

# PRESS RELEASE

# Franklin Street Properties Corp.

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**For Immediate Release**

## Franklin Street Properties Corp. Announces Fourth Quarter and Year End 2013 Results

Wakefield, MA—February 18, 2014—Franklin Street Properties Corp. (the “Company”, “FSP”, “we” or “our”) (NYSE MKT: FSP), a real estate investment trust (REIT), announced today Funds From Operations (FFO) of \$29.2 million or \$0.29 per share for the fourth quarter ended December 31, 2013; and FFO of \$100.8 million or \$1.07 per share for the full year ended December 31, 2013. Net income was \$6.6 million or \$0.07 per share for the fourth quarter ended December 31, 2013 and \$19.8 million or \$0.21 per share for the year ended December 31, 2013. Please note the Company has updated its definition of FFO, which is described on page 12 of this press release.

The Company evaluates its performance based on FFO, Net Income and EPS and believes each is an important measure. A reconciliation of Net Income to FFO, which is a non-GAAP financial measure, is provided on page 3 of this press release.

(in 000's except per share data)	Three Months Ended December 31,			Year Ended December 31,		
	<u>2013</u>	<u>2012</u>	Increase (Decrease)	<u>2013</u>	<u>2012</u>	Increase (Decrease)
Net Income	\$ 6,591	\$ 5,459	\$ 1,132	\$ 19,827	\$ 7,633	\$ 12,194
FFO	\$ 29,220	\$ 20,690	\$ 8,530	\$ 100,833	\$ 80,355	\$ 20,478
Per Share Data:						
EPS	\$ 0.07	\$ 0.07	\$ -	\$ 0.21	\$ 0.09	\$ 0.12
FFO	\$ 0.29	\$ 0.25	\$ 0.04	\$ 1.07	\$ 0.97	\$ 0.10
Weighted average shares (diluted)	100,187	82,937	17,250	93,855	82,937	10,918

Comparing results for the fourth quarter of 2013 to the same period in 2012, FFO increased \$8.5 million or \$0.04 per share to \$29.2 million or \$0.29 per share in 2013. The FFO increase was primarily from higher property income due to five acquisitions completed since July 2012 and improved occupancy in our portfolio, which was partially offset by decreased interest income as a result of repayment of secured real estate loans and by higher G&A. Net Income and EPS was \$6.6 million or \$0.07 per share for the fourth quarter of 2013 compared to a net income of \$5.5 million or \$0.07 per share for the fourth quarter of 2012.

Comparing results for the year ended December 31, 2013 to 2012, FFO increased \$20.5 million or \$0.10 per share to \$100.8 million or \$1.07 per share in 2013. The FFO increase was primarily from higher property income due to five acquisitions completed since July 2012 and improved occupancy in our portfolio, which was partially offset by decreased interest income as a result of repayment of secured real estate loans and by higher G&A. Net Income and EPS was \$19.8 million and \$0.21 per share, respectively, for the year ended December 31, 2013 compared to net income and EPS of \$7.6 million and \$0.09 per share, respectively, for the same period in 2012. For the year ended December 31, 2013, Net Income includes the effect of income from discontinued operations of \$2.5 million, or \$0.03 per share, which includes a \$2.2 million gain on the sale of a property sold in October and income from the operations from the property we sold. For the year ended December 31, 2012, Net Income includes the effect of a loss from discontinued operations of \$15.3 million or \$0.19 per share. The loss included a \$14.8 million loss on a property sold in December 2012 and \$0.5 million in losses from the operations of properties we sold.

**George J. Carter, President and CEO, commented as follows:**

“For the fourth quarter of 2013, FSP's profits as represented by FFO totaled approximately \$29.2 million or \$0.29 per share, an increase of approximately \$1.6 million or \$0.01 per share compared to the third quarter of 2013. Dividend distributions declared for the fourth quarter of 2013, which were paid on February 14, 2014, were approximately \$19.0 million or \$0.19 per share. For the full-year 2013, FSP's profits as represented by FFO totaled approximately \$100.8 million or \$1.07 per share, an increase of approximately \$20.5 million or \$0.10 per share compared to full-year 2012. Our increase in year-over-year FFO per fully-diluted share for 2013 was approximately 10.3%, one of the highest in the office REIT sector, and continues our strong FFO per share growth performance of approximately 9.0% in 2012 and 6.0% in 2011. Our total growth in FFO per fully-diluted share for the three year period of 2011, 2012 and 2013 totaled approximately 27.4% and is one of the highest aggregate three year growth rates in the office REIT sector. Our total FFO has grown 51.1% over the last three years from \$66.7 million to \$100.8 million. As we begin 2014, we are for the first time providing FFO guidance. We are optimistic about potential growth prospects during 2014 producing FFO meaningfully higher than 2013 by continuing our organic "same-store" growth which totaled about 2.1% in 2013, as well as through additional property acquisitions which totaled about \$560 million in 2013. We have a relatively small amount of tenant lease roll-over scheduled during 2014 and our core markets' rental metrics continue to meaningfully improve. We believe our balance sheet is in excellent shape with no property secured debt and no preferred stock outstanding. This gives us a lot of property portfolio flexibility, along with an approximately 5.6 times total fixed charge debt service coverage ratio, one of the highest in the office REIT sector. Over the last three years, our total market capitalization has grown 46.9% from \$1.4 billion to \$2.1 billion. We believe FSP is in a very strong position to continue its growth in 2014.

Our directly-owned real estate portfolio of 39 properties, totaling approximately 9,700,000 square feet, was approximately 94.1% leased as of December 31, 2013, up from approximately 93.8% leased at the end of the third quarter 2013. Our property portfolio of primarily urban in-fill office assets has relatively modest lease expirations during 2014, which we have continued to proactively reduce. As of year-end 2013, only 5.6% of our commercial square footage is scheduled to expire in 2014. As of the end of the third quarter of 2013, most of the tenant improvement expenditures and leasing costs incurred over the last three years to help reach current occupancy levels have been paid and we expect future capital expenditures to continue to moderate in relation to the level of rental revenues being achieved.

While there were no new property acquisitions made in the fourth quarter of 2013, there were two property dispositions completed. First, one of our single-asset REIT affiliates "FSP 505 Waterford Corp." sold its thirteen-story 256,000 square foot office property in Plymouth, Minnesota (a suburb of Minneapolis) for \$33.0 million. FSP's first mortgage loan of \$2.35 million was repaid in full. The second disposition was our Richardson, Texas (a suburb of Dallas), two-story 122,300 square foot office property known as "1410 East Renner" for \$12.5 million on which we recognized a \$2.2 million gain. We continuously review and evaluate our property portfolio for potentially advantageous dispositions as well as broader real estate markets for attractive additional property acquisitions. We would anticipate further disposition and acquisition activity during 2014.

As 2014 begins, FSP will focus on continuing its profit growth by increasing occupancy and rents on its portfolio of properties while pursuing the acquisition of additional real estate investments that have the potential to add to those profits.

We are very optimistic about our prospects for growth during 2014 and beyond.”

**Dividend Update**

On January 10, 2014, the Company announced that its Board of Directors declared a regular quarterly dividend for the three months ended December, 2013 of \$0.19 per share of common stock that was paid on February 14, 2014 to stockholders of record on January 24, 2014.

## FFO Guidance

We are providing full year FFO guidance for 2014 in the range of \$1.08 to \$1.12 per diluted share. This guidance (a) excludes the impact of future acquisitions, dispositions, debt financings or repayments or other capital market transactions; (b) reflects estimates from our ongoing portfolio of properties, other real estate investments and G&A expenses; and (c) reflects our current expectations of economic conditions in the coming year. We will update guidance quarterly in our earnings releases. There can be no assurance that the Company's actual results will not differ materially from the estimates set forth above.

## Real Estate Update

Supplementary schedules provide property information for the Company's owned real estate portfolio and for two non-consolidated REITs in which the Company holds preferred stock interests as of December 31, 2013. The Company will also be filing an updated supplemental information package that will provide stockholders and the financial community with additional operating and financial data. The Company will file this supplemental information package with the SEC and make it available on its website at [www.franklinstreetproperties.com](http://www.franklinstreetproperties.com).

## Funds From Operations (FFO)

A reconciliation of Net Income to FFO is shown below and a definition of FFO is provided on Supplementary Schedule H. Management believes FFO is used broadly throughout the real estate investment trust (REIT) industry as a measurement of performance. The Company has included the NAREIT FFO definition in the table and notes that other REITs may not define FFO in accordance with the current NAREIT definition or may interpret the current NAREIT definition differently. The Company's computation of FFO may not be comparable to FFO reported by other REITs or real estate companies that define FFO differently.

Reconciliation of Net Income to FFO:	Three Months Ended		Year Ended	
	December 31,		December 31,	
(In thousands, except per share amounts)	2013	2012	2013	2012
Net income	\$ 6,591	\$ 5,459	\$ 19,827	\$ 7,633
(Gain) loss on sale of or equity interest in properties, less applicable income tax	(2,158)	526	(2,158)	14,826
GAAP (income) loss from non-consolidated REITs	543	(972)	1,358	(2,033)
FFO from non-consolidated REITs	346	252	2,148	4,124
Depreciation & amortization	23,886	15,239	79,090	55,518
NAREIT FFO	29,208	20,504	100,265	80,068
Acquisition costs of new properties	12	186	568	287
Funds From Operations (FFO)	\$ 29,220	\$ 20,690	\$ 100,833	\$ 80,355
Per Share Data				
EPS	\$ 0.07	\$ 0.07	\$ 0.21	\$ 0.09
FFO	\$ 0.29	\$ 0.25	\$ 1.07	\$ 0.97
Weighted average shares (basic and diluted)	100,187	82,937	93,855	82,937

Today's news release, along with other news about Franklin Street Properties Corp., is available on the Internet at [www.franklinstreetproperties.com](http://www.franklinstreetproperties.com). We routinely post information that may be important to investors in the Investor Relations section of our website. We encourage investors to consult that section of our website regularly for important information about us and, if they are interested in automatically receiving news and information as soon as it is posted, to sign up for E-mail Alerts.

## Earnings Call

A conference call is scheduled for February 19, 2014 at 10:00 a.m. (ET) to discuss the 2013 results. To access the call, please dial 1-888-317-6016. Internationally, the call may be accessed by dialing 1-412-317-6016. To listen via live audio webcast, please visit the Webcasts & Presentations section in the Investor Relations section of the Company's website ([www.franklinstreetproperties.com](http://www.franklinstreetproperties.com)) at least ten minutes prior to the start of the call and follow the posted directions. The webcast will also be available via replay from the above location starting one hour after the call is finished.

### About Franklin Street Properties Corp.

Franklin Street Properties Corp., based in Wakefield, Massachusetts, is focused on investing in institutional-quality office properties in the U.S. FSP's strategy is to invest in select urban infill and central business district (CBD) properties, with primary emphasis on our top five markets of Atlanta, Dallas, Denver, Houston, and Minneapolis. FSP seeks value-oriented investments with an eye towards long-term growth and appreciation, as well as current income. FSP is a Maryland corporation that operates in a manner intended to qualify as a real estate investment trust (REIT) for federal income tax purposes. To learn more about FSP please visit our website at [www.franklinstreetproperties.com](http://www.franklinstreetproperties.com).

### Forward-Looking Statements

*Statements made in this press release that state FSP's or management's intentions, beliefs, expectations, or predictions for the future may be forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. This press release may also contain forward-looking statements based on current judgments and current knowledge of management, which are subject to certain risks, trends and uncertainties that could cause actual results to differ materially from those indicated in such forward-looking statements. Accordingly, readers are cautioned not to place undue reliance on forward-looking statements. Investors are cautioned that our forward-looking statements involve risks and uncertainty, including without limitation, economic conditions in the United States, disruptions in the debt markets, economic conditions in the markets in which we own properties, risks of a lessening of demand for the types of real estate owned by us, changes in government regulations and regulatory uncertainty, uncertainty about governmental fiscal policy, geopolitical events and expenditures that cannot be anticipated such as utility rate and usage increases, unanticipated repairs, additional staffing, insurance increases and real estate tax valuation reassessments. See the "Risk Factors" set forth in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2013, as the same may be updated from time to time in subsequent filings with the United States Securities and Exchange Commission. Although we believe the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. We will not update any of the forward-looking statements after the date of this press release to conform them to actual results or to changes in our expectations that occur after such date, other than as required by law.*

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Franklin Street Properties Corp. Financial Results  
Supplementary Schedule A  
Condensed Consolidated Income (Loss) Statements  
(Unaudited)

(in thousands, except per share amounts)	For the Three Months Ended December 31,		For the Year Ended December 31,	
	2013	2012	2013	2012
Revenue:				
Rental	\$ 61,307	\$ 41,227	\$ 206,926	\$ 150,434
Related party revenue:				
Management fees and interest income from loans	1,717	1,801	6,646	10,947
Other	-	87	64	199
Total revenue	63,024	43,115	213,636	161,580
Expenses:				
Real estate operating expenses	15,223	10,502	51,100	37,440
Real estate taxes and insurance	8,912	5,959	31,616	22,904
Depreciation and amortization	23,976	15,019	78,839	54,051
Selling, general and administrative	2,698	2,462	11,911	9,916
Interest	7,198	4,167	21,054	16,068
Total expenses	58,007	38,109	194,520	140,379
Income before interest income, equity in earnings of non-consolidated REITs and taxes	5,017	5,006	19,116	21,201
Interest income	6	34	16	51
Equity in earnings of non-consolidated REITs	(543)	972	(1,358)	2,033
Income before taxes on income	4,480	6,012	17,774	23,285
Taxes on income	128	99	480	335
Income from continuing operations	4,352	5,913	17,294	22,950
Discontinued operations:				
Income (loss) from discontinued operations, net of income tax	81	72	375	(491)
Gain (loss) on sale, less applicable income tax	2,158	(526)	2,158	(14,826)
Total discontinued operations	2,239	(454)	2,533	(15,317)
Net income	\$ 6,591	\$ 5,459	\$ 19,827	\$ 7,633
Weighted average number of shares outstanding, basic and diluted	100,187	82,937	93,855	82,937
Earnings (loss) per share, basic and diluted, attributable to:				
Continuing operations	\$ 0.04	\$ 0.07	\$ 0.18	\$ 0.28
Discontinued operations	\$ 0.03	-	0.03	(0.19)
Net income per share, basic and diluted	\$ 0.07	\$ 0.07	\$ 0.21	\$ 0.09

