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

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**FORM 10-Q**

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(Mark One)  
 **QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT of 1934**

**For the Quarterly Period Ended March 31, 2020**

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
<b>Common Stock, \$0.01 par value</b>	<b>PDM</b>	<b>New York Stock Exchange</b>

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 April 28, 2020:**

**125,920,629 shares**

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## FORM 10-Q

## PIEDMONT OFFICE REALTY TRUST, INC.

## TABLE OF CONTENTS

	<u>Page No.</u>
<b>PART I</b>	<b>Financial Information</b>
Item 1.	<a href="#">Consolidated Financial Statements.</a> 5
	<a href="#">Consolidated Balance Sheets—March 31, 2020 (unaudited) and December 31, 2019</a> 6
	<a href="#">Consolidated Statements of Income for the Three Months Ended March 31, 2020 (unaudited) and 2019 (unaudited)</a> 7
	<a href="#">Consolidated Statements of Comprehensive Income for the Three Months Ended March 31, 2020 (unaudited) and 2019 (unaudited)</a> 8
	<a href="#">Consolidated Statements of Stockholders' Equity for the Three Months Ended March 31, 2020 (unaudited) and 2019 (unaudited)</a> 9
	<a href="#">Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2020 (unaudited) and 2019 (unaudited)</a> 10
	<a href="#">Condensed Notes to Consolidated Financial Statements (unaudited)</a> 11
Item 2.	<a href="#">Management's Discussion and Analysis of Financial Condition and Results of Operations.</a> 25
Item 3.	<a href="#">Quantitative and Qualitative Disclosures About Market Risk.</a> 36
Item 4.	<a href="#">Controls and Procedures.</a> 37
<b>PART II.</b>	<b>Other Information</b>
Item 1.	<a href="#">Legal Proceedings.</a> 38
Item 1A.	<a href="#">Risk Factors.</a> 38
Item 2.	<a href="#">Unregistered Sales of Equity Securities and Use of Proceeds.</a> 38
Item 3.	<a href="#">Defaults Upon Senior Securities.</a> 39
Item 4.	<a href="#">Mine Safety Disclosures.</a> 39
Item 5.	<a href="#">Other Information.</a> 39
Item 6.	<a href="#">Exhibits.</a> 40

## 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 its executive officers on Piedmont's behalf, may from time to time make forward-looking statements in reports and other documents Piedmont files 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 Piedmont's 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.

These statements are based on beliefs and assumptions of Piedmont's 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 Piedmont operates, competitive conditions, and general economic conditions. These assumptions could prove inaccurate. The forward-looking statements also involve 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 Piedmont's ability to control or predict. Such factors include, but are not limited to, the following:

- Actual or threatened public health epidemics or outbreaks, such as the novel coronavirus (COVID-19) pandemic that the world is currently experiencing, and governmental and private measures taken to combat such health crises, which may affect our personnel, tenants, and the costs of operating our assets;
- Economic, regulatory, socio-economic changes, and/or technology changes (including accounting standards) that impact the real estate market generally, or that could affect patterns of use of commercial office space;
- The impact of competition on our efforts to renew existing leases or re-let space on terms similar to existing leases;
- Changes in the economies and other conditions affecting the office sector in general and specifically the seven markets in which we primarily operate where we have high concentrations of our Annualized Lease Revenue (see definition below);
- Lease terminations, lease defaults, or changes in the financial condition of our tenants, particularly by one of our large lead tenants;
- Adverse market and economic conditions, including any resulting impairment charges on both our long-lived assets or goodwill resulting therefrom;
- The success of our real estate strategies and investment objectives, including our ability to identify and consummate suitable acquisitions and divestitures;
- The illiquidity of real estate investments, including 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 and resultant increased costs and risks;
- Our real estate development strategies may not be successful;
- Future acts of terrorism or armed hostilities in any of the major metropolitan areas in which we own properties, or future cybersecurity attacks against us or any of our tenants;
- Costs of complying with governmental laws and regulations;
- Additional risks and costs associated with directly managing properties occupied by government tenants, including 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 LIBOR rates are determined and the potential phasing out of LIBOR after 2021;
- The effect of future offerings of debt or equity securities or changes in market interest rates on the value of our common stock;
- Uncertainties associated with environmental and other regulatory matters;
- Potential changes in political environment and reduction in federal and/or state funding of our governmental tenants;
- Changes in the financial condition of our tenants directly or indirectly resulting from geopolitical developments that could negatively affect international trade, including the uncertainty surrounding the United Kingdom's withdrawal

from the European Union, 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 co-working tenants, 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 (the "Code") or otherwise adversely affect our stockholders;
- The future effectiveness of our internal controls and procedures; and
- Other factors, including the risk factor described in [Item 1A](#) of this Quarterly Report on Form 10-Q, as well as the risk factors discussed under Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2019.

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**

Annualized Lease Revenue ("ALR"), a non-GAAP measure, is calculated by multiplying (i) 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 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, 2019. Piedmont's results of operations for the three months ended March 31, 2020 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) March 31, 2020	December 31, 2019
<b>Assets:</b>		
Real estate assets, at cost:		
Land	\$ 505,234	\$ 485,560
Buildings and improvements, less accumulated depreciation of \$755,152 and \$730,750 as of March 31, 2020 and December 31, 2019, respectively	2,494,795	2,212,935
Intangible lease assets, less accumulated amortization of \$52,538 and \$50,766 as of March 31, 2020 and December 31, 2019, respectively	115,434	74,405
Construction in progress	42,028	29,920
Real estate assets held for sale, net	137,787	139,690
Total real estate assets	3,295,278	2,942,510
Cash and cash equivalents	7,920	13,545
Tenant receivables	10,596	8,226
Straight-line rent receivables	139,617	132,342
Restricted cash and escrows	1,758	1,841
Prepaid expenses and other assets	23,933	25,427
Goodwill	98,918	98,918
Deferred lease costs, less accumulated amortization of \$148,972 and \$147,324 as of March 31, 2020 and December 31, 2019, respectively	314,788	265,747
Other assets held for sale, net	28,008	28,201
Total assets	\$ 3,920,816	\$ 3,516,757
<b>Liabilities:</b>		
Unsecured debt, net of discount and unamortized debt issuance costs of \$8,095 and \$7,626 as of March 31, 2020 and December 31, 2019, respectively	\$ 1,743,905	\$ 1,292,374
Secured debt, net of premiums and unamortized debt issuance costs of \$267 and \$343 as of March 31, 2020 and December 31, 2019, respectively	188,779	189,030
Accounts payable, accrued expenses and accrued capital expenditures	90,459	117,496
Dividends payable	—	26,427
Deferred income	35,443	34,609
Intangible lease liabilities, less accumulated amortization of \$19,958 and \$19,607 as of March 31, 2020 and December 31, 2019, respectively	44,646	25,069
Interest rate swaps	26,709	5,121
Other liabilities held for sale	7,158	7,657
Total liabilities	2,137,099	1,697,783
<b>Commitments and Contingencies</b> ( <a href="#">Note 7</a> )	—	—
<b>Stockholders' Equity:</b>		
Shares-in-trust, 150,000,000 shares authorized; none outstanding as of March 31, 2020 or December 31, 2019	—	—
Preferred stock, no par value, 100,000,000 shares authorized; none outstanding as of March 31, 2020 or December 31, 2019	—	—
Common stock, \$0.01 par value, 750,000,000 shares authorized; 125,920,629 and 125,783,408 shares issued and outstanding as of March 31, 2020 and December 31, 2019, respectively	1,259	1,258
Additional paid-in capital	3,690,821	3,686,398
Cumulative distributions in excess of earnings	(1,889,109)	(1,871,375)
Other comprehensive income/(loss)	(20,976)	967
Piedmont stockholders' equity	1,781,995	1,817,248
Noncontrolling interest	1,722	1,726
Total stockholders' equity	1,783,717	1,818,974
Total liabilities and stockholders' equity	\$ 3,920,816	\$ 3,516,757

See accompanying notes

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

	(Unaudited)	
	Three Months Ended	
	March 31,	
	2020	2019
<b>Revenues:</b>		
Rental and tenant reimbursement revenue	\$ 132,154	\$ 126,166
Property management fee revenue	773	1,992
Other property related income	4,244	4,778
	<u>137,171</u>	<u>132,936</u>
<b>Expenses:</b>		
Property operating costs	53,190	51,805
Depreciation	27,884	26,525
Amortization	23,631	17,700
General and administrative	8,643	9,368
	<u>113,348</u>	<u>105,398</u>
<b>Other income (expense):</b>		
Interest expense	(15,264)	(15,493)
Other income	149	277
Gain on sale of real estate assets	3	37,887
	<u>(15,112)</u>	<u>22,671</u>
<b>Net income</b>	<u>8,711</u>	<u>50,209</u>
<b>Net income applicable to noncontrolling interest</b>	<u>(2)</u>	<u>(1)</u>
<b>Net income applicable to Piedmont</b>	<u>\$ 8,709</u>	<u>\$ 50,208</u>
<b>Per share information – basic and diluted:</b>		
Net income applicable to common stockholders	\$ 0.07	\$ 0.40
<b>Weighted-average common shares outstanding – basic</b>	<u>125,862,086</u>	<u>125,573,528</u>
<b>Weighted-average common shares outstanding – diluted</b>	<u>126,360,003</u>	<u>126,180,558</u>

*See accompanying notes*

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

	(Unaudited)	
	Three Months Ended	
	March 31,	
	2020	2019
<b>Net income applicable to Piedmont</b>	<b>\$ 8,709</b>	<b>\$ 50,208</b>
<b>Other comprehensive income/(loss):</b>		
Effective portion of loss on derivative instruments that are designated and qualify as cash flow hedges (See <a href="#">Note 5</a> )	(21,937)	(2,024)
Plus/(less): Reclassification of net gain included in net income (See <a href="#">Note 5</a> )	(6)	(771)
<b>Other comprehensive loss</b>	<b>(21,943)</b>	<b>(2,795)</b>
<b>Comprehensive income/(loss) applicable to Piedmont</b>	<b>\$ (13,234)</b>	<b>\$ 47,413</b>

*See accompanying notes*

**PIEDMONT OFFICE REALTY TRUST, INC.**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019 (UNAUDITED)**  
(in thousands, except per share amounts)

	Common Stock		Additional Paid-In Capital	Cumulative Distributions in Excess of Earnings	Other Comprehensive Income/(Loss)	Non- controlling Interest	Total Stockholders' Equity
	Shares	Amount					
<b>Balance, December 31, 2019</b>	125,783	\$ 1,258	\$ 3,686,398	\$ (1,871,375)	\$ 967	\$ 1,726	\$ 1,818,974
Dividends to common stockholders (\$0.21 per share), stockholders of subsidiaries, and dividends reinvested	—	—	(5)	(26,443)	—	(6)	(26,454)
Shares issued and amortized under the 2007 Omnibus Incentive Plan, net of tax	138	1	4,428	—	—	—	4,429
Net income applicable to noncontrolling interest	—	—	—	—	—	2	2
Net income applicable to Piedmont	—	—	—	8,709	—	—	8,709
Other comprehensive loss	—	—	—	—	(21,943)	—	(21,943)
<b>Balance, March 31, 2020</b>	<u>125,921</u>	<u>\$ 1,259</u>	<u>\$ 3,690,821</u>	<u>\$ (1,889,109)</u>	<u>\$ (20,976)</u>	<u>\$ 1,722</u>	<u>\$ 1,783,717</u>

	Common Stock		Additional Paid-In Capital	Cumulative Distributions in Excess of Earnings	Other Comprehensive Income/(Loss)	Non- controlling Interest	Total Stockholders' Equity
	Shares	Amount					
<b>Balance, December 31, 2018</b>	126,219	\$ 1,262	\$ 3,683,186	\$ (1,982,542)	\$ 8,462	\$ 1,772	\$ 1,712,140
Share repurchases as part of announced plan	(728)	(7)	—	(12,475)	—	—	(12,482)
Dividends to common stockholders (\$0.21 per share), stockholders of subsidiaries, and dividends reinvested	—	—	(48)	(26,375)	—	(7)	(26,430)
Shares issued and amortized under the 2007 Omnibus Incentive Plan, net of tax	106	1	2,879	—	—	—	2,880
Net income applicable to noncontrolling interest	—	—	—	—	—	1	1
Net income applicable to Piedmont	—	—	—	50,208	—	—	50,208
Other comprehensive loss	—	—	—	—	(2,795)	—	(2,795)
<b>Balance, March 31, 2019</b>	<u>125,597</u>	<u>\$ 1,256</u>	<u>\$ 3,686,017</u>	<u>\$ (1,971,184)</u>	<u>\$ 5,667</u>	<u>\$ 1,766</u>	<u>\$ 1,723,522</u>

See accompanying notes

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

	(Unaudited)	
	Three Months Ended	
	March 31,	
	2020	2019
<b>Cash Flows from Operating Activities:</b>		
Net income	\$ 8,711	\$ 50,209
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	27,884	26,525
Amortization of debt issuance costs net of favorable settlement of interest rate swaps	206	100
Other amortization	21,518	16,427
Stock compensation expense	3,895	3,835
Gain on sale of real estate assets	(3)	(37,887)
Changes in assets and liabilities:		
Increase in tenant and straight-line rent receivables	(10,011)	(4,333)
Decrease in prepaid expenses and other assets	753	1,570
Decrease in accounts payable and accrued expenses	(6,941)	(14,440)
Increase/(decrease) in deferred income	785	(1,762)
Net cash provided by operating activities	<u>46,797</u>	<u>40,244</u>
<b>Cash Flows from Investing Activities:</b>		
(Acquisition of real estate assets and intangibles)/return of escrowed purchase price	(396,846)	700
Capitalized expenditures	(32,318)	(15,435)
Net sales proceeds from wholly-owned properties	(62)	168,341
Deferred lease costs paid	(19,581)	(2,145)
Net cash (used in)/provided by investing activities	<u>(448,807)</u>	<u>151,461</u>
<b>Cash Flows from Financing Activities:</b>		
Debt issuance and other costs paid	(146)	(36)
Proceeds from debt	792,625	115,000
Repayments of debt	(341,175)	(235,289)
Discount paid due to loan modification	(525)	—
Value of shares withheld for payment of taxes related to employee stock compensation	(1,596)	(1,055)
Repurchases of common stock as part of announced plan	—	(16,899)
Dividends paid and discount on dividend reinvestments	(52,881)	(53,402)
Net cash provided by/(used in) financing activities	<u>396,302</u>	<u>(191,681)</u>
<b>Net (decrease)/increase in cash, cash equivalents, and restricted cash and escrows</b>	<b>(5,708)</b>	<b>24</b>
<b>Cash, cash equivalents, and restricted cash and escrows, beginning of period</b>	<b>15,386</b>	<b>6,034</b>
<b>Cash, cash equivalents, and restricted cash and escrows, end of period</b>	<b>\$ 9,678</b>	<b>\$ 6,058</b>

*See accompanying notes*

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

**MARCH 31, 2020**  
**(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 acquisition, development, redevelopment, management, and ownership of commercial real estate properties located primarily in select sub-markets within seven major Eastern U.S. office markets, including properties that are under construction, are newly constructed, or have operating histories. Piedmont was incorporated in 1997 and commenced operations in 1998. Piedmont conducts business primarily through Piedmont Operating Partnership, L.P. ("Piedmont OP"), a Delaware limited partnership, as well as performing the management of its buildings through two wholly-owned subsidiaries, Piedmont Government Services, LLC and Piedmont Office Management, LLC. Piedmont owns 99.9% of, and is the sole general partner of, Piedmont OP and as such, possesses full legal control and authority over the operations of Piedmont OP. The remaining 0.1% ownership interest of Piedmont OP is held indirectly by Piedmont through its wholly-owned, taxable REIT subsidiary, Piedmont Office Holdings, Inc. ("POH"), the sole limited partner of Piedmont OP. 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 March 31, 2020, Piedmont owned 58 in-service office properties in select sub-markets located within seven major U.S. office markets: Atlanta, Boston, Dallas, Minneapolis, New York, Orlando, and Washington, D.C. As of March 31, 2020, Piedmont's 58 in-service office properties comprised approximately 18.0 million square feet of primarily Class A commercial office space and were 89.6% leased.

