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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2023

OR

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

For the transition period from _________ to __________

Commission file number: 001-40873

Orion Office REIT Inc.

(Exact name of registrant as specified in its charter)

Maryland	**87-1656425**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2398 E. Camelback Road, Suite 1060 **Phoenix** **AZ**	**85016**
(Address of principal executive offices)	(Zip Code)

(602) 698-1002

(Registrant's telephone number, including area code)

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

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

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

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

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

Large accelerated filer	☐	Accelerated filer	☒	Non-accelerated filer	☐
Smaller reporting company	☐	Emerging growth company	☒		

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

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

There were 55,780,054 shares of common stock of Orion Office REIT Inc. outstanding as of November 3, 2023.

ORION OFFICE REIT INC.
For the quarterly period ended September 30, 2023

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PART I — FINANCIAL INFORMATION

Item 1. Unaudited Financial Statements.

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

	September 30, 2023	December 31, 2022
ASSETS		
Real estate investments, at cost:		
Land	$ 227,203	$ 238,225
Buildings, fixtures and improvements	1,106,383	1,128,400
Total real estate investments, at cost	1,333,586	1,366,625
Less: accumulated depreciation	156,904	133,379
Total real estate investments, net	1,176,682	1,233,246
Accounts receivable, net	26,911	21,641
Intangible lease assets, net	144,304	202,832
Cash and cash equivalents	32,286	20,638
Real estate assets held for sale, net	3,818	2,502
Other assets, net	120,390	90,214
Total assets	$ 1,504,391	$ 1,571,073
LIABILITIES AND EQUITY		
Mortgages payable, net	$ 352,683	$ 352,167
Credit facility term loan, net	—	173,815
Credit facility revolver	175,000	—
Accounts payable and accrued expenses	30,570	26,161
Below-market lease liabilities, net	9,481	14,068
Distributions payable	5,578	5,664
Other liabilities, net	21,811	23,340
Total liabilities	595,123	595,215
Common stock, $0.001 par value, 100,000,000 shares authorized 55,780,054 and 56,639,040 shares issued and outstanding as of September 30, 2023 and December 31, 2022, respectively	56	57
Additional paid-in capital	1,143,825	1,147,014
Accumulated other comprehensive income	986	6,308
Accumulated deficit	(237,026)	(178,910)
Total stockholders' equity	907,841	974,469
Non-controlling interest	1,427	1,389
Total equity	909,268	975,858
Total liabilities and equity	$ 1,504,391	$ 1,571,073

The accompanying notes are an integral part of these statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Rental	$ 48,876	$ 51,580	$ 150,690	$ 157,256
Fee income from unconsolidated joint venture	200	189	600	568
Total revenues	49,076	51,769	151,290	157,824
Operating expenses:				
Property operating	15,506	15,303	46,337	45,773
General and administrative	4,367	4,672	13,241	11,480
Depreciation and amortization	27,013	32,693	83,056	100,874
Impairments	11,403	44,801	26,976	54,161
Transaction related	101	194	356	398
Spin related	—	—	—	964
Total operating expenses	58,390	97,663	169,966	213,650
Other (expenses) income:				
Interest expense, net	(7,380)	(7,904)	(21,741)	(22,618)
Gain on disposition of real estate assets	18	1,059	18	1,059
Loss on extinguishment of debt, net	—	—	(504)	(468)
Other income, net	437	31	638	118
Equity in loss of unconsolidated joint venture, net	(108)	(157)	(326)	(252)
Total other (expenses) income, net	(7,033)	(6,971)	(21,915)	(22,161)
Loss before taxes	(16,347)	(52,865)	(40,591)	(77,987)
Provision for income taxes	(160)	(164)	(505)	(494)
Net loss	(16,507)	(53,029)	(41,096)	(78,481)
Net income attributable to non-controlling interest	(12)	(18)	(38)	(43)
Net loss attributable to common stockholders	$ (16,519)	$ (53,047)	$ (41,134)	$ (78,524)
Weighted-average shares outstanding - basic and diluted	56,543	56,635	56,621	56,630
Basic and diluted net loss per share attributable to common stockholders	$ (0.29)	$ (0.94)	$ (0.73)	$ (1.39)

The accompanying notes are an integral part of these statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net loss	$ (16,507)	$ (53,029)	$ (41,096)	$ (78,481)
Total other comprehensive income (loss):				
Unrealized gain on interest rate derivatives	37	1,885	386	7,229
Reclassification of previous unrealized gain on interest rate derivatives into net loss	(2,077)	(679)	(5,708)	(471)
Total other comprehensive income (loss)	(2,040)	1,206	(5,322)	6,758
Total comprehensive loss	(18,547)	(51,823)	(46,418)	(71,723)
Comprehensive income attributable to non-controlling interest	(12)	(18)	(38)	(43)
Total comprehensive loss attributable to common stockholders	$ (18,559)	$ (51,841)	$ (46,456)	$ (71,766)

The accompanying notes are an integral part of these statements.

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

	Common Stock							
	Number of Shares	Par Value	Additional Paid-In Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Stockholders' Equity	Non-Controlling Interest	Total Equity
Balance, January 1, 2023	56,639,040	$ 57	$ 1,147,014	$ 6,308	$ (178,910)	$ 974,469	$ 1,389	$ 975,858
Net (loss) income	—	—	—	—	(8,885)	(8,885)	11	(8,874)
Distributions	—	—	—	—	(5,721)	(5,721)	—	(5,721)
Repurchases of common stock to settle tax obligations	(12,728)	—	(74)	—	—	(74)	—	(74)
Equity-based compensation, net	37,615	—	526	—	—	526	—	526
Other comprehensive income, net	—	—	—	(1,768)	—	(1,768)	—	(1,768)
Balance, March 31, 2023	56,663,927	$ 57	$ 1,147,466	$ 4,540	$ (193,516)	$ 958,547	$ 1,400	$ 959,947
Net (loss) income	—	—	—	—	(15,730)	(15,730)	15	(15,715)
Distributions	—	—	—	—	(5,683)	(5,683)	—	(5,683)
Equity-based compensation, net	31,764	—	689	—	—	689	—	689
Other comprehensive income, net	—	—	—	(1,514)	—	(1,514)	—	(1,514)
Balance, June 30, 2023	56,695,691	$ 57	$ 1,148,155	$ 3,026	$ (214,929)	$ 936,309	$ 1,415	$ 937,724
Net (loss) income	—	—	—	—	(16,519)	(16,519)	12	(16,507)
Distributions	—	—	—	—	(5,578)	(5,578)	—	(5,578)
Repurchases of common stock under Share Repurchase Program	(915,637)	(1)	(5,017)	—	—	(5,018)	—	(5,018)
Equity-based compensation, net	—	—	687	—	—	687	—	687
Other comprehensive income, net	—	—	—	(2,040)	—	(2,040)	—	(2,040)
Balance, September 30, 2023	55,780,054	$ 56	$ 1,143,825	$ 986	$ (237,026)	$ 907,841	$ 1,427	$ 909,268

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

	Common Stock							
	Number of Shares	Par Value	Additional Paid-In Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Stockholders' Equity	Non-Controlling Interest	Total Equity
Balance, January 1, 2022	56,625,650	$ 57	$ 1,145,278	$ 299	$ (58,715)	$ 1,086,919	$ 1,369	$ 1,088,288
Net (loss) income	—	—	—	—	(9,906)	(9,906)	24	(9,882)
Distributions	—	—	—	—	(5,707)	(5,707)	—	(5,707)
Equity-based compensation, net	—	—	270	—	—	270	—	270
Other comprehensive income, net	—	—	—	4,057	—	4,057	—	4,057
Balance, March 31, 2022	56,625,650	$ 57	$ 1,145,548	$ 4,356	$ (74,328)	$ 1,075,633	$ 1,393	$ 1,077,026
Net (loss) income	—	—	—	—	(15,571)	(15,571)	1	(15,570)
Distributions	—	—	—	—	(5,663)	(5,663)	—	(5,663)
Equity-based compensation, net	9,388	—	439	—	—	439	—	439
Other comprehensive income, net	—	—	—	1,495	—	1,495	—	1,495
Balance, June 30, 2022	56,635,038	$ 57	$ 1,145,987	$ 5,851	$ (95,562)	$ 1,056,333	$ 1,394	$ 1,057,727
Net (loss) income	—	—	—	—	(53,047)	(53,047)	18	(53,029)
Distributions	—	—	—	—	(5,664)	(5,664)	—	(5,664)
Equity-based compensation, net	—	—	444	—	—	444	—	444
Other comprehensive income, net	—	—	—	1,206	—	1,206	—	1,206
Balance, September 30, 2022	56,635,038	$ 57	$ 1,146,431	$ 7,057	$ (154,273)	$ 999,272	$ 1,412	$ 1,000,684

The accompanying notes are an integral part of these statements.

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

	Nine Months Ended September 30,	
	2023	2022
Cash flows from operating activities:		
Net loss	$ (41,096)	$ (78,481)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	83,056	100,874
Non-cash revenue adjustments, net	(6,562)	(2,683)
Impairments	26,976	54,161
Gain on disposition of real estate assets	(18)	(1,059)
Loss on extinguishment of debt, net	504	468
Amortization of deferred financing costs	3,041	3,295
Equity-based compensation	1,902	1,153
Equity in loss of unconsolidated joint venture, net	326	252
Changes in assets and liabilities:		
Accounts receivable, net and other assets, net	(2,545)	502
Accounts payable, accrued expenses and other liabilities, net	4,004	7,435
Net cash provided by operating activities	69,588	85,917
Cash flows from investing activities:		
Capital expenditures and leasing costs	(12,746)	(7,392)
Proceeds from disposition of real estate, net	13,767	22,281
Return of investment from unconsolidated joint venture	1,374	1,798
Deposits for real estate assets	(2,340)	—
Refunds of deposits for real estate assets	2,340	—
Proceeds from the settlement of property-related insurance claims	757	—
Net cash provided by investing activities	3,152	16,687
Cash flows from financing activities:		
Repayment of bridge facility, including debt extinguishment costs	—	(355,026)
Proceeds from mortgages payable	—	355,000
Proceeds from credit facility revolver	175,000	70,000
Repayments of credit facility revolver	—	(129,000)
Repayment of credit facility term loan	(175,000)	—
Payments of deferred financing costs	(5,654)	(3,096)
Repurchases of common stock under Share Repurchase Program	(5,018)	—
Repurchases of common stock to settle tax obligations	(74)	—
Payments of deferred equity offering costs	(41)	—
Distributions paid	(17,000)	(11,327)
Other financing activities	(68)	(46)
Net cash used in financing activities	(27,855)	(73,495)
Net change in cash and cash equivalents and restricted cash	44,885	29,109
Cash and cash equivalents and restricted cash, beginning of period	55,311	29,318
Cash and cash equivalents and restricted cash, end of period	$ 100,196	$ 58,427
Reconciliation of Cash and Cash Equivalents and Restricted Cash		
Cash and cash equivalents at beginning of period	$ 20,638	$ 29,318
Restricted cash at beginning of period	34,673	—
Cash and cash equivalents and restricted cash at beginning of period	$ 55,311	$ 29,318
Cash and cash equivalents at end of period	$ 32,286	$ 23,282
Restricted cash at end of period	67,910	35,145
Cash and cash equivalents and restricted cash at end of period	$ 100,196	$ 58,427

The accompanying notes are an integral part of these statements.

ORION OFFICE REIT INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2023 (Unaudited)

Note 1 – Organization

Organization

Orion Office REIT Inc. (the “Company”, “Orion”, “we” or “us”) is an internally managed real estate investment trust (“REIT”) engaged in the ownership, acquisition, and management of a diversified portfolio of mission-critical regional and corporate headquarters office buildings located in high-quality suburban markets across the U.S. and leased primarily on a single-tenant net lease basis to creditworthy tenants. The Company was incorporated in the state of Maryland on July 1, 2021 and has been operating in a manner so as to qualify and has elected to be taxed as a REIT for U.S. federal income tax purposes, commencing with its initial taxable year ended December 31, 2021.

The Company was initially formed as a wholly-owned subsidiary of Realty Income Corporation (“Realty Income”). Following completion of the merger transaction involving Realty Income and VEREIT, Inc. (“VEREIT”) on November 1, 2021, Realty Income contributed the combined business comprising certain office real properties and related assets previously owned by subsidiaries of Realty Income, and certain office real properties and related assets previously owned by subsidiaries of VEREIT (the “Separation”), to the Company and its operating partnership, Orion Office REIT LP (“Orion OP”), and on November 12, 2021, effected a special distribution to its stockholders of all the outstanding shares of common stock of the Company (the “Distribution”).

Following the Distribution, the Company became independent and publicly traded and its common stock, par value $0.001 per share, trades on the New York Stock Exchange (the “NYSE”) under the symbol “ONL”.

As of September 30, 2023, the Company owned and operated 79 office properties and related assets totaling approximately 9.3 million leasable square feet located within 29 states. In addition, the Company owns an equity interest in OAP/VER Venture, LLC (the “Arch Street Joint Venture”), an unconsolidated joint venture with an affiliate of Arch Street Capital Partners, LLC (“Arch Street Capital Partners”). As of September 30, 2023, the Arch Street Joint Venture owned a portfolio consisting of six office properties totaling approximately 1.0 million leasable square feet located within six states.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

The operating results presented for interim periods are not necessarily indicative of the results that may be expected for any other interim period or for the entire year. These consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements and notes thereto as of and for the year ended December 31, 2022, which are included in the Company’s Annual Report on Form 10-K filed with the SEC on March 8, 2023. Information and footnote disclosures normally included in financial statements have been condensed or omitted pursuant to the rules and regulations of the SEC and U.S. GAAP.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its consolidated subsidiaries and a consolidated joint venture. The portion of the consolidated joint venture not owned by the Company is presented as non-controlling interest in the Company’s consolidated balance sheets, statements of operations, statements of comprehensive income (loss) and statements of equity.

