



Supplemental Operating and Financial Data Third Quarter 2014



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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.

Our Business

As of September 30, 2014, the Company owned and operated a portfolio of real estate consisting of 39 properties, managed 11 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

Snapshot (as of September 30, 2014)

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	6.8%
Total Market Capitalization	\$2.0 Billion
Insider Holdings	10.1%





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						
	30-Sep-14	30-Jun-14	31-Mar-14	31-Dec-13	30-Sep-13	30-Jun-13	31-Mar-13
Income Items:							
Rental revenue	\$ 59,728	\$ 60,994	\$ 61,597	\$ 61,307	\$ 56,760	\$ 46,017	\$ 42,842
Total revenue	61,190	62,741	63,263	63,024	58,446	47,671	44,495
Adjusted EBITDA*	33,973	34,359	35,175	35,645	31,862	26,074	24,712
Equity in losses of non-consolidated REITs	(455)	(552)	(484)	(543)	(431)	(196)	(188)
Net income	1,567	3,713	3,573	6,591	4,094	4,741	4,401
FFO*	27,904	28,254	28,779	29,220	27,566	22,810	21,237
Per Share Data:							
EPS	\$ 0.02	\$ 0.04	\$ 0.04	\$ 0.07	\$ 0.04	\$ 0.05	\$ 0.05
FFO*	\$ 0.28	\$ 0.28	\$ 0.29	\$ 0.29	\$ 0.28	\$ 0.25	\$ 0.26
Weighted Average Shares (diluted)	100,187	100,187	100,187	100,187	100,187	91,847	82,937
Closing share price	\$ 11.22	\$ 12.58	\$ 12.60	\$ 11.95	\$ 12.74	\$ 13.20	\$ 14.62
Dividend	\$ 0.19	\$ 0.19	\$ 0.19	\$ 0.19	\$ 0.19	\$ 0.19	\$ 0.19
Payout Ratio:	68%	67%	66%	66%	69%	77%	74%
Balance Sheet Items:							
Real estate, net	\$ 1,542,012	\$ 1,549,963	\$ 1,558,136	\$ 1,568,338	\$ 1,575,690	\$ 1,280,252	\$ 1,128,398
Other assets, net	425,305	438,634	467,539	475,696	500,939	428,789	383,244
Total assets, net	1,967,317	1,988,597	2,025,675	2,044,034	2,076,629	1,709,041	1,511,642
Total liabilities, net	968,948	975,853	993,273	993,868	1,017,480	627,997	657,809
Shareholders' equity	998,369	1,012,744	1,032,402	1,050,166	1,059,149	1,081,044	853,833
Market Capitalization and Debt:							
Total Market Capitalization (a)	\$ 2,029,103	\$ 2,176,858	\$ 2,198,861	\$ 2,123,739	\$ 2,227,888	\$ 1,903,974	\$ 1,834,295
Total debt outstanding	905,000	916,500	936,500	926,500	951,500	581,500	621,750
Debt to Total Market Capitalization	44.6%	42.1%	42.6%	43.6%	42.7%	30.5%	33.9%
Debt to Adjusted EBITDA	6.7	6.7	6.7	6.5	7.5	5.6	6.3
Owned Portfolio Leasing Statistics:							
Owned portfolio assets (includes asset held for sale before 12/31/13)	39	39	39	39	40	38	37
Portfolio total SF	9,690,361	9,686,215	9,686,055	9,685,285	9,807,339	8,529,752	7,856,859
Portfolio % leased	93.3%	94.1%	94.5%	94.1%	93.8%	94.4%	94.4%

(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)

	Nine Months				For the Three Months Ended				For the
	For the Three Months Ended			Ended	For the Three Months Ended			Year Ended	
	31-Mar-14	30-Jun-14	30-Sep-14	30-Sep-14	31-Mar-13	30-Jun-13	30-Sep-13	31-Dec-13	31-Dec-13
Revenue:									
Rental	\$ 61,597	\$ 60,994	\$ 59,728	\$ 182,319	\$ 42,842	\$ 46,017	\$ 56,760	\$ 61,307	\$ 206,926
Related party revenue:									
Management fees and interest income from loans	1,643	1,671	1,462	4,776	1,622	1,642	1,665	1,717	6,646
Other	23	76	-	99	31	12	21	-	64
Total revenue	63,263	62,741	61,190	187,194	44,495	47,671	58,446	63,024	213,636
Expenses:									
Real estate operating expenses	15,071	14,995	15,632	45,698	10,770	11,116	13,991	15,223	51,100
Real estate taxes and insurance	9,251	9,763	8,555	27,569	6,595	7,308	8,801	8,912	31,616
Depreciation and amortization	24,300	23,563	24,878	72,741	15,781	16,919	22,163	23,976	78,839
Selling, general and administrative	3,272	3,148	3,071	9,491	2,532	3,204	3,477	2,698	11,911
Interest	7,176	6,891	6,883	20,950	4,208	4,174	5,474	7,198	21,054
Total expenses	59,070	58,360	59,019	176,449	39,886	42,721	53,906	58,007	194,520
Income before interest income, equity in losses of non-consolidated REITs and taxes									
Interest income	1	1	-	2	1	4	5	6	16
Equity in losses of non-consolidated REITs	(484)	(552)	(455)	(1,491)	(188)	(196)	(431)	(543)	(1,358)
Income before taxes on income	3,710	3,830	1,716	9,256	4,422	4,758	4,114	4,480	17,774
Income tax expense	137	117	149	403	119	115	118	128	480
Income from continuing operations	3,573	3,713	1,567	8,853	4,303	4,643	3,996	4,352	17,294
Income from discontinued operations	-	-	-	-	98	98	98	81	375
Gain (loss) on sale, less applicable income tax	-	-	-	-	-	-	-	2,158	2,158
Net income	\$ 3,573	\$ 3,713	\$ 1,567	\$ 8,853	\$ 4,401	\$ 4,741	\$ 4,094	\$ 6,591	\$ 19,827
Weighted average number of shares outstanding, basic and diluted									
	100,187	100,187	100,187	100,187	82,937	91,847	100,187	100,187	93,855
Earnings per share, basic and diluted, attributable to:									
Continuing operations	\$ 0.04	\$ 0.04	\$ 0.02	\$ 0.09	\$ 0.05	\$ 0.05	\$ 0.04	\$ 0.04	\$ 0.18
Discontinued operations	-	-	-	-	-	-	-	-	-
Gain (loss) on sale, less applicable income tax	-	-	-	-	-	-	-	0.03	0.03
Net income per share, basic and diluted	\$ 0.04	\$ 0.04	\$ 0.02	\$ 0.09	\$ 0.05	\$ 0.05	\$ 0.04	\$ 0.07	\$ 0.21



