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

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended June 30, 2015

OR

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

For the Transition Period From _________ To _________

Commission file number 001-34626

PIEDMONT OFFICE REALTY TRUST, INC.
(Exact name of registrant as specified in its charter)

Maryland	**58-2328421**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**

11695 Johns Creek Parkway
Ste. 350
Johns Creek, Georgia 30097
(Address of principal executive offices)
(Zip Code)

(770) 418-8800
(Registrant's telephone number, including area code)

N/A
(Former name, former address, and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

Large Accelerated filer ☒	Accelerated filer ☐
Non-Accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

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

Number of shares outstanding of the Registrant's
common stock, as of July 28, 2015:
151,314,018 shares

FORM 10-Q

PIEDMONT OFFICE REALTY TRUST, INC.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this Form 10-Q may constitute forward-looking statements within the meaning of the federal securities laws. In addition, Piedmont Office Realty Trust, Inc. ("Piedmont"), or its executive officers on Piedmont's behalf, may from time to time make forward-looking statements in reports and other documents Piedmont files with the Securities and Exchange Commission or in connection with other written or oral statements made to the press, potential investors, or others. Statements regarding future events and developments and Piedmont's future performance, as well as management's expectations, beliefs, plans, estimates, or projections relating to the future, are forward-looking statements within the meaning of these laws. Forward-looking statements include statements preceded by, followed by, or that include the words "may," "will," "expect," "intend," "anticipate," "estimate," "believe," "continue," or other similar words. Examples of such statements in this report include descriptions of our real estate, financings, and operating objectives; discussions regarding future dividends and share repurchases; and discussions regarding the potential impact of economic conditions on our real estate and lease portfolio.

These statements are based on beliefs and assumptions of Piedmont's management, which in turn are based on information available at the time the statements are made. Important assumptions relating to the forward-looking statements include, among others, assumptions regarding the demands for office space in the markets in which Piedmont operates, competitive conditions, and general economic conditions. These assumptions could prove inaccurate. The forward-looking statements also involve risks and uncertainties, which could cause actual results to differ materially from those contained in any forward-looking statement. Many of these factors are beyond Piedmont's ability to control or predict. Such factors include, but are not limited to, the following:

- Economic, regulatory, and/or socio-economic changes (including accounting standards) that impact the real estate market generally, or that could affect patterns of use of commercial office space, may cause our operating results to suffer and decrease the value of our real estate properties;
- The impact of competition on our efforts to renew existing leases or re-let space on terms similar to existing leases;
- Changes in the economies and other conditions affecting the office sector in general and the specific markets in which we operate, particularly in Chicago, Washington, D.C., and the New York metropolitan area, where we have high concentrations of office properties;
- Lease terminations or lease defaults, particularly by one of our large lead tenants;
- Adverse market and economic conditions may negatively affect us and could cause us to recognize impairment charges on both our long-lived assets or goodwill or otherwise impact our performance;
- The success of our real estate strategies and investment objectives, including our ability to identify and consummate suitable acquisitions;
- The illiquidity of real estate investments could significantly impede our ability to respond to adverse changes in the performance of our properties;
- Acquisitions of properties may have unknown risks and other liabilities at the time of acquisition;
- Development and construction delays and resultant increased costs and risks may negatively impact our operating results;
- Our real estate development strategies may not be successful;
- Future terrorist attacks in the major metropolitan areas in which we own properties could significantly impact the demand for, and value of, our properties;
- Costs of complying with governmental laws and regulations;
- Additional risks and costs associated with directly managing properties occupied by government tenants;
- Future offerings of debt or equity securities may adversely affect the market price of our common stock;
- Changes in market interest rates may have an effect on the value of our common stock;
- Uncertainties associated with environmental and other regulatory matters;
- Potential changes in political environment and reduction in federal and/or state funding of our governmental tenants;
- We may be subject to litigation, which could have a material adverse effect on our financial condition;
- Changes in tax laws impacting REITs and real estate in general, as well as Piedmont's ability to continue to qualify as a REIT under the Internal Revenue Code (the "Code"); and
- Other factors, including the risk factors discussed under Item 1A. of Piedmont's Annual Report on Form 10-K for the year ended December 31, 2014.

Management believes these forward-looking statements are reasonable; however, undue reliance should not be placed on any forward-looking statements, which are based on current expectations. Further, forward-looking statements speak only as of the date they are made, and management undertakes no obligation to update publicly any of them in light of new information or future events.

PART I. FINANCIAL STATEMENTS

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

The information presented in the accompanying consolidated balance sheets and related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows reflects all adjustments that are, in management's opinion, necessary for a fair and consistent presentation of financial position, results of operations, and cash flows in accordance with U.S. generally accepted accounting principles.

The accompanying financial statements should be read in conjunction with the notes to Piedmont's financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations included in this report on Form 10-Q and with Piedmont's Annual Report on Form 10-K for the year ended December 31, 2014. Piedmont's results of operations for the six months ended June 30, 2015 are not necessarily indicative of the operating results expected for the full year.

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

	(Unaudited) June 30, 2015	December 31, 2014
Assets:		
Real estate assets, at cost:		
Land	**$ 696,713**	$ 698,519
Buildings and improvements, less accumulated depreciation of $1,108,333 and $1,075,395 as of June 30, 2015 and December 31, 2014, respectively	**3,154,044**	3,196,660
Intangible lease assets, less accumulated amortization of $88,954 and $79,860 as of June 30, 2015 and December 31, 2014, respectively	**64,152**	70,177
Construction in progress	**64,804**	63,382
Real estate assets held for sale	**26,111**	46,354
Total real estate assets	**4,005,824**	4,075,092
Investments in and amounts due from unconsolidated joint ventures	**7,714**	7,798
Cash and cash equivalents	**8,997**	12,306
Tenant receivables, net of allowance for doubtful accounts of $110 and $231 as of June 30, 2015 and December 31, 2014, respectively	**25,474**	27,711
Notes receivable	**45,400**	—
Straight-line rent receivables	**171,241**	167,657
Restricted cash and escrows	**521**	5,679
Prepaid expenses and other assets	**32,791**	27,820
Goodwill	**180,097**	180,097
Interest rate swaps	**8,290**	430
Deferred financing costs, less accumulated amortization of $6,629 and $6,067 as of June 30, 2015 and December 31, 2014, respectively	**7,491**	7,667
Deferred lease costs, less accumulated amortization of $156,509 and $142,132 as of June 30, 2015 and December 31, 2014, respectively	**283,756**	278,461
Other assets held for sale	**3,706**	4,783
Total assets	**$ 4,781,302**	$ 4,795,501
Liabilities:		
Unsecured debt, net of discount of $7,462 and $5,456 as of June 30, 2015 and December 31, 2014, respectively	**$ 1,817,538**	$ 1,828,544
Secured debt, inclusive of premium of $2,305 and $3,258 as of June 30, 2015 and December 31, 2014, respectively	**502,757**	449,045
Accounts payable, accrued expenses, and accrued capital expenditures	**128,898**	133,988
Deferred income	**26,633**	22,215
Intangible lease liabilities, less accumulated amortization of $41,446 and $37,964 as of June 30, 2015 and December 31, 2014, respectively	**41,214**	43,277
Interest rate swaps	**8,411**	6,417
Total liabilities	**2,525,451**	2,483,486
Commitments and Contingencies	**—**	—
Stockholders' Equity:		
Shares-in-trust, 150,000,000 shares authorized; none outstanding as of June 30, 2015 or December 31, 2014	**—**	—
Preferred stock, no par value, 100,000,000 shares authorized; none outstanding as of June 30, 2015 or December 31, 2014	**—**	—
Common stock, $.01 par value, 750,000,000 shares authorized; 151,833,222 and 154,324,089 shares issued and outstanding as of June 30, 2015 and December 31, 2014, respectively	**1,518**	1,543
Additional paid-in capital	**3,668,378**	3,666,182
Cumulative distributions in excess of earnings	**(1,427,312)**	(1,365,620)
Other comprehensive income	**12,242**	8,301
Piedmont stockholders' equity	**2,254,826**	2,310,406
Noncontrolling interest	**1,025**	1,609
Total stockholders' equity	**2,255,851**	2,312,015
Total liabilities and stockholders' equity	**$ 4,781,302**	$ 4,795,501

See accompanying notes

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

	(Unaudited) Three Months Ended June 30, 2015	(Unaudited) Three Months Ended June 30, 2014	(Unaudited) Six Months Ended June 30, 2015	(Unaudited) Six Months Ended June 30, 2014
Revenues:				
Rental income	**$ 117,454**	$ 113,287	**$ 235,261**	$ 224,191
Tenant reimbursements	**28,813**	24,745	**60,203**	49,674
Property management fee revenue	**467**	548	**1,029**	1,035
	146,734	138,580	**296,493**	274,900
Expenses:				
Property operating costs	**61,479**	57,136	**125,715**	115,407
Depreciation	**36,039**	34,144	**72,271**	67,788
Amortization	**14,955**	13,599	**29,625**	28,172
Impairment loss on real estate asset	**5,354**	—	**5,354**	—
General and administrative	**8,083**	7,145	**14,490**	11,700
	125,910	112,024	**247,455**	223,067
Real estate operating income	**20,824**	26,556	**49,038**	51,833
Other income (expense):				
Interest expense	**(18,172)**	(18,012)	**(37,188)**	(36,938)
Other income/(expense)	**596**	(366)	**415**	(456)
Net recoveries from casualty events and litigation settlements	—	1,480	—	4,522
Equity in income/(loss) of unconsolidated joint ventures	**124**	(333)	**283**	(599)
	(17,452)	(17,231)	**(36,490)**	(33,471)
Income from continuing operations	**3,372**	9,325	**12,548**	18,362
Discontinued operations:				
Operating income/(loss)	**(3)**	514	**(3)**	980
Gain on sale of real estate assets	—	1,304	—	1,198
Income/(loss) from discontinued operations	**(3)**	1,818	**(3)**	2,178
Gain on sale of real estate assets	**26,611**	1,140	**36,684**	1,140
Net income	**29,980**	12,283	**49,229**	21,680
Less: Net income attributable to noncontrolling interest	**(4)**	(4)	**(8)**	(8)
Net income attributable to Piedmont	**$ 29,976**	$ 12,279	**$ 49,221**	$ 21,672
Per share information – basic and diluted:				
Income from continuing operations and gain on sale of real estate assets	**$ 0.20**	$ 0.07	**$ 0.32**	$ 0.13
Income from discontinued operations	—	0.01	—	0.01
Net income available to common stockholders	**$ 0.20**	$ 0.08	**$ 0.32**	$ 0.14
Weighted-average common shares outstanding – basic	**153,559,076**	154,318,592	**153,946,898**	154,582,519
Weighted-average common shares outstanding – diluted	**153,757,404**	154,444,508	**154,174,270**	154,727,805

See accompanying notes

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

	(Unaudited) Three Months Ended June 30,		(Unaudited) Six Months Ended June 30,	
	2015	**2014**	**2015**	**2014**
Net income attributable to Piedmont	**$ 29,976**	$ 12,279	**$ 49,221**	$21,672
Other comprehensive income/(loss):				
Effective portion of gain/(loss) on derivative instruments that are designated and qualify as cash flow hedges (See Note 5)	**16,079**	(3,617)	**874**	(13,502)
Plus: Reclassification of previously recorded loss included in net income (See Note 5)	**1,602**	1,159	**3,069**	2,328
Unrealized loss on investment in available for sale securities	**(2)**	—	**(2)**	—
Other comprehensive income/(loss)	**17,679**	(2,458)	**3,941**	(11,174)
Comprehensive income attributable to Piedmont	**$ 47,655**	$ 9,821	**$ 53,162**	$10,498

See accompanying notes

PIEDMONT OFFICE REALTY TRUST, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2014
AND FOR THE SIX MONTHS ENDED JUNE 30, 2015 (UNAUDITED)
(in thousands, except per share amounts)

	Common Stock		Additional Paid-In Capital	Cumulative Distributions in Excess of Earnings	Other Comprehensive Income/(Loss)	Non-controlling Interest	Total Stockholders' Equity
	Shares	Amount					
Balance, December 31, 2013	157,461	$ 1,575	$ 3,668,906	$ (1,231,209)	$ 20,278	$ 1,609	$ 2,461,159
Share repurchases as part of an announced plan	(3,190)	(32)	—	(52,764)	—	—	(52,796)
Retirement of shares returned from escrow	(85)	(1)	(1,478)	—	—	—	(1,479)
Redemption of noncontrolling interest in consolidated variable interest entity	—	—	(4,054)	—	—	—	(4,054)
Dividends to common stockholders ($0.81 per share), dividends to shareholders of subsidiary, and dividends reinvested	—	—	(188)	(124,995)	—	(15)	(125,198)
Shares issued and amortized under the 2007 Omnibus Incentive Plan, net of tax	138	1	2,996	—	—	—	2,997
Net income attributable to noncontrolling interest	—	—	—	—	—	15	15
Net income attributable to Piedmont	—	—	—	43,348	—	—	43,348
Other comprehensive income	—	—	—	—	(11,977)	—	(11,977)
Balance, December 31, 2014	**154,324**	**1,543**	**3,666,182**	**(1,365,620)**	**8,301**	**1,609**	**2,312,015**
Share repurchases as part of an announced plan	**(2,649)**	**(26)**	**—**	**(46,233)**	**—**	**—**	**(46,259)**
Offering costs	**—**	**—**	**(326)**	**—**	**—**	**—**	**(326)**
Redemption of noncontrolling interest in consolidated variable interest entity	**—**	**—**	**54**	**—**	**—**	**—**	**54**
Reallocation of noncontrolling interest of subsidiary	**—**	**—**	**1,128**	**—**	**—**	**(584)**	**544**
Dividends to common stockholders ($0.42 per share), dividends to shareholders of subsidiary, and dividends reinvested	**—**	**—**	**(140)**	**(64,680)**	**—**	**(8)**	**(64,828)**
Shares issued and amortized under the 2007 Omnibus Incentive Plan, net of tax	**158**	**1**	**1,480**	**—**	**—**	**—**	**1,481**
Net income attributable to noncontrolling interest	**—**	**—**	**—**	**—**	**—**	**8**	**8**
Net income attributable to Piedmont	**—**	**—**	**—**	**49,221**	**—**	**—**	**49,221**
Other comprehensive loss	**—**	**—**	**—**	**—**	**3,941**	**—**	**3,941**
Balance, June 30, 2015	**151,833**	**$ 1,518**	**$ 3,668,378**	**$ (1,427,312)**	**$ 12,242**	**$ 1,025**	**$ 2,255,851**

See accompanying notes

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

	(Unaudited) Six Months Ended June 30, 2015	2014
Cash Flows from Operating Activities:		
Net income	**$ 49,229**	$ 21,680
Operating distributions received from unconsolidated joint ventures	**368**	266
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	**72,271**	67,871
Amortization of deferred financing costs	**866**	1,047
Gain/(loss) on settlement of forward starting interest rate swaps	**(1,284)**	14,960
Other amortization	**29,890**	27,649
Impairment loss on real estate asset	**5,354**	—
Stock compensation expense	**2,417**	1,907
Equity in loss/(income) of unconsolidated joint ventures	**(283)**	599
Gain on sale of real estate assets	**(36,684)**	(2,338)
Retirement of shares returned from escrow	**—**	(1,479)
Changes in assets and liabilities:		
Increase in tenant and straight-line rent receivables, net	**(16,447)**	(14,236)
Increase in restricted cash and escrows	**(266)**	(117)
Increase in prepaid expenses and other assets	**(5,071)**	(7,062)
Decrease in accounts payable and accrued expenses	**(9,762)**	(1,396)
Increase/(decrease) in deferred income	**4,235**	(456)
Net cash provided by operating activities	**94,833**	108,895
Cash Flows from Investing Activities:		
Acquisition of real estate assets and related intangibles	**(45,185)**	(29,180)
Capitalized expenditures, net of accruals	**(62,587)**	(68,936)
Redemption of noncontrolling interest in unconsolidated variable interest entity	**(4,000)**	—
Net sales proceeds from wholly-owned properties	**87,925**	46,240
Net sales proceeds from unconsolidated joint ventures	**—**	6,017
Investments in unconsolidated joint ventures	**—**	(42)
Deferred lease costs paid	**(10,678)**	(11,370)
Net cash used in investing activities	**(34,525)**	(57,271)
Cash Flows from Financing Activities:		
Deferred financing costs paid	**(830)**	(1,016)
Proceeds from debt	**1,054,857**	846,564
Repayments of debt	**(1,012,576)**	(779,070)
Costs of issuance of common stock	**(326)**	—
Repurchases of common stock as part of announced plan	**(39,914)**	(54,685)
Dividends paid and discount on dividend reinvestments	**(64,828)**	(61,827)
Net cash used in financing activities	**(63,617)**	(50,034)
Net (decrease)/increase in cash and cash equivalents	**(3,309)**	1,590
Cash and cash equivalents, beginning of period	**12,306**	6,973
Cash and cash equivalents, end of period	**$ 8,997**	$ 8,563
Supplemental Disclosures of Significant Noncash Investing and Financing Activities:		
Change in accrued share repurchases as part of an announced plan	**$ 6,345**	$ (2,005)
Accrued capital expenditures and deferred lease costs	**$ 15,930**	$ 13,010
Accrued deferred financing costs	**$ 75**	$ 5

See accompanying notes

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

JUNE 30, 2015
(unaudited)

1. Organization

Piedmont Office Realty Trust, Inc. ("Piedmont") (NYSE: PDM) is a Maryland corporation that operates in a manner so as to qualify as a real estate investment trust ("REIT") for federal income tax purposes and engages in the acquisition, development, management, 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 in 1998. Piedmont conducts business primarily through Piedmont Operating Partnership, L.P. ("Piedmont OP"), a Delaware limited partnership, as well as performing the management of its buildings through two wholly-owned subsidiaries, Piedmont Government Services, LLC and Piedmont Office Management, LLC. Piedmont owns 99.9% of, and is the sole general partner of, Piedmont OP and as such, possesses full legal control and authority over the operations of Piedmont OP. The remaining 0.1% ownership interest of Piedmont OP is held indirectly by Piedmont through its wholly-owned subsidiary, Piedmont Office Holdings, Inc. ("POH"), the sole limited partner 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 June 30, 2015, Piedmont owned 71 office properties, one redevelopment asset, one office property under development, and one office building through an unconsolidated joint venture. Piedmont's 71 consolidated office properties comprise 21.0 million square feet of primarily Class A commercial office space, and were 88.8% leased as of June 30, 2015. As of June 30, 2015, approximately 90% of Piedmont's Annualized Lease Revenue was generated from select office sub-markets in the following cities: Atlanta, Boston, Chicago, Dallas, Houston, Los Angeles, Minneapolis, New York, and Washington, D.C.