For legal entities being evaluated for consolidation, the Company must first determine whether the interests that it holds and fees it receives qualify as variable interests in the entity. A variable interest is an investment or other interest that will absorb portions of an entity’s expected losses or receive portions of the entity’s expected residual returns. The Company’s evaluation includes consideration of fees paid to the Company where the Company acts as a decision maker or service provider to the entity being evaluated. If the Company determines that it holds a variable interest in an entity, it evaluates whether that entity is a variable interest entity (“VIE”). VIEs are entities where investors lack sufficient equity at risk for the entity to finance

its activities without additional subordinated financial support or where equity investors, as a group, lack one or more of the following characteristics: (a) the power to direct the activities that most significantly impact the entity's economic performance; (b) the obligation to absorb the expected losses of the entity; or (c) the right to receive the expected returns of the entity. The Company consolidates entities that are not VIEs if it has a majority voting interest or other rights that result in effectively controlling the entity.

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

Use of Estimates

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

Revenue Recognition

Rental Revenue

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

Certain of the Company's leases also contain provisions for tenants to reimburse the Company for real estate taxes, insurance and maintenance and other property operating expenses. Such reimbursements are included in rental revenue on a gross basis. Property operating expenses paid directly by tenants are recorded on a net basis (i.e., treated as fully offset by an identical amount of assumed reimbursement revenue) and, therefore, are not included in the Company's consolidated financial statements.

The Company continually reviews receivables related to rent, straight-line rent and property operating expense reimbursements and determines collectability by taking into consideration the tenant's payment history, the financial condition of the tenant, business conditions in the industry in which the tenant operates and economic conditions in the area in which the property is located. The review includes a binary assessment of whether or not substantially all of the amounts due under a tenant's lease agreement are probable of collection. For leases that are deemed probable of collection, revenue continues to be recorded on a straight-line basis over the lease term. For leases that are deemed not probable of collection, revenue is recorded as cash is received and the Company reduces rental revenue for any straight-line rent receivables. The Company recognizes all changes in the collectability assessment for an operating lease as an adjustment to rental revenue. During the three and nine months ended September 30, 2023, the Company recorded a reduction to rental revenue of less than $0.1 million for income not probable of collection. During the three and nine months ended September 30, 2022, the Company recorded a reduction to rental revenue of $0.5 million for property operating expense reimbursements not probable of collection.

Rental revenue also includes lease termination income collected from tenants to allow for the tenants to settle their lease obligations and/or to vacate their space prior to their scheduled termination dates, as well as amortization of above and below-market leases and lease incentives. During the three and nine months ended September 30, 2023, the Company recognized $1.0 million and $4.1 million of lease termination income, respectively. During the nine months ended September 30, 2022, the Company recognized $0.9 million of lease termination income.

Fee Income from Unconsolidated Joint Venture

The Company provides various services to the Arch Street Joint Venture in exchange for market-based fees. Total asset and property management fees earned in connection with this entity was $0.2 million for the three months ended September 30, 2023 and 2022 and $0.6 million for the nine months ended September 30, 2023 and 2022.

Cash and Cash Equivalents

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

Restricted Cash

The Company had $67.9 million and $34.7 million in restricted cash as of September 30, 2023 and December 31, 2022, primarily comprised of reserves held by the lender under the CMBS Loan (as defined in Note 6 – Debt, Net) for future rent concessions and tenant improvement allowances and excess cash held by the administrative agent under the Revolving Facility (as defined in Note 6 – Debt, Net) to be used to prepay borrowings under the Revolving Facility upon the scheduled expiration in November 2023 (or earlier termination) of the Company's interest rate swap agreements with respect to $175.0 million of borrowings thereunder. Restricted cash is included in other assets, net on the Company's consolidated balance sheets.

Recent Accounting Pronouncements

There are no recent accounting pronouncements that the Company has yet to adopt as of September 30, 2023, that are expected to have a significant impact on its consolidated financial statements.

Note 3 – Real Estate Investments and Related Intangibles

Property Acquisitions

During the three and nine months ended September 30, 2023, the Company hadno acquisitions. During the nine months ended September 30, 2022, the Company acquired for no consideration the fee interest in one parcel of land in connection with the maturity of the tax advantaged bond and ground lease structure. As a result of the transaction, $4.7 million that was previously classified as a finance lease right-of-use asset with respect to such land parcel previously subject to the ground lease was reclassified from other assets, net to real estate investments in the Company's consolidated balance sheet as of September 30, 2022. The Company did not have any other acquisitions during the three and nine months ended September 30, 2022.

Property Dispositions and Real Estate Assets Held for Sale

The following table summarizes the Company's property dispositions for the three and nine months ended September 30, 2023 and 2022 (dollars in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Total dispositions	2	4	2	5
Aggregate gross sales price	$ 14,050	$ 19,530	$ 14,050	$ 23,130
Gain on disposition of real estate assets	$ 18	$ 1,059	$ 18	$ 1,059
Property count	2	3	2	3
Impairments on disposition of real estate assets	$ —	$ 21	$ —	$ 1,098
Property count	—	1	—	2

As of September 30, 2023, the Company had two properties classified as held for sale with a carrying value of $3.8 million, primarily comprised of land of $1.1 million and building, fixtures and improvements, net, of $2.7 million, included in real estate assets held for sale, net in the accompanying consolidated balance sheets, which it expects to be sold in the next 12 months as part of its portfolio management strategy. During the nine months ended September 30, 2023 and 2022, the Company recorded losses of $4.4 million and $6.0 million, respectively, related to held for sale properties, which are included in impairments in the accompanying consolidated statements of operations. One of the properties classified as held for sale as of September 30, 2023 was sold during October 2023. See Note 15 – Subsequent Events, below.

Intangible Lease Assets and Liabilities

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

	Weighted-Average Useful Life (Years)	September 30, 2023	December 31, 2022
Intangible lease assets:			
In-place leases, net of accumulated amortization of $185,587 and $144,798, respectively	6.1	$ 121,165	$ 177,698
Leasing commissions, net of accumulated amortization of $2,651 and $1,553, respectively	12.4	13,493	13,614
Above-market lease assets, net of accumulated amortization of $13,798 and $11,391, respectively	6.5	6,052	9,826
Deferred lease incentives, net of accumulated amortization of $303 and $116, respectively	9.1	3,594	1,694
Total intangible lease assets, net		$ 144,304	$ 202,832
Intangible lease liabilities:			
Below-market leases, net of accumulated amortization of $21,769 and $17,249, respectively	9.9	$ 9,481	$ 14,068

The aggregate amount of amortization of above-market and below-market leases included as a net increase to rental revenue was $0.3 million and $0.8 million for the three and nine months ended September 30, 2023, respectively, and $0.3 million and $0.9 million for the three and nine months ended September 30, 2022, respectively. The aggregate amount of amortization of deferred lease incentives included as a net decrease to rental revenue was $0.2 million for the nine months ended September 30, 2023, as compared to less than $0.1 million for the three and nine months ended September 30, 2022. The aggregate amount of in-place leases, leasing commissions and other lease intangibles amortized and included in depreciation and amortization expense was $18.5 million and $57.4 million for the three and nine months ended September 30, 2023, respectively, and $23.7 million and $73.5 million for the three and nine months ended September 30, 2022, respectively.

The following table provides the projected amortization expense and adjustments to rental revenue related to the intangible lease assets and liabilities for the next five years as of September 30, 2023 (in thousands):

	Remainder of 2023	2024	2025	2026	2027	2028
In-place leases:						
Total projected to be included in amortization expense	$ 17,157	$ 49,039	$ 21,608	$ 15,499	$ 7,441	$ 4,592
Leasing commissions:						
Total projected to be included in amortization expense	$ 373	$ 1,450	$ 1,382	$ 1,379	$ 1,356	$ 1,207
Above-market lease assets:						
Total projected to be deducted from rental revenue	$ 1,042	$ 2,964	$ 850	$ 682	$ 237	$ 115
Deferred lease incentives:						
Total projected to be deducted from rental revenue	$ 84	$ 338	$ 321	$ 223	$ 200	$ 186
Below-market lease liabilities:						
Total projected to be added to rental revenue	$ 1,407	$ 3,786	$ 1,036	$ 817	$ 655	$ 571

Investment in Unconsolidated Joint Venture

The following is a summary of the Company's investment in the Arch Street Joint Venture, as of September 30, 2023 and December 31, 2022 and for the nine months ended September 30, 2023 and 2022 (dollars in thousands):

	Ownership % [1]	Number of Properties	Carrying Value of Investment		Equity in Loss, Net Nine Months Ended	
Investment	**September 30, 2023**		**September 30, 2023**	**December 31, 2022**	**September 30, 2023**	**September 30, 2022**
Arch Street Joint Venture [2] [3]	20%	6	$ 14,124	15,824	$ (326)	(252)

(1) The Company's ownership interest reflects its legal ownership interest. The Company's legal ownership interest may, at times, not equal the Company's economic interest because of various provisions in the joint venture agreement regarding capital contributions, distributions of cash flow based on capital account balances and allocations of profits and losses. As a result, the Company's actual economic interest (as distinct from its legal ownership interest) in certain of the properties could fluctuate from time to time and may not wholly align with its legal ownership interest.

(2) During the three and nine months ended September 30, 2023 and 2022, the Arch Street Joint Venture did not acquire any properties.

(3) The total carrying value of the Company's investment in the Arch Street Joint Venture was greater than the underlying equity in net assets by $ 0.5 million and $ 0.9 million as of September 30, 2023 and December 31, 2022, respectively. This difference is related to a step up in the fair value of the investment in the Arch Street Joint Venture in connection with the Separation and the Distribution. The step up in fair value was allocated based on the underlying assets and liabilities of the Arch Street Joint Venture and is being amortized over the estimated useful lives of the respective assets and liabilities in accordance with the Company's accounting policies.

Note 4 – Receivables and Other Assets:

Accounts receivable, net consisted of the following as of September 30, 2023 and December 31, 2022 (in thousands):

	September 30, 2023	December 31, 2022
Accounts receivable, net	$ 11,961	$ 10,461
Straight-line rent receivable, net	14,950	11,180
Total	$ 26,911	$ 21,641

Other assets, net consisted of the following as of September 30, 2023 and December 31, 2022 (in thousands):

	September 30, 2023	December 31, 2022
Restricted cash	$ 67,910	$ 34,673
Right-of-use assets, net [1]	25,650	26,422
Investment in unconsolidated joint venture	14,124	15,824
Deferred costs, net [2]	8,444	4,619
Prepaid expenses	2,203	1,305
Derivative assets	986	6,308
Other assets, net	1,073	1,063
Total	$ 120,390	$ 90,214

(1) Amortization expense for below market right-of-use asset was less than $ 0.1 million and $ 0.1 million, respectively, for the three and nine months ended September 30, 2023 and 2022. Includes right-of-use finance leases of $9.0 million, right-of-use operating leases of $ 9.9 million, and a below-market right-of-use asset, net of $ 6.7 million as of September 30, 2023. Includes right-of-use finance leases of $ 9.0 million, right-of-use operating leases of $10.6 million, and a below-market right-of-use asset, net of $ 6.8 million as of December 31, 2022.

(2) Amortization expense for deferred costs related to the Revolving Facility totaled $ 0.8 million and $ 1.8 million for the three and nine months ended September 30, 2023, respectively, as compared to $0.5 million and $ 1.6 million for the three and nine months ended September 30, 2022, respectively. Accumulated amortization for deferred costs related to the Revolving Facility was $ 4.3 million and $2.5 million as of September 30, 2023 and December 31, 2022, respectively. Additional deferred costs related to the Revolving Facility of $ 5.6 million were capitalized during the nine months ended September 30, 2023 in connection with the second amendment to the Credit Agreement, as defined below and discussed in Note 6 – Debt, Net. Deferred costs, net also includes outstanding deferred equity offering costs of $0.6 million and $0.5 million, which will be offset against additional paid in capital for future issuances of shares of the Company's common stock, as of September 30, 2023 and December 31, 2022, respectively.

Note 5 – Fair Value Measures

Items Measured at Fair Value on a Recurring Basis

The following tables present information about the Company's assets and liabilities measured at fair value on a recurring basis as of September 30, 2023 and December 31, 2022, aggregated by the level in the fair value hierarchy within which those instruments fall (in thousands):

	Level 1	Level 2	Level 3	Balance as of September 30, 2023
Derivative assets	$ —	$ 986	$ —	$ 986

	Level 1	Level 2	Level 3	Balance as of December 31, 2022
Derivative assets	$ —	$ 6,308	$ —	$ 6,308

Derivative Assets – The Company's derivative financial instruments relate to interest rate swap agreements entered into in order to hedge interest rate volatility with respect to the Company's borrowings with an aggregate notional amount of $175.0 million (as described in Note 6 – Debt, Net). The valuation of derivative instruments is determined using a discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, as well as observable market-based inputs, including interest rate curves and implied volatilities. In addition, credit valuation adjustments are incorporated into the fair values to account for the Company's potential nonperformance risk and the performance risk of the counterparties.

Although the Company determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with those derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by the Company and its counterparties. However, as of September 30, 2023 and December 31, 2022, the Company assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and determined that the credit valuation adjustments are not significant to the overall valuation of the Company's derivatives. As a result, the Company determined that its derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

Items Measured at Fair Value on a Non-Recurring Basis

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

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

As part of the Company's impairment review procedures, net real estate assets representingsix and 10 properties were deemed to be impaired during the nine months ended September 30, 2023 and 2022, respectively, resulting in impairment charges of $27.0 million and $54.2 million during the nine months ended September 30, 2023 and 2022, respectively. The impairment charges were incurred primarily with respect to real estate assets expected to be sold and reflect changes in the Company's future cash flow assumptions for agreed-upon or estimated sale proceeds, as well as changes to assumptions with regard to management's intent to sell or lease the real estate assets.

