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8 Counsel for Plaintiff

9 **UNITED STATES DISTRICT COURT**
10 **CENTRAL DISTRICT OF CALIFORNIA**

11 _____, Individually and on behalf
12 of all others similarly situated,

13 Plaintiff,

14 v.

15 PIEDMONT OFFICE REALTY TRUST,
16 INC., DONALD A. MILLER, and
17 ROBERT E. BOWERS,

18 Defendants.

Case No.

**CLASS ACTION COMPLAINT FOR
VIOLATION OF THE FEDERAL
SECURITIES LAWS**

JURY TRIAL DEMANDED

20 Plaintiff _____ (“Plaintiff”), individually and on behalf of all other persons
21 similarly situated, by Plaintiff’s undersigned attorneys, for Plaintiff’s complaint
22 against Defendants (defined below), alleges the following based upon personal
23 knowledge as to Plaintiff and Plaintiff’s own acts, and information and belief as to
24 all other matters, based upon, *inter alia*, the investigation conducted by and through
25 Plaintiff’s attorneys, which included, among other things, a review of the
26 Defendants’ public documents, conference calls and announcements made by
27 Defendants, United States Securities and Exchange Commission (“SEC”) filings,
28

1 wire and press releases published by and regarding Piedmont Office Realty Trust,
2 Inc. (“Piedmont Office” or the “Company”), analysts’ reports and advisories about
3 the Company, and information readily obtainable on the Internet. Plaintiff believes
4 that substantial evidentiary support will exist for the allegations set forth herein after
5 a reasonable opportunity for discovery.

6 **NATURE OF THE ACTION**

7 1. This is a federal securities class action on behalf of a class consisting of
8 all persons and entities other than Defendants who purchased or otherwise acquired
9 the publicly traded securities of Piedmont Office from February 18, 2015 through
10 May 2, 2017, both dates inclusive (the “Class Period”). Plaintiff seeks to recover
11 compensable damages caused by Defendants’ violations of the federal securities laws
12 and to pursue remedies under Sections 10(b) and 20(a) of the Securities Exchange
13 Act of 1934 (the “Exchange Act”) and Rule 10b-5 promulgated thereunder.

14 **JURISDICTION AND VENUE**

15 2. The claims asserted herein arise under and pursuant to §§10(b) and 20(a)
16 of the Exchange Act (15 U.S.C. §§78j(b) and §78t(a)) and Rule 10b-5 promulgated
17 thereunder by the SEC (17 C.F.R. §240.10b-5).

18 3. This Court has jurisdiction over the subject matter of this action under
19 28 U.S.C. §1331 and §27 of the Exchange Act.

20 4. Venue is proper in this judicial district pursuant to §27 of the Exchange
21 Act (15 U.S.C. §78aa) and 28 U.S.C. §1391(b) as Defendants’ maintain offices in this
22 judicial district.

23 5. In connection with the acts, conduct and other wrongs alleged in this
24 Complaint, Defendants, directly or indirectly, used the means and instrumentalities of
25 interstate commerce, including but not limited to, the United States mail, interstate
26 telephone communications and the facilities of the national securities exchange.

1 **PARTIES**

2 6. Plaintiff, as set forth in the accompanying Certification, purchased
3 Piedmont Office securities at artificially inflated prices during the Class Period and
4 was damaged upon the revelation of the alleged corrective disclosure.

5 7. Defendant Piedmont Office engages in the acquisition and ownership of
6 commercial real estate properties in the United States. The Company is incorporated
7 in Maryland and maintains a property management office at 800 North Brand Blvd.,
8 Suite 1850, Glendale, California 91203. The Company’s securities are traded on the
9 New York Stock Exchange (“NYSE”) under the ticker symbol “PDM.”

10 8. Defendant Donald A. Miller (“Miller”) has been the Chief Executive
11 Officer (“CEO”) and President of Piedmont Office since February 2, 2007.

12 9. Defendant Robert E. Bowers (“Bowers”) has been the Chief Financial
13 Officer (“CFO”) of Piedmont Office since April 16, 2007 and serves as its Executive
14 Vice President.

15 10. Defendants Miller and Bowers are sometimes referred to herein as the
16 “Individual Defendants.”

