YUDROFF ROYCE
Form 4
December 07, 2012

FORM 4

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

OMB APPROVAL

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
YUDROFF ROYCE

(Last) (First) (Middle)

111 HUNTINGTON AVE, 29TH FLOOR

(Street)

BOSTON, MA 02199

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
NEXSTAR BROADCASTING GROUP INC [NXST]

3. Date of Earliest Transaction (Month/Day/Year)
11/27/2012

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director __X__ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Class A Common Stock of Nexstar Broadcasting Group, Inc.	11/27/2012		C		3,462,451	A	$ 0	6,953,334	I	See Footnotes (2) (4)
Class A Common Stock of Nexstar Broadcasting	11/27/2012		C		1,046,666	A	$ 0	8,000,000	I	See Footnotes (3) (4)

Group, Inc.								
Class A Common Stock of Nexstar Broadcasting Group, Inc.	12/05/2012	S	3,462,451	D	$ 8.8338	4,537,549	I	See Footnotes (2) (4)
Class A Common Stock of Nexstar Broadcasting Group, Inc.	12/05/2012	S	4,537,549	D	$ 8.8338	0	I	See Footnotes (3) (4)

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount Underlying Securities (Instr. 3 and 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	A N Sl
Class B Common Stock of Nexstar Broadcasting Group, Inc.	(1)	11/27/2012		C		3,462,451		(1)	(1)	Class A Common Stock of Nexstar Broadcasting Group, Inc.	3
Class B Common Stock of Nexstar Broadcasting Group, Inc.	(1)	11/27/2012		C		1,046,666		(1)	(1)	Class A Common Stock of Nexstar Broadcasting Group, Inc.	1

Reporting Owners

Reporting Owner Name / Address	Relationships

	Director	10% Owner	Officer	Other
YUDROFF ROYCE 111 HUNTINGTON AVE 29TH FLOOR BOSTON, MA 02199	X	X		

Signatures

/s/ SHIRLEY E. GREEN, as Attorney-in-Fact for Royce Yudkoff	12/07/2012
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Each share of Class B Common Stock of Nexstar Broadcasting Group, Inc. is convertible into Class A Common Stock on a one-for-one basis at the election of the holder at any time.

(2) The Reporting Person is the trustee of ABRY Holdings Co., which is the sole member of ABRY Holdings, LLC, which is the sole general partner of ABRY Capital, L.P., which is the sole general partner of ABRY Broadcast Partners II, L.P. ("ABRY II").

(3) The Reporting Person is the sole trustee of ABRY Holdings III, Co., which is the sole member of ABRY Holdings III, LLC, which is the sole general partner of ABRY Equity Investors, L.P., the sole general partner of ABRY Broadcast Partners III, L.P. ("ABRY III").

(4) The Reporting Person disclaims beneficial ownership of the securities issued to ABRY II and ABRY III, except to the extent of his "pecuniary interest" (as defined in Rule 16a-1 under the Securities and Exchange Act of 1934, as amended), if any, and this report shall not be deemed an admission that the Reporting Person is the beneficial owner of the securities for Section 16 purposes or for any other purposes.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. rant to employees and independent directors, net of shares surrendered upon vesting to satisfy required minimum tax withholding obligations through March 31, 2018.

(2) Estimated based on Piedmont's cumulative TSR for the respective performance period through March 31, 2018. Share estimates are subject to change in future periods based upon Piedmont's relative performance compared to its peers' total stockholder return.

During the three months ended March 31, 2018 and 2017, Piedmont recognized approximately $1.0 million and $3.2 million of compensation expense related to stock awards, all of which is related to the amortization of unvested shares. During the three months ended March 31, 2018, a net total of 148,093 shares were issued to employees. As of March 31, 2018, approximately $2.6 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 one year.

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11.Supplemental Disclosures for the Statement of Consolidated Cash Flows

Certain noncash investing and financing activities for the three months ended March 31, 2018 and 2017, (in thousands) are outlined below:

	Three Months Ended	
	March 31, 2018	March 31, 2017
Accrued capital expenditures and deferred lease costs	$6,222	$12,478
Change in accrued dividends and discount on dividend reinvestments	$(101,800)	$(30,532)
Change in accrued share repurchases as part of an announced plan	$(1,276)	$—
Accrued deferred financing costs	$44	$—

The following table provides a reconciliation of cash, cash equivalents, and restricted cash and escrows reported within the consolidated balance sheets that sum to the total of the same such amounts in the consolidated statement of cash flows as of the periods ended March 31, 2018 and December 31, 2017 (in thousands).

	March 31, 2018	December 31, 2017
Cash and cash equivalents	$ 6,729	$ 7,382
Restricted cash and escrows:		
Real estate tax and escrowed cash	927	833
Security and utility deposit escrows	537	540
Total cash, cash equivalents, and restricted cash and escrows shown in the consolidated statement of cash flows	$ 8,193	$ 8,755

Amounts in real estate tax and escrowed cash represent deposits which are required by Piedmont’s lenders under certain of its debt agreements to escrow amounts for the payment of real estate taxes, and other amounts escrowed, for instance, earnest money deposited for the purchase of a property. Security and utility deposit escrows represent the cash held for tenants and/or Piedmont for lease related deposits.

12.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.

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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, 2018 and 2017, respectively (in thousands):

	Three Months Ended	
	March 31, 2018	March 31, 2017
Weighted-average common shares – basic	135,877	145,287
Plus: Incremental weighted-average shares from time-vested deferred and performance stock awards	306	546
Weighted-average common shares – diluted	136,183	145,833
Common stock issued and outstanding as of period end	130,025	145,320

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13.Guarantor and Non-Guarantor Financial Information

The following condensed consolidating financial information for Piedmont (the "Parent", "Guarantor", and/or "Consolidated"), Piedmont OP (the "Issuer"), and the other directly and indirectly owned subsidiaries of Piedmont as the Guarantor (the "Non-Guarantors") is provided pursuant to the requirements of Rule 3-10 of Regulation S-X regarding financial statements of guarantors and issuers of guaranteed registered securities. The Issuer is a wholly-owned subsidiary of the Guarantor, and all guarantees by the Guarantor of securities issued by the Issuer are full and unconditional. The principal elimination entries relate to investments in subsidiaries and intercompany balances and transactions, including transactions with the Non-Guarantors.

