XELR8 HOLDINGS, INC.
Form 8-K
March 09, 2010

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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): March 5, 2010

XELR8 HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

Nevada	000-50875	84-1575085
(State of incorporation)	(Commission File No.)	(IRS Employer Identification No.)

480 South Holly Street
Denver, CO 80246
(Address of principal executive offices, including zip code)

(303) 316-8577
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01. Entry into a Material Definitive Agreement

On March 5, 2010, XELR8 Holdings, Inc., (the "Company", "we", or "us") completed the initial closing of a secured convertible note financing ("Note Financing"). At the closing, we issued $1.23 million in aggregate principal amount of senior secured convertible promissory notes (the "Secured Notes") to a limited number of accredited investors (the “Lenders”). The purchase price of the Senior Notes consisted of $1,000,000 of cash proceeds and the cancellation of $230,000 in aggregate principal amount (and related accrued interest) of certain bridge notes previously issued by the Company to certain accredited investors (“Bridge Investors”) (“Bridge Notes”), which Bridge Notes were converted into Secured Notes in connection with the Note Financing. Net proceeds to the Company after the deduction of selling commissions, but before expenses of the Note Financing, were approximately $870,000, or $1,100,000 after giving effect to the issuance of the Bridge Notes.

The Secured Notes are due March 5, 2015 and accrue interest at the rate of 10% per annum payable semi-annually in arrears on June 15 and December 15 of each year. Interest is payable, at the option of holders of a majority of the aggregate principal amount of outstanding Secured Notes, in either cash or additional Secured Notes. At any given time (prior to the maturity date) the Lenders may elect to convert the outstanding principal and accrued interest into shares of the Company’s common stock, $0.001 par value (the “Common Stock”), at a conversion price of $0.15 per share, subject to certain adjustments.

We have the option, after effectiveness of the Registration Statement (as defined below), to repay all outstanding principal and interest under the Secured Notes if the volume weighted average price of our shares of Common Stock has exceeded $1.00 for the preceding 30 consecutive trading days.

The Secured Notes are secured by substantially all of the assets of the Company and our subsidiaries pursuant to a Security Agreement, and Trademark Collateral Assignment and Security Agreements. All obligations under the Secured Notes are guaranteed by VitaCube Systems, Inc., and XELR8, Inc., the Company’s principal subsidiaries (the “Subsidiaries”) pursuant to Guarantees by each of the Subsidiaries in favor of the Lenders.

The Company intends to use the proceeds from the issuance of the Secured Note to finance the restructuring plan and the implementation of the Company’s new marketing strategy as previously announced, for operating expenses and for general corporate purposes.

The Company has entered into a Registration Rights Agreement with the Lenders under which it has agreed to file a resale registration statement (the “Registration Statement”) registering the shares of Common Stock issuable upon conversion of the Secured Notes within sixty (60) days from the final closing of the Offering. The Company will use its best efforts to have the Registration Statement declared effective within one hundred twenty (120) days from the date of filing the Registration Statement with the Securities and Exchange Commission.

In connection with the Note Financing, we entered into a Placement Agency Agreement with the placement agent involved in the offering (the “Placement Agent”). The Placement Agent agreed to act on a best efforts basis with respect to the sale of Secured Notes in an aggregate principal amount of up to $2,000,000 (with an over-allotment option of up to $1,000,000). Under the Placement Agency Agreement, the Placement Agent receives a placement fee equal to 10% of the gross proceeds of the Secured Notes (including the Secured Notes issued upon conversion of the Bridge Notes) sold by the Placement Agent and a non-accountable expense allowance of 3% of the gross proceeds (giving effect to the conversion of the Bridge Notes into Secured Notes) of the Note Financing. The Placement Agent also receives reimbursement of its legal expenses related to the Note Financing of $50,000.

In addition, if $2,000,000 in Secured Notes are sold in the Note Financing, we have agreed to issue 2,500,000 shares of Common Stock to the Placement Agent. Also under the Placement Agency Agreement, we have given the Placement Agent the right to designate two members of our Board of Directors and the Bridge Investors the right to designate two Board members. The Placement Agent designated Mr. Kevin Sherman and Mr. Milton Makris, who were appointed to the Board effective March 3, 2010 and March 5, 2010, respectively, as described below. The Bridge Investors have not yet named their Board designees.

Neither the Secured Notes nor the securities underlying the Secured Notes have been registered under the Securities Act of 1933, as amended (the "Securities Act"), and may not be offered or sold in the United States absent the registration or an applicable exemption from the registration requirements of the Securities Act. The transactions contemplated hereby are exempt from the registration requirements of the Securities Act, pursuant to Regulation D and/or Section 4(2).

Item 1.02. Termination of a Material Definitive Agreement.

The information provided in Item 1.01 regarding the cancellation and conversion of the Bridge Notes is hereby incorporated by reference.

Item 2.03. Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant

The information provided in Item 1.01 regarding the Note Financing is hereby incorporated by reference.

Item 3.02 Unregistered Sales of Equity Securities.

The disclosure set forth above under Item 1.01 (Entry Into a Material Definitive Agreement) is hereby incorporated by reference into this Item 3.02.

Item 5.02 Departure of Directors or Principal Officers; Election of Directors; Appointment of Principal Officers

Effective March 3, 2010 and March 5, 2010, respectively, Kevin C. Sherman and Milton Makris were appointed to the Company's Board of Directors to serve for a period of one year or until their successors are elected and qualified. As discussed above, Mr. Sherman and Mr. Makris were designated by the Placement Agent in connection with the Note Financing.

Mr. Sherman joined the Company as Vice President of Strategy and Network Development on June 1, 2009 and was appointed Executive Vice President of the Company on February 1, 2010. Prior to joining the Company in June 2009, Mr. Sherman served as the Senior Manager of Network Development of Product Partners, LLC from May 2008 to May 2009. Prior to that Mr. Sherman served as the Chief Operating Officer of Hand & Associates from January 2008 to May 2008, and as the Director of Development and Principal of Holy Innocents School from August 2007 to December 2007. Mr. Sherman also served as the principal of Saints Peter and Paul School from January 2004 to August 2007. Mr. Sherman achieved an impressive record of revenue enhancement and organizational development for Product Partners LLC, a leading network marketing company emphasizing fitness and nutrition which was listed in Entrepreneur Magazine's 500 Fastest Growing Businesses in America with current sales over $400 million a year.

Mr. Makris brings over 30 years of technical, business and entrepreneurial experience to the Company, including executive management experience with BZinc, Amber Ready, Inc., Marathon Staffing, Motorola, Lucent, Cabletron Systems, Digital Equipment Corporation as well as several start-ups. He has been the Chief Operating Officer of Amber Ready, Inc. since September 2009 and a member of the Board of Directors since January 2009. Between June 2001 and March 2009, Mr. Makris was the Director of Engineering for Motorola Inc. Mr. Makris is also involved in a consulting, advisory, and business development role to several small companies.

624,581

152,423

2,730,295

Proposal 4 Advisory Vote on Executive Compensation

The stockholders voted, on an advisory basis, to approve named executive officer compensation by the following vote:

For	Against	Abstain	Broker Non-Votes
31,362,944	395,011	205,313	2,730,295

Proposal 5 Ratification of the Selection of the Independent Registered Public Accounting Firm

The stockholders ratified the selection of Deloitte & Touche LLP as the Company s independent registered public accounting firm for the year ending December 31, 2015 by the following vote:

For	Against	Abstain	Broker Non-Votes
34,375,449	165,396	152,718	

SIGNATURE

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

OMNICELL, INC.

Dated: May 22, 2015

By:

/s/ Dan S. Johnston
Dan S. Johnston,
Executive Vice President and Chief Legal & Administrative Officer

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/font>$66.7 million, including interest rate swap cash settlements related to various interest rate swap agreements in force, during the year ended December 31, 2011 and expect to pay interest in future periods on outstanding debt obligations based on the rates and terms disclosed herein and in Note 8 of our accompanying consolidated financial statements.

(2) Includes the $140 Million 500 W. Monroe Mortgage Loan, which Piedmont repaid on January 9, 2012.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

Our future income, cash flows, and fair values of our financial instruments depend in part upon prevailing market interest rates. Market risk is the exposure to loss resulting from changes in interest rates, foreign currency, exchange rates, commodity prices, and equity prices. Our exposure to market risk includes interest rate fluctuations in connection with any borrowings under our $500 Million Unsecured Facility and our $300 Million Unsecured Term Loan. As a result, the primary market risk to which we believe we are exposed is interest rate risk. Many factors, including governmental monetary and tax policies, domestic and international economic and political considerations, and other factors that are beyond our control contribute to interest rate risk. Our interest rate risk management objectives are to limit the impact of interest rate changes on earnings and cash flow primarily through a low-to-moderate level of overall borrowings, as well as managing the variability in rate fluctuations on our outstanding debt. As such, a significant portion of our debt is based on fixed interest rates to hedge against instability in the credit markets, and we have effectively fixed the interest rate on our $300 Million Unsecured Term Loan through interest rate swap agreements, provided that we maintain our corporate credit rating. We do not enter into derivative or interest rate transactions for speculative purposes.

Our financial instruments consist of both fixed and variable-rate debt. As of December 31, 2011, our consolidated debt consisted of the following (in thousands):

	2012	2013	2014	2015	2016	Thereafter	Total
Maturing debt:							

Variable rate repayments	$140,000 [1]	$—	$—	$—	$—	$—	$140,000
Variable rate average interest rate	1.29 %	—	—	—	—	—	1.29 %
Fixed rate repayments	$45,000	$—	$575,000	$105,000	$467,525 [3]	$140,000	$1,332,525
Fixed rate average interest rate[2]	5.20 %	—	4.89 %	5.29 %	3.72 %	5.76 %	4.61 %

(1) Includes the $140 Million 500 W. Monroe Mortgage Loan, which Piedmont repaid on January 9, 2012.

(2) See Note 8 of our accompanying consolidated financial statements for further details on our debt structure.

(3) The amount includes the $300 Million Unsecured Term Loan which has a stated variable rate; however, Piedmont entered into an interest rate swap agreement which effectively fixes the rate on this loan to 2.69% through November 22, 2016 (provided that we maintain our corporate credit rating).

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As of December 31, 2010, our consolidated debt consisted of the following (in thousands):

	2011	2012	2013	2014	2015	Thereafter	Total
Maturing debt:							
Variable rate repayments	$—	$—	$—	$—	$—	$—	$—
Variable rate average interest rate	—	—	—	—	—	—	—
Fixed rate repayments	$250,000	$45,000	$—	$695,000	$105,000	$307,525	$1,402,525
Fixed rate average interest rate	2.36 %[1]	5.20 %	—	4.92 %	5.29 %	5.65 %	4.66 %

[1] The $250 Million Unsecured Term Loan had a stated variable rate; however, Piedmont entered into an interest rate swap agreement which effectively fixed the rate on this loan to 2.36% through June 28, 2011, and was repaid at maturity.

As of December 31, 2011 and 2010, the estimated fair value of the line of credit and notes payable above was approximately $1.5 billion and $1.4 billion, respectively. Our interest rate swap agreements in place at December 31, 2011 and 2010 carried notional amounts totaling $300 million and $250 million, respectively and fixed interest rates of 2.69% and 2.36%, respectively.

The variable rate debt is based on LIBOR plus a specified margin or prime as elected by us at certain intervals. An increase in the variable interest rate on the variable-rate facilities constitutes a market risk, as a change in rates would increase or decrease interest incurred and therefore cash flows available for distribution to stockholders. The current stated interest rate spread on the $500 Million Unsecured Facility is LIBOR plus 0.475% and the current stated interest rate spread on the $140 Million 500 W. Monroe Mortgage Loan is LIBOR plus 1.008%, however, the $140 Million mortgage loan is also subject to interest rate cap agreements, which limit Piedmont's exposure to potential increases in the LIBOR rate to 2.19%. As mentioned above, the $140 Million 500 W. Monroe Mortgage Loan was repaid in early January 2012.

A change in the interest rate on the fixed portion of our debt portfolio, or on the $300 Million Unsecured Term Loan which is effectively fixed through interest rate swaps, impacts the net financial instrument position but has no impact on interest incurred or cash flows.

As of December 31, 2011, a 1% change in interest rates would not have a material effect on our interest expense as our variable rate debt is limited to the $140 Million 500 W. Monroe Mortgage Loan which we repaid in early January 2012, and our $500 Million Unsecured Facility which has only $15.0 million outstanding as of the date of this filing.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements and supplementary data filed as part of this report are set forth on page F-1 of this report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There were no disagreements with our independent registered public accountants during the years ended December 31, 2011 or 2010.

ITEM 9A. CONTROLS AND PROCEDURES

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

We carried out an evaluation, under the supervision and with the participation of management, including our Principal Executive Officer and Principal Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15(e) under the Securities Exchange Act of 1934 as of the end of the period covered by this report. Based upon that evaluation, the Principal Executive Officer and Principal Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this annual report in providing a reasonable level of assurance that information we are required to disclose in reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods in SEC rules and forms, including providing a reasonable level of

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assurance that information required to be disclosed by us in such reports is accumulated and communicated to our management, including our Principal Executive Officer and our Principal Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Report of Management on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as a process designed by, or under the supervision of, the Principal Executive Officer and Principal Financial Officer and effected by our management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP and includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and disposition of our assets;
- provide reasonable assurance that the transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of management and/or members of the board of directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of human error and the circumvention or overriding of controls, material misstatements may not be prevented or detected on a timely basis. In addition, projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes and conditions or that the degree of compliance with policies or procedures may deteriorate. Accordingly, even internal controls determined to be effective can provide only reasonable assurance that the information required to be disclosed in reports filed under the Securities Exchange Act of 1934 is recorded, processed, summarized, and represented within the time periods required.

Our management has assessed the effectiveness of our internal control over financial reporting at December 31, 2011. To make this assessment, we used the criteria for effective internal control over financial reporting described in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, our management believes that, as of December 31, 2011, our system of internal control over financial reporting was effective.

Piedmont’s independent registered public accounting firm has issued their report on the effectiveness of Piedmont’s internal control over financial reporting, which appears in this Annual Report.

Changes in Internal Control Over Financial Reporting

There have been no significant changes in our internal control over financial reporting during the quarter ended December 31, 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

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PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Pursuant to Paragraph G(3) of the General Instructions to Form 10-K, the information required by Part III (Items 10, 11, 12, 13, and 14) is being incorporated by reference herein from our definitive proxy statement to be filed with the SEC within 120 days of the end of the fiscal year ended December 31, 2011 in connection with our 2012 Annual Meeting of Stockholders.

We have adopted a Code of Ethics, which is available on Piedmont's Web site at http://www.piedmontreit.com under the "Corporate Governance" section. Any amendments to, or waivers of, the Code of Ethics will be disclosed on our Web site promptly following the date of such amendment or waiver.

ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 11 will be set forth in our definitive proxy statement to be filed with the SEC within 120 days of the end of the fiscal year ended December 31, 2011, and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by Item 12 will be set forth in our definitive proxy statement to be filed with the SEC within 120 days of the end of the fiscal year ended December 31, 2011, and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The information required by Item 13 will be set forth in our definitive proxy statement to be filed with the SEC within 120 days of the end of the fiscal year ended December 31, 2011, and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by Item 14 will be set forth in our definitive proxy statement to be filed with the SEC within 120 days of the end of the fiscal year ended December 31, 2011, and is incorporated herein by reference.

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PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) 1. The financial statements begin on page F-4 of this Annual Report on Form 10-K, and the list of the financial statements contained herein is set forth on page F-1, which is hereby incorporated by reference.
(a) 2. Schedule III—Real Estate Assets and Accumulated Depreciation

Information with respect to this item begins on page S-1 of this Annual Report on Form 10-K. Other schedules are omitted because of the absence of conditions under which they are required or because the required information is given in the financial statements or notes thereto.

(b) The Exhibits filed in response to Item 601 of Regulation S-K are listed on the Exhibit Index attached hereto.
(c) See (a) 2 above.

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SIGNATURES

Pursuant to the requirements of Sections 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized this 28th day of February 2012.

Piedmont Office Realty Trust, Inc.
(Registrant)

By: /s/ DONALD A. MILLER, CFA
Donald A. Miller, CFA
President, Principal Executive Officer, and Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacity as and on the date indicated.

Signature	Title	Date
/s/ MICHAEL R. BUCHANAN Michael R. Buchanan	Director	February 28, 2012
/s/ DONALD S. MOSS Donald S. Moss	Director	February 28, 2012
/s/ WESLEY E. CANTRELL Wesley E. Cantrell	Director	February 28, 2012
/s/ WILLIAM H. KEOGLER, JR. William H. Keogler, Jr.	Director	February 28, 2012
/s/ JEFFREY L. SWOPE Jeffrey L. Swope	Director	February 28, 2012
/s/ FRANK C. MCDOWELL Frank C. McDowell	Director	February 28, 2012
/s/ W. WAYNE WOODY W. Wayne Woody	Chairman, and Director	February 28, 2012
/s/ DONALD A. MILLER, CFA Donald A. Miller, CFA	President and Director (Principal Executive Officer)	February 28, 2012
/s/ ROBERT E. BOWERS Robert E. Bowers	Chief Financial Officer and Executive Vice-President (Principal Financial Officer)	February 28, 2012
/s/ LAURA P. MOON Laura P. Moon	Chief Accounting Officer (Principal Accounting Officer)	February 28, 2012

Raymond G. Milnes, Jr.	Director

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EXHIBIT INDEX
TO
2011 FORM 10-K
OF
PIEDMONT OFFICE REALTY TRUST, INC.