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

2. Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The consolidated financial statements of Piedmont have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (the "SEC"), including the instructions to Form 10-Q and Article 10 of Regulation S-X, and do not include all of the information and footnotes required by U.S. generally accepted accounting principles ("GAAP") for complete financial statements. In the opinion of management, the statements for the unaudited interim periods presented include all adjustments, which are of a normal and recurring nature, necessary for a fair presentation of the results for such periods. Results for these interim periods are not necessarily indicative of a full year's results.

Piedmont's consolidated financial statements include the accounts of Piedmont, Piedmont's wholly-owned subsidiaries, any variable interest entity ("VIE") of which Piedmont or any of its wholly-owned subsidiaries is considered to have the power to direct the activities of the entity and the obligation to absorb losses/right to receive benefits, or any entity in which Piedmont or any of its wholly-owned subsidiaries owns a controlling interest. In determining whether Piedmont or Piedmont OP has a controlling interest, the following factors, among others, are considered: equity ownership, voting rights, protective rights of investors, and participatory rights of investors. For further information, refer to the financial statements and footnotes included in Piedmont's Annual Report on Form 10-K for the year ended December 31, 2014.

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.

Income Taxes

Piedmont has elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended (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. Piedmont is subject to certain taxes related to the operations of properties in certain locations, as well as operations conducted by its taxable REIT subsidiary, POH, which have been provided for in the financial statements.

Recent Accounting Pronouncements

The Financial Accounting Standards Board (the "FASB") has issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASU 2014-09"). The amendments in ASU 2014-09 change the criteria for the recognition of revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services using a five-step determination process. Steps 1 through 5 involve (i) identifying contracts with a customer, (ii) identifying the performance obligations in the contract, (iii) determining the transaction price, (iv) allocating the transaction price to the performance obligations, and (v) recognizing revenue as an entity satisfies a performance obligation. Additionally, lease contracts are specifically excluded from ASU 2014-09. The amendments in ASU 2014-09 are effective in the first quarter of 2018 for Piedmont, and Piedmont is currently evaluating the potential impact, if any, of adoption.

The FASB has issued Accounting Standards Update No. 2015-02, *Consolidation (Topic 810), Amendments to the Consolidation Analysis* ("ASU 2015-02"). The amendments in ASU 2015-02 modify the consolidation analysis of certain types of entities. Specifically, ASU 2015-02 changes the assessment criteria of whether limited partnerships are VIEs, eliminates the presumption that general partners should consolidate a limited partner, eliminates certain conditions from the evaluation of whether a fee paid to a decision maker constitutes a VIE, and changes the evaluation regarding the impact of related parties in the primary beneficiary determination of a VIE. The amendments in ASU 2015-02 are effective in the first quarter of 2016 for Piedmont, and Piedmont is currently evaluating the potential impact, if any, of adoption.

The FASB has issued Accounting Standards Update No. 2015-03, *Interest - Imputation of Interest (Subtopic 835-30), Simplifying the Presentation of Debt Issuance Costs* ("ASU 2015-03"). The amendments in ASU 2015-03 require debt issuance costs to be presented in the balance sheet as a reduction to the underlying debt instrument, as opposed to a separate asset. The amendments do not change the method by which such costs are amortized against earnings, nor do they change their classification in the consolidated statements of income, as a component of interest expense. The amendments in ASU 2015-03 are effective in the first quarter of 2016 for Piedmont, and Piedmont is currently evaluating the potential impact of adoption.

3. Acquisitions

During the six months ended June 30, 2015, Piedmont acquired 100% ownership of the following property and land parcel using proceeds from the $500 Million Unsecured Line of Credit, proceeds from the sales of the 3900 Dallas Parkway and 5601 Headquarters Drive buildings in Plano, Texas (see Note 9), and cash on hand, as noted below:

Property	Metropolitan Statistical Area	Date of Acquisition	Rentable Square Feet	Percentage Leased as of Acquisition	Purchase Price (in millions)
Park Place on Turtle Creek	Dallas, TX	January 16, 2015	177,844	88%	$ 46.6

Land Parcel	Metropolitan Statistical Area	Date of Acquisition	Acreage	Contractual Purchase Price (in millions)
Two Pierce Land Parcel	Chicago, IL	June 2, 2015	4.73	$ 3.7

4. Debt

During the six months ended June 30, 2015, Piedmont replaced its existing $500 Million Unsecured Line of Credit with a new $500 million line of credit facility (the "$500 Million Unsecured 2015 Line of Credit"). The existing $500 Million Unsecured Line of Credit was scheduled to expire on August 19, 2016, and was terminated concurrently with the closing of the new facility. The term of the new $500 Million Unsecured 2015 Line of Credit is four years with a maturity date of June 18, 2019, and Piedmont may extend the term for up to one additional year (through two available six-month extensions) provided Piedmont is not then in default and upon payment of extension fees. Additionally, under certain terms of the agreement, Piedmont may increase the new facility by up to an additional $500 million, to an aggregate size of $1.0 billion, provided that no existing bank has any obligation to participate in such increase. In addition, the new facility agreement has a swing line sub-facility of up to $50 million. Piedmont paid customary arrangement and upfront fees to the lenders in connection with the closing of the new facility.

The $500 Million Unsecured 2015 Line of Credit 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 0.5%, or LIBOR for a one-month period plus one percent, (ii) the greater of the credit rating for Piedmont or Piedmont OP, and (iii) for LIBOR loans, an interest period selected by Piedmont of one, two (if available), three, or six months, or to the extent available from all lenders in each case, one year or periods of less than one month. The stated interest rate spread over LIBOR can vary from 0.875% to 1.55% based upon the greater of the then current credit rating of Piedmont or Piedmont OP. As of June 30, 2015, the stated interest rate spread over LIBOR on the $500 Million Unsecured 2015 Line of Credit is 1.00%, down from 1.175% on the prior line of credit.

Under the $500 Million Unsecured 2015 Line of Credit, Piedmont is subject to certain financial covenants that require, among other things, the maintenance of an unencumbered interest coverage ratio of at least 1.75, an unencumbered leverage ratio of at least 1.60, a fixed charge coverage ratio of at least 1.50, a leverage ratio of no more than 0.60, and a secured debt ratio of no more than 0.40. As of June 30, 2015, Piedmont believes it was in compliance with all financial covenants associated with its debt instruments.

Additionally, during the six months ended June 30, 2015, Piedmont entered into a $160 million note payable secured by a mortgage against its 1901 Market Street building located in Philadelphia, PA (the " $160 Million Fixed-Rate Loan"). The $160 Million Fixed-Rate Loan replaced the $105 Million Fixed-Rate Loan secured by the US Bancorp Center, which was paid in full in April 2015, and the remaining proceeds were used to pay down outstanding borrowings on the $500 Million Unsecured 2015 Line of Credit. The $160 Million Fixed-Rate Loan bears interest at 3.48% per year and matures on July 5, 2022. Piedmont may prepay the outstanding principal balance, in whole or in part, with 30 days written notice, subject to a prepayment penalty in certain circumstances. There is no penalty for prepaying within 90 days of the maturity date.

Finally, during the six months ended June 30, 2015, Piedmont entered into a $170 million unsecured term loan facility (the “$170 Million Unsecured 2015 Term Loan”) with a consortium of lenders. The term of the $170 Million Unsecured 2015 Term Loan is approximately three years with a maturity date of May 15, 2018; however, Piedmont may prepay the $170 Million Unsecured 2015 Term Loan, in whole or in part, at any time without premium or penalty. The stated interest rate spread over LIBOR can vary from 0.9% to 1.75% based upon the then current credit rating of Piedmont. As of June 30, 2015, the stated interest rate spread on the $170 Million Unsecured 2015 Term Loan was 1.125%. The proceeds of the $170 Million Unsecured 2015 Term Loan were used to pay off the principal maturing on the $50 Million Unsecured Term Loan, and the remaining net proceeds were used to pay down draws then outstanding under the $500 Million Unsecured Line of Credit (which was subsequently replaced with the $500 Million Unsecured 2015 Line of Credit).

During the six months ended June 30, 2015, Piedmont incurred additional working capital borrowings on its $500 Million Unsecured Line of Credit (which was subsequently replaced with the $500 Million Unsecured 2015 Line of Credit) of $257.0 million and, utilizing a portion of the proceeds of the $170 Million Unsecured 2015 Term Loan and the $160 Million Fixed-Rate Loan described above, as well as other cash on hand, made repayments totaling $386.0 million on its line of credit facility.

Piedmont also made interest payments on all debt facilities, including interest rate swap cash settlements, of approximately $18.3 million and $16.7 million for the three months ended June 30, 2015 and 2014, respectively, and approximately $38.7 million and $33.2 million for the six months ended June 30, 2015 and 2014, respectively. Piedmont capitalized interest of approximately $0.9 million and $0.5 million for the three months ended June 30, 2015 and 2014, respectively, and approximately $1.7 million and $0.8 million for the six months ended June 30, 2015 and 2014, respectively.

The following table summarizes the terms of Piedmont's indebtedness outstanding as of June 30, 2015 and December 31, 2014 (in thousands):

				Amount Outstanding as of	
Facility	**Collateral**	**Stated Rate[1]**	**Maturity**	**June 30, 2015**	**December 31, 2014**
Secured (Fixed)					
$105 Million Fixed-Rate Loan	US Bancorp Center	5.29%	5/11/2015	**$ —**	$ 105,000
$125 Million Fixed-Rate Loan	Four Property Collateralized Pool [2]	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 Million WDC Fixed-Rate Loans	1201 & 1225 Eye Street	5.76%	11/1/2017	**140,000**	140,000
$35 Million Fixed-Rate Loan	5 Wall Street	5.55% [3]	9/1/2021	**35,943**	36,520
$160 Million Fixed-Rate Loan	1901 Market Street	3.48% [4]	7/5/2022	**159,289**	—
Subtotal/Weighted Average [5]		4.95%		**502,757**	449,045
Unsecured (Variable and Fixed)					
$300 Million Unsecured 2011 Term Loan		LIBOR + 1.15% [6]	1/15/2020	**299,048**	298,944
$500 Million Unsecured Line of Credit		LIBOR + 1.175%	8/19/2016	**—**	434,000
$500 Million Unsecured 2015 Line of Credit		LIBOR + 1.00% [7]	6/18/2019 [8]	**303,020**	—
$350 Million Unsecured Senior Notes		3.40% [9]	6/1/2023	**348,862**	348,800
$300 Million Unsecured 2013 Term Loan		LIBOR + 1.20% [10]	1/31/2019	**300,000**	300,000
$400 Million Unsecured Senior Notes		4.45% [11]	3/15/2024	**396,997**	396,832
$50 Million Unsecured Term Loan		LIBOR + 1.15%	4/1/2015	**—**	49,968
$170 Million Unsecured 2015 Term Loan		LIBOR + 1.125% [12]	5/15/2018	**169,611**	—
Subtotal/Weighted Average [5]		2.80%		**1,817,538**	1,828,544
Total/ Weighted Average [5]		3.26%		**$ 2,320,295**	$ 2,277,589

(1) Other than the $35 Million Fixed-Rate Loan, all of Piedmont's outstanding debt as of June 30, 2015 and December 31, 2014 is interest-only.

(2) Property collateralized pool includes 1430 Enclave Parkway in Houston, Texas, Windy Point I and II in Schaumburg, Illinois, and 1055 East Colorado Boulevard in Pasadena, California.

(3) The $35 Million Fixed-Rate Loan has a contractual fixed rate of 5.55% ; however, the amortization of the premium recorded in order to adjust the note to its estimated fair value, results in an effective interest rate of 3.75%.

(4) The $160 Million Fixed-Rate Loan has a fixed coupon rate of 3.48%, however, after consideration of the impact of settled interest rate swap agreements, the effective interest rate on this debt is 3.58%.

(5) Weighted average is based on contractual balance of outstanding debt and interest rates in the table as of June 30, 2015.

(6) The $300 Million Unsecured 2011 Term Loan has a stated variable rate; however, Piedmont has entered into interest rate swap agreements which effectively fix, exclusive of changes to Piedmont's credit rating, the rate on this facility to 2.39% through the original maturity date of November 22, 2016 and 3.35% from November 22, 2016 to January 15, 2020.

(7) 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 (1.00% as of June 30, 2015) over the selected rate based on Piedmont's current credit rating. The outstanding balance as of June 30, 2015 consisted of 30-day LIBOR draws at a rate of 0.19% (subject to the additional spread mentioned above).

(8) Piedmont may extend the term for up to one additional year (through two available six month extensions to a final extended maturity date of June 18, 2020) provided Piedmont is not then in default and upon payment of extension fees.

(9) The $350 Million Senior Notes have a fixed coupon rate of 3.40%, however, as a result of the issuance of the notes at a discount, Piedmont recognizes an effective interest rate on this debt issuance of 3.45%. After consideration of the impact of settled interest rate swap agreements, in addition to the issuance discount, the effective interest rate on this debt is 3.43%.

(10) The $300 Million Unsecured 2013 Term Loan has a stated variable rate; however, Piedmont entered into interest rate swap agreements which effectively fix, absent any changes to Piedmont's credit rating, the rate on this facility to 2.78% .

(11) The $400 Million Senior Notes have a fixed coupon rate of 4.45%, however, as a result of the issuance of the notes at a discount, Piedmont recognizes an effective interest rate on this debt issuance of 4.48%. After consideration of the impact of settled interest rate swap agreements, in addition to the issuance discount, the effective interest rate on this debt is 4.10%.

(12) On a periodic basis, Piedmont may select from multiple interest rate options, including the prime rate and various-length LIBOR locks. All LIBOR selections are subject to an additional spread (1.125% as of June 30, 2015) over the selected rate based on Piedmont's current credit rating. The principal balance as of June 30, 2015 consisted of the 30-day LIBOR rate of 0.19% (subject to the additional spread mentioned above).

5. Derivative Instruments

Risk Management Objective of Using Derivatives

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

Cash Flow Hedges of Interest Rate Risk

Interest rate swaps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty in exchange for Piedmont making fixed-rate payments over the life of the agreements without changing the underlying notional amount. As of June 30, 2015, Piedmont was party to various forward starting interest rate swap agreements which fully hedge the variable cash flows associated with all of its outstanding unsecured, variable-rate debt, other than the $500 Million 2015 Line of Credit and the $170 Million Unsecured 2015 Term Loan. During the three months ended June 30, 2015, Piedmont settled various forward starting swaps with a total notional value of $250 million in conjunction with the issuance of the $160 Million Fixed-Rate Loan (see Note 4) for a net loss totaling $1.3 million, of which approximately $0.1 million was expensed immediately upon termination. The remaining loss was recorded as accumulated other comprehensive income and is being amortized as an increase to interest expense over the seven-year term of the $160 Million Fixed-Rate Loan. Additionally, as of June 30, 2015, Piedmont held $250 million of forward starting interest rate swaps to hedge its exposure to the variability in future cash flows associated with potential future debt issuances in 2016. The maximum length of time over which Piedmont is hedging its exposure to the variability in future cash flows for forecasted transactions is 128 months.

The detail of Piedmont's interest rate derivatives outstanding as of June 30, 2015 is as follows:

Interest Rate Derivatives:	Number of Swap Agreements	Associated Debt Instrument	Total Notional Amount (in millions)		Effective Date	Maturity Date
Interest rate swaps	4	$300 Million Unsecured 2011 Term Loan	$	300	11/22/2011	11/22/2016
Interest rate swaps	4	$300 Million Unsecured 2013 Term Loan		200	1/30/2014	1/31/2019
Interest rate swaps	2	$300 Million Unsecured 2013 Term Loan		100	8/29/2014	1/31/2019
Forward starting interest rate swaps	3	$300 Million Unsecured 2011 Term Loan		300	11/22/2016	1/15/2020
Forward starting interest rate swaps	4	Potential Future Issuance		250	2/25/2016	2/25/2026
Total			$	1,150		

Piedmont presents its interest rate derivatives on its consolidated balance sheets on a gross basis as interest rate swap assets and interest rate swap liabilities. The detail of Piedmont's interest rate derivatives on a gross and net basis as of June 30, 2015 and December 31, 2014, respectively, is as follows (in thousands):

Interest rate swaps classified as:		June 30, 2015		December 31, 2014
Gross derivative assets	**$**	**8,290**	$	430
Gross derivative liabilities		**(8,411)**		(6,417)
Net derivative liability	**$**	**(121)**	$	(5,987)

All of Piedmont's interest rate derivative agreements outstanding for the periods presented were designated as cash flow hedges of interest rate risk. As such, the effective portion of changes in the estimated fair value of these derivatives is recorded in other comprehensive income ("OCI") and is reclassified into earnings as interest expense in the period that the hedged forecasted transaction affects earnings. In addition, in conjunction with the issuance of various unsecured senior notes during the years ended December 31, 2014 and 2013, as well as the issuance of the $160 Million Fixed-Rate Loan mentioned above, Piedmont settled various forward starting swap agreements for gains/losses which were recorded as accumulated other comprehensive income during the respective period and are being amortized as an offset to interest expense over the term of the respective notes on a straight line basis (which approximates the effective interest method). Piedmont classifies cash flows from the settlement of hedging derivative instruments in the same category as the underlying exposure which is being hedged. As the settlements were the result of hedging Piedmont's exposure to interest rate changes and their effect on interest expense, they are classified as operating cash flows in the accompanying consolidated statements of cash flows.