Condensed Consolidating Balance Sheets
As of March 31, 2018

(in thousands)	Piedmont (Parent) (Guarantor)	Piedmont OP (the Issuer)	Non-Guarantors	Eliminations	Piedmont (Consolidated)
Assets:					
Real estate assets, at cost:					
Land	$—	$36,094	$ 511,508	$—	$ 547,602
Buildings and improvements, less accumulated depreciation	—	178,181	2,246,689	(300)	2,424,570
Intangible lease assets, less accumulated amortization	—	45	75,230	—	75,275
Construction in progress	—	390	14,836	—	15,226
Total real estate assets	—	214,710	2,848,263	(300)	3,062,673
Cash and cash equivalents	150	4,017	2,562	—	6,729
Tenant and straight-line rent receivables, net and amounts due from unconsolidated joint ventures	—	16,870	162,715	—	179,585
Investment in subsidiaries	1,790,277	2,808,205	171	(4,598,653)	—
Notes receivable	—	810	147,700	(145,310)	3,200
Prepaid expenses, restricted cash, escrows, interest rate swaps and other assets	116	8,864	18,251	(14)	27,217
Goodwill	—	98,918	—	—	98,918
Deferred lease costs, net	—	15,976	241,392	—	257,368
Total assets	$1,790,543	$3,168,370	$ 3,421,054	$(4,744,277)	$ 3,635,690
Liabilities:					
Debt, net	$—	$1,498,271	$ 336,683	$(145,310)	$ 1,689,644
Accounts payable, accrued expenses, and accrued capital expenditures	955	14,028	68,817	(14)	83,786
Deferred income	—	2,757	26,994	—	29,751
Intangible lease liabilities, net	—	—	42,699	—	42,699
Interest rate swaps	—	222	—	—	222
Total liabilities	955	1,515,278	475,193	(145,324)	1,846,102
Equity:					
Total stockholders’ equity	1,789,588	1,653,092	2,945,861	(4,598,953)	1,789,588
Total liabilities and stockholders’ equity	$1,790,543	$3,168,370	$ 3,421,054	$(4,744,277)	$ 3,635,690

Explanation of Responses:

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Condensed Consolidating Balance Sheets
As of December 31, 2017

(in thousands)	Piedmont (Parent) (Guarantor)	Piedmont OP (the Issuer)	Non-Guarantors	Eliminations	Piedmont (Consolidated)
Assets:					
Real estate assets, at cost:					
Land	$—	$36,094	$ 508,700	$—	$ 544,794
Buildings and improvements, less accumulated depreciation	—	180,886	2,237,437	(300)	2,418,023
Intangible lease assets, less accumulated amortization	—	181	77,624	—	77,805
Construction in progress	—	85	11,625	—	11,710
Real estate assets held for sale, net	—	32,815	299,595	—	332,410
Total real estate assets	—	250,061	3,134,981	(300)	3,384,742
Cash and cash equivalents	150	3,890	3,342	—	7,382
Tenant and straight-line rent receivables, net, and amounts due from unconsolidated joint ventures	—	16,891	158,418	—	175,309
Advances to affiliates	1,674,276	6,297,632	—	(7,971,908)	—
Investment in subsidiary	3,437,299	—	172	(3,437,471)	—
Notes receivable	—	88,810	144,500	(233,310)	—
Prepaid expenses, restricted cash, escrows, interest rate swaps and other assets	2	5,094	20,222	(740)	24,578
Goodwill	—	98,918	—	—	98,918
Deferred lease costs, net	—	16,611	245,296	—	261,907
Other assets held for sale, net	—	2,266	44,865	—	47,131
Total assets	$5,111,727	$6,780,173	$ 3,751,796	$(11,643,729)	$ 3,999,967
Liabilities:					
Debt, net	$—	$1,535,239	$ 424,998	$(233,310)	$ 1,726,927
Accounts payable, accrued expenses, dividends payable, and accrued capital expenditures	104,028	20,279	93,086	(740)	216,653
Advances from affiliates	5,277,957	941,494	1,850,712	(8,070,163)	—
Deferred income	—	3,631	25,951	—	29,582
Intangible lease liabilities, net	—	—	38,458	—	38,458
Interest rate swaps	—	1,478	—	—	1,478
Liabilities held for sale, net	—	—	380	—	380
Total liabilities	5,381,985	2,502,121	2,433,585	(8,304,213)	2,013,478
Equity:					
Total stockholders’ equity	(270,258)	4,278,052	1,318,211	(3,339,516)	1,986,489
Total liabilities and stockholders’ equity	$5,111,727	$6,780,173	$ 3,751,796	$(11,643,729)	$ 3,999,967

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Condensed Consolidating Statements of Income
For the three months ended March 31, 2018

(in thousands)	Piedmont (Parent) (Guarantor)	Piedmont OP (the Issuer)	Non-Guarantors	Eliminations	Consolidated
Revenues:					
Rental income	$ —	$ 8,815	$ 93,071	$ (432)	$ 101,454
Tenant reimbursements	—	2,646	20,432	(84)	22,994
Property management fee revenue	—	—	4,181	(3,872)	309
Other property related revenue	—	27	5,116	—	5,143
	—	11,488	122,800	(4,388)	129,900
Expenses:					
Property operating costs	—	4,713	51,534	(4,388)	51,859
Depreciation	—	2,865	24,280	—	27,145
Amortization	—	611	16,122	—	16,733
General and administrative	100	1,887	4,565	—	6,552
	100	10,076	96,501	(4,388)	102,289
Real estate operating income/(loss)	(100)	1,412	26,299	—	27,611
Other income (expense):					
Interest expense	—	(12,021)	(3,699)	1,962	(13,758)
Other income/(expense)	—	124	2,284	(1,962)	446
Loss on extinguishment of debt	—	(1,680)	—	—	(1,680)
Gain on sale of real estate assets	—	1,430	43,779	—	45,209
	—	(12,147)	42,364	—	30,217
Income/(loss) before consolidated subsidiaries	(100)	(10,735)	68,663	—	57,828
Income/(loss) from subsidiaries	57,930	67,669	—	(125,599)	—
Net income/(loss)	57,830	56,934	68,663	(125,599)	57,828
Plus: Net loss applicable to noncontrolling interest	—	—	2	—	2
Net income/(loss) applicable to Piedmont	$ 57,830	$ 56,934	$ 68,665	$ (125,599)	$ 57,830