Franklin Street Properties Corp. Financial Results  
Supplementary Schedule B  
Condensed Consolidated Balance Sheets  
(Unaudited)

(in thousands, except share and par value amounts)	<b>December 31,</b>	
	<b>2013</b>	<b>2012</b>
<b>Assets:</b>		
Real estate assets, net	\$ 1,568,338	\$ 1,134,788
Acquired real estate leases, less accumulated amortization of \$69,848 and \$39,203, respectively	183,454	108,203
Investment in non-consolidated REITs	80,494	81,960
Assets held for sale	-	10,575
Cash and cash equivalents	19,623	21,267
Restricted cash	643	575
Tenant rent receivables, less allowance for doubtful accounts of \$50 and \$1,300, respectively	5,102	1,749
Straight-line rent receivable, less allowance for doubtful accounts of \$135 and \$135, respectively	42,261	35,374
Prepaid expenses and other assets	10,506	13,761
Related party mortgage loan receivables	99,746	93,896
Other assets: derivative asset	5,321	-
Office computers and furniture, net of accumulated depreciation of \$747 and \$584, respectively	709	544
Deferred leasing commissions, net of accumulated amortization of \$15,031 and \$11,812, respectively	27,837	23,376
<b>Total assets</b>	<b>\$ 2,044,034</b>	<b>\$ 1,526,068</b>
<b>Liabilities and Stockholders' Equity:</b>		
<b>Liabilities:</b>		
Bank note payable	\$ 306,500	\$ 216,750
Term loan payable	620,000	400,000
Accounts payable and accrued expenses	44,137	31,122
Accrued compensation	2,985	2,540
Tenant security deposits	4,027	2,489
Other liabilities: derivative liability	2,044	1,219
Acquired unfavorable real estate leases, less accumulated amortization of \$6,926 and \$4,618, respectively	14,175	7,199
<b>Total liabilities</b>	<b>993,868</b>	<b>661,319</b>
<b>Commitments and contingencies</b>		
<b>Stockholders' Equity:</b>		
Preferred stock, \$.0001 par value, 20,000,000 shares authorized, none issued or outstanding	-	-
Common stock, \$.0001 par value, 180,000,000 shares authorized, 100,187,405 and 82,937,405 shares issued and outstanding, respectively	10	8
Additional paid-in capital	1,273,556	1,042,876
Accumulated other comprehensive income (loss)	3,277	(1,219)
Accumulated distributions in excess of accumulated earnings	(226,677)	(176,916)
<b>Total stockholders' equity</b>	<b>1,050,166</b>	<b>864,749</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 2,044,034</b>	<b>\$ 1,526,068</b>

Franklin Street Properties Corp. Financial Results  
Supplementary Schedule C  
Condensed Consolidated Statements of Cash Flows  
(Unaudited)

(in thousands)	<b>December 31,</b>	
	<b>2013</b>	<b>2012</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 19,827	\$ 7,633
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	81,267	57,500
Amortization of above market lease	(365)	71
Gain (loss) on sale, less applicable income tax	(2,158)	14,826
Equity in earnings of non-consolidated REITs	1,358	(2,033)
Distributions from non-consolidated REITs	-	705
Increase (decrease) in bad debt reserve	(1,250)	65
Changes in operating assets and liabilities:		
Restricted cash	(68)	(82)
Tenant rent receivables	(2,103)	(354)
Straight-line rents	(5,782)	(4,464)
Lease acquisition costs	(1,146)	(2,520)
Prepaid expenses and other assets	(1,547)	(328)
Accounts payable, accrued expenses and other items	11,137	3,717
Accrued compensation	445	318
Tenant security deposits	1,538	481
Payment of deferred leasing commissions	(9,125)	(5,179)
Net cash provided by operating activities	92,028	70,356
<b>Cash flows from investing activities:</b>		
Purchase of real estate assets, office computers and furniture	(473,922)	(183,868)
Acquired real estate leases	(100,143)	(37,302)
Investment in non-consolidated REITs	4,858	(1)
Distributions in excess of earnings from non-consolidated REITs	108	2,105
Investment in related party mortgage loan receivable	(8,200)	(74,580)
Repayment of related party mortgage receivable	2,350	121,200
Proceeds received on sales of real estate assets	12,301	157
Net cash used in investing activities	(562,648)	(172,289)
<b>Cash flows from financing activities:</b>		
Distributions to stockholders	(69,588)	(63,032)
Proceeds from equity offering	241,500	-
Offering costs	(10,818)	-
Borrowings under bank note payable	160,000	294,750
Repayments of bank note payable	(70,250)	(527,000)
Borrowing (repayment) of term loan payable	220,000	400,000
Deferred financing costs	(1,868)	(5,331)
Net cash provided by financing activities	468,976	99,387
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(1,644)</b>	<b>(2,546)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>21,267</b>	<b>23,813</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 19,623</b>	<b>\$ 21,267</b>

Franklin Street Properties Corp. Earnings Release  
 Supplementary Schedule D  
 Real Estate Portfolio Summary Information  
 (Unaudited & Approximated)

**Commercial portfolio lease expirations (1)**

<u>Year</u>	<u>Total Square Feet</u>	<u>% of Portfolio</u>
2014	543,748	5.6%
2015	918,562	9.5%
2016	918,729	9.5%
2017	1,072,134	11.1%
2018	863,568	8.9%
<b>Thereafter (2)</b>	5,368,544	55.4%
	9,685,285	100.0%

- (1) Percentages are determined based upon square footage of expiring commercial leases.  
 (2) Includes 570,868 square feet of current vacancies.

(dollars & square feet in 000's)

<u>State</u>	As of December 31, 2013				
	<u># of Properties</u>	<u>Investment</u>	<u>% of Portfolio</u>	<u>Square Feet</u>	<u>% of Portfolio</u>
Texas	10	\$ 403,639	25.7%	2,537	26.2%
Colorado	6	457,087	29.1%	2,118	21.9%
Georgia	3	226,443	14.4%	1,396	14.4%
Virginia	4	95,871	6.1%	684	7.1%
Minnesota	2	42,085	2.7%	628	6.5%
Missouri	3	64,382	4.1%	477	4.9%
North Carolina	3	65,458	4.2%	431	4.4%
Illinois	2	48,036	3.1%	372	3.8%
Maryland	1	52,713	3.4%	325	3.4%
Florida	1	44,291	2.8%	213	2.2%
Indiana	1	33,989	2.2%	205	2.1%
California	2	20,890	1.3%	182	1.9%
Washington	1	13,454	0.9%	117	1.2%
	39	\$ 1,568,338	100.0%	9,685	100.0%



Franklin Street Properties Corp. Earnings Release  
Supplementary Schedule E  
Portfolio and Other Supplementary Information  
(Unaudited & Approximated)

**Capital Expenditures**

**Owned Portfolio**

(in thousands)

	For the Three Months Ended:				Year ended
	<u>31-Mar-13</u>	<u>30-Jun-13</u>	<u>30-Sep-13</u>	<u>31-Dec-13</u>	<u>31-Dec-13</u>
Non-investment capex	\$ 1,118	\$ 1,622	\$ 1,552	\$ 1,479	\$ 5,771
Tenant improvements	1,729	5,754	4,596	2,992	15,071
Deferred leasing costs	2,813	1,087	3,821	1,536	9,257
	<u>\$ 5,660</u>	<u>\$ 8,463</u>	<u>\$ 9,969</u>	<u>\$ 6,007</u>	<u>\$ 30,099</u>

	For the Three Months Ended:				Year ended
	<u>31-Mar-12</u>	<u>30-Jun-12</u>	<u>30-Sep-12</u>	<u>31-Dec-12</u>	<u>31-Dec-12</u>
Non-investment capex	\$ 746	\$ 1,003	\$ 711	\$ 1,252	\$ 3,712
Tenant improvements	3,014	2,705	2,854	4,464	13,037
Deferred leasing costs	2,196	1,343	1,104	2,784	7,427
	<u>\$ 5,956</u>	<u>\$ 5,051</u>	<u>\$ 4,669</u>	<u>\$ 8,500</u>	<u>\$ 24,176</u>

**Square foot & leased percentages**

	December 31, <u>2013</u>	December 31, <u>2012</u>
Owned portfolio of commercial real estate (1)		
Number of properties	39	37
Square feet	9,685,285	7,854,679
Leased percentage	94.1%	94.0%
Investments in non-consolidated REITs		
Number of properties	2	2
Square feet	1,395,500	1,392,316
Leased percentage	64.1%	65.2%
Single Asset REITs (SARs) managed (1)		
Number of properties	12	13
Square feet	3,067,199	3,323,566
Leased percentage	87.4%	87.2%
Total owned, investments & managed properties (1)		
Number of properties	53	52
Square feet	14,147,984	12,570,561
Leased percentage	89.7%	89.0%

(1) Includes asset sold in 2013 as of December 31, 2012

The following table shows property information for our investments in non-consolidated REITs:

<u>Single Asset REIT name</u>	<u>City</u>	<u>State</u>	<u>Square Feet</u>	<u>% Leased 31-Dec-13</u>	<u>% Interest Held</u>
FSP 303 East Wacker Drive Corp.	Chicago	IL	860,429	54.9%	43.7%
FSP Grand Boulevard Corp.	Kansas City	MO	535,071	78.8%	27.0%
			<u>1,395,500</u>	<u>64.1%</u>	

Franklin Street Properties Corp. Earnings Release  
 Supplementary Schedule F  
 Percentage of Leased Space  
 (Unaudited & Estimated)

<u>Property Name</u>	<u>Location</u>	<u>Square Feet</u>	<u>% Leased (1) as of 30-Sep-13</u>	<u>Third Quarter Average % Leased (2)</u>	<u>% Leased (1) as of 31-Dec-13</u>	<u>Fourth Quarter Average % Leased (2)</u>	
1	PARK SENECA	Charlotte, NC	109,674	80.7%	79.6%	82.3%	81.5%
2	HILLVIEW CENTER	Milpitas, CA	36,288	100.0%	100.0%	100.0%	100.0%
3	FOREST PARK	Charlotte, NC	62,212	100.0%	100.0%	100.0%	100.0%
4	CENTENNIAL	Colorado Springs, CO	110,405	85.4%	85.4%	85.4%	85.4%
5	MEADOW POINT	Chantilly, VA	138,537	92.6%	92.6%	92.6%	92.6%
6	TIMBERLAKE	Chesterfield, MO	232,766	98.3%	98.3%	98.3%	98.3%
7	FEDERAL WAY	Federal Way, WA	117,010	51.5%	51.5%	54.4%	53.4%
8	NORTHWEST POINT	Elk Grove Village, IL	176,848	100.0%	100.0%	100.0%	100.0%
9	TIMBERLAKE EAST	Chesterfield, MO	116,197	94.6%	94.6%	91.0%	91.0%
10	PARK TEN	Houston, TX	157,460	100.0%	100.0%	100.0%	100.0%
11	MONTAGUE	San Jose, CA	145,951	100.0%	100.0%	100.0%	100.0%
12	ADDISON	Addison, TX	293,787	94.3%	94.3%	94.3%	94.3%
13	COLLINS CROSSING	Richardson, TX	298,766	99.5%	99.5%	99.5%	99.5%
14	GREENWOOD PLAZA	Englewood, CO	196,236	100.0%	100.0%	100.0%	100.0%
15	RIVER CROSSING	Indianapolis, IN	205,059	99.1%	98.8%	99.1%	99.1%
16	LIBERTY PLAZA	Addison, TX	218,934	86.0%	85.5%	96.0%	95.6%
17	INNSBROOK	Glen Allen, VA	298,456	99.9%	99.6%	99.9%	99.9%
18	380 INTERLOCKEN	Broomfield, CO	240,184	86.1%	86.1%	86.1%	86.1%
19	BLUE LAGOON	Miami, FLA	212,619	100.0%	100.0%	100.0%	100.0%
20	ELDRIDGE GREEN	Houston, TX	248,399	100.0%	100.0%	100.0%	100.0%
21	WILLOW BEND	Plano, TX	117,050	92.3%	92.3%	100.0%	97.4%
22	ONE OVERTON PARK	Atlanta, GA	387,267	98.9%	98.8%	98.3%	98.7%
23	390 INTERLOCKEN	Broomfield, CO	241,516	69.4%	76.3%	69.4%	69.4%
24	EAST BALTIMORE	Baltimore, MD	325,445	76.8%	76.8%	77.8%	77.5%
25	PARK TEN PHASE II	Houston, TX	156,746	100.0%	100.0%	100.0%	100.0%
26	LAKESIDE CROSSING I	Maryland Heights, MO	127,778	100.0%	100.0%	100.0%	100.0%
27	LOUDOUN TECH	Dulles, VA	135,888	100.0%	100.0%	100.0%	100.0%
28	4807 STONECROFT	Chantilly, VA	111,469	100.0%	100.0%	100.0%	100.0%
29	EDEN BLUFF	Eden Prairie, MN	153,028	100.0%	100.0%	100.0%	100.0%
30	121 SOUTH EIGHTH ST	Minneapolis, MN	474,991	90.2%	90.2%	91.0%	90.5%
31	EMPEROR BOULEVARD	Durham, NC	259,531	100.0%	100.0%	100.0%	100.0%
32	LEGACY TENNYSON CTR	Plano, TX	202,600	100.0%	100.0%	100.0%	100.0%
33	ONE LEGACY	Plano, TX	214,110	100.0%	100.0%	100.0%	100.0%
34	909 DAVIS	Evanston, IL	195,245	97.9%	97.9%	97.9%	97.9%
35	1410 EAST RENNER *	Richardson, TX	122,300	100.0%	100.0%	Sold October 29, 2013	
36	ONE RAVINIA DRIVE	Atlanta, GA	386,603	91.0%	91.0%	90.4%	90.4%
37	WESTCHASE I & II	Houston, TX	629,025	97.1%	97.1%	97.1%	97.1%
38	1999 BROADWAY	Denver, CO	673,839	95.8%	95.9%	95.8%	95.5%
39	999 PEACHTREE	Atlanta, GA	621,946	94.3%	94.6%	94.3%	94.3%
40	1001 17th STREET	Denver, CO	655,420	88.5%	88.5%	88.5%	88.5%
<b>TOTAL WEIGHTED AVERAGE *</b>		<b>9,685,285</b>	<b>93.8%</b>	<b>94.1%</b>	<b>94.1%</b>	<b>94.0%</b>	

(1) % Leased as of month's end includes all leases that expire on the last day of the quarter.