The effective portion of Piedmont's interest rate derivatives, including the gain/(loss) on settlement of forward swaps described above, and other gains/(losses) associated with the swap that were recorded in the accompanying consolidated statements of income for the three and six months ended June 30, 2015 and 2014, respectively, was as follows:

Derivative in Cash Flow Hedging Relationships (Interest Rate Swaps) (in thousands)	Three Months Ended				Six Months Ended			
		June 30, 2015		June 30, 2014		June 30, 2015		June 30, 2014
Amount of gain/(loss) recognized in OCI on derivative	**$**	**16,079**	$	(3,617)	**$**	**874**	$	(13,502)
Amount of previously recorded loss reclassified from accumulated OCI into interest expense	**$**	**1,602**	$	1,159	**$**	**3,069**	$	2,328

Piedmont estimates that approximately $4.4 million will be reclassified from accumulated other comprehensive loss to interest expense over the next twelve months. Approximately $0.1 million and $0 of loss was recognized related to hedge ineffectiveness and terminations of Piedmont's cash flow hedges during the three and six months ended June 30, 2015 or 2014, respectively.

See Note 7 for fair value disclosures of Piedmont's derivative instruments.

Credit-risk-related Contingent Features

Piedmont has agreements with its derivative counterparties that contain a provision whereby if Piedmont defaults on any of its indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender, then Piedmont could also be declared in default on its derivative obligations. If Piedmont were to breach any of the contractual provisions of the derivative contracts, it would be required to settle its obligations under the agreements at their termination value of the estimated fair values plus accrued interest, or approximately $8.7 million as of June 30, 2015. Additionally, Piedmont has rights of set-off under certain of its derivative agreements related to potential termination fees and amounts payable under the agreements, if a termination were to occur.

6. 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 must consolidate the VIE.

During the six months ended June 30, 2015, Piedmont paid $4.0 million to settle the redemption option associated with an equity participation in Medici Atlanta, LLC, eliminating any ongoing third party interest.

A summary of Piedmont's interests in and consolidation treatment of its outstanding VIEs as of June 30, 2015 and their related carrying values as of December 31, 2014 is as follows (net carrying amount in millions):

Entity	Piedmont's % Ownership of Entity	Related Building	Consolidated/ Unconsolidated	Net Carrying Amount as of June 30, 2015	Net Carrying Amount as of December 31, 2014	Primary Beneficiary Considerations
1201 Eye Street NW Associates, LLC	49.5%	1201 Eye Street	Consolidated	**$ (3.4)**	$ (2.8)	In accordance with the partnership's governing documents, Piedmont is entitled to 100% of the cash flow of the entity until certain financial returns are achieved 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	**$ 1.1**	$ (1.1)	In accordance with the partnership's governing documents, Piedmont is entitled to 100% of the cash flow of the entity until certain financial returns are achieved and has sole discretion in directing the management and leasing activities of the building.
Piedmont 500 W. Monroe Fee, LLC	100%	500 W. Monroe	Consolidated	**$ 243.6**	$ 245.3	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.
Piedmont TownPark Land, LLC	100%	Land Parcel Adjacent to 400 TownPark building	Consolidated	**$ 8.0**	$ 7.9	The equity participation and service fee agreement includes equity participation rights for the third party manager if certain defined events occur and 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 events occur and returns are achieved.

Each of the VIEs described above has the sole purpose of holding land and office buildings and their resulting operations, and are classified in the accompanying consolidated balance sheets in the same manner as Piedmont's wholly-owned properties.

7. Fair Value Measurement of Financial Instruments

Piedmont considers its cash, tenant receivables, restricted cash and escrows, accounts payable and accrued expenses, interest rate swap agreements, and debt to meet the definition of financial instruments. The following table sets forth the carrying and estimated fair value for each of Piedmont's financial instruments, as well as its level within the GAAP fair value hierarchy, as of June 30, 2015 and December 31, 2014, respectively (in thousands):

	June 30, 2015			December 31, 2014		
Financial Instrument	Carrying Value	Estimated Fair Value	Level Within Fair Value Hierarchy	Carrying Value	Estimated Fair Value	Level Within Fair Value Hierarchy
Assets:						
Cash and cash equivalents[1]	**$ 8,997**	**$ 8,997**	**Level 1**	$ 12,306	$ 12,306	Level 1
Tenant receivables, net[1]	**$ 25,474**	**$ 25,474**	**Level 1**	$ 27,711	$ 27,711	Level 1
Notes receivable [1]	**$ 45,400**	**$ 45,400**	**Level 1**	$ —	$ —	Level 1
Restricted cash and escrows[1]	**$ 521**	**$ 521**	**Level 1**	$ 5,679	$ 5,679	Level 1
Interest rate swap asset	**$ 8,290**	**$ 8,290**	**Level 2**	$ 430	$ 430	Level 2
Liabilities:						
Accounts payable and accrued expenses[1]	**$ 18,814**	**$ 18,814**	**Level 1**	$ 14,395	$ 14,395	Level 1
Interest rate swap liability	**$ 8,411**	**$ 8,411**	**Level 2**	$ 6,417	$ 6,417	Level 2
Debt	**$ 2,320,295**	**$ 2,332,695**	**Level 2**	$ 2,277,589	$ 2,314,020	Level 2

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

Piedmont's debt was carried at book value as of June 30, 2015 and December 31, 2014; however, Piedmont's estimate of its fair value is disclosed in the table above. Piedmont uses widely accepted valuation techniques including discounted cash flow analysis based on the contractual terms of the debt facilities, including the period to maturity of each instrument, and uses observable market-based inputs for similar debt facilities which have transacted recently in the market. Therefore, the estimated fair values determined are considered to be based on significant other observable inputs (Level 2). Scaling adjustments are made to these inputs to make them applicable to the remaining life of Piedmont's outstanding debt. Piedmont has not changed its valuation technique for estimating the fair value of its debt.

Piedmont's interest rate swap and forward starting interest rate swap agreements presented above, and further discussed in Note 5, are classified as "Interest rate swap" assets and liabilities in the accompanying consolidated balance sheets and were carried at estimated fair value as of June 30, 2015 and December 31, 2014. The valuation of these derivative instruments was determined using widely accepted valuation techniques including discounted cash flow analysis based on the contractual terms of the derivatives, including the period to maturity of each instrument, and uses observable market-based inputs, including interest rate curves and implied volatilities. Therefore, the estimated fair values determined are considered to be based on significant other observable inputs (Level 2). In addition, Piedmont considered both its own and the respective counterparties' risk of nonperformance in determining the estimated fair value of its derivative financial instruments by estimating the current and potential future exposure under the derivative financial instruments that both Piedmont and the counterparties were at risk for as of the valuation date. The credit risk of Piedmont and its counterparties was factored into the calculation of the estimated fair value of the interest rate swaps; however, as of June 30, 2015 and December 31, 2014, this credit valuation adjustment did not comprise a material portion of the estimated fair value. Therefore, Piedmont believes that any unobservable inputs used to determine the estimated fair values of its derivative financial instruments are not significant to the fair value measurements in their entirety, and does not consider any of its derivative financial instruments to be Level 3 assets or liabilities.

8. 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. Further, Piedmont classifies such tenant and building improvements into two categories: (i) improvements which incrementally enhance the building's asset value by expanding its revenue generating capacity ("incremental capital expenditures") and (ii) improvements which maintain the building's existing asset value and its revenue generating capacity ("non-incremental capital expenditures"). As of June 30, 2015, commitments for funding potential non-incremental capital expenditures over the next five years for tenant improvements totaled approximately $49.1 million related to Piedmont's existing lease portfolio over the respective lease terms, the majority of which Piedmont estimates may be required to be funded over the next three years based on when the underlying leases commence. 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.

Additionally, as of June 30, 2015, commitments for incremental capital expenditures for tenant improvements associated with new and existing leases totaled approximately $26.6 million.

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 reductions in reimbursement revenues related to such tenant audits/disputes of approximately $0.1 million and $0.3 million during the three months ended June 30, 2015 and 2014, respectively, and approximately $0.1 million and $0.6 million during the six months ended June 30, 2015 and 2014, respectively.

Letters of Credit

As of June 30, 2015, Piedmont was subject to a letter of credit of approximately $0.4 million, which reduces the total outstanding capacity under its $500 Million 2015 Unsecured Line of Credit. This letter of credit agreement is scheduled to expire in December 2015.

9. Property Dispositions, Assets Held for Sale, and Discontinued Operations

Property Dispositions

Since April 1, 2014, we have sold six properties which did not meet the criteria to be reported as discontinued operations. The operational results for these properties for periods prior to their sale date are presented as continuing operations in the accompanying consolidated statements of income, and the gain on sale is presented separately on the face of the income statement unless otherwise indicated below. Details of such properties sold are presented below (in thousands):

Buildings Sold	Location	Date of Sale	Gain/(Loss) on Sale		Net Sales Proceeds	
2020 W. 89th Street	Leawood, Kansas	May 19, 2014	$	1,132	$	5,515
Two Park Center [1]	Hoffman Estates, Illinois	May 29, 2014	$	(169)	$	6,017
3900 Dallas Parkway	Plano, Texas	January 30, 2015	$	10,073	$	25,803
5601 Headquarters Drive	Plano, Texas	April 28, 2015	$	7,959	$	33,326
River Corporate Center	Tempe, Arizona	April 29, 2015	$	5,303	$	24,228
Copper Ridge Center	Lyndhurst, New Jersey	May 1, 2015	$	13,349	$	4,568 [2]

(1) Property was owned as part the unconsolidated joint venture, Fund XIII and REIT Joint Venture. As such, the loss on sale was presented as equity in income/(loss) of unconsolidated joint ventures.

(2) As part of the transaction, Piedmont accepted a secured promissory note from the buyer for the remaining $45.4 million owed on the sale. The note bears interest at a rate of 8.45% and a matures on December 31, 2015. The maturity date may be extended for two terms of six months each upon 30 days prior written notice and a 25 bps extension fee.

Assets Held for Sale

During the three months ended June 30, 2015, Piedmont reclassified the Eastpoint I and II buildings located in Mayfield Heights, Ohio, and the 3750 Brookside Parkway building located in Alpharetta, Georgia from real estate assets held for use to real estate assets held for sale. In addition to the aforementioned buildings, assets held for sale as of December 31, 2014 also included the 3900 Dallas Parkway building, which was sold on January 30, 2015. Details of assets held for sale as of June 30, 2015 and December 31, 2014 are presented below (in thousands):

	June 30, 2015		December 31, 2014	
Real estate assets held for sale, net:				
Land	**$**	**4,281**	$	5,798
Building and improvements, less accumulated depreciation of $12,828 and $23,009 as of June 30, 2015 and December 31, 2014, respectively		**21,633**		40,546
Construction in progress		**197**		10
Total real estate assets held for sale, net	**$**	**26,111**	$	46,354
Other assets held for sale, net:				
Straight-line rent receivables	**$**	**1,904**	$	2,643
Deferred lease costs, less accumulated amortization of $919 and $2,335 as of June 30, 2015 and December 31, 2014, respectively		**1,802**		2,140
Total other assets held for sale, net	**$**	**3,706**	$	4,783

The fair value measurements used in the evaluation of these non-financial assets are considered to be Level 1 valuations within the fair value hierarchy as defined by GAAP, as there are direct observations and transactions involving the assets by unrelated, potential third-party purchasers. In conjunction with the reclassification of the Eastpoint I and II buildings during the three months ended June 30, 2015, Piedmont recorded a loss on impairment of approximately $5.4 million, which represents the difference between the fair value and the carrying value of the asset at the time the asset met the held for sale criteria. The sales of both the Eastpoint I and II buildings and the 3750 Brookside Parkway building are expected to close during third quarter 2015.

Discontinued Operations

Asset disposals in previous periods that were previously classified as, and that continue to be reported as, discontinued operations for the three and six months ended June 30, 2014 were as follows (in thousands):

Buildings Sold	Location	Date of Sale	Gain/(Loss) on Sale	Net Sales Proceeds
11107 and 11109 Sunset Hills Road	Reston, Virginia	March 19, 2014	$ (102)	$ 22,326
1441 West Long Lake Road	Troy, Michigan	April 30, 2014	$ 562	$ 7,202
4685 Investment Drive	Troy, Michigan	April 30, 2014	$ 747	$ 11,198

Details comprising income from discontinued operations for the three and six months ended ended June 30, 2015 and 2014 are presented below (in thousands):

	Three Months Ended		Six Months Ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Revenues:				
Rental income	**$ —**	$ 191	**$ —**	$ 1,365
Tenant reimbursements	**(3)**	2	**(3)**	114
Property management fee revenue	**—**	1	**—**	1
	(3)	194	**(3)**	1,480
Expenses:				
Property operating costs	**(1)**	(323)	**(1)**	182
Depreciation	**—**	—	**—**	83
Amortization	**—**	—	**—**	223
General and administrative	**1**	3	**1**	6
	—	(320)	**—**	494
Other income/(expense)	**—**	—	**—**	(6)
Operating income/(loss), excluding gain on sale	**(3)**	514	**(3)**	980
Gain on sale of real estate assets	**—**	1,304	**—**	1,198
Income/(loss) from discontinued operations	**$ (3)**	$ 1,818	**$ (3)**	$ 2,178

10. Stock Based Compensation

From time to time, Piedmont has granted equity awards to all of its employees. The deferred stock awards are determined by the Compensation Committee of the board of directors of Piedmont and typically vest on the award anniversary date ratably over a multi-year period. Piedmont also has a multi-year performance share program for certain of its employees whereby equity awards may be earned based on the relative performance of Piedmont's total stockholder return as compared with a predetermined peer group's total stockholder return over the same multi-year period. Shares are not awarded until after the end of the multi-year performance period and vest upon award.

A rollforward of Piedmont's equity based award activity for the six months ended June 30, 2015 is as follows:

	Shares	Weighted-Average Grant Date Fair Value
Unvested Deferred Stock Awards as of December 31, 2014	506,404	$ 18.12
Deferred Stock Awards Granted During Six Months Ended June 30, 2015	298,541	$ 17.59
Adjustment to Estimated Future Grants of Performance Share Awards During Six Months Ended June 30, 2015	202,658	$ 17.73
Deferred Stock Awards Vested During Six Months Ended June 30, 2015	(226,312)	$ 17.97
Deferred Stock Awards Forfeited During Six Months Ended June 30, 2015	(2,435)	$ 18.06
Unvested Deferred Stock Awards as of June 30, 2015	778,856	$ 17.86

The following table provides additional information regarding stock award activity during the three and six months ended June 30, 2015 and 2014, respectively (in thousands except for per share data):

	Three Months Ended		Six Months Ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Weighted-Average Grant Date Fair Value of Shares Granted During the Period (per share)	**$ 17.59**	$ 18.51	**$ 17.59**	$ 17.78
Total Grant Date Fair Value of Shares Vested During the Period	**$ 3,727**	$ 3,191	**$ 4,073**	$ 3,195
Share-based Liability Awards Paid During the Period[1]	**$ —**	$ —	**$ —**	$ —

[1] Amount reflects the issuance of performance share awards during the period.

A detail of Piedmont's outstanding employee stock awards as of June 30, 2015 is as follows:

Date of grant	Type of Award	Net Shares Granted [1]	Grant Date Fair Value	Vesting Schedule	Unvested Shares as of June 30, 2015	
April 4, 2012	Deferred Stock Award	20,121	$ 17.80	Of the shares granted, 25% vested on the date of grant, and 25% vested or will vest on April 4, 2013, 2014, and 2015, respectively.	6,770	(2)
April 2, 2013	Deferred Stock Award	118,174	$ 19.47	Of the shares granted, 25% vested on the date of grant, and 25% vested or will vest on April 2, 2014, 2015, and 2016, respectively.	38,065	
April 2, 2013	Fiscal Year 2013-2015 Performance Share Program	—	$ 18.91	Shares awarded, if any, will vest immediately upon determination of award in 2016.	—	(3)
January 3, 2014	Deferred Stock Award	95,476	$ 16.45	Of the shares granted, 20% will vest on January 3, 2015, 2016, 2017, 2018, and 2019, respectively.	82,673	
May 9, 2014	Deferred Stock Award	163,163	$ 18.47	Of the shares granted, 25% vested on the date of grant, and 25% vested or will vest on May 9, 2015, 2016, and 2017, respectively.	97,762	
May 9, 2014	Fiscal Year 2014-2016 Performance Share Program	—	$ 18.51	Shares awarded, if any, will vest immediately upon determination of award in 2017.	159,271	(4)
May 1, 2015	Deferred Stock Award	271,228	$ 17.59	Of the shares granted, 25% vested on the date of grant, and 25% vested or will vest on May 1, 2016, 2017, and 2018, respectively.	222,484	
May 1, 2015	Fiscal Year 2015-2017 Performance Share Program	—	$ 17.59	Shares awarded, if any, will vest immediately upon determination of award in 2018.	171,831	(4)
Total					778,856	

(1) Amounts reflect the total grant to employees, net of shares surrendered upon vesting to satisfy required minimum tax withholding obligations through June 30, 2015.

(2) Unvested shares outstanding represent grants made to two employees beginning their employment in 2012 subsequent to April 4, 2012, and such shares will fully vest by November 7, 2015.

(3) Estimated based on Piedmont's cumulative total stockholder return ("TSR") for the respective performance period through June 30, 2015. As of June 30, 2015, Piedmont's TSR for the fiscal year 2013-2015 performance share program was below threshold. Share estimates are subject to change in future periods based on both Piedmont's and its peers' stock performance and dividends paid.

(4) Estimated based on Piedmont's cumulative TSR for the respective performance period through June 30, 2015. Share estimates are subject to change in future periods based on both Piedmont's and its peers' stock performance and dividends paid.

During the three months ended June 30, 2015 and 2014, Piedmont recognized approximately $3.2 million and $2.5 million of compensation expense related to stock awards, of which $1.5 million and $1.1 million related to the amortization of unvested shares, respectively. During the six months ended June 30, 2015 and 2014, Piedmont recognized approximately $4.1 million and $3.1 million of compensation expense related to stock awards, of which $2.3 million and $1.7 million related to the amortization of unvested shares, respectively. During the six months ended June 30, 2015, a net total of 157,824 shares were issued to employees, directors, and officers. As of June 30, 2015, approximately $5.4 million of unrecognized compensation cost related to unvested deferred stock awards remained, which Piedmont will record in its consolidated statements of income over a weighted-average vesting period of approximately two years.

11. 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 unvested deferred stock awards. Diluted weighted average number of common shares reflects the potential dilution under the treasury stock method that would occur if the remaining unvested deferred stock awards vested and resulted in additional common shares outstanding. Certain unvested deferred stock awards are not included in the calculation because they would be anti-dilutive and have no effect for the periods presented.

