loss from:				
Acquisitions ⁽⁴⁾	(10,791)	—	(15,692)	—
Dispositions ⁽⁵⁾	(567)	(5,724)	(638)	(6,317)
Other investments ⁽⁶⁾	539	624	528	793
Same Store NOI	\$ 218,755	\$ 214,147	\$ 234,365	\$ 230,128
<i>Change period over period in Same Store NOI</i>	<i>2.2 %</i>	<i>N/A</i>	<i>1.8 %</i>	<i>N/A</i>

- (1) We calculate EBITDAre in accordance with the current NAREIT definition. NAREIT currently defines EBITDAre as net income (computed in accordance with GAAP) adjusted for gains or losses from sales of property, impairment losses, depreciation on real estate assets, amortization on real estate assets, interest expense and taxes, along with the same adjustments for joint ventures. Some of the adjustments mentioned can vary among owners of identical assets in similar conditions based on historical cost accounting and useful-life estimates. EBITDAre is a non-GAAP financial measure and should not be viewed as an alternative to net income calculated in accordance with GAAP as a measurement of our operating performance. We believe that EBITDAre is helpful to investors as a supplemental performance measure because it provides a metric for understanding our results from ongoing operations without taking into account the effects of non-cash expenses (such as depreciation and amortization) and capitalization and capital structure expenses (such as interest expense and taxes). We also believe that EBITDAre can help facilitate comparisons of operating performance between periods and with other REITs. However, other REITs may not define EBITDAre in accordance with the NAREIT definition, or may interpret the current NAREIT definition differently than us; therefore, our computation of EBITDAre may not be comparable to that of such other REITs.
- (2) We calculate Core EBITDA as net income (computed in accordance with GAAP) before interest, taxes, depreciation and amortization and incrementally removing any impairment losses, gains or losses from sales of property and other significant infrequent items that create volatility within our earnings and make it difficult to determine the earnings generated by our core ongoing business. Core EBITDA is a non-GAAP financial measure and should not be viewed as an alternative to net income calculated in accordance with GAAP as a measurement of our operating performance. We believe that Core EBITDA is helpful to investors as a supplemental performance measure because it provides a metric for understanding the performance of our results from ongoing operations without taking into account the effects of non-cash expenses (such as depreciation and amortization), as well as items that are not part of normal day-to-day operations of our business. Other REITs may not define Core EBITDA in the same manner as us; therefore, our computation of Core EBITDA may not be comparable to that of other REITs.
- (3) Presented net of related operating expenses incurred to earn such management fee revenue.
- (4) Acquisitions include 999 Peachtree Street, purchased during the fourth quarter of 2021, and 1180 Peachtree Street, purchased during the third quarter of 2022, both located in Atlanta, Georgia.
- (5) Dispositions include Two Pierce Place in Itasca, Illinois and 225 and 235 Presidential Way in Woburn, Massachusetts, all sold during the first quarter of 2022.
- (6) Other investments include active out-of-service redevelopment and development projects, land, and recently completed redevelopment and development projects. The operating results from 222 South Orange Avenue in Orlando, Florida, are included in this line item.

Overview

Our portfolio is located within identified growth submarkets in large metropolitan cities concentrated primarily in the Sunbelt. We typically lease space to creditworthy corporate or governmental tenants on a long-term basis. As of September 30, 2022, our average lease was approximately 15,000 square feet with approximately six years of lease term remaining. Consequently, leased percentage, as well as rent roll ups and roll downs, which we experience as a result of re-leasing, can fluctuate widely between buildings and between tenants, depending on when a particular lease is scheduled to commence or expire.

Leased Percentage

Our portfolio was 86.8% leased as of September 30, 2022, as compared to 85.5% leased as of December 31, 2021 and scheduled lease expirations for the portfolio as a whole for the remainder of 2022 and 2023 represent less than 10% of our ALR, some portion of which may renew. To the extent the square footage from new leases for currently vacant space exceed or fall short of the square footage associated with non-renewing expirations, such leases would increase or decrease our overall leased percentage, respectively.

Impact of Downtime, Abatement Periods, and Rental Rate Changes

Commencement of new leases typically occurs 6-18 months after the lease execution date, after refurbishment of the space is completed. The downtime between a lease expiration and the new lease's commencement can negatively impact Property NOI and Same Store NOI comparisons (both accrual and cash basis). In addition, office leases, both new and renewal, often contain upfront rental and/or operating expense abatement periods which delay the cash flow benefits of the lease even after the new lease or renewal has commenced and negatively impact Property NOI and Same Store NOI on a cash basis until such abatements expire. As of September 30, 2022, we had approximately 1.2 million square feet of executed leases for vacant space yet to commence or under rental abatement, representing approximately \$38 million of additional annual cash revenue.

If we are unable to replace expiring leases with new or renewal leases at rental rates equal to or greater than the expiring rates, rental rate roll downs could occur and negatively impact Property NOI and Same Store NOI comparisons. As mentioned above, our diverse portfolio and the magnitude of some of our tenant's leased space can result in rent roll ups and roll downs that can

fluctuate widely on a building-by-building and a quarter-to-quarter basis. During the three months ended September 30, 2022, we experienced a 33.1% and 37.6% roll up in cash and accrual rents, respectively, on executed leases related to space vacant one year or less. Both increases for the quarter were impacted by a lease renewal and extension executed with a tenant at our Three Galleria Tower building in Dallas, Texas during the three months ended September 30, 2022. If the effects of this lease transaction were to be removed, the percentage change in cash and accrual rents for the three months ended September 30, 2022 would be 9.9% and 12.6%, respectively. During the nine months ended September 30, 2022, we experienced a 10.5% and 18.5% roll up in cash and accrual rents, respectively.

Same Store NOI was effectively flat on a cash and accrual basis, respectively, for the three months ended September 30, 2022 as compared to the same period in the prior year. However, Same Store NOI increased 2.2% and 1.8% on a cash and accrual basis, respectively, for the nine months ended September 30, 2022 as compared to the same period in the prior year. The primary drivers of the increases in both metrics were increased rental rates and the expiration of abatements at certain of our properties. Property NOI and Same Store NOI comparisons for any given period fluctuate as a result of the mix of net leasing activity in individual properties during the respective period.

Election as a REIT

We have elected to be taxed as a REIT under the Code and have operated as such beginning with our taxable year ended December 31, 1998. To qualify as a REIT, we must meet certain organizational and operational requirements, including a requirement to distribute at least 90% of our adjusted REIT taxable income, computed without regard to the dividends-paid deduction and by excluding net capital gains attributable to our stockholders, as defined by the Code. As a REIT, we generally will not be subject to federal income tax on income that we distribute to our stockholders. If we fail to qualify as a REIT in any taxable year, we may be subject to federal income taxes on our taxable income for that year and for the four years following the year during which qualification is lost and/or penalties, unless the IRS grants us relief under certain statutory provisions. Such an event could materially adversely affect our net income and net cash available for distribution to our stockholders. However, we believe that we are organized and operate in such a manner as to qualify for treatment as a REIT and intend to continue to operate in the foreseeable future in such a manner that we will remain qualified as a REIT for federal income tax purposes. We have elected to treat one of our wholly-owned subsidiaries as a taxable REIT subsidiary. This subsidiary performs non-customary services for tenants of buildings that we own and real estate and non-real estate related-services; however, any earnings related to such services performed by our taxable REIT subsidiary are subject to federal and state income taxes. In addition, for us to continue to qualify as a REIT, our investments in taxable REIT subsidiaries cannot exceed 20% of the value of our total assets.

Inflation

We are exposed to inflation risk, as income from long-term leases is the primary source of our cash flows from operations. There are provisions in the majority of our tenant leases that are intended to protect us from, and mitigate the risk of, the impact of inflation. These provisions include rent steps, reimbursement billings for operating expense pass-through charges, real estate tax, and insurance reimbursements on a per square-foot basis, or in some cases, annual reimbursement of operating expenses above certain per square-foot allowances. However, due to the long-term nature of the leases, the leases may not readjust their reimbursement rates frequently enough to fully cover inflation.

Application of Critical Accounting Estimates

Our accounting policies have been established to conform with GAAP. The preparation of financial statements in conformity with GAAP requires management to use judgement in the application of accounting policies, including making estimates and assumptions. These judgements 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. If our judgement or interpretation of the facts and circumstances relating to various transactions had been different, it is possible that different accounting policies would have been applied, thus, resulting in a different presentation of the financial statements. Additionally, other companies may utilize different estimates that may impact comparability of our results of operations to those of companies in similar businesses. Refer to our Annual Report on Form 10-K for the year ended December 31, 2021 for a discussion of our critical accounting policies and estimates. There have been no material changes to these policies during the nine months ended September 30, 2022.