(2) Average quarterly percentage is the average of the end of the month leased percentage for each of the 3 months during the quarter.

(3) Total weighted averages include asset sold October 29, 2013.

Franklin Street Properties Corp. Earnings Release  
 Supplementary Schedule G  
 Largest 20 Tenants – FSP Owned Portfolio  
 (Unaudited & Estimated)

The following table includes the largest 20 tenants in FSP's owned portfolio based on leased square feet:

As of December 31, 2013

	<u>Tenant</u>	<u>Sq Ft</u>	<u>SIC Code</u>	<u>% of Portfolio</u>
1	TCF National Bank	263,111	60	2.7%
2	Quintiles Transnational Corp	259,531	87	2.7%
3	CITGO Petroleum Corporation	248,399	29	2.6%
4	Sutherland Asbill Brennan LLP	243,839	81	2.5%
5	Newfield Exploration Company	234,495	13	2.4%
6	US Government (a)	229,752	92	2.4%
7	Burger King Corporation	212,619	58	2.2%
8	Denbury Onshore, LLC	202,600	13	2.1%
9	RGA Reinsurance Company	197,354	63	2.0%
10	SunTrust Bank (b)	182,888	60	1.9%
11	Citicorp Credit Services, Inc	176,848	61	1.8%
12	C.H. Robinson Worldwide, Inc	153,028	47	1.6%
13	T-Mobile South, LLC dba T-Mobile	151,792	48	1.6%
14	Houghton Mifflin Harcourt Publishing Company	150,050	27	1.5%
15	Petrobras America, Inc.	144,813	13	1.5%
16	Murphy Exploration & Production Company	144,677	13	1.5%
17	Argo Data Resource Corporation	138,540	57	1.4%
18	Giesecke & Devrient America, Inc. (c)	135,888	73	1.4%
19	Monsanto Company	127,778	28	1.3%
20	Federal National Mortgage Association	123,144	61	1.3%
	Total	<u>3,721,146</u>		<u>38.4%</u>

(a) Includes 183,601 and 37,813 square feet which expire in 2018 & 2014, respectively.

The remaining 11,495 square feet expire between 2015 - 2020.

(b) Includes 55,388 square feet which expires October 31, 2016.

(c) Includes 23,778 square feet which will contract effective January 1, 2014.

Franklin Street Properties Corp. Earnings Release  
Supplementary Schedule H  
Definition of Funds From Operations (“FFO”),

**FFO Definition Change**

As of December 31, 2013, we have changed our definition of FFO in an effort to more closely match the National Association of Real Estate Investment Trusts, or NAREIT, definition. The change is to include the FFO from our non-consolidated REITs in the calculation of FFO and to delete the distributions from those entities. We believe this change will make our results more comparable to other REITs. The impact of this change slightly decreased our growth rate in FFO per share for 2013 and 2012 and increased FFO per share for 2013, 2012 and 2011, by \$0.02 per share per year.

Supplementary Schedule I on page 13 compares our FFO calculation to the previous definition.

**New Definition**

The Company evaluates performance based on Funds From Operations, which we refer to as FFO, as management believes that FFO represents the most accurate measure of activity and is the basis for distributions paid to equity holders. The Company defines FFO as net income (computed in accordance with GAAP), excluding gains (or losses) from sales of property and acquisition costs of newly acquired properties that are not capitalized, plus depreciation and amortization, including amortization of acquired above and below market lease intangibles and impairment charges on properties or investments in non-consolidated REITs, and after adjustments to exclude equity in income or losses from, and, to include the proportionate share of FFO from, non-consolidated REITs.

FFO should not be considered as an alternative to net income (determined in accordance with GAAP), nor as an indicator of the Company’s financial performance, nor as an alternative to cash flows from operating activities (determined in accordance with GAAP), nor as a measure of the Company’s liquidity, nor is it necessarily indicative of sufficient cash flow to fund all of the Company’s needs.

Other real estate companies and NAREIT, may define this term in a different manner. We have included the NAREIT FFO definition in our table and note that other REITs may not define FFO in accordance with the current NAREIT definition or may interpret the current NAREIT definition differently than we do.

We believe that in order to facilitate a clear understanding of the results of the Company, FFO should be examined in connection with net income and cash flows from operating, investing and financing activities in the consolidated financial statements.

Franklin Street Properties Corp. Earnings Release  
 Supplementary Schedule I  
 FFO Comparison

<i>Quarterly FFO Per Share</i>					
<i>New Definition</i>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Total</b>
2013	0.26	0.25	0.28	0.29	1.07
2012	0.24	0.24	0.24	0.25	0.97
<i>Old Definition</i>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Total</b>
2013	0.25	0.24	0.27	0.29	1.05
2012	0.24	0.23	0.24	0.25	0.95

<i>New Definition prior 4 year with growth rates:</i> (in thousands):	<b>For the Year Ended December 31,</b>			
	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Net income (loss)	\$ 19,827	\$ 7,633	\$ 43,524	\$ 22,093
(Gain) loss on sale, less applicable income tax	(2,158)	14,826	(21,939)	-
Equity in earnings of non-consolidated REITs	1,358	(2,033)	(4,490)	(1,190)
FFO from non-consolidated REITs	2,148	4,124	6,784	4,998
Depreciation and amortization	79,090	55,518	48,439	40,724
NAREIT FFO	100,265	80,068	72,318	66,625
Acquisition costs of new properties	568	287	620	125
Funds From Operations	\$ 100,833	\$ 80,355	\$ 72,938	\$ 66,750
Fully Diluted Shares (Weighted Ave Shares)	93,855	82,937	81,857	79,826
FFO Per Share	\$ 1.07	\$ 0.97	\$ 0.89	\$ 0.84
<b>Growth over prior year</b>	<b>10.3%</b>	<b>9.0%</b>	<b>6.0%</b>	

<i>Old Definition prior 4 year with growth rates:</i> (in thousands):	<b>For the Year Ended December 31,</b>			
	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Net income (loss)	\$ 19,827	\$ 7,633	\$ 43,524	\$ 22,093
(Gain) loss on sale, less applicable income tax	(2,158)	14,826	(21,939)	-
Equity in earnings of non-consolidated REITs	1,358	(2,033)	(4,490)	(1,190)
Distributions from non-consolidated REITs	107	2,810	5,056	5,170
Depreciation and amortization	79,090	55,518	48,439	40,724
NAREIT FFO	98,224	78,754	70,590	66,797
Acquisition costs of new properties	568	287	620	125
Funds From Operations	\$ 98,792	\$ 79,041	\$ 71,210	\$ 66,922
Fully Diluted Shares (Weighted Ave Shares)	93,855	82,937	81,857	79,826
FFO Per Share	\$ 1.05	\$ 0.95	\$ 0.87	\$ 0.84
<b>Growth over prior year</b>	<b>10.5%</b>	<b>9.2%</b>	<b>3.6%</b>	

Note: The difference between the calculations is to include FFO from investments in non-consolidated REITs in the FFO calculation, which replaces distributions from non-consolidated REITs that was previously included. We believe the new definition more closely matches the NAREIT definition of FFO.



# Supplemental Operating and Financial Data Fourth Quarter 2013



Franklin Street Properties Corp. • 401 Edgewater Place • Wakefield, MA 01880 • (781) 557-1300

[www.franklinstreetproperties.com](http://www.franklinstreetproperties.com)



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All financial information contained in this supplemental information package is unaudited. In addition, certain statements contained in this supplemental information package may be deemed to be forward-looking statements within the meaning of the federal securities laws. Although FSP believes that the expectations reflected in such forward-looking statements are based upon reasonable assumptions, it can give no assurance that its expectations will be achieved. Factors that could cause actual results to differ materially from FSP's current expectations include general economic conditions, uncertainties relating to fiscal policy, changes in government regulations, regulatory uncertainty, geopolitical events, local real estate conditions, the performance of properties that FSP has acquired or may acquire, the timely lease-up of properties and other risks, detailed from time to time in FSP's SEC reports. FSP assumes no obligation to update or supplement forward-looking statements that become untrue because of subsequent events.





# Company Overview

## Overview

Franklin Street Properties Corp. (“FSP”, “we”, “our” or the “Company”) (NYSE MKT: FSP) is investing in institutional-quality office properties in the U.S. FSP’s strategy is to invest in select urban infill and central business district (CBD) properties, with primary emphasis on our top five markets of Atlanta, Dallas, Denver, Houston, and Minneapolis. FSP seeks value-oriented investments with an eye towards long-term growth and appreciation, as well as current income. FSP is a Maryland corporation that operates in a manner intended to qualify as a real estate investment trust (REIT) for federal income tax purposes. FSP’s real estate operations include property acquisitions and dispositions, short-term financing, leasing, development and asset management. FSP’s subsidiary, FSP Investments LLC (member, FINRA and SIPC), is a real estate investment banking firm and registered broker/dealer that previously sponsored the organization of single-purpose entities that own real estate and the private placement of equity in those entities, which we refer to as “Sponsored REITs”.

## Our Business

As of December 31, 2013, the Company owned and operated a portfolio of real estate consisting of 39 properties, managed 14 Sponsored REITs and held six promissory notes secured by mortgages on real estate owned by Sponsored REITs. From time-to-time, the Company may acquire real estate, make additional secured loans or acquire one of its Sponsored REITs. The Company may also pursue, on a selective basis, the sale of its properties in order to take advantage of the value creation and demand for its properties, or for geographic or property specific reasons.

## Management Team

George J. Carter  
President, Chief Executive Officer  
Chairman of the Board

Barbara J. Fournier  
Executive Vice President, Chief Operating Officer,  
Treasurer, Secretary and Director

Janet Notopoulos  
Executive Vice President and Director

Scott H. Carter  
Executive Vice President, General  
Counsel and Assistant Secretary

Jeffrey B. Carter  
Executive Vice President and  
Chief Investment Officer

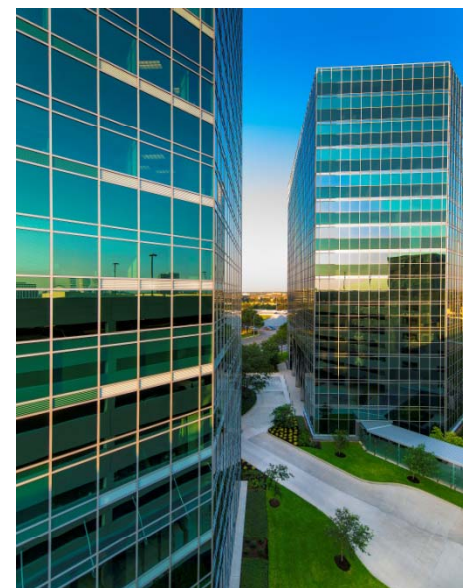
John G. Demeritt  
Executive Vice President and  
Chief Financial Officer

## Inquiries

Inquires should be directed to: John Demeritt, CFO  
877-686-9496 or [InvestorRelations@franklinstreetproperties.com](mailto:InvestorRelations@franklinstreetproperties.com)

## Snapshot (as of December 31, 2013)

Corporate Headquarters	Wakefield, MA
Fiscal Year-End	31-Dec
Total Properties	39
Total Square Feet	9.7 Million
Trading Symbol	FSP
Exchange	NYSE MKT
Common Shares Outstanding	100,187,405
Quarterly Dividend	\$0.19
Dividend Yield	6.4%
Total Market Capitalization	\$2.1 Billion
Insider Holdings	10.6%







# Summary of Financial Highlights

(in thousands, except per share data)

(in thousands except per share amounts, SF & number of properties)