The following table reconciles the denominator for the basic and diluted earnings per share computations shown on the consolidated statements of income for the three and six months ended June 30, 2015 and 2014, respectively (in thousands):

	Three Months Ended		Six Months Ended	
	June 30, 2015	**June 30, 2014**	**June 30, 2015**	**June 30, 2014**
Weighted-average common shares – basic	**153,559**	154,319	**153,947**	154,583
Plus incremental weighted-average shares from time-vested conversions:				
Deferred stock awards	**198**	126	**227**	145
Weighted-average common shares – diluted [1]	**153,757**	154,445	**154,174**	154,728

[1] Due to repurchases of common stock in May and June 2015, Piedmont has 151,833,222 shares of common stock outstanding as of June 30, 2015.

12. Guarantor and Non-Guarantor Financial Information

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

Condensed Consolidated Balance Sheets
As of June 30, 2015

(in thousands)	Issuer	Guarantor	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets:					
Real estate assets, at cost:					
Land	$ 66,997	$ —	$ 629,716	$ —	$ 696,713
Buildings and improvements, less accumulated depreciation	355,127	—	2,799,217	(300)	3,154,044
Intangible lease assets, less accumulated amortization	1,541	—	62,611	—	64,152
Construction in progress	2,298	—	62,506	—	64,804
Real estate assets held for sale, net	26,111	—	—	—	26,111
Total real estate assets	452,074	—	3,554,050	(300)	4,005,824
Investments in and amounts due from unconsolidated joint ventures	7,714	—	—	—	7,714
Cash and cash equivalents	6,164	150	2,683	—	8,997
Tenant and straight-line rent receivables, net	28,213	—	168,502	—	196,715
Advances to affiliates	6,337,046	1,261,120	—	(7,598,166)	—
Investment in subsidiary	—	3,814,131	189	(3,814,320)	—
Notes receivable	134,750	—	23,890	(113,240)	45,400
Prepaid expenses, restricted cash, escrows, and other assets	6,214	77	28,520	(1,499)	33,312
Goodwill	180,097	—	—	—	180,097
Interest rate swaps	8,290	—	—	—	8,290
Deferred financing costs, net	6,699	—	792	—	7,491
Deferred lease costs, net	23,388	—	260,368	—	283,756
Other assets held for sale, net	3,706	—	—	—	3,706
Total assets	$ 7,194,355	$ 5,075,478	$ 4,038,994	$ (11,527,525)	$ 4,781,302
Liabilities:					
Debt, net	$ 1,841,428	$ —	$ 592,107	$ (113,240)	$ 2,320,295
Accounts payable, accrued expenses, and accrued capital expenditures	16,042	6,783	107,572	(1,499)	128,898
Advances from affiliates	558,055	4,925,597	2,180,736	(7,664,388)	—
Deferred income	4,069	—	22,564	—	26,633
Intangible lease liabilities, net	—	—	41,214	—	41,214
Interest rate swaps	8,411	—	—	—	8,411
Total liabilities	2,428,005	4,932,380	2,944,193	(7,779,127)	2,525,451
Stockholders' Equity:					
Common stock	—	1,518	—	—	1,518
Additional paid-in capital	3,810,131	3,671,250	1,317	(3,814,320)	3,668,378
Retained/(cumulative distributions in excess of) earnings	943,977	(3,529,670)	1,092,459	65,922	(1,427,312)
Other comprehensive loss	12,242	—	—	—	12,242
Piedmont stockholders' equity	4,766,350	143,098	1,093,776	(3,748,398)	2,254,826
Noncontrolling interest	—	—	1,025	—	1,025
Total stockholders' equity	4,766,350	143,098	1,094,801	(3,748,398)	2,255,851
Total liabilities and stockholders' equity	$ 7,194,355	$ 5,075,478	$ 4,038,994	$ (11,527,525)	$ 4,781,302

Condensed Consolidated Balance Sheets
As of December 31, 2014

(in thousands)	Issuer	Guarantor	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets:					
Real estate assets, at cost:					
Land	$ 77,125	$ —	$ 621,394	$ —	$ 698,519
Buildings and improvements, less accumulated depreciation	414,515	—	2,782,445	(300)	3,196,660
Intangible lease assets, less accumulated amortization	1,812	—	68,365	—	70,177
Construction in progress	1,345	—	62,037	—	63,382
Real estate assets held for sale, net	46,354	—	—	—	46,354
Total real estate assets	541,151	—	3,534,241	(300)	4,075,092
Investments in and amounts due from unconsolidated joint ventures	7,798	—	—	—	7,798
Cash and cash equivalents	8,143	1,790	2,373	—	12,306
Tenant and straight-line rent receivables, net	35,363	—	160,005	—	195,368
Advances to affiliates	6,084,243	1,282,443	—	(7,366,686)	—
Investment in subsidiary	—	3,878,811	192	(3,879,003)	—
Notes receivable	161,350	—	23,890	(185,240)	—
Prepaid expenses, restricted cash, escrows, and other assets	10,912	—	23,541	(954)	33,499
Goodwill	180,097	—	—	—	180,097
Interest rate swaps	430	—	—	—	430
Deferred financing costs, net	7,242	—	425	—	7,667
Deferred lease costs, net	29,696	—	248,765	—	278,461
Other assets held for sale, net	4,783	—	—	—	4,783
Total assets	$ 7,071,208	$ 5,163,044	$ 3,993,432	$ (11,432,183)	$ 4,795,501
Liabilities:					
Debt, net	$ 1,852,434	$ —	$ 610,395	$ (185,240)	$ 2,277,589
Accounts payable, accrued expenses, and accrued capital expenditures	19,403	465	115,074	(954)	133,988
Advances from affiliates	376,122	4,909,362	2,138,140	(7,423,624)	—
Deferred income	4,998	—	17,217	—	22,215
Intangible lease liabilities, net	—	—	43,277	—	43,277
Interest rate swaps	6,417	—	—	—	6,417
Total liabilities	2,259,374	4,909,827	2,924,103	(7,609,818)	2,483,486
Stockholders' Equity:					
Common stock	—	1,543	—	—	1,543
Additional paid-in capital	3,874,757	3,670,236	192	(3,879,003)	3,666,182
Retained/(cumulative distributions in excess of) earnings	928,776	(3,418,562)	1,067,528	56,638	(1,365,620)
Other comprehensive loss	8,301	—	—	—	8,301
Piedmont stockholders' equity	4,811,834	253,217	1,067,720	(3,822,365)	2,310,406
Noncontrolling interest	—	—	1,609	—	1,609
Total stockholders' equity	4,811,834	253,217	1,069,329	(3,822,365)	2,312,015
Total liabilities and stockholders' equity	$ 7,071,208	$ 5,163,044	$ 3,993,432	$ (11,432,183)	$ 4,795,501

Condensed Consolidated Statements of Income
For the three months ended June 30, 2015

(in thousands)	Issuer	Guarantor	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues:					
Rental income	$ 17,046	$ —	$ 101,137	$ (729)	$ 117,454
Tenant reimbursements	3,557	—	25,427	(171)	28,813
Property management fee revenue	—	—	4,501	(4,034)	467
	20,603	—	131,065	(4,934)	146,734
Expenses:					
Property operating costs	9,550	—	57,046	(5,117)	61,479
Depreciation	5,159	—	30,880	—	36,039
Amortization	1,096	—	13,859	—	14,955
Impairment loss on real estate asset	5,354	—	—	—	5,354
General and administrative	7,904	84	9,263	(9,168)	8,083
	29,063	84	111,048	(14,285)	125,910
Real estate operating income	(8,460)	(84)	20,017	9,351	20,824
Other income (expense):					
Interest expense	(13,441)	—	(7,769)	3,038	(18,172)
Other income/(expense)	3,392	—	242	(3,038)	596
Equity in income of unconsolidated joint ventures	124	—	—	—	124
	(9,925)	—	(7,527)	—	(17,452)
Income from continuing operations	(18,385)	(84)	12,490	9,351	3,372
Discontinued operations:					
Operating loss	(2)	—	(1)	—	(3)
Loss from discontinued operations	(2)	—	(1)	—	(3)
Gain on sale of real estate assets	26,611	—	—	—	26,611
Net income	8,224	(84)	12,489	9,351	29,980
Less: Net income attributable to noncontrolling interest	—	—	(4)	—	(4)
Net income attributable to Piedmont	$ 8,224	$ (84)	$ 12,485	$ 9,351	$ 29,976

Condensed Consolidated Statements of Income
For the three months ended June 30, 2014

(in thousands)	Issuer	Guarantor	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues:					
Rental income	$ 17,109	$ —	$ 97,694	$ (1,516)	$ 113,287
Tenant reimbursements	3,917	—	20,921	(93)	24,745
Property management fee revenue	—	—	3,939	(3,391)	548
	21,026	—	122,554	(5,000)	138,580
Expenses:					
Property operating costs	10,330	—	52,008	(5,202)	57,136
Depreciation	5,650	—	28,494	—	34,144
Amortization	1,105	—	12,494	—	13,599
General and administrative	6,949	66	7,851	(7,721)	7,145
	24,034	66	100,847	(12,923)	112,024
Real estate operating income	(3,008)	(66)	21,707	7,923	26,556
Other income (expense):					
Interest expense	(12,482)	—	(8,664)	3,134	(18,012)
Other income/(expense)	2,797	35	(64)	(3,134)	(366)
Net recoveries from casualty events and litigation settlements	1	1,479	—	—	1,480
Equity in loss of unconsolidated joint ventures	(333)	—	—	—	(333)
	(10,017)	1,514	(8,728)	—	(17,231)
Income from continuing operations	(13,025)	1,448	12,979	7,923	9,325
Discontinued operations:					
Operating income	461	—	53	—	514
Gain on sale of real estate assets	557	—	747	—	1,304
Income from discontinued operations	1,018	—	800	—	1,818
Gain on sale of real estate assets	—	—	1,140	—	1,140
Net income	(12,007)	1,448	14,919	7,923	12,283
Less: Net income attributable to noncontrolling interest	—	—	(4)	—	(4)
Net income attributable to Piedmont	$ (12,007)	$ 1,448	$ 14,915	$ 7,923	$ 12,279

Condensed Consolidated Statements of Income
For the six months ended June 30, 2015

(in thousands)	Issuer	Guarantor	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues:					
Rental income	$ 35,983	$ —	$ 200,714	$ (1,436)	$ 235,261
Tenant reimbursements	7,802	—	52,700	(299)	60,203
Property management fee revenue	—	—	8,940	(7,911)	1,029
	43,785	—	262,354	(9,646)	296,493
Expenses:					
Property operating costs	20,211	—	115,541	(10,037)	125,715
Depreciation	10,961	—	61,310	—	72,271
Amortization	2,350	—	27,275	—	29,625
Impairment loss on real estate asset	5,354	—	—	—	5,354
General and administrative	14,104	195	16,988	(16,797)	14,490
	52,980	195	221,114	(26,834)	247,455
Real estate operating income	(9,195)	(195)	41,240	17,188	49,038
Other income (expense):					
Interest expense	(26,630)	—	(16,717)	6,159	(37,188)
Other income/(expense)	6,159	—	415	(6,159)	415
Equity in income of unconsolidated joint ventures	283	—	—	—	283
	(20,188)	—	(16,302)	—	(36,490)
Income from continuing operations	(29,383)	(195)	24,938	17,188	12,548
Discontinued operations:					
Operating loss	(2)	—	(1)	—	(3)
Loss from discontinued operations	(2)	—	(1)	—	(3)
Gain on sale of real estate assets	36,684	—	—	—	36,684
Net income	7,299	(195)	24,937	17,188	49,229
Less: Net income attributable to noncontrolling interest	—	—	(8)	—	(8)
Net income attributable to Piedmont	$ 7,299	$ (195)	$ 24,929	$ 17,188	$ 49,221

Condensed Consolidated Statements of Income
For the six months ended June 30, 2014

(in thousands)	Issuer	Guarantor	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues:					
Rental income	$ 34,510	$ —	$ 192,850	$ (3,169)	$ 224,191
Tenant reimbursements	7,778	—	42,100	(204)	49,674
Property management fee revenue	—	—	8,110	(7,075)	1,035
	42,288	—	243,060	(10,448)	274,900
Expenses:					
Property operating costs	20,375	—	105,886	(10,854)	115,407
Depreciation	11,490	—	56,298	—	67,788
Amortization	2,217	—	25,955	—	28,172
General and administrative	11,418	143	13,812	(13,673)	11,700
	45,500	143	201,951	(24,527)	223,067
Real estate operating income	(3,212)	(143)	41,109	14,079	51,833
Other income (expense):					
Interest expense	(21,602)	—	(21,603)	6,267	(36,938)
Other income/(expense)	5,560	69	182	(6,267)	(456)
Net recoveries from casualty events and litigation settlements	1,352	1,479	1,691	—	4,522
Equity in loss of unconsolidated joint ventures	(599)	—	—	—	(599)
	(15,289)	1,548	(19,730)	—	(33,471)
Income from continuing operations	(18,501)	1,405	21,379	14,079	18,362
Discontinued operations:					
Operating income	941	—	39	—	980
Gain on sale of real estate assets, net	451	—	747	—	1,198
Income from discontinued operations	1,392	—	786	—	2,178
Gain on sale of real estate assets	—	—	1,140	—	1,140
Net income	(17,109)	1,405	23,305	14,079	21,680
Less: Net income attributable to noncontrolling interest	—	—	(8)	—	(8)
Net income attributable to Piedmont	$ (17,109)	$ 1,405	$ 23,297	$ 14,079	$ 21,672

Condensed Consolidated Statements of Cash Flows
For the six months ended June 30, 2015

(in thousands)	Issuer	Guarantor	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net Cash Provided by Operating Activities	$ (15,322)	$ 1,215	$ 91,753	$ 17,187	$ 94,833
Cash Flows from Investing Activities:					
Investment in real estate assets and real estate related intangibles, net of accruals	(10,269)	—	(97,503)	—	(107,772)
Redemption of noncontrolling interest in unconsolidated variable interest entity	—	—	(4,000)	—	(4,000)
Intercompany note receivable	72,000	—	—	(72,000)	—
Net sales proceeds from wholly-owned properties	87,925	—	—	—	87,925
Deferred lease costs paid	(2,027)	—	(8,651)	—	(10,678)
Net cash used in investing activities	147,629	—	(110,154)	(72,000)	(34,525)
Cash Flows from Financing Activities:					
Deferred financing costs paid	(423)	—	(407)	—	(830)
Proceeds from debt	895,578	—	159,279	—	1,054,857
Repayments of debt	(907,000)	—	(177,576)	72,000	(1,012,576)
Costs of issuance of common stock	—	(326)	—	—	(326)
Repurchases of common stock as part of announced plan	—	(39,914)	—	—	(39,914)
(Distributions to)/repayments from affiliates	(122,441)	102,205	37,423	(17,187)	—
Dividends paid and discount on dividend reinvestments	—	(64,820)	(8)	—	(64,828)
Net cash used in financing activities	(134,286)	(2,855)	18,711	54,813	(63,617)
Net decrease in cash and cash equivalents	(1,979)	(1,640)	310	—	(3,309)
Cash and cash equivalents, beginning of period	8,143	1,790	2,373	—	12,306
Cash and cash equivalents, end of period	$ 6,164	$ 150	$ 2,683	$ —	$ 8,997

Condensed Consolidated Statements of Cash Flows
For the six months ended June 30, 2014

(in thousands)	Issuer	Guarantor	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net Cash Provided by Operating Activities	$ 9,461	$ 1,259	$ 84,096	$ 14,079	$ 108,895
Cash Flows from Investing Activities:					
Investment in real estate assets and real estate related intangibles, net of accruals	(13,072)	—	(85,044)	—	(98,116)
Intercompany note receivable	(100)	—	—	100	—
Net sales proceeds from wholly-owned properties	29,519	—	16,721	—	46,240
Net sales proceeds received from unconsolidated joint ventures	6,017	—	—	—	6,017
Investments in unconsolidated joint ventures	(42)	—	—	—	(42)
Deferred lease costs paid	(2,403)	—	(8,967)	—	(11,370)
Net cash used in investing activities	19,919	—	(77,290)	100	(57,271)
Cash Flows from Financing Activities:					
Deferred financing costs paid	(1,016)	—	—	—	(1,016)
Proceeds from debt	846,564	—	—	—	846,564
Repayments of debt	(204,000)	—	(575,070)	—	(779,070)
Intercompany note payable	—	—	100	(100)	—
Repurchases of common stock as part of announced plan	—	(54,685)	—	—	(54,685)
(Distributions to)/repayments from affiliates	(668,859)	115,245	567,693	(14,079)	—
Dividends paid and discount on dividend reinvestments	—	(61,819)	(8)	—	(61,827)
Net cash used in financing activities	(27,311)	(1,259)	(7,285)	(14,179)	(50,034)
Net increase in cash and cash equivalents	2,069	—	(479)	—	1,590
Cash and cash equivalents, beginning of period	3,261	150	3,562	—	6,973
Cash and cash equivalents, end of period	$ 5,330	$ 150	$ 3,083	$ —	$ 8,563

13. Subsequent Events

Third Quarter Dividend Declaration

On July 29, 2015, the board of directors of Piedmont declared dividends for the third quarter of 2015 in the amount of $0.21 per common share outstanding to stockholders of record as of the close of business on August 28, 2015. Such dividends are to be paid on September 18, 2015.

Acquisition

On July 24, 2015, Piedmont acquired 80 Central Street, an approximately 150,000 square foot, Class A, office building located in Boxborough, Massachusetts, adjacent to Piedmont's existing 90 Central Street asset, which shares some common building systems and amenities. The building, which is currently 93% leased to seven tenants, was acquired for $13.5 million ($90 per square foot).

Dispositions

On July 16, 2015, Piedmont entered into a binding contract to sell Aon Center, a 2.7 million square foot trophy tower located at 200 East Randolph Street in downtown Chicago, Illinois and 86% leased to multiple tenants for a gross sales price of $712 million (approximately $260 per square foot). In conjunction with the closing early in the fourth quarter 2015, Piedmont anticipates receiving net sales proceeds of approximately $640 million, net of buyer-assumed lease abatements and approximately $48 million in contractual tenant capital improvements and leasing commissions. Piedmont intends to use the proceeds to enhance its balance sheet through the pay-down of debt and to position Piedmont to potentially fund strategic acquisitions and/or selective share repurchases, depending upon the opportunities that arise.