Commitments and Contingencies

We are subject to certain commitments and contingencies with regard to certain transactions. Refer to [Note 7](#) to our consolidated financial statements for further explanation.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our future income, cash flows, and estimated fair values of our financial instruments depend in part upon prevailing market interest rates. Market risk is the exposure to loss resulting from changes in interest rates, foreign currency, exchange rates, commodity prices, and equity prices. As of September 30, 2022, our potential for exposure to market risk includes interest rate fluctuations in connection with borrowings under our \$600 Million Unsecured 2022 Line of Credit, \$150 million of our \$250 Million Unsecured 2018 Term Loan, and the \$200 Million Unsecured Term Loan Facility. As a result, the primary market risk to which we believe we are exposed is interest rate risk. Many factors, including governmental monetary and tax policies, domestic and international economic and political considerations, and other factors that are beyond our control contribute to interest rate risk, including changes in the method pursuant to which LIBOR rates and SOFR rates are determined. Furthermore, the United Kingdom Financial Conduct Authority, which regulates LIBOR, has announced that USD LIBOR will no longer be published after June 30, 2023. Piedmont has completed an initial evaluation of its credit agreements which reference LIBOR and determined that each of these agreements already contain "fallback" language allowing for the establishment of an alternate rate of interest that gives due consideration to the then prevailing market convention for determining a rate of interest for syndicated loans in the U.S. at that time by Piedmont and the respective agent, as defined in the respective agreements.

Our interest rate risk management objectives are to limit the impact of interest rate changes on earnings and cash flow primarily through a low-to-moderate level of overall borrowings, as well as managing the variability in rate fluctuations on our outstanding debt. As such, all of our debt other than the \$600 Million Unsecured 2022 Line of Credit, \$150 million of our \$250 Million Unsecured 2018 Term Loan and our \$200 Million Unsecured Term Loan Facility is currently based on fixed or effectively-fixed interest rates to hedge against volatility in the credit markets. We do not enter into derivative or interest rate transactions for speculative purposes, as such all of our debt and derivative instruments were entered into for other than trading purposes.

The estimated fair value of our debt was approximately \$2.0 billion and \$1.9 billion as of September 30, 2022 and December 31, 2021, respectively. Our interest rate swap agreements in place as of September 30, 2022 and December 31, 2021 carried a notional amount totaling \$100 million with a weighted-average fixed interest rate of 3.56%.

As of September 30, 2022, our total outstanding debt subject to fixed, or effectively fixed, interest rates totaling approximately \$1.6 billion has an average effective interest rate of approximately 3.58% per annum with expirations ranging from 2023 to 2032. A change in the market interest rate impacts the net financial instrument position of our fixed-rate debt portfolio but has no impact on interest incurred or cash flows for that portfolio.

As of September 30, 2022, we had \$162.0 million outstanding on our \$600 Million Unsecured 2022 Line of Credit. Our \$600 Million Unsecured 2022 Line of Credit currently has a stated rate of Adjusted SOFR plus 0.85% per annum (based on our current corporate credit rating), resulting in a total interest rate of 3.86%. The current stated interest rate spread on \$150 million of the \$250 Million Unsecured 2018 Term Loan that is not effectively fixed through interest rate swaps is LIBOR plus 0.95% (based on our current corporate credit rating), which, as of September 30, 2022, resulted in a total interest rate on \$150 million of the \$250 Million Unsecured 2018 Term Loan of 4.07%. Our \$200 Million Unsecured Term Loan Facility has a stated rate of Adjusted SOFR plus 1.00% per annum (based on our current corporate credit rating), resulting in a total interest rate of 4.13%. To the extent that we borrow additional funds in the future under the \$600 Million Unsecured 2022 Line of Credit or potential future variable-rate lines of credit, we would have exposure to increases in interest rates, which would potentially increase our cost of debt. Additionally, a 1.0% increase in variable interest rates on our existing outstanding borrowings as of September 30, 2022 would increase interest expense approximately \$5.1 million on a per annum basis.

ITEM 4. CONTROLS AND PROCEDURES

Management’s Conclusions Regarding the Effectiveness of Disclosure Controls and Procedures

We carried out an evaluation, under the supervision and with the participation of management, including the Principal Executive Officer and the Principal Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (the “Exchange Act”) as of the end of the quarterly period covered by this report. Based upon that evaluation, the Principal Executive Officer and the Principal Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this quarterly report in providing a reasonable level of assurance that information we are required to disclose in the reports we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in applicable SEC rules and forms, including providing a reasonable level of assurance that information required to be disclosed by us in the reports we file under the Exchange Act is accumulated and communicated to our management, including the Principal Executive Officer and the Principal Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended September 30, 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

We are not subject to any material pending legal proceedings. However, we are subject to routine litigation arising in the ordinary course of owning and operating real estate assets. Our management expects that these ordinary routine legal proceedings will be covered by insurance and does not expect these legal proceedings to have a material adverse effect on our financial condition, results of operations, or liquidity. Additionally, management is not aware of any legal proceedings against Piedmont contemplated by governmental authorities.

ITEM 1A. RISK FACTORS

There have been no known material changes from the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2021.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

- (a) There were no unregistered sales of equity securities during the third quarter of 2022.
- (b) Not applicable.
- (c) There were no repurchases of shares of our common stock during the third quarter of 2022. As of September 30, 2022, approximately \$150.5 million remains available under our stock repurchase program to make share repurchases through February 2024, at the discretion of management.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

On November 1, 2022, Piedmont entered into an employment agreement with its Executive Vice-President and Chief Operating Officer, George M. Wells. The terms of the agreement are substantially the same as the terms of other employment agreements that Piedmont has previously entered into with certain of its executive officers, including: annual renewal unless either party gives 90 day written notice; a claw back provision if Piedmont is required to prepare an accounting restatement due to Piedmont's material noncompliance, as a result of misconduct, with any financial reporting requirement under the securities laws; and one-year of severance under certain circumstances in the event that his employment is terminated. For additional information, please refer to the description of Piedmont's employment agreements with its executive officers included in Piedmont's 2022 Proxy Statement filed on March 18, 2022 and the text of Mr. Wells' employment agreement filed as Exhibit 10.4 to this Quarterly Report on Form 10-Q, which is incorporated herein by reference.

ITEM 6. EXHIBITS

Exhibit Number	Description of Document
3.1	Third Articles of Amendment and Restatement of Piedmont Office Realty Trust, Inc. (the “Company”) (incorporated by reference to Exhibit 3.1 to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2009, filed on March 16, 2010).
3.2	Articles of Amendment of the Company effective June 30, 2011 (incorporated by reference to Exhibit 3.2 to the Company’s Current Report on Form 8-K filed on July 6, 2011).
3.3	Articles Supplementary of the Company effective June 30, 2011 (incorporated by reference to Exhibit 3.1 to the Company’s Current Report on Form 8-K filed on July 6, 2011).
3.4	Articles Supplementary to the Third Articles of Amendment and Restatement of the Company, as supplemented and amended (incorporated by reference to Exhibit 3.1 to the Company’s Current Report on Form 8-K, filed on November 14, 2016).
3.5	Articles of Amendment to the Third Articles of Amendment and Restatement of the Company, as supplemented and amended (incorporated by reference to Exhibit 3.1 to the Company’s Current Report on Form 8-K filed on May 23, 2018).
3.6	Amended and Restated Bylaws of the Company (incorporated by reference to Exhibit 3.1 to the Company’s Current Report on Form 8-K, filed on March 19, 2019).
10.1	Term Loan Agreement dated as of July 22, 2022, by and among Piedmont Operating Partnership, L.P, as Borrower, Piedmont Office Realty Trust, Inc., as Parent, Truist Securities, Inc., as Lead Arranger and Book Manager, Truist Bank, as Administrative Agent, and the other financial institutions initially signatory thereto and their assignees (incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K, filed on July 27, 2022).
10.2	Loan Assignment and Assumption Agreement and Omnibus Amendment to Note, Loan Agreement and Other Loan Documents (incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K, filed on August 16, 2022).
10.3	Loan Agreement dated as of September 10, 2018 by and between 1180 Peachtree Office Investors, LLC, as Borrower, and Metlife Real Estate Lending LLC, as Lender (incorporated by reference to Exhibit 10.2 to the Company’s Current Report on Form 8-K, filed on August 16, 2022).
10.4	Employment Agreement dated November 1, 2022, by and between the Company and George M. Wells
22.1	Subsidiary Issuer of Guaranteed Securities (incorporated by reference to Exhibit 22.1 to the Company’s Annual Report on Form 10-K for the year ended December 31, 2021, filed on February 17, 2022).
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
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 and contained in Exhibit 101).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PIEDMONT OFFICE REALTY TRUST, INC.