Exhibit Number	Description of Document
2.1	Agreement and Plan of Merger dated as of February 2, 2007, by and among Piedmont Office Realty Trust, Inc. (f/k/a Wells Real Estate Investment Trust, Inc.) (the “Company”), WRT Acquisition Company, LLC, WGS Acquisition Company, LLC, Wells Real Estate Funds, Inc., Wells Capital, Inc., Wells Management Company, Inc., Wells Advisory Services I, LLC, Wells Real Estate Advisory Services, Inc. and Wells Government Services, Inc. (incorporated by reference to Exhibit 2.1 to the Company’s Current Report on Form 8-K, filed on February 5, 2007)
3.1	Third Articles of Amendment and Restatement of the Company (incorporated by reference to Exhibit 3.1 to the Company’s Annual Report on Form 10-K for the year ended December 31, 2009, filed on March 16, 2010)
3.2	Articles of Amendment of the Company effective June 30, 2011 (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed on July 6, 2011)
3.3	Articles Supplementary of the Company effective June 30, 2011 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on July 6, 2011)
3.4	Amended and Restated Bylaws of Piedmont Office Realty Trust, Inc. (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K, filed on January 22, 2010)
10.1	Amended and Restated Joint Venture Agreement of The Fund IX, Fund X, Fund XI and REIT Joint Venture dated June 11, 1998 (incorporated by reference to Exhibit 10.4 to Post-Effective Amendment No. 2 to the Company’s Form S-11 Registration Statement (Commission File No. 333-32099), filed on July 9, 1998)
10.2	Joint Venture Agreement of Wells/Fremont Associates dated July 15, 1998, by and between Wells Development Corporation and Piedmont Operating Partnership, L.P. (f/k/a Wells Operating Partnership, L.P. (the “Operating Partnership”) (incorporated by reference to Exhibit 10.17 to Post-Effective Amendment No. 3 to the Company’s Form S-11 Registration Statement (Commission File No. 333-32099), filed on August 14, 1998)
10.3	Amended and Restated Joint Venture Partnership Agreement of Fund XI-Fund XII-REIT Joint Venture dated June 21, 1999, by and among Wells Real Estate Fund XI, L.P., Wells Real Estate Fund XII, L.P. and the Operating Partnership (incorporated by reference to Exhibit 10.29 to Amendment No. 1 to the Company’s Form S-11 Registration Statement (Commission File No. 333-83933), filed on November 17, 1999)
10.4	Joint Venture Partnership Agreement of Wells Fund XII-REIT Joint Venture Partnership dated April 10, 2000, by and between the Operating Partnership and Wells Real Estate Fund XII, L.P.

	(incorporated by reference to Exhibit 10.11 to Post-Effective Amendment No. 2 to the Company's Form S-11 Registration Statement (Commission File No. 333-66657), filed on April 25, 2000)
10.5	Joint Venture Partnership Agreement of Wells Fund XIII-REIT Joint Venture Partnership dated June 27, 2001, by and between the Operating Partnership and Wells Real Estate Investment Fund XIII, L.P. (incorporated by reference to Exhibit 10.85 to Post-Effective Amendment No. 3 to the Company's Form S-11 Registration Statement (Commission File No. 333-44900), filed on July 23, 2001)
10.6	Second Amended and Restated Limited Partnership Agreement of 35 W. Wacker Venture, L.P. dated April 27, 2000 (incorporated by reference to Exhibit 10.106 to Post-Effective Amendment No. 6 to the Company's Form S-11 Registration Statement (Commission File No. 333-85848), filed on December 17, 2003)
10.7	First Amendment to Second Amended and Restated Limited Partnership Agreement of 35 W. Wacker Venture, L.P. dated November 6, 2003 (incorporated by reference to Exhibit 10.107 to Post-Effective Amendment No. 6 to the Company's Form S-11 Registration Statement (Commission File No. 333-85848), filed on December 17, 2003)
10.8	Amended and Restated Limited Partnership Agreement of Wells-Buck Venture, L.P. dated November 6, 2003, by and among Wells 35 W. Wacker, LLC, Buck 35 Wacker, L.L.C. and VV USA City, L.P. (incorporated by reference to Exhibit 10.108 to Post-Effective Amendment No. 6 to the Company's Form S-11 Registration Statement (Commission File No. 333-85848), filed on December 17, 2003)

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10.9	Amended and Restated Promissory Note dated November 1, 2007, by 1201 Eye Street, N.W. Associates LLC in favor of Metropolitan Life Insurance Company (incorporated by reference to Exhibit 10.9 to the Company's Form 10-K for the fiscal year ended December 31, 2007 filed on March 26, 2008)
10.10	Amended and Restated Deed of Trust, Security Agreement and Fixture Filing dated November 1, 2007, by 1201 Eye Street, N.W. Associates LLC for the benefit of Metropolitan Life Insurance Company (incorporated by reference to Exhibit 10.10 to the Company's Form 10-K for the fiscal year ended December 31, 2007 filed on March 26, 2008)
10.11	Amended and Restated Promissory Note dated November 1, 2007, by 1225 Eye Street, N.W. Associates LLC in favor of Metropolitan Life Insurance Company (incorporated by reference to Exhibit 10.11 to the Company's Form 10-K for the fiscal year ended December 31, 2007 filed on March 26, 2008)
10.12	Amended and Restated Deed of Trust, Security Agreement and Fixture Filing dated October 24, 2002, by 1225 Eye Street, N.W. Associates LLC for the benefit of Metropolitan Life Insurance Company (incorporated by reference to Exhibit 10.12 to the Company's Form 10-K for the fiscal year ended December 31, 2007 filed on March 26, 2008)
10.13	Limited Liability Company Agreement of 1201 Eye Street, N.W. Associates, LLC dated September 27, 2002 (incorporated by reference to Exhibit 10.119 to Post-Effective Amendment No. 6 to the Company's Form S-11 Registration Statement (Commission File No. 333-85848), filed on December 17, 2003)
10.14	First Amendment to Limited Liability Company Agreement of 1201 Eye Street, N.W. Associates, LLC (incorporated by reference to Exhibit 10.120 to Post-Effective Amendment No. 6 to Company's Form S-11 Registration Statement (Commission File No. 333-85848), filed on December 17, 2003)
10.15	Limited Liability Company Agreement of 1225 Eye Street, N.W. Associates, LLC dated September 27, 2002 (incorporated by reference to Exhibit 10.121 to Post-Effective Amendment No. 6 to the Company's Form S-11 Registration Statement (Commission File No. 333-85848), filed on December 17, 2003)
10.16	First Amendment to Limited Liability Company Associates of 1225 Eye Street, N.W. Associates, LLC (incorporated by reference to Exhibit 10.122 to Post-Effective Amendment No. 6 to the Company's Form S-11 Registration Statement (Commission File No. 333-85848), filed on December 17, 2003)
10.17	Promissory Note dated April 20, 2004, by Wells REIT-Chicago Center Owner, LLC in favor of Metropolitan Life Insurance Company (incorporated by reference to Exhibit 10.174 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2004, filed on August 6, 2004)
10.18	Mortgage, Security Agreement and Fixture Filing by Wells REIT-Chicago Center Owner, LLC to Metropolitan Life Insurance Company (incorporated by reference to Exhibit 10.175 to the Company's Form 10-Q for the quarterly period ended June 30, 2004, filed on August 6, 2004)

10.19	Loan Agreement (Multi-State) dated May 21, 2004, between Wells REIT-Austin, TX, L.P., Wells REIT—Multi-State Owner, LLC, Wells REIT-Nashville, TN, LLC and Wells REIT—Bridgewater, NJ, LLC; and Morgan Stanley Mortgage Capital Inc. (incorporated by reference to Exhibit 10.176 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2004, filed on August 6, 2004)
10.20	Loan Agreement (D.C. Properties) dated May 21, 2004, between Wells REIT-Independence Square, LLC and Morgan Stanley Mortgage Capital Inc. (incorporated by reference to Exhibit 10.177 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2004, filed on August 6, 2004)
10.21	Promissory Note dated May 5, 2005, by Wells REIT-800 Nicollett Avenue Owner, LLC. in favor of Wachovia Bank, N.A. (incorporated by reference to Exhibit 10.70 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2005, filed on August 5, 2005)
10.22	Fixed Rate Note dated May 4, 2005, by 4250 N. Fairfax Owner, LLC in favor of JPMorgan Chase Bank, N.A. (incorporated by reference to Exhibit 10.71 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2005, filed on August 5, 2005)
10.23	Amended and Restated Dividend Reinvestment Plan of the Company adopted February 24, 2011 (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K, filed on February 24, 2011)
10.24*	Employment Agreement dated February 2, 2007, by and between the Company and Donald A. Miller, CFA (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on February 5, 2007)
10.25*	Amendment Number One to Employment Agreement dated February 2, 2007, by and between the Company and Donald A. Miller, CFA (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on September 14, 2011)

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10.26	Escrow Agreement dated April 16, 2007, by and among the Company, Wells Advisory Services I, LLC and SunTrust Bank (incorporated by reference to Exhibit 99.1 to the Company’s Current Report on Form 8-K, filed on April 20, 2007)
10.27	Pledge and Security Agreement dated April 16, 2007, by and between the Company, Wells Advisory Services I, LLC, WRT Acquisition Company, LLC and WGS Acquisition Company, LLC (incorporated by reference to Exhibit 99.2 to the Company’s Current Report on Form 8-K, filed on April 20, 2007)
10.28	Registration Rights Agreement dated April 16, 2007, by and among the Company, Wells Advisory Services I, LLC and Wells Capital, Inc. (incorporated by reference to Exhibit 99.5 to the Company’s Current Report on Form 8-K, filed on April 20, 2007)
10.29*	Piedmont Office Realty Trust, Inc. 2007 Omnibus Incentive Plan (f/k/a the Wells Real Estate Investment Trust, Inc. 2007 Omnibus Incentive Plan) (incorporated by reference to Exhibit 99.7 to the Company’s Current Report on Form 8-K, filed on April 20, 2007)
10.30*	Amendment Number One to the Piedmont Office Realty Trust, Inc. 2007 Omnibus Incentive Plan (f/k/a the Wells Real Estate Investment Trust, Inc. 2007 Omnibus Incentive Plan) (incorporated by reference to Exhibit 10.12 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2011, filed on August 9, 2011)
10.31	Amendment to Agreement of Limited Partnership of the Operating Partnership, as Amended and Restated as of January 1, 2000, dated April 16, 2007 (incorporated by reference to Exhibit 99.8 to the Company’s Current Report on Form 8-K, filed on April 20, 2007)
10.32*	Employment Agreement dated April 16, 2007, by and between the Company and Robert E. Bowers (incorporated by reference to Exhibit 99.9 to the Company’s Current Report on Form 8-K, filed on April 20, 2007)
10.33*	Employment Agreement dated May 14, 2007, by and between the Company and Carroll A. “Bo” Reddic, IV (incorporated by reference to Exhibit 99.1 to the Company’s Current Report on Form 8-K, filed on May 14, 2007)
10.34*	Employment Agreement dated May 14, 2007, by and between the Company and Raymond L. Owens (incorporated by reference to Exhibit 99.2 to the Company’s Current Report on Form 8-K, filed on May 14, 2007)
10.35*	Employment Agreement dated May 14, 2007, by and between the Company and Laura P. Moon (incorporated by reference to Exhibit 99.3 to the Company’s Current Report on Form 8-K, filed on May 14, 2007)
10.36	Master Property Management, Leasing, and Construction Management Agreement dated April 16, 2007 by and among the Company, the Operating Partnership, and Wells Management Company, Inc. (incorporated by reference to Exhibit 99.10 to the Company’s Current Report on Form 8-K, filed on April 20, 2007)
10.37*	

	Form of Employee Deferred Stock Award Agreement for 2007 Omnibus Incentive Plan of the Company effective May 18, 2007 (incorporated by reference to Exhibit 10.82 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2007, filed on August 7, 2007)
10.38	Amendment to Second Amended and Restated Agreement of Limited Partnership of the Operating Partnership, as Amended and Restated as of January 1, 2000, dated August 8, 2007 (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K, filed on August 10, 2007)
10.39	Credit Agreement dated August 31, 2007, by and among the Operating Partnership, the Company, Wachovia Capital Markets, LLC and J.P. Morgan Securities Inc., Wachovia Bank, National Association, JPMorgan Chase Bank, N.A., each of Morgan Stanley Bank, Bank of America, N.A., and PNC Bank, National Association, and the other banks signatory thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on September 7, 2007)
10.40	Term Loan Agreement, dated as of June 26, 2008, among Piedmont Operating Partnership, LP, as Borrower, Piedmont Office Realty Trust, Inc., as Parent, JP Morgan Securities, Inc. and Banc of America Securities, LLC, as Co-Lead Arrangers and Book Managers, JP Morgan Chase Bank, N.A., as Administrative Agent, Bank of America, N.A., as Syndication Agent, each of Wells Fargo Bank, N.A., Regions Bank, N.A., and US Bank N.A., as Documentation Agents, the other banks signatory thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on July 1, 2008)

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10.41	Loan Agreement dated as of July 11, 2007 by and between Broadway 500 West Monroe Fee LLC (now known as Piedmont 500 West Monroe Fee LLC) ("Mortgage Borrower") and Morgan Stanley Mortgage Capital Holdings LLC (as predecessor in interest to Wells Fargo Bank, N.A., as Trustee, for the Certificate holders of Morgan Stanley Capital I Inc. Commercial Mortgage Pass-Through Certificates Trust, Series 2007-XLF9) ("Mortgage Lender") (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2011, filed on May 5, 2011)
10.42	Promissory Note dated as of July 11, 2007 by and between Mortgage Borrower and Mortgage Lender (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2011, filed on May 5, 2011)
10.43	First Omnibus Amendment to Loan Agreement and Other Loan Documents (Mortgage Loan) dated as of August 15, 2007, by and among Mortgage Borrower and Mortgage Lender (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2011, filed on May 5, 2011)
10.44	Amended and Restated Promissory Note dated as of August 15, 2007, by and among Mortgage Borrower and Mortgage Lender (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2011, filed on May 5, 2011)
10.45	Mezzanine A Loan Agreement dated as of July 11, 2007, by and between Broadway 500 West Monroe Mezz I LLC (now known as Piedmont 500 West Monroe Mezz I LLC) ("Mezzanine Borrower") and Morgan Stanley Mortgage Capital Holdings LLC (as predecessor in interest to 500 W Monroe Mezz I-B, LLC and Deutsche Genossenschafts-Hypothekenbank AG) ("Mezzanine Lender") (incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2011, filed on May 5, 2011)
10.46	Promissory Note (Mezzanine A Loan) dated as of July 11, 2007, by and between Mezzanine Borrower and Mezzanine Lender (incorporated by reference to Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2011, filed on May 5, 2011)
10.47	First Omnibus Amendment to Loan Agreement and Other Loan Documents (Mezzanine A Loan), dated August 15, 2007, by and between Mezzanine Borrower and Mezzanine Lender (incorporated by reference to Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2011, filed on May 5, 2011)
10.48	Amended and Restated Promissory Note (Mezzanine A Loan), dated August 15, 2007, by and between Mezzanine Borrower and Mezzanine Lender (incorporated by reference to Exhibit 10.8 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2011, filed on May 5, 2011)
10.49	Second Omnibus Amendment to Loan Agreement and Other Loan Documents (Mezzanine A Loan), dated as of February 26, 2008, by and between Mezzanine Borrower and Mezzanine Lender (incorporated by reference to Exhibit 10.9 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2011, filed on May 5, 2011)

10.50	Second Amended and Restated Promissory Note (Mezzanine A Loan), by and between Mezzanine Borrower and Mezzanine Lender (incorporated by reference to Exhibit 10.10 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2011, filed on May 5, 2011)
10.51	Mezzanine A Loan Participation Agreement, dated as of February 26, 2008, by and between Mezzanine Lender, Morgan Stanley Mortgage Capital Holdings LLC (as predecessor in interest to Deutsche Genossenschafts-Hypothekenbank AG), as Participation A Holder, Morgan Stanley Mortgage Capital Holdings LLC (as predecessor in interest to 500 W Monroe Mezz I-B, LLC), as Participation B Holder, and LaSalle Bank National Association, as Custodian (incorporated by reference to Exhibit 10.11 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2011, filed on May 5, 2011)
10.52	Term Loan Agreement, date as of November 22, 2011, among the Operating Partnership, as Borrower, the Company, as Parent, JP Morgan Securities, LLC, and Suntrust Robinson Humphrey, Inc., as Joint-Lead Arrangers and Book Runners, JPMorgan Chase Bank as Administrative Agent, Suntrust Bank as Syndication Agent, Wells Fargo Bank as Documentation Agent, the other banks signatory thereto as Lenders (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on November 29, 2011)
10.53*	2010 Long-Term Incentive Program Award Agreement (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2011, filed on November 30, 2011)
10.54*	2010 Long-Term Incentive Program (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2011, filed on November 30, 2011)

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10.55*	Long-Term Incentive Program Award Agreement (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2011, filed on November 30, 2011)
10.56*	Long-Term Incentive Program (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2011, filed on November 30, 2011)
21.1	List of Subsidiaries of the Company
23.1	Consent of Ernst & Young LLP
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS **	XBRL Instance Document **
101.SCH **	XBRL Taxonomy Extension Schema **
101.CAL **	XBRL Taxonomy Extension Calculation Linkbase **
101.DEF **	XBRL Taxonomy Extension Definition Linkbase **
101.LAB **	XBRL Taxonomy Extension Label Linkbase **
101.PRE **	XBRL Taxonomy Extension Presentation Linkbase **

* Identifies each management contract or compensatory plan required to be filed.
** Furnished with this Form 10-K.