Piedmont internally evaluates all of its real estate assets as one operating segment, and accordingly does not report segment information.

**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") for 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, 2019.

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. Actual results could 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, POH, 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 months ended March 31, 2020 and 2019, respectively, as follows (in thousands):

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Fixed payments	\$ 111,496	\$ 103,659
Variable payments	20,658	22,507
<b>Total Rental and Tenant Reimbursement Revenue</b>	<b>\$ 132,154</b>	<b>\$ 126,166</b>

Operating leases where Piedmont is the lessee relate primarily to office space in buildings owned by third parties. For both the three months ended March 31, 2020 and 2019, Piedmont recognized approximately \$20,000 of operating lease costs related to these office space leases. As of March 31, 2020, the weighted-average lease term of Piedmont's right of use assets is approximately two years, and the weighted-average discount rate is 3.35%.

*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 March 31, 2020 and December 31, 2019, respectively, are as follows (in thousands):

	March 31, 2020	December 31, 2019
Intangible Lease Assets:		
Above-Market In-Place Lease Assets	\$ 2,238	\$ 2,082
In-Place Lease Valuation	\$ 199,746	\$ 157,101
Intangible Lease Origination Costs (included as component of Deferred Lease Costs)	\$ 303,521	\$ 256,627
Intangible Lease Liabilities (Below-Market In-Place Leases)	\$ 104,220	\$ 84,292

For the three months ended March 31, 2020 and 2019, respectively, Piedmont recognized amortization of intangible lease costs as follows (in thousands):

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Amortization of Intangible Lease Origination Costs and In-Place Lease Valuation included in amortization expense	\$ 19,745	\$ 14,184
Amortization of Above-Market and Below-Market In-Place Lease intangibles as a net increase to rental revenues	\$ 2,973	\$ 1,998

Net intangible assets and liabilities as of March 31, 2020 will be amortized as follows (in thousands):

	Intangible Lease Assets			
	Above-Market In-place Lease Assets	In-Place Lease Valuation	Intangible Lease Origination Costs <sup>(1)</sup>	Below-Market In-place Lease Liabilities
<b>For the remainder of 2020</b>	\$ 354	\$ 25,172	\$ 33,833	\$ 10,344
For the years ending December 31:				
2021	420	29,450	41,021	13,013
2022	300	22,588	32,794	10,516
2023	103	15,433	22,902	6,871
2024	70	9,221	14,554	3,305
2025	6	5,672	10,085	2,084
Thereafter	18	12,772	24,881	5,671
	<u>\$ 1,271</u>	<u>\$ 120,308</u>	<u>\$ 180,070</u>	<u>\$ 51,804</u>
Weighted-Average Amortization Period (in years)	3	5	6	5

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

#### Accounting Pronouncements and Amendments Adopted during the Three Months Ended March 31, 2020

##### Reference Rate Reform Relief

Accounting Standards Update No. 2020-04, *Reference Rate Reform (Topic 848)* ("ASU 2020-04"), was issued during the three months ended March 31, 2020. ASU 2020-04 contains practical expedients for reference rate reform related activities that impact debt, leases, derivatives and other contracts. The guidance in ASU 2020-04 is optional and may be elected over time as reference rate reform activities occur. During the three months ended March 31, 2020, Piedmont elected to apply the hedge accounting expedients related to probability and the assessments of effectiveness for future LIBOR-indexed cash flows to assume that the index upon which future hedged transactions will be based matches the index on the corresponding derivatives. Application of these expedients preserves the presentation of derivatives consistent with past presentation. Piedmont continues to evaluate the impact of the guidance and may apply other elections as applicable as additional changes in the market occur.

##### Financial Instruments- Credit Loss Amendments

On January 1, 2020, Piedmont adopted ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments*, as well as ASU No. 2019-04, *Codification Improvements to Topic 326, Financial Instruments - Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*, and ASU No. 2019-05, *Financial Instruments- Credit Losses: Targeted Transition Relief* (collectively the "Credit Loss Amendments"). The provisions of the Credit Loss Amendments replace the "incurred loss" approach with an "expected loss" model for impairing trade and other receivables, held-to-maturity debt securities, net investment in leases, and off-balance-sheet credit exposures, which will generally result in earlier recognition of allowances for credit losses. However, the FASB also issued ASU No. 2018-19 *Codification Improvements to Topic 326, Financial Instruments - Credit Losses*, which is effective concurrent with the Credit Loss Amendments, and excludes receivables arising from operating leases from the scope of the Credit Loss Amendments and affirms that such receivables should be evaluated for collectibility as prescribed by ASC 842 *Leases*. As

substantially all of Piedmont's receivables are operating lease receivables there is no change to Piedmont's accompanying consolidated financial statements or disclosures as a result of adoption of the Credit Loss Amendments.

### Reclassifications

Certain prior period amounts presented in the accompanying consolidated balance sheets have been reclassified as of December 31, 2019 to conform to the current period financial statement presentation related to the 1901 Market Street building, which was classified as held for sale as of March 31, 2020 (see [Note 8](#)).

### 3. Acquisitions

During the three months ended March 31, 2020, Piedmont acquired three properties and adjacent developable land using cash on hand and proceeds from the \$500 Million Unsecured 2018 Line of Credit, as noted below:

Property	Metropolitan Statistical Area	Date of Acquisition	Ownership Percentage Acquired	Rentable Square Feet	Percentage Leased as of Acquisition	Net Contractual Purchase Price <sup>(1)</sup> (in millions)
Dallas Galleria Office Towers	Dallas, Texas	February 12, 2020	100 %	1,435,466	95 %	\$ 396.2

<sup>(1)</sup> Price includes the purchase of an adjacent parcel of approximately 1.9 acres of developable land.

The purchase price of the Dallas Galleria Office Towers and undeveloped land, inclusive of approximately \$0.6 million of closing costs, was allocated as follows:

	Dallas Galleria Office Towers and Undeveloped Land	
Land	\$	19,674
Building and improvements		293,760
Intangible lease assets <sup>(1)</sup>		49,177
Lease acquisition costs, net of tenant credits received from seller <sup>(1)</sup>		1,344
Intangible lease origination costs <sup>(1)</sup>		55,060
Intangible lease liabilities <sup>(1)</sup>		(22,169)
Total purchase price	\$	396,846

<sup>(1)</sup> Amortization of in-place lease intangibles and lease acquisition costs are recognized using the straight-line method over approximately 5.2 years, the average remaining life of in-place leases.

### 4. Debt

During the three months ended March 31, 2020, Piedmont entered into a new \$150 million term loan facility and amended it to increase the principal amount to \$300 million (as so amended, the "\$300 Million Unsecured 2020 Term Loan"). Piedmont drew the full \$300 million available under the \$300 Million Unsecured 2020 Term Loan and used the proceeds to repay outstanding draws on its \$500 Million Unsecured 2018 Line of Credit. The term of the \$300 Million Unsecured 2020 Term Loan expires on March 12, 2021, with two available six-month extensions, upon payment of applicable fees, for a fully extended maturity date of March 11, 2022. Piedmont is required to repay the \$300 Million Unsecured 2020 Term Loan with net proceeds from any successful debt or equity issuances; however, sales of Piedmont properties are excluded from this repayment requirement.

The \$300 Million Unsecured 2020 Term Loan has the option to bear interest at varying levels based on either (i) the London Interbank Offered Rate ("LIBOR") for an interest period selected by Piedmont of one, two, or three months, or to the extent available from all lenders, periods of less than one month thereafter, or (ii) the Base Rate, defined as the greater of the prime rate, the Federal Reserve Bank of New York federal funds rate plus 0.50%, or LIBOR for a one-month period plus 1.00%; in either case plus a stated interest rate spread based upon the then current credit rating of Piedmont or Piedmont OP, whichever is higher. This stated interest rate spread over LIBOR can vary from 1.00% to 2.00%. As of the closing of the \$300 Million Unsecured 2020 Term Loan, the stated interest rate spread on the amount borrowed under the facility was 1.40%.

Under the \$300 Million Unsecured 2020 Term Loan, Piedmont is subject to certain financial covenants that require, among other things, the maintenance of an unencumbered interest 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.

Additionally, during the three months ended March 31, 2020, Piedmont amended the \$250 Million Unsecured 2018 Term Loan to reduce the applicable interest rate spread from LIBOR plus 160 basis points to LIBOR plus 95 basis points, based on Piedmont's current credit rating.

Finally, during the three months ended March 31, 2020, Piedmont had net borrowings on its \$500 Million Unsecured 2018 Line of Credit of approximately \$152 million.

The following table summarizes the terms of Piedmont's indebtedness outstanding as of March 31, 2020 and December 31, 2019 (in thousands):

Facility <sup>(1)</sup>	Stated Rate	Effective Rate <sup>(2)</sup>	Maturity	Amount Outstanding as of	
				March 31, 2020	December 31, 2019
<b>Secured (Fixed)</b>					
\$35 Million Fixed-Rate Loan <sup>(3)</sup>	5.55 %	3.75 %	9/1/2021	\$ 28,512	\$ 28,687
\$160 Million Fixed-Rate Loan <sup>(4)</sup>	3.48 %	3.58 %	7/5/2022	160,000	160,000
Net premium and unamortized debt issuance costs				267	343
Subtotal/Weighted Average <sup>(5)</sup>	3.79 %			188,779	189,030
<b>Unsecured (Variable and Fixed)</b>					
Amended and Restated \$300 Million Unsecured 2011 Term Loan <sup>(6)</sup>	LIBOR + 1.00%	1.75 %	11/30/2021	300,000	300,000
\$500 Million Unsecured 2018 Line of Credit <sup>(6)</sup>	LIBOR + 0.90%	1.89 %	9/30/2022 <sup>(7)</sup>	152,000	—
\$350 Million Unsecured Senior Notes	3.40 %	3.43 %	6/01/2023	350,000	350,000
\$400 Million Unsecured Senior Notes	4.45 %	4.10 %	3/15/2024	400,000	400,000
\$250 Million Unsecured 2018 Term Loan	LIBOR + 0.95%	2.56 % <sup>(8)</sup>	3/31/2025	250,000	250,000
\$300 Million Unsecured 2020 Term Loan <sup>(6)</sup>	LIBOR + 1.40%	2.33 % <sup>(9)</sup>	3/12/2021	300,000	—
Discounts and unamortized debt issuance costs				(8,095)	(7,626)
Subtotal/Weighted Average <sup>(5)</sup>	2.92 %			1,743,905	1,292,374
Total/Weighted Average <sup>(5)</sup>	3.01 %			\$ 1,932,684	\$ 1,481,404

<sup>(1)</sup> Other than the \$35 Million Fixed-Rate Loan, all of Piedmont's outstanding debt as of March 31, 2020 and December 31, 2019 is interest-only until maturity.

<sup>(2)</sup> Effective rate after consideration of settled or in-place interest rate swap agreements, issuance premiums/discounts, and/or fair market value adjustments upon assumption of debt.

<sup>(3)</sup> Collateralized by the 5 Wall Street building in Burlington, Massachusetts.

<sup>(4)</sup> Collateralized by the 1901 Market Street building in Philadelphia, Pennsylvania. The building is under contract to be sold (see [Note 8](#)), and the loan is expected to be repaid upon successful closing of the transaction.

<sup>(5)</sup> Weighted average is based on contractual balance of outstanding debt and the stated or effectively fixed interest rates as of March 31, 2020.

<sup>(6)</sup> On a periodic basis, Piedmont may select from multiple interest rate options, including the prime rate and various-length LIBOR locks on all or a portion of the principal. All LIBOR selections are subject to an additional spread over the selected rate based on Piedmont's current credit rating.

- (7) Piedmont may extend the term for up to one additional year (through two available six month extensions to a final extended maturity date of September 29, 2023) provided Piedmont is not then in default and upon payment of extension fees.
- (8) 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 of the principal. 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 March 31, 2020 (see [Note 5](#) for more detail).
- (9) Piedmont may extend the term for up to one additional year (through two available six month extensions to a final extended maturity date of March 11, 2022), provided Piedmont is not then in default and upon payment of extension fees.

Piedmont made interest payments on all debt facilities, including interest rate swap cash settlements, of approximately \$15.9 million and \$17.6 million for the three months ended March 31, 2020 and 2019, respectively. Also, Piedmont capitalized interest of approximately \$0.2 million and \$0.5 million for the three months ended March 31, 2020 and 2019, respectively. As of March 31, 2020, 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 March 31, 2020.

## 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.

As of March 31, 2020, Piedmont was party to interest rate swap agreements, all of which are designated as effective cash flow hedges. During the three months ended March 31, 2020, Piedmont entered into four forward starting interest swap agreements with a total notional value of \$200 million to hedge the risk of changes in the interest-related cash flows associated with various potential issuances of long-term debt prior to December 31, 2020. As of March 31, 2020, Piedmont has interest rate swaps in effect which hedge the variable cash flows covering \$100 million of the \$250 Million Unsecured 2018 Term Loan. The maximum length of time over which Piedmont is hedging its exposure to the variability in future cash flows for forecasted transactions is 120 months.

A detail of Piedmont's interest rate derivatives outstanding as of March 31, 2020 is as follows:

<u>Interest Rate Derivatives:</u>	<u>Number of Swap Agreements</u>	<u>Associated Debt Instrument</u>	<u>Total Notional Amount (in millions)</u>	<u>Effective Date</u>	<u>Maturity Date</u>
		\$250 Million Unsecured 2018 Term			
Interest rate swaps	2	Loan	\$ 100	3/29/2018	3/31/2025
Forward starting interest rate swaps	4	N/A	200	3/2/2020	3/2/2030
Total	6		\$ 300		

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 March 31, 2020 and December 31, 2019, respectively, is as follows (in thousands):

<u>Interest rate swaps classified as:</u>	March 31, 2020	December 31, 2019
Gross derivative assets	\$ —	\$ —
Gross derivative liabilities	(26,709)	(5,121)
Net derivative liability	<u>\$ (26,709)</u>	<u>\$ (5,121)</u>

The loss on Piedmont's interest rate derivatives, including previously settled forward swaps, that was recorded in other comprehensive income ("OCI") and the accompanying consolidated statements of income as a component of interest expense for the three months ended March 31, 2020 and 2019, respectively, was as follows (in thousands):

<u>Interest Rate Swaps in Cash Flow Hedging Relationships</u>	Three Months Ended	
	March 31, 2020	March 31, 2019
Amount of loss recognized in OCI	\$ (21,937)	\$ (2,024)
Amount of previously recorded gain reclassified from OCI into Interest Expense	\$ 6	\$ 771
Amount of loss recognized on derivatives reclassified from OCI into Loss on Extinguishment of Debt	\$ —	\$ —
Total amount of Interest Expense presented in the consolidated statements of income	<u>\$ (15,264)</u>	<u>\$ (15,493)</u>

Piedmont estimates that approximately \$2.2 million will be reclassified from OCI as an increase in interest expense over the next twelve months. Piedmont recognized no hedge ineffectiveness on its cash flow hedges during the three months ended March 31, 2020 and 2019, respectively.