(Registrant)

Dated: November 2, 2022

By: /s/ Robert E. Bowers

Robert E. Bowers

Chief Financial Officer and Executive Vice President

(Principal Financial Officer and Duly Authorized Officer)

EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT (as amended from time to time, the “**Agreement**”) dated as of November 1, 2022, by and between Piedmont Office Realty Trust, Inc. (the “**Company**”), with its principal place of business at 5565 Glenridge Connector, Suite 450, Atlanta, GA 30342 and George M. Wells, residing at the address set forth on the signature page hereof (“**Executive**”).

WHEREAS, the Company desires to secure Executive’s continued employment with the Company by entering into this Agreement, effective as of October 26, 2022 (the “**Effective Date**”), and Executive wishes to continue his employment on the terms set forth below.

Accordingly, the parties hereto agree as follows:

Section 1. Term. The Company hereby employs Executive, and Executive hereby accepts such employment, for an initial term commencing as of Effective Date and continuing for a period ending on December 31, 2023, unless sooner terminated in accordance with the provisions of Section 4 (the period during which Executive is employed pursuant to this Agreement being hereinafter referred to as the “**Term**”). The Term shall automatically be extended for successive one-year periods in accordance with the terms of this Agreement (subject to termination as aforesaid) unless either party notifies the other party of non-renewal in writing, in accordance with Section 6.4, at least ninety (90) days prior to the expiration of the initial Term or any subsequent renewal period. The delivery by the Company to Executive of written notice indicating that it intends not to extend the Term as provided in this Section 1 prior to the expiration of the then operative Term shall not be deemed a termination of Executive’s employment by the Company without Cause for purposes of this Agreement, except as set forth in Section 4.5. If the Term expires, and Executive and Company agree that Executive will remain employed by the Company, but do not enter into a new employment agreement, then such employment shall be “at-will” and this Agreement will be of no further force and effect other than with respect to the provisions of this Agreement that are expressly intended to survive the expiration of the Term.

Section 2. Duties. During the Term, Executive shall be employed by the Company as Executive Vice President and Chief Operating Officer of the Company, and, as such, Executive shall faithfully perform for the Company the duties of such office and shall perform such other duties of an executive, managerial or administrative nature, which are consistent with such office, as shall be specified and designated from time to time by the Board of Directors of the Company (the “**Board**”), including also serving as an officer, manager, agent, trustee or other representative with respect to any subsidiary, affiliate or joint venture of the Company (each a “**Subsidiary**”) without additional compensation. If requested by the Board, Executive shall serve as a member of the board of directors (or equivalent) of the Company or any Subsidiary without additional compensation. Executive shall devote substantially all of his business time and effort to the performance of his duties hereunder. Notwithstanding the foregoing, nothing herein shall prohibit Executive from (i) engaging in personal investment activities for Executive and his family that do not give rise to any conflict of interests with the Company or its Subsidiaries, (ii) subject to prior approval of the Board, accepting directorships of entities

unrelated to the Company that do not give rise to any conflict of interests with the Company or its Subsidiaries and (iii) engaging in charitable and civic activities, so long as such activities and outside interests described in clauses (i), (ii) and (iii) hereof do not interfere, in any material respect, with the performance of Executive's duties hereunder. Executive shall be based in the Atlanta, Georgia metropolitan area.

Section 3. Compensation.

3.1. Salary. The Company shall pay Executive during the Term a base salary at a level to be determined by the Compensation Committee of the Board (the "**Compensation Committee**"), which shall not be less than Executive's current base salary, in accordance with the customary payroll practices of the Company applicable to senior executives (the "**Base Salary**"). The Compensation Committee may provide for such increases in Base Salary as it may in its discretion deem appropriate; provided that in no event shall the Base Salary be decreased during the Term without the written consent of Executive.

3.2. Bonus. During the Term, in addition to the Base Salary, for each fiscal year of the Company ending during the Term, Executive shall be eligible to earn an annual target cash bonus of 50% (after meeting threshold performance criteria), 100% (after meeting target performance criteria) and up to 150% (after meeting maximum performance criteria) of the Base Salary (the "**Target Bonus Amount**") payable during such fiscal year based upon criteria to be reasonably established not later than the first sixty (60) days of that fiscal year by the Compensation Committee in consultation with Executive (the "**Annual Bonus**"), which bonus shall be pursuant to the OIP (as defined below) The Annual Bonus actually earned for any fiscal year shall be determined by the Compensation Committee in good faith and paid to Executive within as soon as reasonably practicable following completion of the Company's financial statement audit for the applicable fiscal year, but in any event during the calendar year following the calendar year in which the fiscal year ends, and no later than December 31 of such calendar year (the "**Outside Payment Date**"). Notwithstanding the foregoing, if the Company's financial statement audit has not been completed within three months after the end of the calendar year in which the relevant fiscal year ends, the Company will pay the portion of Executive's bonus that the Compensation Committee is able to determine that Executive is entitled to (if any) no later than the 120 days after the end of the calendar year in which the fiscal year ends and the remaining portion, if any, of Executive's Annual Bonus shall be paid no later than the Outside Payment Date. Except as set forth in Sections 4.3, 4.4 and 4.5, or is customary for all other employees, Executive shall not be entitled to receive an Annual Bonus (or pro-rated portion thereof) for a fiscal year unless Executive is employed by the Company or a Subsidiary on the last day of the fiscal year.

3.3. Equity Incentive Awards. During the Term, in addition to the Base Salary and Annual Bonus, Executive shall be eligible to participate in the Company's Second Amended and Restated 2007 Omnibus Incentive Plan or other equity incentive plan as in effect from time to time (the "**OIP**"), and any awards which may be granted to Executive thereunder shall vest on a basis specified by the Compensation Committee and may be subject to the achievement of pre-established performance-related goals determined by the Compensation Committee, and otherwise shall be subject to such plan and definitive documentation governing the award. Grants during the Term under the OIP shall be made at such times and in such amounts as the Compensation Committee shall determine in its discretion.

3.4. Employee Benefits. Except with respect to benefits specifically provided for otherwise in this Agreement, Executive shall be entitled during the Term to participate in any group life, hospitalization or disability insurance plans, health programs, retirement plans, fringe benefit programs and similar benefits that are available to other senior executives of the Company generally, on substantially the same terms as such other executives, in each case to the extent that Executive is eligible under the terms of such plans or programs.

3.5. Vacation. Executive shall be entitled to the number of vacation days per fiscal year based upon tenure with the Company, as set forth in the Company's employee handbook, which number shall be pro-rated in the case of any partial fiscal year during the Term and which vacation days shall otherwise be taken consistent with the Company's vacation policies. Vacation and other paid time-off (PTO) shall be taken and provided in accordance with the Company's vacation and PTO policies and plans.

3.6. Expenses. During the Term, the Company shall reimburse Executive for all reasonable business expenses incurred by Executive in the performance of Executive's duties hereunder in accordance with the Company's policies as in effect from time to time.

3.7. Forfeiture. If the Company is required to prepare an accounting restatement due to the material noncompliance of the Company, as a result of misconduct, with any financial reporting requirement under the securities laws, Executive shall reimburse in like-kind the Company to the extent required by Section 304 of the Sarbanes-Oxley Act of 2002 for any bonus or other incentive-based or equity-based compensation received by Executive from the Company during the 12-month period following the first public issuance or filing with the Securities and Exchange Commission (whichever occurs first) of the financial document embodying such financial reporting requirement and shall reimburse the Company for any profits realized from the sale of securities of the Company during that 12-month period and any incentive and equity compensation to the extent subject to recovery under any current or future law, government regulation, or stock exchange listing requirement to the extent required under any clawback policy adopted by the Company, whether or not in existence as of the Effective Date.

Section 4. Termination. Notwithstanding any other provision of this Agreement, the provisions of this Section 4 shall exclusively govern Executive's rights (except as otherwise expressly set forth herein) upon termination of employment with the Company. Following Executive's termination of employment, except as set forth in this Section 4, Executive (and Executive's legal representative and estate) shall have no further rights to any compensation or any other benefits under this Agreement.

4.1. Definitions.

(a) "**Accrued Rights**" means the sum of the following: (i) any accrued but unpaid Base Salary through the date of termination; (ii) a payment in respect of all unpaid, but accrued and unused vacation/PTO through the date of termination, subject to the Company's maximum PTO carryover provisions as set forth from time to time in the Company's employee handbook; (iii) any Annual Bonus earned but unpaid as of the date of termination for any previously completed fiscal year (i.e., not for the year of employment termination); (iv) reimbursement for any unreimbursed business expenses properly incurred by Executive in

accordance with Company policy through the date of termination; and (v) such vested rights, if any, under any award granted to Executive pursuant to the OIP and other compensation programs and employee benefits to which Executive may be entitled upon termination of employment according to the documents governing such benefits.