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Piedmont Office Realty Trust, Inc.

We have audited the accompanying consolidated balance sheets of Piedmont Office Realty Trust, Inc. as of December 31, 2011 and 2010, and the related consolidated statements of income, stockholders' equity and noncontrolling interest, and cash flows for each of the three years in the period ended December 31, 2011. Our audits also included the financial statement schedule listed in the index at Item 15(a). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Piedmont Office Realty Trust, Inc. at December 31, 2011 and 2010, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2011, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Piedmont Office Realty Trust, Inc.'s internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 28, 2012 expressed an unqualified opinion thereon.

Atlanta, Georgia
February 28, 2012

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Report of Independent Registered Public Accounting Firm
on Internal Control Over Financial Reporting

The Board of Directors and Stockholders
Piedmont Office Realty Trust, Inc.

We have audited Piedmont Office Realty Trust, Inc.'s internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Piedmont Office Realty Trust, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Piedmont Office Realty Trust, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Piedmont Office Realty Trust, Inc. as of December 31, 2011 and 2010, and the related consolidated statements of income, stockholders' equity and noncontrolling interest, and cash flows for each of the three years in the period ended December 31, 2011 of Piedmont Office Realty Trust, Inc. and our report dated February 28, 2012 expressed an unqualified opinion thereon.

Atlanta, Georgia

February 28, 2012

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

	December 31, 2011	December 31, 2010
Assets:		
Real estate assets, at cost:		
Land	$640,196	$647,653
Buildings and improvements, less accumulated depreciation of $792,342 and $744,756 as of December 31, 2011 and December 31, 2010, respectively	2,967,254	2,943,995
Intangible lease assets, less accumulated amortization of $119,419 and $145,742 as of December 31, 2011 and December 31, 2010, respectively	79,248	74,028
Construction in progress	17,353	11,152
Total real estate assets	3,704,051	3,676,828
Investments in unconsolidated joint ventures	38,181	42,018
Cash and cash equivalents	139,690	56,718
Tenant receivables, net of allowance for doubtful accounts of $631 and $1,298 as of December 31, 2011 and December 31, 2010, respectively	129,523	134,006
Notes receivable	—	61,144
Due from unconsolidated joint ventures	788	1,158
Restricted cash and escrows	9,039	12,475
Prepaid expenses and other assets	9,911	11,249
Goodwill	180,097	180,097
Deferred financing costs, less accumulated amortization of $9,214 and $11,893 as of December 31, 2011 and December 31, 2010, respectively	5,977	5,306
Deferred lease costs, less accumulated amortization of $120,358 and $137,726 as of December 31, 2011 and December 31, 2010, respectively	230,577	192,481
Total assets	$4,447,834	$4,373,480
Liabilities:		
Line of credit and notes payable	$1,472,525	$1,402,525
Accounts payable, accrued expenses, and accrued capital expenditures	122,986	112,648
Deferred income	27,321	35,203
Intangible lease liabilities, less accumulated amortization of $63,981 and $84,308 as of December 31, 2011 and December 31, 2010, respectively	49,037	48,959
Interest rate swaps	2,537	691
Total liabilities	1,674,406	1,600,026
Commitments and Contingencies	—	—
Stockholders' Equity:		
Shares-in-trust, 150,000,000 shares authorized, none outstanding as of December 31, 2011 or December 31, 2010	—	—
Preferred stock, no par value, 100,000,000 shares authorized, none outstanding as of December 31, 2011 or December 31, 2010	—	—
Common stock, $.01 par value; 750,000,000 shares authorized, 172,629,748 shares issued and outstanding as of December 31, 2011; and 172,658,489 shares issued and outstanding at December 31, 2010	1,726	1,727
Additional paid-in capital	3,663,662	3,661,308

Cumulative distributions in excess of earnings	(891,032)	(895,122)
Other comprehensive loss	(2,537)	(691)
Piedmont stockholders' equity	2,771,819	2,767,222
Noncontrolling interest	1,609	6,232
Total stockholders' equity	2,773,428	2,773,454
Total liabilities and stockholders' equity	$4,447,834	$4,373,480

See accompanying notes.

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

	Years Ended December 31,		
	2011	2010	2009
Revenues:			
Rental income	$419,141	$408,375	$409,905
Tenant reimbursements	115,879	114,795	126,872
Property management fee revenue	1,584	3,212	3,111
Other rental income	5,038	6,658	2,764
	541,642	533,040	542,652
Expenses:			
Property operating costs	208,711	196,875	207,018
Depreciation	104,818	97,275	97,467
Amortization	54,903	38,021	46,359
Impairment losses on real estate assets	—	—	35,063
General and administrative	24,838	28,388	26,656
	393,270	360,559	412,563
Real estate operating income	148,372	172,481	130,089
Other income (expense):			
Interest expense	(65,817)	(66,486)	(71,464)
Interest and other income	2,774	3,486	4,407
Equity in income of unconsolidated joint ventures	1,619	2,633	104
Gain on consolidation of variable interest entity	1,532	—	—
Gain on extinguishment of debt	1,039	—	—
	(58,853)	(60,367)	(66,953)
Income from continuing operations	89,519	112,114	63,136
Discontinued operations:			
Operating income, excluding impairment loss	12,880	18,684	11,579
Impairment loss	—	(9,587)	—
Gain/(loss) on sale of real estate assets	122,657	(817)	—
Income from discontinued operations	135,537	8,280	11,579
Net income	225,056	120,394	74,715
Less: Net income attributable to noncontrolling interest	(15)	(15)	(15)
Net income attributable to Piedmont	$225,041	$120,379	$74,700
Per share information—basic:			
Income from continuing operations	$0.52	$0.66	$0.40
Income from discontinued operations	0.78	0.05	0.07
Income attributable to noncontrolling interest	—	—	—
Net income available to common stockholders	$1.30	$0.71	$0.47
Per share information—diluted:			
Income from continuing operations	$0.52	$0.65	$0.40
Income from discontinued operations	0.78	0.05	0.07
Income attributable to noncontrolling interest	—	—	—
Net income available to common stockholders	$1.30	$0.70	$0.47
Weighted-average shares outstanding—basic	172,764,838	170,752,520	158,419,262
Weighted-average shares outstanding—diluted	172,980,947	170,967,324	158,580,990

See accompanying notes.

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PIEDMONT OFFICE REALTY TRUST, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands, except per-share amounts)

	Common Stock		Additional Paid-In Capital	Cumulative Distributions in Excess of Earnings	Redeemable Common Stock	Other Comprehensive Loss	Noncontrolling Interest	Total Stockholders' Equity
	Shares	Amount						
Balance, December 31, 2008	159,633	$1,596	$3,491,654	$ (674,326)	$(112,927)	$ (8,957)	$ 5,254	$2,702,294
Issuance of common stock	4,284	43	107,657	—	—	—	—	107,700
Redemptions of common stock	(5,105)	(51)	(128,293)	—	—	—	—	(128,344)
Change in redeemable common stock outstanding	—	—	—	—	37,763	—	—	37,763
Dividends ($1.2600 per share) and distributions to noncontrolling interest	—	—	—	(198,935)	—	—	(16)	(198,951)
Premium on stock sales	—	—	3,585	—	—	—	—	3,585
Shares issued under the 2007 Omnibus Incentive Plan, net of tax	105	1	2,565	—	—	—	—	2,566
Net income attributable to noncontrolling interest	—	—	—	—	—	—	478	478
Components of comprehensive income:								
Net income	—	—	—	74,700	—	—	—	74,700
Net change in interest rate derivatives	—	—	—	—	—	5,091	—	5,091
Comprehensive income								79,791
Balance, December 31, 2009	158,917	1,589	3,477,168	(798,561)	(75,164)	(3,866)	5,716	2,606,882
Net proceeds from issuance of common stock	13,800	138	184,266	—	—	—	—	184,404
Redemptions of fractional shares of common stock	(200)	(2)	(2,900)	—	—	—	—	(2,902)
Change in redeemable common stock outstanding	—	—	—	—	75,164	—	—	75,164
Dividends to common stockholders($1.2600 per share), distributions to noncontrolling	—	—	(33)	(216,940)	—	—	(15)	(216,988)

interest, and dividends reinvested								
Shares issued under the 2007 Omnibus Incentive Plan, net of tax	141	2	2,807	—	—	—	—	2,809
Net income attributable to noncontrolling interest	—	—	—	—	—	—	531	531
Components of comprehensive income:								
Net income	—	—	—	120,379	—	—	—	120,379
Net change in interest rate derivatives	—	—	—	—	—	3,175	—	3,175
Comprehensive income								123,554
Balance, December 31, 2010	172,658	1,727	3,661,308	(895,122)	—	(691)	6,232	2,773,454
Stock repurchases as part of announced program (see Note 2)	(199)	(2)	—	(3,242)	—	—	—	(3,244)
Offering costs associated with issuance of common stock	—	—	(479)	—	—	—	—	(479)
Attribution of asset sales proceeds to noncontrolling interest	—	—	—	—	—	—	(2,684)	(2,684)
Dividends to common stockholders ($1.2600 per share), distributions to noncontrolling interest, and dividends reinvested	—	—	(249)	(217,709)	—	—	(2,407)	(220,365)
Shares issued under the 2007 Omnibus Incentive Plan, net of tax	171	1	3,082	—	—	—	—	3,083
Net income attributable to noncontrolling interest:	—	—	—	—	—	—	468	468
Components of comprehensive income:								
Net income	—	—	—	225,041	—	—	—	225,041
Net change in interest rate derivatives	—	—	—	—	—	(1,846)	—	(1,846)
Comprehensive income								223,195
Balance, December 31, 2011	172,630	$1,726	$3,663,662	$(891,032)	$—	$(2,537)	$1,609	$2,773,428

See accompanying notes.

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

	Years Ended December 31,		
	2011	2010	2009
Cash Flows from Operating Activities:			
Net income	$225,056	$120,394	$74,715
Operating distributions received from unconsolidated joint ventures	2,932	4,463	4,445
Adjustments to reconcile net income to net cash provided by operating activities:			
Income attributable to noncontrolling interest- discontinued operations	453	516	463
Depreciation	109,730	104,490	106,073
Amortization of deferred financing costs and fair market value adjustments on notes payable	4,777	2,608	2,786
Other amortization	57,969	43,358	56,112
Impairment loss on real estate assets	—	7,041	35,063
Gain on extinguishment of debt	(1,041)	—	—
Accretion of discount on notes receivable	(482)	(2,400)	(2,272)
Stock compensation expense	4,705	3,681	2,878
Equity in income of unconsolidated joint ventures	(1,609)	(2,633)	(104)
Gain on consolidation of variable interest entity	(1,532)	—	—
(Gain)/loss on sale of real estate assets	(122,657)	817	—
Changes in assets and liabilities:			
Increase in tenant receivables, net	(13,295)	(5,564)	(1,668)
Decrease/(increase) in restricted cash and escrows	18,720	(11,818)	(10,966)
Increase in prepaid expenses and other assets	(760)	(1,958)	(175)
Increase in accounts payable and accrued expenses	3,511	12,058	4,607
(Decrease)/increase in deferred income	(16,134)	697	9,586
Net cash provided by operating activities	270,343	275,750	281,543
Cash Flows from Investing Activities:			
Investment in real estate assets and real estate related intangibles	(215,609)	(114,147)	(37,454)
Cash assumed upon consolidation of variable interest entity	5,063	—	—
Investment in mezzanine debt	—	—	(10,000)
Net sale proceeds from wholly-owned properties and consolidated joint venture	291,785	51,637	—
Net sale proceeds received from unconsolidated joint ventures	3,036	189	—
Investments in unconsolidated joint ventures	(151)	(173)	(57)
Liquidation of noncontrolling interest upon sale of consolidated joint venture	(95)	—	—
Deferred lease costs paid	(50,297)	(17,700)	(21,155)
Net cash provided by/(used in) investing activities	33,732	(80,194)	(68,666)
Cash Flows from Financing Activities:			
Deferred financing costs paid	(3,367)	(710)	(93)
Proceeds from line of credit and notes payable	829,000	25,000	181,000
Repayments of line of credit and notes payable	(822,875)	(139,000)	(188,100)
Net proceeds from/(costs of) issuance of common stock	(252)	185,774	90,581
Repurchases of common stock as part of announced program	(3,244)	—	—
Redemptions of common stock	—	(2,918)	(107,643)
Dividends paid to stockholders and distributions to noncontrolling interest	(220,365)	(216,988)	(198,951)
Net cash used in financing activities	(221,103)	(148,842)	(223,206)

Net increase/(decrease) in cash and cash equivalents	82,972	46,714	(10,329)
Cash and cash equivalents, beginning of year	56,718	10,004	20,333
Cash and cash equivalents, end of year	$139,690	$56,718	$10,004

See accompanying notes.

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PIEDMONT OFFICE REALTY TRUST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011, 2010, AND 2009

1. Organization

Piedmont Office Realty Trust, Inc. ("Piedmont") (NYSE: PDM) is a Maryland corporation that operates in a manner so as to qualify as a real estate investment trust ("REIT") for federal income tax purposes and engages in the acquisition and ownership of commercial real estate properties throughout the United States, including properties that are under construction, are newly constructed, or have operating histories. Piedmont was incorporated in 1997 and commenced operations on June 5, 1998. Piedmont conducts business primarily through Piedmont Operating Partnership, L.P. ("Piedmont OP"), a Delaware limited partnership, as well as performing the management of its buildings through two wholly-owned subsidiaries, Piedmont Government Services, LLC and Piedmont Office Management, LLC. Piedmont is the sole general partner of Piedmont OP and possesses full legal control and authority over the operations of Piedmont OP. Piedmont OP owns properties directly, through wholly-owned subsidiaries, and through both consolidated and unconsolidated joint ventures. References to Piedmont herein shall include Piedmont and all of its subsidiaries, including Piedmont OP and its subsidiaries and joint ventures.

As of December 31, 2011, Piedmont owned interests in 79 office properties, plus five buildings owned through unconsolidated joint ventures and two industrial buildings. Our 79 office properties are located in 18 metropolitan areas across the United States. These office properties comprise 20.9 million square feet of primarily Class A commercial office space, and were 86.5% leased as of December 31, 2011.

2. Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

Piedmont's consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles ("GAAP") and include the accounts of Piedmont, Piedmont's wholly-owned subsidiaries, any variable interest entity of which Piedmont or any of its wholly-owned subsidiaries is considered the primary beneficiary, or any entity in which Piedmont or any of its wholly-owned subsidiaries owns a controlling interest. In determining whether Piedmont or Piedmont OP has a controlling interest, the following factors, among others, are considered: equity ownership, voting rights, protective rights of investors, and participatory rights of investors.

Piedmont owns interests in three real properties through its ownership in a consolidated joint venture, Piedmont Washington Properties, Inc. Piedmont has evaluated this entity based on the criteria outlined above and concluded that it is not a variable interest entity ("VIE") and that Piedmont has a controlling interest in Piedmont Washington Properties, Inc. Accordingly, Piedmont's consolidated financial statements include the accounts of Piedmont Washington Properties, Inc.

In addition, Piedmont owns interests in five properties through its ownership in three unconsolidated joint venture partnerships. Management has evaluated these joint ventures and determined that these entities are not VIEs. Although Piedmont is the majority equity participant in certain of these joint ventures, Piedmont does not have a controlling voting interest in any of them; however, Piedmont does exercise significant influence. As a result, the accounts of these joint ventures are not consolidated; but rather accounted for using the equity method of accounting in Piedmont's consolidated financial statements.

Please refer to Note 9 for a summary of Piedmont's interests in and consolidation treatment of its various VIEs as of December 31, 2011.

All inter-company balances and transactions have been eliminated upon consolidation.

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

Use of Estimates

The preparation of the accompanying consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the accompanying consolidated financial statements and notes. Actual results could differ from those estimates.