17 11. Each of the Individual Defendants:

- 18 (a) directly participated in the management of the Company;
- 19 (b) was directly involved in the day-to-day operations of the Company at the
20 highest levels;
- 21 (c) was privy to confidential proprietary information concerning the
22 Company and its business and operations;
- 23 (d) was directly or indirectly involved in drafting, producing, reviewing
24 and/or disseminating the false and misleading statements and
25 information alleged herein;
- 26 (e) was directly or indirectly involved in the oversight or implementation of
27 the Company’s internal controls;
- 28

1 (f) was aware of or recklessly disregarded the fact that the false and
2 misleading statements were being issued concerning the Company;
3 and/or

4 (g) approved or ratified these statements in violation of the federal securities
5 laws.

6 12. The Company is liable for the acts of the Individual Defendants and its
7 employees under the doctrine of *respondeat superior* and common law principles of
8 agency because all of the wrongful acts complained of herein were carried out within
9 the scope of their employment.

10 13. The scienter of the Individual Defendants and other employees and
11 agents of the Company is similarly imputed to the Company under *respondeat*
12 *superior* and agency principles.

13 14. The Company and the Individual Defendants are referred to herein,
14 collectively, as the “Defendants.”

15 SUBSTANTIVE ALLEGATIONS

16 **Materially False and Misleading Statements**

17 15. On February 18, 2015, the Company filed a Form 10-K for the fiscal
18 year ended December 31, 2014 (the “2014 10-K”) with the SEC, which provided the
19 Company’s year-end financial results and position and stated that the Company’s
20 internal control over financial reporting and disclosure controls and procedures were
21 effective as of December 31, 2014. The 2014 10-K was signed by Defendants Miller
22 and Bowers. The 2014 10-K also contained signed certifications pursuant to the
23 Sarbanes-Oxley Act of 2002 (“SOX”) by Defendants Miller and Bowers attesting to
24 the accuracy of financial reporting, the disclosure of any material changes to the
25 Company’s internal controls over financial reporting, and the disclosure of all fraud.

26 16. The 2014 10-K reported net income of \$43,348,000, gain on sale of real
27 estate assets (discontinued & continuing operations) of \$2,330,000, and no
28 impairment loss on real estate assets.

1 17. On February 17, 2016, the Company filed a Form 10-K for the fiscal
2 year ended December 31, 2015 (the “2015 10-K”) with the SEC, which provided the
3 Company’s year-end financial results and position and stated that the Company’s
4 internal control over financial reporting and disclosure controls and procedures were
5 effective as of December 31, 2015. The 2015 10-K was signed by Defendants Miller
6 and Bowers. The 2015 10-K also contained signed SOX certifications by Defendants
7 Miller and Bowers attesting to the accuracy of financial reporting, the disclosure of
8 any material changes to the Company’s internal controls over financial reporting, and
9 the disclosure of all fraud.

10 18. The 2015 10-K reported net income of \$173,005,000, gain on sale of real
11 estate assets (discontinued & continuing operations) of \$168,236,000, and goodwill
12 of \$180,097,000.

13 19. On February 21, 2017, the Company filed a Form 10-K for the fiscal
14 year ended December 31, 2016 (the “2016 10-K”) with the SEC, which provided the
15 Company’s year-end financial results and position and stated that the Company’s
16 internal control over financial reporting and disclosure controls and procedures were
17 effective as of December 31, 2016. The 2016 10-K was signed by Defendants Miller
18 and Bowers. The 2016 10-K also contained signed SOX certifications by Defendants
19 Miller and Bowers attesting to the accuracy of financial reporting, the disclosure of
20 any material changes to the Company’s internal controls over financial reporting, and
21 the disclosure of all fraud.

22 20. The 2016 10-K reported net income of \$107,872,000, gain on sale of real
23 estate assets (discontinued & continuing operations) of \$98,562,000, and goodwill of
24 \$180,097,000.

25 21. The statements referenced in ¶¶ 15-20 above were materially false
26 and/or misleading because they misrepresented and failed to disclose the following
27 adverse facts pertaining to the Company’s business, operational and financial results,
28 which were known to Defendants or recklessly disregarded by them. Specifically,

1 Defendants made false and/or misleading statements and/or failed to disclose that:
2 (1) the Company had not properly accounted for goodwill in connection with real
3 estate assets sold or held for sale; (2) in turn, the Company overstated its net income;
4 (3) the Company lacked effective internal controls; and (4) as a result, Defendants'
5 public statements were materially false and misleading at all relevant times.