(b) **“Cause”** means any of the following: (i) any material act or material omission by Executive which constitutes intentional misconduct in connection with the Company’s or any Subsidiary’s business or relating to Executive’s duties hereunder or a willful violation of law in connection with the Company’s or any Subsidiary’s business or relating to Executive’s duties hereunder; (ii) an act of fraud, conversion, misappropriation or embezzlement by Executive with respect to the Company’s or any Subsidiary’s assets or business or assets in the possession or control of the Company or any Subsidiary or conviction of, indictment for (or its procedural equivalent) or entering a guilty plea or plea of no contest with respect to a felony, the equivalent thereof or any crime involving any moral turpitude with respect to which imprisonment is a common punishment; (iii) any act of dishonesty committed by Executive in connection with the Company’s or any Subsidiary’s business or relating to Executive’s duties hereunder; (iv) the willful neglect of material duties of Executive or gross misconduct by Executive; (v) the use of illegal drugs or excessive use of alcohol to the extent that any of such uses, in the Board’s good faith determination, materially interferes with the performance of Executive’s duties to the Company or any Subsidiary; (vi) any other failure (other than any failure resulting from incapacity due to physical or mental illness) by Executive to perform his material and reasonable duties and responsibilities as an employee, director or consultant of the Company or any Subsidiary; or (vii) any breach of the provisions of Section 5; any of which continues without cure, if curable, reasonably satisfactory to the Board within ten (10) days following written notice from the Company or any Subsidiary (except in the case of a willful failure to perform his duties or a willful breach, which shall require no notice and shall allow no such cure right). For purposes of the foregoing sentence, no act, or failure to act, on Executive’s part shall be considered “willful” unless Executive acted, or failed to act, in bad faith or without reasonable belief that his act or failure to act was in the best interest of the Company or any Subsidiary.

(c) **“Disability”** means physical or mental incapacity whereby Executive is unable with or without reasonable accommodation for a period of six (6) consecutive months or for an aggregate of nine (9) months in any twenty-four (24) consecutive month period to perform the essential functions of Executive’s duties.

(d) **“Good Reason”** shall be present where Executive gives notice to the Board of his voluntary resignation (unless the following occur with Executive’s written consent specifically referring to this Section 4) following either: (i) the failure of the Company to pay or cause to be paid Base Salary or Annual Bonus when due hereunder; (ii) a material diminution in Executive’s status, including, title, position, duties, authority or responsibility; (iii) a material adverse change in the criteria to be applied by the Company with respect to Executive’s Target Bonus Amount (unless Executive has consented to such criteria); (iv) the relocation of the Company’s executive offices to a location outside of the Atlanta, Georgia metropolitan area without the consent of Executive; or (v) the failure to provide Executive with awards under the OIP (or another equity incentive plan then in effect) that are reasonably and generally comparable to awards granted to other executive officers (other than the CEO) of the Company under the OIP (after taking into account all awards granted to Executive and such other

executives under the OIP, unless Executive has consented to the awards or the CEO has recommended to the Compensation Committee that another executive officer receive a disproportionate award). Notwithstanding the foregoing, (1) Good Reason (A) shall not be deemed to exist unless Executive gives to the Company a written notice identifying the event or condition purportedly giving rise to Good Reason expressly referencing this Section 4.1(d) within 90 days after the time at which Executive first becomes aware of the event or condition and (B) shall not be deemed to exist at any time after the Board has determined that there exists an event or condition which could serve as the basis of a termination of Executive's employment for Cause so long as the Board gives notice to Executive of such determination within thirty (30) days of such determination and such notice is given within 120 days after the time at which the Board first becomes aware of the event or conditions constituting Cause; and (2) if there exists an event or condition that constitutes Good Reason, the Company shall have 30 days from the date notice of Good Reason is given to cure such event or condition and, if the Company does so, such event or condition shall not constitute Good Reason hereunder; and if the Company does not cure such event or condition within such 30-day period, Executive shall have ten (10) business days thereafter to give the Company notice of termination of employment on account thereof (specifying a termination date no later than ten (10) days from the date of such notice of termination).

4.2. Termination by the Company for Cause or by Executive's Resignation without Good Reason. The Term and Executive's employment hereunder may be terminated by the Company for Cause and shall terminate upon Executive's resignation without Good Reason, and in either case Executive shall be entitled to receive only his Accrued Rights.

4.3. Death/Disability. The Term and Executive's employment hereunder shall terminate upon Executive's death or Disability. Upon termination of Executive's employment hereunder due to death or Disability, Executive or Executive's legal representative or estate (as the case may be) shall be entitled to receive (i) the Accrued Rights, plus (ii) an amount equal to a pro-rated portion of the Annual Bonus Executive otherwise would have been paid for the fiscal year in which such termination of employment occurs, payable when the Annual Bonus would otherwise have been paid to Executive pursuant to Section 3.2, based upon (a) actual performance for such fiscal year, as determined at the end of such fiscal year and (b) the percentage of such fiscal year that shall have elapsed through the date of Executive's termination of employment, plus (iii) provided that Executive or Executive's legal representative or estate (as the case may be) first executes and returns to the Company within fifty (50) days following Executive's termination of employment (and does not revoke within any applicable waiting period relevant thereto) a release of all claims arising out of or relating to this Agreement or Executive's employment by the Company or any Subsidiary (other than any claims for indemnification to which Executive may be entitled as a result of his serving as an officer or Director of the Company or any Subsidiary) that is in form and substance reasonable satisfactory to the Company:

(a) An amount, payable in a lump sum without discount within sixty (60) days of the date of termination as a result of Executive's death or Disability (subject to Section 6.20) equal to the sum of Executive's (i) annual Base Salary at the time of termination and (ii) the average Annual Bonus actually earned and paid for the last three full calendar years of the Term completed on the date of termination. In the event that on the date of termination there are less

than three full calendar years of the Term completed by Executive in the role set forth in Section 2 Duties, of this Agreement, the average shall be based on the average Annual Bonus actually earned and paid (or payable) during the Term through the date of termination.

(b) Continued medical benefits for Executive, Executive's spouse and Executive's eligible dependents, who at the time of Executive's termination are enrolled in the Company's medical benefits plan, for a period of twelve (12) months following Executive's termination of employment. Such benefits shall be substantially identical to benefits maintained for active senior executives of the Company, and shall be contingent upon Executive or Executive's eligible dependents continuing to fund any applicable "employee portion" of any premiums, and any co-insurance, co-pay or other employee funded amounts. Executive acknowledges that such benefit continuation is intended, and shall be deemed, to satisfy the obligations of the Company and any of its subsidiaries and affiliates to provide continuation of benefits under COBRA for such period and that the Company may require Executive to make a timely election of COBRA coverage, and may satisfy its obligations under this Section 4.3(b) by paying any applicable COBRA premiums or causing such premiums to be paid for the period of up to twelve (12) months following Executive's termination of employment. Executive's entitlement to benefits pursuant to this Section 4.3 (b) shall cease if, during such period, Executive (or Executive's eligible dependents) fail to pay the applicable employee portion of such premiums, or Executive is employed by or otherwise is rendering services to a third party for which Executive is entitled to receive medical benefits. The Company may, in its discretion, include the employer-paid cost of such medical coverage in Executive's taxable income. Notwithstanding the foregoing, if the Company's providing coverage or making payments under this Section 4.3(b) would violate the nondiscrimination rules applicable to non-grandfathered plans under the Patient Protection and Affordable Care Act (the "ACA"), or result in the imposition of penalties under the ACA and the related regulations and guidance promulgated thereunder, the parties agree to reform this Section 4.3(b) in such manner as is necessary to comply with the ACA.

(c) In the event of a termination of employment pursuant to this Section 4.3, each grant made to Executive pursuant to the OIP or any similar equity compensation plan (i) that is subject solely to a time based vesting condition shall become 100% vested and (ii) that vests based on the attainment of performance goals over a finite period of time shall remain outstanding and shall vest on a pro-rata basis and the balance forfeited in accordance with the terms of the applicable award agreement. Executive, his appointed legal representative, or his estate shall have (i) thirty days following termination of Executive's employment or (ii) the period specified in the grant or award, whichever is greater, in which to exercise (if applicable) any vested equity awards; provided that in no event shall such exercise period be extended past the date the grant or award expires by its terms.