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Real Estate Assets

Real estate assets are stated at cost, as adjusted for any impairment, less accumulated depreciation. Amounts capitalized to real estate assets consist of the cost of acquisition or construction, any tenant improvements or major improvements, and betterments that extend the useful life of the related asset. All repairs and maintenance are expensed as incurred. Additionally, Piedmont capitalizes interest while the development of a real estate asset is in progress; however, no such interest was capitalized during the three years ended December 31, 2011.

Piedmont's real estate assets are depreciated or amortized using the straight-line method over the following useful lives:

Buildings	40 years
Building improvements	5-25 years
Land improvements	20-25 years
Tenant improvements	Shorter of economic life or lease term
Furniture, fixtures, and equipment	3-5 years
Intangible lease assets	Lease term

Piedmont continually monitors events and changes in circumstances that could indicate that the carrying amounts of the real estate and related intangible assets of both operating properties and properties under construction in which Piedmont has an ownership interest, either directly or through investments in joint ventures, may not be recoverable. When indicators of potential impairment are present for wholly-owned properties, management assesses whether the respective carrying values will be recovered from the undiscounted future operating cash flows expected from the use of the asset and its eventual disposition for assets held for use, or with the estimated fair values, less costs to sell, for assets held for sale. Piedmont considers assets to be held for sale at the point at which a sale contract is executed and earnest money has become non-refundable. In the event that the expected undiscounted future cash flows for assets held for use or the estimated fair value, less costs to sell, for assets held for sale do not exceed the respective asset carrying value, management adjusts such assets to the respective estimated fair values and recognizes an impairment loss. Estimated fair values are calculated based on the following information, depending upon availability, in order of preference: (i) recently quoted market prices, (ii) market prices for comparable properties, or (iii) the present value of undiscounted cash flows, including estimated salvage value. See Note 12 for further information related to the disclosure of the estimated fair value of certain real estate assets.

For properties owned as part of an investment in unconsolidated joint ventures, Piedmont assesses the fair value of its investment as compared to its carrying amount. If Piedmont determines that the carrying value is greater than the fair value at any measurement date, Piedmont must also determine if such a difference is temporary in nature. Value fluctuations which are "other than temporary" in nature are then recorded to adjust the carrying value to the fair value amount.

Allocation of Purchase Price of Acquired Assets

Upon the acquisition of real properties, Piedmont allocates the purchase price of properties to acquired tangible assets, consisting of land and building, and identified intangible assets and liabilities, consisting of the value of above-market and below-market leases and the value of in-place leases, based in each case on their estimated fair values.

The fair values of the tangible assets of an acquired property (which includes land and building) are determined by valuing the property as if it were vacant, and the "as-if-vacant" value is then allocated to land and building based on

management's determination of the relative fair value of these assets. Management determines the as-if-vacant fair value of a property using methods similar to those used by independent appraisers. Factors considered by management in performing these analyses include an estimate of carrying costs during the expected lease-up periods considering current market conditions and costs to execute similar leases, including leasing commissions and other related costs. In estimating carrying costs, management includes real estate taxes, insurance, and other operating expenses during the expected lease-up periods based on current market conditions.

The fair values of above-market and below-market in-place leases are recorded based on the present value (using an interest rate which reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to the in-place leases and (ii) management's estimate of market rates for the corresponding in-place leases, measured over a period equal to the remaining terms of the leases, taking into consideration the probability of renewals for any below-market leases. The capitalized above-market and below-market lease values are recorded as intangible lease assets or liabilities and amortized as an adjustment to rental revenues over the remaining terms of the respective leases.

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The fair values of in-place leases include direct costs associated with obtaining a new tenant, opportunity costs associated with lost rentals that are avoided by acquiring an in-place lease, and tenant relationships. Direct costs associated with obtaining a new tenant include commissions, tenant improvements, and other direct costs and are estimated based on management's consideration of current market costs to execute a similar lease. These direct lease origination costs are included in deferred lease costs in the accompanying consolidated balance sheets and are amortized to expense over the remaining terms of the respective leases. The value of opportunity costs is calculated using the contractual amounts to be paid pursuant to the in-place leases over a market absorption period for a similar lease. These lease intangibles are included in intangible lease assets in the accompanying consolidated balance sheets and are amortized to expense over the remaining terms of the respective leases.

Gross intangible assets and liabilities as of December 31, 2011 and 2010, respectively, are as follows (in thousands):

	December 31, 2011	December 31, 2010
Intangible Lease Assets:		
Above-Market In-Place Lease Assets	$33,707	$49,233
Absorption Period Costs	$164,960	$170,537
Intangible Lease Origination Costs (included in Deferred Lease Costs)	$146,375	$164,782
Intangible Lease Liabilities (Below-Market In-Place Leases)	$113,018	$133,267

For the years ended December 31, 2011, 2010, and 2009, respectively, Piedmont recognized amortization of intangible lease costs as follows (in thousands):

	2011	2010	2009
Amortization expense related to Intangible Lease Origination Costs and Absorption Period Costs:	$48,013	$34,660	$47,188
Amortization of Above-Market and Below-Market In-Place Lease intangibles as a net increase to rental revenues:	$7,065	$5,788	$5,394

Net intangible assets and liabilities as of December 31, 2011 will be amortized as follows (in thousands):

	Intangible Lease Assets			Liabilities
	Above-Market In-place Lease Assets	Absorption Period Costs	Intangible Lease Origination Costs[1]	Below-Market In-place Lease Liabilities
For the year ending December 31:				
2012	$2,554	$19,781	$ 12,746	$8,210
2013	1,772	8,853	9,985	6,201
2014	1,581	7,401	8,499	5,290
2015	1,479	7,087	7,901	4,776
2016	1,418	6,687	7,476	4,723
Thereafter	1,094	19,541	26,729	19,837
	$9,898	$69,350	$ 73,336	$49,037
Weighted-Average Amortization Period	5 years	7 years	9 years	8 years

(1) Intangible lease origination costs are presented as a component of deferred lease costs on Piedmont's accompanying consolidated balance sheets.

Investments in Unconsolidated Joint Ventures

Although Piedmont is the majority equity participant in certain unconsolidated joint ventures, Piedmont does not have a controlling voting interest in any of the unconsolidated joint ventures. Piedmont does, however, exercise significant influence over those joint ventures. Accordingly, Piedmont's investments in unconsolidated joint ventures are recorded using the equity method of accounting, whereby original investments are recorded at cost and subsequently adjusted for contributions, distributions, and net income/(loss) attributable to such joint ventures. Pursuant to the terms of the unconsolidated joint venture agreements, all income and distributions are allocated to the joint venture partners in accordance with their respective ownership interests. Distributions of net cash from operations are generally distributed to the joint venture partners on a quarterly basis, and are classified as cash inflows from

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operating activities, as they are presumed to be returns on Piedmont's investment in the respective joint venture. Proceeds received as the result of a sale of an asset from an unconsolidated joint venture are considered a return of Piedmont's investment in the joint venture and classified as cash inflows from investing activities.

Cash and Cash Equivalents

Piedmont considers all highly-liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents include cash and short-term investments. Short-term investments are stated at cost, which approximates fair value, and consist of investments in money market accounts.

Tenant Receivables, net

Tenant receivables are comprised of rental and reimbursement billings due from tenants and the cumulative amount of future adjustments necessary to present rental income on a straight-line basis. Tenant receivables are recorded at the original amount earned, less an allowance for any doubtful accounts, which approximates fair value. Management assesses the collectibility of tenant receivables on an ongoing basis and provides for allowances as such balances, or portions thereof, become uncollectible. Piedmont adjusted the allowance for doubtful accounts by recording (recoveries of)/provisions for bad debts of approximately $(0.4) million, $0.8 million, and ($0.2) million for the years ended December 31, 2011, 2010, and 2009, respectively, which are included in general and administrative expenses in the accompanying consolidated statements of income.

Notes Receivable

Notes receivable is solely comprised of Piedmont's investments in mezzanine debt, which are recorded at face amount, less unamortized discount as of the date of the accompanying consolidated balance sheets. See Note 6 below for further discussion of Piedmont's investments in mezzanine debt.

Due from Unconsolidated Joint Ventures

Due from unconsolidated joint ventures represents operating distributions due to Piedmont from its investments in unconsolidated joint ventures which have been declared but not received as of period end.

Restricted Cash and Escrows

Restricted cash and escrows are primarily comprised of the following items:

- escrow accounts held by lenders to pay future real estate taxes, insurance, debt service, and tenant improvements;
- earnest money paid in connection with future acquisitions; and
- security and utility deposits paid by tenants per the terms of their respective leases.

Restricted cash and escrows are generally reclassified to other asset or liability accounts upon being used to purchase assets, satisfy obligations, or settle tenant obligations.

Prepaid Expenses and Other Assets

Prepaid expenses and other assets are primarily comprised of the following items:

- prepaid property taxes, insurance and operating costs; and

- equipment, furniture and fixtures, and tenant improvements for Piedmont’s corporate office space, net of accumulated depreciation.

Prepaid expenses and other assets will be expensed as utilized or reclassified to other asset or equity accounts upon being put into service in future periods. Balances without a future economic benefit are expensed as they are identified.

Goodwill

Goodwill is the excess of cost of an acquired entity over the amounts specifically assigned to assets acquired and liabilities assumed in purchase accounting for business combinations. Piedmont tests the carrying value of its goodwill for impairment on an annual basis, or on an interim basis if an event occurs or circumstances change that would indicate the carrying amount may be impaired. Such interim circumstances may include, but are not limited to, significant adverse changes in legal factors or in the general business climate, adverse action or assessment by a regulator, unanticipated competition, the loss of key personnel, or persistent declines in an entity’s stock price below carrying value of the entity. The test prescribed by authoritative accounting guidance is

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a two-step test. The first step involves comparing the estimated fair value of the entity to its carrying value, including goodwill. Fair value is determined by adjusting the trading price of the stock for various factors including, but not limited to: (i) liquidity or transferability considerations, (ii) control premiums, and/or (iii) fully distributed premiums, if necessary, multiplied by the common shares outstanding. If such calculated fair value exceeds the carrying value, no further procedures or analysis is permitted or required. However, if the carrying value exceeds the calculated fair value, goodwill is potentially impaired and step two of the analysis would be required. Step two of the test involves calculating the implied fair value of goodwill by deducting the fair value of all tangible and intangible net assets of the entity from the entity's fair value calculated in step one of the test. If the implied value of the goodwill (the remainder left after deducting the fair values of the entity from its calculated overall fair value in step one of the test) is less than the carrying value of goodwill, an impairment loss would be recognized.

Deferred Financing Costs

Deferred financing costs are comprised of costs incurred in connection with securing financing from third-party lenders and are capitalized and amortized to interest expense on a straight-line basis over the terms of the related financing arrangements. Piedmont recognized amortization of deferred financing costs for the years ended December 31, 2011, 2010, and 2009 of approximately $3.2 million, $2.6 million, and $2.8 million, respectively, which is included in interest expense in the accompanying consolidated statements of income.

Deferred Lease Costs

Deferred lease costs are comprised of costs and incentives incurred to acquire operating leases, including intangible lease origination costs, and are capitalized and amortized on a straight-line basis over the terms of the related underlying leases. Amortization of deferred leasing costs is reflected in the accompanying consolidated statements of income as follows.

- Piedmont amortized deferred lease costs of approximately $30.0 million, $26.8 million, and $32.6 million for the years ended December 31, 2011, 2010, and 2009, respectively, of which approximately $1.3 million, $0.7 million, and $0.7 million are related to the amortization of deferred common area maintenance costs which are recorded as property operating costs in the accompanying consolidated statements of income. The remaining amortization of deferred lease costs are recorded as amortization expense.
- Piedmont recognized additional amortization of lease incentives classified as deferred lease costs of $3.7 million, $3.4 million, and $3.4 million, which was recorded as an adjustment to rental income for the years ended December 31, 2011, 2010, and 2009, respectively.

Upon receiving notification of a tenant's intention to terminate a lease, unamortized deferred lease costs are adjusted to net realizable value through the consolidated statement of income.

Line of Credit and Notes Payable

Certain mortgage notes included in line of credit and notes payable in the accompanying consolidated balance sheets were assumed upon the acquisition of real properties. When debt is assumed, Piedmont adjusts the loan to fair value with a corresponding adjustment to building. The fair value adjustment is amortized to interest expense over the term of the loan using the effective interest method. Amortization of such fair value adjustments was approximately $1.4 million, $0, and $0 for the years ended December 31, 2011, 2010, and 2009, respectively.

Interest Rate Derivatives

Piedmont periodically enters into interest rate derivative agreements to hedge its exposure to changing interest rates on variable rate debt instruments. As required by GAAP, Piedmont records all derivatives on the balance sheet at fair value. Piedmont reassesses the effectiveness of its derivatives designated as cash flow hedges on a regular basis to determine if they continue to be highly effective and also to determine if the forecasted transactions remain highly probable. Currently, Piedmont does not use derivatives for trading or speculative purposes.

The changes in fair value of interest rate swap agreements designated as cash flow hedges are recorded in other comprehensive income (“OCI”), and the amounts in OCI will be reclassified to earnings when the hedged transactions occur. Changes in the fair values of derivatives designated as cash flow hedges that do not qualify for hedge accounting treatment, if any, would be recorded as gain/(loss) on interest rate swap in the consolidated statements of income. The fair value of the interest rate swap agreement is recorded as prepaid expenses and other assets or as interest rate swap liability in the accompanying consolidated balance sheets. Amounts received or paid under interest rate swap agreements are recorded as interest expense in the consolidated income statements as incurred. All of Piedmont's interest rate swap agreements as of December 31, 2011 are designated as cash flow hedges.

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For interest rate cap agreements designated as cash flow hedges, Piedmont reassesses the effectiveness of its interest rate caps on a regular basis to determine if they continue to be highly effective and also to determine if the forecasted transactions remain highly probable. The changes in fair value of interest rate caps designated as cash flow hedges are recorded in OCI, and the option purchase premium is amortized (reclassified from OCI to interest expense) over the life of the hedging relationship as the hedged forecasted transactions affect earnings. The reclassification is based on a schedule created at the inception of the hedge, which allocates the purchase price to the future periods the hedge is expected to benefit, based on fair value as of the inception of the hedging relationship. Due to the complexities of cash flow hedge accounting, Piedmont evaluates the cost-benefit relationship between the size of the related interest rate cap agreements and the exposure to potential fluctuations in the fair value of the interest rate caps in order to determine if effective hedge accounting will be pursued. In cases where the benefit does not outweigh the costs, Piedmont elects to use mark-to-market accounting, which adjusts the interest rate cap agreements to estimated fair value through earnings on a quarterly basis. As of December 31, 2011, Piedmont's interest rate cap agreements were immaterial and were recorded using mark-to-market accounting.

Shares-in-trust

To date, Piedmont has not issued any shares-in-trust; however, under Piedmont’s charter, it has authority to issue a total of 150,000,000 shares-in-trust, which would be issued only in the event that there is a purported transfer of, or other change in or affecting the ownership of, Piedmont’s capital stock that would result in a violation of the ownership limits that are included in Piedmont’s charter to protect its REIT status.

Preferred Stock

To date, Piedmont has not issued any shares of preferred stock; however, Piedmont is authorized to issue up to 100,000,000 shares of one or more classes or series of preferred stock. Piedmont’s board of directors may determine the relative rights, preferences, and privileges of any class or series of preferred stock that may be issued, and can be more beneficial than the rights, preferences, and privileges attributable to Piedmont’s common stock.

Common Stock

Under Piedmont’s charter, it has authority to issue a total of 750,000,000 shares of common stock with a par value of $0.01 per share, with the remainder allocated to additional paid in capital. Each share of common stock is entitled to one vote and participates in distributions equally. During the year ended December 31, 2011, the board of directors of Piedmont authorized the repurchase and retirement of up to $300 million of Piedmont's common stock through November 2013. Piedmont may repurchase the shares from time to time, in accordance with applicable securities laws, in the open market or in privately negotiated transactions. Repurchases will depend upon market conditions and other factors, and repurchases may be commenced or suspended from time to time in Piedmont's discretion, without prior notice. During the fourth quarter 2011, Piedmont repurchased 199,400 shares pursuant to this share repurchase authorization.

Dividends

As a REIT, Piedmont is required by the Internal Revenue Code of 1986, as amended (the “Code”), to make distributions to stockholders each taxable year equal to at least 90% of its taxable income, computed without regard to the dividends-paid deduction and by excluding net capital gains attributable to stockholders (“REIT taxable income”). Piedmont sponsors a dividend reinvestment plan ("DRP") pursuant to which common stockholders may elect (if their brokerage agreements allow) to reinvest an amount equal to the dividends declared on their common shares into additional shares of Piedmont’s common stock in lieu of receiving cash dividends. Under the DRP, Piedmont has the

option to either issue shares purchased in the open market or issue shares directly from Piedmont's authorized but unissued shares, in both cases at a 2% discount for the stockholder. Such election takes place at the settlement of each quarterly dividend in which there are participants in the DRP, and may change from quarter to quarter based on management's judgment of the best use of proceeds for Piedmont.