	For the Three Months Ended							
	31-Dec-13	30-Sep-13	30-Jun-13	31-Mar-13	31-Dec-12	30-Sep-12	30-Jun-12	31-Mar-12
<b>Income Items:</b>								
Rental revenue	\$ 61,307	\$ 56,760	\$ 46,017	\$ 42,842	\$ 41,227	\$ 37,944	\$ 35,265	\$ 35,998
Total revenue	63,024	58,446	47,671	44,495	43,115	41,468	38,349	38,648
Adjusted EBITDA*	35,645	31,862	26,074	24,712	25,490	23,348	22,753	22,789
Equity in earnings in non-consolidated REITs	(543)	(431)	(196)	(188)	972	176	494	391
Net income	6,591	4,094	4,741	4,401	5,459	(8,998)	5,434	5,738
FFO*	29,220	27,566	22,810	21,237	20,690	20,048	19,596	20,021
<b>Per Share Data:</b>								
EPS	\$ 0.07	\$ 0.04	\$ 0.05	\$ 0.05	\$ 0.07	\$ (0.11)	\$ 0.07	\$ 0.07
FFO*	\$ 0.29	\$ 0.28	\$ 0.25	\$ 0.26	\$ 0.25	\$ 0.24	\$ 0.24	\$ 0.24
Weighted Average Shares (diluted)	100,187	100,187	91,847	82,937	82,937	82,937	82,937	82,937
Closing share price	\$ 11.95	\$ 12.74	\$ 13.20	\$ 14.62	\$ 12.31	\$ 11.07	\$ 10.58	\$ 10.60
Dividend	\$ 0.19	\$ 0.19	\$ 0.19	\$ 0.19	\$ 0.19	\$ 0.19	\$ 0.19	\$ 0.19
Payout Ratio:	66%	69%	77%	74%	76%	79%	80%	79%
<b>Balance Sheet Items:</b>								
Real estate, net	\$ 1,568,338	\$ 1,575,690	\$ 1,280,252	\$ 1,128,398	\$ 1,134,788	\$ 1,008,111	\$ 974,778	\$ 979,063
Other assets, net	475,696	500,939	428,789	383,244	391,280	386,662	454,373	458,203
Total assets, net	2,044,034	2,076,629	1,709,041	1,511,642	1,526,068	1,394,773	1,429,151	1,437,266
Total liabilities, net	993,868	1,017,480	627,997	657,809	661,319	520,177	528,128	525,919
Shareholders' equity	1,050,166	1,059,149	1,081,044	853,833	864,749	874,596	901,023	911,347
<b>Market Capitalization and Debt:</b>								
Total Market Capitalization (a)	\$ 2,123,739	\$ 2,227,888	\$ 1,903,974	\$ 1,834,295	\$ 1,637,709	\$ 1,400,117	\$ 1,371,478	\$ 1,373,136
Total debt outstanding	926,500	951,500	581,500	621,750	616,750	482,000	494,000	494,000
Debt to Total Market Capitalization	43.6%	42.7%	30.5%	33.9%	37.7%	34.4%	36.0%	36.0%
Debt to Adjusted EBITDA	6.5	7.5	5.6	6.3	6.0	5.2	5.4	5.4
<b>Owned Portfolio Leasing Statistics:</b>								
Owned portfolio assets (includes asset held for sale before 12/31/13)	39	40	38	37	37	37	36	36
Portfolio total SF	9,685,285	9,807,339	8,529,752	7,856,859	7,854,679	7,439,195	7,052,592	7,052,068
Portfolio % leased	94.1%	93.8%	94.4%	94.4%	94.0%	89.9%	90.0%	89.0%

(a) Total Market Capitalization is the closing share price multiplied by the number of shares outstanding plus total debt outstanding on that date.

\* See pages 9 & 10 for reconciliations of Net Income to FFO and Adjusted EBITDA, respectively, and the Appendix for Definitions of these

Non-GAAP Measures beginning on page 27.



# Condensed Consolidated Income Statements

(\$ in thousands, except per share amounts)

	For the Three Months Ended				For the	For the Three Months Ended				For the
	31-Mar-13	30-Jun-13	30-Sep-13	31-Dec-13	Year Ended 31-Dec-13	31-Mar-12	30-Jun-12	30-Sep-12	31-Dec-12	Year Ended 31-Dec-12
<b>Revenue:</b>										
Rental	\$ 42,842	\$ 46,017	\$ 56,760	\$ 61,307	\$ 206,926	\$ 35,998	\$ 35,265	\$ 37,944	\$ 41,227	\$ 150,434
<b>Related party revenue:</b>										
Management fees and interest income from loans	1,622	1,642	1,665	1,717	6,646	2,616	3,045	3,485	1,801	10,947
Other	31	12	21	-	64	34	39	39	87	199
<b>Total revenue</b>	<b>44,495</b>	<b>47,671</b>	<b>58,446</b>	<b>63,024</b>	<b>213,636</b>	<b>38,648</b>	<b>38,349</b>	<b>41,468</b>	<b>43,115</b>	<b>161,580</b>
<b>Expenses:</b>										
Real estate operating expenses	10,770	11,116	13,991	15,223	51,100	8,694	8,602	9,642	10,502	37,440
Real estate taxes and insurance	6,595	7,308	8,801	8,912	31,616	5,693	5,491	5,761	5,959	22,904
Depreciation and amortization	15,781	16,919	22,163	23,976	78,839	12,867	12,798	13,367	15,019	54,051
Selling, general and administrative	2,532	3,204	3,477	2,698	11,911	2,077	2,236	3,141	2,462	9,916
Interest	4,208	4,174	5,474	7,198	21,054	3,677	4,037	4,187	4,167	16,068
<b>Total expenses</b>	<b>39,886</b>	<b>42,721</b>	<b>53,906</b>	<b>58,007</b>	<b>194,520</b>	<b>33,008</b>	<b>33,164</b>	<b>36,098</b>	<b>38,109</b>	<b>140,379</b>
Income before interest income, equity in earnings of non-consolidated REITs and taxes	4,609	4,950	4,540	5,017	19,116	5,640	5,185	5,370	5,006	21,201
Interest income	1	4	5	6	16	8	4	5	34	51
Equity in earnings of non-consolidated REITs	(188)	(196)	(431)	(543)	(1,358)	391	494	176	972	2,033
Income before taxes on income	4,422	4,758	4,114	4,480	17,774	6,039	5,683	5,551	6,012	23,285
Income tax expense	119	115	118	128	480	79	77	80	99	335
Income from continuing operations	4,303	4,643	3,996	4,352	17,294	5,960	5,606	5,471	5,913	22,950
Income from discontinued operations	98	98	98	81	375	(222)	(172)	(169)	72	(491)
Gain (loss) on sale, less applicable income tax	-	-	-	2,158	2,158	-	-	(14,300)	(526)	(14,826)
<b>Net income</b>	<b>\$ 4,401</b>	<b>\$ 4,741</b>	<b>\$ 4,094</b>	<b>\$ 6,591</b>	<b>\$ 19,827</b>	<b>\$ 5,738</b>	<b>\$ 5,434</b>	<b>\$ (8,998)</b>	<b>\$ 5,459</b>	<b>\$ 7,633</b>
Weighted average number of shares outstanding, basic and diluted	82,937	91,847	100,187	100,187	93,855	82,937	82,937	82,937	82,937	82,937
Earnings per share, basic and diluted, attributable to:										
Continuing operations	\$ 0.05	\$ 0.05	\$ 0.04	\$ 0.04	\$ 0.18	\$ 0.07	\$ 0.07	\$ 0.07	\$ 0.07	\$ 0.28
Discontinued operations	-	-	-	-	-	-	-	-	-	(0.01)
Gain (loss) on sale, less applicable income tax	-	-	-	0.03	0.03	-	-	(0.18)	-	(0.18)
<b>Net income per share, basic and diluted</b>	<b>\$ 0.05</b>	<b>\$ 0.05</b>	<b>\$ 0.04</b>	<b>\$ 0.07</b>	<b>\$ 0.21</b>	<b>\$ 0.07</b>	<b>\$ 0.07</b>	<b>\$ (0.11)</b>	<b>\$ 0.07</b>	<b>\$ 0.09</b>

December 31, 2013



# Condensed Consolidated Balance Sheets

(in thousands)

	March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013	March 31, 2012	June 30, 2012	September 30, 2012	December 31, 2012
<b>Assets:</b>								
<b>Real estate assets:</b>								
Land	\$ 141,545	\$ 157,879	\$ 185,479	\$ 185,479	\$ 129,602	\$ 129,602	\$ 133,054	\$ 141,545
Buildings and improvements	1,175,743	1,320,703	1,599,519	1,603,941	1,004,490	1,007,906	1,045,895	1,172,928
Fixtures and equipment	904	960	985	1,170	860	871	904	904
	1,318,192	1,479,542	1,785,983	1,790,590	1,134,952	1,138,379	1,179,853	1,315,377
Less accumulated depreciation	189,794	199,290	210,293	222,252	155,889	163,601	171,742	180,589
Real estate assets, net	1,128,398	1,280,252	1,575,690	1,568,338	979,063	974,778	1,008,111	1,134,788
Acquired real estate leases, net	102,274	129,226	194,893	183,454	82,778	78,646	88,766	108,203
Investment in non-consolidated REITs	81,746	81,523	81,065	80,494	87,061	86,658	85,927	81,960
Assets held for sale	10,431	10,286	10,143	-	26,217	25,895	11,404	10,575
Cash and cash equivalents	17,282	24,962	25,539	19,623	29,283	22,620	23,962	21,267
Restricted cash	583	602	623	643	511	533	546	575
Tenant rent receivables, net	2,357	2,331	6,029	5,102	1,090	1,403	1,182	1,749
Straight-line rent receivable, net	36,210	37,865	40,086	42,261	31,832	33,003	34,134	35,374
Prepaid expenses and other assets	10,545	12,532	11,846	11,215	1,164	2,605	2,336	1,106
Related party mortgage loan receivable	96,896	97,846	98,846	99,746	172,286	177,536	108,236	93,896
Other assets: derivative asset	-	6,739	4,365	5,321	4,006	3,640	8,467	13,199
Deferred leasing commissions, net	24,920	24,877	27,504	27,837	21,975	21,834	21,702	23,376
<b>Total assets</b>	<b>\$ 1,511,642</b>	<b>\$ 1,709,041</b>	<b>\$ 2,076,629</b>	<b>\$ 2,044,034</b>	<b>\$ 1,437,266</b>	<b>\$ 1,429,151</b>	<b>\$ 1,394,773</b>	<b>\$ 1,526,068</b>
<b>Liabilities and Stockholders' Equity:</b>								
<b>Liabilities:</b>								
Bank note payable	\$ 221,750	\$ 181,500	\$ 331,500	\$ 306,500	\$ 494,000	\$ 494,000	\$ 82,000	\$ 216,750
Term loan payable	400,000	400,000	620,000	620,000	-	-	400,000	400,000
Accounts payable and accrued expenses	25,493	29,971	39,907	44,137	23,311	25,408	26,462	31,122
Accrued compensation	540	1,677	2,432	2,985	446	944	2,194	2,540
Tenant security deposits	2,474	3,074	3,891	4,027	2,181	2,113	2,281	2,489
Other liabilities: derivative termination value	778	-	4,579	2,044	-	-	1,671	1,219
Acquired unfavorable real estate leases, net	6,774	11,775	15,171	14,175	5,981	5,663	5,569	7,199
<b>Total liabilities</b>	<b>657,809</b>	<b>627,997</b>	<b>1,017,480</b>	<b>993,868</b>	<b>525,919</b>	<b>528,128</b>	<b>520,177</b>	<b>661,319</b>
<b>Commitments and contingencies</b>								
<b>Stockholders' Equity:</b>								
Preferred stock	-	-	-	-	-	-	-	-
Common stock	8	10	10	10	8	8	8	8
Additional paid-in capital	1,042,876	1,273,585	1,273,585	1,273,556	1,042,876	1,042,876	1,042,876	1,042,876
Accumulated other comprehensive income (loss)	(778)	6,739	(214)	3,277	-	-	(1,671)	(1,219)
Accumulated distributions in excess of accumulated earnings	(188,273)	(199,290)	(214,232)	(226,677)	(131,537)	(141,861)	(166,617)	(176,916)
<b>Total stockholders' equity</b>	<b>853,833</b>	<b>1,081,044</b>	<b>1,059,149</b>	<b>1,050,166</b>	<b>911,347</b>	<b>901,023</b>	<b>874,596</b>	<b>864,749</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 1,511,642</b>	<b>\$ 1,709,041</b>	<b>\$ 2,076,629</b>	<b>\$ 2,044,034</b>	<b>\$ 1,437,266</b>	<b>\$ 1,429,151</b>	<b>\$ 1,394,773</b>	<b>\$ 1,526,068</b>

December 31, 2013



# Condensed Consolidated Statements of Cash Flows

(in thousands)

	Twelve Months ended December 31		
	2013	2012	2011
<b>Cash flows from operating activities:</b>			
Net income	\$ 19,827	\$ 7,633	\$ 43,524
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization expense	81,267	57,500	50,261
Amortization of above market lease	(365)	71	(47)
Gain (loss) on sale, less applicable income tax	(2,158)	14,826	(21,939)
Equity in earnings (losses) from non-consolidated REITs	1,358	(2,033)	(3,086)
Distributions from non-consolidated REITs	-	705	3,474
Increase in bad debt reserve	(1,250)	65	(365)
Changes in operating assets and liabilities:			
Restricted cash	(68)	(82)	(73)
Tenant rent receivables	(2,103)	(354)	827
Straight-line rents	(5,782)	(4,464)	(9,878)
Lease acquisition costs	(1,146)	(2,520)	-
Prepaid expenses and other assets	(1,547)	(328)	1,611
Accounts payable and accrued expenses	11,137	3,717	4,213
Accrued compensation	445	318	419
Tenant security deposits	1,538	481	78
Payment of deferred leasing commissions	(9,125)	(5,179)	(8,058)
<b>Net cash provided by operating activities</b>	<b>92,028</b>	<b>70,356</b>	<b>60,961</b>
<b>Cash flows from investing activities:</b>			
Purchase of real estate assets, office computers and furniture, capitalized merger costs and acquired real estate leases	(574,065)	(221,170)	(236,250)
Investment in non-consolidated REITs	4,858	(1)	(10)
Distributions in excess of earnings from non-consolidated REITs	108	2,105	1,582
Investment in related party mortgage loan receivable	(8,200)	(74,580)	(82,832)
Repayment of related party mortgage loan receivable	2,350	121,200	-
Changes in deposits on real estate assets	-	-	200
Investment in assets held for syndication, net	-	-	2,230
Proceeds received on sales of real estate assets	12,301	157	96,790
<b>Net cash used in investing activities</b>	<b>(562,648)</b>	<b>(172,289)</b>	<b>(218,290)</b>
<b>Cash flows from financing activities:</b>			
Distributions to stockholders	(69,588)	(63,032)	(62,177)
Proceeds (costs) from equity offering, net	230,682	-	17,295
Borrowings under bank note payable	160,000	294,750	449,000
Borrowings (repayments) under Revolver	(70,250)	(527,000)	(209,968)
Borrowing (repayment) of term loan payable, net	220,000	400,000	(74,850)
Deferred Financing Costs	(1,868)	(5,331)	(5,388)
Swap termination payment	-	-	(983)
<b>Net cash provided by (used in) financing activities</b>	<b>468,976</b>	<b>99,387</b>	<b>112,929</b>
Net decreases in cash and cash equivalents	(1,644)	(2,546)	(44,400)
Cash and cash equivalents, beginning of period	21,267	23,813	68,213
<b>Cash and cash equivalents, end of period</b>	<b>\$ 19,623</b>	<b>\$ 21,267</b>	<b>\$ 23,813</b>