4.4. Termination by the Company without Cause or Resignation by Executive for Good Reason. The Term and Executive's employment hereunder may be terminated by the Company without Cause at any time and for any reason or by Executive's resignation for Good Reason at any time upon ten (10) days written notice by the terminating party, although the Company may waive Executive's obligations to provide services to the Company during that period. If Executive's employment is terminated by the Company without Cause (other than by reason of death or Disability) or if Executive resigns for Good Reason, Executive shall be entitled to receive (i) the Accrued Rights; plus (ii) an amount equal to a pro-rated portion of the

Annual Bonus Executive otherwise would have been paid for the fiscal year in which such termination of employment occurs, payable when the Annual Bonus would otherwise have been paid to Executive pursuant to Section 3.2 based upon (A) actual performance for such fiscal year, as determined at the end of such fiscal year and (B) the percentage of such fiscal year that shall have elapsed through the date of Executive's termination of employment, plus (iii) provided that Executive first executes and returns to the Company within fifty (50) days following Executive's termination of employment (and does not revoke within any applicable waiting period relevant thereto) a release of all claims arising out of or relating to this Agreement or Executive's employment by the Company or any Subsidiary (other than any claims for indemnification to which Executive may be entitled as a result of his serving as an officer or director of the Company or any Subsidiary) that is in form and substance reasonably satisfactory to the Company, and subject to Executive's continued compliance with the provisions of Section 5 of this Agreement (to the extent expressly applicable after the Term):

(a) An amount, payable in a lump sum without discount on the sixtieth (60th)[1] day following Executive's date of termination (subject to Section 6.20), equal to the sum of Executive's (i) annual Base Salary at the time of termination and (ii) the average Annual Bonus actually earned and paid for the last three full calendar years ending prior to the termination date. In the event that on the date of termination there are less than three full calendar years of the Term completed by Executive in the role set forth in Section 2 Duties of this Agreement, the average shall be based on the average Annual Bonus actually earned and paid (or payable) during the Term through the date of termination.

(b) Continued medical benefits for Executive, Executive's spouse and Executive's eligible dependents, who at the time of Executive's termination are enrolled in the Company's medical benefits plans, for a period of twelve (12) months following Executive's termination of employment. Such benefits shall be substantially identical to the benefits maintained for active senior executives of the Company, and shall be contingent upon Executive or Executive's eligible dependents continuing to fund any applicable "employee portion" of any premiums, and any co-insurance, co-pay and other employee-funded amounts. Executive acknowledges that such benefit continuation is intended, and shall be deemed, to satisfy the obligations of the Company and any of its Subsidiaries to provide continuation of benefits under COBRA for such period and that the Company may require Executive to make a timely election of COBRA coverage, and may satisfy its obligations under this Section 4.4(b) by paying any applicable COBRA premiums or causing such premiums to be paid for a period of up to twelve (12) months following Executive's termination of employment. Executive's entitlement to benefits pursuant to this Section 4.4(b) shall cease if, during such period, Executive (or Executive's eligible dependents) fail to pay the applicable employee portion of such premiums, or Executive is employed by or otherwise is rendering services to a third party for which Executive is entitled to receive medical benefits. The Company may, in its discretion, include the employer-paid cost of such medical coverage in Executive's taxable income. Notwithstanding the foregoing, if the Company's providing coverage or making payments under this Section 4.4(b) would violate the nondiscrimination rules applicable to non-grandfathered plans under the ACA, or result in the imposition of penalties under the ACA and the related regulations and guidance promulgated thereunder, the parties agree to reform this Section 4.4(b) in such manner as is necessary to comply with the ACA.

(c) In the event of a termination of employment pursuant to this Section 4.4, each grant made to Executive pursuant to the OIP or any similar equity compensation plan (i) that is subject solely to a time based vesting condition shall become 100% vested; and (ii) that vests based on the attainment of performance goals shall remain outstanding and shall vest or be forfeited in accordance with the terms of the applicable award agreement. Executive shall have (x) thirty days following termination of Executive's employment or (y) the period specified in the grant or award, whichever is greater, in which to exercise (if applicable) any vested awards; provided that in no event shall such exercise period be extended past the date the grant or award expires by its terms.

4.5. Termination of Employment by Expiration of the Term. If the Company notifies Executive that it is not renewing the initial Term or any renewal period in accordance with Section 1 hereof, and thereafter Executive terminates his or her employment with the Company not later than the end of the initial Term or the renewal period, as applicable, then Executive shall be entitled to receive (i) the Accrued Rights, plus (ii) an amount equal to a pro-rated portion of the Annual Bonus that Executive otherwise would have been paid for the fiscal year in which such termination of employment occurs, payable when the Annual Bonus would otherwise have been paid to Executive pursuant to Section 3.2, based upon (a) actual performance for such fiscal year, as determined at the end of such fiscal year and (b) the percentage of such fiscal year that shall have elapsed through the date of Executive's termination of employment, plus (iii) provided that Executive first executes and returns to the Company within fifty (50) days following Executive's termination of employment (and does not revoke within any applicable waiting period relevant thereto) a release of all claims arising out of or relating to the Agreement or Executive's employment by the Company or any Subsidiary (other than any claims for indemnification to which Executive may be entitled as a result of his serving as an officer or director of the Company or any Subsidiary) that is in form and substance reasonable satisfactory to the Company, and subject to Executive's continued compliance with the provisions of Section 5 of this Agreement (to the extent expressly applicable after the Term):

(a) An amount, payable in a lump sum without discount within sixty (60) days of the date of termination (subject to Section 6.20), equal to the sum of Executive's (i) annual Base Salary at the time of termination and (ii) the average Annual Bonus actually earned and paid for the last three full calendar years ending prior to the termination date. In the event that on the date of termination there are less than three full calendar years of the Term completed by Executive in the role set forth in Section 2 Duties of this Agreement, the average shall be based on the average Annual Bonus actually earned and paid (or payable) during the Term through the date of termination.

(b) Continued medical benefits for Executive, Executive's spouse and Executive's eligible dependents, who at the time of Executive's termination are enrolled in Company's medical benefits plans, for a period of twelve (12) months following Executive's termination of employment. Such benefits shall be substantially identical to the benefits maintained for other senior executives of the Company, and shall be contingent upon Executive or Executive's eligible dependents continuing to fund any applicable "employee portion" of any premiums, and any co-insurance, co-pay or other employee funded amounts. Executive acknowledges that such benefit continuation is intended, and shall be deemed, to satisfy the obligations of the Company and any of its Subsidiaries to provide continuation of benefits under COBRA for such period, and the Company may require Executive to make a timely election of

COBRA coverage, and may satisfy its obligations under this Section 4.5(b) by paying any applicable COBRA premiums or causing such premiums to be paid for a period of up to twelve (12) months following Executive's termination of employment. Executive's entitlement to benefits pursuant to this Section 4.5 (b) shall cease if, during such period, Executive (or Executive's eligible dependents) fail to pay the applicable employee portion of such premiums, or Executive is employed by or otherwise is rendering services to a third party for which Executive is entitled to receive medical benefits. The Company may, in its discretion, include the employer-paid cost of such medical coverage in Executive's taxable income. Notwithstanding the foregoing, if the Company's providing coverage or making payments under this Section 4.4(b) would violate the nondiscrimination rules applicable to non-grandfathered plans under the ACA, or result in the imposition of penalties under the ACA and the related regulations and guidance promulgated thereunder, the parties agree to reform this Section 4.4(b) in such manner as is necessary to comply with the ACA.

4.6. If Executive notifies the Company that he is not renewing the initial Term or any renewal period not for Good Reason in accordance with Section 1 and this Section 4.5 and, thereafter, Executive's employment with the Company terminates as a result of the expiration of the Term, then Executive shall not be entitled to any severance pay or any other benefits under Section 4 hereof, other than the Accrued Rights. For the avoidance of doubt, if the Company notifies Executive that it is not renewing the initial Term or any renewal period in accordance with Section 1 hereof, and thereafter Executive does not terminate his or her employment with the Company by the end of the initial Term or the renewal period, as applicable, and Executive and Company agree that Executive will remain employed by the Company, then Executive shall not be entitled to any payments or benefits under this Section 4.5 and Executive's employment shall thereafter continue "at-will." Notice of Termination. Any purported termination of employment by the Company or by Executive (other than due to Executive's death) shall be communicated by written notice to the other party, which indicates the specific termination provision in this Agreement relied upon and sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of employment under the provision so indicated and the date of employment termination.

4.7. Employee Termination and Board/Committee/Officer Resignation. Upon termination of Executive's employment for any reason, Executive's employment with each of the Company and each Subsidiary shall be terminated and Executive shall be deemed to resign, as of the date of such termination and to the extent applicable, from the boards of directors (and any committees thereof) of the Company and any Subsidiary and as an officer of the Company and any Subsidiary. Executive shall confirm such resignation(s) in writing to the Company.