On July 28, 2015, Piedmont entered into a binding contract to sell Chandler Forum, an approximately 150,000 square foot building located in Phoenix, Arizona and leased to a single tenant. The transaction is anticipated to close during the third quarter of 2015.

Also on July 28, 2015, Piedmont closed on the sale of the Eastpoint I and II buildings totaling approximately 171,000 square foot of office space for $18.5 million ($108 per square foot). The buildings were constructed in 2000 and were approximately 90% leased.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the accompanying consolidated financial statements and notes thereto of Piedmont Office Realty Trust, Inc. ("Piedmont"). See also "Cautionary Note Regarding Forward-Looking Statements" preceding Part I, as well as the consolidated financial statements and accompanying notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2014.

Liquidity and Capital Resources

We intend to use cash flows generated from the operation of our properties, proceeds from property dispositions, and proceeds from our $500 Million Unsecured 2015 Line of Credit as our primary sources of immediate liquidity. In addition, we believe we have immediate access to, and may issue, additional equity or debt securities from time to time or seek additional borrowings from third-party lenders as further sources of capital.

During the six months ended June 30, 2015, we replaced our $500 Million Unsecured Line of Credit with a new $500 Million Unsecured 2015 Line of Credit that matures in 2019, as well as obtained a new term loan and a mortgage note totaling $330 million. The proceeds from these new loans were used to repay the $105 Million Fixed-Rate Loan secured by US Bancorp Center and the $50 Million Unsecured Term Loan, with the balance applied to pay down amounts outstanding under the $500 Million Unsecured 2015 Line of Credit. In addition, we sold four properties during the six months ended June 30, 2015 and recently closed on the sale of an additional property that was held for sale as of June 30, 2015, resulting in the receipt of combined net sales proceeds of approximately $106 million. During the second quarter or subsequent to June 30, 2015, we contracted to sell three additional properties, including our largest asset, Aon Center located in Chicago, Illinois. As a result, we expect the receipt of additional significant net sales proceeds over the next several months. Specifically related to Aon Center, we anticipate net sales proceeds of approximately $640 million, net of buyer-assumed lease abatements and approximately $48 million in contractual tenant capital improvements and leasing commissions. We intend to use these net sales proceeds, along with the proceeds from other property sales, to enhance our balance sheet through the pay-down of debt and to position the company to potentially fund strategic acquisitions and/or selective share repurchases, depending upon the opportunities that arise.

Finally, during the six months ended June 30, 2015, we entered into a continuous equity offering program under which we may sell, from time to time, up to an aggregate of $250 million in shares of our common stock in at-the-market ("ATM") offerings. The use of the ATM equity program, as well as the availability and attractiveness of terms for the other additional sources of capital mentioned above, are highly dependent on the timing and volume of our property acquisition and disposition activities, as well as overall market conditions.

Our most consistent use of capital has historically been, and will continue to be, to fund capital expenditures related to new or our existing portfolio of properties. During the six months ended June 30, 2015 and June 30, 2014 we paid for the following types of capital expenditures (in thousands):

	Six Months Ended	
	June 30, 2015	**June 30, 2014**
Capital expenditures for development	**$ 20,434**	$ 1,789
Capital expenditures for redevelopment/renovations	**10,728**	2,783
Other capital expenditures, including tenant improvements	**31,425**	64,364
Total capital expenditures[(1)]	**$ 62,587**	$ 68,936

(1) Of the total amounts paid, approximately $2.8 million and $1.6 million relates to soft costs such as capitalized interest, payroll, and other general and administrative expenses for the six months ended June 30, 2015 and 2014, respectively.

"Capital expenditures for development" relate to two development projects: Enclave Place, a 300,000 square foot, 11-story office tower in Houston, Texas, and 500 TownPark, a new 135,000 square foot, 80% pre-leased, four-story office building to be constructed adjacent to our existing 400 TownPark asset in Lake Mary, Florida. The construction phase of the Enclave Place project is nearing completion both on time and on budget, with $39-$44 million remaining to be spent for physical construction and subsequent lease-up costs. The 500 TownPark project is still in the planning and design phase. Total project costs are anticipated to be between

$28-$30 million, inclusive of leasing costs. Construction is expected to begin during the fourth quarter of 2015 and be delivered to the tenant during the first quarter of 2017.

"Capital expenditures for redevelopment/renovations" relate to a repositioning project to convert our 3100 Clarendon Boulevard building in Arlington, Virginia from governmental use to private sector use. The renovation of the office tower and first phase of the retail work is substantially complete. Additional retail and plaza work involving longer lead times for certain materials will be completed later in 2015. We currently anticipate spending an additional $29-$31 million to complete physical construction and subsequent lease-up costs.

"Other capital expenditures" include all other capital expenditures during the period and are typically comprised of tenant and building improvements and leasing commissions necessary to lease or maintain our existing portfolio of office properties.

Piedmont classifies its tenant and building improvements into two categories: (i) improvements which incrementally enhance the building's asset value by expanding its revenue generating capacity ("incremental capital expenditures") and (ii) improvements which maintain the building's existing asset value and its revenue generating capacity ("non-incremental capital expenditures"). As of June 30, 2015, commitments for funding non-incremental capital expenditures for tenant improvements over the next five years related to Piedmont's existing lease portfolio totaled approximately $49.1 million. The timing of the funding of these commitments is largely dependent upon tenant requests for reimbursement; however, we anticipate that a significant portion of these improvement allowances may be requested over the next three years based on when the underlying leases commence. In some instances, these obligations may expire with the respective lease, without further recourse to us. Additionally, as of June 30, 2015, commitments for incremental capital expenditures for tenant improvements associated with new and existing leases totaled approximately $26.6 million.

In addition to the amounts described above that we have already committed to as a part of executed leases, we anticipate continuing to incur similar market-based tenant improvement allowances and leasing commissions in conjunction with procuring future leases. For example, for leases executed during the six months ended June 30, 2015, we committed to spend approximately $3.78 and $1.75 per square foot per year of lease term for tenant improvement allowances and leasing commissions, respectively, and for the twelve months ended December 31, 2014, we committed to $3.48 and $1.53 per square foot per year of lease term for leases for tenant improvement allowances and leasing commissions, respectively. Given that our average lease size is approximately 27,000 square feet and our primary operating model is to lease large blocks of space to credit-worthy tenants, some of these items can result in significant capital outlays. Both the timing and magnitude of such future leases' expenditures have yet to be determined and are highly dependent on the competitive market conditions of the respective office market at the time of lease negotiations. In particular, exclusive of our redevelopment project at 3100 Clarendon Boulevard mentioned above, there are currently two blocks of space in excess of 200,000 square feet in our Chicago and Washington, D.C portfolios that are currently vacant and may require significant tenant improvement packages to secure new tenants for those spaces, among others.

Subject to the identification and availability of attractive investment opportunities and our ability to consummate such acquisitions on satisfactory terms, acquiring new assets compatible with our investment strategy could also be a significant use of capital. Further, in June 2015, the availability of our repurchase plan for our common stock was exhausted. Therefore, during the three months ended June 30, 2015, our board of directors authorized an additional $200 million in stock repurchases over the next two years. Consequently, we may use capital resources to make purchases under this plan when we believe that our stock is trading at a meaningful discount to what we believe the estimated fair value of our net assets to be. As of June 30, 2015, there was $190.8 million of authorized capacity remaining on the plan which may be spent prior to the plan's expiration in second quarter 2017. Finally, although we currently have no debt maturing until April 2016, on a longer term basis, we expect to use capital to repay debt when obligations become due.

The amount and form of payment (cash or stock issuance) of future dividends to be paid to our stockholders will continue to be largely dependent upon (i) the amount of cash generated from our operating activities; (ii) our expectations of future cash flows; (iii) our determination of near-term cash needs for debt repayments, development projects, and selective acquisitions of new properties; (iv) the timing of significant expenditures for tenant improvements, building redevelopment projects, and general property capital improvements; (v) long-term payout ratios for comparable companies; (vi) our ability to continue to access additional sources of capital, including potential sales of our properties; and (vii) the amount required to be distributed to maintain our status as a REIT. Given the fluctuating nature of cash flows and expenditures, we may periodically borrow funds on a short-term basis to cover timing differences in cash receipts and cash disbursements.

Results of Operations

Overview

Our income from continuing operations and gain on sale of real estate assets per share on a fully diluted basis increased from $0.07 for the three months ended June 30, 2014 to $0.20 for the three months ended June 30, 2015. The increase was primarily due to gains recognized on the sale of our 5601 Headquarters Drive building in Plano, Texas, our River Corporate Center in Tempe, Arizona and our Copper Ridge Center in Lyndhurst, New Jersey. The increase was offset by the recognition of a $5.4 million impairment charge to adjust our Eastpoint I and II buildings in Mayfield Heights, Ohio to estimated fair value as a result of being reclassified as held for sale as of June 30, 2015.

Comparison of the three months ended June 30, 2015 versus the three months ended June 30, 2014

The following table sets forth selected data from our consolidated statements of income for the three months ended June 30, 2015 and 2014, respectively, as well as each balance as a percentage of total revenues for the same periods presented (dollars in millions):

	June 30, 2015	%	June 30, 2014	%	$ Increase (Decrease)
Revenue:					
Rental income	$ **117.5**		$ 113.3		$ 4.2
Tenant reimbursements	**28.8**		24.8		4.0
Property management fee revenue	**0.4**		0.5		(0.1)
Total revenues	**146.7**	100%	138.6	100%	8.1
Expense:					
Property operating costs	**61.5**	42%	57.1	41%	4.4
Depreciation	**36.0**	24%	34.1	25%	1.9
Amortization	**15.0**	10%	13.6	10%	1.4
Impairment loss on real estate asset	**5.3**	4%	—	—%	5.3
General and administrative	**8.1**	6%	7.2	5%	0.9
Real estate operating income	**20.8**	14%	26.6	19%	(5.8)
Other income (expense):					
Interest expense	**(18.1)**	12%	(18.0)	13%	(0.1)
Other income/(expense)	**0.6**	—%	(0.4)	—%	1.0
Net recoveries from casualty events and litigation settlements	—	—%	1.4	1%	(1.4)
Equity in income/(loss) of unconsolidated joint ventures	**0.1**	—%	(0.3)	—%	0.4
Income from continuing operations	$ **3.4**	2%	$ 9.3	7%	$ (5.9)
Income from discontinued operations	$ —		$ 1.8		$ (1.8)

Income from Continuing Operations

Revenue

Rental income increased approximately $4.2 million for the three months ended June 30, 2015 compared to the same period in the prior year primarily due to approximately $4.1 million of additional rental income attributable to properties acquired in 2014 and early in 2015.

Tenant reimbursements increased approximately $4.0 million for the three months ended June 30, 2015 compared to the same period in the prior year. The increase in tenant reimbursements is primarily driven by the expiration of operating expense abatements for several significant tenants coupled with an increase in occupancy. Reimbursement income was further impacted by an increase in our recoverable property operating costs as a result of increased recoverable property taxes and tenant-requested services. Finally, acquisitions completed during 2014 and early in 2015 contributed another $1.3 million to the increase as compared to the three months ended June 30, 2014.

Expense

Property operating costs increased approximately $4.4 million for the three months ended June 30, 2015 compared to the same period in the prior year primarily due to approximately $2.1 million of additional operating expenses attributable to properties acquired during 2014 and early in 2015. In addition, we incurred higher recoverable property tax expense and tenant-requested services of approximately $1.0 million and $0.9 million, respectively, related to our existing portfolio of assets as compared to the same period in the prior year.

Depreciation expense increased approximately $1.9 million for the three months ended June 30, 2015 compared to the same period in the prior year. The variance is attributable to depreciation on additional tenant and building improvements placed in service subsequent to April 1, 2014.

Amortization expense increased approximately $1.4 million for the three months ended June 30, 2015 compared to the same period in the prior year. The increase is attributable to additional amortization associated with intangible lease assets recognized as part of acquiring new properties during 2014 and early in 2015, which was partially offset by approximately $0.5 million representing the non-recurrence of accelerated amortization expense from lease modifications/terminations in the prior period.

During the three months ended June 30, 2015, we entered into a binding purchase and sale agreement to dispose of the Eastpoint I and II buildings. In accordance with GAAP, we reclassified the buildings from real estate assets held for use (at cost) to real estate assets held for sale (at estimated fair value less costs to sell) on our consolidated balance sheet and recognized an impairment charge of approximately $5.3 million as a result of adjusting the assets to estimated fair value.

General and administrative expenses increased approximately $0.9 million for the three months ended June 30, 2015 compared to the same period in the prior year primarily due to higher salary and other performance-based compensation costs driven by improved operating results and stock performance.

Other Income (Expense)

Interest expense increased approximately $0.1 million for the three months ended June 30, 2015 compared to the same period in the prior year as a result of higher outstanding debt balances during the current year, which were partially offset by lower average interest rates due to refinancing activity during 2014 and early in 2015.

Other income/(expense) increased approximately $1.0 million for the three months ended June 30, 2015 compared to the same period in the prior year. The increase is attributable to approximately $0.6 million of interest income recognized during the current period associated with a $45.4 million secured promissory note we accepted from a buyer to finance the purchase of our Copper Ridge Center building. The remainder of the increase is attributable to lower transactional costs in the current period associated with acquisition transactions as compared to the prior period.

During the three months ended June 30, 2014, we recognized approximately $1.4 million of net insurance recoveries related to either casualty loss or litigation settlement expenses incurred in previous periods. These recoveries are non-recurring in nature and the timing of such reimbursements is dependent upon outside parties.

Equity in income of unconsolidated joint ventures for the three months ended June 30, 2014 included the sale of the Two Park Center building in Hoffman Estates, Ilinois which resulted in a $0.2 million loss. The results of operations of the current year consist solely of our portion of the operating results of the remaining property, the 8560 Upland Drive building in Parker, Colorado.

Income from Discontinued Operations

The operations of assets that were classified as discontinued operations prior to April 1, 2014 (see Note 9 to our accompanying consolidated financial statements for a complete listing) are presented in the accompanying statement of operations as discontinued operations for all periods presented. The presentation of discontinued operations in the future is subject to the occurrence and timing of future property dispositions that meet the criteria to be classified as discontinued operations.

Comparison of the six months ended June 30, 2015 versus the six months ended June 30, 2014

The following table sets forth selected data from our consolidated statements of income for the six months ended June 30, 2015 and 2014, respectively, as well as each balance as a percentage of total revenues for the same periods presented (dollars in millions):

	June 30, 2015	%	June 30, 2014	%	$ Increase (Decrease)
Revenue:					
Rental income	**$ 235.3**		$ 224.2		$ 11.1
Tenant reimbursements	**60.2**		49.7		10.5
Property management fee revenue	**1.0**		1.0		—
Total revenues	**296.5**	100%	274.9	100%	21.6
Expense:					
Property operating costs	**125.7**	42%	115.4	42%	10.3
Depreciation	**72.4**	24%	67.8	25%	4.6
Amortization	**29.6**	10%	28.2	10%	1.4
Impairment loss on real estate asset	**5.3**	2%	—	—%	5.3
General and administrative	**14.5**	5%	11.7	4%	2.8
Real estate operating income	**49.0**	17%	51.8	19%	(2.8)
Other income (expense):					
Interest expense	**(37.2)**	—%	(36.9)	—%	(0.3)
Other income/(expense)	**0.4**	—%	(0.4)	—%	0.8
Net recoveries from casualty events and litigation settlements	**—**	—%	4.5	2%	(4.5)
Equity in income/(loss) of unconsolidated joint ventures	**0.3**	—%	(0.6)	—%	0.9
Income from continuing operations	**$ 12.5**	4%	$ 18.4	7%	$ (5.9)
Income from discontinued operations	**$ —**		$ 2.2		$ (2.2)

Income from Continuing Operations

Revenue

Rental income increased approximately $11.1 million for the six months ended June 30, 2015 compared to the same period in the prior year primarily due to approximately $8.0 million of additional rental income attributable to properties acquired in 2014 and early in 2015. The remainder of the increase is attributable to leases commencing during 2014 and 2015, the most significant occurring at our 6021 Connection Drive building in Irving, Texas for approximately $2.7 million.

Tenant reimbursements increased approximately $10.5 million for the six months ended June 30, 2015 compared to the same period in the prior year. The increase in tenant reimbursements is mainly driven by an increase in occupancy, the most significant occurring at our Aon Center building and 500 West Monroe building, both in Chicago, Illinois, as well as the expiration of operating expense abatements for several significant tenants. Reimbursement income was further impacted by an increase in our recoverable property operating costs as a result of increased recoverable property taxes, snow removal costs and tenant-requested services. Finally, acquisitions completed during 2014 and early in 2015 contributed another $3.0 million to the increase as compared to the six months ended June 30, 2014.

Expense

Property operating costs increased approximately $10.3 million for the six months ended June 30, 2015 compared to the same period in the prior year primarily due to $4.4 million of additional operating expenses attributable to properties acquired during 2014 and early in 2015. In addition, we incurred higher property tax expense, tenant-requested services, and personnel costs of $2.9 million, $0.7 million, and $0.5 million, respectively, related to our existing portfolio of assets as compared to the same period in the prior year. We also incurred higher landscaping costs in the current period of approximately $0.7 million due mainly to ice and snow removal at certain of our existing properties in the Boston and New York office sub-markets due to an unusually harsh winter in those markets.

Depreciation expense increased approximately $4.6 million for the six months ended June 30, 2015 compared to the same period in the prior year. The variance is largely attributable to depreciation on additional tenant and building improvements placed in service subsequent to January 1, 2014 which contributed approximately $4.0 million of the increase. The remainder of the variance is due to properties acquired during 2014 and early in 2015.

Amortization expense increased approximately $1.4 million for the six months ended June 30, 2015 compared to the same period in the prior year. Of the total variance, approximately $3.7 million of expense is due to additional amortization of intangible lease assets recognized as part of acquiring new properties during 2014 and early in 2015. This increase was partially offset by the nonrecurrence in the current year of accelerated amortization expense totaling $2.3 million related to the early termination of a lease at our 400 Bridgewater Crossing building in Bridgewater, New Jersey and a structured partial lease termination at our 1430 Enclave Parkway building in Houston, Texas in the prior period.