Noncontrolling Interest

Noncontrolling interest represents the equity interests of consolidated entities that are not owned by Piedmont. Noncontrolling interest is adjusted for contributions, distributions, and earnings (loss) attributable to the noncontrolling interest partners of the consolidated joint ventures. All earnings and distributions are allocated to the partners of the consolidated joint ventures in accordance with their respective partnership agreements. Earnings allocated to such noncontrolling interest partners are recorded as income attributable to noncontrolling interest in the accompanying consolidated statements of income.

Revenue Recognition

All leases of real estate assets held by Piedmont are classified as operating leases, and the related base rental income is generally

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recognized on a straight-line basis over the terms of the respective leases. Tenant reimbursements are recognized as revenue in the period that the related operating cost is incurred. Rents and tenant reimbursements collected in advance are recorded as deferred income in the accompanying consolidated balance sheets. Other rental income, consisting primarily of lease termination fees, is recognized once Piedmont has satisfied all obligations under the related lease or lease termination agreement.

Gains on the sale of real estate assets are recognized upon completing the sale and, among other things, determining the sale price and transferring all of the risks and rewards of ownership without significant continuing involvement with the purchaser. Recognition of all or a portion of the gain would be deferred until both of these conditions are met. Losses are recognized as of the sale date.

Stock-based Compensation

Piedmont has issued restricted stock to employees and directors, as well as stock options outstanding which were granted to independent directors in prior years. The non-cash expense recognized by Piedmont related to stock-based compensation for employees is recorded as property operating costs for those employees whose job is related to property operation and as general and administrative expense for all other employees and directors in the accompanying consolidated statements of income.

Legal Fees

Piedmont recognizes legal expenses in the period in which services are rendered. Insurance reimbursements related to ongoing legal matters are recorded as a reduction of legal expense in the period that the insurance company definitively notifies Piedmont of its intent to issue payment.

Net Income Available to Common Stockholders Per Share

Net income available to common stockholders per share is calculated based on the weighted-average number of common shares outstanding during each period. Outstanding stock options have been excluded from the diluted earnings per share calculation, as their impact would be anti-dilutive. However, the incremental weighted-average shares from restricted stock awards are included in the diluted earnings per share calculation.

Income Taxes

Piedmont has elected to be taxed as a REIT under the Code, and has operated as such, beginning with its taxable year ended December 31, 1998. To qualify as a REIT, Piedmont must meet certain organizational and operational requirements, including a requirement to distribute at least 90% of its annual REIT taxable income. As a REIT, Piedmont is generally not subject to federal income taxes. Accordingly, neither a provision nor a benefit for federal income taxes has been made in the accompanying consolidated financial statements. Piedmont is subject to certain state and local taxes related to the operations of properties in certain locations, which have been provided for in the financial statements. Additionally, Piedmont conducts certain operations through its taxable REIT subsidiary (“TRS”), Piedmont Office Holdings, Inc. These operations resulted in estimated tax payments of approximately $6,000 for the year ended December 31, 2011, which is recorded in the accompanying financial statements as general and administrative costs.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current period financial statement presentation. The reclassifications relate to (i) the required presentation of income from discontinued operations for the 111 Sylvan Avenue building in Englewood Cliffs, New Jersey (sold in December 2010), the Eastpointe Corporate Center in Issaquah, Washington (sold in July 2011), the 5000 Corporate Court building in Holtsville, New York (sold in August 2011), and the 35 West Wacker Drive building in Chicago, Illinois (sold in December 2011), (ii) the disclosure of Restricted cash and escrows, which was formerly a component of Prepaid expenses and other assets, and (iii) the reclassification of Class A and Class B common shares as common stock (see Note 3 for further detail). All such reclassifications do not affect net income attributable to Piedmont as presented in previous years.

Recent Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board ("FASB") issued an update related to Accounting Standards Codification Topic Fair Value Measurements and Disclosures (“ASC 820”) which converges GAAP and International Financial Reporting Standards ("IFRS") definition of “fair value”, the requirements for measuring amounts at fair value, and disclosures about these measurements. The update does not require additional fair value measurements and is not intended to establish valuation standards or affect valuation practices outside of financial reporting. The adoption of this update to ASC 820 is effective for Piedmont beginning with its first quarter 2012 interim financial statements and is not expected to have a material impact on Piedmont's

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consolidated financial statements or disclosures.

In June 2011, the FASB issued a new requirement related to the presentation of Comprehensive Income ("ASC 220") intended to converge how OCI is presented under GAAP and IFRS. ASC 220 gives an entity the option to present OCI information in either a single continuous statement of comprehensive income or in two separate but consecutive statements, but eliminates the presentation of OCI in the statement of stockholders' equity. The adoption of ASC 220 is effective for Piedmont beginning with its first quarter 2012 interim financial statements, except for the specific requirement to present items that are reclassified from other comprehensive income to net income alongside their respective components of net income and other comprehensive income, which has been deferred. As the requirement pertains to presentation and disclosure only, the pronouncement is not expected to have a material impact on Piedmont's consolidated financial statements.

In September 2011, the FASB issued an amendment to ASC 350 regarding the testing of goodwill for impairment. Under the amended guidance, companies have the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, a company concludes that the estimated fair value is greater than the carrying amount, then performing the two-step impairment test is unnecessary. Although early adoption of this amendment is permitted, the adoption of the amendment to ASC 350 will be effective for Piedmont beginning with the 2012 fiscal year and is not expected to have a material impact on Piedmont's consolidated financial statements or disclosures.

3. Recapitalization, Listing and Offering of Common Stock

In conjunction with its listing and concurrent offering in February 2010, Piedmont also recapitalized its common stock pursuant to a stockholder-approved amendment to its Charter (the "Recapitalization"). The Recapitalization was effected on a pro rata basis with respect to all of Piedmont's stockholders and had the effect of reducing the total number of outstanding shares of its common stock without affecting any stockholder’s proportionate ownership (except for any changes resulting from the payment of cash in lieu of fractional shares). In addition, the Recapitalization created four classes of stock which were each ultimately converted into shares which were listed on the New York Stock Exchange (the "NYSE") over the following twelve months, with the final shares listing in January 2011.

Effective June 30, 2011, the board of directors of Piedmont approved Articles Supplementary and Articles of Amendment to Piedmont's Third Articles of Amendment and Restatement. Together, the Articles Supplementary and Articles of Amendment (1) reclassified and designated all of our authorized but unissued shares of Class B common stock as Class A common stock and then (2) changed the designation of its Class A common stock to Common Stock. The Articles Supplementary and Articles of Amendment were each filed with the State Department of Assessments and Taxation of Maryland on June 30, 2011 and were effective upon such filing. As a result, we now have one class of common stock. Share and per share information for all prior periods presented has been restated for the effects of the Recapitalization and subsequent reclassification and designation.

4. Acquisitions of Real Estate Assets

During the year ended December 31, 2011, Piedmont acquired the following properties:

Property	Metropolitan	Date of	Number of Rentable	Percentage	Purchase

	Statistical Area	Acquisition	Buildings	Square Feet	Occupied as of Acquisition		Price (in millions)	
1200 Enclave Parkway	Houston, TX	March 30, 2011	1	149,654	18	%	$ 18.5	
500 W. Monroe	Chicago, IL	March 31, 2011	1	962,361	67	%	$ 227.5	(1)
The Dupree	Atlanta, GA	April 29, 2011	1	137,818	83	%	$ 20.5	
The Medici	Atlanta, GA	June 7, 2011	1	152,221	22	%	$ 13.2	
225 and 235 Presidential Way	Boston, MA	September 13, 2011	2	440,130	100	%	$ 85.3	
400 TownPark	Orlando, FL	November 10, 2011	1	175,674	19	%	$ 23.9	

(1) Piedmont acquired the 500 W. Monroe building located in downtown Chicago, Illinois through a foreclosure sale related to certain notes receivable previously held by Piedmont (see Note 6 for a more complete description of this transaction). No additional purchase consideration

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was required to acquire the 500 W. Monroe building interests.

5. Tenant Receivables

Tenant receivables as of December 31, 2011 and 2010, respectively, are as follows (in thousands):

	2011	2010
Tenant receivables, net of allowance for doubtful accounts of $631 and $1,298 as of December 31, 2011 and 2010, respectively	$24,722	$28,849
Cumulative rental revenue recognized on a straight-line basis in excess of cash received in accordance with lease terms	104,801	105,157
Tenant receivables	$129,523	$134,006

6. Notes Receivable

Notes receivable as of December 31, 2010 consisted solely of Piedmont's two investments in mezzanine debt, both of which were secured by pledges of equity interests in the ownership of the 500 W. Monroe building.

During the year ended December 31, 2010, one of the two notes matured but was not repaid and was therefore declared to be in
maturity default. Piedmont initiated foreclosure proceedings and on March 31, 2011, Piedmont was the successful bidder at a UCC foreclosure sale allowing Piedmont to obtain control of the property, resulting in the extinguishment of other third-party loans that were subordinate to the secured position upon which Piedmont foreclosed.

As a result of obtaining control of the property, Piedmont became the primary beneficiary of the VIE containing the 500 W. Monroe building, subject to a $140.0 million first mortgage loan secured by the building and a $45.0 million mezzanine loan collateralized by an equity ownership interest in the borrower under the mezzanine loan, (together, the "500 W. Monroe Loans") (both of which Piedmont subsequently repaid- see Note 8.) As such, Piedmont recorded the fair value of all of the assets and liabilities associated with the 500 W. Monroe building, the remaining then-outstanding debt payable to third party lenders, and the interest rate cap agreements associated with the assumed debt in its consolidated financial statements in March 2011. The net result of recording the estimated fair value of the net assets upon consolidation of the VIE resulted in an approximate $1.5 million non-cash gain which is reflected in Piedmont's results of operations for the year ended December 31, 2011. Additionally, Piedmont recognized approximately $2.7 million in other income during the year ended December 31, 2011 related to cash representing the building's operating cash flow during the period between the original default date in August 2010, and the consummation of the foreclosure process on March 31, 2011. Such income had been deferred due to the ownership uncertainties associated with legal actions related to the foreclosure proceedings.

7. Unconsolidated Joint Ventures

Investments in Unconsolidated Joint Ventures

As of December 31, 2011 and 2010, Piedmont owned interests in the following unconsolidated joint ventures (in thousands):

Name of Joint Venture	Piedmont's	Net Book Value

	Properties Held by Joint Venture	Approximate Ownership Percentage		2011	2010
Fund XIII and REIT Joint Venture	8560 Upland Drive Two Park Center	72	%	$19,180	$19,543
Fund XII REIT and Joint Venture	4685 Investment Drive 5301 Maryland Way	55	%	16,329	16,688
Fund XI, XII and REIT Joint Venture	20/20	57	%	2,672	2,871
Wells/Fremont Associates	Property sold during 2011	78	%	—	2,667
Fund IX, X, XI, and REIT Joint Venture	Property sold during 2011	4	%	—	249
				$38,181	$42,018

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Sale of Property Owned in Unconsolidated Joint Venture

During the year ended December 31, 2011, Wells/Fremont Associates sold the 47300 Kato Road building located in Fremont, California for a gross sales price of $3.8 million. Piedmont owned approximately 78% of the joint venture, and recorded its proportionate share of the net sales proceeds and gain on sale of approximately $2.7 million and $71,000, respectively.

Also during the current period, Fund IX, X, XI and REIT Joint Venture sold the 360 Interlocken building located in Broomfield, Colorado for a gross sales price of $9.2 million. Piedmont owned approximately 4% of the joint venture, and recorded its proportionate share of the net sales proceeds and gain on sale of approximately $0.3 million and $45,000, respectively.

8. Line of Credit and Notes Payable

During the year ended December 31, 2011, Piedmont assumed and subsequently exercised its extension options to extend the maturity dates of the $140 Million 500 W. Monroe Mortgage Loan and the $45 Million 500 W. Monroe Mezzanine 1-A Loan Participation to August 9, 2012. On November 17, 2011, Piedmont paid $43.9 million to the respective lenders in full satisfaction of the $45 Million 500 W. Monroe Mezzanine I Loan- A Participation. Piedmont did not incur a defeasance or yield maintenance penalty and recognized a gain on the early extinguishment of debt of approximately $1.0 million, which was net of the recognition of the remaining unamortized deferred financing costs associated with the loan of approximately $0.1 million. Further, on January 9, 2012, Piedmont repaid $140 million in full satisfaction of the $140 Million 500 W. Monroe Mortgage Loan.

Effective May 18, 2011, Piedmont exercised its extension option on the maturity date of the $500 Million Unsecured Facility for one year to August 30, 2012 upon payment of a 15 basis point extension fee. Further, on June 28, 2011, Piedmont repaid the $250 Million Unsecured Term Loan using proceeds from its $500 Million Unsecured Facility.

On November 22, 2011, Piedmont entered into an $300 million unsecured term loan facility (the "$300 Million Unsecured Term Loan") with a consortium of lenders with a term of five years, maturing on November 22, 2016. Additionally, Piedmont may request up to four times during the term of the agreement to establish one or more new term loan commitments up to an aggregate amount of $200 million, provided that no single request is less than $25 million. The maturity date of such additional requests, if exercised, would be coterminous with the original maturity date of the term loan agreement. The $300 Million Unsecured Term Loan has the option to bear interest at varying levels based on (i) the London Interbank Offered Rate (“LIBOR”) or Base Rate, defined as the greater of the prime rate, the federal funds rate plus 0.50%, or LIBOR for a one-month period plus 1% if a LIBOR loan has been selected, (ii) the credit rating levels issued for Piedmont, and (iii) for LIBOR loans, an interest period selected by Piedmont. The stated interest rate spread over LIBOR can vary from 1.1% to 2.25% based upon the then current credit rating of Piedmont, which is 1.45% as of the closing of the facility.

In connection with obtaining the $300 Million Unsecured Term Loan, Piedmont entered into interest rate swap agreements with several counterparties for the full outstanding balance of the loan as of the closing date. The effective date of each interest rate swap agreement is November 22, 2011, and each agreement terminates on November 22, 2016. Piedmont will pay monthly interest at the stated rate mentioned above of LIBOR (or Base Rate) plus the applicable spread and will, in addition, pay funds to or receive funds from the counterparties depending on the level of interest rates. Therefore, after considering the terms of the swap agreements and Piedmont's current credit rating, Piedmont’s cash expenditure for interest will be effectively fixed, exclusive of changes to Piedmont's credit rating, at 2.69%.

On December 15, 2011, Piedmont sold its interest in the office property known as the 35 West Wacker Drive building. The property is encumbered by a mortgage note, which was assumed by the purchaser as part of the transaction. See Note 17 for additional information.

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The following table summarizes the terms of Piedmont’s indebtedness outstanding as of December 31, 2011 and 2010 (in thousands):

Facility	Collateral	Rate[1]		Maturity		Amount Outstanding as of December 31, 2011	2010
Secured (Fixed)							
$45.0 Million Fixed-Rate Loan	4250 N. Fairfax	5.20	%	6/1/2012		$45,000	$45,000
$120.0 Million 35 West Wacker Drive Mortgage Note[2]	35 West Wacker Drive	5.10	%	1/1/2014		—	120,000
$200.0 Million Mortgage Note	Aon Center	4.87	%	5/1/2014		200,000	200,000
$25.0 Million Mortgage Note	Aon Center	5.70	%	5/1/2014		25,000	25,000
$350.0 Million Secured Pooled Facility	Nine Property Collateralized Pool[3]	4.84	%	6/7/2014		350,000	350,000
$105.0 Million Fixed-Rate Loan	US Bancorp Center	5.29	%	5/11/2015		105,000	105,000
$125.0 Million Fixed-Rate Loan	Four Property Collateralized Pool[4]	5.50	%	4/1/2016		125,000	125,000
$42.5 Million Fixed-Rate Loan	Las Colinas Corporate Center I & II	5.70	%	10/11/2016		42,525	42,525
$140.0 Million WDC Mortgage Notes	1201 & 1225 Eye Street	5.76	%	11/1/2017		140,000	140,000
$140.0 Million 500 W. Monroe Mortgage Loan	500 W. Monroe	LIBOR + 1.008%	[5]	8/9/2012	[6]	140,000	—
Subtotal/Weighted Average[7]		4.70	%			1,172,525	1,152,525
Unsecured (Variable)							
$250 Million Unsecured Term Loan		LIBOR + 1.50%		6/28/2011		—	250,000
$300 Million Unsecured Term Loan		LIBOR + 1.45%	[8]	11/22/2016		300,000	—
$500 Million Unsecured Facility[9]		—	%	8/30/2012		—	—
Subtotal/Weighted Average[7]		2.69	%			300,000	250,000
Total/ Weighted Average[7]		4.29	%			$1,472,525	$1,402,525

(1) All of Piedmont’s outstanding debt as of December 31, 2011 and 2010 is interest-only debt.

(2) On December 15, 2011, Piedmont sold its ownership interest in the 35 West Wacker Drive building. As part of the transaction, the buyer assumed the mortgage note secured by the property.

(3) Nine property collateralized pool includes:1200 Crown Colony Drive, Braker Pointe III, 2 Gatehall Drive, the One and Two Independence Square, 2120 West End Avenue, 400 Bridgewater Crossing, 200 Bridgewater Crossing, and Fairway Center II.