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Condensed Consolidating Statements of Income
For the three months ended March 31, 2017

(in thousands)	Piedmont (Parent) (Guarantor)	Piedmont OP (the Issuer)	Non-Guarantors	Eliminations	Consolidated
Revenues:					
Rental income	$ —	$ 11,388	$ 107,109	$ (458)	$ 118,039
Tenant reimbursements	—	3,005	21,936	(104)	24,837
Property management fee revenue	—	—	4,636	(4,111)	525
Other property related revenue	—	32	5,030	—	5,062
	—	14,425	138,711	(4,673)	148,463
Expenses:					
Property operating costs	—	5,802	54,701	(4,673)	55,830
Depreciation	—	3,463	27,305	—	30,768
Amortization	—	856	19,559	—	20,415
General and administrative	103	1,702	6,345	—	8,150
	103	11,823	107,910	(4,673)	115,163
Real estate operating income/(loss)	(103)	2,602	30,801	—	33,300
Other income (expense):					
Interest expense	—	(14,444)	(7,251)	3,638	(18,057)
Other income/(expense)	—	2,229	1,309	(3,638)	(100)
Equity in income of unconsolidated joint ventures	—	11	—	—	11
Gain/(loss) on sale of real estate assets	—	(61)	8	—	(53)
Net income/(loss)	(103)	(9,663)	24,867	—	15,101
Plus: Net loss applicable to noncontrolling interest	—	—	3	—	3
Net income/(loss) applicable to Piedmont	$ (103)	$ (9,663)	$ 24,870	$ —	$ 15,104

Consolidating Statements of Comprehensive Income
For the Three Months Ended March 31, 2018

(in thousands)	Piedmont (Parent) (Guarantor)	Piedmont OP (the Issuer)	Non-Guarantors	Eliminations	Piedmont (Consolidated)
Net income	$ 57,830	$ 56,934	$ 68,665	$ (125,599)	$ 57,830
Effective portion of gain on derivative instruments that are designated and qualify as cash flow hedges	1,517	1,517	—	(1,517)	1,517
Plus: Reclassification of net loss included in net income	1,052	1,052	—	(1,052)	1,052
Other comprehensive income	2,569	2,569	—	(2,569)	2,569
Comprehensive income	$ 60,399	$ 59,503	$ 68,665	$ (128,168)	$ 60,399

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Condensed Consolidating Statements of Cash Flows
For the three months ended March 31, 2018

(in thousands)	Piedmont (Parent) (Guarantor)	Piedmont OP (the Issuer)	Non-Guarantors	Eliminations	Piedmont (Consolidated)
Net Cash Provided by/(Used in) Operating Activities	$ 58,739	$ 56,468	$ 43,698	$ (125,595)	$ 33,310
Cash Flows from Investing Activities:					
Investment in real estate assets and real estate related intangibles, net of accruals	—	(2,004)	(38,903)	—	(40,907)
Intercompany note receivable	—	88,000	—	(88,000)	—
Net sales proceeds from wholly-owned properties	—	32,086	382,992	—	415,078
Note receivable issuance	—	—	(3,200)	—	(3,200)
Deferred lease costs paid	—	(5)	(2,591)	—	(2,596)
Distributions from subsidiaries	305,266	62,437	—	(367,703)	—
Net cash provided by investing activities	305,266	180,514	338,298	(455,703)	368,375
Cash Flows from Financing Activities:					
Debt issuance costs paid	—	(101)	—	—	(101)
Proceeds from debt	—	716,225	—	—	716,225
Repayments of debt	—	(754,000)	(359)	—	(754,359)
Intercompany note payable	—	—	(88,000)	88,000	—
Value of shares withheld to pay tax obligations related to employee stock compensation	(737)	—	—	—	(737)
Repurchases of common stock as part of announced plan	(233,164)	—	—	—	(233,164)
Distributions	(130,104)	(198,964)	(294,341)	493,298	(130,111)
Net cash used in financing activities	(364,005)	(236,840)	(382,700)	581,298	(402,247)
Net increase/(decrease) in cash, cash equivalents, and restricted cash and escrows	—	142	(704)	—	(562)
Cash, cash equivalents, and restricted cash and escrows, beginning of period	150	3,906	4,699	—	8,755
Cash, cash equivalents, and restricted cash and escrows, end of period	$ 150	$ 4,048	$ 3,995	$ —	$ 8,193

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Condensed Consolidating Statements of Cash Flows
For the three months ended March 31, 2017

(in thousands)	Piedmont (Parent) (Guarantor)	Piedmont OP (the Issuer)	Non-Guarantors	Eliminations	Piedmont (Consolidated)
Net Cash Provided by/(Used in) Operating Activities	$ 998	$ (5,748)	$ 55,044	$ —	$ 50,294
Cash Flows from Investing Activities:					
Investment in real estate assets, consolidated joint venture, and real estate related intangibles, net of accruals	—	(407)	(27,796)	—	(28,203)
Investments in unconsolidated joint ventures	—	(284)	—	—	(284)
Net sales proceeds from wholly-owned properties	—	(58)	(6)	—	(64)
Deferred lease costs paid	—	(305)	(3,965)	—	(4,270)
Net cash provided by/(used in) investing activities	—	(1,054)	(31,767)	—	(32,821)
Cash Flows from Financing Activities:					
Debt issuance costs paid	—	(63)	—	—	(63)
Proceeds from debt	—	100,000	—	—	100,000
Repayments of debt	—	(55,000)	(345)	—	(55,345)
Value of shares withheld to pay tax obligations related to employee stock compensation	(1,128)	—	—	—	(1,128)
(Distributions to)/repayments from affiliates	61,210	(38,103)	(23,107)	—	—
Dividends paid and discount on dividend reinvestments	(61,080)	—	—	—	(61,080)
Net cash provided by/(used in) financing activities	(998)	6,834	(23,452)	—	(17,616)
Net increase/(decrease) in cash, cash equivalents, and restricted cash and escrows	—	32	(175)	—	(143)
Cash, cash equivalents, and restricted cash and escrows, beginning of period	150	3,693	4,361	—	8,204
Cash, cash equivalents, and restricted cash and escrows, end of period	$ 150	$ 3,725	$ 4,186	$ —	$ 8,061

14.Subsequent Events

Second Quarter Dividend Declaration

On May 1, 2018, the Board of Directors of Piedmont declared dividends for the second quarter 2018 in the amount of $0.21 per common share outstanding to stockholders of record as of the close of business on May 23, 2018. Such dividends are to be paid on June 15, 2018.