During the six months ended June 30, 2015, we entered into a binding purchase and sale agreement to dispose of the Eastpoint I and II buildings. In accordance with GAAP, we reclassified the buildings from real estate assets held for use (at cost) to real estate assets held for sale (at estimated fair value less costs to sell) on our consolidated balance sheet and recognized an impairment charge of approximately $5.3 million as a result of adjusting the assets to estimated fair value.

General and administrative expenses increased approximately $2.8 million for the six months ended June 30, 2015 compared to the same period in the prior year primarily due to higher salary and other performance-based compensation costs driven by improved operating results and stock performance, contributing approximately $2.5 million to the increase. The remainder of the increase is due mainly to higher legal and accounting fees in the current period.

Other Income (Expense)

Interest expense increased approximately $0.3 million for the six months ended June 30, 2015 compared to the same period in the prior year as a result of higher outstanding debt balances during the current year, which were partially offset by lower average interest rates due to refinancing activity during 2014 and early in 2015.

Other income/(expense) increased approximately $0.8 million for the six months ended June 30, 2015 compared to the same period in the prior year. The increase is attributable to $0.6 million of interest income recognized during the current period associated with a $45.4 million secured promissory note we accepted from a buyer to finance the purchase of our Copper Ridge Center building. The remainder of the increase is attributable to a lower transactional costs in the current period associated with acquisition transactions as compared to the prior period.

During the six months ended June 30, 2014, we recognized approximately $4.5 million of net insurance recoveries related to either casualty loss or litigation settlement expenses incurred in previous periods. These recoveries are non-recurring in nature and the timing of such reimbursements is dependent upon outside parties.

Equity in income of unconsolidated joint ventures for the six months ended June 30, 2014 included the operations of two properties, Two Park Center and 8560 Upland Drive. Two Park Center was vacant during the prior period and sold in May 2014 which resulted in a $0.2 million loss. The results of operations of the current year consist solely of the remaining property.

Income from Discontinued Operations

The operations of assets that were classified as discontinued operations prior to April 1, 2014 (see Note 9 to our accompanying consolidated financial statements for a complete listing) are presented in the accompanying statement of operations as discontinued operations for all periods presented. The presentation of discontinued operations in the future is subject to the occurrence and timing of future property dispositions that meet the criteria to be classified as discontinued operations.

Funds From Operations (“FFO”), Core FFO, and Adjusted Funds from Operations (“AFFO”)

Net income calculated in accordance with GAAP is the starting point for calculating FFO, Core FFO, and AFFO. These metrics are non-GAAP financial measures and should not be viewed as an alternative measurement of our operating performance to net income. Management believes that accounting for real estate assets in accordance with GAAP implicitly assumes that the value of real estate assets diminishes predictably over time. Since real estate values have historically risen or fallen with market conditions, many industry investors and analysts have considered the presentation of operating results for real estate companies that use historical cost accounting to be insufficient by themselves. As a result, we believe that the use of FFO, Core FFO, and AFFO, together with the required GAAP presentation, provides a more complete understanding of our performance relative to our competitors and a more informed and appropriate basis on which to make decisions involving operating, financing, and investing activities.

We calculate FFO in accordance with the current National Association of Real Estate Investment Trusts ("NAREIT") definition as follows: Net income (computed in accordance with GAAP), excluding gains or losses from sales of property and impairment charges (including our proportionate share of any impairment charges and/or gains or losses from sales of property related to investments in unconsolidated joint ventures), plus depreciation and amortization on real estate assets (including our proportionate share of depreciation and amortization related to investments in unconsolidated joint ventures). Other REITs may not define FFO in accordance with the NAREIT definition, or may interpret the current NAREIT definition differently than we do; therefore, our computation of FFO may not be comparable to such other REITs. Further, other REITs may not compute Core FFO or AFFO in a manner comparable to ours, if computed at all.

We calculate Core FFO as FFO (calculated as set forth above) less acquisition costs and other significant, non-recurring items, such as the infrequent and non-recurring gains or losses from the early extinguishment of swaps and other financial instruments, and litigation settlements expense and casualty losses, and their subsequent insurance recoveries.

We calculate AFFO as Core FFO (calculated as set forth above) exclusive of the net effects of: (i) amortization associated with deferred financing costs; (ii) depreciation of non real estate assets; (iii) straight-line lease revenue/expense; (iv) amortization of above and below-market lease intangibles; (v) stock-based and other non-cash compensation expense; (vi) amortization of mezzanine discount income; and (vii) acquisition costs, less non-incremental capital expenditures (as defined below). Our proportionate share of such adjustments related to investments in unconsolidated joint ventures are also included when calculating AFFO.

Reconciliations of net income to FFO, Core FFO, and AFFO are presented below (in thousands except per share amounts):

	Three Months Ended				Six Months Ended			
	June 30, 2015	Per Share(1)	June 30, 2014	Per Share(1)	June 30, 2015	Per Share(1)	June 30, 2014	Per Share(1)
GAAP net income applicable to common stock	**$ 29,976**	**$ 0.20**	$ 12,279	$ 0.08	**$ 49,221**	**$ 0.32**	$ 21,672	$ 0.14
Depreciation of real estate assets(2)	**35,935**	**0.23**	34,119	0.22	**72,032**	**0.47**	67,846	0.44
Amortization of lease-related costs(2)	**14,971**	**0.10**	13,608	0.09	**29,657**	**0.19**	28,412	0.18
Impairment loss on real estate asset	**5,354**	**0.03**	—	—	**5,354**	**0.03**	—	—
(Gain)/loss on sale - wholly-owned properties, net	**(26,611)**	**(0.17)**	(2,444)	(0.02)	**(36,684)**	**(0.23)**	(2,338)	(0.01)
Loss on sale- unconsolidated partnership	—	—	169	—	—	—	169	—
NAREIT Funds From Operations applicable to common stock	**$ 59,625**	**$ 0.39**	$ 57,731	$ 0.37	**$ 119,580**	**$ 0.78**	$ 115,761	$ 0.75
Adjustments:								
Acquisition costs	**3**	—	363	0.01	**147**	—	429	—
Loss on extinguishment of swaps	**132**	—	—	—	**132**	—	—	—
Net recoveries from casualty events and litigation settlements	—	—	(1,480)	(0.01)	—	—	(4,522)	(0.03)
Core Funds From Operations applicable to common stock	**$ 59,760**	**$ 0.39**	$ 56,614	$ 0.37	**$ 119,859**	**$ 0.78**	$ 111,668	$ 0.72
Adjustments:								
Deferred financing cost amortization	**680**	—	615	0.01	**1,404**	**0.01**	1,478	0.01
Amortization of estimated fair market adjustments on notes payable	**(121)**	—	(6)	—	**(242)**	—	(6)	—
Amortization of discount on senior notes	**49**	—	47	—	**97**	—	81	—
Depreciation of non real estate assets	**165**	—	115	—	**361**	—	229	—
Straight-line effects of lease revenue (2)	**(3,745)**	**(0.02)**	(7,758)	(0.05)	**(8,255)**	**(0.06)**	(17,170)	(0.10)
Stock-based and other non-cash compensation	**1,692**	**0.01**	1,271	0.01	**2,417**	**0.02**	1,907	0.01
Net effect of amortization of above and below-market in-place lease intangibles	**(1,102)**	**(0.01)**	(1,279)	(0.01)	**(2,224)**	**(0.02)**	(2,643)	(0.02)
Acquisition costs	**(3)**	—	(363)	(0.01)	**(147)**	—	(429)	—
Non-incremental capital expenditures (3)	**(11,641)**	**(0.07)**	(26,151)	(0.17)	**(21,928)**	**(0.14)**	(39,972)	(0.26)
Adjusted Funds From Operations applicable to common stock	**$ 45,734**	**$ 0.30**	$ 23,105	$ 0.15	**$ 91,342**	**$ 0.59**	$ 55,143	$ 0.36
Weighted-average shares outstanding – diluted	**153,757**		154,445		**154,174**		154,728	

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

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

(3) Piedmont defines non-incremental capital expenditures as capital expenditures of a recurring nature related to tenant improvements, leasing commissions, and building capital that do not incrementally enhance the underlying assets' income generating capacity. Tenant improvements, leasing commissions, building capital and deferred lease incentives incurred to lease space that was vacant at acquisition, leasing costs for spaces vacant for greater than one year, leasing costs for spaces at newly acquired properties for which in-place leases expire shortly after acquisition, improvements associated with the expansion of a building, and renovations that either change the underlying classification from a Class B to a Class A property or enhance the marketability of a building are excluded from this measure.

Property and Same Store Net Operating Income (Cash Basis)

Property Net Operating Income on a cash basis ("Property NOI") is a non-GAAP measure which we use to assess our operating results. It is calculated as real estate operating income with the add-back of corporate general and administrative expense, depreciation and amortization, impairment losses, and the deduction of income and expense associated with property management performed by Piedmont for other organizations. We present this measure on a cash basis, which eliminates the effects of straight lined rents and fair value lease revenue. We use this measure as a proxy for the cash generated by our real estate properties. Same Store Net Operating Income on a cash basis ("Same Store NOI") is another non-GAAP measure very similar to Property NOI; however, Same Store NOI only reflects Property NOI attributable to the properties owned or placed in service during the entire span of the current and prior year reporting periods. Same Store NOI also excludes amounts attributable to unconsolidated joint venture assets. We believe Same Store NOI is an important measure because it allows us to compare the cash flows generated by our same real estate properties from one period to another. Other REITs may calculate Property NOI and Same Store NOI differently, if calculated at all, and our calculations should not be compared to that of other REITs.

The following table sets forth our Property NOI and Same Store NOI with a reconciliation to net income attributable to Piedmont (GAAP basis) for the three and six months ended June 30, 2015 and 2014, respectively (in thousands):

	Three Months Ended		Six Months Ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Net income attributable to Piedmont (GAAP basis)	**$ 29,976**	$ 12,279	**$ 49,221**	$ 21,672
Net income attributable to noncontrolling interest	**4**	4	**8**	8
Interest expense	**18,172**	18,012	**37,188**	36,938
Depreciation (1)	**36,100**	34,234	**72,393**	68,075
Amortization (1)	**14,971**	13,608	**29,657**	28,412
Acquisition costs	**3**	363	**147**	429
Impairment loss on real estate asset (1)	**5,354**	—	**5,354**	—
Net recoveries of casualty events and litigation settlements (1)	**—**	(1,480)	**—**	(4,522)
Gain on sale of properties (1)	**(26,611)**	(2,275)	**(36,684)**	(2,169)
General & administrative expenses(1)	**8,102**	7,159	**14,518**	11,742
Management fee revenue	**(232)**	(281)	**(562)**	(540)
Other (income)/expense(1)	**(599)**	3	**(562)**	32
Straight line rent effects of lease revenue(1)	**(3,745)**	(7,758)	**(8,255)**	(17,170)
Amortization of lease-related intangibles(1)	**(1,102)**	(1,279)	**(2,224)**	(2,643)
Property NOI (cash basis)	**$ 80,393**	$ 72,589	**$ 160,199**	$ 140,264
Change period over period in Property NOI (cash basis)	***10.8%***	*N/A*	***14.2%***	*N/A*
Net operating loss/(income) from:				
Acquisitions(2)	**(2,842)**	(55)	**(5,507)**	(55)
Dispositions(3)	**(562)**	(3,230)	**(2,700)**	(6,718)
Other investments(4)	**(251)**	89	**(546)**	472
Same Store NOI (cash basis)	**$ 76,738**	$ 69,393	**$ 151,446**	$ 133,963
Change period over period in Same Store NOI (cash basis)	***10.6%***	*N/A*	***13.1%***	*N/A*

(1) Includes amounts attributable to consolidated properties, including discontinued operations, and our proportionate share of amounts attributable to unconsolidated joint ventures.

(2) Acquisitions consist of 5 Wall Street in Burlington, Massachusetts, purchased on June 27, 2014; 1155 Perimeter Center West in Atlanta, Georgia, purchased on August 28, 2014; TownPark Land, purchased on November 21, 2014; and Park Place on Turtle Creek in Dallas, Texas, purchased on January 16, 2015.

(3) Dispositions consist of 11107 and 11109 Sunset Hills Road in Reston, Virginia, sold on March 19, 2014; 1441 West Long Lake Road and 4685 Investment Drive in Troy, Michigan, sold on April 30, 2014; 2020 West 89th Street in Leawood, Kansas, sold on May 19, 2014; 3900 Dallas Parkway in Plano, Texas, sold on January 30, 2015; 5601 Headquarters Drive, sold on April 28, 2015; River Corporate Center, sold on April 29, 2015; and Copper Ridge Center, sold on May 1, 2015.

(4) Other investments consist of operating results from our investments in unconsolidated joint ventures and our redevelopment project at 3100 Clarendon Boulevard.

Overview

Our portfolio is a national portfolio located in several geographic markets. We typically lease space to large, credit-worthy corporate or governmental tenants on a long-term basis. Our average lease is approximately 27,000 square feet with 7.1 years of lease term remaining as of June 30, 2015. As a result, leased percentage, as well as rent roll ups and roll downs, which we experience as a result of re-leasing, can fluctuate widely between markets, between buildings, and between tenants within a given market depending on when a particular lease is scheduled to expire. We have re-leased a significant portion of our portfolio over the last several years; however, as rental abatement periods related to certain significant renewals and replacement leases began to expire during 2014, Property NOI on a sequential quarter basis began to improve as evidenced by the approximately 11% and 14% increase in Same Store NOI for the three and six months ended June 30, 2015, respectively, as compared to the corresponding periods in 2014. On a prospective basis, we expect continued positive growth in Same Store NOI in 2015 as compared to the prior year, as certain significant leases for currently vacant space commence and rental abatement periods expire. Further, any absorption of currently vacant space in the portfolio due to additional new leasing activity could also favorably impact Property NOI and/or Same Store NOI comparisons depending on the timing of commencement dates and abatement periods of the new leases.

Leased Percentage

Excluding one unconsolidated joint venture, one property under development, and one property that was not in service due to a redevelopment project as of June 30, 2015, our portfolio in total was approximately 89% leased as of June 30, 2015, up from approximately 88% leased as of December 31, 2014 and 87% leased as of June 30, 2014. As of June 30, 2015, scheduled expirations for the portfolio as a whole for the remainder of 2015 and 2016 represented 1.1% and 6.6%, respectively, of our Annualized Lease Revenue; therefore, our current leasing efforts are primarily focused on leasing currently vacant space. To the extent we are able to execute new leases for currently vacant space, offset by scheduled expirations, such new leasing should favorably impact our leased percentage, Property NOI, and possibly our Same Store NOI comparisons once any associated abatement periods expire.

Impact of Downtime, Abatement Periods, and Rental Rate Changes

We have re-leased a significant portion of our portfolio over the past several years, and as of June 30, 2015, we still had approximately 0.6 million square feet of executed leases related to vacant space which had not yet commenced. Commencement of new leases typically occurs 6-24 months from the lease execution date, after refurbishment of the space is completed. The downtime between a lease expiration and the new lease's commencement can negatively impact Property NOI and Same Store NOI. In addition, office leases, both new and lease renewals, typically contain upfront rental and/or operating expense abatement periods which delay the cash flow benefits of the lease even after the new lease or renewal has commenced. As of June 30, 2015, approximately 1.1 million square feet of our commenced leases were still in some form of abatement. Lastly, if we are unable to replace expiring leases with new or renewal leases at rental rates equal to or greater than the expiring rates, rental rate roll downs can also negatively impact Property NOI and Same Store NOI comparisons. As mentioned above, our geographically diverse portfolio and large block tenant model result in rent roll ups and roll downs that can fluctuate widely on a market by market basis; however, given the large volume of leasing activity over the last several years, we estimate that our portfolio, taken as a whole, is currently at market. Property NOI and Same Store NOI comparisons for any given period may still fluctuate as a result of rent roll ups and roll downs, however, depending on the leasing activity in individual geographic markets during the respective period.

Election as a REIT

We have elected to be taxed as a REIT under the Code and have operated as such beginning with our taxable year ended December 31, 1998. To qualify as a REIT, we must meet certain organizational and operational requirements, including a requirement to distribute at least 90% of our adjusted REIT taxable income, computed without regard to the dividends-paid deduction and by excluding net capital gains attributable to our stockholders, as defined by the Code. As a REIT, we generally will not be subject to federal income tax on income that we distribute to our stockholders. If we fail to qualify as a REIT in any taxable year, we may be subject to federal income taxes on our taxable income for that year and for the four years following the year during which qualification is lost and/or penalties, unless the IRS grants us relief under certain statutory provisions. Such an event could materially adversely affect our net income and net cash available for distribution to our stockholders. However, we believe that we are organized and operate in such a manner as to qualify for treatment as a REIT and intend to continue to operate in the foreseeable future in such a manner that we will remain qualified as a REIT for federal income tax purposes. We have elected to treat Piedmont Office Holdings, Inc. (“POH”), a wholly-owned subsidiary of Piedmont, as a taxable REIT subsidiary. We perform non-customary services for tenants of buildings that we own, including solar power generation, and real estate and non-real estate related-services; however, any earnings related to such services performed by our taxable REIT subsidiary are subject to federal and state income taxes. In addition, for us to continue to qualify as a REIT, our investments in taxable REIT subsidiaries cannot exceed 25% of the value of our total assets.

Inflation

We are exposed to inflation risk, as income from long-term leases is the primary source of our cash flows from operations. There are provisions in the majority of our tenant leases that are intended to protect us from, and mitigate the risk of, the impact of inflation. These provisions include rent steps, reimbursement billings for operating expense pass-through charges, real estate tax, and insurance reimbursements on a per square-foot basis, or in some cases, annual reimbursement of operating expenses above certain per square-foot allowances. However, due to the long-term nature of the leases, the leases may not readjust their reimbursement rates frequently enough to fully cover inflation.

Off-Balance Sheet Arrangements

We are not dependent on off-balance sheet financing arrangements for liquidity. As of June 30, 2015, our off-balance sheet arrangements consist of one investment in an unconsolidated joint venture and operating lease obligations related to a ground lease at one of our properties. The unconsolidated joint venture in which we currently invest is prohibited by its governing documents from incurring debt. For further information regarding our commitments under operating lease obligations, see the Contractual Obligations table below.