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, or approximately \$27.0 million as of March 31, 2020. 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, 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 March 31, 2020 and December 31, 2019, respectively (in thousands):

<u>Financial Instrument</u>	March 31, 2020			December 31, 2019		
	Carrying Value	Estimated Fair Value	Level Within Fair Value Hierarchy	Carrying Value	Estimated Fair Value	Level Within Fair Value Hierarchy
<b>Assets:</b>						
Cash and cash equivalents <sup>(1)</sup>	\$ 7,920	\$ 7,920	Level 1	\$ 13,545	\$ 13,545	Level 1
Tenant receivables <sup>(1)</sup>	\$ 10,596	\$ 10,596	Level 1	\$ 8,226	\$ 8,226	Level 1
Restricted cash and escrows <sup>(1)</sup>	\$ 1,758	\$ 1,758	Level 1	\$ 1,841	\$ 1,841	Level 1
<b>Liabilities:</b>						
Accounts payable and accrued expenses <sup>(1)</sup>	\$ 10,824	\$ 10,824	Level 1	\$ 50,049	\$ 50,049	Level 1
Interest rate swaps	\$ 26,709	\$ 26,709	Level 2	\$ 5,121	\$ 5,121	Level 2
Debt, net	\$ 1,932,684	\$ 1,972,950	Level 2	\$ 1,481,404	\$ 1,536,687	Level 2

<sup>(1)</sup> For the periods presented, the carrying value of these financial instruments approximates estimated fair value due to their short-term maturity.

Piedmont's debt was carried at book value as of March 31, 2020 and December 31, 2019; however, Piedmont's estimate of its fair value is disclosed in the table above. Piedmont uses widely accepted valuation techniques including discounted cash flow analysis based on the contractual terms of the debt facilities, including the period to maturity of each instrument, and uses observable market-based inputs for similar debt facilities which have transacted recently in the market. Therefore, the estimated fair values determined are considered to be based on significant other observable inputs (Level 2). Scaling adjustments are made to these inputs to make them applicable to the remaining life of Piedmont's outstanding debt. Piedmont has not changed its valuation technique for estimating the fair value of its debt.

Piedmont's interest rate swap agreements presented above, and as further discussed in [Note 5](#), are classified as "Interest rate swap" liabilities in the accompanying consolidated balance sheets and were carried at estimated fair value as of March 31, 2020 and December 31, 2019. 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 that both Piedmont and the counterparties were at risk for 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 March 31, 2020 and December 31, 2019, 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 derivative financial instruments to be Level 3 liabilities.

## 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. As of March 31, 2020, Piedmont had one individually significant unrecorded tenant allowance commitment of approximately \$55.2 million for the approximately 20-year, 520,000 square foot renewal and expansion of one of Piedmont's largest tenants, the State of New York, at the 60 Broad Street building in New York City. This commitment will be accrued and capitalized as the related expenditures are incurred.

### *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. Piedmont recorded no reductions in rental and reimbursement revenues related to such tenant audits/disputes during the three months ended March 31, 2020 or 2019.

### *Contingencies Related to the COVID-19 Pandemic*

During the three months ended March 31, 2020, the World Health Organization declared the novel coronavirus (COVID-19) outbreak a pandemic. There have been mandates from international, federal, state and local authorities requiring forced closures of schools, business and other facilities and organizations, and most of the markets in which Piedmont's buildings are located are subject to some form of quarantine or shelter-in-place restrictions. These forced closures and restrictions have had a material adverse effect on the global economy and the regional U.S. economies in which Piedmont operates, including negatively impacting the trading price of Piedmont's common stock and some of its tenants' ability to pay their rent. To date, a limited number of Piedmont's tenants have requested some form of rental concession. All such requests are carefully reviewed and Piedmont has accommodated a limited number of these tenants with deferrals of rents of up to three months, typically with repayments scheduled for later this year without penalty, or in 2021 with interest.

Piedmont's financial statements as of and for the three months ended March 31, 2020 have been prepared in light of these circumstances. Piedmont has continued to follow the policies described in the footnotes to Piedmont's Annual Report on Form 10-K for the year ended December 31, 2019, including those related to impairment and estimates of the likelihood of collectability of amounts due from tenants. While the results of Piedmont's current analysis did not result in any impairments or material valuation adjustments to amounts due from tenants as of March 31, 2020, should the closures continue for an extended period, the impact could have a material adverse effect on Piedmont's tenants and their ability to fulfill their lease obligations to us; thereby, having a material adverse effect on Piedmont's future results of operations, cash flows, and financial condition.

While the impact of the COVID-19 pandemic on Piedmont's business has not been severe to date, the long-term impact of the pandemic on Piedmont's tenants and the global economy is uncertain and will depend on the scope, severity and duration of the pandemic. A prolonged economic downturn or recession resulting from the pandemic could adversely affect many of Piedmont's tenants which could, in turn, adversely impact Piedmont's business, financial condition and results of operations. Piedmont will continue to work closely with its impacted tenants and address their concerns on a case-by-case basis, seeking solutions that address immediate cash flow interruptions while maintaining long term lease obligations.

**8. Assets Held for Sale**

As of March 31, 2020, the 1901 Market Street building met the criteria for held for sale classification; consequently, its assets were reclassified as held for sale as of March 31, 2020 and December 31, 2019. The sale is expected to close during the summer of 2020. No other properties were classified as held for sale as of March 31, 2020 or December 31, 2019. Details of assets held for sale as of March 31, 2020 and December 31, 2019 are presented below (in thousands):

	<u>March 31, 2020</u>	<u>December 31, 2019</u>
Real estate assets held for sale, net:		
Land	\$ 20,829	\$ 20,829
Building and improvements, less accumulated depreciation of \$68,297 and \$66,823 as of March 31, 2020 and December 31, 2019, respectively	110,813	112,287
Intangible lease assets, less accumulated amortization of \$27,867 and \$27,438 as of March 31, 2020 and December 31, 2019, respectively	6,145	6,574
Total real estate assets held for sale, net	<u>\$ 137,787</u>	<u>\$ 139,690</u>
Other assets held for sale, net:		
Straight-line rent receivables	\$ 19,142	\$ 18,776
Deferred lease costs, less accumulated amortization of \$35,516 and \$34,957 as of March 31, 2020 and December 31, 2019, respectively	8,866	9,425
Total other assets held for sale, net	<u>\$ 28,008</u>	<u>\$ 28,201</u>
Other liabilities held for sale:		
Intangible lease liabilities, less accumulated amortization of \$32,458 and \$31,959 as of March 31, 2020 and December 31, 2019, respectively	<u>\$ 7,158</u>	<u>\$ 7,657</u>

## 9. Stock Based Compensation

The Compensation Committee of Piedmont's Board of Directors has periodically granted deferred stock award units to all of Piedmont's employees and independent directors. Most employee awards are time-vested and typically vest ratably over a multi-year period and independent director awards vest over one year.

Certain management employees' long-term equity incentive program is split equally between the time-vested award units and a multi-year performance share program whereby the actual awards are contingent upon Piedmont's total stockholder return ("TSR") relative to a peer group of office REITs' TSR. The long-term equity incentives for these certain employees, as well as the peer group, is predetermined by the Board of Directors, advised by an outside compensation consultant. Any shares earned are awarded at the end of the multi-year performance period and vest upon award. The fair values of the multi-year performance share awards are estimated using a Monte Carlo valuation method.

A rollforward of Piedmont's equity based award activity for the three months ended March 31, 2020 is as follows:

	Shares	Weighted-Average Grant Date Fair Value
Unvested and Potential Stock Awards as of December 31, 2019	1,045,020	\$ 25.15
Deferred Stock Awards Granted	196,806	\$ 24.40
Increase in Estimated Potential Share Award based on TSR Performance	332,690	\$ 25.83
Performance Stock Awards Vested	(153,368)	\$ 30.45
Deferred Stock Awards Vested	(49,998)	\$ 24.32
Deferred Stock Awards Forfeited	(4,241)	\$ 21.50
Unvested and Potential Stock Awards as of March 31, 2020	<u>1,366,909</u>	<u>\$ 24.66</u>

The following table provides additional information regarding stock award activity during the three months ended March 31, 2020 and 2019, respectively (in thousands, except per share amounts):

	Three Months Ended	
	March 31, 2020	March 31, 2019
Weighted-Average Grant Date Fair Value per share of Deferred Stock Granted During the Period	\$ 24.40	\$ —
Total Grant Date Fair Value of Deferred Stock Vested During the Period	\$ 1,216	\$ 340
Share-based Liability Awards Paid During the Period <sup>(1)</sup>	\$ 4,116	\$ 3,239

<sup>(1)</sup> Amounts reflect the issuance of performance share awards related to the 2017-19 and 2016-18 Performance Share Plans during the three months ended March 31, 2020 and 2019, respectively.

A detail of Piedmont's outstanding stock awards as of March 31, 2020 is as follows:

<u>Date of grant</u>	<u>Type of Award</u>	<u>Net Shares Granted <sup>(1)</sup></u>	<u>Grant Date Fair Value</u>	<u>Vesting Schedule</u>	<u>Unvested Shares</u>
May 18, 2017	Deferred Stock Award	195,981	\$ 21.38	Of the shares granted, 25% vested on the date of grant, and 25% vested or will vest on May 18, 2018, 2019, and 2020, respectively.	40,333
May 17, 2018	Deferred Stock Award	271,037	\$ 17.84	Of the shares granted, 25% vested on the date of grant, and 25% vested or will vest on May 17, 2019, 2020, and 2021, respectively.	106,712
May 17, 2018	Fiscal Year 2018-2020 Performance Share Program	—	\$ 23.52	Shares awarded, if any, will vest immediately upon determination of award in 2021.	200,674 <sup>(2)</sup>
May 15, 2019	Deferred Stock Award-Board of Directors	26,842	\$ 20.82	Of the shares granted, 100% will vest by May 15, 2020.	26,842
May 3, 2019	Deferred Stock Award	300,663	\$ 21.04	Of the shares granted, 25% vested on the date of grant, and 25% vested or will vest on May 3, 2020, 2021, and 2022, respectively.	192,910
May 3, 2019	Fiscal Year 2019-2021 Performance Share Program	—	\$ 29.43	Shares awarded, if any, will vest immediately upon determination of award in 2022.	321,286 <sup>(2)</sup>
February 19, 2020	Deferred Stock Award	178,309	\$ 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.	145,462
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.	332,690 <sup>(2)</sup>
Total					<u>1,366,909</u>

<sup>(1)</sup> 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 March 31, 2020.

<sup>(2)</sup> Estimated based on Piedmont's cumulative TSR for the respective performance period through March 31, 2020. Share estimates are subject to change in future periods based upon Piedmont's relative performance compared to its peer group of office REITs' TSR.

During the three months ended March 31, 2020 and 2019, Piedmont recognized approximately \$3.9 million and \$3.8 million, respectively, of compensation expense related to stock awards of which \$2.7 million and \$3.8 million, respectively, is related to the amortization of unvested deferred shares and the fair value adjustment to performance shares. During the three months ended March 31, 2020, a net total of 137,221 shares were issued to employees. As of March 31, 2020, approximately \$10.1 million of unrecognized compensation cost related to unvested deferred stock awards remained, which Piedmont will record in its consolidated statements of income over a weighted-average vesting period of approximately two years.

## 10. Supplemental Disclosures for the Statement of Consolidated Cash Flows

Certain non cash investing and financing activities for the three months ended March 31, 2020 and 2019, (in thousands) are outlined below:

	Three Months Ended	
	March 31, 2020	March 31, 2019
Accrued capital expenditures and deferred lease costs	\$ 16,408	\$ 7,055
Change in accrued dividends and discount on dividend reinvestments	\$ (26,427)	\$ (26,972)
Change in accrued share repurchases as part of an announced plan	\$ —	\$ (4,417)
Accrued deferred financing costs	\$ 76	\$ 37

The following table provides a reconciliation of cash, cash equivalents, and restricted cash and escrows as presented in the accompanying consolidated statement of cash flows for the three months ended March 31, 2020 and 2019, to the consolidated balance sheets for the respective period (in thousands):

	2020	2019
Cash and cash equivalents as of January 1, 2020 and 2019, respectively	\$ 13,545	\$ 4,571
Restricted cash and escrows as of January 1, 2020 and 2019, respectively	1,841	1,463
Cash, cash equivalents, and restricted cash and escrows, beginning of period, as presented in the accompanying consolidated statement of cash flows	\$ 15,386	\$ 6,034
Cash and cash equivalents as of March 31, 2020 and 2019, respectively	\$ 7,920	\$ 4,625
Restricted cash and escrows as of March 31, 2020 and 2019, respectively	1,758	1,433
Cash, cash equivalents, and restricted cash and escrows, end of period, as presented in the accompanying consolidated statement of cash flows	\$ 9,678	\$ 6,058

Amounts in restricted cash and escrows typically represent escrow accounts for the payment of real estate taxes which are 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 deferred stock awards vested and resulted in additional common shares outstanding. Unvested deferred 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 March 31, 2020 Piedmont excluded approximately 0.1 million anti-dilutive shares. For the three months ended March 31, 2019, Piedmont did not exclude any anti-dilutive shares.

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 months ended March 31, 2020 and 2019, respectively (in thousands):

	Three Months Ended	
	March 31, 2020	March 31, 2019
Weighted-average common shares – basic	125,862	125,574
Plus: Incremental weighted-average shares from time-vested deferred and performance stock awards	498	607
Weighted-average common shares – diluted	126,360	126,181

## 12. Subsequent Events

### *Second Quarter Dividend Declaration*

On April 29, 2020, the Board of Directors of Piedmont declared a dividend for the second quarter of 2020 in the amount of \$0.21 per common share outstanding to stockholders of record as of the close of business on May 29, 2020. Such dividend will be paid on June 19, 2020.

## 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, 2019.

During the first quarter of 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. There have been mandates from international, federal, state and local authorities requiring forced closures of schools, businesses and other facilities and organizations, and most of the markets in which our buildings are located are subject to some form of quarantine or shelter-in-place restrictions. These forced closures and restrictions have had a material adverse effect on the global economy and the regional U.S. economies in which we operate, including negatively impacting the trading price of our common stock and some of our tenants' ability to pay their rent.

Piedmont is committed to the health and safety of its tenants, contractors, and employees. The pandemic has caused changes in Piedmont's typical work practices and operations, including more frequent housekeeping and sanitization procedures. Our employees are embracing social distancing, with approximately 90% of them working from home, without disruption, utilizing our cloud-based technology platform. Essential employees and contractors continue to report to our buildings in shifts, enabling all our properties to remain open and fully operational for our tenants, many of whom need their essential employees to continue to work in our buildings. Given our low-leverage operating model of long-term leases to creditworthy tenants, to date the COVID-19 disruption has not materially impacted our financial condition or results of operations, our overall liquidity position and outlook, or caused material impairments in our portfolio of operating properties. A limited number of our tenants, particularly those related to the food, travel, retail, or coworking industries, have requested some form of rent deferral. Most have subsequently begun to avail themselves of the various federal and state relief funds, such as the various CARES Act loans and the Paycheck Protection Program, which can be utilized partially to meet rental obligations. All of the requests made to us are carefully reviewed and we have accommodated a limited number of these tenants with deferrals of rents of up to three months, typically with repayments scheduled for later this year without penalty, or in 2021 with interest.