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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, 2017.

Liquidity and Capital Resources

Over the last several years, we have been actively managing the composition of our portfolio to maximize our efficiency and competitive advantages by further concentrating our holdings in selected sub-markets within the following markets: Atlanta, Boston, Chicago, Dallas, Minneapolis, New York, Orlando, and Washington, D.C. During the three months ended March 31, 2018, we substantively completed this strategy by disposing of 14 non-strategic properties (the "2017 Disposition Portfolio") for approximately $430 million in gross proceeds. The net proceeds from the 2017 Disposition Portfolio, along with cash on hand, borrowings under our $500 Million Unsecured 2015 Line of Credit, and proceeds from a new $250 Million Unsecured 2018 Term Loan were used during the first quarter to repay $470 million of unsecured term loans which were scheduled to mature in 2018 and 2019; to repurchase approximately 12.5 million shares of our common stock (at an average price per share of $18.56) for approximately $231.9 million pursuant to our stock repurchase plan; and to acquire 501 West Church Street, a $28 million value-add asset located in downtown Orlando, Florida in close proximity to our other existing Orlando assets (see Note 3 to our accompanying consolidated financial statements).

We intend to use cash flows generated from the operation of our properties, proceeds from selective property dispositions, and proceeds from our $500 Million Unsecured 2015 Line of Credit as our primary sources of immediate liquidity. As of the filing date, we have $266.0 million of unused capacity under our line of credit. When necessary, we may renew and extend our line of credit, and 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, 2018 and 2017 we incurred the following types of capital expenditures (in thousands):

	Three Months Ended	
	March 31, 2018	March 31, 2017
Capital expenditures for new development	$—	$ 4,072
Capital expenditures for redevelopment/renovations	617	489
Other capital expenditures, including building and tenant improvements	12,143	23,642
Total capital expenditures[(1)]	$ 12,760	$ 28,203

(1) Of the total amounts paid, approximately $0.2 million and $0.1 million relates to soft costs such as capitalized interest, payroll, and other general and administrative expenses for the three months ended March 31, 2018 and 2017, respectively.

"Capital expenditures for new development" relate to new office development projects. During the three months ended March 31, 2017, such expenditures primarily related to the construction of 500 TownPark, our now complete, approximately 134,000 square foot, 100% leased, four-story office building located adjacent to our existing 400 TownPark building in Lake Mary, Florida.

"Capital expenditures for redevelopment/renovations" during the three months ended March 31, 2018 relate to the redevelopment project at our Two Pierce Place building in Itasca, Illinois, while such expenditures during the three months ended March 31, 2017 relate to a now-complete redevelopment project that converted our 3100 Clarendon Boulevard building in Arlington, Virginia from governmental use into Class A private sector office space.

"Other capital expenditures" 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.

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We classify our tenant and building improvements into two categories: (i) improvements which maintain the building's existing asset value and its revenue generating capacity ("non-incremental capital expenditures") and (ii) improvements which incrementally enhance the building's asset value by expanding its revenue generating capacity ("incremental capital expenditures"). As of March 31, 2018, commitments for funding non-incremental capital expenditures for tenant improvements over the next five years related to our existing lease portfolio total approximately $34.7 million. The timing of the funding of these commitments is largely dependent upon tenant requests for reimbursement; however, we anticipate that a significant portion of these improvement allowances may be requested over the next three years based on when the underlying leases commence. In some instances, these obligations may expire with the respective lease, without further recourse to us. Additionally, commitments for incremental capital expenditures for tenant improvements associated with executed leases totaled approximately $12.5 million as of March 31, 2018.

For example, for leases executed during the three months ended March 31, 2018, we committed to spend approximately $2.84 per square foot per year of lease term for tenant improvement allowances and lease commissions (net of expiring lease commitments), and for those executed during the three months ended March 31, 2017, we committed to spend approximately $4.71 per square foot per year of lease term for tenant improvement allowances and lease commissions (net of expiring lease commitments). In addition to the amounts described above that we have already committed to as a part of executed leases, we 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, including recently completed development and redevelopment projects. Given that our operating model frequently results in leases for large blocks of space to credit-worthy tenants, our leasing success can result in significant capital outlays. 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.

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. Further, we may continue to use capital resources to repurchase additional shares of our common stock under our stock repurchase program. During the three months ended March 31, 2018, our Board of Directors re-authorized our stock repurchase plan to permit the additional purchase of shares of common stock having an aggregate purchase price of up to $200 million between February 21, 2018 and February 21, 2020. As of March 31, 2018, we had approximately $156.4 million of authorized capacity remaining for future stock repurchases. Finally, although we have no scheduled debt maturities until 2020, other than our $500 Million Unsecured 2015 Line of Credit (which can be extended to 2020), we expect to use capital to repay debt obligations when they become due.

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 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. During the three months ended March 31, 2018, we paid a special dividend of approximately $71.5 million, or $0.50 per share to our stockholders of record on December 26, 2017. The payment of the special dividend was a direct result of an approximately $120 million taxable gain realized from our sale of the Two Independence Square asset located in Washington, D.C. during the year ended December 31, 2017. 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.

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Explanation of Responses:

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Results of Operations

Overview

Income from continuing operations and gain on sale of real estate assets per share on a fully diluted basis increased from $0.10 for the three months ended March 31, 2017 to $0.42 for the three months ended March 31, 2018 primarily due to a $45.2 million in gain on sale of the 2017 Disposition Portfolio, a 14-property disposition transaction that closed in January of 2018.