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

	Nine Months Ended September 30,	
	2023	2022
Number of properties	6	10
Carrying value of impaired properties	$ 54,803	$ 98,633
Provisions for impairment	(26,976)	(54,161)
Estimated fair value	$ 27,827	$ 44,472

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

For the Company's impairment tests for the real estate assets during the nine months ended September 30, 2023, the fair value measurement for five properties was determined based on sales prices under definitive agreements and the one remaining property was determined by applying an estimated sales price based on market data. During the nine months ended September 30, 2023, impairment charges of $14.0 million were recorded for held and used properties, $8.4 million impairment charges were recorded for held for sale properties and $4.6 million for disposed properties.

For the Company's impairment tests for the real estate assets during the nine months ended September 30, 2022, the fair value measurement for eight impaired properties was determined by applying an estimated sales price based on market data and two impaired properties by applying a discount rate of 8.5% and capitalization rate of 8.0%. During the nine months ended September 30, 2022, impairment charges of $44.0 million were recorded for held and used properties, and $1.6 million impairment charges were recorded for held for sale properties and $8.6 million for disposed properties.

The following table presents certain of the Company's assets measured at fair value on a non-recurring basis as of September 30, 2023 and December 31, 2022, aggregated by the level in the fair value hierarchy within which those assets fall (in thousands):

	Level 1	Level 2 [(1)]	Level 3 [(1)]	Balance as of September 30, 2023
Assets of properties held and used	$ —	$ 10,000	$ 2,762	$ 12,762
Assets of properties held for sale	—	1,316	—	1,316
Total	$ —	$ 11,316	$ 2,762	$ 14,078

	Level 1	Level 2 [(1)]	Level 3 [(1)]	Balance as of December 31, 2022
Assets of properties held and used	$ —	$ 38,900	$ 11,957	$ 50,857
Assets of properties held for sale	—	2,502	—	2,502
Total	$ —	$ 41,402	$ 11,957	$ 53,359

(1) The fair value of the level 2 category was derived using negotiated sales prices with third parties and the fair value of the level 3 category was derived using discounted cash flow analysis and management estimates of selling prices.

Fair Value of Financial Instruments

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

	Level	Carrying Value at September 30, 2023	Fair Value at September 30, 2023	Carrying Value at December 31, 2022	Fair Value at December 31, 2022
Assets:					
Derivative assets	2	$ 986	$ 986	$ 6,308	$ 6,308
Liabilities [(1)]:					
Mortgages payable	2	355,000	332,924	355,000	332,323
Credit facility term loan	2	—	—	175,000	175,000
Credit facility revolver	2	175,000	175,000	—	—
Total		$ 530,000	$ 507,924	$ 530,000	$ 507,323

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

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

Note 6 – Debt, Net

As of September 30, 2023, the Company had $527.7 million of debt outstanding, including net deferred financing costs, with a weighted-average years to maturity of 3.1 years and a weighted-average interest rate of 4.63%. The following table summarizes the carrying value of debt as of September 30, 2023 and December 31, 2022, and the debt activity for the nine months ended September 30, 2023 (in thousands):

	Balance as of December 31, 2022	Nine Months Ended September 30, 2023: Debt Issuances	Nine Months Ended September 30, 2023: Repayments, Extinguishment and Assumptions	Nine Months Ended September 30, 2023: Accretion and Amortization	Balance as of September 30, 2023
Mortgages payable:					
Outstanding balance	$ 355,000	$ —	$ —	$ —	$ 355,000
Deferred costs	(2,833)	—	—	516	(2,317)
Mortgages payable, net	352,167	—	—	516	352,683
Credit facility term loan:					
Outstanding balance	175,000	—	(175,000)	—	—
Deferred costs	(1,185)	—	504	681	—
Credit facility term loan, net	173,815	—	(174,496)	681	—
Credit facility revolver	—	175,000	—	—	175,000
Total debt	$ 525,982	$ 175,000	$ (174,496)	$ 1,197	$ 527,683

The following table summarizes the scheduled aggregate principal repayments due on the Company's debt outstanding as of September 30, 2023 (in thousands):

	Total
October 1, 2023 to December 31, 2023	$ —
2024	—
2025	—
2026 (1)	175,000
2027	355,000
Total	$ 530,000

(1) As described below, the Company's Revolving Facility is scheduled to mature on November 12, 2024 and Orion OP has an option to extend the maturity date to May 12, 2026. This table assumes exercise of the extension option.

Credit Agreement

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

In February 2022, as further described below, the Company refinanced the Bridge Facility in full with the $355.0 million CMBS Loan (defined below), and the Bridge Credit Agreement was terminated. In June 2023, as further described below, the Term Loan Facility was repaid and retired with borrowings under the Revolving Facility and, as of September 30, 2023,

$175.0 million of principal amount was outstanding under the Revolving Facility with $250.0 million available for future borrowings thereunder, including the $25.0 million letter of credit sub-facility.

The Company and Orion OP have entered into two amendments to the Credit Agreement. The purpose of the first amendment entered into in December 2022 was to change the benchmark rate for borrowings under the Credit Agreement from LIBOR to SOFR (the secured overnight financing rate as administered by the Federal Reserve Bank of New York). The purpose of the second amendment entered into in June 2023 was to repay and retire $175.0 million of outstanding borrowings under the Term Loan Facility with borrowings from the Revolving Facility which was undrawn at the time of the second amendment, provide Orion OP with the option to extend the maturity of the Revolving Facility for an additional 18 months to May 12, 2026 from November 12, 2024 and to effect certain other modifications. The extension option may be exercised beginning on May 16, 2024 and is subject to customary conditions including there being no default or event of default and the payment of an extension fee.

Giving effect to the amendments described above, the interest rate applicable to the loans under the Revolving Facility may be determined, at the election of Orion OP, on the basis of Daily Simple SOFR, Term SOFR or a base rate, in the case of a SOFR loan, plus a SOFR adjustment of 0.10% per annum, and in the case of a SOFR loan or a base rate loan, plus an applicable margin of 3.25% for SOFR loans and 2.25% for base rate loans. Loans under the Revolving Facility may be prepaid and reborrowed, and unused commitments under the Revolving Facility may be reduced, at any time, in whole or in part, by Orion OP, without premium or penalty (except for SOFR breakage costs).

In December 2022, the Company entered into interest rate swap agreements with an aggregate notional amount of $175.0 million, which has effectively fixed the interest rate on $175.0 million of principal under the Revolving Facility at 3.92% per annum until November 12, 2023. Upon the scheduled expiration of the interest rate swap agreements, the Company's borrowing cost on the Revolving Facility will no longer be effectively fixed, but rather will float and, therefore, the Company's borrowing cost on the Revolving Facility will immediately shift to prevailing short-term interest rates based on the benchmark and applicable margin described above, and the Company will be exposed to interest rate fluctuations on these borrowings.

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

The Revolving Facility is guaranteed pursuant to a guaranty by the Company and, subject to certain exceptions, substantially all of Orion OP's existing and future subsidiaries (including substantially all of its subsidiaries that directly or indirectly own unencumbered real properties), other than certain joint ventures and subsidiaries that own real properties subject to certain other indebtedness (such subsidiaries of Orion OP, the "Subsidiary Guarantors").

The Revolving Facility is secured by, among other things, first priority pledges of the equity interests in the Subsidiary Guarantors.

The Revolving Facility requires that Orion OP comply with various covenants, including covenants restricting, subject to certain exceptions, liens, investments, mergers, asset sales and the payment of certain dividends. Pursuant to the second amendment described above, if, on any day, Orion OP has unrestricted cash and cash equivalents in excess of $25.0 million (excluding amounts that are then designated for application or use and are subsequently used for such purposes within 30 days), Orion OP will use (or, under certain circumstances, set aside in an escrow account established by the administrative agent) such excess amount to prepay loans under the Revolving Facility, without premium or penalty and without any reduction in the lenders' commitment under the Revolving Facility. As of September 30, 2023, the Company had $ 33.2 million of restricted cash deposited in an escrow account with the administrative agent under the Revolving Facility as additional cash collateral. These funds will, in accordance with Orion OP's obligations described above, be used to prepay borrowings under the Revolving Facility upon the scheduled expiration in November 2023 (or earlier termination) of the Company's interest rate swap agreements with respect to $175.0 million of borrowings thereunder.

In addition, the Revolving Facility giving effect to the modifications pursuant to the second amendment described above, requires that Orion OP satisfy the following financial covenants:

- ratio of total debt to total asset value of not more than 0.60 to 1.00;
- ratio of adjusted EBITDA to fixed charges of not less than 1.50 to 1.00;
- ratio of secured debt to total asset value of not more than 0.40 to 1.00;
- ratio of unsecured debt to unencumbered asset value of not more than 0.60 to 1.00;

- ratio of net operating income from all unencumbered real properties to unsecured interest expense of not less than 2.00 to 1.00; and
- the unencumbered asset value maintained by Orion OP must be at least $600.0 million.

Pursuant to the second amendment described above, if the ratio of unsecured debt to unencumbered asset value exceeds 0.35 to 1.00 as of the end of two consecutive fiscal quarters, Orion OP will be required, within 90 days and subject to cure rights, to grant the administrative agent a first priority lien on all the properties included in the pool of unencumbered assets (other than properties identified for disposition by the Company so long as such properties are sold within one year of such identification).

As of September 30, 2023, Orion OP was in compliance with the Revolving Facility financial covenants.

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

CMBS Loan

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

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

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

The CMBS Loan is generally not freely prepayable by the Mortgage Borrowers without payment of certain prepayment premiums and costs. The CMBS Loan may be prepaid in whole, but not in part, except as provided in the loan agreement governing the CMBS Loan (the “CMBS Loan Agreement”), at any time following the Prepayment Lockout Release Date (as defined in the CMBS Loan Agreement) (generally in March 2024, two years after the CMBS Loan has been fully securitized), subject to the payment of a yield maintenance premium and the satisfaction of other terms and conditions set forth in the CMBS Loan Agreement. Further, releases of individual properties are permitted in connection with an arms’ length third party sale upon repayment of the Release Price (as defined in the CMBS Loan Agreement) for the applicable individual property and subject to payment of the applicable yield maintenance premium and the satisfaction of other terms and conditions set forth in the CMBS Loan Agreement.

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

In connection with the CMBS Loan Agreement, the Company (as the guarantor) delivered a customary non-recourse carveout guaranty to the Lender (the “Guaranty”), under which the Company guaranteed the obligations and liabilities of the Mortgage Borrowers to the Lender with respect to certain non-recourse carveout events and the circumstances under which the CMBS Loan will be fully recourse to the Mortgage Borrowers, and which includes requirements for the Company to maintain a net worth of no less than $355.0 million and liquid assets of no less than $10.0 million, in each case, exclusive of the values of the collateral for the CMBS Loan. As of September 30, 2023, the Company was in compliance with these financial covenants.

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

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

The Company's mortgages payable consisted of the following as of September 30, 2023 (dollars in thousands):

	Encumbered Properties	Net Carrying Value of Collateralized Properties [(1)]	Outstanding Balance	Weighted-Average Interest Rate	Weighted-Average Years to Maturity
Fixed-rate debt	19	$ 441,293	$ 355,000	4.97 %	3.4

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

The table above does not include mortgage notes associated with the Arch Street Joint Venture of $136.7 million as of September 30, 2023.

Note 7 – Derivatives and Hedging Activities

Cash Flow Hedges of Interest Rate Risk

As of each of September 30, 2023 and December 31, 2022, the Company had interest rate swap agreements with an aggregate notional amount of $175.0 million, which were designated as cash flow hedges under U.S. GAAP. The interest rate swap agreements were entered into in order to hedge interest rate volatility. The initial interest rate swap agreements were effective on December 1, 2021 and were scheduled to terminate on November 12, 2023. During the year ended December 31, 2022, in connection with the transition of the benchmark rate for borrowings under the Credit Agreement from LIBOR to SOFR, the Company terminated the initial interest rate swap agreements and entered into new interest rate swap agreements with an aggregate notional amount of $175.0 million, effective on December 1, 2022 and terminating on November 12, 2023. These interest rate swap agreements remain in effect for the $175.0 million of borrowings under the Revolving Facility as of September 30, 2023 until November 12, 2023.

The table below presents the fair value of the Company's derivative financial instrument designated as a cash flow hedge as well as its classification in the Company's consolidated balance sheets as of September 30, 2023 and December 31, 2022 (in thousands):

Derivatives Designated as Hedging Instruments	Balance Sheet Location	September 30, 2023	December 31, 2022
Interest rate swaps	Other assets, net	$ 986	$ 6,308

During the three and nine months ended September 30, 2023, the Company recorded unrealized gains of less than $0.1 million and $0.4 million, respectively, for changes in the fair value of its cash flow hedge in accumulated other comprehensive income. During the three and nine months ended September 30, 2022, the Company recorded unrealized gains of $1.9 million and $7.2 million, respectively, for changes in the fair value of its cash flow hedge in accumulated other comprehensive income.

During the three and nine months ended September 30, 2023, the Company reclassified previous gains of $2.1 million and $5.7 million, respectively, from accumulated other comprehensive income into interest expense as a result of the hedged transactions impacting earnings. During the three and nine months ended September 30, 2022, the Company reclassified previous gains of $0.7 million and $0.5 million, respectively, from accumulated other comprehensive income into interest expense as a result of the hedged transactions impacting earnings.

The Company estimates that an additional $1.0 million will be reclassified from other comprehensive income as a decrease to interest expense through November 12, 2023.