While the impact of the COVID-19 pandemic on our business has not been severe to date, the long-term impact of the pandemic on our tenants and the global economy is uncertain and will depend on the scope, severity and duration of the pandemic. A prolonged economic downturn or recession resulting from the pandemic could adversely affect many of our tenants which could, in turn, adversely impact our business, financial condition and results of operations. We will continue to work closely with our impacted tenants and address their concerns on a case-by-case basis, seeking solutions that address immediate cash flow interruptions while maintaining long term lease obligations.

### Liquidity and Capital Resources

We intend to use cash flows generated from the operation of our properties, anticipated net proceeds from the disposition of 1901 Market Street, and proceeds from our \$500 Million Unsecured 2018 Line of Credit as our primary sources of immediate liquidity. During the three months ended March 31, 2020, we acquired the Dallas Galleria Office Towers and an adjacent developable land parcel for a net purchase price of approximately \$396 million using a combination of cash on hand and our \$500 Million Unsecured 2018 Line of Credit. We subsequently drew down \$300 million from our amended term loan and used the proceeds to pay down the \$500 Million Unsecured 2018 Line of Credit, leaving \$152 million outstanding as of March 31, 2020. Additionally, on March 31, 2020, we entered into a binding contract to sell our 1901 Market Street building in Philadelphia, Pennsylvania later this summer for \$360 million, less customary closing costs. Of the anticipated net proceeds, \$160 million will be used to repay a mortgage secured by the property, with the remaining amount used to pay down any remaining balance on the \$500 Million Unsecured 2018 Line of Credit.

In response to the COVID-19 pandemic, we have completed stress testing of our various financial covenants assuming decreases in rental and parking income as appropriate and determined that we are still well margined with all our covenant ratios. As of the date of this filing, we have approximately \$350 million of borrowing capacity under our line of credit. Although interest rate volatility and movements have made obtaining financing or refinancing debt obligations more challenging and expensive in the current environment, when necessary we may seek secured or unsecured borrowings from third party lenders or issue securities as additional sources of capital. The availability and attractiveness of terms for these additional sources of capital will be highly dependent on market conditions at the time.

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 three months ended March 31, 2020 and 2019 we incurred the following types of capital expenditures (in thousands):

	Three Months Ended	
	March 31, 2020	March 31, 2019
Capital expenditures for redevelopment/renovations	\$ 4,835	\$ 3,377
Other capital expenditures, including building and tenant improvements	27,483	12,058
<b>Total capital expenditures <sup>(1)</sup></b>	<b>\$ 32,318</b>	<b>\$ 15,435</b>

<sup>(1)</sup> Of the total amounts paid, approximately \$0.3 million and \$0.5 million relates to soft costs such as capitalized interest, payroll, and other general and administrative expenses for the three months ended March 31, 2020 and 2019, respectively.

"Capital expenditures for redevelopment/renovations" during the three months ended March 31, 2020 primarily related to a redevelopment project to upgrade amenities at our 200 South Orange building in Orlando, Florida, as well as a redevelopment master plan project to upgrade common areas, amenities, and parking, at our Galleria buildings in Atlanta, Georgia. Expenditures during the three months ended March 31, 2019 primarily related to a redevelopment project to upgrade amenities at our US Bancorp building in Minneapolis, Minnesota.

"Other capital expenditures, including building and tenant improvements" include all other capital expenditures during the period and are 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 frequently results in leases for large blocks of space to credit-worthy tenants, our leasing success can result in capital outlays which vary from one reporting period to another based upon the specific leases executed. For example, for leases executed during the three months ended March 31, 2020, we committed to spend approximately \$5.58 per square foot per year of lease term for tenant improvement allowances and lease commissions (net of expiring lease commitments) as compared to \$4.07 (net of expired lease commitments) for the three months ended March 31, 2019. As of March 31, 2020, we had one individually significant unrecorded tenant allowance commitment of approximately \$55.2 million related to the approximately 20-year, approximately 520,000 square foot renewal and expansion of the State of New York's lease at our 60 Broad Street building in New York City that was executed during the fourth quarter of 2019.

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 are highly dependent on the competitive market conditions at the time of lease negotiations of the particular office market within which a given lease is signed. In particular, we are currently in the process of negotiating the renewal of a majority of the current 313,000 square foot lease with the City of New York, at our 60 Broad Street building, and we anticipate spending significant capital for market-based tenant improvement allowances and leasing commissions over the next several years associated with the renewal.

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 compatible 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 at a significant discount to net asset value. As of March 31, 2020 we had approximately \$200 million of board-authorized capacity remaining for future stock repurchases. Finally, although we have no scheduled debt maturities until the third quarter of 2021 (assuming an extension of our \$300 Million Unsecured 2020 Term Loan), we expect to use capital to repay debt obligations when they become due or when we deem it prudent to refinance various obligations.

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, 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.

Comparison of the accompanying consolidated statements of income for the three months ended March 31, 2020 versus the three months ended March 31, 2019

### Income from Continuing Operations

The following table sets forth selected data from our consolidated statements of income for the three months ended March 31, 2020 and 2019, respectively, as well as each balance as a percentage of total revenues for the same period presented (dollars in millions):

	March 31, 2020	% of Revenues	March 31, 2019	% of Revenues	Variance
<b>Revenue:</b>					
Rental and tenant reimbursement revenue	\$ 132.2		\$ 126.2		\$ 6.0
Property management fee revenue	0.8		2.0		(1.2)
Other property related income	4.2		4.8		(0.6)
Total revenues	<u>137.2</u>	100 %	<u>133.0</u>	100 %	<u>4.2</u>
<b>Expense:</b>					
Property operating costs	53.2	39 %	51.8	39 %	1.4
Depreciation	27.9	21 %	26.5	20 %	1.4
Amortization	23.6	17 %	17.7	13 %	5.9
General and administrative	8.6	6 %	9.4	6 %	(0.8)
	<u>113.3</u>		<u>105.4</u>		<u>7.9</u>
<b>Other income (expense):</b>					
Interest expense	(15.3)	11 %	(15.5)	12 %	0.2
Other income	0.1	— %	0.2	— %	(0.1)
Loss on extinguishment of debt	—	— %	—	— %	—
Gain on sale of real estate assets	—	— %	37.9	28 %	(37.9)
<b>Net income</b>	<u>\$ 8.7</u>	6 %	<u>\$ 50.2</u>	38 %	<u>\$ (41.5)</u>

### Revenue

Rental and tenant reimbursement revenue increased approximately \$6.0 million for the three months ended March 31, 2020 as compared to the same period in the prior year. The favorable variance was primarily due to net acquisition activity subsequent to January 1, 2019. Additionally, new leases commencing at higher overall rental rates, most notably at our Enclave Place building in Houston, Texas and our 60 Broad Street building in New York City, contributed to the increase in rental and tenant reimbursement revenue. Although we have granted cash rent deferrals to several of our tenants that have been materially negatively impacted by the COVID-19 pandemic, in most instances we have made arrangements with the respective tenant to recoup the deferred rent later in the lease term, in most cases within the next 6-18 months. Because we recognize rental revenue on a straight-line basis over the lease term, and the total amount of rent received over the lease term is not expected to change, we do not currently anticipate any material decrease in our rental revenue in future periods; however, as we anticipate lower recoverable operating expenses as a result of lower usage of our buildings by tenants, we do anticipate reimbursement revenue to decrease in future periods.

Property management fee revenue decreased approximately \$1.2 million for the three months ended March 31, 2020 as compared to the same period in the prior year. The decrease was primarily due to construction management fees received in the prior period from one of our former Independence Square properties, with such fees varying from period-to-period due to the variability of construction activity.

Other property related income decreased approximately \$0.6 million for the three months ended March 31, 2020 as compared to the same period in the prior year. The decrease is due to parking revenue earned in the prior period at the 500 West Monroe Street building which was sold in October 2019, offset by parking revenue associated with acquisitions consummated subsequent to January 1, 2019. Due to the decreased usage of our buildings by tenants as a result of the COVID-19 pandemic, we currently anticipate that this line item may decrease during the second quarter of 2020.

## **Expense**

Property operating costs increased approximately \$1.4 million for the three months ended March 31, 2020 as compared to the same period in the prior year. Approximately \$1.0 million of the increase was due to higher recoverable and nonrecoverable administrative costs associated with the timing of employee compensation, primarily related to deferred stock compensation. The remainder of the increase is due to higher recoverable costs associated with personnel contracted by us to provide administrative and management services at certain of our properties, as well as an increase in franchise taxes in certain states in which we operate. Due to the decreased usage of our buildings by tenants as a result of the COVID-19 pandemic and the resulting decline in building utilities and services, partially offset by higher security and cleaning expenses, we currently anticipate that this line item may decrease during 2020.

Depreciation expense increased approximately \$1.4 million for the three months ended March 31, 2020 as compared to the same period in the prior year. The increase was due to additional building and tenant improvements placed in service subsequent to January 1, 2019.

Amortization expense increased approximately \$5.9 million for the three months ended March 31, 2020 as compared to the same period in the prior year. Approximately \$8.9 million of the increase was due to the amortization of lease intangible assets associated with properties acquired subsequent to January 1, 2019. This increase was partially offset by certain lease intangible assets or other deferred costs at our existing properties becoming fully amortized as a result of the expiration of leases subsequent to January 1, 2019.

General and administrative expenses decreased approximately \$0.8 million for the three months ended March 31, 2020 as compared to the same period in the prior year due to the senior management transition that occurred in June 2019 which reduced compensation at the executive level.

## **Other Income (Expense)**

Interest expense decreased approximately \$0.2 million for the three months ended March 31, 2020 as compared to the same period in the prior year primarily as a result of lower interest rates during the current year. This variance was partially offset by a decrease in capitalized interest in the current year, as compared to the same period in the prior year, of approximately \$0.4 million.

Gain on sale of real estate assets during the three months ended March 31, 2019 includes an approximate \$33.2 million gain recognized on the sale of the One Independence Square building in Washington, D.C. that closed in February 2019, as well as an approximate \$6.1 million adjustment of the gain on sale for the Two Independence Square building related to the reimbursement of certain previously disputed tenant improvement overages.

**Issuer and Guarantor Financial Information**

During the years ended December 31, 2013 and 2014, Piedmont, through its wholly-owned subsidiary Piedmont Operating Partnership, LP ("Piedmont OP" or the "Issuer"), issued senior unsecured notes payable of \$350 million and \$400 million, respectively (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 are effectively subordinated in right of payment to all of Piedmont OP's existing and future mortgage indebtedness and other 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 all existing and future mortgage indebtedness and other secured indebtedness and 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):

<b>Combined Balances of Piedmont OP and Piedmont Office Realty Trust, Inc. as Issuer and Guarantor, respectively</b>	<b>As of March 31, 2020</b>	<b>As of December 31, 2019</b>
Due from non-guarantor subsidiary	\$ 810	\$ 810
Total assets	\$ 361,706	\$ 364,734
Total liabilities	\$ 1,789,647	\$ 1,343,881
	<b>For the three months ended March 31, 2020</b>	
Total revenues	\$ 11,664	
Net loss	\$ (12,275)	

## **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 to be insufficient alone. 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 follows: Net income (computed in accordance with GAAP), excluding gains or losses from sales of depreciable real estate and impairment charges (including our proportionate share of gains from sales of property related to investments in unconsolidated joint ventures), plus the add back of depreciation and amortization on real estate assets (including our proportionate share of depreciation and amortization related to investments in unconsolidated joint ventures). 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 such 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, acquisition-related expenses, 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 that of other REITs.

We calculate AFFO by starting with Core FFO and adjusting for non-incremental capital expenditures and acquisition-related costs and then adding back non-cash items including: non-real estate depreciation, straight-line rent adjustments and fair value lease adjustments, non-cash components of interest expense and compensation expense, and by making similar adjustments for unconsolidated joint ventures. 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 that 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			
	March 31, 2020	Per Share <sup>(1)</sup>	March 31, 2019	Per Share <sup>(1)</sup>
<b>GAAP net income applicable to common stock</b>	<b>\$ 8,709</b>	<b>\$ 0.07</b>	\$ 50,208	\$ 0.40
Depreciation of real estate assets	27,551	0.22	26,309	0.21
Amortization of lease-related costs	23,618	0.18	17,685	0.14
Gain on sale of real estate assets	(3)	—	(37,887)	(0.30)
<b>NAREIT Funds From Operations and Core Funds from Operations applicable to common stock</b>	<b>\$ 59,875</b>	<b>\$ 0.47</b>	\$ 56,315	\$ 0.45
Adjustments:				
Amortization of debt issuance costs, fair market value adjustments on notes payable, and discounts on debt	577		523	
Depreciation of non real estate assets	325		208	
Straight-line effects of lease revenue	(6,785)		(2,683)	
Stock-based compensation adjustments	2,300		2,780	
Net effect of amortization of above and below-market in-place lease intangibles	(2,973)		(1,998)	
Non-incremental capital expenditures <sup>(2)</sup>	(34,762)		(3,367)	
<b>Adjusted Funds From Operations applicable to common stock</b>	<b>\$ 18,557</b>		\$ 51,778	
Weighted-average shares outstanding – diluted	126,360		126,181	

<sup>(1)</sup> Based on weighted average shares outstanding – diluted.

<sup>(2)</sup> 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. The current quarter's non-incremental capital expenditures include the leasing commission for the approximately 20-year, 520,000-square-foot renewal and expansion of the State of New York's lease at our 60 Broad Street building that was executed during the fourth quarter of 2019.

### 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 (computed in accordance with GAAP) before interest, income-related federal, state, and local taxes, depreciation and amortization and removing any impairment losses, gains or losses from sales of any 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 or costs from the pursuit of non-consummated transactions. For Property NOI (cash basis), the effects of 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 applicable to the properties owned or placed in service during the entire span of the current and prior year reporting periods. Same Store 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 Same Store NOI, on either a cash or accrual basis 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 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 three months ended March 31, 2020 and 2019 (in thousands):

	Cash Basis		Accrual Basis	
	Three Months Ended		Three Months Ended	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
<b>Net income applicable to Piedmont (GAAP basis)</b>	<b>\$ 8,709</b>	<b>\$ 50,208</b>	<b>\$ 8,709</b>	<b>\$ 50,208</b>
Net income applicable to noncontrolling interest	2	1	2	1
Interest expense	15,264	15,493	15,264	15,493
Depreciation	27,877	26,518	27,877	26,518
Amortization	23,618	17,685	23,618	17,685
Gain on sale of real estate assets	(3)	(37,887)	(3)	(37,887)
<b>EBITDAre<sup>(1)</sup> and Core EBITDA<sup>(2)</sup></b>	<b>75,467</b>	<b>72,018</b>	<b>75,467</b>	<b>72,018</b>
General & administrative expenses	8,643	9,368	8,643	9,368
Management fee revenue <sup>(3)</sup>	(395)	(1,822)	(395)	(1,822)
Other expense/(income)	67	(62)	67	(62)
Straight-line rent effects of lease revenue	(6,785)	(2,683)		
Amortization of lease-related intangibles	(2,973)	(1,998)		
<b>Property NOI</b>	<b>\$ 74,024</b>	<b>\$ 74,821</b>	<b>\$ 83,782</b>	<b>\$ 79,502</b>
Net operating income from:				
Acquisitions <sup>(4)</sup>	(8,105)	—	(10,268)	—
Dispositions <sup>(5)</sup>	267	(10,089)	267	(8,675)
Other investments <sup>(6)</sup>	(82)	(39)	(62)	(50)
<b>Same Store NOI</b>	<b>\$ 66,104</b>	<b>\$ 64,693</b>	<b>\$ 73,719</b>	<b>\$ 70,777</b>
<i>Change period over period in Same Store NOI</i>	<i>2.2 %</i>	<i>N/A</i>	<i>4.2 %</i>	<i>N/A</i>

<sup>(1)</sup> We calculate Earnings Before Interest, Taxes, Depreciation, and Amortization- Real Estate ("EBITDAre") in accordance with the current National Association of Real Estate Investment Trusts ("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 unconsolidated partnerships and 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.