Income from Continuing Operations

The following table sets forth selected data from our consolidated statements of income for the three months ended March 31, 2018 and 2017, respectively, as well as each balance as a percentage of total revenues for the same period presented (dollars in millions):

	March 31, 2018	% of Revenues	March 31, 2017	% of Revenues	Variance
Revenue:					
Rental income	$ 101.5		$ 118.1		$ (16.6)
Tenant reimbursements	23.0		24.8		(1.8)
Property management fee revenue	0.3		0.5		(0.2)
Other rental income	5.1		5.1		—
Total revenues	129.9	100 %	148.5	100 %	(18.6)
Expense:					
Property operating costs	51.9	41 %	55.8	38 %	(3.9)
Depreciation	27.1	21 %	30.8	21 %	(3.7)
Amortization	16.7	13 %	20.4	14 %	(3.7)
General and administrative	6.6	5 %	8.2	6 %	(1.6)
Real estate operating income	27.6	21 %	33.3	22 %	(5.7)
Other income (expense):					
Interest expense	(13.8)	11 %	(18.0)	12 %	4.2
Other income/(expense)	0.5	— %	(0.1)	— %	0.6
Loss on extinguishment of debt	(1.7)	— %	—	— %	(1.7)
Gain/(loss) on sale of real estate assets, net	45.2	35 %	(0.1)	— %	45.3
Net income	$ 57.8	44 %	$ 15.1	11 %	$ 42.7

Revenue

Rental income decreased approximately $16.6 million for the three months ended March 31, 2018 as compared to the same period in the prior year. The decrease is primarily attributable to net property disposition activity subsequent to March 31, 2017.

Tenant reimbursements decreased approximately $1.8 million for the three months ended March 31, 2018 as compared to the same period in the prior year. Net disposition activity subsequent to March 31, 2017 contributed approximately $2.8 million to the decrease. However, this variance was partially offset due to a 1.6% increase in our same store office occupancy, the expiration of abatements, and an increase in recoverable operating expenses.

Expense

Property operating costs decreased approximately $3.9 million for the three months ended March 31, 2018 as compared to the same period in the prior year, primarily due to net disposition activity subsequent to March 31, 2017 which contributed approximately $6.5 million to the decrease. This decrease was partially offset by increased office occupancy at certain of our existing properties and the resulting increase in recoverable operating expenses.

Depreciation expense decreased approximately $3.7 million for the three months ended March 31, 2018 as compared to the same period in the prior year. Approximately $4.7 million of the decrease was attributable to net disposition activity subsequent to March

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31, 2017. This decrease was offset by depreciation on additional building and tenant improvements placed in service subsequent to January 1, 2017 across our portfolio of properties.

Amortization expense decreased approximately $3.7 million for the three months ended March 31, 2018 as compared to the same period in the prior year. The decrease is attributable to certain lease intangible assets at our existing properties becoming either fully amortized subsequent to January 1, 2017, or sold as part of our net disposition activity.

General and administrative expenses decreased approximately $1.6 million for the three months ended March 31, 2018 as compared to the same period in the prior year, primarily due to decreased accruals for potential performance-based stock compensation.

Other Income (Expense)

Interest expense decreased approximately $4.2 million for the three months ended March 31, 2018 as compared to the same period in the prior year. The decrease is mainly attributable to lower average debt outstanding in the current period, specifically due to the repayment of debt subsequent to March 31, 2017, including the secured debt on our 1201 and 1225 Eye Street buildings in Washington, D.C. and two of our unsecured term loans comprising a total of $470 million.

Other income/(expense) increased approximately $0.6 million for the three months ended March 31, 2018 as compared to the same period in the prior year primarily due to interest and fee income for the administration of certain debt instruments.

The loss on extinguishment of debt is associated with the early repayment of our $170 Million Unsecured 2015 Term Loan and our $300 Million Unsecured 2013 Term Loan. The loss includes the write-off of unamortized debt issuance costs, discounts, and costs related to the termination of interest rate swap agreements associated with the debt.

Gain on sale of real estate assets, net, during the three months ended March 31, 2018 represents the gain recognized on the sale of the 2017 Disposition Portfolio comprised of 14 properties in various markets that closed in January 2018. See Note 9 to our accompanying consolidated financial statements for further details.

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 by themselves. 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 property and impairment charges (including our proportionate share of any impairment charges and/or gains or losses from sales of property related to investments in unconsolidated joint ventures), plus 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 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.

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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 partnerships and 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. 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, 2018	Per Share[1]	March 31, 2017	Per Share[1]
GAAP net income applicable to common stock	$57,830	$0.42	$15,104	$ 0.10
Depreciation of real estate assets [2]	26,969	0.20	30,629	0.21
Amortization of lease-related costs [2]	16,716	0.12	20,406	0.14
(Gain)/loss on sale - wholly-owned properties, net	(45,209)	(0.33)	53	—
NAREIT Funds From Operations applicable to common stock	$56,306	$0.41	$66,192	$ 0.45
Adjustments:				
Acquisition costs	—	—	6	—
Loss on extinguishment of debt	1,680	0.02	—	—
Core Funds From Operations applicable to common stock	$57,986	$0.43	$66,198	$ 0.45
Adjustments:				
Amortization of debt issuance costs, fair market value adjustments on notes payable, and discount on debt	466		630	
Depreciation of non real estate assets	169		195	
Straight-line effects of lease revenue [2]	(3,473)		(5,703)	
Stock-based and other non-cash compensation	288		2,041	
Net effect of amortization of above and below-market in-place lease intangibles	(1,643)		(1,559)	
Acquisition costs	—		(6)	
Non-incremental capital expenditures [3]	(7,953)		(7,672)	
Adjusted Funds From Operations applicable to common stock	$45,840		$54,124	
Weighted-average shares outstanding – diluted	136,183		145,833	
Common stock issued and outstanding as of period end	130,025		145,320	

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

(2) Includes amounts for wholly-owned properties, as well as such amounts for our proportionate ownership in unconsolidated joint ventures.

(3) 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.

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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, 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. Furthermore, we adjust for general and administrative expense, 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 also excludes amounts applicable to unconsolidated joint venture assets. 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.