(4) Four property collateralized pool includes 1430 Enclave Parkway, Windy Point I and II, and 1055 East Colorado Boulevard.

(5) Subject to interest rate cap agreements, which limit Piedmont's exposure to potential increases in the LIBOR rate to 2.19%.

(6) Repaid in full on January 9, 2012.

(7)

Weighted average is based on contractual balance of outstanding debt and interest rates in the table as of December 31, 2011.

(8) The $300 Million Unsecured Term Loan has a stated variable rate; however, Piedmont entered into interest rate swap agreements which effectively fix, exclusive of changes to Piedmont's credit rating, the rate on this facility to 2.69% through November 22, 2016.

(9) Piedmont may select from multiple interest rate options with each draw, including the prime rate and various length LIBOR locks. All LIBOR selections are subject to an additional spread (0.475% as of December 31, 2011) over the selected rate based on Piedmont’s current credit rating.

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A summary of the aggregate maturities of Piedmont's indebtedness as of December 31, 2011, is provided below (in thousands):

2012	$185,000	(1)
2013	—	
2014	575,000	
2015	105,000	
2016	467,525	
Thereafter	140,000	
Total	$1,472,525	

(1) Includes the $140 Million 500 W. Monroe Mortgage Loan, which Piedmont repaid on January 9, 2012.

Piedmont's weighted-average interest rate as of December 31, 2011 and 2010, for aforementioned borrowings was approximately 4.29% and 4.66%, respectively. Piedmont made interest payments on all indebtedness, including interest rate swap cash settlements, of approximately $66.7 million, $70.2 million, and $75.0 million during the years ended December 31, 2011, 2010, and 2009, respectively.

9. Variable Interest Entities

Variable interest holders who have the power to direct the activities of the VIE that most significantly impact the entity's economic performance and have the obligation to absorb the majority of losses of the entity or the right to receive significant benefits of the entity are considered to be the primary beneficiary and must consolidate the VIE.

A summary of Piedmont's interests in and consolidation treatment of its VIEs as of December 31, 2011 is as follows, (net carrying amount in millions):

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Entity	Piedmont's % Ownership of Entity		Related Building	Consolidated/ Unconsolidated	Net Carrying Amount as of December 31, 2011	Net Carrying Amount as of December 31, 2010	Primary Beneficiary Considerations
1201 Eye Street NW Associates, LLC	49.5	%	1201 Eye Street	Consolidated	$ (1.6)	$ 0.3	In accordance with the partnership's governing documents, Piedmont is entitled to 100% of the cash flow of the entity and has sole discretion in directing the management and leasing activities of the building.
1225 Eye Street NW Associates, LLC	49.5	%	1225 Eye Street	Consolidated	$ 0.6	$ 1.9	In accordance with the partnership's governing documents, Piedmont is entitled to 100% of the cash flow of the entity and has sole discretion in directing the management and leasing activities of the building.
Wells REIT Multi-State Owner, LLC	100	%	1200 Crown Colony Drive	Consolidated	$ 28.0	$ 21.8	In accordance with a tenant's lease, if Piedmont sells the property on or before March 2013, then the tenant would be entitled to an equity participation fee.
Piedmont 500 W. Monroe Fee, LLC	100	%	500 W. Monroe	Consolidated	$ 76.9	$ —	The Omnibus Agreement with the previous owner includes equity participation rights for the previous owner, if certain financial returns are achieved; however, Piedmont has sole decision making authority and is entitled to the economic benefits of the property until such returns are met.
Suwanee Gateway One, LLC	100	%	Suwanee Gateway One	Consolidated	$ 7.7	$ 7.8	The fee agreement includes equity participation rights for the incentive manager, if certain returns on investment are achieved; however, Piedmont has sole decision making authority and is entitled to the

							economic benefits of the property until such returns are met.
Medici Atlanta, LLC	100	%	The Medici	Consolidated	$ 13.0	$ —	The fee agreement includes equity participation rights for the incentive manager, if certain returns on investment are achieved; however, Piedmont has sole decision making authority and is entitled to the economic benefits of the property until such returns are met.
400 TownPark, LLC	100	%	400 TownPark	Consolidated	$ 23.7	$ —	The fee agreement includes equity participation rights for the incentive manager, if certain returns on investment are achieved; however, Piedmont has sole decision making authority and is entitled to the economic benefits of the property until such returns are met.

10. Derivative Instruments

Risk Management Objective of Using Derivatives

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

Cash Flow Hedges of Interest Rate Risk

Interest rate swaps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty in exchange for Piedmont making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount.

During the year ended December 31, 2011, Piedmont used interest rate swap agreements to hedge the variable cash flows associated with its $250 Million Unsecured Term Loan through its maturity, as well as two interest rate cap agreements associated with the 500 W. Monroe Loans through their original maturity (see Notes 6 and 8), both of these derivatives were designated as effective

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cash flow hedges. On July 27, 2011, Piedmont entered into two new interest rate cap agreements effective on August 15, 2011 associated with the extension of the 500 W. Monroe Loans and elected to account for the agreements under mark-to-market accounting, which adjusts the value of the agreements to estimated fair value on a quarterly basis through earnings. As such, Piedmont recognized approximately $47,000 of expense related to mark-to-market accounting on the replacement interest rate caps during the year ended December 31, 2011. On November 21, 2011, Piedmont entered into four new interest rate swap agreements to hedge the variable cash flows associated with its new $300 Million Unsecured Term Loan facility, and has designated the swaps as cash flow hedges of interest rate risk.

A detail of Piedmont's interest rate derivatives outstanding as of December 31, 2011 is as follows:

Interest Rate Derivatives:	Notional Amount (in millions)		Effective Date	Maturity Date	
Interest rate swap	$ 125		11/22/2011	11/22/2016	
Interest rate swap	$ 75		11/22/2011	11/22/2016	
Interest rate swap	$ 50		11/22/2011	11/22/2016	
Interest rate swap	$ 50		11/22/2011	11/22/2016	
Total	$ 300				
Interest rate cap	$ 140	(2)	8/15/2011	8/15/2012	(1)
Interest rate cap	$ 62	(3)	8/15/2011	8/15/2012	(1)
Total	$ 202				

(1) Mirrors the monthly interest accrual period of the 500 W. Monroe Loans.
(2) On January 9, 2012, Piedmont fully repaid the $140 Million 500 W. Monroe Mortgage Loan.
(3) Interest rate cap agreement is inclusive of both the $45 Million 500 W. Monroe Mezzanine I Loan- A Participation payable to an unrelated third-party, as well as the loan participation formerly payable to Piedmont. On November 17, 2011, Piedmont fully repaid the $45 Million 500 W. Monroe Mezzanine I Loan- A Participation.

All of Piedmont's interest rate derivative agreements outstanding through August 9, 2011, as well as the interest rate swap agreements entered into in conjunction with the $300 Million Unsecured Term Loan, were designated as cash flow hedges of interest rate risk. The effective portion of changes in the fair value of derivatives designated as, and that qualify as, cash flow hedges is recorded in OCI and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings.

The effective portion of Piedmont's derivative financial instruments (interest rate caps prior to August 9, 2011 and all interest rate swaps outstanding during the respective periods) that was recorded in the accompanying consolidated statements of income for the years ended December 31, 2011, 2010, and 2009, respectively, is as follows (in thousands):

Derivative in Cash Flow Hedging Relationships (Interest Rate Swaps and Caps)	December 31, 2011	December 31, 2010	December 31, 2009
Amount of loss recognized in OCI on derivatives	$3,064	$1,529	$2,812
Amount of previously recorded loss reclassified from accumulated OCI into interest expense	$(1,218)	$(4,704)	$(7,903)

No gain or loss was recognized related to hedge ineffectiveness or to amounts excluded from effectiveness testing on Piedmont's cash flow hedges during the years ended December 31, 2011, 2010, or 2009.

Amounts reported in accumulated other comprehensive loss related to Piedmont's derivatives are reclassified to interest expense as interest is incurred. Piedmont estimates that an additional $2.1 million will be reclassified from accumulated other comprehensive loss as an increase to interest expense over the next twelve months.

Please see the accompanying statements of stockholders' equity for a rollforward of Piedmont's Other Comprehensive Loss account. Additionally, see Note 11 for fair value disclosures of Piedmont's derivative instruments.

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Credit-risk-related Contingent Features

Piedmont has agreements with its derivative counterparties that contain a provision whereby if Piedmont defaults on any of its indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender, then Piedmont could also be declared in default on its derivative obligation. If Piedmont breached any of the contractual provisions of the derivative contracts, it would be required to settle its obligations under the agreements at their termination value of the fair values plus accrued interest, or approximately $2.6 million.

11. Fair Value Measurements

Piedmont considers its cash, accounts receivable, accounts payable, interest rate swap agreements, interest rate cap agreements, and line of credit and notes payable to meet the definition of financial instruments. The following table sets forth the carrying and estimated fair value for each of Piedmont's financial instruments as of December 31, 2011 and 2010, respectively (in thousands):

	As of December 31, 2011		As of December 31, 2010	
Financial Instrument	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Cash and cash equivalents[(1)]	$139,690	$ 139,690	$56,718	$ 56,718
Tenant receivables, net[(1)]	$129,523	$ 129,523	$134,006	$ 134,006
Accounts payable[(1)]	$14,637	$ 14,637	$15,763	$ 15,763
Interest rate swap agreements	$2,537	$ 2,537	$691	$ 691
Interest rate cap agreements	$—	$ —	N/A	N/A
Line of credit and notes payable	$1,472,525	$ 1,529,811	$1,402,525	$ 1,428,255

(1) For the periods presented, the carrying value approximates estimated fair value.

Piedmont's interest rate cap agreements discussed in Note 10 above were adjusted and carried at fair value as of December 31, 2011, and Piedmont's interest rate swap agreements, also discussed in Note 10 above, were adjusted and carried at fair value as of December 31, 2011 and 2010. The interest rate swap and interest rate cap agreements were classified as "Interest rate swap" liability and as a component of "Prepaid expenses and other assets", respectively, in the accompanying consolidated balance sheets. The valuation of these derivative instruments, for both types of agreements, was determined using widely accepted valuation techniques including discounted cash flow analysis based on the contractual terms of the derivatives, including the period to maturity of each instrument, and uses observable market-based inputs, including interest rate curves and implied volatilities. Therefore, the fair values determined are considered to be based on significant other observable inputs (Level 2). In addition, as related to the interest rate swap agreements, Piedmont considered both its own and the respective counterparties' risk of nonperformance in determining the fair value of its derivative financial instruments by estimating the current and potential future exposure under the derivative financial instruments that both Piedmont and the counterparties were at risk for as of the valuation date. This total expected exposure was then discounted using factors that contemplate the creditworthiness of Piedmont and the counterparties to arrive at a credit charge. This credit charge was then netted against the value of the derivative financial instruments determined using the discounted cash flow analysis described above to arrive at a total estimated fair value of the interest rate swap agreements. As of December 31, 2011 and 2010, the credit valuation adjustment did not comprise a material portion of the fair values of the derivative financial instruments; therefore, Piedmont believes that any unobservable inputs used to determine the fair values of its derivative financial instruments are not significant to the fair value measurements in their entirety, and does not consider either of its derivative financial instruments to be Level 3 liabilities.

12. Impairment of Certain Real Estate Assets

Piedmont recorded the following impairment charges as a component of income from continuing operations for the years ended December 31, 2011, 2010, and 2009 (in thousands):

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	2011	2010	2009
Impairment losses recorded in real estate operating expenses:			
Auburn Hills Corporate Center	$—	$—	$10,173
1111 Durham Avenue	—	—	14,274
1441 West Long Lake Road	—	—	10,616
Impairment losses on real estate assets	$—	$— [1]	$35,063

[1] During the year ended December 31, 2010, Piedmont recorded an impairment charge of approximately $9.6 million on the 111 Sylvan Avenue building as a component of discontinued operations. See Note 17 below for further detail.

Piedmont did not recognize an impairment loss on its held-for-use, wholly-owned buildings during the years ended December 31, 2011 or 2010; however, during the year ended December 31, 2009, Piedmont reduced its intended holding periods for the Auburn Hills Corporate Center building, purchased in May 2003 and comprising approximately 119,000 square feet, and the 1441 West Long Lake Road building, purchased in June 2000 and comprising approximately 107,000 square feet, both of which are located in the Detroit, Michigan market. During the same period, Piedmont reduced the intended holding period for the 1111 Durham Avenue building, purchased in November 2000 and comprising approximately 237,000 square feet, located in South Plainfield New Jersey. The decision to reduce estimated future rental revenues and the holding periods for the two Detroit assets was prompted by the loss of prospective replacement tenants and overall market declines in the Detroit, Michigan market. Further, changes in management's expectation of re-leasing prospects of the New Jersey asset, coupled with general market declines in the South Plainfield submarket, prompted the reduction of intended hold period and estimated future rental revenues during the third quarter 2009. The cumulative effect of these decisions triggered a reassessment of speculative leasing assumptions for these buildings, which entailed, among other things, evaluating market rents, leasing costs and the downtime necessary to complete necessary re-leasing activities. Based on a comparison of the projected undiscounted future cash flows with the net book value of the real estate and intangible assets, Piedmont determined that the carrying values of the assets were not recoverable and, accordingly, recorded an impairment loss on real estate assets in the amount of approximately $35.1 million to reduce the carrying value of the assets to their estimated fair value based upon the present value of future cash flows.

Fair Value Considerations for Property

In accordance with GAAP regarding fair value measurements, Piedmont valued the Auburn Hills Corporate Center building, the 1111 Durham Avenue building, and the 1441 West Long Lake Road building using the fair value processes and techniques prescribed by authoritative literature. The fair value measurements used in these evaluations of nonfinancial assets are considered to be Level 3 valuations within the fair value hierarchy as defined in GAAP, as there are significant unobservable inputs. Examples of inputs Piedmont utilizes in its fair value calculations are discount rates, market capitalization rates, speculative leasing rates and assumptions, timing of leases, rental concessions and leasing capital, and sales prices. The following amounts represent the detail of the adjustments recognized during the year ended December 31, 2009 using Level 3 inputs (in thousands):

Wholly-Owned Properties	Net Book Value	Impairment Recognized	Fair Value
Auburn Hills Corporate Center	$17,633	$10,173	$7,460
1111 Durham Avenue	27,984	14,274	13,710
1441 West Long Lake Road	17,141	10,616	6,525
	$62,758	$35,063	$27,695

13. Commitments and Contingencies

Commitments Under Existing Lease Agreements

Certain lease agreements include provisions that, at the option of the tenant, may obligate Piedmont to provide funding for capital improvements. Under its existing lease agreements, Piedmont may be required to fund significant tenant improvements, leasing commissions, and building improvements. In addition, certain agreements contain provisions that require Piedmont to issue corporate or property guarantees to provide funding for capital improvements or other financial obligations. As of December 31, 2011, Piedmont anticipates funding approximately $143.8 million in potential unrecorded obligations for tenant improvements related to its existing lease portfolio over the respective lease terms, the majority of which Piedmont estimates may be required to be funded over the next several years. For most of Piedmont’s leases, the timing of the actual funding of these tenant improvements is largely dependent upon tenant requests for reimbursement. In some cases, these obligations may expire with the leases without further recourse to Piedmont.

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Contingencies Related to Tenant Audits/Disputes

Certain lease agreements include provisions that grant tenants the right to engage independent auditors to audit their annual operating expense reconciliations. Such audits may result in the re-interpretation of language in the lease agreements which could result in the refund of previously recognized tenant reimbursement revenues, resulting in financial loss to Piedmont. Piedmont recorded additional expense related to such tenant audits/disputes of approximately $0.7 million, $0.4 million and $1.4 million during the years ended December 31, 2011, 2010, and 2009, respectively, as adjustments to earnings.

Letters of Credit

As of December 31, 2011, Piedmont was subject to the following letters of credit, which reduce the total outstanding capacity under its $500 Million Unsecured Facility:

Amount	Expiration of Letter of Credit (1)
$14,782,820	February 2012
$9,033,164	June 2012
$382,556	August 2012
$1,231,573	December 2012

(1) These letter of credit agreements contain an “evergreen” clause, which automatically renews for consecutive, one-year periods each anniversary, subject to certain limitations.

Operating Lease Obligations

Three properties (the River Corporate Center building in Tempe, Arizona; the 8700 South Price Road building in Tempe, Arizona; and the 2001 NW 64th Street building in Ft. Lauderdale, Florida) are subject to ground leases with expiration dates ranging between 2048 and 2101. The aggregate remaining payments required under the terms of these operating leases as of December 31, 2011 are presented below (in thousands):

2012	$750
2013	750
2014	750
2015	749
2016	749
Thereafter	74,870
Total	$78,618

Ground rent expense was approximately $0.6 million for the years ended December 31, 2011, 2010, and 2009, and is included in property operating costs in the accompanying consolidated statements of income. The net book value of the real estate assets of the related office buildings subject to operating ground leases is approximately $26.0 million and $26.4 million as of December 31, 2011 and 2010, respectively.