Application of Critical Accounting Policies

Our accounting policies have been established to conform with GAAP. The preparation of financial statements in conformity with GAAP requires management to use judgment in the application of accounting policies, including making estimates and assumptions. These judgments affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. If our judgment or interpretation of the facts and circumstances relating to various transactions had been different, it is possible that different accounting policies would have been applied, thus, resulting in a different presentation of the financial statements. Additionally, other companies may utilize different estimates that may impact comparability of our results of operations to those of companies in similar businesses. The critical accounting policies outlined below have been discussed with members of the Audit Committee of the board of directors.

Investment in Real Estate Assets

We are required to make subjective assessments as to the useful lives of our depreciable assets. We consider the period of future benefit of the asset to determine the appropriate useful lives. These assessments have a direct impact on net income attributable to Piedmont. The estimated useful lives of our assets by class are as follows:

Buildings	40 years
Building improvements	5-25 years
Land improvements	20-25 years
Tenant allowances	Lease term
Furniture, fixtures, and equipment	3-5 years
Intangible lease assets	Lease term

Allocation of Purchase Price of Acquired Assets

Upon the acquisition of real properties, we allocate 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 on their estimated fair values.

The estimated fair values of the tangible assets of an acquired property (which includes land and buildings) 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 estimated fair value of these assets. We determine the as-if-vacant estimated fair value of a property using methods similar to those used by independent appraisers. Factors considered by us 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. In estimating carrying costs, we include real estate taxes, insurance, and other operating expenses and estimates of lost rental revenue during the expected lease-up periods based on current market demand. We also estimate the cost to execute similar leases including leasing commissions, legal, and other related costs.

The estimated fair values of above-market and below-market in-place lease values are recorded based on the present value (using an interest rate that 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) our estimate of market lease 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 income over the remaining terms of the respective leases.

The estimated 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 our consideration of current market costs to execute a similar lease. These direct 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. Customer relationships are valued based on expected renewal of a lease or the likelihood of obtaining a particular tenant for other locations. 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.

Estimating the fair values of the tangible and intangible assets requires us to estimate market lease rates, property operating expenses, carrying costs during lease-up periods, discount and capitalization rates, market absorption periods, and the number of years the property is held for investment. The use of inappropriate estimates would result in an incorrect assessment of our purchase price allocations, which would impact the amount of our reported net income attributable to Piedmont.

Valuation of Real Estate Assets and Investments in Joint Ventures Which Hold Real Estate Assets

We continually monitor events and changes in circumstances that could indicate that the carrying amounts of the real estate and related intangible assets, both operating properties and properties under construction, in which we have 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, which indicate that the carrying amounts of real estate and related intangible assets may not be recoverable, we assess the recoverability of these assets by determining whether the carrying value will be recovered from the undiscounted future operating cash flows expected from the use of the asset and its eventual disposition. In the event that such expected undiscounted future cash flows do not exceed the carrying value, we adjust the real estate and related intangible assets to the estimated fair value and recognize an impairment loss. For our investments in unconsolidated joint ventures, we assess the estimated fair value of our investment, as compared to our carrying amount. If we determine that the carrying value is greater than the estimated fair value at any measurement date, we 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 estimated fair value amount.

Projections of expected future cash flows require that we estimate future market rental income amounts subsequent to the expiration of current lease agreements, property operating expenses, the number of months it takes to re-lease the property, and the number of years the property is held for investment, among other factors. The subjectivity of assumptions used in the future cash flow analysis, including capitalization and discount rates, could result in an incorrect assessment of the property’s estimated fair value and, therefore, could result in the misstatement of the carrying value of our real estate and related intangible assets and our reported net income attributable to Piedmont.

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, as well as costs incurred as part of the acquisition. We test the carrying value of our 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. We have the option, should we choose to use it, to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the estimated fair value of the reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, we conclude that the estimated fair value is greater than the carrying amount, then performing the two-step impairment test is unnecessary. However, if we chose to forgo the availability of the qualitative analysis, the test prescribed by authoritative accounting guidance is a two-step test. The first step involves comparing the estimated fair value of the entity to its carrying value, including goodwill. Estimated fair value is determined by adjusting the trading price of the stock for a control premium, if necessary, multiplied by the common shares outstanding. If such calculated estimated fair value exceeds the carrying value, no further procedures or analysis is 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 estimated fair value of all tangible and intangible net assets of the entity from the entity's estimated fair value calculated in step one of the test. If the implied value of the goodwill (the remainder left after deducting the estimated fair values of the entity from its calculated overall estimated fair value in step one of the test) is less than the carrying value of goodwill, an impairment loss would be recognized. We have determined through the testing noted above that there are no issues of impairment related to our goodwill as of June 30, 2015.

Investment in Variable Interest Entities

Variable Interest Entities ("VIEs") are defined by GAAP as entities in which equity investors do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. If an entity is determined to be a VIE, it must be consolidated by the primary beneficiary. The primary beneficiary is the enterprise that has the power to direct the activities of the VIE that most significantly impact the VIE's economic performance, absorbs the majority of the entity's expected losses, or receives a majority of the entity's expected residual returns. Generally, expected losses and expected residual returns are the anticipated negative and positive variability, respectively, in the estimated fair value of the VIE's net assets. When we make an investment, we assess whether the investment represents a variable interest in a VIE and, if so, whether we are the primary beneficiary of the VIE. Incorrect assumptions or assessments may result in an inaccurate determination of the primary beneficiary. The result could be the consolidation of an entity acquired or formed in the future that would otherwise not have been consolidated or the non-consolidation of such an entity that would otherwise have been consolidated.

We evaluate each investment to determine whether it represents variable interests in a VIE. Further, we evaluate the sufficiency of the entities' equity investment at risk to absorb expected losses, and whether as a group, the equity has the characteristics of a controlling financial interest. See Note 6 to our accompanying consolidated financial statements for further detail on our investment in variable interest entities as of June 30, 2015.

Interest Rate Derivatives

We periodically enter into interest rate derivative agreements to hedge our exposure to changing interest rates on variable rate debt instruments. As required by GAAP, we record all derivatives on the balance sheet at estimated fair value. We reassess the effectiveness of our 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, we do not use derivatives for trading or speculative purposes.

The changes in estimated fair value of interest rate swap agreements designated as effective cash flow hedges are recorded in other comprehensive income ("OCI"), and subsequently reclassified to earnings when the hedged transactions occur. Changes in the estimated 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 estimated fair value of the interest rate derivative agreement is recorded as interest rate derivative asset or as interest rate derivative liability in the accompanying consolidated balance sheets. Amounts received or paid under interest rate derivative agreements are recorded as interest expense in the consolidated income statements as incurred. All of our interest rate derivative agreements as of June 30, 2015 are designated as effective cash flow hedges. See Note 5 to our accompanying consolidated financial statements for further detail on our interest rate derivatives.

Stock-based Compensation

We have issued stock-based compensation in the form of restricted stock to our employees and directors. For employees, such compensation has been issued pursuant to our Long-term Incentive Compensation ("LTIC") program. The LTIC program is comprised of an annual deferred stock grant component and a multi-year performance share component. Awards granted pursuant to the annual deferred stock component are considered equity awards and expensed straight-line over the vesting period, with issuances recorded as a reduction to additional paid in capital. Awards granted pursuant to the performance share component are considered liability awards and are expensed over the service period, with issuances recorded as a reduction to accrued expense. The compensation expense recognized related to both of these award types 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. See Note 10 to our accompanying consolidated financial statements for further detail on our stock-based compensation.

Recent Accounting Pronouncements

The Financial Accounting Standards Board has issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASU 2014-09"). The amendments in ASU 2014-09 change the criteria for the recognition of revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services using a five-step determination process. Steps 1 through 5 involve (i) identifying contracts with a customer, (ii) identifying the performance obligations in the contract, (iii) determining the transaction price, (iv) allocating the transaction price to the performance obligations, and (v) recognizing revenue as an entity satisfies a performance obligation. Additionally, lease contracts are specifically excluded from ASU 2014-09. The amendments in ASU 2014-09 are effective in the first quarter of 2018 for us. We are currently evaluating the potential impact, if any, of adoption.

The FASB has issued Accounting Standards Update No. 2015-02, *Consolidation (Topic 810), Amendments to the Consolidation Analysis* ("ASU 2015-02"). The amendments in ASU 2015-02 modifies the consolidation analysis of certain types of entities. Specifically, ASU 2015-02 changes the assessment criteria of whether limited partnerships are VIEs, eliminates the presumption that general partners should consolidate a limited partner, eliminates certain conditions from the evaluation of whether a fee paid to a decision maker constitutes a VIE, and changes the evaluation regarding the impact of related parties in the primary beneficiary determination of a VIE. The amendments in ASU 2015-02 are effective for us in the first quarter of 2016, and we are currently evaluating the potential impact, if any, of adoption.

The FASB has issued Accounting Standards Update No. 2015-03, *Interest - Imputation of Interest (Subtopic 835-30), Simplifying the Presentation of Debt Issuance Costs* ("ASU 2015-03"). The amendments in ASU 2015-03 require debt issuance costs to be presented in the balance sheet as a reduction to the underlying debt instrument, as opposed to a separate asset. The amendments do not change the method by which such costs are amortized against earnings, nor do they change their classification in the consolidated statements of income, as a component of interest expense. The amendments in ASU 2015-03 are effective in the first quarter of 2016 for us, and we are currently evaluating the potential impact of adoption.

Related-Party Transactions and Agreements

There were no related-party transactions during the three and six months ended June 30, 2015.

Contractual Obligations

Our contractual obligations as of June 30, 2015 were as follows (in thousands):

	Payments Due by Period					
Contractual Obligations	Total	Less than 1 year	1-3 years	3-5 years		More than 5 years
Long-term debt[1]	$ 2,325,452	$ 125,836	$ 354,342	$ 907,029	[2] [3] [4]	$ 938,245
Operating lease obligations[5]	3,044	93	186	187		2,578
Total	$ 2,328,496	$ 125,929	$ 354,528	$ 907,216		$ 940,823

(1) Amounts include principal payments only and balances outstanding as of June 30, 2015, not including unamortized issuance discounts or estimated fair value adjustments. We made interest payments, including payments under our interest rate swaps, of approximately $38.7 million during the six months ended June 30, 2015, and expect to pay interest in future periods on outstanding debt obligations based on the rates and terms disclosed herein and in Note 4 of our accompanying consolidated financial statements.

(2) Includes the balance outstanding as of June 30, 2015 of the $500 Million 2015 Unsecured Line of Credit. However, Piedmont may extend the term for up to one additional year (through two available six month extensions to a final extended maturity date of June 18, 2020) provided Piedmont is not then in default and upon payment of extension fees.

(3) Includes the $300 Million Unsecured 2013 Term Loan which has a stated variable rate; however, we have entered into interest rate swap agreements which effectively fix, exclusive of changes to our credit rating, the rate on this facility to 2.78% through maturity. As such, we estimate incurring, exclusive of changes to our credit rating, approximately $8.3 million per annum in total interest (comprised of combination of variable contractual rate and settlements under interest rate swap agreements) through maturity in January 2019.

(4) Includes the $300 Million Unsecured 2011 Term Loan which has a stated variable rate; however, we have entered into interest rate swap agreements which effectively fix, exclusive of changes to our credit rating, the rate on this facility to 2.39% through the original maturity date of November 22, 2016 and 3.35% for the extension period (November 22, 2016 to January 15, 2020). As such, we estimate incurring, exclusive of changes to our credit rating, approximately $7.2 million per annum in total interest (comprised of combination of variable contractual rate and settlements under interest rate swap agreements) through the original maturity of the debt facility in November 2016, and approximately $10.1 million per annum for the extension period ending in January 2020.

(5) The 2001 NW 64th Street building in Ft. Lauderdale, Florida is subject to a ground lease with expiration dates of 2048. The aggregate remaining payments required under the terms of these operating leases as of June 30, 2015 are presented above.

Commitments and Contingencies

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

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our future income, cash flows, and estimated fair values of our financial instruments depend in part upon prevailing market interest rates. Market risk is the exposure to loss resulting from changes in interest rates, foreign currency, exchange rates, commodity prices, and equity prices. Our potential for exposure to market risk includes interest rate fluctuations in connection with borrowings under our $500 Million Unsecured 2015 Line of Credit, our $300 Million Unsecured 2011 Term Loan, the $300 Million Unsecured 2013 Term Loan, and the $170 Million Unsecured 2015 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, as of the time of this filing, all of our debt other than the $500 Million Unsecured 2015 Line of Credit and the $170 Million Unsecured 2015 Term Loan is based on fixed, or effectively-fixed, interest rates to hedge against instability in the credit markets.

We do not enter into derivative or interest rate transactions for speculative purposes, as such all of our debt and derivative instruments were entered into for other than trading purposes. The estimated fair value of our debt was approximately $2.3 billion as of June 30, 2015 and December 31, 2014. Our interest rate swap agreements in place at June 30, 2015 carried a notional amount totaling $1.2 billion with a weighted-average fixed interest rate (not including the corporate credit spread) of 1.81%. Our interest swap agreements in place at December 31, 2014 carried a notional amount totaling $1.2 billion with a weighted-average fixed interest rate (not including the corporate credit spread) of 1.77%.

Our total outstanding debt subject to fixed, or effectively fixed, interest rates has an average effective interest rate of approximately 3.78% per annum with expirations ranging from 2016 to 2024. A change in the market interest rate impacts the net financial instrument position of our fixed-rate debt portfolio but has no impact on interest incurred or cash flows.

As of June 30, 2015, we had $305 million outstanding on our $500 Million Unsecured 2015 Line of Credit. Our $500 Million Unsecured 2015 Line of Credit currently has a stated rate of LIBOR plus 1.00% per annum or the prime rate, at our discretion. Draws outstanding as of June 30, 2015 were subject to a blended rate of LIBOR + 1.00% as of June 30, 2015. The current stated interest rate spread on the $170 Million Unsecured 2015 Term Loan is LIBOR plus 1.125% (based on our current corporate credit rating). To the extent that we borrow additional funds in the future under the $500 Million Unsecured 2015 Line of Credit, the $170 Million Unsecured 2015 Term Loan, or potential future variable-rate lines of credit, we would have exposure to increases in interest rates, which would potentially increase our cost of debt. Additionally, absent reductions in the balances outstanding on our floating-rate debt as a result of a potential sale of the Aon Center building, a 1.0% increase in variable interest rates on our existing outstanding borrowings as of June 30, 2015 would increase interest expense approximately $4.8 million on a per annum basis.

ITEM 4. CONTROLS AND PROCEDURES

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

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

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended June 30, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 1A. RISK FACTORS

There have been no known material changes from the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2014.

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

(a) There were no unregistered sales of equity securities during the second quarter 2015.

(b) Not applicable.

(c) During the quarter ended June 30, 2015, we repurchased shares of our common stock in the open market in order to reissue such shares under our dividend reinvestment plan (the "DRP"), as well as repurchasing and retiring shares as part of our stock repurchase plan. During June of 2015, we exhausted our existing authority to repurchase shares of common stock as part of our stock repurchase plan. However, on June 23, 2015, our board of directors authorized the repurchase of up to $200 million of additional shares of our common stock over the next two years.

Of the 2,854,000 shares repurchased during the second quarter 2015, 2,648,691 shares (at an average price of $17.45 per share) related to repurchases of our common stock pursuant to our stock repurchase plan, and 205,309 shares (at an average price of $17.67 per share) related to shares purchased by our transfer agent on the open market and conveyed to participants in the DRP. The aggregate stock repurchases for the quarter ended June 30, 2015 are as follows:

Period	Total Number of Shares Purchased (in 000's) [1]	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan (in 000's)	Maximum Approximate Dollar Value of Shares Available That May Yet Be Purchased Under the Plan (in 000's)
April 1, 2015 to April 30, 2015	—	$ —	—	$ 37,040
May 1, 2015 to May 31, 2015	1,173	$ 17.49	1,173	$ 16,508
June 1, 2015 to June 30, 2015	1,681	$ 17.46	1,476	$ 190,781 [2]
Total	2,854	$ 17.47	2,649	

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

(2) Amounts available for purchase relate only to our stock repurchase plan, which was announced on June 24, 2015. Our board of directors authorized the repurchase of up to $200 million of additional shares of our common stock pursuant to the stock repurchase plan prior to the second quarter ended June 30, 2017. The share repurchase plan is separate from shares purchased for DRP issuance.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

The Exhibits required to be filed with this report are set forth on the Exhibit Index to Second Quarter 2015 Form 10-Q of Piedmont Office Realty Trust, Inc. attached hereto.

SIGNATURES

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

	PIEDMONT OFFICE REALTY TRUST, INC. (Registrant)
Dated: July 29, 2015	By: /s/ Robert E. Bowers **Robert E. Bowers** **Chief Financial Officer and Executive Vice President** **(Principal Financial Officer and Duly Authorized Officer)**

EXHIBIT INDEX
TO
SECOND QUARTER 2015
FORM 10-Q
OF
PIEDMONT OFFICE REALTY TRUST, INC

Exhibit Number	Description of Document
3.1	Third Articles of Amendment and Restatement of Piedmont Office Realty Trust, Inc. (the “Company”) (incorporated by reference to Exhibit 3.1 to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2009 filed on March 16, 2010)
3.2	Articles of Amendment of the Company effective June 30, 2011 (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed on July 6, 2011)
3.3	Articles Supplementary of the Company effective June 30, 2011 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on July 6, 2011)
3.4	Amended and Restated Bylaws of the Company (incorporated by reference to Exhibit 3.2 to the Company’s Current Report on Form 8-K filed on January 22, 2010)
10.1	Revolving Credit Agreement dated June 18, 2015, by and among Piedmont Operating Partnership, LP, the Registrant, Suntrust Robinson Humphrey, Inc., U.S. Bank National Association, PNC Capital Markets LLC, Suntrust Bank, and the other financial institutions initially signatory thereto and their assignees (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 24, 2015)
10.2	Loan Agreement dated as of June 23, 2015 between Piedmont 1901 Market LLC, as Borrower and The Prudential Insurance Company of America, as Lender (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on June 24, 2015)
10.3	Open-End Mortgage and Security Agreement (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on June 24, 2015)
10.4*	Long-Term Incentive Program as amended effective April 28, 2015
10.5*	Form of Employee Deferred Stock Award Agreement for 2007 Omnibus Incentive Plan of the Company effective April 28, 2015
31.1	Rule 13a-14(a)/15d-14(a) Certification, executed by Donald A. Miller, CFA, Principal Executive Officer of the Company
31.2	Rule 13a-14(a)/15d-14(a) Certification, executed by Robert E. Bowers, Principal Financial Officer of the Company
32.1	Certification required by Rule 13a-14(b)/15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code, executed by Donald A. Miller, CFA, Chief Executive Officer and President of the Company
32.2	Certification required by Rule 13a-14(b)/15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code, executed by Robert E. Bowers, Chief Financial Officer and Executive Vice-President of the Company
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.