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The following table sets forth a reconciliation from net income calculated in accordance with GAAP to Property NOI, on both a cash and accrual basis, and Same Store NOI, on both a cash and accrual basis, for the three months ended March 31, 2018 and 2017, respectively (in thousands):

	Cash Basis		Accrual Basis	
	Three Months Ended		Three Months Ended	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
Net income applicable to Piedmont (GAAP basis)	$57,830	$15,104	$57,830	$15,104
Net loss applicable to noncontrolling interest	(2)	(3)	(2)	(3)
Interest expense	13,758	18,057	13,758	18,057
Loss on extinguishment of debt	1,680	—	1,680	—
Depreciation [1]	27,139	30,824	27,139	30,824
Amortization [1]	16,716	20,406	16,716	20,406
Acquisition costs	—	6	—	6
Net loss from casualty events	—	58	—	58
(Gain)/loss on sale of real estate assets, net [1]	(45,209)	53	(45,209)	53
General & administrative expenses [1]	6,552	8,155	6,552	8,155
Management fee revenue	(150)	(329)	(150)	(329)
Other (income)/expense [1]	(230)	36	(230)	36
Straight-line rent effects of lease revenue [1]	(3,473)	(5,703)		
Amortization of lease-related intangibles [1]	(1,643)	(1,559)		
Property NOI	$72,968	$85,105	$78,084	$92,367
Net operating loss/(income) from:				
Acquisitions [2]	(666)	—	(862)	—
Dispositions [3]	(182)	(15,590)	(173)	(14,387)
Other investments [4]	(1,517)	(1,767)	(1,438)	(2,223)
Same Store NOI	$70,603	$67,748	$75,611	$75,757
Change period over period in Same Store NOI	4.2 %	N/A	(0.2)%	N/A

(1) Includes amounts applicable to consolidated properties and our proportionate share of amounts applicable to unconsolidated joint ventures.

(2) Acquisitions consist of Norman Pointe I in Bloomington, Minnesota, purchased on December 28, 2017; and 501 West Church Street in Orlando, Florida, purchased on February 23, 2018.

(3) Dispositions consist of Sarasota Commerce Center II in Sarasota, Florida, sold on June 16, 2017; Two Independence Square in Washington, D.C., sold on July 5, 2017; and the 14-property portfolio sale completed on January 4, 2018 (comprised of 2300 Cabot Drive in Lisle, Illinois; Windy Point I & II in Schaumburg, Illinois; Suwanee Gateway One and land in Suwanee, Georgia; 1200 Crown Colony Drive in Quincy, Massachusetts; Piedmont Pointe I and II in Bethesda, Maryland; 1075 West Entrance Drive and Auburn Hills Corporate Center in Auburn Hills, Michigan; 5601 Hiatus Road in Tamarac, Florida; 2001 NW 64th Street in Ft. Lauderdale, Florida; Desert Canyon 300 in Phoenix, Arizona; 5301 Maryland Way in Brentwood, Tennessee; and 2120 West End Avenue in Nashville, Tennessee).

(4) Other investments consist of our interests in unconsolidated joint ventures, active redevelopment and development projects, land, and recently completed redevelopment and development projects for which some portion of

operating expenses were capitalized during the current and/or prior year reporting periods. The operating results from 500 TownPark in Lake Mary, Florida, and Two Pierce Place in Itasca, Illinois, are included in this line item.

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Overview

Our portfolio is a diverse geographical portfolio primarily located in select sub-markets within eight major office markets located in the Eastern-half of the United States. We typically lease space to large, credit-worthy corporate or governmental tenants on a long-term basis. As of March 31, 2018, our average lease was almost 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 in-service portfolio of 53 office properties was 91.3% leased as of March 31, 2018 and scheduled lease expirations for the portfolio as a whole for the remainder of 2018 and 2019 were 3.4% and 11.9%, respectively, of our ALR. To the extent new leases for currently vacant space outweigh or fall short of scheduled expirations, such leases would increase or decrease our 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, 2018, we had approximately 323,000 square feet of executed leases related to currently vacant space that had not yet commenced and approximately 555,000 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.

Same Store NOI increased 4.2% on a cash basis and decreased 0.2% accrual basis, respectively, during the three months ended March 31, 2018, as compared to the same period in the prior year. The increase in cash basis Same Store NOI is primarily the result of the expiration of rental abatements associated with new leases. 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.

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 25% (20% for taxable years beginning after 2017) of the value of our total assets.

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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, 2018, 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, 2017 for a discussion of our critical accounting policies. There have been no material changes to these policies during the three months ended March 31, 2018.

Accounting Pronouncements Adopted during the Quarter Ended March 31, 2018

Revenue Recognition

On January 1, 2018, we adopted Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606) ("ASU 2014-09") and Accounting Standards Update No. 2016-08, Revenue from Contracts with Customers (Topic 606) Principal versus Agent Considerations (Reporting Revenue Gross versus Net) ("ASU 2016-08") issued by the Financial Accounting Standards Board (the "FASB"). The amendments in ASU 2014-09, which are further clarified in ASU 2016-08, as well as Accounting Standards Update 2016-10, Accounting Standards Update 2016-12, and Accounting Standards Update 2016-20 (collectively the "Revenue Recognition Amendments") change the criteria for the recognition of certain revenue streams to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services using a five-step determination process.

Our revenues which are included in the scope of the Revenue Recognition Amendments include our property management fee revenue, the majority of our parking revenue, as well as certain license agreements which allow third-parties to place their antennas or fiber-optic cabling on or inside our buildings. Lease contracts are specifically excluded from the Revenue Recognition Amendments and, we intend to utilize a leasing practical expedient, which has been tentatively approved by the FASB, to group certain non-lease components related to operating expense reimbursements with other leasing components, provided they meet certain criteria. Because the timing and pattern of

transfer of our non-lease related revenue already followed the prescribed method of the Revenue Recognition Amendments, we were able to effectively adopt these amendments on a full retrospective basis, with no impact to the timing of recognition of the related revenue; however, such non-lease revenues are now being presented as "Other property related income" in the accompanying consolidated statements of income. Further, for comparative purposes, during the three months ended March 31, 2018, we reclassified approximately $5.1 million of parking, antennae license, and fiber income that was previously included in rental income into other property related income, as well as certain other miscellaneous revenue into tenant reimbursements and/or property management fee revenue during the three months ended March 31, 2017. We did not elect to adopt any practical expedients provided by the Revenue Recognition Amendments. For further details, see Note 2 to our accompanying consolidated financial statements.