4.8. Excess Parachute Payments.

(a) In the event that it shall be determined, based upon the advice of the independent public accountants for the Company (the "**Accountants**"), that any payments, benefits or distributions by the Company or any of its Subsidiaries, under this Agreement or otherwise (a "**Payment**"), constitute "parachute payments" under Section 280G(b)(2) of the Code, as amended, then, if the aggregate present value of all such Payments (collectively, the "**Parachute Amount**") exceeds 2.99 times Executive's "base amount", as defined in Section 2800(b)(3) of the Code (the "**Executive Base Amount**"), the amounts constituting "parachute

payments” which would otherwise be payable to or for the benefit of Executive, whether provided under this Agreement or otherwise, shall be reduced to the extent necessary so that the Parachute Amount is equal to 2.99 times Executive Base Amount (the “**Reduced Amount**”); provided that such amounts shall not be so reduced if Executive determines, based upon the advice of the Accountants, that without such reduction Executive would be entitled to receive and retain, on a net after-tax basis (including, without limitation, any excise taxes payable under Section 4999 of the Code), an amount which is greater than the amount, on a net after-tax basis, that Executive would be entitled to retain upon his receipt of the Reduced Amount.

(b) If the determination made pursuant to clause (a) of this Section 4.8 results in a reduction of the Payments, such Payments shall be reduced in the order that would provide Executive with the largest amount of after-tax proceeds (with such order determined by the Accountants in a manner that is both consistent with, and avoids imposition of excise taxes under, Code Sections 280G and 409A). Executive shall at any time have the unilateral right to forfeit any equity award in whole or in part, except to the extent such forfeiture would result in an impermissible substitution under Code Section 409A.

(c) As a result of the uncertainty in the application of Section 280G of the Code at the time of a determination hereunder, it is possible that payments will be made by the Company which should not have been made under clause (a) of this Section 4.8 (“**Overpayment**”) or that additional payments which are not made by the Company pursuant to clause (a) of this Section 4.8 should have been made (“**Underpayment**”). In the event that there is a final determination by the Internal Revenue Service, or a final determination by a court of competent jurisdiction, that an Overpayment has been made, any such Overpayment shall be repaid by Executive to the Company together with interest at the applicable Federal rate provided for in Section 7872(f)(2) of the Code. In the event that there is a final determination by the Internal Revenue Service, a final determination by a court of competent jurisdiction or a change in the provisions of the Code or regulations pursuant to which an Underpayment arises, any such Underpayment shall be promptly paid by the Company to or for the benefit of Executive, together with interest at the applicable Federal rate provided for in Section 7872(f)(2) of the Code.

Section 5. Covenants.

5.1. Confidentiality.

(a) For purposes of this Agreement, “Confidential Information” means confidential information relating to the business of the Company or its Subsidiaries that (i) has been made known to Executive through his relationship with the Company or its Subsidiaries, (ii) has value to the Company or its Subsidiaries and (iii) is not generally known to the public. Confidential Information includes, without limitation, information relating to business strategies, investment and disposition strategies, information regarding current or prospective deals and transactions, terms of transaction documents (including but not limited to purchase and sale agreements, operating agreements, lease agreements and employment agreements), financial information, client information, research activities, marketing plans and strategies, and non-public personnel information, regardless of whether such information is marked “confidential.” Confidential Information includes trade secrets (as defined under applicable law) as well as information that does not rise to the level of a trade secret, and includes information that has

been entrusted to the Company by a third party under an obligation of confidentiality. Confidential Information does not include any information that has been voluntarily disclosed to the public by the Company or its Subsidiaries (except where such public disclosure has been made by Executive without authorization) or that has been independently developed and disclosed by others, or that otherwise enters the public domain through lawful means.

(b) Executive acknowledges that, in his employment hereunder, he will occupy a position of trust and confidence with the Company and its Subsidiaries. Executive agrees that Executive shall not, except (i) as may be required to perform his duties hereunder, (ii) as provided in Section 6.19 or as otherwise required by applicable law or (iii) with the prior written consent of the Company, use, disclose or disseminate any Confidential Information. This provision shall be in addition to all requirements of applicable law with respect to maintaining the secrecy and confidentiality of confidential information and trade secrets, and Executive's obligations hereunder will continue for so long as the information in question continues to constitute Confidential Information.

5.2. Non-solicitation.

(a) During Executive's employment with the Company and a period of one-year following Executive's termination for any reason, (the "**Restricted Period**"), Executive shall not, except on behalf of the Company or one of its Subsidiaries or with the Company's prior written consent, directly or by assisting others, (i) solicit or encourage to leave the employment or other service of the Company or any of its Subsidiaries, any Consultant or managerial-level employee of the Company or its Subsidiaries, or (ii) solicit for employment (on behalf of Executive or any other person or entity) any former Consultant or former managerial-level employee of the Company or its Subsidiaries if that person has left the employment of or discontinued providing services to the Company or any of its Subsidiaries within the then prior one-year period.

(b) During the Restricted Period, Executive will not, whether for his own account or for the account of any other person or entity, intentionally interfere with the Company's or any of its Subsidiaries' relationship with, or, directly or by assisting others, endeavor to entice away from the Company or any of its Subsidiaries, any existing or actively sought tenant, co-investor, co-developer, joint venturer or other customer (together, "**Customer**") of the Company or any of its Subsidiaries, and with whom Executive had Material Contact during the last twelve (12) months of Executive's employment with the Company.

(c) For purposes of this Agreement, (x) "**Consultant**" means an independent contractor who provides managerial-level services and who performs (or in the last year has performed) a substantial portion of his or her services for the Company or a Subsidiary, and (y) "**Material Contact**" means contact between Executive and each Customer or potential Customer (i) with whom Executive dealt on behalf of the Company or its Subsidiaries, (ii) whose dealings with the Company or its Subsidiaries were coordinated or supervised by Executive, (iii) about whom Executive obtained Confidential Information in the ordinary course of business as a result of Executive's association with the Company or its Subsidiaries, or (iv) who receives products or services authorized by the Company or its Subsidiaries, the sale or possession of which results or resulted in possible compensation, commissions, or earnings for Executive.

5.3. Non-competition. During the Restricted Period, unless Employee has obtained the Board's prior written approval, Executive shall not, directly or by assisting others, render executive services which are the same as or substantially similar to the services which Executive provided to the Company during the last twelve (12) months of Executive's employment by the Company, to any person or entity engaged in a Competing Business that has a Concentrated Holding in a submarket in which the Company also has a Concentrated Holding as of the date on which Executive ceases to be employed by the Company. "**Competing Business**" shall mean the business of owning or managing commercial office buildings. "**Concentrated Holding**" shall mean the ownership of both two or more properties and 500,000 square feet of office space in a particular submarket.

5.4. Company Policies. During the Term, Executive shall also be subject to and shall abide by all written reasonable policies and procedures of the Company provided to him or made available to him through a Company intranet or similar site to which he has access, and Executive has acknowledged receipt thereof, including regarding the protection of confidential information and intellectual property and potential conflicts of interest, except to the extent that such policies and procedures conflict with the other provisions of this Agreement, in which case this Agreement shall control. Executive acknowledges that the Company may amend any such policies and guidelines from, time to time, and that Executive remains at all times bound by their most current version to the extent made known to him and reasonable in scope.

5.5. Intellectual Property. As between Executive and the Company, the Company shall be the sole owner of all the products and proceeds of Executive's services hereunder including, without limitation, all inventions, innovations, improvements, technical information, systems, software developments, methods, designs, formulas, analyses, drawings, reports, service marks, trademarks, trade names, logos and all similar or related information (whether patentable or unpatentable) that relate to the Company's actual business, research and development or existing products or services and that were conceived, developed or made by Executive (whether or not during usual business hours or on the premises of the Company and whether or not alone or in conjunction with any other person) during Executive's employment with the Company, together with all patent applications, letters patent, trademarks, trade names and service mark applications or registrations, copyrights and reissues thereof that may be granted for or upon any of the foregoing (collectively referred to as "**Work Product**"). Executive hereby assigns to the Company all of Executive's right, title and interest in and to any and all such Work Product, and Executive agrees to perform all actions reasonably requested by the Company to establish and confirm the Company's ownership of such Work Product, whether during or after the Term, without any additional compensation.

5.6. General; Continuing Effect of Section 5. Executive and the Company intend that: (i) this Section 5 concerning (among other things) the exclusive services of Executive to the Company and/or its Subsidiaries shall be construed as a series of separate covenants; (ii) if any portion of the restrictions set forth in this Section 5 should, for any reason whatsoever, be declared invalid by an arbitrator or a court of competent jurisdiction, the validity or enforceability of the remainder of such restrictions shall not thereby be adversely affected; and (iii) Executive declares that the territorial, time and other limitations set forth in this Section 5 are reasonable and properly required for the adequate protection of the business of the Company and/or its Subsidiaries. In the event that any such limitation is deemed to be unreasonable by an

arbitrator or a court of competent jurisdiction, Executive agrees to the reduction which such arbitrator or court shall have deemed reasonable. All of the provisions of this Section 5 are in addition to any other written agreements on the subjects covered herein that Executive may have with the Company and/or any of its Subsidiaries and are not meant to and do not excuse any additional obligations that Executive may have under such agreements.