Derivatives Not Designated as Hedging Instruments

As of each of September 30, 2023 and December 31, 2022, the Company had no interest rate swaps that were not designated as qualifying hedging relationships.

Tabular Disclosure of Offsetting Derivatives

The table below details a gross presentation, the effects of offsetting and a net presentation of the Company's derivatives as of September 30, 2023 and December 31, 2022 (in thousands). The net amounts of derivative assets or liabilities can be reconciled to the tabular disclosure of fair value.

	Offsetting of Derivative Assets and Liabilities							
	Gross Amounts of Recognized Assets	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Consolidated Balance Sheets	Net Amounts of Assets Presented in the Consolidated Balance Sheets	Net Amounts of Liabilities Presented in the Consolidated Balance Sheets	Financial Instruments	Cash Collateral Received	Net Amount
September 30, 2023	$ 986	$ —	$ —	$ 986	$ —	$ —	$ —	$ 986
December 31, 2022	$ 6,308	$ —	$ —	$ 6,308	$ —	$ —	$ —	$ 6,308

Note 8 – Supplemental Cash Flow Disclosures

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

	Nine Months Ended September 30,	
	2023	2022
Supplemental disclosures:		
Cash paid for interest	$ 18,727	$ 18,729
Cash paid for income taxes	$ 453	$ 678
Non-cash investing and financing activities:		
Accrued capital expenditures and leasing costs	$ 4,628	$ 1,251
Distributions declared and unpaid	$ 5,578	$ 5,664
Land acquired upon finance lease termination	$ —	$ 4,707

Note 9 – Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consisted of the following as of September 30, 2023 and December 31, 2022 (in thousands):

	September 30, 2023	December 31, 2022
Accrued real estate and other taxes	$ 15,497	$ 10,191
Accrued operating and other	7,599	10,034
Accrued capital expenditures and leasing costs	4,183	2,333
Accrued interest	1,708	1,810
Accounts payable	1,583	1,793
Total	$ 30,570	$ 26,161

Note 10 – Commitments and Contingencies

Leasing

As part of its ordinary re-leasing activities, the Company has agreed and anticipates that it will continue to agree to provide rent concessions to tenants and incur leasing costs with respect to its properties, including amounts paid directly to tenants to improve their space and/or building systems, or tenant improvement allowances, landlord agreements to perform and pay for certain improvements, and leasing commissions. These rent concession and leasing cost commitments could be significant and are expected to vary due to factors such as competitive market conditions for leasing of commercial office space and the volume of square footage subject to re-leasing by the Company. As of September 30, 2023, the Company had total commitments of $44.3 million outstanding for tenant improvement allowances and $0.3 million for leasing commissions. The timing of the Company's cash outlay for tenant improvement allowances is significantly uncertain and will depend upon the applicable tenant's schedule for the improvements and corresponding use of capital, if any. For assets financed on the CMBS Loan, the Company has funded reserves with the lender for tenant improvement allowances and rent concession commitments.

The restricted cash included in the reserve totaled $34.7 million as of September 30, 2023, including $23.6 million for tenant improvement allowances and $11.1 million for rent concession commitments, and is included in other assets, net in the Company's consolidated balance sheets.

Litigation

From time to time, the Company may be party to various legal proceedings which it believes are routine in nature and incidental to the operation of its business. The Company does not believe that any such legal proceedings will have a material adverse effect upon its consolidated position or results of operations.

Environmental Matters

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

Note 11 – Leases

Lessor

As of September 30, 2023, the Company's operating leases have non-cancelable lease terms ranging from 0.2 years to 15.6 years. Certain leases with tenants include tenant options to extend or terminate the lease agreements or to purchase the underlying assets. Lease agreements may also contain rent increases that are based on an index or rate (e.g., the consumer price index).

The following table presents future minimum base rent payments due to the Company under the terms of its operating lease agreements, excluding expense reimbursements, over the next five years and thereafter as of September 30, 2023 (in thousands).

	Future Minimum Base Rent Payments
October 1, 2023 - December 31, 2023	$ 32,890
2024	112,183
2025	75,683
2026	72,381
2027	51,814
2028	40,104
Thereafter	158,714
Total	$ 543,769

Lessee

The Company is the lessee under ground lease arrangements and corporate office leases, which meet the criteria under U.S. GAAP for an operating lease. As of September 30, 2023, the Company's operating leases had remaining lease terms ranging from 0.2 years to 61.3 years, which includes options to extend. Under the operating leases, the Company pays rent and may also pay variable costs, including property operating expenses and common area maintenance. The weighted-average discount rate used to measure the lease liability for the Company's operating leases was 3.50% as of September 30, 2023. As the Company's leases do not provide an implicit rate, the Company used an estimated incremental borrowing rate based on the information available at the lease commencement date or the lease guidance adoption date, as applicable, in determining the present value of lease payments.

Operating lease costs were $0.3 million and $0.9 million for the three and nine months ended September 30, 2023, respectively, and $0.3 million and $0.8 million for the three and nine months ended September 30, 2022, respectively. No cash paid for operating lease liabilities was capitalized for the three and nine months ended September 30, 2023 and 2022.

The following table reflects the maturity analysis of payments due from the Company over the next five years and thereafter for ground and corporate office lease obligations as of September 30, 2023 (in thousands).

	Future Minimum Lease Payments	
October 1, 2023 - December 31, 2023	$	278
2024		883
2025		892
2026		478
2027		445
2028		447
Thereafter		12,492
Total		15,915
Less: imputed interest		5,799
Total	$	10,116

Note 12 – Stockholders' Equity

Common Stock

The Company was initially capitalized on July 15, 2021 with the issuance of 100,000 shares of common stock to Realty Income for a total of $1,000.

On November 10, 2021, the Company issued 56,525,650 additional shares of common stock to Realty Income, such that Realty Income owned 56,625,650 shares of the Company's common stock. On November 12, 2021, Realty Income effected the Distribution.

Dividends

During the nine months ended September 30, 2023 and 2022, the Company's Board of Directors declared quarterly cash dividends on shares of the Company's common stock as follows:

Declaration Date	Record Date	Paid Date	Distributions Per Share	
March 7, 2023	March 31, 2023	April 17, 2023	$	0.10
May 8, 2023	June 30, 2023	July 17, 2023	$	0.10
August 8, 2023	September 29, 2023	October 16, 2023	$	0.10

Declaration Date	Record Date	Paid Date	Distributions Per Share	
March 22, 2022	March 31, 2022	April 15, 2022	$	0.10
May 3, 2022	June 30, 2022	July 15, 2022	$	0.10
August 2, 2022	September 30, 2022	October 17, 2022	$	0.10

On November 9, 2023, the Company's Board of Directors declared a quarterly cash dividend of $0.10 per share for the fourth quarter of 2023, payable on January 16, 2024, to stockholders of record as of December 29, 2023.

Arch Street Warrants

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

Also on November 12, 2021, in connection with the entry into the LLCA, the Company granted certain affiliates of the Arch Street Partner warrants to purchase up to 1,120,000 shares of the Company's common stock (the "Arch Street Warrants").

The Arch Street Warrants entitle the respective holders to purchase shares of the Company's common stock at a price per share equal to $22.42, at any time. The Arch Street Warrants may be exercised, in whole or in part, through a cashless exercise, in which case the holder would receive upon such exercise the net number of shares of Company common stock determined according to the formula set forth in the Arch Street Warrants. The Arch Street Warrants expire on the earlier of (a) ten years after issuance and (b) if the Arch Street Joint Venture is terminated, the later of the termination of the Arch Street Joint Venture and seven years after issuance.

Share Repurchase Program

On November 1, 2022, the Company's Board of Directors authorized the repurchase of up to $50.0 million of the Company's outstanding common stock until December 31, 2025, as market conditions warrant (the "Share Repurchase Program"). Repurchases may be made through open market purchases, privately negotiated transactions, structured or derivative transactions, including accelerated stock repurchase transactions, or other methods of acquiring shares in accordance with applicable securities laws and other legal requirements. The Share Repurchase Program does not obligate the Company to make any repurchases at a specific time or in a specific situation. Repurchases are subject to prevailing market conditions, the trading price of the Company's common stock, the Company's liquidity and anticipated liquidity needs, financial performance and other conditions. Shares of common stock repurchased by the Company under the Share Repurchase Program, if any, will be returned to the status of authorized but unissued shares of common stock. During the three months ended September 30, 2023, the Company repurchased approximately 0.9 million shares of common stock in multiple open market transactions, at a weighted average share price of $5.46 for an aggregate purchase price of $5.0 million as part of the Share Repurchase Program, which are currently deemed to be authorized but unissued shares of common stock.

Note 13 - Equity-Based Compensation

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

During the nine months ended September 30, 2023 and 2022, the Company granted Time-Based RSUs and/or Performance-Based RSUs to non-employee directors and officers and other employees of the Company. The fair value of the Time-Based RSUs is determined using the closing stock price on the grant date and is expensed over the requisite service period on a straight-line basis. The fair value of the TSR-Based RSUs is determined using a Monte Carlo simulation which takes into account multiple input variables that determine the probability of satisfying the required total shareholder return, and such fair value is expensed over the performance period. The fair value of the Metrics-Based RSUs is determined using the closing stock price on the grant date and is expensed over the requisite service period to the extent that the likelihood of achieving the performance metrics is probable. As of September 30, 2023, the Company determined that the likelihood of achieving some of the performance metrics was probable and, accordingly, the Company recognized compensation expense for such Metrics-Based RSUs and determined that the likelihood of achieving the remaining performance metrics was improbable and the Company recognized no compensation expense for the remaining Metrics-Based RSUs.

Time-Based RSUs and Performance-Based RSUs do not provide for any rights of a common stockholder prior to the vesting of such restricted stock units. Equity-based compensation expense related to Time-Based RSUs and Performance-Based RSUs for the three and nine months ended September 30, 2023, was $0.6 million and $1.7 million, respectively. Equity-based compensation expense related to Time-Based RSUs and Performance-Based RSUs for the three and nine months ended September 30, 2022, was $0.4 million and $0.8 million, respectively. As of September 30, 2023, total unrecognized compensation expense related to Time-Based RSUs and Performance-Based RSUs was approximately $4.0 million, with an aggregate weighted-average remaining term of 1.9 years.

The Company is also required under U.S. GAAP to recognize equity-based compensation expense for awards to its former employees of Realty Income time-based restricted stock units and stock options granted in connection with the Separation and

Distribution. Equity-based compensation expense for the three and nine months ended September 30, 2023, related to such Realty Income equity-based compensation awards, was less than $0.1 million and $0.2 million, respectively. Equity-based compensation expense for the three and nine months ended September 30, 2022, related to such Realty Income equity-based compensation awards, was $0.1 million and $0.3 million, respectively. As of September 30, 2023, total unrecognized compensation expense related to Realty Income time-based restricted stock units and stock options was less than $0.1 million with an aggregate weighted-average remaining term of 0.4 years.

Note 14 - Net Income (Loss) Per Share

The computation of basic and diluted earnings per share is as follows for the three and nine months ended September 30, 2023 and 2022 (in thousands, except share and per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net loss	$ (16,507)	$ (53,029)	$ (41,096)	$ (78,481)
Income attributable to non-controlling interest	(12)	(18)	(38)	(43)
Net loss available to common stockholders used in basic and diluted net income per share	(16,519)	(53,047)	(41,134)	(78,524)
Weighted average shares of common stock outstanding - basic	56,543,379	56,635,038	56,621,362	56,630,086
Effect of dilutive securities [(1)]	—	—	—	—
Weighted average shares of common stock - diluted	56,543,379	56,635,038	56,621,362	56,630,086
Basic and diluted net loss per share attributable to common stockholders	$ (0.29)	$ (0.94)	$ (0.73)	$ (1.39)

(1) As of September 30, 2023 and 2022, there were no adjustments to the weighted average common shares outstanding used in the diluted calculation given that all potentially dilutive shares were anti-dilutive.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Weighted average unvested Time-Based RSUs [(1)]	25,559	—	3,337	—
Weighted average stock warrants	1,120,000	1,120,000	1,120,000	1,120,000

(1) Net of assumed repurchases in accordance with the treasury stock method and exclude Performance-Based RSUs for which the performance thresholds have not been met by the end of the applicable reporting period.

Note 15 – Subsequent Events

Distributions

On November 9, 2023, the Company's Board of Directors declared a quarterly cash dividend of $0.10 per share for the fourth quarter of 2023, payable on January 16, 2024, to stockholders of record as of December 29, 2023.

Dispositions

On October 23, 2023, the Company closed on the sale of one property for a gross sales price of approximately $1.4 million.

Leasing Activity

During October 2023, the Company entered into a 10.0-year early lease renewal for approximately 90,000 square feet at its property in Memphis, Tennessee. Also during October 2023, the Company entered into a new 10.0-year lease for 3,000 square feet of retail space at its property in Covington, Kentucky leased primarily to the United States of America. On November 1, 2023, one additional lease comprising 0.3 million square feet terminated at one of our properties.

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

The following discussion and analysis should be read in conjunction with the accompanying consolidated financial statements and notes thereto appearing elsewhere in this Quarterly Report on Form 10-Q.