Gain/(loss) on Sale of Real Estate Assets

On January 1, 2018, we adopted Accounting Standards Update No. 2017-05, Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting

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for Partial Sales of Nonfinancial Assets ("ASU 2017-05") concurrent with the Revenue Recognition Amendments mentioned above. We elected to apply the amendments of ASU 2017-05 on a full retrospective basis; however, there were no adjustments to previously recorded gains/(losses) on real estate as a result of the transition.

Equity Investments Held in Non-qualified Deferred Compensation Plan

On January 1, 2018, we adopted Accounting Standards Update No. 2016-01, Financial Instruments - Overall (Subtopic 825-10), Recognition and Measurement of Financial Assets and Financial Liabilities ("ASU 2016-01"), as well as Accounting Standards Update No. 2018-03 Technical Corrections and Improvements to Financial Instruments-Overall (Subtopic 825-10) ("ASU 2018-03"). These amendments require equity investments, except those accounted for under the equity method of accounting, to be measured at estimated fair value with changes in fair value recognized in net income. Investments in trading securities held in a "rabbi trust" by us are the only securities affected by ASU 2016-01 and ASU 2018-03. As such, we have made a cumulative-effect adjustment to our consolidated balance sheet and consolidated statements of stockholders' equity of approximately $0.1 million from other comprehensive income to cumulative distributions in excess of earnings, and have recorded changes in fair value in net income for the three months ended March 31, 2018 related to these investment securities.

Interest Rate Derivatives

On January 1, 2018, we early adopted Accounting Standards Update No. 2017-12, Derivatives and Hedging: Targeted Improvements to Accounting for Hedging Activities ("ASU 2017-12").We adopted ASU 2017-12 using the modified retrospective transition method; however, no adjustment was necessary to account for the cumulative effect of the change on the opening balance of each affected component of equity in the consolidated balance sheet as of the date of adoption because there was no cumulative ineffectiveness that had been recorded on our existing interest rate swaps as of December 31, 2017, and all other trades were perfectly effective. The amended presentation and disclosure guidance which is required to be presented prospectively is provided in Note 6 to our accompanying consolidated financial statements.

Other Recent Accounting Pronouncements

The FASB has issued Accounting Standards Update No. 2016-02, Leases (Topic 842) ("ASU 2016-02"), which fundamentally changes the definition of a lease, as well as the accounting for operating leases by requiring lessees to recognize assets and liabilities which arise from the lease, consisting of a liability to make lease payments (the lease liability) and a right-of-use asset, representing the right to use the leased asset over the term of the lease. Accounting for leases by lessors is substantially unchanged from prior practice as lessors will continue to recognize lease revenue on a straight-line basis. Additionally, a practical expedient tentatively approved by the FASB will allow certain non-lease operating expense reimbursements to be accounted for as part of the lease provided certain criteria are met. Further, the FASB has issued Accounting Standards Update No. 2018-01 Leases (Topic 842) Land Easement Practical Expedient for Transition to Topic 842 ("ASU 2018-01"). The amendments to ASU No. 2018-01 clarify that a land easement is required to be evaluated to determine whether it should be accounted for as a lease upon adoption of ASU 2016-02, and provides an optional practical transition expedient allowing entities not currently assessing land easements under existing leasing guidance prior to adoption of ASU 2016-02 to not apply the new guidance to land easements existing at the date of initial adoption of ASU 2016-02. The amendments in ASU 2016-02 and ASU 2018-01 are effective in the first quarter of 2019. Although management continues to evaluate the guidance and disclosures required by ASU 2016-02, we do not anticipate any material impact to our consolidated financial statements as a result of adoption related to lessor accounting. However, we do expect to record a right-to-use asset and related liability under lessee accounting, and we are still evaluating the potential impact of such lessee accounting.

The FASB has issued Accounting Standards Update No. 2016-13, Financial Instruments—Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"). The provisions of ASU 2016-13 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. Additionally, the provisions change the classification of credit losses related to available-for-sale securities to an allowance, rather than a direct reduction of the amortized cost of the securities. ASU 2016-13 is effective in the first quarter of 2020, with early adoption permitted as of January 1, 2019. We are currently evaluating the potential impact of adoption.

Related-Party Transactions and Agreements

There were no related-party transactions during the three months ended March 31, 2018.

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Contractual Obligations

We have had significant changes to our debt structure during the three months ended March 31, 2018. As such, our contractual obligations related to long-term debt as of March 31, 2018 were as follows (in thousands):

	Payments Due by Period				
Contractual Obligations	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-term debt (1)	$1,697,434	$ 894	$509,115 (2) (3)	$187,425	$1,000,000 (4)

(1) Amounts include principal payments only and balances outstanding as of March 31, 2018, 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, 2018, 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.

(2) Includes the balance outstanding as of March 31, 2018 of the $500 Million Unsecured 2015 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 June 18, 2020) provided we are not then in default and upon payment of extension fees.

(3) Includes the $300 Million Unsecured 2011 Term Loan which has a stated variable rate; however, we have entered into interest rate swap agreements which effectively fix, exclusive of changes to our credit rating, the rate on this facility to 3.35% through maturity. As such, we estimate incurring, exclusive of changes to our credit rating, approximately $10.1 million per annum in total interest (comprised of combination of variable contractual rate and settlements under interest rate swap agreements) through maturity in January 2020.

(4) Includes the $250 Million Unsecured 2018 Term Loan, which has a stated variable rate; however, we entered into $100 million in notional amount of seven-year interest rate swap agreements and $50 million in notional amount of two-year interest rate swap agreements, resulting in an effectively fixed interest rate on $150 million of the term loan at 4.11% through March 29, 2020 and on $100 million of the term loan at 4.21% from March 30, 2020 through the loan's maturity date of March 31, 2025, assuming no change in our credit rating. For the portion of the $250 Million Unsecured 2018 Term Loan that continues to have a variable interest rate, we may select from multiple interest rate options, including the prime rate and various length LIBOR locks. All LIBOR selections are subject to an additional spread (1.60% as of March 31, 2018) over the selected interest rate based on our then current credit rating.