5.7. Specific Performance. Executive acknowledges and agrees that the confidential information, non-competition, non-solicitation, intellectual property rights and other rights of the Company referred to in Section 5 of this Agreement are each of substantial value to the Company and/or its Subsidiaries and that any breach of Section 5 by Executive would cause irreparable harm to the Company and/or its Subsidiaries, for which the Company and/or its Subsidiaries would have no adequate remedy at law. Therefore, in addition to any other remedies that may be available to the Company and/or any of its Subsidiaries under this Agreement or otherwise, the Company and/or its Subsidiaries shall be entitled to obtain temporary restraining orders, preliminary and permanent injunctions and/or other equitable relief to specifically enforce Executive's duties and obligations under this Agreement, or to enjoin any breach of this Agreement, without the need to post a bond or other security and without the need to demonstrate special damages.

Section 6. Other Provisions.

6.1. Severability. Any provision of this Agreement which is deemed invalid, illegal or unenforceable in any jurisdiction shall, as to that jurisdiction and subject to this paragraph be ineffective to the extent of such invalidity, illegality or unenforceability, without affecting in any way the remaining provisions hereof in such jurisdiction or rendering that or any other provisions of this Agreement invalid, illegal, or unenforceable in any other jurisdiction. If any covenant should be deemed invalid, illegal or unenforceable because its scope is considered excessive, such covenant shall be modified so that the scope of the covenant is reduced only to the minimum extent necessary to render the modified covenant valid, legal and enforceable.

6.2. Construction. The parties acknowledge that this Agreement is the result of arm's-length negotiations between sophisticated parties, each afforded representation by legal counsel. Each and every provision of this Agreement shall be construed as though both parties participated equally in the drafting of the same, and any rule of construction that a document shall be construed against the drafting party shall not be applicable to this Agreement.

6.3. Arbitration. Except as necessary for the Company and its Subsidiaries, successors or assigns or Executive to specifically enforce or enjoin a breach of this Agreement (to the extent such remedies are otherwise available), the parties agree that any and all disputes that may arise in connection with, arising out of or relating to this Agreement, or any dispute that relates in any way, in whole or in part, to Executive's employment by the Company or any Subsidiary, the termination of such employment or any other dispute by and between the parties or their subsidiaries, affiliates, successors or assigns related thereto, shall be submitted to binding arbitration in Atlanta, Georgia according to Georgia law and the rules and procedures of the American Arbitration Association. The parties agree that each party shall bear its or his own expenses incurred in connection with any such dispute.

6.4. Notices. Any notice or other communication required or permitted hereunder shall be in writing and shall be delivered personally, by nationally-recognized overnight courier service or sent by certified, registered or express mail, postage prepaid. Any such notice shall be deemed given when so delivered personally, when delivered by nationally-recognized overnight courier service or, if mailed, five days after the date of deposit in the United States mails as follows:

If to the Company, to:
Piedmont Office Realty Trust, Inc.
5565 Glenridge Connector, Suite 450
Atlanta, GA 30342
Attention: Chairman of the Board
with a copy to:

King & Spalding
1180 Peachtree Street
Atlanta, Georgia 30309
Attention:

If to Executive, to:
George M. Wells

with a copy to:

Fryer, Shuster, Lester & Pollack,
1050 Crown Point Parkway, Suite 410
Atlanta, GA 30338
Attention:

Any such person may by notice given in accordance with this Section 6.4 to the other parties hereto designate another address or person for receipt by such person of notices hereunder.

6.5. Entire Agreement. This Agreement contains the entire agreement between the parties and their predecessors with respect to the subject matter hereof and supersedes all prior agreements, written or oral, with respect thereto.

6.6. Waivers and Amendments. Except as set forth in Sections 5.6 and 6.1, this Agreement may be amended, superseded, canceled, renewed or extended, and the terms hereof may be waived, only by a written instrument signed by the parties or, in the case of a waiver, by the party waiving compliance. No delay on the part of any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any waiver on the part of any party of any such right, power or privilege nor any single or partial exercise of any such right, power or privilege, preclude any other or further exercise thereof or the exercise of any other such right, power or privilege.

6.7. GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF GEORGIA WITHOUT REGARD TO ANY PRINCIPLES OF CONFLICTS OF LAW WHICH COULD CAUSE THE APPLICATION OF THE LAWS OF ANY JURISDICTION OTHER THAN THE STATE OF GEORGIA. THE PARTIES HERETO HEREBY IRREVOCABLY WAIVE, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT AND ANY TRANSACTIONS CONTEMPLATED HEREBY.

6.8. Assignment. This Agreement, and Executive's rights and obligations hereunder, may not be assigned by Executive; any purported assignment by Executive in violation hereof shall be null and void. This Agreement, and the Company's rights and obligations hereunder, may not be assigned by the Company except that the Company may assign its rights and obligations to any Subsidiary of the Company, provided that any such assignment shall not relieve the Company of any obligations hereunder that are not performed by such Subsidiary; any purported assignment by the Company in violation hereof shall be null and void. Notwithstanding the foregoing, in the event of any sale, transfer or other disposition of all or substantially all of the Company's assets or business, whether by merger, consolidation or otherwise, the Company may assign this Agreement and its rights hereunder to a successor in interest to substantially all of the business operations of the Company. It is anticipated that Executive's employer of record and salary and bonus payor may be a Subsidiary, but in that case the Company and such Subsidiary will be jointly and severally liable for all amounts payable to Executive hereunder.

6.9. Withholding. The Company shall be entitled to withhold from any payments or deemed payments any amount of tax withholding it determines to be required by law.

6.10. Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors, permitted assigns, heirs, executors and legal representatives.

6.11. Counterparts. This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original but all such counterparts together shall constitute one and the same instrument. Each counterpart may consist of two copies hereof each signed by one of the parties hereto.

6.12. Survival. Anything contained in this Agreement to the contrary notwithstanding, the provisions of Sections 3.7, 4, 5, and 6 shall survive termination of this Agreement and any termination of Executive's employment hereunder.

6.13. Existing Agreements. Executive represents to the Company that he is not subject or a party to any employment or consulting agreement, non-competition covenant or other agreement, covenant or understanding which might prohibit him from executing this Agreement or limit his ability to fulfill his responsibilities hereunder.

6.14. Set Off. The Company's obligation to pay Executive the amounts provided and to make the arrangements provided hereunder shall be subject to set-off, counterclaim or recoupment of amounts owed by Executive to the Company or its Subsidiaries to the extent permitted by applicable law; provided, however, that the Company may not exercise its right of set-off except to the extent that the Board (with Executive recused) determines in good faith that Executive has failed to pay to the Company or any of its Subsidiaries any amount owed to them and the amount of any such set-off shall be limited to the amount the Board (with Executive recused) determines in good faith is owed to the Company or any of its Subsidiaries; and further provided that any set-off pursuant to this Section 6.14 that results in the acceleration of payment of amounts constituting nonqualified deferred compensation subject to Section 409A of the Code shall be permitted only to the extent set forth in Treas. Reg. Section 1.409A-3(j)(4)(xiii).

6.15. Executive's Representations. Executive hereby represents to the Company that the execution and delivery of this Agreement by Executive and the Company and the performance by Executive of Executive's duties hereunder shall not constitute a breach of, or otherwise contravene, the terms of any employment agreement or other agreement or policy to which Executive is a party or otherwise bound. Executive represents and warrants that he is not subject to any employment agreement, nondisclosure agreement, common law nondisclosure obligation, fiduciary duty, noncompetition agreement, restrictive covenant or any other obligation to any former employer or to any other person or entity in any way relating to the right or ability of Executive to be employed by and/or perform services for the Company and its Subsidiaries. Executive further represents and warrants that he has not brought to or disclosed to the Company or to its Subsidiaries, and covenants that he will not bring to or disclose to the Company or to its Subsidiaries or use in connection with his employment with the Company, any trade secrets or proprietary information from any of his prior employers or from any other person or entity.