## Property Net Operating Income (NOI)\* with Same Store comparison (in thousands)

### Net Operating Income (NOI)\*

(in thousands)

Region	Rentable Square Feet or RSF	Three Months Ended:					Year	Three Months Ended:				Year	Inc (Dec)	% Change
		31-Mar-13	30-Jun-13	30-Sep-13	31-Dec-13	31-Dec-13	Ended	31-Mar-12	30-Jun-12	30-Sep-12	31-Dec-12	31-Dec-12		
East	1,441	\$ 4,756	\$ 5,440	\$ 4,914	\$ 5,150	\$ 20,260	\$ 5,113	\$ 4,723	\$ 4,799	\$ 4,725	\$ 19,360	\$ 900	4.6%	
MidWest	1,682	4,839	5,008	4,944	5,073	19,864	5,122	4,980	5,164	4,974	20,240	(376)	-1.9%	
South	2,508	9,307	9,393	9,230	9,633	37,563	8,963	8,764	9,218	8,913	35,858	1,705	4.8%	
West	1,087	2,350	2,118	2,440	2,704	9,612	2,278	2,443	2,428	2,788	9,937	(325)	-3.3%	
Same Store	6,718	21,252	21,959	21,528	22,560	87,299	21,476	20,910	21,609	21,400	85,395	1,904	2.2%	
Acquisitions	2,967	3,920	5,106	11,812	13,963	34,801	-	-	712	3,037	3,749	31,052	34.7%	
Property NOI from the continuing portfolio	9,685	25,172	27,065	33,340	36,523	122,100	21,476	20,910	22,321	24,437	89,144	32,956	37.0%	
Dispositions and asset held for sale		252	252	253	82	839	118	204	155	226	703	136	-0.1%	
Property NOI		\$ 25,424	\$ 27,317	\$ 33,593	\$ 36,605	\$ 122,939	\$ 21,594	\$ 21,114	\$ 22,476	\$ 24,663	\$ 89,847	\$ 33,092	36.8%	
Same Store		\$ 21,252	\$ 21,959	\$ 21,528	\$ 22,560	\$ 87,299	\$ 21,476	\$ 20,910	\$ 21,609	\$ 21,400	\$ 85,395	\$ 1,904	2.2%	
Less Nonrecurring Items in NOI (a)		63	557	-	378	998	514	21	307	-	842	156	-0.1%	
Comparative Same Store		\$ 21,189	\$ 21,402	\$ 21,528	\$ 22,182	\$ 86,301	\$ 20,962	\$ 20,889	\$ 21,302	\$ 21,400	\$ 84,553	\$ 1,748	2.1%	

(a) Nonrecurring Items in NOI include proceeds from bankruptcies, lease termination fees or other significant nonrecurring income or expenses, which may affect comparability.

\* See page 11 for a reconciliation of Net Income to Property NOI and the Appendix for Definitions of Non-GAAP Measures beginning on page 27. Property NOI Excludes NOI from investments in and interest income from secured loans to non-consolidated REITs.



# FFO & AFFO Reconciliation

(in thousands, except per share amounts)

	For the Three Months Ended				For the	For the Three Months Ended:				For the
	31-Mar-13	30-Jun-13	30-Sep-13	31-Dec-13	Year Ended 31-Dec-13	31-Mar-12	30-Jun-12	30-Sep-12	31-Dec-12	Year Ended 31-Dec-12
Net income	\$ 4,401	\$ 4,741	\$ 4,094	\$ 6,591	\$ 19,827	\$ 5,738	\$ 5,434	\$ (8,998)	\$ 5,459	\$ 7,633
Gain (loss) on sale, less applicable income tax	-	-	-	(2,158)	(2,158)	-	-	14,300	526	14,826
GAAP income from non-consolidated REITs	188	196	431	543	1,358	(391)	(494)	(176)	(972)	(2,033)
FFO from non-consolidated REITs	647	696	459	346	2,148	1,379	1,451	1,042	252	4,124
Depreciation & amortization	15,984	17,044	22,176	23,886	79,090	13,295	13,205	13,779	15,239	55,518
NAREIT FFO*	21,220	22,677	27,160	29,208	100,265	20,021	19,596	19,947	20,504	80,068
Acquisition costs	17	133	406	12	568	-	-	101	186	287
Funds From Operations (FFO)*	\$ 21,237	\$ 22,810	\$ 27,566	\$ 29,220	\$ 100,833	\$ 20,021	\$ 19,596	\$ 20,048	\$ 20,690	\$ 80,355
Adjusted Funds From Operations (AFFO)*										
Funds From Operations (FFO)*	21,237	22,810	27,566	29,220	100,833	20,021	19,596	20,048	20,690	80,355
Reverse FFO from non-consolidated REITs	(647)	(696)	(459)	(346)	(2,148)	(1,379)	(1,451)	(1,042)	(252)	(4,124)
Distributions from non-consolidated REITs	27	27	27	26	107	929	898	907	76	2,810
Amortization of deferred financing costs	429	429	456	499	1,813	508	507	607	430	2,052
Straight-line rent	(657)	(1,186)	(2,078)	(1,862)	(5,783)	(1,517)	(1,054)	(927)	(965)	(4,463)
Building improvements	(1,118)	(1,622)	(1,552)	(1,479)	(5,771)	(746)	(1,003)	(711)	(1,252)	(3,712)
Tenant improvements	(1,729)	(5,754)	(4,596)	(2,992)	(15,071)	(3,014)	(2,705)	(2,854)	(4,464)	(13,037)
Leasing commissions	(2,813)	(1,087)	(3,821)	(1,536)	(9,257)	(2,196)	(1,343)	(1,104)	(2,784)	(7,427)
Adjusted Funds From Operations (AFFO)*	\$ 14,729	\$ 12,921	\$ 15,543	\$ 21,530	\$ 64,723	\$ 12,606	\$ 13,445	\$ 14,924	\$ 11,479	\$ 52,454
Per Share Data:										
EPS	\$ 0.05	\$ 0.05	\$ 0.04	\$ 0.07	\$ 0.21	\$ 0.07	\$ 0.07	\$ (0.11)	\$ 0.07	\$ 0.09
FFO*	0.26	0.25	0.28	0.29	1.07	0.24	0.24	0.24	0.25	0.97
AFFO*	0.18	0.14	0.16	0.21	0.69	0.15	0.16	0.18	0.14	0.63
Weighted Average Shares (basic and diluted)	82,937	91,847	100,187	100,187	93,855	82,937	82,937	82,937	82,937	82,937

\* See the Appendix for Definitions of these Non-GAAP Measures beginning on page 27.



## EBITDA Reconciliation

(in thousands, except ratio amounts)

	For the Three Months Ended				Year Ended	For the Three Months Ended				Year Ended
	31-Mar-13	30-Jun-13	30-Sep-13	31-Dec-13	31-Dec-13	31-Mar-12	30-Jun-12	30-Sep-12	31-Dec-12	31-Dec-12
Net income	\$ 4,401	\$ 4,741	\$ 4,094	\$ 6,591	\$ <b>19,827</b>	\$ 5,738	\$ 5,434	\$ (8,998)	\$ 5,459	\$ <b>7,633</b>
Interest expense	4,208	4,174	5,474	7,198	<b>21,054</b>	3,677	4,037	4,187	4,167	<b>16,068</b>
Depreciation and amortization	15,984	17,044	22,176	23,886	<b>79,090</b>	13,295	13,205	13,779	15,239	<b>55,518</b>
Income taxes	119	115	118	128	<b>480</b>	79	77	80	99	<b>335</b>
EBITDA	24,712	26,074	31,862	37,803	<b>120,451</b>	22,789	22,753	9,048	24,964	<b>79,554</b>
Excluding (gain) loss on sale, less applicable income tax	-	-	-	(2,158)	<b>(2,158)</b>	-	-	14,300	526	<b>14,826</b>
Adjusted EBITDA	\$ 24,712	\$ 26,074	\$ 31,862	\$ 35,645	\$ <b>118,293</b>	\$ 22,789	\$ 22,753	\$ 23,348	\$ 25,490	\$ <b>94,380</b>
Interest expense	\$ 4,208	\$ 4,174	\$ 5,474	\$ 7,198	\$ <b>21,054</b>	\$ 3,677	\$ 4,037	\$ 4,187	\$ 4,167	\$ <b>16,068</b>
Scheduled principal payments	-	-	-	-	-	-	-	-	-	-
Interest and scheduled principal payments	\$ 4,208	\$ 4,174	\$ 5,474	\$ 7,198	\$ <b>21,054</b>	\$ 3,677	\$ 4,037	\$ 4,187	\$ 4,167	\$ <b>16,068</b>
Interest coverage ratio	5.87	6.25	5.82	4.95	<b>5.62</b>	6.20	5.64	5.58	6.12	<b>5.87</b>
Debt service coverage ratio	5.87	6.25	5.82	4.95	<b>5.62</b>	6.20	5.64	5.58	6.12	<b>5.87</b>
Debt	\$ 621,750	\$ 581,500	\$ 951,500	\$ 926,500	<b>\$ 616,750</b>	\$ 494,000	\$ 494,000	\$ 482,000	\$ 616,750	<b>\$ 616,750</b>
Adjusted EBITDA	24,712	26,074	31,862	35,645	<b>118,293</b>	22,789	22,753	23,348	25,490	<b>94,380</b>
Annualized	98,848	104,296	127,448	142,580	<b>142,580</b>	91,156	91,012	93,392	101,960	<b>101,960</b>
Debt-to-EBITDA	6.3	5.6	7.5	6.5	<b>6.5</b>	5.4	5.4	5.2	6.0	<b>6.0</b>

\* See the Appendix for Definitions of these Non-GAAP Measures beginning on page 27. Amounts in the EBITDA reconciliation do not reflect our proportionate share of interest expense, depreciation, amortization, income taxes, gains or losses on sales and debt from our investments in non-consolidated REITs, which are accounted for under the equity method.



## Reconciliation of Net Income to Property NOI\* (in thousands)

Reconciliation to Net income	Year					Year				
	Three Months Ended:				Ended	Three Months Ended:				Ended
	<u>31-Mar-13</u>	<u>30-Jun-13</u>	<u>30-Sep-13</u>	<u>31-Dec-13</u>	<u>31-Dec-13</u>	<u>31-Mar-12</u>	<u>30-Jun-12</u>	<u>30-Sep-12</u>	<u>31-Dec-12</u>	<u>31-Dec-12</u>
Net Income	\$ 4,401	\$ 4,741	\$ 4,094	\$ 6,591	\$ 19,827	\$ 5,738	\$ 5,434	\$ (8,998)	\$ 5,459	\$ 7,633
Add (deduct):										
Discontinued operations	(98)	(98)	(98)	(81)	(375)	222	172	169	(72)	491
Loss provision or (gain) on sale of assets	-	-	-	(2,158)	(2,158)	-	-	14,300	526	14,826
Management fee income	(559)	(553)	(692)	(689)	(2,493)	(488)	(479)	(562)	(591)	(2,120)
Depreciation and amortization	15,784	16,916	22,163	23,976	78,839	12,866	12,798	13,367	15,020	54,051
Amortization of above/below market leases	48	(27)	(143)	(91)	(213)	91	31	86	65	273
Selling, general and administrative	2,532	3,204	3,477	2,716	11,929	2,077	2,236	3,141	2,462	9,916
Interest expense	4,208	4,174	5,474	7,198	21,054	3,677	4,037	4,187	4,167	16,068
Interest income	(1,353)	(1,382)	(1,411)	(1,438)	(5,584)	(2,340)	(2,774)	(3,201)	(1,533)	(9,848)
Equity in earnings of non-consolidated REITs	187	196	431	544	1,358	(391)	(494)	(176)	(972)	(2,033)
Non-property specific items, net	22	(106)	45	(45)	(84)	24	(51)	8	(94)	(113)
					-					-
Property NOI from the continuing portfolio	\$ 25,172	\$ 27,065	\$ 33,340	\$ 36,523	\$ 122,100	\$ 21,476	\$ 20,910	\$ 22,321	\$ 24,437	\$ 89,144
Dispositions and asset held for sale	252	252	253	82	839	118	204	155	226	703
Property NOI	\$ 25,424	\$ 27,317	\$ 33,593	\$ 36,605	\$ 122,939	\$ 21,594	\$ 21,114	\$ 22,476	\$ 24,663	\$ 89,847

\* See the Appendix for Definition of Non-GAAP Measures beginning on page 27.





## Debt Summary as of December 31, 2013

(dollars in thousands)	Maturity Date	Maximum Amount of Loan	Amount Drawn at 31-Dec-13	Interest Rate Components	(a) Interest		Facility Fee
					Rate at 31-Dec-13	Rate at 31-Dec-13	
2012 Revolver	27-Sep-16	\$ 500,000	\$ 306,500	L+1.65%	1.82%	1.82%	0.35%
2012 Term Loan	27-Sep-17	400,000	400,000	0.75% + 1.65%	2.40%	2.40%	0.35%
2013 Term Loan	26-Aug-20	220,000	220,000	2.32% + 1.90%	4.22%	4.22%	
		\$ 1,120,000	\$ 926,500		2.64%	2.64%	

(a) Interest rate excludes amortization of deferred financing costs and facility fees, see notes below

On August 26, 2013, we entered into a term loan we call the 2013 Term Loan and borrowed \$220 million. On September 27, 2012, we entered into a new bank facility we call the 2012 Credit Facility for a total of \$900 million, which is comprised of a line of credit that we can borrow up to \$500 million on, which we call the 2012 Revolver and a term loan for \$400 million that we call the 2012 Term Loan. Additional information about these loans are in the footnotes to our financial statements. Pricing is leverage based over LIBOR for the 2013 Term Loan and the 2012 Credit Facility. Each of these facilities also has the option to use the respective bank's base rate.