Commitments and Contingencies

We are subject to certain commitments and contingencies with regard to certain transactions. Refer to Note 8 of our consolidated financial statements for further explanation. Examples of such commitments and contingencies include:

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

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 2015 Line of Credit, our $300 Million Unsecured 2011 Term Loan, and the $250 Million Unsecured 2018 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. 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 2015 Line of Credit and $100 million of our $250 Million Unsecured 2018 Term Loan is 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 $1.7 billion and $1.8 billion as of March 31, 2018 and December 31, 2017, respectively. Our interest rate swap agreements in place at March 31, 2018 and December 31, 2017 carried a notional amount totaling $450 million and $600 million with a weighted-average fixed interest rate (not including the corporate credit spread) of 2.30% and 1.89% , respectively.

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As of March 31, 2018, our total outstanding debt subject to fixed, or effectively fixed, interest rates has an average effective interest rate of approximately 3.82% per annum with expirations ranging from 2020 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.

As of March 31, 2018, we had $207 million outstanding on our $500 Million Unsecured 2015 Line of Credit. Our $500 Million Unsecured 2015 Line of Credit currently has a stated rate of LIBOR plus 1.00% per annum (based on our current corporate credit rating) or the prime rate, at our discretion, resulting in an total interest rate of 2.87%. The current stated interest rate spread on $100 million of the $250 Million Unsecured 2018 Term Loan that is not effectively fixed through interest rate swaps through March 2020 is LIBOR plus 1.60% (based on our current corporate credit rating), which, as of March 31, 2018, results in a total interest rate of 3.48%. To the extent that we borrow additional funds in the future under the $500 Million Unsecured 2015 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, 2018 would increase interest expense approximately $3.1 million on a per annum basis.

ITEM 4. CONTROLS AND PROCEDURES

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

We carried out an evaluation, under the supervision and with the participation of management, including the Principal Executive Officer and the Principal Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rule 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, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 1A. RISK FACTORS

There have been no known material changes from the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2017.

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

(a) There were no unregistered sales of equity securities during the first quarter 2018.

(b) Not applicable.

(c) During the three months ended March 31, 2018, we repurchased shares of our common stock in the open market in order to reissue such shares under our dividend reinvestment plan (the "DRP"), as well as repurchasing and retiring shares as part of our stock repurchase plan.

Of the 12,937,522 shares repurchased during the first quarter 2018, 12,482,160 shares (at an average price of $18.56 per share) related to repurchases of our common stock pursuant to our stock repurchase plan, and 455,362 shares (at an average price of $18.65 per share) related to shares purchased by our transfer agent on the open market and conveyed to participants in the DRP cumulatively for: (1) the fourth quarter 2017 dividend (paid on January 4, 2018), (2) the 2017 special dividend (paid on January 9, 2018, and 3) the first quarter 2018 dividend (paid on March 16, 2018). The aggregate stock repurchases for the quarter ended March 31, 2018 are as follows:

Period	Total Number of Shares Purchased (in thousands)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan (in thousands) [1]	Maximum Approximate Dollar Value of Shares Available That May Yet Be Purchased Under the Plan (in thousands)
January 1, 2018 to January 31, 2018 [2]	4,641	$ 19.38	4,240	$ 105,810
February 1, 2018 to February 28, 2018	5,535	$ 18.32	5,535	$ 204,346
March 1, 2018 to March 31, 2018 [2]	2,762	$ 17.71	2,707	$ 156,361 [1]
Total	12,938	$ 18.57	12,482	

(1) Amounts available for purchase relate only to our stock repurchase plan, which was previously authorized on May 2, 2017 with a total repurchase amount of up to $250 million of shares of our common stock pursuant to the stock repurchase plan between May 2, 2017 and May 2, 2019. As of February 21, 2018, we had approximately $40.0 million of capacity outstanding under our then-existing board-approved share repurchase authorization. On February 21, 2018, the Board of Directors of Piedmont re-authorized our stock repurchase plan to permit the additional purchase of shares of common stock having an aggregate purchase price of up to an additional $200 million between February 21, 2018 and February 21, 2020. As of March 31, 2018, we have $156.4 million of availability remaining under our current authorization to repurchase shares of our common stock through February 21, 2020. The share repurchase plan is separate from shares purchased for DRP issuance.

(2) Under our amended and restated DRP, as set forth in a Current Report on Form 8-K filed February 24, 2011, we have the option to either issue shares that we purchase in the open market or issue shares directly from Piedmont from authorized but unissued shares. Such election will take place at the settlement of each quarterly dividend in which there are participants in our DRP, and may change from quarter to quarter based on our judgment of the best use of proceeds for Piedmont.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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ITEM 5. OTHER INFORMATION
None.

ITEM 6. EXHIBITS

Exhibit Number	Description of Document
3.1	Third Articles of Amendment and Restatement of Piedmont Office Realty Trust, Inc. (the "Company") (incorporated by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2009, filed on March 16, 2010)
3.2	Articles of Amendment of the Company effective June 30, 2011 (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed on July 6, 2011)
3.3	Articles Supplementary of the Company effective June 30, 2011 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on July 6, 2011)
3.4	Articles Supplementary to the Third Articles of Amendment and Restatement of the Company, as supplemented and amended (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed on November 14, 2016)
3.5	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 May 9, 2017)
10.1	Term Loan Agreement, dated as of March 29, 2018, by and among Piedmont Operating Partnership, LP, as Borrower, Piedmont Office Realty Trust, Inc., as Parent, U.S. Bank National Association, PNC Capital Markets LLC, and SunTrust Robinson Humphrey, Inc., as Joint Lead Arrangers and Joint Book Runners, U.S. Bank National Association, as Administrative Agent, PNC Bank, National Association and SunTrust Bank as Syndication Agents, and the other banks signatory thereto as Lenders (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on April 3, 2018)
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase

101.PRE XBRL Taxonomy Extension Presentation Linkbase

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SIGNATURES

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

PIEDMONT OFFICE REALTY TRUST, INC.
(Registrant)

Dated: May 1, 2018 By: /s/ Robert E. Bowers
Robert E. Bowers
Chief Financial Officer and Executive Vice President
(Principal Financial Officer and Duly Authorized Officer)

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