6 **The Truth Emerges**

7 22. On May 3, 2017, before market hours, the Company filed a Form 8-K
8 with the SEC revealing that it had not properly accounted for goodwill in connection
9 with real estate assets sold or held for sale in prior periods, stating in pertinent part:

10 **Item 4.02 Non-Reliance on Previously Issued Financial Statement** 11 **or a Related Audit Report or Completed Interim Review**

12 On May 2, 2017, the Audit Committee of the Board of Directors of
13 the Company, acting on the recommendation of management, and
14 after discussion with Ernst & Young LLP (“EY”), the Registrant’s
15 independent registered public accounting firm, concluded that the
16 Registrant’s audited financial statements as of December 31, 2016 and
17 2015 and for the three years ended December 31, 2016 included in the
18 Registrant’s Annual Report on Form 10-K for the year ended
19 December 31, 2016, and the unaudited condensed consolidated
20 financial statements for the interim periods within those years,
21 included in the Company’s Quarterly Reports on Form 10-Q
22 previously filed with the Securities and Exchange Commission (the
23 “SEC”) should be restated to reflect the correction of the errors
24 discussed below. In addition, it was concluded that management’s
25 report on the effectiveness of internal control over financial reporting
26 as of December 31, 2016 and 2015 and EY’s reports both on the
27 consolidated financial statements as of December 31, 2016 and 2015
28 and for the three years ended December 31, 2016 as well as EY’s
reports on the effectiveness of internal control over financial reporting
as of December 31, 2016 and 2015, should no longer be relied upon.

Historically, the Registrant has not allocated a portion of its goodwill
to the carrying value of real estate held for sale and real estate sold
when determining impairments or gain or loss on sale, as was required

1 under Accounting Standard Codification 350. As a result, the
2 Registrant has overstated previously reported gains on dispositions of
3 real estate assets or, in certain instances, understated the loss on
4 impairment of real estate assets, in periods beginning after December
5 1, 2010 through September 30, 2016. The cumulative estimated
6 impact of the non-cash adjustments to correct these errors will be a
7 reduction in goodwill and a corresponding increase in cumulative
8 distributions in excess of earnings of approximately \$81.2 million as
9 of December 31, 2016. As of December 31, 2015, the cumulative
10 estimated impact of the non-cash adjustments to correct these errors
11 will be a reduction in goodwill and cumulative distributions in excess
12 of earnings of approximately \$75.3 million and \$73.0 million,
13 respectively, and a corresponding increase in other assets held for sale
14 of approximately \$2.3 million. The estimated reduction in earnings for
15 the years ended December 31, 2016, 2015, and 2014 is approximately
16 \$8.2 million, \$41.7 million, and \$2.4 million, respectively. The impact
17 on amounts prior to 2014 will be revised when the amended reports
18 are filed.

14 The non-cash adjustments to correct this error have been reflected in
15 the financial information included in the Registrant's press release and
16 supplemental financial information attached as Exhibit 99.1 and 99.2,
17 respectively, to this Current Report on Form 8-K. Non-GAAP
18 measures such as funds from operations, core funds from operations,
19 adjusted funds from operations and same store NOI reported in the
20 press release and for prior periods were not impacted by this error. In
21 addition, the Registrant believes it remains in compliance with all of
22 its debt agreements and financial covenants.

21 While the Company currently expects to complete this process prior to
22 or concurrently with filing its Quarterly Report on Form 10-Q for the
23 quarter ended March 31, 2017, there can be no assurance as to the
24 precise timing when this process will be completed or what periods
25 will be impacted as a result; however, the Company expects to timely
26 file its Quarterly Report on Form 10-Q for the quarter ended March
27 31, 2017 by May 10, 2017. Prior to or concurrently with that filing,
28 the Registrant expects to amend its previously issued audited
consolidated financial statements and other financial information
contained in its Annual Report on Form 10-K for the year ended

1 December 31, 2016 to correct these errors once its final analysis and
2 the related audit procedures by EY are complete.

3 23. On this news, shares of Piedmont Office fell \$0.79 per share or over
4 3.5% from its previous closing price to close at \$21.18 per share on May 3, 2017,
5 damaging investors.

6 24. As a result of Defendants' wrongful acts and omissions, and the
7 precipitous decline in the market value of the Company's securities, Plaintiff and
8 other Class members have suffered significant losses and damages.

9 **PLAINTIFF'S CLASS ACTION ALLEGATIONS**

10 25. Plaintiff brings this action as a class action pursuant to Federal Rule of
11 Civil Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all those who
12 purchased or otherwise acquired the publically traded securities of Piedmont Office
13 during the Class Period (the "Class"); and were damaged upon the revelation of the
14 alleged corrective disclosure. Excluded from the Class are Defendants herein, the
15 officers and directors of the Company, at all relevant times, members of their
16 immediate families and their legal representatives, heirs, successors or assigns and
17 any entity in which Defendants have or had a controlling interest.