Exhibit 10.4

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

(As Amended Effective April 28, 2015)

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

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

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

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

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

NASDAQ, or if there are no sales on such date, for the preceding date on which there were sales of stock, as determined by the Committee.

(d) "Disability" means physical or mental incapacity whereby a Participant is unable with or without reasonable accommodation for a period of six (6) consecutive months or for an aggregate of nine (9) months in any twenty-four (24) consecutive month period to perform the essential functions of such Participant's duties.

(e) "Good Reason" means, unless otherwise specified in the Participant's employment agreement, any of the following: (i) the failure of the Company to pay or cause to be paid the Participant's base salary or annual bonus when due; (ii) a material diminution in the Participant's status, including, title, position, duties, authority or responsibility; (iii) a material adverse change in the criteria to be applied by the Company with respect to the Participant's target annual bonus as compared to the prior fiscal year (unless Executive has consented to such criteria); (iv) the relocation of the Company's executive offices to a location outside of the Atlanta, Georgia metropolitan area without the consent of the Participant; (v) the failure to provide the Participant with incentive awards that are reasonably and generally comparable to awards granted to other executive officers (other than the CEO) of the Company; or (vi) the occurrence of a Change of Control (as defined in the Plan). Notwithstanding the foregoing, (1) Good Reason (A) shall not be deemed to exist unless the Participant gives to the Company a written notice identifying the event or condition purportedly giving rise to Good Reason within 90 days after the time at which Executive first becomes aware of the event or condition and (B) shall not be deemed to exist at any time after the Board has determined that there exists an event or condition which could serve as the basis of a termination of the Participant's employment for Cause so long as the Board gives notice to the Participant of such determination within thirty (30) days of such determination and such notice is given within 120 days after the time at which the Board first becomes aware of the event or conditions constituting Cause; and (2) if there exists an event or condition that constitutes Good Reason, the Company shall have 30 days from the date notice of Good Reason is given to cure such event or condition and, if the Company does so, such event or condition shall not constitute Good Reason hereunder; and if the Company does not cure such event or condition within such 30-day period, the Participant shall have ten (10) business days thereafter to give the Company notice of termination of employment on account thereof (specifying a termination date no later than ten (10) days from the date of such notice of termination).

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

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

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

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

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

(k) "Performance Adjustment" means any adjustment made in accordance with Section 3(b) to the calculation of the percentage of Target Amount earned under Section 3(a).

(l) "Performance Level" means the Threshold, Target or Maximum Performance Level specified in Section 3(a).

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

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

(o) "Total Shareholder Return," or "TSR," means the Average Price at the end of a Performance Cycle, minus the Average Price at the beginning of a Performance Cycle, plus any dividends paid during the Performance Cycle, all divided by the Average Price at the beginning of the Performance Cycle; provided, however, that if a Participant terminates employment during a Performance Cycle in accordance with Section 5, TSR means the Average Price on the date of the Participant's termination of employment, minus the Average Price at the beginning of Performance Cycle, plus any dividends paid during the Performance Cycle until the date of the Participant's termination of employment, all divided by the Average Price at the beginning of the Performance Cycle. If, during a Performance Cycle a Peer Group company (i) is acquired by or merged into another entity, and in either case is not the surviving entity following such merger or acquisition, or (ii) ceases to be a publicly-traded REIT as the result of a transaction to go private, the Peer Group company's TSR shall be determined as of the date of such merger, acquisition or privatization transaction. If, during a Performance Cycle , a Peer Group company declares bankruptcy or is delisted from the securities exchange on which it is traded, such Peer Group company's TSR shall be set at -100%.

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

3. LTIP Award Payouts.

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

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

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

(b) Performance Adjustments. Notwithstanding the determination of the percentage of Target Amount earned under Section 3(a), the Board, in its absolute discretion, may adjust such amount as follows: (i) if the calculated amount based on relative performance is above the Target Performance Level, but the Company's Total Shareholder Return is negative, then the calculated amount can be decreased by up to 50 percentage points, and (ii) if the calculated amount based on relative performance is below the Target Performance Level but the Company's Total Shareholder Return is positive, then the calculated amount can be increased by up to 50 percentage points.

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

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

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

such Performance Cycle that such Participant was actively employed by the Company, and the denominator of which equals 1095 days, or total days in the Performance Cycle. Such payment will be paid by the Company 90 days after such Participant's termination of employment occurs.

6. 409A Compliance. The Company intends that payments under the LTIP comply with or be exempt from Section 409A of the Code and the regulations and guidance promulgated thereunder (collectively "Code Section 409A"), and the Company shall have complete discretion to interpret and construe the LTIP and any associated documents in any manner that establishes an exemption from (or compliance with) the requirements of Code Section 409A. If any provision of the LTIP does not accurately reflect its intended establishment of an exemption from (or compliance with) Code Section 409A, as demonstrated by consistent interpretations or other evidence of intent, such provision shall be considered ambiguous as to its exemption from (or compliance with) Code Section 409A and shall be interpreted by the Company in a manner consistent with such intent, as determined in the discretion of the Company. A termination of employment shall not be deemed to have occurred for purposes of any provision of the LTIP providing for the payment of any amounts or benefits that are considered nonqualified deferred compensation under Code Section 409A upon or following a termination of employment unless such termination is also a "separation from service" within the meaning of Code Section 409A, and, for purposes of any such provision of the LTIP, references to a "termination," "termination of employment" or like terms shall mean "such a separation from service." The determination of whether and when a separation from service has occurred for proposes of the LTIP shall be made in accordance with the presumptions set forth in Section 1.409A-1(h) of the Treasury Regulations. Any provision of the LTIP to the contrary notwithstanding, if the Company determines that the Participant is a "specified employee," within the meaning of Code Section 409A, then to the extent that any payment under the LTIP on account of Participant's separation from service would be considered nonqualified deferred compensation under Code Section 409A, such payment shall be delayed and paid at the date which is the earlier of (i) six (6) months and one day after the Participant's separation from service and (ii) the date of Participant's death (the "Delay Period"). Upon the expiration of the Delay Period, all payments delayed pursuant to this Section 6 shall be paid in a lump-sum. The Company makes no representation or warranty and shall have no liability to any participant or any other person if any provisions of the LTIP are determined to constitute deferred compensation subject to Code Section 409A, but do not satisfy an exemption from, or the conditions of, Code Section 409A.

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

Adopted by the Committee on this 28th day of April, 2015.

Exhibit 10.5

PIEDMONT OFFICE REALTY TRUST, INC. (the "Company")
2007 OMNIBUS INCENTIVE PLAN DEFERRED STOCK AWARD AGREEMENT

This Deferred Stock Award Agreement (this "Agreement")evidences a Deferred Stock Award made pursuant to the Piedmont Office Realty Trust 2007 Omnibus Incentive Plan (the "Plan") to the Employee named above, who shall be referred to as "Employee", with respect to the number of shares of common stock of Piedmont Office Realty Trust (the "Stock") as indicated above. This Deferred Stock Award is made effective as of the Award Date set forth above, which shall be referred to as the "Award Date."

PIEDMONT OFFICE REALTY TRUST

By:_______________________________

Date:______________________________

TERMS AND CONDITIONS

§ **1. Plan and Stock Award Agreement.** Employee's right to receive any or all of the shares of Stock subject to this Deferred Stock Award is subject to all of the terms and conditions set forth in this Agreement and in the Plan. If a determination is made that any term or condition set forth in this Agreement is inconsistent with the Plan, the Plan shall control. All of the capitalized terms not otherwise defined in this Agreement shall have the same meaning in this Agreement as in the Plan. A copy of the Plan will be made available to Employee upon written request to the Chief Financial Officer of the Company.

§ **2. Stockholder Rights. During the deferral period,** Employee shall have no rights as a stockholder with respect to any shares of Stock subject to this Deferred Stock Award until Employee's interest in such shares of Stock has become vested and nonforfeitable under § 3 and such shares of Stock have been transferred on the Company's books and records to Employee.

§ **3. Vesting and Forfeiture.**

(a) General Vesting Rule. Subject to§ 3(b), Employee's interest in his or her Deferred Stock Award will vest and become nonforfeitable as follows:

(1) one fourth of the shares of Stock subject to this Deferred Stock Award (rounding up or down to the nearest whole share) will vest and become nonforfeitable on the date hereof.

(2) another one fourth of the shares of Stock subject to this Deferred Stock Award (rounded up or down to the nearest whole share) will vest and become nonforfeitable on each anniversary of the Award Date thereafter until Employee becomes fully vested in all shares subject to this Deferred Stock Award provided he or she has remained continuously

employed by the Company or a Subsidiary from the Award Date through the respective anniversary of the Award Date.

(b) <u>Special Vesting Rules</u>.

(1) Employee's interest in all of the shares of Stock subject to this Deferred Stock Award (rounding up or down to the nearest whole share) automatically will vest and become nonforfeitable if (after he or she has signed this Deferred Stock Award Agreement) (A) his or her employment with the Company or a Subsidiary terminates as a result of his or her (i) death, (ii) Permanent Disability (as defined in §3(d)(5)), (iii) Lay Off (as defined in § 3(d)(2)), (iv)Retirement (as defined in§ 3(d)(3)), (v) termination by the Company or a Subsidiary without Cause (as defined in§ 3(d)(4)) or (B) there is a Change in Control (as defined in the Plan).

(2) An Employee on an approved leave of absence, as described in Section 16(b) of the Plan, other than due to vacation or jury duty (an "Approved Leave"), will not continue to vest in any shares of Stock subject to this Deferred Stock Award during or after such Approved Leave, provided, however, that if immediately after the end of such Approved Leave Employee returns to Active Service with the Company or its Subsidiaries for a continuous period of at least 90 days (or for at least one day in the case of an Employee on an Approved Leave for military service), such Employee will be vested in such shares in the same amount as such Employee would have been vested if such Employee had never taken such Approved Leave.

(c) Forfeiture. If Employee's employment with the Company or a subsidiary of the Company (a "Subsidiary") terminates for any reason before his or her interest in all of the shares of Stock subject to this Deferred Stock Award have become vested and nonforfeitable under this § 3, after including any vesting under the Special Vesting Rules as described above in Section 3(b), then Employee shall forfeit his or her right to receive all such shares of Stock subject to this Deferred Stock Award which have not become so vested and nonforfeitable before the date his or her employment so terminates.

(d) Definitions.

(1) Active Service – The term "Active Service" under §3(b) means an Employee that is working their typical regular schedule at the Company and not on an Approved Leave.

(2) Lay Off. The term "Lay Off" under§ 3(b) means the elimination of Employee's job with the Company or a Subsidiary if there is no offer of continued employment at a comparable position.

(3) Retirement. The term "Retirement" under§ 3(b) means a termination of employment with the Company or a Subsidiary after Employee reaches age 62 other than for Cause.

(4) Cause. The term "Cause" under§ 3(b) means a termination of employment by the Company or a Subsidiary due to poor performance, willful misconduct, commitment of fraud, violation of Company or a Subsidiary policy or code of conduct, or conviction of a felony.

(5) Permanent Disability. The term “Permanent Disability” under §3(b) means Employee is disabled as defined in Section 14(c)(ii) of the Plan.

(e) Termination of Employment. Employee shall be treated as terminated for employment purposes as of the last date Employee is paid his or her normal salary for services actually rendered, exclusive of any period covered by severance. Termination of employment under this Agreement does not include any of the circumstances described in Section 16 (Transfer, Leave of Absence, Etc.) of the Plan.

(f) Right to Receive Shares and Tax Liability. Employee shall have the right (subject to applicable tax withholdings effected in accordance with Section 13 of the Plan) to receive shares of Stock subject to this Deferred Stock Award on the date his or her interest in such shares of Stock vests and becomes nonforfeitable under this § 3. Employee’s tax liability for such shares of Stock shall be determined as of such date. Employee may (in accordance with Section 13 of the Plan) choose to make payment of the applicable tax withholdings by 1) a cash payment and thereby receive the total number of shares Employee has the right to receive, or 2) a reduction in Stock pursuant to Section 13 (b) of the Plan. .

§ **4. Transfer of Shares of Stock.** The Company shall cause any shares of Stock which Employee has a right to receive under § 3 (subject to applicable tax withholdings effected in accordance with Section 16 of the Plan) to be transferred to Employee on the Company’s books and records and delivered to Employee w i t hi n s ix t y (60) da y s after the date on which he or she has the right to receive such shares, the specific date of such transfer, to be determined by the Committee

During the period Employee is employed by the Company or a Subsidiary, shares received by an Employee under this Agreement, as well as any other Company shares owned by Employee, will be subject to certain trading "blackout" periods (which prohibit the sale or purchase of Company shares). Blackout periods can relate to the announcement of Company earnings or any other material, non-public information. Additionally, shares held by Employees may be subject to 'lock-up' agreements (which will prohibit the sale by Employees of Company stock for specified periods) as part of offerings of new Company shares on a public exchange.

§ **5. Nontransferable.** No rights under this Agreement shall be transferable by Employee except as provided in Section 12 of the Plan.

§ **6. Other Laws.** The Company shall have the right to refuse to transfer shares of Stock subject to this Deferred Stock Award to Employee if the Company acting in its absolute discretion determines that the transfer of such shares is (in the opinion of the Company's legal counsel) likely to violate any applicable law or regulation.

§ **7. No Right to Continue Employment or Service.** Neither the Plan , this Agreement, nor any related material shall give Employee the right to continue in the employment or other service of the Company or a Subsidiary or shall adversely affect the right which the Company or any Subsidiary has under applicable law to terminate Employee's employment with or without cause at any time.

§ **8. Governing Law.** The Plan and this Agreement shall be governed by the laws of the State of Maryland, applied without regard to conflicts of law principles.

§ **9. Binding Effect.** This Agreement shall be binding upon the Company and Employee and their respective heirs, executors, administrators and successors.

§ **10. Headings and Sections.** The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. All references to sections (§) in this Agreement shall be to sections (§) of this Agreement unless reference to a section of the Plan is specifically made.

§ **11. 409A Compliance**. The parties intend that payments under this Agreement comply with or be exempt from Section 409A of the Code and the regulations and guidance promulgated thereunder (collectively "Code Section 409A") and the Company shall have complete discretion to interpret and construe this Agreement and any associated documents in any manner that establishes an exemption from (or compliance with) the requirements of Code Section 409A. If for any reason, such as imprecision in drafting, any provision of this Agreement does not accurately reflect its intended establishment of an exemption from (or compliance with) Code Section 409A, as demonstrated by consistent interpretations or other evidence of intent, such provision shall be considered ambiguous as to its exemption from (or compliance with) Code Section 409A and shall be interpreted by Piedmont in a manner consistent with such intent, as determined in the discretion of the Company. A termination of employment shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amounts or benefits that are considered nonqualified deferred compensation under Code Section 409A upon or following a termination of employment unless such termination is also a "separation from service" within the meaning of Code Section 409A, and, for purposes of any such provision of this Agreement, references to a "termination," "termination of employment" or like terms shall mean "such a separation from service." The determination of whether and when a separation from service has occurred for proposes of this Agreement shall be made in accordance with the presumptions set forth in Section 1.409A-1(h) of the Treasury Regulations. Any provision of this Agreement to the contrary notwithstanding, if at the time of Employee's separation from service, the Company determines that Employee is a "specified employee," within the meaning of Code Section 409A, then to the extent any payment that Employee is entitled to under this Agreement on account of Employee's separation from service would be considered nonqualified deferred compensation under Code Section 409A, such payment shall be paid at the date which is the earlier of (i) six (6) months and one day after Employee's separation from service and (ii) the date of Employee's death (the "Delay Period"). Upon the expiration of the Delay Period, all payments delayed pursuant to this Section 11 shall be paid to Employee in a lump-sum. The Company makes no representation or warranty and shall have no liability to Employee or any other person if any provisions of this Agreement are determined to constitute deferred compensation subject to Code Section 409A, but do not satisfy an exemption from, or the conditions of, Code Section 409A.

Employee has signed this Agreement to evidence his or her acceptance of this Deferred Stock Award and all of the terms and conditions of such Award.

____
Employee's Signature

____
Date

EXHIBIT 31.1
PRINCIPAL EXECUTIVE OFFICER CERTIFICATION
PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Donald A. Miller, CFA, certify that:

1. I have reviewed this Form 10-Q for the quarter ended June 30, 2015 of Piedmont Office Realty Trust, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: July 29, 2015

By: /s/ Donald A. Miller, CFA

Donald A. Miller, CFA
Chief Executive Officer and President
(Principal Executive Officer)

EXHIBIT 31.2
PRINCIPAL FINANCIAL OFFICER CERTIFICATION
PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Robert E. Bowers, certify that:

1. I have reviewed this Form 10-Q for the quarter ended June 30, 2015 of Piedmont Office Realty Trust, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: July 29, 2015

By: /s/ Robert E. Bowers

Robert E. Bowers

Chief Financial Officer and Executive Vice President (Principal Financial Officer)

EXHIBIT 32.1
CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 (18 U.S.C. 1350)

In connection with the Report of Piedmont Office Realty Trust, Inc. (the “Registrant”) on Form 10-Q for the quarter ended June 30, 2015, as filed with the Securities and Exchange Commission (the “Report”), the undersigned, Donald A. Miller, CFA, Chief Executive Officer of the Registrant, hereby certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief:

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

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

By: /s/ Donald A. Miller, CFA

Donald A. Miller, CFA
Chief Executive Officer and President
July 29, 2015

EXHIBIT 32.2
CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 (18 U.S.C. 1350)

In connection with the Report of Piedmont Office Realty Trust, Inc. (the “Registrant”) on Form 10-Q for the quarter ended June 30, 2015, as filed with the Securities and Exchange Commission (the “Report”), the undersigned, Robert E. Bowers, Chief Financial Officer of the Registrant, hereby certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief:

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

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

By: /s/ Robert E. Bowers

Robert E. Bowers
Chief Financial Officer
and Executive Vice President
July 29, 2015