Forward-Looking Statements

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

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

- the risk of rising interest rates, including that our borrowing costs may increase and we may be unable to refinance our debt obligations on favorable terms and in a timely manner, or at all;
- the risk of inflation, including that our operating costs, such as insurance premiums, utilities, real estate taxes, capital expenditures and repair and maintenance costs, may rise;
- conditions associated with the global market, including an oversupply of office space, tenant credit risk and general economic conditions and geopolitical conditions;
- the extent to which changes in workplace practices and office space utilization, including remote work arrangements, will continue and the impact that may have on demand for office space at our properties;
- our ability to acquire new properties and sell non-core assets on favorable terms and in a timely manner, or at all;
- our ability to comply with the terms of our credit agreements or to meet the debt obligations on our properties, including our ability to satisfy the conditions to extend our Revolving Facility;
- our ability to access the capital markets to raise additional equity or refinance maturing debt on favorable terms and in a timely manner, or at all;
- changes in the real estate industry and in performance of the financial markets and interest rates and our ability to effectively hedge against interest rate changes;
- the risk of tenants defaulting on their lease obligations, which is heightened due to our focus on single tenant properties;
- our ability to renew leases with existing tenants or re-let vacant space to new tenants on favorable terms and in a timely manner, or at all;
- the cost of rent concessions, tenant improvement allowances and leasing commissions;
- the potential for termination of existing leases pursuant to tenant termination rights;
- the amount, growth and relative inelasticity of our expenses;
- risks associated with the ownership and development of real property;
- risks accompanying the management of OAP/VER Venture, LLC (the "Arch Street Joint Venture"), our unconsolidated joint venture, in which we hold a non-controlling ownership interest;
- our ability to close pending real estate transactions, which may be subject to conditions that are outside of our control;
- our ability to accurately forecast the payment of future dividends on our common stock, and the amount of such dividend;

- risks associated with acquisitions, including the risk that we may not be in a position, or have the opportunity in the future, to make suitable property acquisitions on advantageous terms and/or that such acquisitions will fail to perform as expected;
- risks associated with the fact that we have a limited operating history and our future performance is difficult to predict;
- our properties may be subject to impairment charges;
- risks resulting from losses in excess of insured limits or uninsured losses;
- risks associated with the potential volatility of our common stock;
- the risk that we may fail to maintain our qualification as a REIT; and
- other risks and uncertainties detailed from time to time in our SEC filings.

All forward-looking statements should be read in light of the risks identified in Part I, Item 1A. Risk Factors in the Company's Annual Report on Form 10-K for the year ended December 31, 2022.

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

When we refer to "annualized base rent," we mean the monthly aggregate cash amount charged to tenants under our leases (including monthly base rent receivables and certain fixed contractually obligated reimbursements by our tenants), as of September 30, 2023, multiplied by 12, including the Company's pro rata share of such amounts from the Arch Street Joint Venture, the Company's unconsolidated joint venture with an affiliate of Arch Street Capital Partners, LLC ("Arch Street Capital Partners"). Annualized base rent is not indicative of future performance.

Under a "net lease", the tenant occupying the leased property (usually as a single tenant) does so in much the same manner as if the tenant were the owner of the property. There are various forms of net leases, most typically classified as triple net or double net. Triple net leases typically require that the tenant pay all expenses associated with the property (*e.g.*, real estate taxes, insurance, maintenance and repairs). Double net leases typically require that the tenant pay all operating expenses associated with the property (*e.g.*, real estate taxes, insurance and maintenance), but excludes some or all major repairs (*e.g.*, roof, structure and parking lot). Accordingly, the owner receives the rent "net" of these expenses, rendering the cash flow associated with the lease predictable for the term of the lease.

Overview

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

As of September 30, 2023, we owned and operated 79 office properties with an aggregate of 9.3 million leasable square feet located in 29 states with an occupancy rate of 80.1% and a weighted-average remaining lease term of 3.9 years. Including our pro rata share of leasable square feet and annualized base rent from the Arch Street Joint Venture, we owned an aggregate of 9.5 million leasable square feet with an occupancy rate of 80.5%, or 88.7% adjusted for properties that have been sold following September 30, 2023 or are currently under agreement to be sold, and a weighted-average remaining lease term of 3.9 years as of September 30, 2023.

Business Environment

Our efforts to address upcoming lease maturities and vacancies continue to be adversely impacted by economic conditions, which have included rising interest rates, rising inflation and recession fears, along with remote working trends which resulted from the COVID-19 pandemic and have persisted even after many other economic and social activities have returned to at or near pre-COVID-19 levels. We have experienced and we expect we will continue to experience slower new leasing and there remains uncertainty over existing tenants' long-term space requirements. Some of the anticipated leasing we expected to realize is either going to be delayed, reduced or eliminated. Overall, this could reduce our future rental revenues. We cannot provide any assurance as to whether we will be able to renew leases with existing tenants or re-let vacant space to new tenants on favorable terms and in a timely manner, or at all.

The regional bank crisis earlier this year, together with inflation, the high interest rate environment and recessionary fears, have caused dislocations in the commercial real estate markets generally and may negatively impact our business and prospects,

such as by adversely affecting the Company's leasing efforts and access to debt or equity capital or the terms under which it may do so, and by causing the values of our properties to decline.

The Separation and the Distribution

The Company was initially formed as a wholly-owned subsidiary of Realty Income Corporation ("Realty Income"). Following completion of the merger transaction involving Realty Income and VEREIT, Inc. ("VEREIT") on November 1, 2021, Realty Income contributed the combined business comprising certain office real properties and related assets previously owned by subsidiaries of Realty Income, and certain office real properties and related assets previously owned by subsidiaries of VEREIT (the "Separation"), to the Company and its operating partnership, Orion Office REIT LP ("Orion OP"), and, on November 12, 2021, effected a special distribution to its stockholders of all the outstanding shares of common stock of the Company (the "Distribution").

Following the Distribution, the Company became independent and publicly traded and our common stock, par value $0.001 per share, trades on the NYSE under the symbol "ONL".

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

Emerging Growth Company Status

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

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

We will remain an emerging growth company until the earliest of (i) the last day of the first fiscal year in which our annual gross revenues exceed $1.235 billion, (ii) the last day of the fiscal year following the fifth anniversary of the date of the first sale of our common equity securities pursuant to an effective registration statement under the Securities Act, (iii) the date that we become a "large accelerated filer" as defined in Rule 12b-2 under the Exchange Act, which would occur on the last day of the fiscal year in which the market value of our common stock that is held by non-affiliates exceeds $700.0 million as of the last business day of our most recently completed second fiscal quarter, or (iv) the date on which we have issued more than $1.0 billion in non-convertible debt during the preceding three-year period. As of June 30, 2023, the market value of our common stock held by non-affiliates was less than $700.0 million, and therefore, we expect to remain an "emerging growth company" for our fiscal year ending December 31, 2023.

Basis of Presentation

For the three and nine months ended September 30, 2023 and 2022, the consolidated financial statements of the Company include the accounts of the Company and its consolidated subsidiaries and a consolidated joint venture.

Election as a REIT

The Company elected to be taxed as a REIT for U.S. federal income tax purposes under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended, commencing with the taxable year ended December 31, 2021. To maintain our qualification as a REIT, we must meet certain organizational and operational requirements, including a requirement to distribute

annually at least 90% of our REIT taxable income, subject to certain adjustments and excluding any net capital gain, to stockholders. As a REIT, except as discussed below, we generally are not subject to federal income tax on taxable income that we distribute to our stockholders so long as we distribute at least 90% of our annual taxable income (computed without regard to the deduction for dividends paid and excluding net capital gains). REITs are subject to a number of other organizational and operational requirements. Even if we maintain our qualification for taxation as a REIT, we may become subject to certain state and local taxes on our income and property, federal income taxes on certain income and excise taxes on our undistributed income.

Critical Accounting Estimates

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

Real Estate Impairment

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

- The review of impairment indicators and subsequent determination of the undiscounted future cash flows could require us to reduce the value of assets and recognize an impairment loss.
- The evaluation of real estate assets for potential impairment requires our management to exercise significant judgment and make certain key assumptions, including the following: (1) capitalization rate; (2) discount rate; (3) number of years the property will be held; (4) property operating expenses; and (5) re-leasing assumptions including the number of months to re-lease, market rental revenue and required tenant improvements. There are inherent uncertainties in making these estimates such as market conditions and performance and sustainability of our tenants.
- Changes related to management’s intent to sell or lease the real estate assets used to develop the forecasted cash flows may have a material impact on our financial results.

Recently Issued Accounting Pronouncements

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

Significant Transactions Summary

Activity through September 30, 2023

Real Estate Operations

- During the nine months ended September 30, 2023, we closed on the sale of two vacant properties for an aggregate gross sales price of $14.1 million. On October 23, 2023, we closed on the sale of one vacant property for a gross sales price of $1.4 million. As of November 9, 2023, we had pending agreements to dispose of an additional nine properties for an aggregate gross sales price of $46.6 million. These pending transactions remain subject to customary conditions for real estate transactions of this nature, including conditions related to the buyer’s due diligence, and may be terminated by the buyer in its sole discretion. There can be no assurance these pending sale transactions will be completed on their existing terms or at all.

- During the nine months ended September 30, 2023, we completed approximately 0.1 million square feet of lease renewals and new leases across three different properties. We also entered into a lease expansion covering 11,000 square feet with an existing tenant at one property. During October 2023, the Company entered into a 10.0-year early lease renewal for approximately 90,000 square feet at its property in Memphis, Tennessee. Also during October 2023, the Company entered into a new 10.0-year lease for 3,000 square feet of retail space at its property in Covington, Kentucky leased primarily to the United States of America.
- During the nine months ended September 30, 2023, 12 leases expired or terminated, including the six property former Walgreens campus in Deerfield, Illinois, comprising a total reduction in occupied space of approximately 1.1 million rentable square feet. As of September 30, 2023, the Company had a total of 13 vacant properties, one of which was sold subsequent to quarter end as discussed above and another seven are being marketed for sale. On November 1, 2023, one additional lease comprising 0.3 million square feet terminated at one of our properties which is being marketed for sale. The Company's plans with respect to vacant properties are subject to change.

Debt

- On June 29, 2023, the Company closed an amendment of its credit agreement. Under the terms of the amendment, the Company used borrowings from its $425.0 million-capacity credit facility revolver to repay and retire its $175.0 million credit facility term loan which was scheduled to mature on November 12, 2023. The amendment also provides the Company with the option to extend the credit facility revolver for an additional 18 months to May 12, 2026 from the current scheduled maturity of November 12, 2024.
- As of September 30, 2023, we had $250.0 million of borrowing capacity under our revolving credit facility and $175.0 million of outstanding borrowings thereunder. Our interest rate swap agreements with an aggregate notional amount of $175.0 million remain in effect for these borrowings until November 12, 2023.

Equity

- The Company's Board of Directors declared quarterly cash dividends of $0.10 per share for each of the first three quarters of 2023, which were paid on April 17, 2023, July 17, 2023 and October 16, 2023. On November 9, 2023, the Company's Board of Directors declared a quarterly cash dividend of $0.10 per share for the fourth quarter of 2023, payable on January 16, 2024 to stockholders of record as of December 29, 2023.
- During the three months ended September 30, 2023, the Company repurchased approximately 0.9 million shares of Common Stock in multiple open market transactions, at a weighted average share price of $5.46 for an aggregate purchase price of $5.0 million as part of the Share Repurchase Program, which are currently deemed to be authorized but unissued shares of Common Stock.

Real Estate Portfolio Metrics

Our financial performance is impacted by the timing of acquisitions and dispositions and the operating performance of our operating properties. The following table shows certain property statistics of our operating properties as of September 30, 2023, including our pro rata share of the applicable statistics of the properties owned by the Arch Street Joint Venture:

	September 30, 2023	December 31, 2022
Portfolio Metrics		
Operating properties	79	81
Arch Street Joint Venture properties	6	6
Rentable square feet (in thousands)[1]	9,459	9,732
Occupancy rate [2]	80.5%	89.0%
Investment-grade tenants [3]	72.0%	73.3%
Weighted-average remaining lease term (in years)	3.9	4.1

(1) Represents leasable square feet of operating properties and the Company's pro rata share of leasable square feet of properties owned by the Arch Street Joint Venture.

(2) Occupancy rate equals the sum of leased square feet divided by rentable square feet. The occupancy rate as of September 30, 2023 equals 88.7% adjusted for properties that have been sold following September 30, 2023 or are currently under agreement to be sold.

(3) Based on annualized base rent of our real estate portfolio, including the Company's pro rata share of annualized base rent for properties owned by the Arch Street Joint Venture, as of September 30, 2023. Investment-grade tenants are those with a credit rating of BBB- or higher by Standard & Poor's Financial Services LLC or a credit rating of Baa3 or higher by Moody's Investor Service, Inc. The ratings may reflect those assigned by Standard & Poor's Financial Services LLC or Moody's Investor Service, Inc. to the lease guarantor or the parent company, as applicable.

Operating Performance

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Financial Metrics				
Total revenues	$ 49,076	$ 51,769	$ 151,290	$ 157,824
Net loss attributable to common stockholders	$ (16,519)	$ (53,047)	$ (41,134)	$ (78,524)
Basic and diluted net loss per share attributable to common stockholders	$ (0.29)	$ (0.94)	$ (0.73)	$ (1.39)
FFO attributable to common stockholders [1]	$ 22,317	$ 23,829	$ 70,194	$ 76,782
FFO attributable to common stockholders per diluted share[1]	$ 0.39	$ 0.42	$ 1.24	$ 1.36
Core FFO attributable to common stockholders [1] [2]	$ 24,053	$ 25,598	$ 76,271	$ 83,245
Core FFO attributable to common stockholders per diluted share[1] [2]	$ 0.43	$ 0.45	$ 1.35	$ 1.47

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

(2) The Company has revised its definition of Core FFO beginning in 2023 and has applied this change retrospectively for comparison purposes. See the Non-GAAP Measures section below for further discussion of the change.