18 26. The members of the Class are so numerous that joinder of all members is
19 impracticable. Throughout the Class Period, the Company's securities were actively
20 traded on the NYSE. While the exact number of Class members is unknown to
21 Plaintiff at this time and can be ascertained only through appropriate discovery,
22 Plaintiff believes that there are hundreds or thousands of members in the proposed
23 Class. Record owners and other members of the Class may be identified from records
24 maintained by the Company or its transfer agent and may be notified of the pendency
25 of this action by mail, using the form of notice similar to that customarily used in
26 securities class actions.
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1 27. Plaintiff's claims are typical of the claims of the members of the Class as
2 all members of the Class are similarly affected by Defendants' wrongful conduct in
3 violation of federal law that is complained of herein.

4 28. Plaintiff will fairly and adequately protect the interests of the members
5 of the Class and has retained counsel competent and experienced in class and
6 securities litigation. Plaintiff has no interests antagonistic to or in conflict with those
7 of the Class.

8 29. Common questions of law and fact exist as to all members of the Class
9 and predominate over any questions solely affecting individual members of the Class.
10 Among the questions of law and fact common to the Class are:

- 11 (a) whether Defendants' acts as alleged violated the federal securities laws;
- 12 (b) whether Defendants' statements to the investing public during the Class
13 Period misrepresented material facts about the financial condition,
14 business, operations, and management of the Company;
- 15 (c) whether Defendants' statements to the investing public during the Class
16 Period omitted material facts necessary to make the statements made, in
17 light of the circumstances under which they were made, not misleading;
- 18 (d) whether the Individual Defendants caused the Company to issue false
19 and misleading SEC filings and public statements during the Class
20 Period;
- 21 (e) whether Defendants acted knowingly or recklessly in issuing false and
22 misleading SEC filings and public statements during the Class Period;
- 23 (f) whether the prices of the Company's securities during the Class Period
24 were artificially inflated because of the Defendants' conduct complained
25 of herein; and
- 26 (g) whether the members of the Class have sustained damages and, if so,
27 what is the proper measure of damages.

1 30. A class action is superior to all other available methods for the fair and
2 efficient adjudication of this controversy since joinder of all members is
3 impracticable. Furthermore, as the damages suffered by individual Class members
4 may be relatively small, the expense and burden of individual litigation make it
5 impossible for members of the Class to individually redress the wrongs done to them.
6 There will be no difficulty in the management of this action as a class action.

7 31. Plaintiff will rely, in part, upon the presumption of reliance established
8 by the fraud-on-the-market doctrine in that:

- 9 (a) Defendants made public misrepresentations or failed to disclose material
10 facts during the Class Period;
- 11 (b) the omissions and misrepresentations were material;
- 12 (c) the Company's securities are traded in efficient markets;
- 13 (d) the Company's securities were liquid and traded with moderate to heavy
14 volume during the Class Period;
- 15 (e) the Company traded on the NYSE, and was covered by multiple
16 analysts;
- 17 (f) the misrepresentations and omissions alleged would tend to induce a
18 reasonable investor to misjudge the value of the Company's securities;
19 Plaintiff and members of the Class purchased and/or sold the Company's
20 securities between the time the Defendants failed to disclose or
21 misrepresented material facts and the time the true facts were disclosed,
22 without knowledge of the omitted or misrepresented facts; and
- 23 (g) Unexpected material news about the Company was rapidly reflected in
24 and incorporated into the Company's stock price during the Class
25 Period.

26 32. Based upon the foregoing, Plaintiff and the members of the Class are
27 entitled to a presumption of reliance upon the integrity of the market.
28

1 name of the Company were materially false and misleading; knew that such
2 statements or documents would be issued or disseminated to the investing public; and
3 knowingly and substantially participated, or acquiesced in the issuance or
4 dissemination of such statements or documents as primary violations of the securities
5 laws. These defendants by virtue of their receipt of information reflecting the true
6 facts of the Company, their control over, and/or receipt and/or modification of the
7 Company's allegedly materially misleading statements, and/or their associations with
8 the Company which made them privy to confidential proprietary information
9 concerning the Company, participated in the fraudulent scheme alleged herein.