<sup>(2)</sup> 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 consist of Galleria 100 and land in Atlanta, Georgia, purchased on May 6, 2019; Galleria 400, Galleria 600 and land in Atlanta, Georgia, purchased on August 23, 2019; and One Galleria Tower, Two Galleria Tower, Three Galleria Tower and land in Dallas, Texas, purchased on February 12, 2020.
- (5) Dispositions consist of One Independence Square in Washington, D.C., sold on February 28, 2019; The Dupree in Atlanta, Georgia, sold on September 4, 2019; and 500 West Monroe Street in Chicago, Illinois, sold on October 28, 2019.
- (6) Other investments consist of active or recently completed redevelopment and development projects for which some portion of operating expenses were capitalized during the current and/or prior year reporting periods and land. The operating results from Two Pierce Place in Itasca, Illinois, are included in this line item.

## Overview

Our portfolio is a geographically diverse group of properties primarily located in select sub-markets within seven major Eastern U.S. office markets. We typically lease space to large, credit-worthy corporate or governmental tenants on a long-term basis. As of March 31, 2020, our average lease is approximately 20,000 square feet with approximately seven 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 current portfolio of 58 office properties was 89.6% leased as of March 31, 2020, substantially the same as our leased percentage of 89.7% as of December 31, 2019, after recasting such leased percentage as of December 31, 2019 for placing Two Pierce, a recently completed redevelopment property, in service on January 1, 2020. As of March 31, 2020, the City of New York was our only tenant whose lease individually contributes more than 1% in Annualized Lease Revenue that was scheduled to expire during the next eighteen months, and we are currently in the advanced stages of negotiating a long-term renewal of their 313,000 square foot lease. To the extent new leases for currently vacant space outweigh or fall short of scheduled expirations, such leases would increase or decrease our overall leased percentage, respectively. Our leased percentage may also fluctuate from the impact of occupancy levels associated with our net acquisition and disposition activity.

### *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 lease renewals, 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 will continue to negatively impact Property NOI and Same Store NOI on a cash basis until such abatements expire. As of March 31, 2020, we had approximately 395,000 square feet of executed leases related to currently vacant space that had not yet commenced and approximately 684,000 square feet of commenced leases that were in some form of rental and/or operating expense abatement.

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 geographically 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. For example, during the three months ended March 31, 2020, we experienced a 5.0% and 15.4% roll up on executed leases in stated cash and accrual rents for the portfolio in general, respectively, from new leases and renewals for space that was vacant one year or less, as compared to a 9.4% and 18.5% roll up on executed leases in stated cash and accrual rents, respectively, for similar space during the three months ended March 31, 2019.

Same Store NOI increased 2.2% and 4.2% on a cash and accrual basis, respectively, for the three months ended March 31, 2020 as compared to the three months ended March 31, 2019. The increase in cash basis Same Store NOI was primarily attributable to the expiration of lease abatements. The increase in accrual basis Same Store NOI was related to the commencement of leases

with higher straight-line rents during the three months ended March 31, 2020, offset by down times between leases at certain assets, and lower overall occupancy levels. Property NOI and Same Store NOI comparisons for any given period may still fluctuate as a result of the mix of net leasing activity in individual properties during the respective period. Although we have granted short-term cash rent deferrals to several of our tenants that have been materially negatively impacted by the COVID-19 pandemic, in most instances we have made arrangements with the respective tenant to recoup the deferred rent later in the lease term, in most cases within the next 6-18 months. Because we recognize rental revenue on a straight-line basis over the lease term, and the total amount of rent received over the lease term is not expected to change, we do not currently anticipate any material decrease in Property or Same Store NOI in future periods due to these rent deferrals.

### **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 POH, a wholly-owned subsidiary of Piedmont, as a taxable REIT subsidiary. POH performs non-customary services for tenants of buildings that we own, including solar power generation, 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.

### **Off-Balance Sheet Arrangements**

We are not dependent on off-balance sheet financing arrangements for liquidity. As of March 31, 2020, we had no off-balance sheet arrangements. For further information regarding our commitments under our debt obligations, see the Contractual Obligations table below.

### **Application of Critical Accounting Policies**

Our accounting policies have been established to conform with GAAP. The preparation of financial statements in conformity with GAAP requires management to use judgment in the application of accounting policies, including making estimates and assumptions. These judgments affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. If our judgment 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, 2019 for a discussion of our critical accounting policies. There have been no material changes to these policies during the three months ended March 31, 2020.

## Accounting Pronouncements Adopted during the Three Months Ended March 31, 2020

### Reference Rate Reform Relief

Accounting Standards Update No. 2020-04, *Reference Rate Reform (Topic 848)* ("ASU 2020-04"), was issued during the three months ended March 31, 2020. ASU 2020-04 contains practical expedients for reference rate reform related activities that impact debt, leases, derivatives and other contracts. The guidance in ASU 2020-04 is optional and may be elected over time as reference rate reform activities occur. During the three months ended March 31, 2020, we elected to apply the hedge accounting expedients related to probability and the assessments of effectiveness for future LIBOR-indexed cash flows to assume that the index upon which future hedged transactions will be based matches the index on the corresponding derivatives. Application of these expedients preserves the presentation of derivatives consistent with past presentation. We continue to evaluate the impact of the guidance and may apply other elections as applicable as additional changes in the market occur.

### Financial Instruments- Credit Loss Amendments

On January 1, 2020, we adopted ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments*, as well as ASU No. 2019-04, *Codification Improvements to Topic 326, Financial Instruments - Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*, and ASU No. 2019-05, *Financial Instruments- Credit Losses: Targeted Transition Relief* (collectively the "Credit Loss Amendments"). The provisions of the Credit Loss Amendments replace the "incurred loss" approach with an "expected loss" model for impairing trade and other receivables, held-to-maturity debt securities, net investment in leases, and off-balance-sheet credit exposures, which will generally result in earlier recognition of allowances for credit losses. However, the Financial Accounting Standards Board also issued ASU No. 2018-19 *Codification Improvements to Topic 326, Financial Instruments - Credit Losses*, which is effective concurrent with the Credit Loss Amendments, and excludes receivables arising from operating leases from the scope of the Credit Loss Amendments and affirms that such receivables should be evaluated for collectibility as prescribed by Accounting Standards Codification 842 *Leases*. As substantially all of our receivables are operating lease receivables there is no change to our accompanying consolidated financial statements or disclosures as a result of adoption of the Credit Loss Amendments.

### Contractual Obligations

We have had significant changes to our debt structure during the three months ended March 31, 2020. As such, our contractual obligations related to long-term debt as of March 31, 2020 were as follows (in thousands):

Contractual Obligations <sup>(1)</sup>	Payments Due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-term debt <sup>(2)</sup>	\$ 1,940,512	\$ 301,087 <sup>(3)</sup>	\$ 639,425 <sup>(4) (5)</sup>	\$ 1,000,000	\$ —

<sup>(1)</sup> Contractual obligations do not include amounts committed for tenant or capital improvements under leases where Piedmont is the lessor. However, see [Note 7](#) to our accompanying consolidated financial statements for details concerning our individually material lease commitments, the timing of which may fluctuate. Additionally, Piedmont does not have any ground leases, nor does Piedmont have any material obligations as lessee under operating lease agreements as of March 31, 2020.

<sup>(2)</sup> Amounts include principal payments only and balances outstanding as of March 31, 2020, not including unamortized issuance discounts, debt issuance costs paid to lenders, or estimated fair value adjustments. We made interest payments, including payments under our interest rate swaps, of approximately \$15.9 million during the three months ended March 31, 2020, and expect to pay interest in future periods on outstanding debt obligations based on the rates and terms disclosed herein and in [Note 4](#) to our accompanying consolidated financial statements.

<sup>(3)</sup> Includes the balance outstanding as of March 31, 2020 of the new \$300 Million Unsecured 2020 Term Loan. However, we may extend the term for up to one additional year (through two available six month extensions to a final extended maturity date of March 11, 2022) provided we are not then in default and upon payment of extension fees.

<sup>(4)</sup> Includes the balance outstanding as of March 31, 2020 of the \$500 Million Unsecured 2018 Line of Credit. However, we may extend the term for up to one additional year (through two available six month extensions to a final extended maturity date of September 29, 2023) provided we are not then in default and upon payment of extension fees.

<sup>(5)</sup> Includes the \$160 Million Fixed-Rate Loan secured by the 1901 Market Street building. This asset is under contract to be sold (see [Note 8](#) to our accompanying consolidated financial statements), and the loan is expected to be repaid upon successful completion of the sale, which is anticipated in the summer of 2020.

## Commitments and Contingencies

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

- Commitments Under Existing Lease Agreements;
- Contingencies Related to Tenant Audits/Disputes;and
- Contingencies Related to the COVID-19 Pandemic.

## 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. Our potential for exposure to market risk includes interest rate fluctuations in connection with borrowings under our \$500 Million Unsecured 2018 Line of Credit, our Amended and Restated \$300 Million Unsecured 2011 Term Loan, the \$250 Million Unsecured 2018 Term Loan, and the \$300 Million Unsecured 2020 Term Loan. 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 the LIBOR rates are determined and the potential phasing out of LIBOR after 2021. Piedmont has begun an initial evaluation of its contracts and agreements which reference LIBOR and determined that each of these agreements already contain "fallback" language allowing for the substitution of a comparable or successor rate as approved by the respective agent, as defined in the respective agreement. At this point it is not clear what alternative rate may be selected to replace LIBOR and what impact it may have on Piedmont's results of operations. As such, Piedmont will continue to evaluate its contracts as it approaches the December 31, 2021 potential end date for LIBOR.

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 \$500 Million Unsecured 2018 Line of Credit, the Amended and Restated \$300 Million Unsecured 2011 Term Loan, the \$300 Million Unsecured 2020 Term Loan, and \$150 million of our \$250 Million Unsecured 2018 Term Loan 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 as of March 31, 2020 and \$1.5 billion as of December 31, 2019. Our interest rate swap agreements in place as of March 31, 2020 and December 31, 2019 carried a notional amount totaling \$300 million and \$450 million, respectively with a weighted-average fixed interest rate (not including the corporate credit spread) of 1.89% and 2.30%, respectively.

As of March 31, 2020, our total outstanding debt subject to fixed, or effectively fixed, interest rates totaling approximately \$1.0 billion has an average effective interest rate of approximately 3.89% per annum with expirations ranging from 2021 to 2025. 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 March 31, 2020, we had \$152 million outstanding on our \$500 Million Unsecured 2018 Line of Credit. Our \$500 Million Unsecured 2018 Line of Credit currently has a stated rate of LIBOR plus 0.90% per annum (based on our current corporate credit rating), resulting in a total interest rate of 1.89%. 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 March 31, 2020, resulted in a total interest rate on \$150 million of the \$250 Million Unsecured 2018 Term Loan of 1.89%. The current stated interest rate spread on the Amended and Restated \$300 Million Unsecured 2011 Term Loan is LIBOR plus 1.00% (based on our current corporate credit rating), which, as of March 31, 2020, resulted in an interest rate of 1.75%. The current stated interest rate spread on the \$300 Million Unsecured 2020 Term Loan is LIBOR plus 1.40% (based on our current corporate credit rating), which, as of March 31, 2020, resulted in an interest rate of 2.33%. To the extent that we borrow additional funds in the future under the \$500 Million Unsecured 2018 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 March 31, 2020 would increase interest expense approximately \$9.0 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 March 31, 2020 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**

*Actual or threatened public health epidemics or outbreaks, such as the novel coronavirus (COVID-19) pandemic that the world is currently experiencing, and governmental and private measures taken to combat such health crises, could have a material adverse effect on the trading value of our common stock, on our business operations, and our financial results.*

Actual or threatened public health epidemics or outbreaks, such as the novel coronavirus (COVID-19) pandemic that the world is currently experiencing, could have a material adverse effect on our business and results of operations. During the first quarter of 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. There have been mandates from international, federal, state and local authorities requiring forced closures of schools, business and other facilities and organizations, and most of the markets in which our buildings are located are subject to some form of quarantine or shelter-in-place restrictions. These forced closures and restrictions have had a material adverse effect on the global economy and the regional U.S. economies in which we operate, including negatively impacting the trading price of our common stock and some of our tenants' ability to pay their rent. Although various governmental financial programs may mitigate the risk of our tenants being unable to pay their rent under our leases, governmental assistance may not be available to all affected tenants or may be significantly delayed. These restrictions could also cause our retail and restaurant tenants to close for an extended period of time.

The measures taken to curb the spread of COVID-19 may negatively impact the ability of our properties to continue to obtain necessary goods and services or provide adequate staffing, which may also adversely affect our operating results and reputation. Any increased costs or lost revenue as a result of tenant financial difficulty, or their need to comply with restrictions imposed to curb the spread of the pandemic, may not be fully recoverable under our leases or adequately covered by insurance, which could impact our profitability. In addition to the potential consequences listed above, these same factors may cause prospective tenants to delay their leasing decisions or to lease less space. Even after the pandemic has ceased to be active, the prevalence of work-from-home policies during the pandemic may alter tenant preferences in the long term with respect to the demand for leasing office space and could result in higher cleaning costs. Our tenants' inability to pay rent under our leases could adversely affect our own liquidity, and there can be no guarantee that additional liquidity will be readily available or available on favorable terms in the future. Interest rate volatility and movements have also made obtaining financing or refinancing debt obligations more challenging and expensive.

While the closures and limitations on movement, domestically and internationally, are expected to be temporary, the extent to which the COVID-19 pandemic, and actions taken to contain it, impacts our operations and those of our tenants will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the scope, severity and duration of the outbreak and the success of the actions taken to contain and treat the virus. The long-term impact of COVID-19 on the U.S. and global economies could result in a world-wide economic downturn or recession that may lead to corporate bankruptcies among our tenants. Any of these developments, and other effects of the ongoing global pandemic of COVID-19 or any other pandemic, epidemic or outbreak of contagious disease, could have a material adverse effect on our business and results of operations.

There have been no other known material changes, other than as described above, from the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2019.

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

- (a) There were no unregistered sales of equity securities during the first quarter of 2020.
- (b) Not applicable.

- (c) During the three months ended March 31, 2020, we repurchased shares of our common stock in the open market solely in order to reissue such shares under our dividend reinvestment plan (the "DRP"). Such stock repurchases for the quarter ended March 31, 2020 are as follows:

<b>Period</b>	<b>Total Number of Shares Purchased (in thousands)</b>	<b>Average Price Paid per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plan (in thousands) <sup>(1)</sup></b>	<b>Maximum Approximate Dollar Value of Shares Available That May Yet Be Purchased Under the Plan (in thousands)</b>
January 1, 2020 to January 31, 2020	—	\$ —	—	\$ 200,000
February 1, to February 29, 2020	—	\$ —	—	\$ 200,000
March 1, 2020 to March 31, 2020	16	\$ 15.27	—	\$ 200,000 <sup>(1)</sup>
<b>Total</b>	<b>16</b>	<b>\$ 15.27</b>	<b>—</b>	

- <sup>(1)</sup> On February 19, 2020, Piedmont's Board of Directors extended the authorization of our stock repurchase program for up to \$200 million in share repurchases through February 2022, at the discretion of management. Further, on February 19, 2020, Piedmont's Board of Directors terminated the company-funded Dividend Reinvestment Plan effective March 21, 2020.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

Not applicable.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

**ITEM 5. OTHER INFORMATION**

None.