Leasing Activity and Capital Expenditures

The Company remains highly focused on leasing activity, given the 3.9 year weighted-average remaining lease term and the significant lease maturities which will occur across the portfolio over the next few years. If our tenants decide not to renew their leases, terminate their leases early or default on their leases, we will seek to re-lease the space to new tenants. We also seek to lease our vacant properties to new tenants. We may not, however, be able to re-lease the space to suitable replacement tenants on a timely basis, or at all. Even if we are able to renew leases with existing tenants or enter into new leases with replacement tenants, the terms of renewals or new leases, including the cost of required renovations, improvements or

concessions to tenants, particularly commercial tenants, may be less favorable to us than current lease terms. As a result, our net income and ability to pay dividends to stockholders could be materially adversely affected. Further, if any of our properties cannot be leased on terms and conditions favorable to us, we may seek to dispose of the property; however, such property may not be marketable at a suitable price without substantial capital improvements, alterations, or at all, which could inhibit our ability to effectively dispose of those properties and could require us to expend capital to fund necessary capital improvements or alterations. In general, when we sell properties that are vacant or soon to be vacant, the valuation will be discounted to reflect that the new owner will bear carrying costs until the property has been leased up and take the risk that the property may not be leased up on a timely basis, favorable terms or at all.

As an owner of commercial real estate, the Company is required to make capital expenditures with respect to its portfolio, which include normal building improvements to replace obsolete building components and expenditures to extend the useful life of existing assets and lease related expenditures to retain existing tenants or attract new tenants to our properties. The Company has agreed to provide rent concessions to tenants and incur leasing costs with respect to its properties, including amounts paid directly to tenants to improve their space and/or building systems, or tenant improvement allowances, landlord agreements to perform and pay for certain improvements, and leasing commissions. The Company anticipates it will continue to agree to tenant improvement allowances, the amount of which may increase in future periods. These rent concession and leasing cost commitments could be significant and are expected to vary due to factors such as competitive market conditions for leasing of commercial office space and the volume of square footage subject to re-leasing by the Company.

As of September 30, 2023, the Company had outstanding commitments of $44.3 million for tenant improvement allowances and $0.3 million for leasing commissions. The actual amount we pay for tenant improvement allowances may be lower than the commitment in the applicable lease and will depend upon the tenant's use of the capital on the agreed upon timeline. The timing of the Company's cash outlay for tenant improvement allowances is significantly uncertain and will depend upon the applicable tenant's schedule for the improvements and corresponding use of capital, if any. The Company estimates that the foregoing tenant improvement allowances and leasing commissions will be funded between 2023 and 2035.

The Company has funded and intends to continue to fund tenant improvement allowances with cash on hand, which may include proceeds from dispositions. For assets financed on our CMBS Loan, the Company has funded reserves with the lender for tenant improvement allowances and rent concession commitments. The restricted cash included in this reserve totaled $34.7 million as of September 30, 2023, including $23.6 million for tenant improvement allowances and $11.1 million for rent concession commitments, and is included in other assets, net in the Company's consolidated balance sheets.

During the nine months ended September 30, 2023, we entered into new and renewal leases as summarized in the following table (dollars and square feet in thousands):

	Nine Months Ended September 30, 2023		
	New Leases	Renewals	Total
Rentable square feet leased	18	111	129
Weighted average rental rate change (cash basis)[1] [2]	(19.8)%	17.3 %	13.5 %
Tenant leasing costs and concession commitments [3]	$ 748	$ 1,065	$ 1,813
Tenant leasing costs and concession commitments per rentable square foot	$ 41.38	$ 9.62	$ 14.09
Weighted average lease term (by rentable square feet) (years)	7.8	9.8	9.5
Tenant leasing costs and concession commitments per rentable square foot per year	$ 5.29	$ 0.98	$ 1.48

(1) Represents weighted average percentage increase or decrease in (i) the annualized monthly cash amount charged to the applicable tenants (including monthly base rent receivables and certain contractually obligated reimbursements by the applicable tenants) as of the commencement date of the new lease term (excluding any full or partial rent abatement period) compared to (ii) the annualized monthly cash amount charged to the applicable tenants (including the monthly base rent receivables and certain contractually obligated reimbursements by the applicable tenants) as of the expiration date of the prior lease term. If a space has been vacant for more than 12 months prior to the execution of a new lease, the lease will be excluded from this calculation.

(2) Excludes one new lease for approximately 4,000 square feet of space that had been vacant for more than 12 months at the time the new lease was executed.

(3) Includes commitments for tenant improvement allowances and base building allowances, leasing commissions and free rent (includes estimates of property operating expenses, where applicable).

During the three and nine months ended September 30, 2023 and 2022, amounts capitalized by the Company for lease related costs, lease incentives and building, fixtures and improvements were as set forth in the following table.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Lease related costs (1)	$ —	$ —	$ 977	$ 2,216
Lease incentives (2)	2,088	1,325	2,088	1,325
Building, fixtures and improvements (3)	6,271	2,405	10,804	4,971
Total capital expenditures	$ 8,359	$ 3,730	$ 13,869	$ 8,512

(1) Lease related costs generally include lease commissions paid in connection with the execution of new and/or renewed leases.

(2) Lease incentives generally include expenses paid on behalf of the tenant or reimbursed to the tenant, including expenditures related to the construction of tenant-owned improvements.

(3) Building, fixtures and improvements generally include expenditures to replace obsolete building or land components, expenditures that extend the useful life of existing assets and expenditures to construct landlord owned improvements.

Results of Operations

The results of operations discussed in this section include the accounts of the Company and its consolidated subsidiaries for the three and nine months ended September 30, 2023 and 2022.

Revenues

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

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2023	2022	2023 vs 2022 Increase/(Decrease)	2023	2022	2023 vs 2022 Increase/(Decrease)
Rental	$ 48,876	$ 51,580	$ (2,704)	$ 150,690	$ 157,256	$ (6,566)
Fee income from unconsolidated joint venture	200	189	11	600	568	32
Total revenues	$ 49,076	$ 51,769	$ (2,693)	$ 151,290	$ 157,824	$ (6,534)

Rental

The decreases in rental revenue of $2.7 million and $6.6 million during the three and nine months ended September 30, 2023, respectively, as compared to the same periods in 2022 were primarily due to the decrease in our overall occupied square footage due to scheduled vacancies and dispositions. Our portfolio occupancy rate was 80.1% and we had 79 properties with an aggregate of 9.3 million leasable square feet as of September 30, 2023, as compared to a portfolio occupancy rate of 88.0% and 87 properties with an aggregate of 10.0 million leasable square feet as of September 30, 2022. During the three and nine months ended September 30, 2023, the Company recognized $1.0 million and $4.1 million, respectively, of lease termination income. During the nine months ended September 30, 2022 the Company recognized $0.9 million of lease termination income.

Fee income from unconsolidated joint venture

Fee income from unconsolidated joint venture consists of fees earned for providing various services to the Arch Street Joint Venture. Fee income from unconsolidated joint venture remained consistent at $0.2 million and $0.6 million during the three and nine months ended September 30, 2023, respectively, as compared to the same periods in 2022.

Operating Expenses

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

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2023	2022	2023 vs 2022 Increase/(Decrease)	2023	2022	2023 vs 2022 Increase/(Decrease)
Property operating	15,506	15,303	203	$ 46,337	$ 45,773	$ 564
General and administrative	4,367	4,672	(305)	13,241	11,480	1,761
Depreciation and amortization	27,013	32,693	(5,680)	83,056	100,874	(17,818)
Impairments	11,403	44,801	(33,398)	26,976	54,161	(27,185)
Transaction related	101	194	(93)	356	398	(42)
Spin related	—	—	—	—	964	(964)
Total operating expenses	$ 58,390	$ 97,663	$ (39,273)	$ 169,966	$ 213,650	$ (43,684)

Property operating expenses

Property operating expenses such as taxes, insurance, ground rent and maintenance include both reimbursable and non-reimbursable property expenses. Property operating expenses remained consistent during the three and nine months ended September 30, 2023, as compared to the same periods in 2022, which is the net result of increases due primarily to property taxes accrued for near-term vacancies and increases in property taxes for certain properties, offset by decreases in expenses resulting from property dispositions.

General and administrative expenses

General and administrative expenses decreased $0.3 million and increased $1.8 million during the three and nine months ended September 30, 2023, respectively, as compared to the same periods in 2022. The cumulative increase year to date was primarily due to higher employee headcount and increased stock compensation expense for additional equity award issuances during the nine months ended September 30, 2023 as compared to the same period in 2022.

Depreciation and amortization expenses

The decreases in depreciation and amortization expenses of $5.7 million and $17.8 million during the three and nine months ended September 30, 2023, respectively, as compared to the same periods in 2022 were primarily due to the full amortization of certain intangible assets as a result of leases expiring in accordance with their terms, as well as disposition and impairment of real estate assets.

Impairments

Impairments decreased $33.4 million and $27.2 million during the three and nine months ended September 30, 2023, respectively, as compared to the same periods in 2022. The impairment charges of $11.4 million and $27.0 million in the three and nine months ended September 30, 2023, respectively, include a total of six properties and the charges were incurred primarily with respect to real estate assets expected to be sold and reflect the Company's future cash flow assumptions for agreed-upon or estimated sale proceeds, as well as changes to assumptions with regard to management's intent to sell or lease the real estate assets. Impairment charges totaling $44.8 million and $54.2 million, respectively, with respect to 10 properties were recorded during the same periods in 2022. See Note 5 – Fair Value Measures for further information.

Transaction related expenses

Transaction related expense remained relatively consistent during the three and nine months ended September 30, 2023 as compared to the same periods in 2022.

Spin related expenses

During the three and nine months ended September 30, 2023, the Company incurred no spin related expenses. During the nine months ended September 30, 2022, the Company incurred $1.0 million of spin related expenses, which primarily consist of legal and accountant fees related to the Separation and the Distribution and the Company's start-up activities.

Other (Expense) Income and Provision for Income Taxes

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

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2023	2022	2023 vs 2022 Increase/(Decrease)	2023	2022	2023 vs 2022 Increase/(Decrease)
Interest expense, net	$ (7,380)	$ (7,904)	$ (524)	$ (21,741)	$ (22,618)	$ (877)
Loss on extinguishment of debt, net	$ —	$ —	$ —	$ (504)	$ (468)	$ 36
Other income, net	$ 437	$ 31	$ 406	$ 638	$ 118	$ 520
Equity in loss of unconsolidated joint venture, net	$ (108)	$ (157)	$ (49)	$ (326)	$ (252)	$ 74
Gain on disposition of real estate assets	$ 18	$ 1,059	$ (1,041)	$ 18	$ 1,059	$ (1,041)
Provision for income taxes	$ (160)	$ (164)	$ (4)	$ (505)	$ (494)	$ 11

Interest expense, net

Interest expense, net decreased $0.5 million and $0.9 million during the three and nine months ended September 30, 2023 as compared to the same periods in 2022, which was primarily due to lower outstanding debt during the three and nine months ended September 30, 2023, partially offset by higher interest rates. The Company's average debt outstanding for the three and nine months ended September 30, 2023 was $530.0 million, as compared to $581.0 million and $590.5 million during the three and nine months ended September 30, 2022, respectively. Interest expense for the three and nine months ended September 30, 2023 included offsets of $2.1 million and $5.7 million, respectively, of reclassified previous gains on interest rate swaps from accumulated other comprehensive income, compared with $0.7 million reclassified gains in the three months ended September 30, 2022 and $0.5 million of reclassified losses in the nine months ended September 30, 2022.

Loss on extinguishment of debt, net

Loss on extinguishment of debt, net during the nine months ended September 30, 2023 related to the write off of deferred financing costs due to the early extinguishment of the Company's Term Loan Facility, as defined below and discussed in Note 6 – Debt, Net. Loss on extinguishment of debt, net during the nine months ended September 30, 2022 related to the write off of deferred financing costs due to the early extinguishment of the Company's Bridge Facility, as defined below and discussed in Note 6 – Debt, Net.

Other income, net

Other income, net increased $0.4 million and $0.5 million during the three and nine months ended September 30, 2023 as compared to the same periods in 2022, which was primarily due to interest income from money market accounts and an escrow account with the administrative agent under the Revolving Facility.

Equity in loss of unconsolidated joint venture, net

Equity in loss of the unconsolidated joint venture remained relatively consistent during the three and nine months ended September 30, 2023 as compared to the same periods in 2022.

Gain on disposition of real estate assets

Gain on disposition of real estate assets was less than $0.1 million for the three and nine months ended September 30, 2023 as compared to $1.1 million during the three and nine months ended September 30, 2022. The gain recognized in the three and nine months ended September 30, 2023 was related to the Company's two dispositions. These properties were subject to cumulative impairment losses of $7.6 million in prior periods.

Provision for income taxes

The provision for income taxes consists of certain state and local income and franchise taxes. The provision for income taxes remained consistent at $0.2 million and $0.5 million during the three and nine months ended September 30, 2023, respectively, as compared to the same periods in 2022.

Non-GAAP Measures

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

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

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

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

In addition to FFO, we use Core FFO as a non-GAAP supplemental financial performance measure to evaluate the operating performance of the Company. Core FFO, as defined by the Company, excludes from FFO items that we believe do not reflect the ongoing operating performance of our business such as transaction related expenses, spin related expenses and gains or losses on extinguishment of swaps and/or debt, and our pro rata share of Core FFO adjustments related to the unconsolidated joint venture. Beginning in 2023, the Company revised its definition of Core FFO to also exclude the following non-cash charges which management believes do not reflect the ongoing operating performance of our business: (i) amortization of deferred lease incentives, (ii) amortization of deferred financing costs, (iii) equity-based compensation, and (iv) amortization of premiums and discounts on debt, net. This change in definition has also been applied retrospectively for comparison purposes.

We believe that FFO and Core FFO allow for a comparison of the performance of our operations with other publicly-traded REITs, as FFO and Core FFO, or an equivalent measure, are routinely reported by publicly-traded REITs, each adjust for items that we believe do not reflect the ongoing operating performance of our business and we believe are often used by analysts and investors for comparison purposes.