- The 2013 Term Loan fixed LIBOR at 2.32% for seven years. The current leverage spread over LIBOR is 1.90%, so our interest rate is 4.22% as of December 31, 2013.
- The 2012 Credit Facility has the 2012 Term Loan with LIBOR fixed at 0.75% for five years and the 2012 Revolver is at the LIBOR rate. The current leverage spread for the 2012 Credit Facility is 1.65%, so our interest rate is 2.06% as of December 31, 2013.
- The total amount available under the 2012 Credit Facility is \$900 million and is subject to a facility fee on the entire amount based on the leverage ratio. As of December 31, 2013 the facility fee was 35 bps based on our leverage ratio, or approximately \$3.15 million per year.
- We incurred financing costs to close the 2013 Term Loan, 2012 Credit Facility and the 2011 Revolver that preceded the 2012 Credit Facility. These costs are deferred and amortized into interest expense during the terms of the loans. The annual run rate for amortization to interest expense from deferred financing costs is approximately \$2.0 million.
- The 2012 Revolver can be extended for 1 year at the Company's option upon payment of fees and includes an accordion feature that allows for up to \$250 million of additional borrowing capacity. The 2013 Term Loan includes an accordion feature that allows for up to \$50 million of additional borrowing capacity. The accordion features are subject to receipt of lender commitments and satisfaction of certain customary conditions.



# Capital Analysis

(in thousands, except per share amounts)

	<u>31-Mar-13</u>	<u>30-Jun-13</u>	<u>30-Sep-13</u>	<u>31-Dec-13</u>	<u>31-Mar-12</u>	<u>30-Jun-12</u>	<u>30-Sep-12</u>	<u>31-Dec-12</u>
<b>Market Data:</b>								
Shares Outstanding	82,937	100,187	100,187	100,187	82,937	82,937	82,937	82,937
Closing market price per share	\$ 14.62	\$ 13.20	\$ 12.74	\$ 11.95	\$ 10.60	\$ 10.58	\$ 11.07	\$ 12.31
Market capitalization	\$ 1,212,545	\$ 1,322,474	\$ 1,276,388	\$ 1,197,239	\$ 879,136	\$ 877,478	\$ 918,117	\$ 1,020,959
Total Debt	621,750	581,500	951,500	926,500	494,000	494,000	482,000	616,750
Total Market Capitalization	\$ 1,834,295	\$ 1,903,974	\$ 2,227,888	\$ 2,123,739	\$ 1,373,136	\$ 1,371,478	\$ 1,400,117	\$ 1,637,709
<b>Dividend Data:</b>								
Total dividends paid	\$ 15,758	\$ 15,758	\$ 19,036	\$ 19,036	\$ 15,758	\$ 15,758	\$ 15,758	\$ 15,758
Common dividend per share	\$ 0.19	\$ 0.19	\$ 0.19	\$ 0.19	\$ 0.19	\$ 0.19	\$ 0.19	\$ 0.19
Quarterly dividend as a % of FFO*	73.1%	76.0%	67.9%	65.5%	79.2%	79.2%	79.2%	76.0%
<b>Liquidity:</b>								
Cash and cash equivalents	\$ 17,282	\$ 24,962	\$ 25,539	\$ 19,623	\$ 29,283	\$ 22,620	\$ 23,962	\$ 21,267
Revolving credit facilities:								
Gross potential available under the 2012 Credit Facility	900,000	900,000	900,000	900,000	600,000	600,000	900,000	900,000
Less:								
Outstanding balance	(621,750)	(581,500)	(731,500)	(706,500)	(494,000)	(494,000)	(482,000)	(616,750)
<b>Total Liquidity</b>	<b>\$ 295,532</b>	<b>\$ 343,462</b>	<b>\$ 194,039</b>	<b>\$ 213,123</b>	<b>\$ 135,283</b>	<b>\$ 128,620</b>	<b>\$ 441,962</b>	<b>\$ 304,517</b>

\*See page 9 for a reconciliation of Net Income to FFO and the Appendix for Definitions of Non-GAAP Measures beginning on page 27.



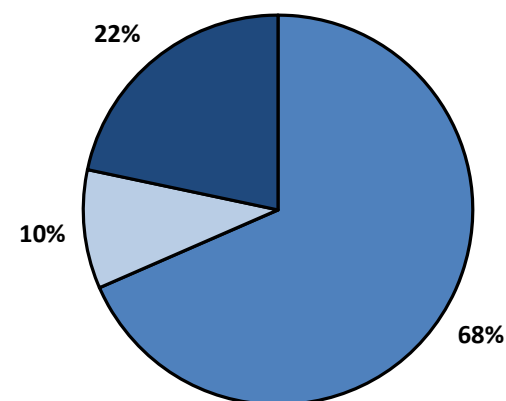
# Portfolio Overview

For the Three Months Ended

	31-Dec-13	30-Sep-13	30-Jun-13	31-Mar-13	31-Dec-12
<b>Owned portfolio of commercial real estate:</b>					
Number of properties (a)	39	40	38	37	37
Square feet	9,685,285	9,807,339	8,529,752	7,856,859	7,854,679
Leased percentage	94.1%	93.8%	94.4%	94.4%	94.0%
<b>Investments in non-consolidated commercial real estate:</b>					
Number of properties (a)	2	2	2	2	2
Square feet	1,395,500	1,395,500	1,395,500	1,392,316	1,392,316
Leased percentage	64.1%	61.5%	67.6%	66.1%	65.2%
<b>Single Asset REITs (SARs) managed:</b>					
Number of properties	12	13	13	13	13
Square feet	3,067,199	3,323,198	3,323,566	3,323,566	3,323,566
Leased percentage	87.4%	86.6%	83.9%	87.8%	87.2%
<b>Total owned (a) , investments and managed properties :</b>					
Number of properties	53	55	53	52	52
Square feet	14,147,984	14,526,037	13,248,818	12,572,741	12,570,561
Leased percentage	89.7%	89.1%	89.0%	89.5%	89.0%

## Portfolio Breakdown by FSP Participation

- Owned Properties
- Non-Consolidated Properties
- Managed Single Asset REITs (SARs)



(a) Includes assets held for periods prior to 31-Dec-2013



# Owned Portfolio Overview

<u>MSA / Property Name</u>	<u>City</u>	<u>State</u>	<u>Square Feet</u>	<u>Percent Leased</u>	<u>Wtd Ave (a) Occupied</u>	<u>GAAP (b) Rent</u>	<u>MSA / Property Name</u>	<u>City</u>	<u>State</u>	<u>Square Feet</u>	<u>Percent Leased</u>	<u>Wtd Ave (a) Occupied</u>	<u>GAAP (b) Rent</u>
<b>East Region</b>							<b>Midwest Region</b>						
<b>Baltimore</b>							<b>Chicago</b>						
East Baltimore	Baltimore	MD	325,445	77.8%	73.4%	\$ 24.44	Northwest Point	Elk Grove Village	IL	176,848	100.0%	100.0%	\$ 19.35
							909 Davis Street	Evanston	IL	195,245	97.9%	97.9%	\$ 34.84
<b>Washington, D.C.</b>							<b>Indianapolis</b>						
Meadow Point	Chantilly	VA	138,537	92.6%	92.6%	\$ 26.84	River Crossing	Indianapolis	IN	205,059	99.1%	93.6%	\$ 22.24
Stonecroft	Chantilly	VA	111,469	100.0%	100.0%	\$ 37.95							
Loudoun Tech Center	Dulles	VA	135,888	100.0%	100.0%	\$ 15.91							
<b>Richmond</b>							<b>St. Louis</b>						
Innsbrook	Glen Allen	VA	298,456	99.9%	99.1%	\$ 17.93	Timberlake	Chesterfield	MO	232,766	98.3%	92.6%	\$ 22.93
							Timberlake East	Chesterfield	MO	116,197	91.0%	93.3%	\$ 23.55
							Lakeside Crossing	Maryland Heights	MO	127,778	100.0%	100.0%	\$ 24.28
<b>Charlotte</b>							<b>Minneapolis</b>						
Park Seneca	Charlotte	NC	109,674	82.3%	78.5%	\$ 15.59	Eden Bluff	Eden Prairie	MN	153,028	100.0%	100.0%	\$ 27.60
Forest Park	Charlotte	NC	62,212	100.0%	100.0%	\$ 14.37	121 South 8th Street	Minneapolis	MN	474,991	91.0%	90.2%	\$ 14.97
<b>Raleigh-Durham</b>							<b>Midwest Region Total</b>						
Emperor Boulevard	Durham	NC	259,531	100.0%	100.0%	\$ 35.46				1,681,912	96.2%	94.7%	\$ 22.34
<b>East Region Total</b>			1,441,212	92.9%	91.5%	\$ 24.59							

(a) Weighted Occupied Percentage for the year ended December 31, 2013

(b) Weighted Average GAAP Rent per Occupied Square Foot



# Owned Portfolio Overview

<u>MSA / Property Name</u>	<u>City</u>	<u>State</u>	<u>Square Feet</u>	<u>Percent Leased</u>	<u>Wtd Ave (a) Occupied</u>	<u>GAAP (b) Rent</u>
<b>South Region</b>						
<b>Dallas-Fort Worth</b>						
Willow Bend Office Center	Plano	TX	117,050	100.0%	88.9%	\$ 20.79
Legacy Tennyson Center	Plano	TX	202,600	100.0%	100.0%	\$ 18.53
One Legacy Circle	Plano	TX	214,110	100.0%	100.0%	\$ 32.29
Addison Circle	Addison	TX	293,787	94.3%	95.6%	\$ 24.06
Collins Crossing	Richardson	TX	298,766	99.5%	94.7%	\$ 23.82
Liberty Plaza	Addison	TX	218,934	96.0%	83.7%	\$ 19.75
<b>Houston</b>						
Park Ten	Houston	TX	157,460	100.0%	99.1%	\$ 28.15
Eldridge Green	Houston	TX	248,399	100.0%	100.0%	\$ 30.13
Park Ten Phase II	Houston	TX	156,746	100.0%	100.0%	\$ 31.18
Westchase I & II	Houston	TX	629,025	97.1%	96.4%	\$ 31.52
<b>Miami-Ft. Lauderdale-West Palm Beach</b>						
Blue Lagoon Drive	Miami	FL	212,619	100.0%	100.0%	\$ 23.53
<b>Atlanta</b>						
One Overton Place	Atlanta	GA	387,267	98.3%	87.0%	\$ 22.91
One Ravinia	Atlanta	GA	386,603	90.4%	88.4%	\$ 21.78
999 Peachtree	Atlanta	GA	621,946	94.3%	94.4%	\$ 28.74
<b>South Region Total</b>			<b>4,145,312</b>	<b>97.0%</b>	<b>94.4%</b>	<b>\$ 26.28</b>

(a) Weighted Occupied Percentage for the year ended December 31, 2013  
 (b) Weighted Average GAAP Rent per Occupied Square Foot

<u>MSA / Property Name</u>	<u>City</u>	<u>State</u>	<u>Square Feet</u>	<u>Percent Leased</u>	<u>Wtd Ave (a) Occupied</u>	<u>GAAP (b) Rent</u>
<b>West Region</b>						
<b>Seattle</b>						
Federal Way	Federal Way	WA	117,010	54.4%	48.3%	\$ 18.67
<b>San Francisco-San Jose-Oakland</b>						
Hillview Center	Milpitas	CA	36,288	100.0%	100.0%	\$ 15.61
Montague Business Center	San Jose	CA	145,951	100.0%	100.0%	\$ 15.63
<b>Denver</b>						
380 Interlocken	Broomfield	CO	240,184	86.1%	86.2%	\$ 29.14
1999 Broadway	Denver	CO	673,839	95.8%	95.3%	\$ 30.01
Greenwood Plaza	Englewood	CO	196,236	100.0%	69.2%	\$ 21.22
390 Interlocken	Broomfield	CO	241,516	69.4%	77.5%	\$ 28.70
1001 17th Street	Denver	CO	655,420	88.5%	88.5%	\$ 31.73
<b>Colorado Springs</b>						
Centennial Technology Center	Colorado Springs	CO	110,405	85.4%	85.4%	\$ 15.71
<b>West Region Total</b>			<b>2,416,849</b>	<b>88.4%</b>	<b>86.3%</b>	<b>\$ 27.50</b>
<b>Total Owned</b>			<b>9,685,285</b>	<b>94.1%</b>	<b>92.0%</b>	<b>\$ 25.61</b>