**ITEM 6. EXHIBITS**

<b>Exhibit Number</b>	<b>Description of Document</b>
3.1	<a href="#">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)</a>
3.2	<a href="#">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)</a>
3.3	<a href="#">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)</a>
3.4	<a href="#">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)</a>
3.5	<a href="#">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)</a>
3.6	<a href="#">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)</a>
10.1	<a href="#">Amendment No. 2, dated as of March 3, 2020, to the Term Loan Agreement dated March 29, 2018, between Piedmont Operating Partnership, LP, as Borrower and U.S. Bank National Association as Administrative Agent</a>
10.2	<a href="#">Piedmont Office Realty Trust, Inc. Long-Term Incentive Program Award Agreement dated May 3, 2019</a>
10.3	<a href="#">Amendment No. 4 to Piedmont Office Realty Trust, Inc.'s Long-Term Incentive Program effective March 19, 2020</a>
10.4	<a href="#">Piedmont Office Realty Trust, Inc. Long-Term Incentive Program Award Agreement effective March 19, 2020</a>
10.5	<a href="#">Purchase and Sale Agreement Between SPUS7 Galleria, LP, as Seller and Piedmont Dallas Galleria, LLC, as Purchaser (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on February 12, 2020)</a>
10.6	<a href="#">Term Loan Agreement, dated February 10, 2020, by and among Piedmont Operating Partnership, LP, as Borrower, Piedmont Office Realty Trust, Inc. as Parent, Suntrust Robinson Humphrey, Inc., as Lead Arranger and Book Manager, Truist Bank, as Administrative Agent, and the other financial institutions initially signatory hereto and their assignees as Lenders (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on February 12, 2020)</a>
10.7	<a href="#">Amendment No. 1 to Term Loan Agreement, dated March 24 2020, by and among Piedmont Operating Partnership, LP, as Borrower, Truist Bank, as administrative agent and lender, and JPMorgan Chase Bank, N.A. and U.S. Bank National Association, as new Lenders (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on March 30, 2020)</a>
22.1	<a href="#">Subsidiary Issuer of Guaranteed Securities</a>
31.1	<a href="#">Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
31.2	<a href="#">Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
32.1	<a href="#">Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
32.2	<a href="#">Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
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: April 29, 2020

By: /s/ Robert E. Bowers

**Robert E. Bowers**

**Chief Financial Officer and Executive Vice President**

**(Principal Financial Officer and Duly Authorized Officer)**

**AMENDMENT NO. 2 TO TERM LOAN AGREEMENT**

This **AMENDMENT NO. 2 TO TERM LOAN AGREEMENT**, dated as of March 3, 2020 (this “**Amendment No. 2**”), is by and among **PIEDMONT OPERATING PARTNERSHIP, LP**, a Delaware limited partnership (“**Borrower**”), each of the financial institutions party to the Loan Agreement defined below (collectively, the “**Lenders**” and individually a “**Lender**”) and **U.S. BANK NATIONAL ASSOCIATION**, as Administrative Agent (the “**Agent**”). Reference is made to that certain Term Loan Agreement, dated as of March 29, 2018, as amended by Amendment No. 1 to Term Loan Agreement dated as of September 28, 2018 (the “**Loan Agreement**”), by and among the Borrower, the Lenders referenced therein and the Agent. Capitalized terms used herein without definition shall have the same meanings as set forth in the Loan Agreement, as amended hereby.

**RECITALS**

**WHEREAS**, the Borrower has requested that the Lenders make certain amendments to the Loan Agreement, and the Lenders are willing to make such changes as set forth herein;

**NOW, THEREFORE**, in consideration of the premises and the agreements, provisions and covenants herein contained, the parties hereto agree as follows:

**SECTION 1. AMENDMENTS TO LOAN Agreement.** As of the Amendment Effective Date (as defined in Section 3 hereof), the Loan Agreement is hereby amended as follows:

**1.1 Amendments to Section 1.1.** Section 1.1 of the Loan Agreement is amended by amending and restating each of the following definitions in their entirety to read as follows:

“**Applicable Margin**” means the percentage per annum determined, at any time, based on the Credit Rating of the Parent or the Credit Rating of the Borrower, whichever is higher, in accordance with the levels in the applicable table set forth below (each a “**Level**”). Any change in the Credit Rating of the Parent or the Borrower which would cause it to move to a different Level in such table shall effect a change in the Applicable Margin on the Business Day on which such change occurs. During any period that either the Parent or the Borrower has received Credit Ratings that are not equivalent, the Credit Rating of such Person shall be determined by the higher of such two Credit Ratings. During any period for which either the Parent or the Borrower has received a Credit Rating from only one Rating Agency, then the Credit Rating of such Person shall be determined based on such Credit Rating. During any period for which neither the Parent nor the Borrower has a Credit Rating from either Rating Agency, the Applicable Margin shall be determined based on Level 5. As of the Agreement Date and thereafter until changed as provided above, the Applicable Margin is determined based on Level 3.

For the period from the Effective Date until March 29, 2020, the Applicable Margin shall be determined in accordance with the following table:

Level	Credit Rating (S&P/Moody's)	Applicable Margin for LIBOR Loans	Applicable Margin for Base Rate Loans
1	A-/A3 or better	1.45%	0.45%
2	BBB+/Baal	1.50%	0.50%
3	BBB/Baa2	1.60%	0.60%
4	BBB-/Baa3	1.85%	0.85%
5	< BBB-/Baa3	2.40%	1.40%

From and after March 30, 2020, the Applicable Margin shall be determined in accordance with the following table:

Level	Credit Rating (S&P/Moody's)	Applicable Margin for LIBOR Loans	Applicable Margin for Base Rate Loans
1	A-/A3 or better	0.80%	0.00%
2	BBB+/Baal	0.85%	0.00%
3	BBB/Baa2	0.95%	0.00%
4	BBB-/Baa3	1.20%	0.20%
5	< BBB-/Baa3	1.60%	0.60%

**1.2 Amendment to Section 4.2(b).** Section 4.2(b) of the Loan Agreement is amended by restating such Section 4.2(b) in its entirety to read as follows:

“(b) Notwithstanding the foregoing, if at any time the Agent determines (which determination shall be conclusive absent manifest error) that (i) the circumstances set forth in Section 4.2(a)(ii) have arisen and such circumstances are unlikely to be temporary or (ii) the circumstances set forth in Section 4.2(a)(ii) have not arisen but either (w) the supervisor for the administrator of the interest settlement rate for deposits in Dollars described in the definition of “LIBOR” (the “LIBO Screen Rate”) has made a public statement that the administrator of the LIBO Screen Rate is insolvent (and there is no successor administrator that will continue publication of the LIBO Screen Rate), (x) the administrator of the LIBO Screen Rate has made a public statement identifying a specific date after which the LIBO Screen Rate will permanently or indefinitely cease to be published by it (and there is no successor administrator that will continue publication of the LIBO Screen Rate), (y) the supervisor for the administrator of the LIBO Screen Rate has made a public statement identifying a specific date after which the LIBO Screen

Rate will permanently or indefinitely cease to be published or (z) the supervisor for the administrator of the LIBO Screen Rate or a Governmental Authority having jurisdiction over the Agent has made a public statement identifying a specific date after which the LIBO Screen Rate may no longer be used for determining interest rates for loans, then the Agent and the Borrower shall endeavor to establish an alternate rate of interest to LIBOR that gives due consideration to the then prevailing market convention for determining a rate of interest for syndicated loans in the United States at such time, and shall enter into an amendment to this Agreement to reflect such alternate rate of interest and such other related changes to this Agreement as may be applicable (but for the avoidance of doubt, such related changes shall not include a reduction of the Applicable Margin); provided that, if such alternate rate of interest as so determined would be less than zero, such rate shall be deemed to be zero for the purposes of this Agreement (except for any portion of the Loans identified by the Borrower to the Agent in writing as being subject to a swap agreement of the Borrower that provides a hedge against fluctuations in interest rates in respect of such Loans and has not elected the “zero interest rate method”). Notwithstanding anything to the contrary in Section 12.6, such amendment shall become effective without any further action or consent of any other party to this Agreement so long as the Agent shall not have received, within five (5) Business Days of the date a copy of such amendment is provided to the Lenders, a written notice from the Requisite Lenders stating that such Requisite Lenders object to such amendment. Until an alternate rate of interest shall be determined in accordance with this Section 4.2(b) (but, in the case of the circumstances described in clause (ii) of the first sentence of this Section 4.2(b), only to the extent the LIBO Screen Rate for such Interest Period is not available or published at such time on a current basis), (x) any Notice of Conversion or Notice of Continuation that requests the conversion of any portion of the Loan to, or continuation of any Loan as, a LIBOR Loan shall be ineffective, and (y) if any Notice of Borrowing requests a LIBOR Loan, such borrowing shall be made as a Base Rate Loan.”

**1.3 Amendment to Article XII.** Article XII of the Loan Agreement is amended by inserting the following new Section 12.21 immediately after Section 12.20:

**“Section 12.21. Acknowledgement Regarding Any Supported QFCs.**

To the extent that the Loan Documents provide support, through a guarantee or otherwise, for Derivatives Contracts or any other agreement or instrument that is a QFC (such support “QFC Credit Support” and each such QFC a “Supported QFC”), the parties acknowledge and agree as follows with respect to the resolution power of the Federal Deposit Insurance Corporation under the Federal Deposit Insurance Act and Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act (together with the regulations promulgated thereunder, the “U.S. Special Resolution Regimes”) in respect of such Supported QFC and QFC Credit Support (with the provisions below applicable notwithstanding that the Loan Documents and any Supported QFC may in fact be stated to be governed by the laws of the State of New York and/or of the United States or any other state of the United States):

In the event a Covered Entity that is party to a Supported QFC (each, a “Covered Party”) becomes subject to a proceeding under a U.S. Special Resolution Regime, the transfer of

such Supported QFC and the benefit of such QFC Credit Support (and any interest and obligation in or under such Supported QFC and such QFC Credit Support, and any rights in property securing such Supported QFC or such QFC Credit Support) from such Covered Party will be effective to the same extent as the transfer would be effective under the U.S. Special Resolution Regime if the Supported QFC and such QFC Credit Support (and any such interest, obligation and rights in property) were governed by the laws of the United States or a state of the United States. In the event a Covered Party or a BHC Act Affiliate of a Covered Party becomes subject to a proceeding under a U.S. Special Resolution Regime, Default Rights under the Loan Documents that might otherwise apply to such Supported QFC or any QFC Credit Support that may be exercised against such Covered Party are permitted to be exercised to no greater extent than such Default Rights could be exercised under the U.S. Special Resolution Regime if the Supported QFC and the Loan Documents were governed by the laws of the United States or a state of the United States.

As used in this Section 12.21, the following terms have the following meanings:

“**BHC Act Affiliate**” of a party means an “affiliate” (as such term is defined under, and interpreted in accordance with, 12 U.S.C. 1841(k)) of such party.

“**Covered Entity**” means any of the following:

- (i) a “covered entity” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 252.82(b);
- (ii) a “covered bank” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 47.3(b); or
- (iii) a “covered FSI” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 382.2(b).

“**Default Right**” has the meaning assigned to that term in, and shall be interpreted in accordance with, 12 C.F.R. §§ 252.81, 47.2 or 382.1, as applicable.

“**QFC**” has the meaning assigned to the term “qualified financial contract” in, and shall be interpreted in accordance with, 12 U.S.C. 5390(c)(8)(D).”

## **SECTION 2. REPRESENTATIONS AND WARRANTIES**

In order to induce the Lenders and the Agent to enter into this Amendment No. 2, each of the Parent and the Borrower represents and warrants to each Lender and the Agent that the following statements are true, correct and complete:

- (i) The Borrower and each other Loan Party has the right and power, and has taken all necessary action to authorize it, to execute, deliver and perform each of this Amendment No. 2 and the Loan Agreement as amended by this Amendment No. 2 to which it is a party in accordance with their respective terms and to consummate the transactions contemplated hereby and thereby. This Amendment No. 2 has been duly executed and delivered

by the duly authorized officers or other representatives of the Borrower and Parent and is a legal, valid and binding obligation of such Persons enforceable against such Persons in accordance with its terms except as the same may be limited by bankruptcy, insolvency, and other similar laws affecting the rights of creditors generally and the availability of equitable remedies for the enforcement of certain obligations (other than the payment of principal) contained herein or therein may be limited by equitable principles generally;

(ii) The execution, delivery and performance of each of this Amendment No. 2 and the Loan Agreement as amended by this Amendment No. 2 in accordance with its terms do not and will not, by the passage of time, the giving of notice, or both: (i) require any Governmental Approval or violate any Applicable Law (including all Environmental Laws) relating to the Borrower or Parent; (ii) conflict with, result in a breach of or constitute a default under the organizational documents of the Borrower or Parent, or any indenture, agreement or other instrument to which the Borrower or Parent is a party or by which it or any of its respective properties may be bound; or (iii) result in or require the creation or imposition of any Lien upon or with respect to any property now owned or hereafter acquired by the Borrower or Parent;

(iii) the representations and warranties of the Parent and the Borrower contained in Article VI of the Loan Agreement are and will be true and correct in all material respects on and as of the date hereof and the Amendment Effective Date to the same extent as though made on and as of such dates, except to the extent such representations and warranties specifically relate to an earlier date, in which case they were true and correct in all material respects on and as of such earlier date and except for changes in factual circumstances not prohibited by the Loan Agreement; and

(iv) no event has occurred and is continuing or will result from the consummation of the transactions contemplated by this Amendment No. 2 that would constitute a Default or Event of Default.

### **SECTION 3. CONDITIONS TO EFFECTIVENESS**

This Amendment No. 2 shall become effective only upon the satisfaction of the following conditions precedent (the date of satisfaction of such conditions being referred to as the “**Amendment Effective Date**”):

**A.** The Borrower, the Parent, the Agent, and all of the Lenders shall have indicated their consent hereto by the execution and delivery of the signature pages hereof to the Agent, including, in the case of Parent, the signature page to the Reaffirmation of Facility Guaranty attached to this Amendment No. 2.

**B.** The Agent shall have received, for the account of each Lender executing this Amendment No. 2, a modification fee equal to 0.10% of the outstanding principal amount of the Loans owed to such Lender on the Amendment Effective Date. In addition, each Joint Lead Arranger shall have received any fees as may be separately agreed in a fee letter between the Borrower and such Joint Lead Arranger.

C. The Agent shall have received all reasonable out-of-pocket costs and expenses for which invoices have been presented (including the reasonable fees and expenses of legal counsel for which the Borrower agrees it is responsible pursuant to Section 12.2 of the Loan Agreement), incurred in connection with this Amendment No. 2.