6.16. Cooperation in Third-Party Disputes. During the Term and for a period of two years thereafter, at the request of the Company, Executive shall cooperate with the Company and/or its Subsidiaries and each of their respective attorneys or other legal representatives (collectively referred to as "**Attorneys**") in connection with any claim, litigation, or judicial or arbitral proceeding which is now pending or may hereinafter be brought against the Company and/or any of its Subsidiaries by any third party. Executive's duty of cooperation shall include, but shall not be limited to, (a) meeting with the Company's and/or its Subsidiaries' Attorneys by telephone or in person at mutually convenient times and places in order to state truthfully Executive's knowledge of the matters at issue and recollection of events; (b) appearing at the Company's and/or its Subsidiaries' and/or their Attorneys' request (and, to the extent possible, at a time convenient to Executive that does not conflict with the needs or requirements of Executive's then-current employer or personal commitments) as a witness at depositions, trials or other proceedings, without the necessity of a subpoena, in order to state truthfully Executive's knowledge of the matters at issue; and (c) signing at the Company's request declarations or affidavits that truthfully state the matters of which Executive has knowledge. The Company shall promptly reimburse Executive for Executive's actual and reasonable travel or other out-of-pocket expenses (including reasonable attorneys' fees) that Executive may incur in cooperating with the Company and/or its Subsidiaries under this Section 6.16.

6.17. Compensation Committee. All discretionary and other actions and authority granted to the Compensation Committee by this Agreement may be taken by the full Board or any other committee of the Board it designates if the Board does not have a Compensation Committee.

6.18. Indemnification. Executive shall be entitled to the same rights to indemnification in connection with his service, if any, as a director of the Company or any of its Subsidiaries as the other Board members, and the same rights to indemnification in connection with his service as an executive officer of the Company or any of its Subsidiaries as the other executive officers, and such indemnification rights shall survive the termination of his employment hereunder. Executive's rights to indemnification specifically include all such rights arising pursuant to (i) the Company's Articles of Incorporation and Bylaws; (ii) any written agreements between the Company and its directors or officers; (iii) insurance policies (including any extended reporting periods available to directors thereunder) providing coverage to the Company's directors, officers and employees, including any directors and officers indemnification insurance.

6.19. Permitted Disclosures. Nothing contained in this Agreement limits Executive's ability to file a charge or complaint with the Equal Employment Opportunity Commission or any other federal, state or local governmental agency or commission (collectively, "**Government Agencies**"), or prevents Executive from providing truthful testimony in response to a lawfully issued subpoena or court order. Further, this Agreement does not limit Executive's ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company. Executive is hereby notified that under the Defend Trade Secrets Act: (a) no individual will be held criminally or civilly liable under federal or state trade secret law for disclosure of a trade secret (as defined in the Economic Espionage Act) that is: (i) made in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, and made solely for the purpose of reporting or investigating a suspected violation of law; or (ii) made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal so that it is not made public; and (b) an individual who pursues a lawsuit for retaliation by an employer for reporting a suspected violation of the law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual files any document containing the trade secret under seal, and does not disclose the trade secret, except as permitted by court order.

6.20. Section 409A.

(a) The intent of the parties is that payments and benefits under this Agreement comply with or be exempt from Section 409A of the Code and the regulations and guidance promulgated thereunder (collectively "**Code Section 409A**"), and the Company shall have complete discretion to interpret and construe this Agreement and any associated documents in any manner that establishes an exemption from (or compliance with) the requirements of Code Section 409A. If for any reason, such as imprecision in drafting, any provision of this Agreement (or of any award of compensation, including, without limitation, equity compensation or benefits) does not accurately reflect its intended establishment of an exemption from (or compliance with) Code Section 409A, as demonstrated by consistent interpretations or other

evidence of intent, such provision shall be considered ambiguous as to its exemption from (or compliance with) Code Section 409A and shall be interpreted by the Company in a manner consistent with such intent, as determined in the discretion of the Company.

(b) A termination of employment shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amounts or benefits that are considered nonqualified deferred compensation under and subject to Code Section 409A upon or following a termination of employment unless such termination is also a “separation from service” within the meaning of Code Section 409A, from the Company, and, for purposes of any such provision of this Agreement, references to a “termination,” “termination of employment” or like terms shall mean such a “separation from service.” The determination of whether and when a separation from service has occurred for purposes of this Agreement shall be made in accordance with the presumptions set forth in Section 1.409A-1(h) of the Treasury Regulations.

(c) Any provision of this Agreement to the contrary notwithstanding, if at the time of Executive’s separation from service, the Company determines that Executive is a “specified employee,” within the meaning of Code Section 409A, then to the extent any payment or benefit that Executive becomes entitled to under this Agreement on account of such separation from service would be considered nonqualified deferred compensation under Code Section 409A, such payment or benefit shall be paid or provided at the date which is the earlier of (i) six (6) months and one day after such separation from service and (ii) the date of Executive’s death (the “**Delay Period**”). Upon the expiration of the Delay Period, all payments and benefits delayed pursuant to this Section 6.20 (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid or provided to Executive in a lump-sum, and any remaining payments and benefits due under this Agreement shall be paid or provided in accordance with the normal payment dates specified for them herein.

(d) Any reimbursements and in-kind benefits provided under this Agreement that constitute deferred compensation within the meaning of and subject to Code Section 409A shall be made or provided in accordance with the requirements of Code Section 409A, including, without limitation, that (i) in no event shall any fees, expenses or other amounts eligible to be reimbursed by the Company under this Agreement be paid later than the last day of the calendar year next following the calendar year in which the applicable fees, expenses or other amounts were incurred; (ii) the amount of expenses eligible for reimbursement, or in-kind benefits that the Company is obligated to pay or provide, in any given calendar year shall not affect the expenses that the Company is obligated to reimburse, or the in-kind benefits that the Company is obligated to pay or provide, in any other calendar year; (iii) Executive’s right to have the Company pay or provide such reimbursements and in-kind benefits may not be liquidated or exchanged for any other benefit; and (iv) in no event shall the Company’s obligations to make such reimbursements or to provide such in-kind benefits apply later than Executive’s remaining lifetime (or if longer, through the second (2nd) anniversary of Executive’s termination of employment).

(e) For purposes of Code Section 409A, Executive’s right to receive any installment payments shall be treated as a right to receive a series of separate and distinct payments. Whenever a payment under this Agreement specifies a payment period with reference to a number of days (for example, “payment shall be made within thirty (30) days following the date of termination”), the actual date of payment within the specified period shall be within the

sole discretion of the Company. In no event may Executive, directly or indirectly, designate the calendar year of any payment to be made under this Agreement, to the extent such payment is subject to Code Section 409A.

(f) The Company makes no representation or warranty and shall have no liability to Executive or any other person if any provisions of this Agreement are determined to constitute deferred compensation subject to Code Section 409A but do not satisfy an exemption from, or the conditions of, Code Section 409A.

6.21. Headings. The headings in this Agreement are for reference only and shall not affect the interpretation of this Agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have signed their names as of the day and year first above written.

PIEDMONT OFFICE REALTY TRUST, INC.

By: /s/ C. Brent Smith
Name: Brent Smith
Title: Chief Executive Officer

**EXECUTIVE
George M. Wells**

/s/ George M. Wells

Address:

EXHIBIT 31.1
PRINCIPAL EXECUTIVE OFFICER CERTIFICATION
PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, C. Brent Smith, certify that:

1. I have reviewed this Form 10-Q for the quarter ended September 30, 2022 of Piedmont Office Realty Trust, 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.

Dated: November 2, 2022

By: /s/ C. Brent Smith
C. Brent Smith
Principal Executive Officer

EXHIBIT 31.2
PRINCIPAL FINANCIAL OFFICER CERTIFICATION
PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Robert E. Bowers, certify that:

1. I have reviewed this Form 10-Q for the quarter ended September 30, 2022 of Piedmont Office Realty Trust, 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.

Dated: November 2, 2022

By: /s/ Robert E. Bowers
Robert E. Bowers
Principal Financial Officer

EXHIBIT 32.1
CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 (18 U.S.C. 1350)

In connection with the Report of Piedmont Office Realty Trust, Inc. (the "Registrant") on Form 10-Q for the quarter ended September 30, 2022, as filed with the Securities and Exchange Commission (the "Report"), the undersigned, C. Brent Smith, Chief Executive Officer of the Registrant, hereby certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief:

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

By: /s/ C. Brent Smith

C. Brent Smith
Chief Executive Officer
November 2, 2022

EXHIBIT 32.2
CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 (18 U.S.C. 1350)

In connection with the Report of Piedmont Office Realty Trust, Inc. (the "Registrant") on Form 10-Q for the quarter ended September 30, 2022, as filed with the Securities and Exchange Commission (the "Report"), the undersigned, Robert E. Bowers, Chief Financial Officer of the Registrant, hereby certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief:

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

By: /s/ Robert E. Bowers

Robert E. Bowers
Chief Financial Officer
November 2, 2022