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

The table below presents a reconciliation of FFO and Core FFO to net loss attributable to common stockholders, the most directly comparable U.S. GAAP financial measure, for the three and nine months ended September 30, 2023 and 2022 (dollars in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net loss attributable to common stockholders	$ (16,519)	$ (53,047)	$ (41,134)	$ (78,524)
Depreciation and amortization of real estate assets	26,988	32,674	82,982	100,822
Gain on disposition of real estate assets	(18)	(1,059)	(18)	(1,059)
Impairment of real estate	11,403	44,801	26,976	54,161
Proportionate share of adjustments for unconsolidated joint venture	463	460	1,388	1,382
FFO attributable to common stockholders	$ 22,317	$ 23,829	$ 70,194	$ 76,782
Transaction related	101	194	356	398
Spin related [1]	—	—	—	964
Amortization of deferred financing costs[2]	933	1,067	3,041	3,295
Amortization of deferred lease incentives[2]	(14)	36	187	36
Equity-based compensation [2]	687	444	1,902	1,153
Loss on extinguishment of debt, net	—	—	504	468
Proportionate share of adjustments for unconsolidated joint venture	29	28	87	149
Core FFO attributable to common stockholders	$ 24,053	$ 25,598	$ 76,271	$ 83,245
Weighted-average shares of common stock outstanding - basic	56,543,379	56,635,038	56,621,362	56,630,086
Effect of weighted-average dilutive securities [3]	25,559	—	3,337	—
Weighted-average shares of common stock outstanding - diluted	56,568,938	56,635,038	56,624,699	56,629,467
FFO attributable to common stockholders per diluted share	$ 0.39	$ 0.42	$ 1.24	$ 1.36
Core FFO attributable to common stockholders per diluted share	$ 0.43	$ 0.45	$ 1.35	$ 1.47

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

(2) The Company has revised its definition of Core FFO beginning in 2023 and has applied this change retrospectively for comparison purposes.

(3) Dilutive securities include unvested restricted stock units net of assumed repurchases in accordance with the treasury stock method and exclude Performance-Based RSUs for which the performance thresholds have not been met by the end of the applicable reporting period. Such dilutive securities are not included when calculating net loss per diluted share applicable to the Company for the three and nine months ended September 30, 2023 and 2022, as the effect would be antidilutive.

Liquidity and Capital Resources

General

Our principal liquidity needs for the next twelve months are to: (i) fund operating expenses; (ii) pay interest on our debt; (iii) pay dividends to our stockholders; (iv) fund capital expenditures and leasing costs at properties we own; and (v) fund new acquisitions, including acquisitions related to the Arch Street Joint Venture. We believe that our principal sources of short-term liquidity, which are our cash and cash equivalents on hand, cash flows from operations, proceeds from real estate dispositions, and borrowings under the Revolving Facility, are sufficient to meet our liquidity needs for the next twelve months. As of September 30, 2023, we had $32.3 million of cash and cash equivalents and $250.0 million of borrowing capacity under the Revolving Facility. As discussed in more detail below under "Credit Agreements – Revolving Facility Covenants," we also had $33.2 million of restricted cash deposited in an escrow account with the administrative agent under the Revolving Facility as of September 30, 2023, which funds will be used to prepay borrowings under the Revolving Facility during November 2023, and will thereby create an equal amount of additional borrowing capacity to the Company under the Revolving Facility.

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

Credit Agreements

Summary

The following is a summary of the interest rate and scheduled maturities of our consolidated debt obligations as of September 30, 2023 (in thousands):

			Principal Amounts Due During the Years Ending December 31,					
	Interest Rate	Maturity	Total	2023	2024	2025	2026	2027
Credit facility revolver [(1) (2)]	SOFR + 3.35%	May 2026	$ 175,000	$ —	$ —	$ —	$ 175,000	$ —
Mortgages payable [(3)]	4.971 %	February 2027	355,000	—	—	—	—	355,000
Total			$ 530,000	$ —	$ —	$ —	$ 175,000	$ 355,000

(1) Includes interest rate margin of 3.25% plus SOFR adjustment of 0.10%. As of September 30, 2023, we had $175.0 million of variable rate debt outstanding under the Revolving Facility which was effectively fixed through the use of interest rate swap agreements.

(2) The credit facility revolver matures on November 12, 2024 with an option to extend the maturity an additional 18 months to May 12, 2026. This table assumes exercise of the extension option.

(3) The table above does not include mortgage notes associated with the Arch Street Joint Venture of $136.7 million as of September 30, 2023.

Credit Agreement Obligations

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

In February 2022, as further described below, we refinanced the Bridge Facility in full with the $355.0 million CMBS Loan (defined below), and the Bridge Credit Agreement was terminated. In June 2023, as further described below, the Term Loan Facility was repaid and retired with borrowings under the Revolving Facility.

As of September 30, 2023, the Company had $530.0 million of total consolidated debt outstanding, consisting of a $355.0 million CMBS Loan and $175.0 million outstanding under our Revolving Facility. In addition, the Company’s pro rata share of the mortgage notes of the Arch Street Joint Venture was $27.3 million as of September 30, 2023.

We have entered into two amendments to the Credit Agreement. The purpose of the first amendment entered into in December 2022 was to change the benchmark rate for borrowings under the Credit Agreement from LIBOR to SOFR (the secured overnight financing rate as administered by the Federal Reserve Bank of New York). The purpose of the second amendment entered into in June 2023 was to repay and retire $175.0 million of outstanding borrowings under the Term Loan Facility with borrowings from the Revolving Facility (which was undrawn at the time of the second amendment), provide us with the option to extend the maturity of the Revolving Facility for an additional 18 months to May 12, 2026 from November 12, 2024 and to effect certain other modifications. The extension option may be exercised beginning on May 16, 2024 and is subject to customary conditions including there being no default or event of default and the payment of an extension fee.

Giving effect to the amendments described above, the interest rate applicable to the loans under the Revolving Facility may be determined, at the election of Orion OP, on the basis of Daily Simple SOFR, Term SOFR or a base rate, in the case of a SOFR loan, plus a SOFR adjustment of 0.10% per annum, and in the case of a SOFR loan or a base rate loan, plus an applicable margin of 3.25% for SOFR loans and 2.25% for base rate loans. Loans under the Revolving Facility may be prepaid and reborrowed, and unused commitments under the Revolving Facility may be reduced, at any time, in whole or in part, by Orion OP, without premium or penalty (except for SOFR breakage costs).

In December 2022, we entered into interest rate swap agreements with an aggregate notional amount of $175.0 million, which has effectively fixed the interest rate on $175.0 million of principal under the Revolving Facility at 3.92% per annum until November 12, 2023. Upon the scheduled expiration of the interest rate swap agreements, the Company's borrowing cost on the Revolving Facility will no longer be effectively fixed, but rather will float and, therefore, the Company's borrowing cost on the Revolving Facility will immediately shift to prevailing short-term interest rates based on the benchmark and applicable margin described above in Note 6 – Debt, Net to the Company's consolidated financial statements, and the Company will be exposed to interest rate fluctuations on these borrowings. The Company may enter into new derivative transactions in the future to fix the borrowing cost on all or part of its floating rate borrowings.

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

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

The Revolving Facility is secured by, among other things, first priority pledges of the equity interests in the Subsidiary Guarantors.

Revolving Facility Covenants

The Revolving Facility requires that Orion OP comply with various covenants, including covenants restricting, subject to certain exceptions, liens, investments, mergers, asset sales and the payment of certain dividends. Pursuant to the second amendment described above, if, on any day, Orion OP has unrestricted cash and cash equivalents in excess of $25.0 million (excluding amounts that are then designated for application or use and are subsequently used for such purposes within 30 days), Orion OP will use (or, under certain circumstances, set aside in an escrow account established by the administrative agent) such excess amount to prepay loans under the Revolving Facility, without premium or penalty and without any reduction in the lenders' commitment under the Revolving Facility. As of September 30, 2023, we had $33.2 million of restricted cash deposited in an escrow account with the administrative agent under the Revolving Facility as additional cash collateral. These funds will, in accordance with our obligations described above, be used to prepay borrowings under the Revolving Facility upon the scheduled expiration in November 2023 (or earlier termination) of our interest rate swap agreements with respect to $175.0 million of borrowings thereunder.

In addition, the Revolving Facility requires that Orion OP satisfy certain financial covenants. The following is a summary of financial covenants for the Company's Revolving Facility and the Company's compliance therewith as of September 30, 2023, as calculated per the terms of the Credit Agreement, giving effect to the modifications pursuant to the second amendment described above. These calculations are presented to show the Company's compliance with the financial covenants and are not measures of the Company's liquidity or performance.

Revolving Facility Financial Covenants	Required	September 30, 2023
Ratio of total indebtedness to total asset value	≤ 60%	38.3%
Ratio of adjusted EBITDA to fixed charges	≥ 1.5x	4.23x
Ratio of secured indebtedness to total asset value	≤ 40%	25.0%
Ratio of unsecured indebtedness to unencumbered asset value	≤ 60% (1)	14.9%
Ratio of unencumbered adjusted NOI to unsecured interest expense	≥ 2.00x	10.74x
Unencumbered asset value	≥ $600.0 million	$832.5 million

(1) Pursuant to the second amendment described above, if the ratio of unsecured debt to unencumbered asset value exceeds 35% as of the end of two consecutive fiscal quarters, Orion OP will be required, within 90 days and subject to cure rights, to grant the administrative agent a first priority lien on all the properties included in the pool of unencumbered assets (other than properties identified for disposition by us so long as such properties are sold within one year of such identification).

As of September 30, 2023, Orion OP was in compliance with these financial covenants.

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

CMBS Loan

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

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

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

The CMBS Loan is generally not freely prepayable by the Mortgage Borrowers without payment of certain prepayment premiums and costs. The CMBS Loan may be prepaid in whole, but not in part, except as provided in the loan agreement governing the CMBS Loan (the "CMBS Loan Agreement"), at any time following the Prepayment Lockout Release Date (as defined in the CMBS Loan Agreement) (generally in March 2024, two years after the CMBS Loan has been fully securitized), subject to the payment of a yield maintenance premium and the satisfaction of other terms and conditions set forth in the CMBS Loan Agreement. Further, releases of individual properties are permitted in connection with an arms' length third party sale upon repayment of the Release Price (as defined in the CMBS Loan Agreement) for the applicable individual property and subject to payment of the applicable yield maintenance premium and the satisfaction of other terms and conditions set forth in the CMBS Loan Agreement.

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

In connection with the CMBS Loan Agreement, the Company (as the guarantor) delivered a customary non-recourse carveout guaranty to the Lender (the "Guaranty"), under which the Company guaranteed the obligations and liabilities of the Mortgage Borrowers to the Lender with respect to certain non-recourse carveout events and the circumstances under which the CMBS Loan will be fully recourse to the Mortgage Borrowers, and which includes requirements for the Company to maintain a net worth of no less than $355.0 million and liquid assets of no less than $10.0 million, in each case, exclusive of the values of the collateral for the CMBS Loan. As of September 30, 2023, the Company was in compliance with these financial covenants.

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

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

Arch Street Warrants

On November 12, 2021, in connection with the Distribution, Orion OP entered into an amendment and restatement of the limited liability agreement (the "LLCA") for the Arch Street Joint Venture with the Arch Street Partner, an affiliate of Arch Street Capital Partners, pursuant to which the Arch Street Partner consented to the transfer of the equity interests of the Arch Street Joint Venture previously held by VEREIT Real Estate, L.P. to Orion OP.

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

In accordance with our obligation under the Arch Street Warrants, on November 2, 2022, we filed with the SEC a registration statement on Form S-3 for the registration, under the Securities Act, of the shares of our common stock issuable upon exercise of the Arch Street Warrants, and the registration statement was declared effective by the SEC on November 14, 2022. We will use our commercially reasonable efforts to maintain the effectiveness of the registration statement, and a current prospectus relating thereto, until the earlier of (a) the expiration of the Arch Street Warrants, or (b) the shares issuable upon such exercise become freely tradable under United States federal securities laws by anyone who is not an affiliate (as such term is defined in Rule 144 under the Securities Act (or any successor rule)) of us. The holders of the Arch Street Warrants will also remain subject to the ownership limitations pursuant to our organizational documents.

Right of First Offer Agreement

In connection with the entry into the LLCA, we and the Arch Street Joint Venture entered into that certain Right of First Offer Agreement (the "ROFO Agreement"), dated November 12, 2021, pursuant to which, subject to certain limitations, we agreed not to acquire or purchase a fee simple or ground leasehold interest in any office real property, including by way of an acquisition of equity interests, within certain investing parameters without first offering the property for purchase to the Arch Street Joint Venture. The ROFO Agreement will expire upon the earlier of (1) November 12, 2024 (the third anniversary of its execution), (2) the date on which the Arch Street Joint Venture is terminated or (3) the date on which the Arch Street Joint Venture's gross book value of assets is below $50.0 million. If the Arch Street Joint Venture decides not to acquire any such property, we may seek to acquire the property independently, subject to certain restrictions. We do not anticipate that the ROFO Agreement will have a material impact on our ability to acquire additional real estate investments, although it could result in us acquiring future properties through the Arch Street Joint Venture rather than as sole owner.

Derivatives and Hedging Activities

During the year ended December 31, 2021, the Company entered into interest rate swap agreements with an aggregate notional amount of $175.0 million, effective on December 1, 2021 and terminating on November 12, 2023, which were designated as cash flow hedges, in order to hedge interest rate volatility. During the year ended December 31, 2022, in connection with the transition of the benchmark rate for borrowings under the Credit Agreement from LIBOR to SOFR, the Company terminated the interest rate swap agreements that had been entered into during the year ended December 31, 2021, and entered into new interest rate swap agreements with an aggregate notional amount of $175.0 million, effective on December 1, 2022 and terminating on November 12, 2023, which were designated as cash flow hedges, to hedge interest rate volatility with respect to the Company's borrowings under the Term Loan Facility. As of September 30, 2023, these interest rate swap agreements remain in effect for the $175.0 million of borrowings under the Revolving Facility until November 12, 2023.