#### **SECTION 4. MISCELLANEOUS**

##### **A. Reference to and Effect on the Loan Agreement and the Other Loan Documents.**

(i) On and after the effective date of this Amendment No. 2, each reference in the Loan Agreement to “this Agreement”, “hereunder”, “hereof”, “herein” or words of like import referring to the Loan Agreement and each reference in the other Loan Documents to the “Loan Agreement”, “thereunder”, “thereof” or words of like import referring to the Loan Agreement shall mean and be a reference to the Loan Agreement as amended hereby. This Amendment No. 2 shall constitute a “Loan Document” under the Loan Agreement.

(ii) Except as specifically amended by this Amendment No. 2, the Loan Agreement and the other Loan Documents shall remain in full force and effect and are hereby ratified and confirmed.

(iii) The execution, delivery and performance of this Amendment No. 2 shall not, except as expressly provided herein, constitute a waiver of any provision of, or operate as a waiver of any right, power or remedy of the Agent or any Lender under the Loan Agreement or any of the other Loan Documents.

**B. Headings.** Section and subsection headings in this Amendment No. 2 are included herein for convenience of reference only and shall not constitute a part of this Amendment No. 2 for any other purpose or be given any substantive effect.

**C. Applicable Law.** THIS AMENDMENT NO. 2 AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK PURSUANT TO SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW, WITHOUT REGARD FOR PRINCIPLES OF CONFLICTS OF LAW.

**D. Counterparts; Effectiveness.** This Amendment No. 2 may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument; signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are physically attached to the same document. Delivery of an executed counterpart of a signature page of this Amendment No. 2 by facsimile or electronic transmission shall be effective as delivery of a manually executed counterpart of this Amendment No. 2. Unless set forth in writing to the contrary, execution of this Amendment No. 2 by a Lender shall be deemed conclusive evidence that the conditions precedent to effectiveness set forth in Section 3 shall have been satisfied or waived to the satisfaction of such Lender.

*[Signature Pages Follow]*

**IN WITNESS WHEREOF**, the parties hereto have caused this Amendment No. 2 to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first written above.

**BORROWER:**

**PIEDMONT OPERATING PARTNERSHIP, LP**

By: Piedmont Office Realty Trust, Inc., its General Partner

By: \_\_\_Name: Title:

**PARENT:**

**PIEDMONT OFFICE REALTY TRUST, INC.**

By: \_\_\_Name: Title:

**U.S. BANK NATIONAL ASSOCIATION**, as Agent and as a Lender

By:\_\_\_Name: Title:

**PNC BANK, NATIONAL ASSOCIATION**

By:\_\_\_Name: Title:

**TRUIST BANK**, successor by merger to SunTrust Bank

By:\_\_\_\_Name: Title:

**BMO HARRIS BANK, N.A.**

By:\_\_\_Name: Title:

**TD BANK, N.A.**

By:\_\_\_Name: Title:

**TRUIST BANK f/k/a BRANCH BANKING AND TRUST COMPANY**

By:\_\_\_Name: Title:

**ASSOCIATED BANK, NATIONAL ASSOCIATION**

By:\_\_\_Name: Title:

Reaffirmation of Facility Guaranty

The undersigned Guarantor hereby (a) acknowledges the foregoing Amendment No. 2, (b) reaffirms its guaranty of the Guaranteed Obligations (as defined in the Facility Guaranty executed and delivered by such Guarantor) under or in connection with the Loan Agreement, as modified by this Amendment No. 2, in accordance with the Facility Guaranty executed and delivered by such Guarantor, and (c) confirms that its Facility Guaranty shall remain in full force and effect after giving effect to this Amendment No. 2.

*[Signature Pages Follow]*

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**GUARANTOR**

**PIEDMONT OFFICE REALTY TRUST**

By:\_\_\_

Name:

Title:

**PIEDMONT OFFICE REALTY TRUST, INC.  
LONG-TERM INCENTIVE PROGRAM  
AWARD AGREEMENT**

May 3, 2019

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Dear \_\_\_\_\_:

Piedmont Office Realty Trust, Inc. (“Piedmont”) maintains the Piedmont Office Realty Trust, Inc. Long-Term Incentive Program (“LTIP”), a component of the Piedmont Office Realty Trust, Inc. Amended and Restated 2007 Omnibus Incentive Plan (the “Plan”). You have been selected by the Compensation Committee of the Board of Directors (the “Board”) to receive an award under the LTIP (the “LTIP Award”), equal to \_\_\_\_\_ shares of Stock (the “Target Amount”), which may be earned pursuant to Section 1 below. The percentage of your Target Amount that you earn will depend on the performance of Piedmont during the three-year period beginning January 1, 2019 (the “Performance Cycle”).

Capitalized terms used but not defined in this Award Agreement have the meanings given those terms in the Plan and/or the LTIP. For purposes hereof, references to the LTIP shall be deemed to include the Plan.

**1. Determination of LTIP Award Payout.** The threshold, target and maximum Performance Levels applicable to your LTIP Award are based on Piedmont’s Total Shareholder Return (“TSR”) for the Performance Cycle relative to the TSR of the companies in Piedmont’s Peer Group. Following the end of the Performance Cycle, the Committee shall review, and at their sole discretion, determine the extent to which the Performance Levels were in fact satisfied for the Performance Cycle, if at all, and the percentage of your Target Amount payable to you in accordance with the following schedule, subject to any adjustment by the Committee in its discretion in accordance with the LTIP:

<b>Performance Level</b>	<b>Peer Group Percentile Ranking</b>	<b>Percentage of Target Amount Payable</b>
Maximum or above	75 <sup>th</sup> percentile or above	200%
Target	Median	100%
Threshold	25 <sup>th</sup> percentile	50%
Below Threshold	below 25 <sup>th</sup> percentile	0%

If the Peer Group Percentile Ranking is between the Threshold and Target Performance Levels or between the Target and Maximum Performance Levels, the percentage of the Target Amount payable

shall be determined by linear interpolation. Notwithstanding the foregoing, if the Peer Group Percentile Ranking is below the Threshold Level, but the Committee determines that Piedmont's TSR for the Performance Cycle was 10% or greater, then 50% of your Target Amount will be payable you, subject to any adjustment by the Committee in its discretion in accordance with the LTIP.

**2. Settlement of LTIP Awards.** Subject to Section 3 hereof, the percentage (if any) of your Target Amount that is payable with respect to the Performance Cycle shall be paid by Piedmont in the calendar year after the end of such Performance Cycle. Payments hereunder shall be made in shares of Stock, cash, or a combination thereof, in accordance with the LTIP, as determined by the Committee in its sole discretion. You will have no rights as a stockholder with respect to any shares under this LTIP until awarded and paid.

**3. Special Vesting on Termination of Employment.** Except as otherwise provided in this Section 3, you will not be entitled to any portion of the LTIP Award with respect to the Performance Cycle ending after your termination of employment. In the event of your termination of employment during the Performance Cycle is due to (a) termination by Piedmont without Cause, (b) termination by you with Good Reason, (c) your Retirement (as defined below), death or Disability, (d) the expiration of your employment agreement due to non-renewal by Piedmont, or (e) a Change of Control (as defined in the 2007 Omnibus Incentive Plan), you will be entitled to payment of a portion of your LTIP Award for the Performance Cycle based on Piedmont's TSR relative to the TSR of the companies in the Peer Group determined as of the date of your termination of employment. The percentage of the total Target Amount earned pursuant to Section 1 will then be multiplied by a fraction, the numerator of which equals the number of days during the Performance Cycle that you were actively employed by Piedmont and the denominator of which equals the number of days in the Performance Cycle. The resulting amount shall then be paid by Piedmont 90 days after your termination of employment occurs. For purposes of this Award Agreement, the term "Retirement" means a termination of employment with the Company or a Subsidiary after you reach age 62, other than for Cause.

**4. Definitions.** To the extent not defined in this Award Agreement, capitalized terms shall have the meanings set forth in the LTIP or Plan.

**5. Dividend Equivalents.** Your LTIP Award granted hereunder is granted in tandem with a corresponding right to receive an amount equal to each cash dividend that is made by the Company in respect of a share Stock underlying such LTIP Award (a "Dividend Equivalent"). Any such amounts shall be accrued and, to the extent the portion of the LTIP Award to which such Dividend Equivalent relates becomes earned and vested, shall be paid in a single lump sum on the same date that such portion is settled in accordance with Section 2 or 3 above. Any such Dividend Equivalent shall terminate upon the forfeiture of, or payment with respect to, such LTIP Award, as applicable. Any Dividend Equivalents will be treated as separate payments from the underlying LTIP Awards for purposes of Section 409A.<sup>1</sup>

**6. 409A Compliance.** The parties intend that payments under this LTIP Award Agreement comply with or be exempt from Section 409A of the Code and the regulations and guidance promulgated thereunder (collectively "Code Section 409A") and Piedmont shall have complete discretion to interpret and construe this LTIP Award 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 LTIP Award Agreement 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 Piedmont in a manner consistent with such intent, as determined in the discretion of Piedmont. A termination of employment shall not be deemed to have occurred for purposes of any provision of this LTIP Award Agreement providing for the payment of any amounts or benefits that are considered nonqualified deferred compensation under 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, and, for purposes of any such provision of this LTIP Award 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 LTIP Award Agreement shall be made in accordance with the presumptions set forth in Section 1.409A-1(h) of the Treasury Regulations. Any provision of this LTIP Award Agreement to the contrary notwithstanding, if at the time of the your separation from service, Piedmont determines that you are a "specified employee," within the meaning of Code Section 409A, then to the extent any payment that you are entitled to under this LTIP Award Agreement on account of your separation from service would be considered nonqualified deferred compensation under Code Section 409A, such payment shall be paid at the date which is the earlier of (i) six (6) months and one day after your separation from service and (ii) the date of your death (the "Delay Period"). Upon the expiration of the Delay Period, all payments delayed pursuant to this Section 6 shall be paid to you in a lump-sum. Piedmont makes no representation or warranty and shall have no liability to you or any other person if any provisions of this LTIP Award 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.

**7. Forfeiture.** Except for as otherwise provided in Section 3, if your employment with Piedmont or a subsidiary of Piedmont ("Subsidiary") is terminated voluntarily or by Piedmont or a Subsidiary for Cause, then you will forfeit your right to receive any cash or shares of Stock pursuant to this LTIP Award.

**8. Miscellaneous.** The percentage of your LTIP Award earned and settlement of your earned LTIP Award (if any) are governed by this LTIP Award Agreement and the LTIP. All provisions of your LTIP Award are subject to the terms and conditions set forth in the LTIP, which are hereby incorporated into this LTIP Award Agreement by this reference. To the extent the terms of this LTIP Award Agreement are inconsistent with or modify, amend or supplement any provisions of the LTIP, the terms of the LTIP will have precedence over this LTIP Award Agreement.

The LTIP Award constitutes a contingent and unsecured promise of Piedmont and you have only the rights of a general unsecured creditor of Piedmont, including, but not limited to, any rights in respect of settlement of your LTIP Award. You will not be a stockholder with respect to the shares of Stock corresponding to your LTIP Award unless and until your LTIP Award is converted to shares.

If you agree to the foregoing terms and conditions, please execute both copies of this LTIP Award Agreement and return one such executed original copy to Piedmont.

Sincerely,

Piedmont Office Realty Trust, Inc.

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

Name: Donald A. Miller

Title: CEO

Date: \_\_\_\_\_

I hereby accept the LTIP Award described in this LTIP Award Agreement in accordance with the terms and conditions set forth herein and in the Plan and LTIP

Name: \_\_\_\_\_

Date: \_\_\_\_\_

**PIEDMONT OFFICE REALTY TRUST, INC.**  
**LONG-TERM INCENTIVE PROGRAM**

**(Amendment No. 4 Effective March 19, 2020)**

The Compensation Committee (the “Committee”) of the Board of Piedmont Office Realty Trust, Inc. (the “Company”) previously established this Long-Term Incentive Program (the “LTIP”) under the Piedmont Office Realty Trust, Inc. 2007 Omnibus Incentive Plan (the “Plan”) as previously amended on April 28, 2015, April 27, 2016, and May 2, 2017. The Committee now desires to further amend and restate the LTIP in its entirety, effective as of March 19, 2020. The LTIP is intended to allow the Company to make certain Awards under the Plan in furtherance of the purposes of the Plan. Capitalized terms that are not defined herein shall have the same meanings given to such terms in the Plan.

1. Definitions. For the purposes of the LTIP, the following terms shall have the meanings set forth below:

(a) “Average Price” means, with respect to the beginning of a Performance Cycle, the average of the Closing Stock Price for the last 10 trading days preceding the start of the applicable Performance Cycle and the first 10 trading days of the applicable Performance Cycle, and with respect to the end of an Performance Cycle, the average of the Closing Stock Price for the last 10 trading days preceding the end of the applicable Performance Cycle and the first 10 trading days after the end of the applicable Performance Cycle. Notwithstanding the forgoing, in the event a Participant terminates employment during a Performance Cycle in accordance with Section 5, Average Price on the date of the Participant’s termination of employment means the average of the Closing Stock Price for the last 10 trading days preceding the date of the Participant’s termination of employment and the first 10 trading days following the date of Participant’s termination of employment.

(b) “Cause” means, unless otherwise specified in the Participant’s employment agreement, any of the following: (i) any material act or material omission by the Participant which constitutes intentional misconduct in connection with the Company’s business or a willful violation of law in connection with the Company’s business; (ii) an act of fraud, conversion, misappropriation or embezzlement by the Participant with respect to the Company’s assets or business or conviction of, indictment for (or its procedural equivalent) or entering a guilty plea or plea of no contest with respect to a felony, or 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 the Participant in connection with the Company's business; (iv) the willful neglect of material duties of, or gross misconduct by, the Participant; (v) the use of illegal drugs or excessive use of alcohol that the Board determines in good faith to materially interfere with the performance of the Participant's duties to the Company; and (vi) any other failure (other than any failure resulting from incapacity due to physical or mental illness) by the Participant to perform his material and reasonable duties and responsibilities as an employee, director or consultant of the Company.

(c) "Closing Stock Price" means, with respect to Stock, the closing sales price per share on the applicable date quoted on the NYSE, or if there are no sales on such date, for the last preceding date on which there were sales of Stock, as determined by the Committee. With respect to the stock of a company in the Peer Group, "Closing Stock Price" means, (i) the closing sales price per share on the applicable date as quoted or reported on such national securities exchange or NASDAQ, or if there are no sales on such date, for the preceding date on which there were sales of stock, as determined by the Committee.

(d) "Disability" means physical or mental incapacity whereby a Participant 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 such Participant's duties.

(e) "Good Reason" means, unless otherwise specified in the Participant's employment agreement, any of the following: (i) the failure of the Company to pay or cause to be paid the Participant's base salary or annual bonus when due; (ii) a material diminution in the Participant'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 the Participant's target annual bonus as compared to the prior fiscal year (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 the Participant; (v) the failure to provide the Participant with incentive awards that are reasonably and generally comparable to awards granted to other executive officers (other than the CEO) of the Company; or (vi) the occurrence of a Change of Control (as defined in the Plan). Notwithstanding the foregoing, (1) Good Reason (A) shall not be deemed to exist unless the Participant gives to the Company a written notice identifying the event or condition purportedly giving rise to Good Reason 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 the Participant's employment for Cause so long as the Board gives notice to the Participant 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, the Participant 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).

(f) "Grant Date" shall mean the date that the LTIP plan is approved by the Compensation Committee of the Board of Directors of the Company.

(g) "LTIP Award" means an Award of performance shares under the LTIP.

(h) "Participant" means an employee, consultant, or Non-Employee Director of the Company, as selected by the Committee in its discretion.