Assertion of Legal Action

Piedmont is currently party to two separate lawsuits, where one of the lead plaintiffs in each lawsuit is the same stockholder. The first suit was filed in March 2007, and, in general, alleges inadequate disclosures pursuant to the federal securities laws against Piedmont’s officers, directors, and advisors in connection with the transaction to

internalize its management function and become a self-managed entity. The suit originally contained thirteen counts; however, twelve of those counts have subsequently been dismissed. The suit has been removed from the court's trial calendar pending resolution of a request for interlocutory appellate review of certain legal rulings made by the court. Piedmont believes that plaintiff's remaining allegation is without merit and intends to continue to vigorously defend this action; however, due to the uncertainties inherent in any litigation, Piedmont has determined that the risk of material loss associated with this lawsuit is reasonably possible. The plaintiff has claimed damages of approximately $159 million plus pre-judgment interest, which defendants dispute. There are a number of defendants in this case and the allocation of damages, if any, between Piedmont and any other defendants (including any indemnification rights or obligations of Piedmont with respect to the other defendants) is indeterminable at this time. Additionally, up to $15 million of such potential damages may be recoverable by Piedmont under its insurance policies. Therefore, Piedmont estimates the range of gross potential loss (without regard to allocations or insurance recoveries) associated with this claim to be $0 to $159 million plus

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pre-judgment interest.
The second lawsuit was filed in October 2007 and originally alleged four counts, including inadequate disclosures pursuant to the federal securities laws. To date, the court has dismissed two of the four counts in their entirety and has dismissed portions of the remaining two counts. On April 11, 2011, the Eleventh Circuit Court of Appeals invalidated the district court's order certifying a class and remanded the case to the district court for further proceedings. Piedmont believes that plaintiffs' allegations are without merit, and intends to continue to vigorously defend this action. Due to the uncertainties inherent in any litigation process, Piedmont's assessment of the merits of the case notwithstanding, the risk of material financial loss does exist; however, given that a class has not yet been established, Piedmont's current assessment of the risk of material financial loss associated with this case is that it is remote. Such assessment is subject to change in future periods as additional legal rulings are made by the court.
Please refer to Part I. Item 3 "Legal Proceedings" for a complete description of the chronology of the two lawsuits.
Other Legal Matters

Piedmont is from time to time a party to other legal proceedings, which arise in the ordinary course of its business. None of these ordinary course legal proceedings are reasonably likely to have a material adverse effect on results of operations or financial condition.

14. Stock Based Compensation

Deferred Stock Awards

Piedmont has granted deferred stock awards in the form of restricted stock to its employees. The awards are determined by the Compensation Committee of the board of directors of Piedmont on an annual basis and typically vest over a three-year period beginning on the grant date. In addition, Piedmont has adopted a multi-year performance share program for certain of its employees beginning in 2010. Restricted shares are earned based on the relative performance of Piedmont's total stockholder return as compared with a predetermined peer group's total stockholder return over a three-year period. Typically, shares are not awarded until the end of the third year in the performance period and vest immediately upon award; however, the inaugural performance share program, which covers the fiscal 2010-2013 performance period, contains three interim performance periods whereby shares may be awarded.

A rollforward of Piedmont's deferred stock award activity for the year ended December 31, 2011 is as follows:

	Unvested Deferred Stock Awards as of January 1, 2011	Deferred Stock Awards Granted During Fiscal Year 2011	Deferred Stock Awards Vested During Fiscal Year 2011	Deferred Stock Awards Forfeited During Fiscal Year 2011	Unvested Deferred Stock Awards as of December 31, 2011
Shares	526,030	230,592	(241,612)	(3,807)	511,203
Weighted-Average Grant Date Fair Value	$20.20	$19.40	$20.80	$19.38	$19.56

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A detail of Piedmont’s outstanding employee deferred stock awards as of December 31, 2011 is as follows:

Date of grant	Type of Award	Net Shares Granted [1]	Grant Date Fair Value	Vesting Schedule	Unvested Shares as of December 31, 2011
May 6, 2009	Annual Deferred Stock Award	135,564	$22.20	Of the shares granted, 25% vested on the date of grant, and 25% vested or will vest on May 6, 2010, 2011, and 2012, respectively.	44,184
May 11, 2010	Fiscal Year 2010-2012 Performance Share Program	27,502 [2]	$28.44	Shares vest immediately upon award.	135,130 [3]
May 24, 2010	Annual Deferred Stock Award	180,340	$18.71	Of the shares granted, 25% vested on the date of grant, and 25% vested or will vest on May 24, 2011, 2012, and 2013, respectively.	106,965
May 24, 2010	One-Time, Special Deferred Stock Award in Recognition of Piedmont's Initial Public Offering	46,440	$18.71	Of the shares granted, 33.33% vested or will vest on May 24, 2011, 2012, and 2013, respectively.	34,912
April 5, 2011	Annual Deferred Stock Award	142,468	$19.40	Of the shares granted, 25% vested on the date of grant, and 25% will vest on April 5, 2012, 2013, and 2014, respectively.	114,780
April 5, 2011	Fiscal Year 2011-2013 Performance Share Program	—	$18.27	Shares vest immediately upon award.	75,232 [3]
Total					511,203

(1) Amounts reflect the total grant, net of shares surrendered upon vesting to satisfy required minimum tax withholding obligations through December 31, 2011.
(2) Represents shares granted at the end of the first interim performance period ended December 31, 2010.
(3) Estimated based on Piedmont's cumulative total stockholder return for the respective performance period relative to a predetermined peer group's cumulative total stockholder return for the respective performance period through December 31, 2011. Such estimates are subject to change in future periods based on both Piedmont's and its peers' stock performance and dividends paid.

During the years ended December 31, 2011, 2010, and 2009, Piedmont recognized approximately $6.5 million, $5.1 million and $3.6 million of compensation expense and directors' fees related to stock awards, respectively, of which $5.3 million, $3.7 million and $2.3 million, respectively, related to the non-vested shares. During the year ended December 31, 2011, 170,659 shares were issued to employees, directors and officers. As of December 31, 2011, approximately $4.0 million of unrecognized compensation cost related to non-vested, share-based compensation

remained, which Piedmont will record in its statements of income over a weighted-average vesting period of approximately one year.

15. Earnings Per Share

There are no adjustments to “Net income attributable to Piedmont” or “Income from continuing operations” for the diluted earnings per share computations.

Net income per share-basic is calculated as net income available to common stockholders divided by the weighted average number of common shares outstanding during the period. Net income per share-diluted is calculated as net income available to common stockholders divided by the diluted weighted average number of common shares outstanding during the period, including nonvested restricted stock. Diluted weighted average number of common shares is calculated to reflect the potential dilution under the treasury stock method that would occur as if the remaining unvested restricted stock awards has vested and resulted in additional common shares outstanding. The following table reconciles the denominator for the basic and diluted earnings per share computations shown on the consolidated statements of operations for the years ended December 2011, 2010, and 2009 (in thousands):

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	December 31, 2011	December 31, 2010	December 31, 2009
Weighted-average common shares—basic	172,765	170,753	158,419
Plus incremental weighted-average shares from time-vested conversions:			
Restricted stock awards	216	214	162
Weighted-average common shares—diluted	172,981	170,967	158,581

16. Operating Leases

Piedmont’s real estate assets are leased to tenants under operating leases for which the terms vary, including certain provisions to extend the lease term, options for early terminations subject to specified penalties, and other terms and conditions as negotiated. Piedmont retains substantially all of the risks and benefits of ownership of the real estate assets leased to tenants. Amounts required as security deposits vary depending upon the terms of the respective leases and the creditworthiness of the tenant, however, generally they are not significant. Therefore, exposure to credit risk is limited to the extent that the receivables exceed this amount. Security deposits related to tenant leases are included in accounts payable and accrued expenses in the accompanying consolidated balance sheets.

Piedmont’s wholly-owned and consolidated joint venture properties, excluding industrial properties, are located in 18 metropolitan areas. Based on annualized lease revenue as of December 31, 2011, approximately 22.4%, 21.6%, and 15.7% of these real estate assets are located in metropolitan Chicago, metropolitan Washington, D.C., and New York, respectively. Furthermore, approximately 13% of Piedmont's annualized lease revenue is generated from federal governmental agencies.

The future minimum rental income from Piedmont’s investment in real estate assets under non-cancelable operating leases, excluding industrial properties and unconsolidated joint ventures, as of December 31, 2011, is presented below (in thousands):

Years ending December 31:	
2012	$385,071
2013	372,971
2014	326,157
2015	311,957
2016	272,892
Thereafter	1,262,099
Total	$2,931,147

17. Discontinued Operations

Piedmont has classified the results of operations related to the following properties as discontinued operations (in thousands):

Building Sold	Location	Date of Sale	Gain/(Loss) on Sale	Net Sales Proceeds
111 Sylvan Avenue	Englewood Cliffs, New Jersey	December 8, 2010	$(817)	$51,637

Eastpointe Corporate Center	Issaquah, Washington	July 1, 2011	$12,152	$31,704
5000 Corporate Court	Holtsville, New York	August 31, 2011	$14,367	$36,100
35 West Wacker Drive [(1)]	Chicago, Illinois	December 15, 2011	$96,138	$223,981

(1) Piedmont sold its approximate 96.5% ownership in the property. Transaction data above is presented at Piedmont's ownership percentage.

Impairment Recognized on Sold Property

In 2010, Piedmont sold its office property known as the 111 Sylvan Avenue building, and accordingly the operational results of the property, including a $9.6 million impairment charge that resulted from adjusting the assets to fair value, are presented as discontinued operations in the accompanying 2010 statement of operations. The fair value measurement used in the evaluation of

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this non-financial asset was considered to be a Level 1 valuation within the fair value hierarchy as defined by GAAP, as there were direct observations and transactions involving the asset (i.e. the asset was sold to a third-party purchaser).

Income from Discontinued Operations

The details comprising income from discontinued operations are presented below (in thousands):

	Years Ended December 31,		
	2011	2010	2009
Revenues:			
Rental income	$30,839	$40,159	$39,909
Tenant reimbursements	18,566	20,348	22,323
Lease termination income	—	1,136	—
	49,405	61,643	62,232
Expenses:			
Property operating costs	20,064	21,798	24,280
Depreciation	4,912	7,215	8,606
Amortization of deferred leasing costs	5,099	6,910	10,941
General and administrative expenses	67	249	127
	30,142	36,172	43,954
Other income (expense):			
Interest expense	(5,931)	(6,274)	(6,279)
Interest and other income	1	3	43
Net income attributable to noncontrolling interest	(453)	(516)	(463)
	(6,383)	(6,787)	(6,699)
Operating income, excluding impairment loss and gain/(loss) on sale of real estate assets	12,880	18,684	11,579
Impairment loss	—	(9,587)	—
Gain/(loss) on sale of real estate assets	122,657	(817)	—
Income from discontinued operations	$135,537	$8,280	$11,579

18. Supplemental Disclosures of Noncash Activities

Significant noncash investing and financing activities for the years ended December 31, 2011, 2010, and 2009 (in thousands) are outlined below:

	2011	2010	2009
Accrued capital expenditures and deferred lease costs	$8,218	$8,047	$1,848
Change in accrued offering costs related to issuance of common stock	$227	$1,370	$—
Net assets assumed upon consolidation of variable interest entity, net of notes receivable previously recorded	$188,283	$—	$—
Liabilities assumed upon consolidation of variable interest entity	$191,814	$—	$—
Discounts applied to issuance of common stock	$—	$—	$(17,392)
Discounts reduced as result of redemptions of common stock	$—	$—	$20,684
Redeemable common stock	$—	$75,164	$37,763

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19. Income Taxes

Piedmont's income tax basis net income for the years ended December 31, 2011, 2010, and 2009, is calculated as follows (in thousands):

	2011	2010	2009
GAAP basis financial statement net income	$225,041	$120,379	$74,700
Increase (decrease) in net income resulting from:			
Depreciation and amortization expense for financial reporting purposes in excess of amounts for income tax purposes	47,346	29,892	43,172
Rental income accrued for income tax purposes less than amounts for financial reporting purposes	(9,380)	(528)	(624)
Net amortization of above/below-market lease intangibles for financial reporting purposes in excess of amounts for income tax purposes	(6,605)	(5,573)	(5,134)
Gain on disposal of property for financial reporting purposes in excess of amounts for income tax purposes	(66,410)	(9,254)	—
Taxable income of Piedmont Washington Properties, Inc., in excess of amount for financial reporting purposes	4,515	5,096	5,991
Other expenses for financial reporting purposes in excess of amounts for income tax purposes	(2,072)	9,570	44,077 (1)
Income tax basis net income, prior to dividends paid deduction	$192,435	$149,582	$162,182

(1) Includes approximately $35.1 million of recorded impairment loss on real estate assets for the year ended December 31, 2009.

For income tax purposes, dividends to common stockholders are characterized as ordinary income, capital gains, or as a return of a stockholder's invested capital. The composition of Piedmont's distributions per common share is presented below:

	2011	2010	2009
Ordinary income	61%	69%	81%
Capital gains	27%	—	—
Return of capital	12%	31%	19%
	100%	100%	100%

At December 31, 2011, the tax basis carrying value of Piedmont's total assets was approximately $4.3 billion.

Accrued interest and penalties related to uncertain tax positions are included in accounts payable, accrued expenses, and accrued capital expenditures in the accompanying consolidated balance sheets and represented approximately $6.7 million as of December 31, 2011 and 2010. Piedmont recorded no additional expense during the years ended December 31, 2011, 2010, and 2009, respectively, related to such positions. The tax years 2008 to 2011 remain open to examination by various federal and state taxing authorities.

20. Quarterly Results (unaudited)

A summary of the unaudited quarterly financial information for the years ended December 31, 2011 and 2010, is presented below (in thousands, except per-share data). The amounts presented may have been restated from previous period presentations due to reclassifications related to discontinued operations (see Note 17 for further detail).

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	2011			
	First	Second	Third	Fourth
Revenues	$132,570	$137,165	$134,414	$137,493
Real estate operating income	$41,267	$36,436	$37,397	$33,272
Discontinued operations	$2,755	$2,645	$29,475	$100,662
Net income attributable to Piedmont	$33,967	$21,027	$51,026	$119,021
Basic earnings per share	$0.20	$0.12	$0.30	$0.68
Diluted earnings per share	$0.20	$0.12	$0.29	$0.69
Dividends per share	$0.3150	$0.3150	$0.3150	$0.3150

	2010			
	First	Second	Third	Fourth
Revenues	$132,545	$131,147	$134,116	$135,232
Real estate operating income	$43,100	$40,538	$49,485	$39,358
Discontinued operations	$4,202	$(5,214)	$5,268	$4,024
Net income attributable to Piedmont	$31,460	$19,636	$40,584	$28,699
Basic earnings per share	$0.19	$0.11	$0.24	$0.17
Diluted earnings per share	$0.19	$0.11	$0.23	$0.17
Dividends per share	$0.3150	$0.3150	$0.3150	$0.3150

21. Subsequent events

Declaration of Dividend for the First Quarter 2012

On February 28, 2012, the board of directors of Piedmont declared dividends for the first quarter 2012 in the amount of $0.20 (20.00 cents) per share on its common stock to stockholders of record as of the close of business on March 9, 2012. Such dividends are to be paid on March 22, 2012.