10 39. Individual Defendants, who are the senior officers and/or directors of
11 the Company, had actual knowledge of the material omissions and/or the falsity of
12 the material statements set forth above, and intended to deceive Plaintiff and the other
13 members of the Class, or, in the alternative, acted with reckless disregard for the truth
14 when they failed to ascertain and disclose the true facts in the statements made by
15 them or other personnel of the Company to members of the investing public,
16 including Plaintiff and the Class.

17 40. As a result of the foregoing, the market price of the Company's
18 securities was artificially inflated during the Class Period. In ignorance of the falsity
19 of the Company's and the Individual Defendants' statements, Plaintiff and the other
20 members of the Class relied on the statements described above and/or the integrity of
21 the market price of the Company's securities during the Class Period in purchasing
22 the Company's securities at prices that were artificially inflated as a result of the
23 Company's and the Individual Defendants' false and misleading statements.

24 41. Had Plaintiff and the other members of the Class been aware that the
25 market price of the Company's securities had been artificially and falsely inflated by
26 the Company's and the Individual Defendants' misleading statements and by the
27 material adverse information which the Company's and the Individual Defendants did
28

1 not disclose, they would not have purchased the Company's securities at the
2 artificially inflated prices that they did, or at all.

3 42. As a result of the wrongful conduct alleged herein, Plaintiff and other
4 members of the Class have suffered damages in an amount to be established at trial.

5 43. By reason of the foregoing, the Company and the Individual Defendants
6 have violated Section 10(b) of the 1934 Act and Rule 10b-5 promulgated thereunder
7 and are liable to the Plaintiff and the other members of the Class for substantial
8 damages which they suffered in connection with their purchases of the Company's
9 securities during the Class Period.

10 **COUNT II**

11 **Violation of Section 20(a) of The Exchange Act**
12 **Against The Individual Defendants**

13 44. Plaintiff repeats and realleges each and every allegation contained in the
14 foregoing paragraphs as if fully set forth herein.

15 45. During the Class Period, the Individual Defendants participated in the
16 operation and management of the Company, and conducted and participated, directly
17 and indirectly, in the conduct of the Company's business affairs. Because of their
18 senior positions, they knew the adverse non-public information regarding the
19 Company's business practices.

20 46. As officers and/or directors of a publicly owned company, the Individual
21 Defendants had a duty to disseminate accurate and truthful information with respect
22 to the Company's financial condition and results of operations, and to correct
23 promptly any public statements issued by the Company which had become materially
24 false or misleading.

25 47. Because of their positions of control and authority as senior officers, the
26 Individual Defendants were able to, and did, control the contents of the various
27 reports, press releases and public filings which the Company disseminated in the
28 marketplace during the Class Period. Throughout the Class Period, the Individual

1 Defendants exercised their power and authority to cause the Company to engage in
2 the wrongful acts complained of herein. The Individual Defendants therefore, were
3 “controlling persons” of the Company within the meaning of Section 20(a) of the
4 Exchange Act. In this capacity, they participated in the unlawful conduct alleged
5 which artificially inflated the market price of the Company’s securities.

6 48. Each of the Individual Defendants, therefore, acted as a controlling
7 person of the Company. By reason of their senior management positions and/or being
8 directors of the Company, each of the Individual Defendants had the power to direct
9 the actions of, and exercised the same to cause, the Company to engage in the
10 unlawful acts and conduct complained of herein. Each of the Individual Defendants
11 exercised control over the general operations of the Company and possessed the
12 power to control the specific activities which comprise the primary violations about
13 which Plaintiff and the other members of the Class complain.

14 49. By reason of the above conduct, the Individual Defendants are liable
15 pursuant to Section 20(a) of the Exchange Act for the violations committed by the
16 Company.

17 **PRAYER FOR RELIEF**

18 WHEREFORE, Plaintiff demands judgment against Defendants as follows:

19 A. Determining that the instant action may be maintained as a class action
20 under Rule 23 of the Federal Rules of Civil Procedure, and certifying Plaintiff as the
21 Class representative;

22 B. Requiring Defendants to pay damages sustained by Plaintiff and the
23 Class by reason of the acts and transactions alleged herein;

24 C. Awarding Plaintiff and the other members of the Class prejudgment and
25 post-judgment interest, as well as their reasonable attorneys’ fees, expert fees and
26 other costs; and

27 D. Awarding such other and further relief as this Court may deem just and
28 proper.

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DEMAND FOR TRIAL BY JURY

Plaintiff hereby demands a trial by jury.

Dated: May __, 2017

Respectfully submitted,

THE ROSEN LAW FIRM, P.A.

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