# Managed Portfolio Overview

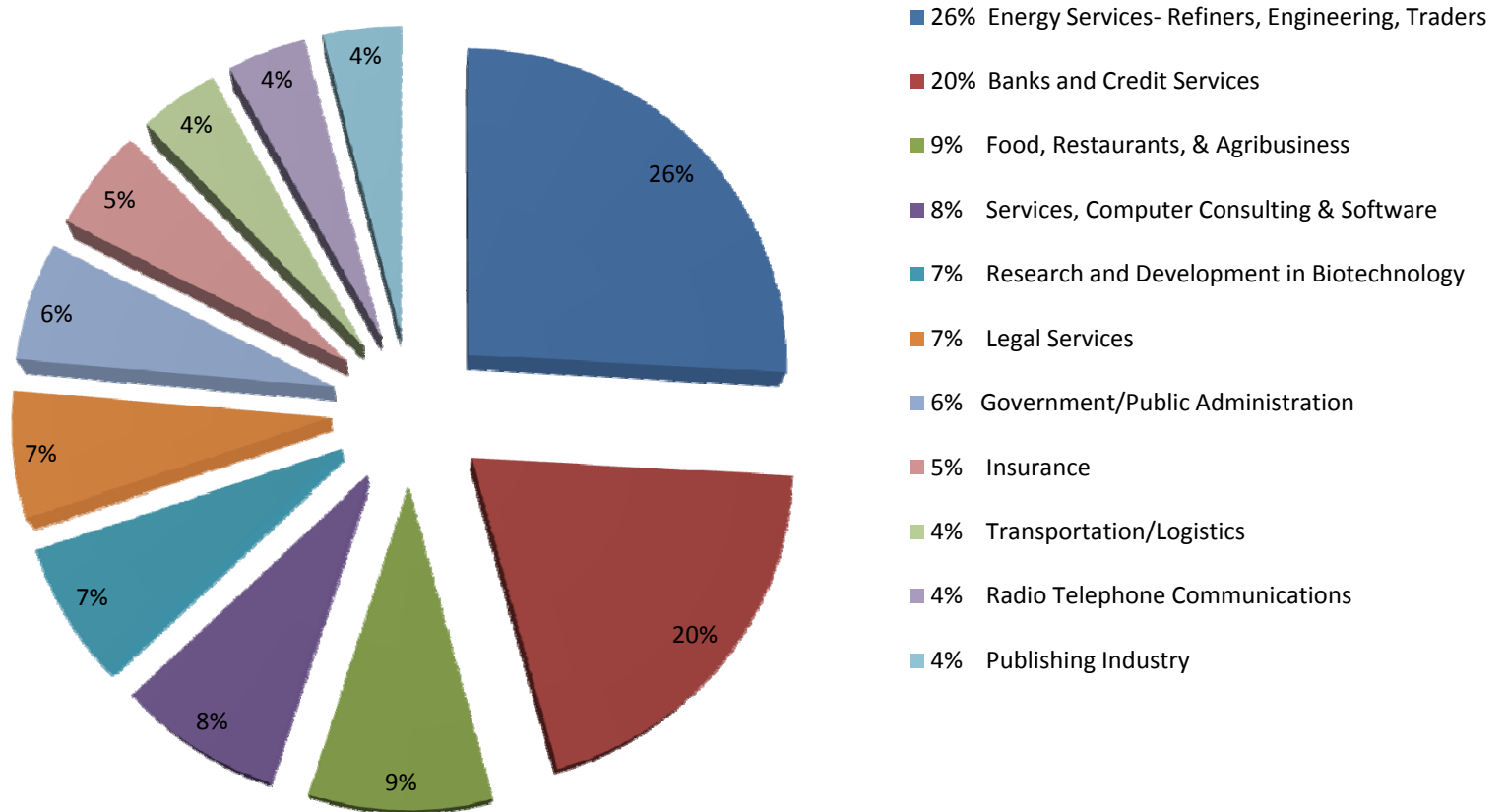
<u>MSA / Property Name</u>	<u>City</u>	<u>State</u>	<u>Square Feet</u>	<u>MSA / Property Name</u>	<u>City</u>	<u>State</u>	<u>Square Feet</u>
<b>Southeast Region</b>				<b>Midwest Region</b>			
<b>Columbia</b>				<b>Chicago</b>			
1441 Main Street	Columbia	SC	264,857	East Wacker (a)	Chicago	IL	860,429
<b>Atlanta</b>				<b>Indianapolis</b>			
Satellite Place	Duluth	GA	134,785	Monument Circle	Indianapolis	IN	213,609
<b>Southeast Region Total</b>			<u>399,642</u>	<b>St. Louis</b>			
<b>Southwest Region</b>				Lakeside Crossing II			
<b>Dallas-Fort Worth</b>				Maryland Heights	MO	116,000	
5601 Executive Drive	Irving	TX	152,121	<b>Minneapolis</b>			
Galleria North	Dallas	TX	379,518	50 South Tenth Street	Minneapolis	MN	498,768
<b>Houston</b>				<b>Kansas City</b>			
Energy Tower I	Houston	TX	325,797	Grand Boulevard (b)	Kansas City	MO	535,071
<b>Denver</b>				<b>Cincinnati</b>			
Highland Place	Centennial	CO	139,142	Centre Pointe V	West Chester	OH	135,936
385 Interlocken	Broomfield	CO	296,868	Union Centre	West Chester	OH	409,798
<b>Southwest Region Total</b>			<u>1,293,446</u>	<b>Midwest Region Total</b>			<u>2,769,611</u>
<b>Total Managed</b>							<u>4,462,699</u>
<b>Total Owned &amp; Managed</b>							<u>14,147,984</u>

- (a) FSP has a Preferred Share Interest of 43.7% in the entity that owns this property.
- (b) FSP has a Preferred Share Interest of 27.0% in the entity that owns this property.



## Tenant Analysis - 20 Largest Tenants by Industry Profile

(Top Twenty Largest Tenants by industry as a percentage of the Twenty Tenants as of December 31, 2013)





## 20 Largest Tenants with Annualized Rent and Remaining Term (Owned Portfolio)

	Tenant Name	Number of Leases	Remaining Lease Term in Months	Aggregate Leased Square Feet	% of Aggregate Leased Square Feet	Annualized Rent (in 000's)	% of Aggregate Leased Annualized Rent
1	TCF National Bank	2	24	263,111	2.7%	\$ 2,884,380	1.3%
2	Quintiles Transnational Corp	1	63	259,531	2.7%	8,462,994	3.8%
3	CITGO Petroleum Corporation	1	98	248,399	2.6%	7,357,578	3.3%
4	Sutherland Asbill Brennan LLP	1	76	243,839	2.5%	6,988,932	3.2%
5	Newfield Exploration Company	1	98	234,495	2.4%	7,702,684	3.5%
6	US Government (a)	6	7, 8, 12, 20, 53, 81	229,752	2.4%	7,211,986	3.3%
7	Burger King Corporation	1	57	212,619	2.2%	4,756,287	2.2%
8	Denbury Onshore, LLC	2	67	202,600	2.1%	3,510,042	1.6%
9	RGA Reinsurance Company	2	12	197,354	2.0%	4,275,347	1.9%
10	SunTrust Bank (b)	2	34, 93	182,888	1.9%	3,667,130	1.7%
11	Citicorp Credit Services, Inc	1	36	176,848	1.8%	3,512,201	1.6%
12	C.H. Robinson Worldwide, Inc	1	90	153,028	1.6%	4,111,249	1.9%
13	T-Mobile South, LLC dba T-Mobile	1	62	151,792	1.6%	3,453,268	1.6%
14	Houghton Mifflin Harcourt Publishing Company	1	39	150,050	1.5%	5,816,207	2.6%
15	Petrobras America, Inc.	1	71	144,813	1.5%	4,855,579	2.2%
16	Murphy Exploration & Production Company	1	40	144,677	1.5%	4,244,312	1.9%
17	Argo Data Resource Corporation	1	116	138,540	1.4%	3,587,099	1.6%
18	Giesecke & Devrient America, Inc. (c)	1	132	135,888	1.4%	1,897,346	0.9%
19	Monsanto Company	1	73	127,778	1.3%	3,002,783	1.4%
20	Federal National Mortgage Association	1	33	123,144	1.3%	2,886,188	1.3%
<b>Total as of December 31, 2013</b>				<b>3,721,146</b>	<b>38.4%</b>	<b>\$ 94,183,592</b>	<b>42.8%</b>

(a) Includes 180,444 and 37,813 square feet which expire in 2018 & 2014, respectively.

The remaining 11,495 square feet expire between 2015 - 2020.

(b) Includes 55,388 square feet which expires October 31, 2016.

(c) Includes 23,778 square feet which expires effective January 1, 2014.





## Leasing Activity

(Owned Portfolio)

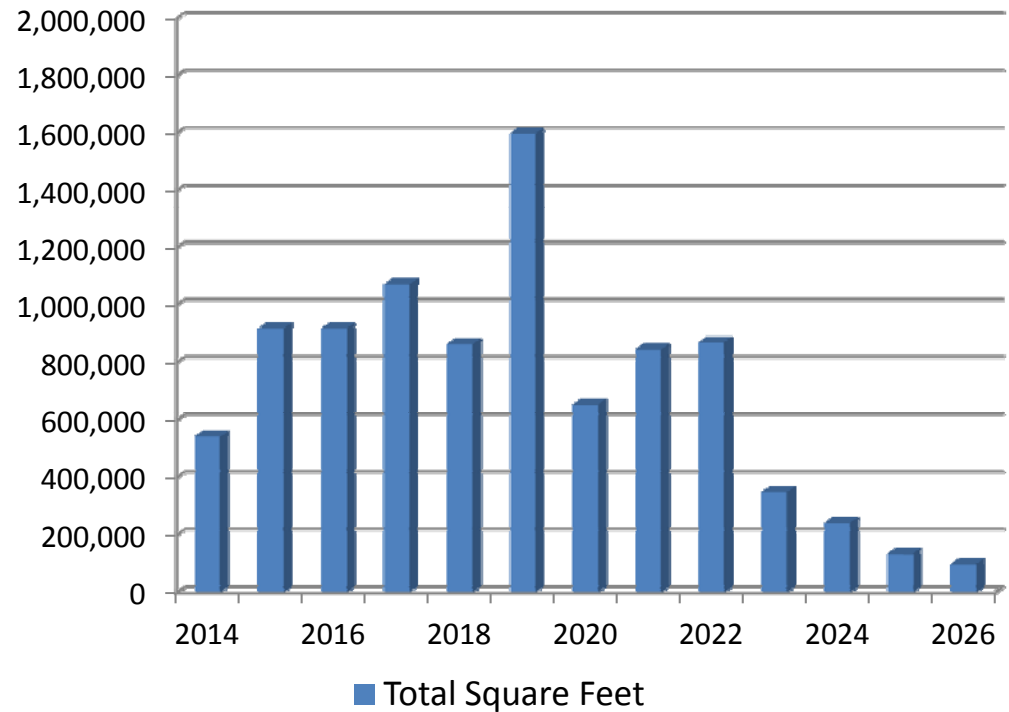
	Year Ended 31-Dec-13	Year Ended 31-Dec-12
<b>Leasing Activity</b>		
<b>(in Square Feet - SF)</b>		
New leasing	267,000	315,740
Renewals	645,000	700,838
	912,000	1,016,578
 <b>Other information per SF</b>		
<b>(Activity on a year-to-date basis)</b>		
GAAP Rents on leasing	\$ 23.33	\$ 22.41
Weighted average lease term	7.2 Years	5.1 Years
 Increase over ave GAAP rents in 2012	8.0%	1.5%
 Average free rent	3 Months	3 Months
Tenant Improvements	\$ 18.25	\$ 12.26
Leasing Costs	\$ 8.48	\$ 5.40



# Lease Expirations by Square Feet

(Owned Portfolio)

<u>Year</u>	<u>Total Square Feet</u>	<u>% of Square Feet Commercial</u>
2014	543,748	5.6%
2015	918,562	9.5%
2016	918,729	9.5%
2017	1,072,134	11.1%
2018	863,568	8.9%
2019	1,598,835	16.5%
2020	653,560	6.8%
2021	846,713	8.7%
2022	870,127	9.0%
2023	350,470	3.6%
2024	243,236	2.5%
2025	135,598	1.4%
2026	99,137	1.0%
Vacant	570,868	5.9%
<b>Total</b>	<b>9,685,285</b>	<b>100.0%</b>





## Lease Expirations with Annualized Rent per Square Foot (Owned Portfolio)

Year of Lease Expiration December 31,	Number of Leases Expiring Within the Year	Rentable Square Footage Subject to Expiring Leases	Annualized Rent Under Expiring Leases (a)	Annualized Rent Per Square Foot Under Expiring Leases	Percentage of Total Final Annualized Rent Under Expiring Leases	Cumulative Total
2014	97 (b)	543,754	12,748,999	23.45	5.79%	5.79%
2015	86	918,562	22,463,847	24.46	10.21%	16.00%
2016	66	918,729	19,070,030	20.76	8.66%	24.66%
2017	64	1,072,134	28,051,003	26.16	12.74%	37.41%
2018	54	863,568	24,267,978	28.10	11.03%	48.43%
2019	43	1,598,835	40,119,448	25.09	18.23%	66.66%
2020	19	653,560	17,101,711	26.17	7.77%	74.43%
2021	15	846,713	16,953,423	20.02	7.70%	82.13%
2022 and thereafter	38	1,698,568 (c)	39,333,962	23.16	17.87%	100.00%
	482	9,114,423	220,110,401	24.15	100.00%	
Vacancies as of 12/31/13		570,868				
Total Portfolio Square Footage		<u>9,685,291</u>				

(a) Annualized rent represents the monthly rent, including tenant reimbursements, for each lease in effect at December 31, 2013 multiplied by 12. Tenant reimbursements generally include payment of real estate taxes, operating expenses and common area maintenance and utility charges.

(b) Includes 24 leases that are month-to-month.

(c) Includes 54,225 square feet that are non-revenue producing building amenities.