(i) "Peer Group" means the peer group of REIT companies selected by the Committee.

(j) "Peer Group Percentile Ranking" means a comparison of the Company's TSR to the TSR of other companies in the Peer Group, expressed on a percentile basis.

(k) [Not Used.](l) "Performance Level" means the Threshold, Target or Maximum Performance Level specified in Section 3(a).

(m) "Performance Cycle" means the three-year period beginning on January 1 of the calendar year with respect to which a LTIP Award is granted. The first Performance Cycle shall commence on January 1, 2011, and end on December 31, 2013.

(n) "Target Amount" means the number of shares of the Stock with respect to which the LTIP Award relates assuming achievement of the Target Performance Level. The Target Amount shall be determined by dividing the dollar value established by the Committee with respect to a Participant's LTIP Award by the closing price of the Stock on the Grant Date.

(o) "Total Shareholder Return," or "TSR," means the Average Price at the end of a Performance Cycle, minus the Average Price at the beginning of a Performance Cycle, plus any dividends paid during the Performance Cycle, all divided by the Average Price at the beginning of the Performance Cycle; provided, however, that if a Participant terminates employment during a Performance Cycle in accordance with Section 5, TSR means the Average Price on the date of the Participant's termination of employment, minus the Average Price at the beginning of Performance Cycle, plus any dividends paid during the

Performance Cycle until the date of the Participant’s termination of employment, all divided by the Average Price at the beginning of the Performance Cycle. If, during a Performance Cycle a Peer Group company (i) is acquired by or merged into another entity, and in either case is not the surviving entity following such merger or acquisition, or (ii) ceases to be a publicly-traded REIT as the result of a transaction to go private, the calculation of the Peer Group company’s TSR shall be determined by the Compensation Committee. If, during a Performance Cycle, a Peer Group company declares bankruptcy or is delisted from the securities exchange on which it is traded, such Peer Group company’s TSR shall be set at -100%.

2. Grant of LTIP Awards. Subject to the terms and provisions of the Plan and the LTIP, each year the Committee may grant LTIP Awards to such Participants in such amount and pursuant to such terms and conditions (to the extent consistent with the LTIP and the Plan) as the Committee may determine and as set forth in the applicable LTIP Award agreement. LTIP Awards are generally granted to Participants with respect to successive overlapping Performance Cycles. Not later than 120 days after the commencement of each Performance Cycle or as otherwise required by the Plan, the Committee shall establish in writing the LTIP Awards for such Performance Cycle, which shall include the applicable Target Amount, the Performance Levels, and the Peer Group.

3. LTIP Award.

(a) Determination of Payout. An LTIP Award granted to a Participant shall specify the Target Amount that can be earned under such LTIP Award for the applicable Performance Cycle. The percentage of the Target Amount earned by a Participant for a Performance Cycle will be determined by the Committee based upon the Company’s Total Shareholder Return (“TSR”) relative to the TSR of the companies in the Peer Group. Based upon the Company’s Peer Group Percentile Ranking, a Participant will earn a percentage of the Target Amount as set forth in the following chart:

<b>Performance Level</b>	<b>Peer Group Percentile Ranking</b>	<b>Percentage of Target Amount Payable</b>
Maximum	75 <sup>th</sup> percentile or above	200%
Target	Median	100%
Threshold	25 <sup>th</sup> percentile	50%
Below Threshold	below 25 <sup>th</sup> percentile	0%

If the Peer Group Percentile Ranking is between the Threshold and Target Performance Levels or between the Target and Maximum Performance Levels, the percentage of Target Amount earned shall be determined by linear interpolation.

(b) [Not Used.]

(c) Calculation of Performance and Target Amount Earned. Following the end of each Performance Cycle the Committee shall determine the Company's TSR, the Peer Group Percentile Ranking, and the percentage of the Target Amount earned under Section 3(a). Notwithstanding the foregoing, if the Peer Group Percentile Ranking is below the Threshold Level, but the Company's calculated TSR is 10% or greater, then 50% of the Target Amount will be deemed earned.

4. Settlement of LTIP Awards

. Subject to Section 5 hereof, the percentage (if any) of each Participant's LTIP Award that is earned with respect to a Performance Cycle as provided in Section 3 hereof shall be paid by the Company in the calendar year after the end of such Performance Cycle. Payments hereunder may be made in cash, Stock, or a combination thereof in accordance with the Plan, as determined by the Committee in its sole discretion.

5. Termination of Employment. Except as otherwise provided in this Section 5, a Participant shall not be entitled to any payment under an LTIP Award with respect to a Performance Cycle ending after his or her termination of employment. In the event of a Participant's termination of employment during a Performance Cycle due to (a) termination by the Company without Cause or by the Participant for Good Reason, (b) the Participant's death or Disability, (c) the expiration of the Participant's employment agreement due to non-renewal by the Company, (d) retirement or (e) a Change of Control (as defined in the Plan), such Participant will be entitled to payment of a portion of his or her LTIP Award for such Performance Cycle based on the Company's TSR relative to the TSR of the companies in the Peer Group determined as of the date of the Participant's termination of employment. The percentage of the Target Amount earned pursuant to Section 3 will then be multiplied by a fraction, the numerator of which equals the number of days during such Performance Cycle that such Participant was actively employed by the Company, and the denominator of which equals 1095 days, or total days in the Performance Cycle. Such payment will be paid by the Company 90 days after such Participant's termination of employment occurs.

6. 409A Compliance. The Company intends that payments under the LTIP 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 the LTIP and any associated documents in any manner that establishes an exemption from (or compliance with) the requirements of Code Section 409A. If any provision of the LTIP 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. A termination of employment shall not be deemed to have occurred for purposes of any provision of the LTIP providing for the payment of any amounts or benefits that are considered nonqualified deferred

compensation under 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, and, for purposes of any such provision of the LTIP, 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 the LTIP shall be made in accordance with the presumptions set forth in Section 1.409A-1(h) of the Treasury Regulations. Any provision of the LTIP to the contrary notwithstanding, if the Company determines that the Participant is a “specified employee,” within the meaning of Code Section 409A, then to the extent that any payment under the LTIP on account of Participant’s separation from service would be considered nonqualified deferred compensation under Code Section 409A, such payment shall be delayed and paid at the date which is the earlier of (i) six (6) months and one day after the Participant’s separation from service and (ii) the date of Participant’s death (the “Delay Period”). Upon the expiration of the Delay Period, all payments delayed pursuant to this Section 6 shall be paid in a lump-sum. The Company makes no representation or warranty and shall have no liability to any participant or any other person if any provisions of the LTIP 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.

7. Miscellaneous. The Board may, at any time and with or without prior notice, amend, alter, suspend or terminate the LTIP in accordance with Section 17 of the Plan. For the avoidance of doubt, prior to the time the Committee grants any LTIP Awards with respect to a particular Performance Cycle, the Committee shall have complete discretion to award or not award LTIP Awards with respect to such Performance Cycle. All provisions of the LTIP are subject to the terms and conditions set forth in the Plan, which are hereby incorporated herein by reference. To the extent the terms of the LTIP are inconsistent with or modify, amend or supplement any provisions of the Plan, to the extent permitted under the Plan, the LTIP will be deemed to be a determination by the Committee to so modify, amend or supplement the Plan and the terms of the LTIP will have precedence over the Plan.

Adopted by the Committee on this 19th day of March 2020.

**PIEDMONT OFFICE REALTY TRUST, INC.  
LONG-TERM INCENTIVE PROGRAM  
AWARD AGREEMENT**

[ \_\_\_\_\_ ], 20\_\_

Name  
Title  
Address

Dear \_\_\_\_\_:

Piedmont Office Realty Trust, Inc. (“Piedmont”) maintains the Piedmont Office Realty Trust, Inc. Long-Term Incentive Program (“LTIP”), a component of the Piedmont Office Realty Trust, Inc. Amended and Restated 2007 Omnibus Incentive Plan (the “Plan”). You have been selected by the Compensation Committee of the Board of Directors (the “Committee”) to receive an award under the LTIP (the “LTIP Award”), equal to \_\_\_\_\_ shares of Stock (the “Target Amount”), which may be earned pursuant to Section 1 below. The percentage of your Target Amount that you earn will depend on the performance of Piedmont during the three-year period beginning [ \_\_\_\_\_ ] (the “Performance Cycle”).

Capitalized terms used but not defined in this Award Agreement have the meanings given those terms in the Plan and/or the LTIP. For purposes hereof, references to the LTIP shall be deemed to include the Plan.

**1. Determination of LTIP Award Payout.** The threshold, target and maximum Performance Levels applicable to your LTIP Award are based on Piedmont’s Total Shareholder Return (“TSR”) for the Performance Cycle relative to the TSR of the companies in Piedmont’s Peer Group. Following the end of the Performance Cycle, the Committee shall review, and at their sole discretion, determine the extent to which the Performance Levels were in fact satisfied for the Performance Cycle, if at all, and the percentage of your Target Amount payable to you in accordance with the following schedule:

<b>Performance Level</b>	<b>Peer Group Percentile Ranking</b>	<b>Percentage of Target Amount Payable</b>
Maximum or above	75 <sup>th</sup> percentile or above	200%
Target	Median	100%
Threshold	25 <sup>th</sup> percentile	50%
Below Threshold	below 25 <sup>th</sup> percentile	0%

If the Peer Group Percentile Ranking is between the Threshold and Target Performance Levels or between the Target and Maximum Performance Levels, the percentage of the Target Amount payable shall be determined by linear interpolation. Notwithstanding the foregoing, if the Peer Group Percentile Ranking is below the Threshold Level, but the Committee determines that Piedmont's TSR for the Performance Cycle was 10% or greater, then 50% of your Target Amount will be payable you.

**2. Settlement of LTIP Awards.** Subject to Section 3 hereof, the percentage (if any) of your Target Amount that is payable with respect to the Performance Cycle shall be paid by Piedmont in the calendar year after the end of such Performance Cycle. Payments hereunder shall be made in shares of Stock, cash, or a combination thereof, in accordance with the LTIP, as determined by the Committee in its sole discretion. You will have no rights as a stockholder with respect to any shares under this LTIP until awarded and paid.

**3. Special Vesting on Termination of Employment.** Except as otherwise provided in this Section 3, you will not be entitled to any portion of the LTIP Award with respect to the Performance Cycle ending after your termination of employment. In the event of your termination of employment during the Performance Cycle is due to (a) termination by Piedmont without Cause, (b) termination by you with Good Reason, (c) your Retirement, death or Disability, (d) the expiration of your employment agreement due to non-renewal by Piedmont, or (e) a Change in Control (as defined in the Plan), you will be entitled to payment of a portion of your LTIP Award for the Performance Cycle based on Piedmont's TSR relative to the TSR of the companies in the Peer Group determined as of the date of your termination of employment. The percentage of the total Target Amount earned pursuant to Section 1 will then be multiplied by a fraction, the numerator of which equals the number of days during the Performance Cycle that you were actively employed by Piedmont and the denominator of which equals the number of days in the Performance Cycle. The resulting amount shall then be paid by Piedmont 90 days after your termination of employment occurs.

**4. Dividend Equivalents.** Your LTIP Award granted hereunder is granted in tandem with a corresponding right to receive an amount equal to each cash dividend that is made by the Company in respect of a share Stock underlying such LTIP Award (a "Dividend Equivalent"). Any such amounts shall be accrued and, to the extent the portion of the LTIP Award to which such Dividend Equivalent relates becomes earned and vested, shall be paid in a single lump sum on the same date that such portion is settled in accordance with Section 2 or 3 above. Any such Dividend Equivalent shall terminate upon the forfeiture of, or payment with respect to, such LTIP Award, as applicable. Any Dividend Equivalents will be treated as separate payments from the underlying LTIP Awards for purposes of Section 409A.

**5. 409A Compliance.** The parties intend that payments under this LTIP Award Agreement comply with or be exempt from Section 409A of the Code and the regulations and guidance promulgated thereunder (collectively "Code Section 409A") and Piedmont shall have complete discretion to interpret and construe this LTIP Award 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 LTIP Award Agreement 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 Piedmont in a manner consistent with such intent, as determined in the discretion of Piedmont. A termination of employment shall not be deemed to have occurred for purposes of any provision of this LTIP Award Agreement providing for the payment of any amounts or benefits that are considered nonqualified deferred compensation under 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, and, for purposes of any such provision of this LTIP Award 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 LTIP Award Agreement shall be made in accordance with the presumptions set forth in Section 1.409A-1(h) of the Treasury Regulations. Any provision of this LTIP Award Agreement to the contrary notwithstanding, if at the time of your separation from service, Piedmont determines that you are a "specified employee," within the meaning of Code Section 409A, then to the extent any payment that you are entitled to under this LTIP Award Agreement on account of your separation from service would be considered nonqualified deferred compensation under Code Section 409A, such payment shall be paid at the date which is the earlier of (i) six (6) months and one day after your separation from service and (ii) the date of your death (the "Delay Period"). Upon the expiration of the Delay Period, all payments delayed pursuant to this Section 6 shall be paid to you in a lump-sum. Piedmont makes no representation or warranty and shall have no liability to you or any other person if any provisions of this LTIP Award 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. Forfeiture.** Except for as otherwise provided in Section 3, if your employment with Piedmont or a subsidiary of Piedmont ("Subsidiary") is terminated voluntarily or by Piedmont or a Subsidiary for Cause, then you will forfeit your right to receive any cash or shares of Stock pursuant to this LTIP Award.

**7. Miscellaneous.** The percentage of your LTIP Award earned and settlement of your earned LTIP Award (if any) are governed by this LTIP Award Agreement and the LTIP. All provisions of your LTIP Award are subject to the terms and conditions set forth in the LTIP, which are hereby incorporated into this LTIP Award Agreement by this reference. To the extent the terms of this LTIP Award Agreement are inconsistent with or modify, amend or supplement any provisions of the LTIP, the terms of the LTIP will have precedence over this LTIP Award Agreement.

The LTIP Award constitutes a contingent and unsecured promise of Piedmont and you have only the rights of a general unsecured creditor of Piedmont, including, but not limited to, any rights in respect of settlement of your LTIP Award. You will not be a stockholder with respect to the shares of Stock corresponding to your LTIP Award unless and until your LTIP Award is converted to shares.

If you agree to the foregoing terms and conditions, please execute both copies of this LTIP Award Agreement and return one such executed original copy to Piedmont.

Sincerely,

Piedmont Office Realty Trust, Inc.

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

Name:

Title: President & CEO

Date: \_\_\_\_\_

I hereby accept the LTIP Award described in this LTIP Award Agreement in accordance with the terms and conditions set forth herein and in the Plan and LTIP

Name: \_\_\_\_\_

Date: \_\_\_\_\_

**Subsidiary Issuer of Guaranteed Securities**

Piedmont Operating Partnership, LP (“Piedmont OP”), the wholly-owned subsidiary of the registrant, Piedmont Office Realty Trust, Inc., is the issuer of (i) \$350 million aggregate principal amount of 3.40% Senior Notes due 2023, and (ii) \$400 million aggregate principal amount of 4.450% Senior Notes due 2024 (collectively, the “Senior Notes”). The Senior Notes are fully and unconditionally guaranteed by the registrant, the parent entity that consolidates Piedmont OP and all other subsidiaries.

**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 March 31, 2020 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: April 29, 2020

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 March 31, 2020 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: April 29, 2020

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 March 31, 2020, 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**

**April 29, 2020**

**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 March 31, 2020, 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**

**April 29, 2020**