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				Initial Cost				Gross Amount at Which Carried at December 31, 2011					
Description	Location	Ownership Percentage	Encumbrances	Land	Buildings and Improvements	Total	Costs Capitalized Subsequent to Acquisition	Land	Buildings and Improvements	Total	Accumulated Depreciation and Amortization	Date of Construction	Dat… Acq…
26200 ENTERPRISE WAY	Lake Forest, CA	100%	None	$4,577	$—	$4,577	10,419	$4,768	$10,227	$14,996	$3,507	2000	3/1…
3900 DALLAS PARKWAY	Plano, TX	100%	None	1,456	20,381	21,837	2,602	1,517	22,922	24,439	8,071	1999	12/…
RIVER CORPORATE CENTER	Tempe, AZ	100%	(a)	—	16,036	16,036	683	—	16,719	16,719	5,688	1998	3/2…
8700 SOUTH PRICE ROAD	Tempe, AZ	100%	(a)	—	13,272	13,272	550	—	13,822	13,822	4,577	2000	6/1…
1441 WEST LONG LAKE ROAD	Troy, MI	100%	None	2,160	16,776	18,936	(6,945)	1,202	10,789	11,991	6,246	1999	6/2…
1111 DURHAM AVENUE	South Plainfield, NJ	100%	None	9,653	20,495	30,148	(11,547)	3,728	14,873	18,601	7,462	1975	11/…
1430 ENCLAVE PARKWAY (b)	Houston, TX	100%	32,100	7,100	37,915	45,015	3,742	5,506	43,251	48,757	13,403	1994	12/…
CRESCENT RIDGE II	Minnetonka, MN	100%	None	7,700	45,154	52,854	7,523	8,021	52,356	60,377	17,716	2000	12/…
1200 CROWN COLONY DRIVE (c)	Quincy, MA	100%	20,200	11,042	40,666	51,708	148	11,042	40,814	51,856	11,956	1990	7/3…
5601 HIATUS ROAD	Tamarac, FL	100%	None	3,642	10,404	14,046	650	3,642	11,054	14,696	2,892	2001	12/…
WINDY POINT I	Schaumburg, IL	100%	23,400	4,537	31,847	36,384	1,838	4,537	33,685	38,222	9,123	1999	12/…
WINDY POINT II	Schaumburg, IL	100%	40,300	3,746	55,026	58,772	100	3,746	55,126	58,872	15,240	2001	12/…
SARASOTA COMMERCE CENTER II	Sarasota, FL	100%	None	1,767	20,533	22,300	2,001	2,203	22,098	24,301	6,345	1999	1/1…
11695 JOHNS CREEK PARKWAY	Johns Creek, GA	100%	None	2,080	13,572	15,652	1,636	2,081	15,207	17,288	4,065	2001	3/2…
3750 BROOKSIDE PARKWAY	Alpharetta, GA	100%	None	1,561	14,207	15,768	126	1,561	14,333	15,894	3,841	2001	4/1…

2001 NW 64th STREET	Ft. Lauderdale, FL	100%	(a)	—	7,17,172	447—	7,619	7,619	1,903	2001	4/18
90 CENTRAL STREET	Boxborough, MA	100%	None	3,642	29,33,9139	2,6,1642	32,115	35,757	8,726	2001	5/3/
DESERT CANYON 300	Phoenix, AZ	100%	None	2,602	24,26,935	302,602	24,637	27,239	6,307	2001	6/4/
6031 CONNECTION DRIVE	Irving, TX	100%	None	3,157	43,46,813	2,3,057	46,161	49,318	11,234	1999	8/1
6021 CONNECTION DRIVE	Irving, TX	100%	None	3,157	42,46,819	1,3,957	44,059	47,216	11,357	2000	8/1
6011 CONNECTION DRIVE	Irving, TX	100%	None	3,157	29,32,491	2,5,867	31,620	34,777	8,452	1999	8/1
BRAKER POINTE III (c)	Austin, TX	100%	16,500	6,098	34,40,590	1 6,099	34,492	40,591	8,701	2001	8/1
CHANDLER FORUM	Chandler, AZ	100%	None	2,632	—2,632	19,2,779	19,765	22,544	5,699	2003	9/1
2 GATEHALL DRIVE (c)	Parsippany, NJ	100%	42,700	9,054	96,105,776158,054		96,880	105,934	24,170	1985	9/2
350 SPECTRUM LOOP	Colorado Springs, CO	100%	None	2,185	24,26,449	(1,2,986)	23,069	25,255	5,749	2001	9/2

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5601 HEADQUARTERS DRIVE	Plano, TX	100 %	None	3,15324,60227,7545 3,15324,60167,7569,1322001		9/27/2002	0 to 40 years
TWO INDEPENDENCE SQUARE (c)	Washington, DC	100 %	105,800	52,71102,70255,451,82052,71108,52261,2530,0741991		11/22/2002	0 to 40 years
ONE INDEPENDENCE SQUARE (c)	Washington, DC	100 %	57,800	29,76104,81134,572,97030,56106,78137,3459,7911991		11/22/2002	0 to 40 years
2120 WEST END AVENUE (c)	Nashville, TN	100 %	26,800	4,90859,01613,919,6715,10665,4970,5915,9652000		11/26/2002	0 to 40 years
800 NORTH BRAND BOULEVARD	Glendale, CA	100 %	None	23,60136,28159,8878,94523,60143,82167,43434,7891990		12/20/2002	0 to 40 years
EASTPOINT I	Mayfield Heights, OH	100 %	None	1,48511,06412,549156 1,48511,22012,7052,6772000		1/9/2003	0 to 40 years
EASTPOINT II	Mayfield Heights, OH	100 %	None	1,2359,19910,4341,8361,23511,03512,2703,1022000		1/9/2003	0 to 40 years
150 WEST JEFFERSON	Detroit, MI	100 %	None	9,75988,36498,1233,9569,75992,320102,0729,8851989		3/31/2003	0 to 40 years
US BANCORP CENTER	Minneapolis, MN	100 %	105,000	11,138175,628186,7665,78511,138181,51192,65124,4412000		5/1/2003	0 to 40 years
AON CENTER	Chicago, IL	100 %	225,000	23,266472,488495,75553,85223,966565,646589,612126,4621972		5/9/2003	0 to 40 years
AUBURN HILLS CORPORATE CENTER	Auburn Hills, MI	100 %	None	1,97816,57018,548(8,159)1,5918,79810,3893,3792001		5/9/2003	0 to 40 years
11107 SUNSET HILLS ROAD	Reston, VA	100 %	None	2,71117,89220,6031,6652,71121,55524,2667,2281985		6/27/2003	0 to 40 years
11109 SUNSET HILLS ROAD	Reston, VA	100 %	None	1,2188,0389,256(2,338)1,2185,7006,9181,3341984		6/27/2003	0 to 40 years
9211 CORPORATE BOULEVARD	Rockville, MD	100 %	None	3,01921,98425,003(4,844)2,96017,19220,1593,7411989		7/30/2003	0 to 40 years
9221 CORPORATE BOULEVARD	Rockville, MD	100 %	None	3,01921,98425,003(4,822)2,96017,22120,1813,7491989		7/30/2003	0 to 40 years
GLENRIDGE HIGHLANDS TWO	Atlanta, GA	100 %	None	6,66269,03775,693(22,726)6,66246,30452,9666,7902000		8/1/2003	0 to 40 years

200 BRIDGEWATER CROSSING (c)	Bridgewater, NJ	100 %	40,200	8,188	84,160	92,348	(4,571)	8,328	79,449	87,777	11,348	2002	8/14/2003	0 to 40 years
1055 EAST COLORADO BOULEVARD	Pasadena, CA	100 %	29,200	6,495	30,265	36,760	(8,360)	6,495	21,905	28,400	4,857	2001	8/22/2003	0 to 40 years
FAIRWAY CENTER II (c)	Brea, CA	100 %	10,700	7,110	15,600	22,710	(2,988)	7,110	12,612	19,722	2,425	2002	8/29/2003	0 to 40 years
COPPER RIDGE CENTER	Lyndhurst, NJ	100 %	None	6,974	38,714	45,688	(6,388)	6,974	32,326	39,300	7,298	1989	9/5/2003	0 to 40 years
1901 MAIN STREET	Irvine, CA	100 %	None	6,246	36,455	42,701	(2,715)	6,246	33,740	39,986	10,002	2001	9/17/2003	0 to 40 years
RHEIN	Beaverton, OR	100 %	None	1,015	6,425	7,440	(580)	1,015	5,845	6,860	1,742	1988	10/9/2003	0 to 40 years
DESCHUTES	Beaverton, OR	100 %	None	1,072	6,361	7,433	(2,082)	1,072	4,279	5,351	902	1989	10/9/2003	0 to 40 years
WILLAMETTE	Beaverton, OR	100 %	None	1,085	6,211	7,296	(1,933)	1,085	4,278	5,363	895	1990	10/9/2003	0 to 40 years
ROGUE	Beaverton, OR	100 %	None	1,546	7,630	9,176	—	1,546	7,630	9,176	1,597	1998	10/9/2003	0 to 40 years
400 VIRGINIA AVE	Washington, DC	100 %	None	22,146	49,740	71,886	(2,135)	22,146	47,605	69,751	11,904	1985	11/19/2003	0 to 40 years
4250 NORTH FAIRFAX DRIVE	Arlington, VA	100 %	45,000	13,636	70,918	84,554	5,082	13,636	76,000	89,636	19,458	1998	11/19/2003	0 to 40 years
1225 EYE STREET (d)	Washington, DC	50 %	57,600	21,959	47,602	69,561	3,150	21,959	50,752	72,711	16,202	1986	11/19/2003	0 to 40 years
1201 EYE STREET (e)	Washington, DC	50 %	82,400	31,985	63,139	95,124	2,790	31,985	65,929	97,914	17,892	2001	11/19/2003	0 to 40 years

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1901 MARKET STREET	Philadelphia, PA	100%	None	13,584	166,683	180,267	137	20,829	159,575
60 BROAD STREET	New York, NY	100%	None	32,522	168,986	201,508	(5,694)	60,708	135,106
1414 MASSACHUSETTS AVENUE	Cambridge, MA	100%	None	4,210	35,821	40,031	1,988	4,365	37,654
ONE BRATTLE SQUARE	Cambridge, MA	100%	None	6,974	64,940	71,914	(3,924)	7,113	60,877
600 CORPORATE DRIVE	Lebanon, NJ	100%	None	3,934	—	3,934	16,281	3,934	16,281
1075 WEST ENTRANCE DRIVE	Auburn Hills, MI	100%	None	5,200	22,957	28,157	(313)	5,207	22,637
3100 CLARENDON BOULEVARD	Arlington, VA	100%	None	11,700	69,705	81,405	(5,341)	11,791	64,273
9200 CORPORATE BOULEVARD	Rockville, MD	100%	None	3,730	16,608	20,338	(1,624)	3,882	14,832
400 BRIDGEWATER CROSSING (c)	Bridgewater, NJ	100%	29,300	10,400	71,052	81,452	3,237	10,400	74,289
LAS COLINAS CORPORATE CENTER I (b)	Irving, TX	100%	17,500	3,912	18,830	22,742	(1,663)	2,543	18,536
LAS COLINAS CORPORATE CENTER II (b)	Irving, TX	100%	25,025	4,496	29,881	34,377	(6,073)	2,543	25,761
TWO PIERCE PLACE	Itasca, IL	100%	None	4,370	70,632	75,002	611	4,370	71,243
2300 CABOT DRIVE	Lisle, IL	100%	None	4,390	19,549	23,939	(2,849)	4,390	16,700
PIEDMONT POINTE I	Bethesda, MD	100%	None	11,200	58,606	69,806	5,527	11,200	64,133
PIEDMONT POINTE II	Bethesda, MD	100%	None	13,300	70,618	83,918	2,310	13,300	72,928
SUWANEE GATEWAY ONE	Suwanee, GA	100%	None	1,000	6,875	7,875	78	1,000	6,953
ONE MERIDIAN CROSSINGS	Richfield, MN	100%	None	2,919	24,398	27,317	(1)	2,919	24,397
TWO MERIDIAN CROSSINGS	Richfield, MN	100%	None	2,661	25,742	28,403	14	2,661	25,756
1200 ENCLAVE PARKWAY	Houston, TX	100%	None	3,460	15,047	18,507	66	3,460	15,113
500 W. MONROE	Chicago, IL	100%	140,000	36,990	185,113	222,103	50	36,990	185,163
THE DUPREE	Atlanta, GA	100%	None	4,080	14,310	18,390	71	4,080	14,381
THE MEDICI	Atlanta, GA	100%	None	1,780	11,510	13,290	194	1,780	11,704
225 PRESIDENTIAL WAY	Boston, MA	100%	None	3,626	36,916	40,542	(764)	3,612	36,166
235 PRESIDENTIAL WAY	Boston, MA	100%	None	4,154	44,048	48,202	(911)	4,138	43,153

400 TOWNPARK	Lake Mary, FL	100%	None	2,570	20,555	23,125	—	2,570	20,555
110 HIDDEN LAKE CIRCLE (g)	Duncan, SC	100%	None	1,002	15,709	16,711	1,276	1,002	16,985
112 HIDDEN LAKE CIRCLE (g)	Duncan, SC	100%	None	663	10,914	11,577	840	663	11,754
PIEDMONT POWER, LLC (h)	Bridgewater, NJ	100%	None	—	79	79	818	—	897
UNDEVELOPED LAND PARCELS (b)	Various	100%	None	6,021	427	6,448	2,523	8,944	27
Total—Consolidated REIT Properties				$610,637	$3,888,197	$4,498,834	$116,978	$640,196	$3,975,616

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				Initial Cost				Gross Amount at Whic December 31, 2011	
Description	Location	Ownership Percentage	Encumbrances	Land	Buildings and Improvements	Total	Costs Capitalized Subsequent to Acquisition	Land	Buildings and Improvemer
20/20	Leawood, KS	57%	None	1,696	7,851	9,547	(1,364)	1,767	6,416
4685 INVESTMENT DRIVE	Troy, MI	55%	None	2,144	9,984	12,128	2,902	2,233	12,797
5301 MARYLAND WAY	Brentwood, TN	55%	None	4,300	20,702	25,002	1,355	4,479	21,878
8560 UPLAND DRIVE	Parker, CO	72%	None	1,954	11,216	13,170	542	2,048	11,664
TWO PARK CENTER	Hoffman Estates, IL	72%	None	600	22,682	23,282	(3,065)	624	19,593
Total – Unconsolidated JV Properties				$10,694	$72,435	$83,129	$370	$11,151	$72,348
Total – All Properties				$621,331	$3,960,632	$4,581,963	$117,348	$651,347	$4,047,964

(a) Property is owned subject to a long-term ground lease.

(b) The acquisition of the property included excess, developable land, which has subsequently been reclassed into the asset class “Undeveloped Land Parcels”. Further, such Undeveloped Land Parcels are not included in Piedmont’s total building count.

(c) These properties collateralize the $350 Million Secured Pooled Facility with Morgan Stanley that accrues interest at 4.84% and matures in June 2014.

(d) Piedmont purchased all of the membership interest in 1225 Equity, LLC, which own a 49.5% membership interest in 1225 Eye Street, N.W. Associates, which owns the 1225 Eye Street building. As a result of its ownership of 1225 Equity, LLC, Piedmont owns an approximate 49.5% in the 1225 Eye Street building. As the controlling member, Piedmont is deemed to have control of the entities and, as such, consolidates the joint ventures.

(e) Piedmont purchased all of the membership interest in 1201 Equity, LLC, which own a 49.5% membership interest in 1201 Eye Street, N.W. Associates, which owns the 1201 Eye Street building. As a result of its ownership of 1201 Equity, LLC, Piedmont owns an approximate 49.5% in the 1201 Eye Street building. As the controlling member, Piedmont is deemed to have control of the entities and, as such, consolidates the joint ventures.

(f) Piedmont’s assets are depreciated or amortized using the straight-lined method over the useful lives of the assets by class. Generally, Tenant Improvements are amortized over the shorter of economic life or lease term, and Lease Intangibles are amortized over the lease term. Generally, Building Improvements are depreciated over 5 - 25 years, Land Improvements are depreciated over 20 - 25 years, and Buildings are depreciated over 40 years.

(g) Property is designated as an industrial property, and is not included in Piedmont’s total building count, which refers only to office properties.

(h) During 2011, Piedmont Office Holdings, Inc. through a wholly-owned subsidiary (Piedmont Power, LLC), commenced a project to install solar panels at the 400 Bridgewater Crossing building. Piedmont Power, LLC is not

included in Piedmont's total building count.

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	2011	2010	2009
Real Estate:			
Balance at the beginning of the year	$4,666,188	$4,681,313	$4,739,791
Additions to/improvements of real estate	440,141	105,282	30,610
Assets disposed	(361,397)	(72,586)	—
Assets impaired	—	(8,489)[2]	(38,379)[3]
Write-offs of intangible assets[1]	(35,916)	—	(2,340)
Write-offs of fully depreciated/amortized assets	(9,705)	(39,332)	(48,369)
Balance at the end of the year	$4,699,311	$4,666,188	$4,681,313
Accumulated Depreciation and Amortization:			
Balance at the beginning of the year	$918,578	$840,545	$748,778
Depreciation and amortization expense	147,440	131,000	140,136
Assets disposed	(84,681)	(13,519)	—
Write-offs of intangible assets[1]	(35,916)	—	—
Write-offs of fully depreciated/amortized assets	(9,705)	(39,448)	(48,369)
Balance at the end of the year	$935,716	$918,578	$840,545

(1) Consists of write-offs of intangible lease assets related to lease restructurings, amendments and terminations.

(2) Piedmont recorded an impairment charge against real estate assets of approximately $7.0 million related to the 111 Sylvan Avenue building at the time it was classified as held-for-sale in May 2010. This wholly-owned asset was subsequently sold in December 2010. In addition, the Fund IX, Fund XI, and REIT Joint Venture recorded an impairment loss on real estate assets of approximately $1.4 million during 2010 related to the 360 Interlocken building; however, Piedmont recorded its proporationate share of the charge (approximately $53,000) in the accompanying consolidated statements of income with other such net property operations as equity in income of unconsolidated joint ventures.

(3) Piedmont recorded impairment charges of approximately $35.1 million related to the following wholly-owned assets: 1) the Auburn Hills Corporate Center building, 2) the 1111 Durham Avenue building, and 3) the 1441 W. Long Lake Road building. In addition, the Wells/Fremont Joint Venture recorded an impairment loss on real estate assets of approximately $3.3 million during 2009 related to the 47300 Kato Road building (f/k/a 47320 Kato Road building); however, Piedmont recorded its proporationate share of the charge (approximately $2.6 million) in the accompanying consolidated statements of income with other such net property operations as equity in income of unconsolidated joint ventures.