## Capital Expenditures (in thousands)

<b>Capital Expenditures Owned Portfolio</b>		For the Three Months Ended:				Year ended
(in thousands)	<u>31-Mar-13</u>	<u>30-Jun-13</u>	<u>30-Sep-13</u>	<u>31-Dec-13</u>	<u>31-Dec-13</u>	
Building improvements	\$ 1,118	\$ 1,622	\$ 1,552	\$ 1,479	\$ 5,771	
Tenant improvements	1,729	5,754	4,596	2,992	15,071	
Deferred leasing costs	2,813	1,087	3,821	1,536	9,257	
	<u>\$ 5,660</u>	<u>\$ 8,463</u>	<u>\$ 9,969</u>	<u>\$ 6,007</u>	<u>\$ 30,099</u>	
		For the Three Months Ended:				Year ended
	<u>31-Mar-12</u>	<u>30-Jun-12</u>	<u>30-Sep-12</u>	<u>31-Dec-12</u>	<u>31-Dec-12</u>	
Building improvements	\$ 746	\$ 1,003	\$ 711	\$ 1,252	\$ 3,712	
Tenant improvements	3,014	2,705	2,854	4,464	13,037	
Deferred leasing costs	2,196	1,343	1,104	2,784	7,427	
	<u>\$ 5,956</u>	<u>\$ 5,051</u>	<u>\$ 4,669</u>	<u>\$ 8,500</u>	<u>\$ 24,176</u>	



# Transaction Activity

## Recent Acquisitions:

	<u>City</u>	<u>State</u>	<u>Square Feet</u>	<u>Date Acquired</u>	<u>Purchase Price</u> (in thousands)
<b>2013</b>					
1999 Broadway	Denver	CO	673,793	5/22/13	\$ 183,000
999 Peachtree	Atlanta	GA	621,946	7/1/13	157,900
1001 17th Street	Denver	CO	655,420	8/28/13	217,000
<b>2012</b>					
One Ravinia	Atlanta	GA	386,603	7/31/12	\$ 52,750
Westchase	Houston	TX	629,025	11/1/12	154,750
<b>2011</b>					
Emperor Boulevard	Durham	NC	259,531	3/4/11	75,800
Legacy Tennyson Center	Plano	TX	202,600	3/10/11	37,000
One Legacy Circle	Plano	TX	214,110	3/24/11	52,983
909 Davis	Evanston	IL	195,245	9/30/11	37,062
East Renner Road	Richardson	TX	122,300	10/6/11	11,282

## Recent Dispositions:

	<u>City</u>	<u>State</u>	<u>Square Feet</u>	<u>Date Sold</u>	<u>Net Sales</u> <u>Proceeds</u>	<u>Gain (Loss)</u> <u>on Sale</u>
					(in thousands)	
<b>2013</b>						
East Renner Road	Richardson	TX	122,300	10/29/13	\$ 12,300	\$ 2,169
<b>2012</b>						
Southfield	Southfield	MI	252,613	12/21/12	\$ 293	\$ (14,826)
<b>2011</b>						
Fairview	Falls Church	VA	252,613	1/21/11	89,382	19,592
Bollman (a)	Savage	MD	98,745	6/24/11	7,408	2,346

(a) Industrial property. All other acquisitions and dispositions are office properties



## Loan Portfolio of Secured Real Estate

(dollars in thousands)

<u>Sponsored REIT</u>	<u>Location</u>	<u>Maturity Date</u>	<u>Maximum Amount of Loan</u>	<u>Amount Drawn at 31-Dec-13</u>	<u>Interest Rate (1)</u>	<u>Draw Fee (2)</u>	<u>Interest Rate at 31-Dec-13</u>
<b>Secured revolving lines of credit</b>							
FSP Highland Place I Corp.	Centennial, CO	31-Dec-14	\$ 5,500	\$ 1,825	L+4.4%	0.5%	4.57%
FSP Satellite Place Corp.	Duluth, GA	31-Mar-14	5,500	5,500	L+4.4%	0.5%	4.57%
FSP 1441 Main Street Corp.	Columbia, SC	31-Mar-14	10,800	9,000	L+4.4%	0.5%	4.57%
FSP Galleria North Corp.	Dallas, TX	30-Jan-15	15,000	12,880	L+5.0%	0.5%	5.17%
<b>Secured construction loan</b>							
FSP 385 Interlocken Development Corp.	Broomfield, CO	30-Apr-14	42,000	37,541	L+4.4%	n/a	4.57%
<b>Mortgage loan secured by property</b>							
FSP Energy Tower I Corp. (3)	Houston, TX	5-Jul-14	33,000	33,000	6.41%	n/a	6.41%
			<u>\$ 111,800</u>	<u>\$ 99,746</u>			

(1) The interest rate is 30-day LIBOR rate plus the additional rate indicated, otherwise a fixed rate.

(2) The draw fee is a percentage of each new advance, and is paid at the time of each new draw.

(3) The loan has a secured fixed mortgage amount of \$33,000,000. A loan fee of \$300,630 was paid at the time of closing and funding of the loan on July 5, 2012. The borrower is required to pay the Company an exit fee in the amount of 0.982% of the principal repayment amount.



# Net Asset Value Components

(in thousands except per share data)

	<b>As of</b>
	<b><u>31-Dec-13</u></b>
Total Market Capitalization Values	
Shares outstanding	100,187.4
Closing price, December 31st	\$ 11.95
Market capitalization	\$ 1,197,239
Debt	926,500
Total Market Capitalization	<u>2,123,739</u>
	<b>3 Months</b>
	<b>Ended</b>
	<b><u>31-Dec-13</u></b>
<b>NOI Components</b>	
Same Store NOI (1)	\$ 22,182
Acquisitions (1) (2)	13,963
Property NOI (1)	36,145
Full quarter adjustment (3)	-
<b>Stabilized portfolio</b>	<b><u>\$ 36,145</u></b>
Financial Statement Reconciliation:	
Rental Revenue	\$ 61,305
Rental operating expenses	(15,218)
Real estate taxes and insurance	(8,912)
Taxes (4)	(128)
Management fees & other (5)	(902)
Property NOI (1)	<u>\$ 36,145</u>

<b>Assets:</b>	
Loans outstanding on secured RE	\$ 99,746
Investments in SARs (book basis)	80,494
Straight-line rent receivable	42,261
Asset held for sale	-
Cash and cash equivalents	19,623
Restricted cash	643
Tenant rent receivables	5,102
Prepaid expenses	2,008
Office computers and furniture	709
Other assets:	
Deferred financing costs, net	7,167
Other assets: Derivative Market Value	5,321
Phoenix Tower Liquidating Trust (6)	4
Other assets	1,327
	<u>\$ 264,405</u>

<b>Liabilities:</b>	
Debt	\$ 926,500
Accounts payable & accrued expenses	47,126
Tenant security deposits	4,027
Other liabilities: derivative liability	2,044
	<u>\$ 979,697</u>

<b>Other information:</b>	
Leased SF to be FFO producing During 2014	<u>67</u>
Straight-line rental revenue Q4	<u>\$ 1,862</u>
Management fee income fourth quarter 2013	\$ 284
Interest income from secured loans	<u>1,433</u>
Management fees and interest income from loans	<u>\$ 1,717</u>
FFO from non-consolidated REITs - Q3 2013 (7):	
East Wacker	\$ 347
Grand Boulevard	<u>112</u>
Total	<u>\$ 459</u>

#### Footnotes to the components

- (1) See pages 11 & 29 for definitions and reconciliations
- (2) Includes NOI from 2 acquisitions in 2012 and 3 from 2013
- (3) Adjustment to reflect property NOI for a full quarter in the quarter acquired, if necessary
- (4) HB3 Tax in Texas is classified as an income tax, though we treat it as a real estate tax in Property NOI
- (5) Management & other fees are eliminated in consolidation but included on Property NOI
- (6) Expected liquidating distribution from sale of equity interest (*Collection within 3 years, subject to some expenses*)
- (7) We report FFO from non-consolidated REITs for the previous quarter as their financial statements are not yet complete for the current quarter.



## Appendix: Non-GAAP Financial Measure Definitions

### Definition of Funds From Operations (“FFO”)

The Company evaluates performance based on Funds From Operations, which we refer to as FFO, as management believes that FFO represents the most accurate measure of activity and is the basis for distributions paid to equity holders. The Company defines FFO as net income (computed in accordance with GAAP), excluding gains (or losses) from sales of property and acquisition costs of newly acquired properties that are not capitalized, plus depreciation and amortization, including amortization of acquired above and below market lease intangibles and impairment charges on properties or investments in non-consolidated REITs, and after adjustments to exclude equity in income or losses from, and, to include the proportionate share of FFO from, non-consolidated REITs. *A comparison of the new and old definitions of FFO are on page 30.*

FFO should not be considered as an alternative to net income (determined in accordance with GAAP), nor as an indicator of the Company’s financial performance, nor as an alternative to cash flows from operating activities (determined in accordance with GAAP), nor as a measure of the Company’s liquidity, nor is it necessarily indicative of sufficient cash flow to fund all of the Company’s needs.

Other real estate companies and the National Association of Real Estate Investment Trusts, or NAREIT, may define this term in a different manner. We have included the NAREIT FFO definition in our table and note that other REITs may not define FFO in accordance with the current NAREIT definition or may interpret the current NAREIT definition differently than we do.

We believe that in order to facilitate a clear understanding of the results of the Company, FFO should be examined in connection with net income and cash flows from operating, investing and financing activities in the consolidated financial statements.





## Appendix: Non-GAAP Financial Measure Definitions

### **Definition of Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) and Adjusted EBITDA**

EBITDA is defined as net income plus interest expense, income tax expense and depreciation and amortization expense. Adjusted EBITDA is defined as EBITDA excluding gains and losses on sales of properties or shares of equity investments or provisions for losses on assets held for sale. EBITDA and Adjusted EBITDA are not intended to represent cash flow for the period, are not presented as an alternative to operating income as an indicator of operating performance, should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP and are not indicative of operating income or cash provided by operating activities as determined under GAAP. EBITDA and Adjusted EBITDA are presented solely as a supplemental disclosure with respect to liquidity because the Company believes it provides useful information regarding the Company's ability to service or incur debt. Because all companies do not calculate EBITDA or Adjusted EBITDA the same way, this presentation may not be comparable to similarly titled measures of other companies. The Company believes that net income is the financial measure calculated and presented in accordance with GAAP that is most directly comparable to EBITDA and Adjusted EBITDA.

### **Definition of Adjusted Funds From Operations (AFFO)**

The Company defines AFFO as the sum of (1) FFO; (2) less the effect of straight-line rent; (3) plus deferred financing costs, (4) less recurring capital expenditures that are generally for (a) maintenance of properties or are second generation capital expenditures or what we call non-investment capex, (b) tenant improvements, (c) leasing commissions; and (4) plus non-cash compensation expenses, if any. AFFO should not be considered as an alternative to net income (determined in accordance with GAAP), as an indicator of the Company's financial performance, nor as an alternative to cash flows from operating activities (determined in accordance with GAAP), nor as a measure of the Company's liquidity, nor is it necessarily indicative of sufficient cash flow to fund all of the Company's needs. Other real estate companies may define this term in a different manner. We believe that in order to facilitate a clear understanding of the results of the Company, AFFO should be examined in connection with net income and cash flows from operating, investing and financing activities in the consolidated financial statements.



## Appendix: Non-GAAP Financial Measure Definitions

### **Definition of Property Net Operating Income (Property NOI)**

Property NOI is a non-GAAP financial measure equal to net income, the most directly comparable GAAP financial measure, plus selling, general and administrative expenses, depreciation and amortization, including amortization of acquired above and below market lease intangibles and impairment charges, interest expense, less equity in earnings of nonconsolidated REITs, interest income, management fee income, gains or losses on the sale of assets and excludes non-property specific income and expenses. Property NOI presented by the Company may not be comparable to NOI reported by other REITs that define NOI differently. NOI should not be considered an alternative to net income as an indication of our performance or to cash flows as a measure of the Company's liquidity or its ability to make distributions.



# FFO\* Comparison

<i>Quarterly FFO Per Share</i>					
<i>New Definition</i>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Total</b>
2013	0.26	0.25	0.28	0.29	1.07
2012	0.24	0.24	0.24	0.25	0.97
<i>Old Definition</i>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Total</b>
2013	0.25	0.24	0.27	0.29	1.05
2012	0.24	0.23	0.24	0.25	0.95

<i>New Definition prior 4 year with growth rates:</i> (in thousands):	<b>For the Year Ended December 31,</b>			
	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Net income (loss)	\$ 19,827	\$ 7,633	\$ 43,524	\$ 22,093
(Gain) loss on sale, less applicable income tax	(2,158)	14,826	(21,939)	-
Equity in earnings of non-consolidated REITs	1,358	(2,033)	(4,490)	(1,190)
FFO from non-consolidated REITs	2,148	4,124	6,784	4,998
Depreciation and amortization	79,090	55,518	48,439	40,724
NAREIT FFO	100,265	80,068	72,318	66,625
Acquisition costs of new properties	568	287	620	125
<b>Funds From Operations</b>	<b>\$ 100,833</b>	<b>\$ 80,355</b>	<b>\$ 72,938</b>	<b>\$ 66,750</b>
Fully Diluted Shares (Weighted Ave Shares)	93,855	82,937	81,857	79,826
FFO Per Share	\$ 1.07	\$ 0.97	\$ 0.89	\$ 0.84
<b>Growth over prior year</b>	<b>10.3%</b>	<b>9.0%</b>	<b>6.0%</b>	

<i>Old Definition prior 4 year with growth rates:</i> (in thousands):	<b>For the Year Ended December 31,</b>			
	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Net income (loss)	\$ 19,827	\$ 7,633	\$ 43,524	\$ 22,093
(Gain) loss on sale, less applicable income tax	(2,158)	14,826	(21,939)	-
Equity in earnings of non-consolidated REITs	1,358	(2,033)	(4,490)	(1,190)
Distributions from non-consolidated REITs	107	2,810	5,056	5,170
Depreciation and amortization	79,090	55,518	48,439	40,724
NAREIT FFO	98,224	78,754	70,590	66,797
Acquisition costs of new properties	568	287	620	125
<b>Funds From Operations</b>	<b>\$ 98,792</b>	<b>\$ 79,041</b>	<b>\$ 71,210</b>	<b>\$ 66,922</b>
Fully Diluted Shares (Weighted Ave Shares)	93,855	82,937	81,857	79,826
FFO Per Share	\$ 1.05	\$ 0.95	\$ 0.87	\$ 0.84
<b>Growth over prior year</b>	<b>10.5%</b>	<b>9.2%</b>	<b>3.6%</b>	

Note: The difference between the calculations is to include FFO from our investments in non-consolidated REITs in our FFO calculation under the new definition, which replaces the distributions from Non-consolidated REITs in the definition we are replacing. We believe this treatment as it discloses the FFO from these investments and more closely matches the NAREIT definition of FFO.

\*Please see the definition of FFO on page 27.



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