Dividends

We have been operating in a manner so as to qualify and have elected to be taxed as a REIT for U.S. federal income tax purposes beginning with our taxable year ended December 31, 2021. We intend to make regular distributions to our stockholders to satisfy the requirements to maintain our qualification as a REIT.

During the nine months ended September 30, 2023, the Company's Board of Directors declared quarterly cash dividends on shares of our common stock as follows:

Declaration Date	Record Date	Paid Date	Distributions Per Share
March 7, 2023	March 31, 2023	April 17, 2023	$0.10
May 3, 2023	June 30, 2023	July 17, 2023	$0.10
August 8, 2023	September 29, 2023	October 16, 2023	$0.10

On November 9, 2023, the Company's Board of Directors declared a quarterly cash dividend of $0.10 per share for the fourth quarter of 2023, payable on January 16, 2024, to stockholders of record as of December 29, 2023.

Our dividend policy is established at the discretion of the Company's Board of Directors and future dividends may be funded from a variety of sources. In particular, we expect that for the years ended December 31, 2023 and 2024, our dividends will exceed our net income under U.S. GAAP because of non-cash expenses, mainly depreciation and amortization expense and impairment charges, which are included in net income. To the extent that our funds available for distribution are less than the amount we must distribute to our stockholders to satisfy the requirements to maintain our qualification as a REIT, we may consider various means to cover any such shortfall, including borrowing under our Revolving Facility or other loans, selling certain of our assets or using a portion of the net proceeds we receive from future offerings of equity, equity-related securities or debt securities or declaring share dividends. In addition, our organizational documents permit us to issue shares of preferred equity that could have a preference on dividends, and if we do, the dividend preference on the preferred equity could limit our ability to pay dividends to the holders of our common stock.

Universal Shelf Registration Statement

On November 2, 2022, the Company filed a universal shelf registration statement on Form S-3 (the "Universal Shelf") with the SEC, and the Universal Shelf was declared effective by the SEC on November 14, 2022. Pursuant to the Universal Shelf, the Company is able to offer and sell from time to time in multiple transactions, up to $750.0 million of the Company's securities, including through "at the market" offering programs or firm commitment underwritten offerings. These securities may include shares of the Company's common stock, shares of the Company's preferred stock, depository shares representing interests in shares of the Company's preferred stock, debt securities, warrants to purchase shares of the Company's common stock or shares of the Company's preferred stock and units consisting of two or more shares of common stock, shares of preferred stock, depository shares, debt securities and warrants.

ATM Program

In November 2022, the Company established, as part of its Universal Shelf, an "at the market" offering program for its common stock (the "ATM Program"). Pursuant to the ATM Program, the Company may from time to time offer and sell shares of its common stock, having an aggregate offering price of up to $100.0 million. Such offers or sales of shares of the

Company's common stock may be made in privately negotiated transactions, including block trades, brokers' transactions that are deemed to be "at the market" offerings as defined in Rule 415 under the Securities Act, including sales made directly on the New York Stock Exchange, or through forward transactions under separate master forward sale confirmations and related supplemental confirmations for the sale of shares of the Company's common stock on a forward basis. As of September 30, 2023, we had not sold any shares of common stock pursuant to the ATM Program.

Net proceeds from the securities issued, if any, may be used for general corporate purposes, which may include funding potential acquisitions and repaying outstanding indebtedness. The Company has no immediate plans to issue any securities for capital raising purposes pursuant to the Universal Shelf or otherwise.

Share Repurchase Program

On November 1, 2022, the Company's Board of Directors authorized the repurchase of up to $50.0 million of the Company's outstanding common stock until December 31, 2025, as market conditions warrant (the "Share Repurchase Program"). Repurchases may be made through open market purchases, privately negotiated transactions, structured or derivative transactions, including accelerated stock repurchase transactions, or other methods of acquiring shares in accordance with applicable securities laws and other legal requirements. The Share Repurchase Program does not obligate the Company to make any repurchases at a specific time or in a specific situation. Repurchases are subject to prevailing market conditions, the trading price of the Company's common stock, the Company's liquidity and anticipated liquidity needs, financial performance and other conditions. Shares of common stock repurchased by the Company under the Share Repurchase Program, if any, will be returned to the status of authorized but unissued shares of common stock. During the three months ended September 30, 2023, the Company repurchased approximately 0.9 million shares of Common Stock in multiple open market transactions, at a weighted average share price of $5.46 for an aggregate purchase price of $5.0 million as part of the Share Repurchase Program, which are currently deemed to be authorized but unissued shares of Common Stock.

Cash Flow Analysis for the Nine Months Ended September 30, 2023

The following table summarizes the changes in cash flows for the nine months ended September 30, 2023 and 2022 (in thousands):

	Nine Months Ended September 30,		2023 vs 2022
	2023	**2022**	**Increase/(Decrease)**
Net cash provided by operating activities	$ 69,588	$ 85,917	$ (16,329)
Net cash provided by investing activities	$ 3,152	$ 16,687	$ (13,535)
Net cash used in financing activities	$ (27,855)	$ (73,495)	$ 45,640

Net cash provided by operating activities decreased $16.3 million during the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022, primarily due to a decrease in revenue overall as a result of dispositions and vacancies, and an increase in accounts receivable, net and other assets, net.

Net cash provided by investing activities decreased $13.5 million during the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022. The change was primarily due to a $8.5 million decrease in proceeds from the disposition of real estate in the nine months ended September 30, 2023 as compared to the same period in 2022, and a $5.4 million increase in capital expenditures and leasing costs in the nine months ended September 30, 2023 compared to the same period in 2022.

The Company used $45.6 million less of net cash in financing activities during the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022, primarily due to net repayment on the Company's Revolving Facility during the nine months ended September 30, 2022 of $59.0 million, partially offset by increased cash dividends to stockholders of $5.7 million, repurchases of common stock under the Share Repurchase Program of $5.0 million and payments of deferred financing costs of $2.6 million during the nine months ended September 30, 2023 compared to the same period in 2022.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

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

Market Risk

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

Interest Rate Risk

As of September 30, 2023, our debt included fixed-rate debt, with a fair value and carrying value of $332.9 million and $355.0 million, respectively. Changes in market interest rates on our fixed-rate debt impact the fair value of the debt, but they have no impact on interest incurred or cash flow. For instance, if interest rates rise 100 basis points, and the fixed-rate debt balance remains constant, we expect the fair value of our debt to decrease, the same way the price of a bond declines as interest rates rise. The sensitivity analysis related to our fixed-rate debt assumes an immediate 100 basis point move in interest rates from September 30, 2023 levels, with all other variables held constant. A 100 basis point increase in market interest rates would result in a decrease in the fair value of our fixed-rate debt of $9.7 million. A 100 basis point decrease in market interest rates would result in an increase in the fair value of our fixed-rate debt of $10.1 million.

As of September 30, 2023, our debt included variable-rate debt with a fair value and carrying value of $175.0 million and that was swapped-to-fixed through the use of derivative instruments. The sensitivity analysis related to our variable-rate debt that was swapped-to-fixed assumes an immediate 100 basis point move in interest rates from September 30, 2023 levels and excludes the impact of the derivative instrument, with all other variables held constant. A 100 basis point increase in variable interest rates would result in a decrease in the fair value of our variable-rate debt that was swapped-to-fixed of less than $0.1 million. A 100 basis point decrease in variable interest rates would result in an increase in the fair value of our variable-rate debt that was swapped-to-fixed of less than $0.1 million.

As of September 30, 2023, we did not have any outstanding variable-rate debt that was not swapped-to-fixed through the use of derivative instruments. See Note 6 – Debt, Net to our consolidated financial statements.

As of September 30, 2023, our interest rate swaps had a fair value that resulted in net assets of $1.0 million. See Note 7 – Derivatives and Hedging Activities to our consolidated financial statements for further discussion.

As the information presented above includes only those exposures that existed as of September 30, 2023, it does not consider exposures or positions arising after that date. The information presented herein has limited predictive value. Future actual realized gains or losses with respect to interest rate fluctuations will depend on cumulative exposures, hedging strategies employed and the magnitude of the fluctuations. The Company's interest rate swap agreements effectively fixing the interest rate on the Revolving Facility are scheduled to expire on November 12, 2023. Upon the expiration of the interest rate swap agreements, the Company's borrowing cost on the Revolving Facility will no longer be effectively fixed, but rather will float and, therefore, the Company's borrowing cost on the Revolving Facility will immediately shift to prevailing short-term interest rates based on the benchmark and applicable margin described above in Note 6 – Debt, Net to the Company's consolidated financial statements, and the Company will be exposed to interest rate fluctuations on these borrowings. The Company may enter into new derivative transactions in the future to fix the borrowing cost on all or part of its floating rate borrowings.

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

Credit Risk

Concentrations of credit risk arise when a number of tenants are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations, including those to the Company, to be similarly affected by changes in economic conditions. The Company is subject to tenant, geographic and industry concentrations. See "Item 1. Business" in the Company's Annual Report on Form 10-K for the year ended December 31, 2022. Any downturn of the economic conditions in one or more of these tenants, geographies or industries could result in a material reduction of our cash flows or material losses to us.

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

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

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

As required by Rules 13a-15(b) and 15d-15(b) of the Exchange Act, an evaluation was conducted under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of September 30, 2023. Based on this evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures, as of September 30, 2023, were effective at a reasonable assurance level.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act of 1934) during the three months ended September 30, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

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

Item 1A. Risk Factors.

There have been no material changes to the risk factors previously disclosed in Part I, Item 1A. "Risk Factors" of the Company's Annual Report on Form 10-K for the year ended December 31, 2022.

Item 2. Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities.

Recent Sales of Unregistered Securities

None.

Use of Proceeds from Sales of Registered Securities

Not applicable.

Issuer Purchases of Equity Securities

On November 1, 2022, the Company's Board of Directors authorized the repurchase of up to $50.0 million of the Company's outstanding common stock until December 31, 2025, as market conditions warrant (the "Share Repurchase Program"). Repurchases may be made through open market purchases, privately negotiated transactions, structured or derivative transactions, including accelerated stock repurchase transactions, or other methods of acquiring shares in accordance with applicable securities laws and other legal requirements. The Share Repurchase Program does not obligate the Company to make any repurchases at a specific time or in a specific situation. Repurchases are subject to prevailing market conditions, the trading price of the Company's common stock, the Company's liquidity needs, financial performance and other conditions. Shares of common stock repurchased by the Company under the Share Repurchase Program, if any, will be returned to the status of authorized but unissued shares of common stock.

Share repurchase activity under the Share Repurchase Program for the three months ended September 30, 2023, was as follows:

Period	Total Number of Shares of Common Stock Repurchased	Average Price Paid per Share of Common Stock Repurchased [1]	Total Number of Shares of Common Stock Purchased as Part of Share Repurchase Program	Approximate Dollar Value of Shares of Common Stock that May Yet Be Purchased Under the Share Repurchase Program
July 1, 2023 - July 31, 2023	—	$ —	—	$ 50,000,000
August 1, 2023 - August 31, 2023	—	—	—	50,000,000
September 1, 2023 - September 30, 2023	915,637	5.46	915,637	45,000,000
Total	915,637		915,637	

(1) Average price paid per share of common stock excludes costs associated with the repurchases.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Rule 10b5-1 Trading Agreements

During the three months ended September 30, 2023, none of our directors or officers (as defined in Rule 16a-1(f) of the Exchange Act) adopted or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(c) of Regulation S-K.

Item 6. Exhibits.

The following exhibits are included, or incorporated by reference, in this Quarterly Report on Form 10-Q for the period ended September 30, 2023 (and are numbered in accordance with Item 601 of Regulation S-K):

Exhibit No.	Description
3.1	Second Amended and Restated Bylaws of Orion Office REIT Inc. (filed as Exhibit 3.1 to the Company's Form 8-K, filed on September 8, 2023 and incorporated herein by reference)
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification of Chief Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.SCH**	Inline XBRL Taxonomy Extension Schema Document.
101.CAL**	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF**	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB**	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE**	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104**	Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101.*).

* Filed herewith

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

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this Quarterly Report on Form 10-Q to be signed on its behalf by the undersigned thereunto duly authorized.

Orion Office REIT Inc.

By: /s/ Gavin B. Brandon
Gavin B. Brandon
Chief Financial Officer, Executive Vice President and Treasurer

Dated: November 9, 2023

Exhibit 31.1

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

I, Paul H. McDowell, certify that:

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

Date: November 9, 2023

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

Exhibit 31.2

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

I, Gavin B. Brandon, certify that:

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

Date: November 9, 2023

/s/ Gavin B. Brandon
Gavin B. Brandon
Chief Financial Officer, Executive Vice President and Treasurer
(Principal Financial Officer)

Exhibit 32.1

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

In connection with the Quarterly Report on Form 10-Q of Orion Office REIT Inc. (the “Company”) for the period ended September 30, 2023 (the “Report”), I, Paul H. McDowell, Chief Executive Officer of the Company, certify to my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date:	November 9, 2023	/s/ Paul H. McDowell
		Paul H. McDowell
		Chief Executive Officer and President
		(Principal Executive Officer)

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

Exhibit 32.2

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

In connection with the Quarterly Report on Form 10-Q of Orion Office REIT Inc. (the "Company") for the period ended September 30, 2023 (the "Report"), I, Gavin B. Brandon, Executive Vice President and Chief Financial Officer of the Company, certify to my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 9, 2023

/s/ Gavin B. Brandon
Gavin B. Brandon
Chief Financial Officer, Executive Vice President and Treasurer
(Principal Financial Officer)

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