Condensed Consolidated Balance Sheets

(in thousands)

	March 31, 2014	June 30, 2014	September 30, 2014	March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013
Assets:							
Real estate assets:							
Land	\$ 185,479	\$ 185,479	\$ 185,479	\$ 141,545	\$ 157,879	\$ 185,479	\$ 185,479
Buildings and improvements	1,605,808	1,609,747	1,613,699	1,175,743	1,320,703	1,599,519	1,603,941
Fixtures and equipment	1,296	1,395	1,633	904	960	985	1,170
	1,792,583	1,796,621	1,800,811	1,318,192	1,479,542	1,785,983	1,790,590
Less accumulated depreciation	234,447	246,658	258,799	189,794	199,290	210,293	222,252
Real estate assets, net	1,558,136	1,549,963	1,542,012	1,128,398	1,280,252	1,575,690	1,568,338
Acquired real estate leases, net	172,262	161,519	149,019	102,274	129,226	194,893	183,454
Investment in non-consolidated REITs	79,983	79,405	78,907	81,746	81,523	81,065	80,494
Assets held for sale	-	-	-	10,431	10,286	10,143	-
Cash and cash equivalents	20,031	18,455	15,930	17,282	24,962	25,539	19,623
Restricted cash	688	728	707	583	602	623	643
Tenant rent receivables, net	6,035	2,867	2,865	2,357	2,331	6,029	5,102
Straight-line rent receivable, net	44,392	46,021	46,737	36,210	37,865	40,086	42,261
Prepaid expenses and other assets	9,954	9,716	9,768	10,545	12,532	11,846	11,215
Related party mortgage loan receivable	101,916	88,436	88,436	96,896	97,846	98,846	99,746
Other assets: derivative asset	4,801	2,626	4,582	-	6,739	4,365	5,321
Deferred leasing commissions, net	27,477	28,861	28,354	24,920	24,877	27,504	27,837
Total assets	\$ 2,025,675	\$ 1,988,597	\$ 1,967,317	\$ 1,511,642	\$ 1,709,041	\$ 2,076,629	\$ 2,044,034
Liabilities and Stockholders' Equity:							
Liabilities:							
Bank note payable	\$ 316,500	\$ 296,500	\$ 285,000	\$ 221,750	\$ 181,500	\$ 331,500	\$ 306,500
Term loan payable	620,000	620,000	620,000	400,000	400,000	620,000	620,000
Accounts payable and accrued expenses	34,390	34,590	40,228	25,493	29,971	39,907	44,137
Accrued compensation	1,027	2,052	2,863	540	1,677	2,432	2,985
Tenant security deposits	4,258	4,259	4,331	2,474	3,074	3,891	4,027
Other liabilities: derivative termination value	3,825	5,985	4,847	778	-	4,579	2,044
Acquired unfavorable real estate leases, net	13,273	12,467	11,679	6,774	11,775	15,171	14,175
Total liabilities	993,273	975,853	968,948	657,809	627,997	1,017,480	993,868
Commitments and contingencies							
Stockholders' Equity:							
Preferred stock	-	-	-	-	-	-	-
Common stock	10	10	10	8	10	10	10
Additional paid-in capital	1,273,556	1,273,556	1,273,556	1,042,876	1,273,585	1,273,585	1,273,556
Accumulated other comprehensive income (loss)	976	(3,359)	(265)	(778)	6,739	(214)	3,277
Accumulated distributions in excess of accumulated earnings	(242,140)	(257,463)	(274,932)	(188,273)	(199,290)	(214,232)	(226,677)
Total stockholders' equity	1,032,402	1,012,744	998,369	853,833	1,081,044	1,059,149	1,050,166
Total liabilities and stockholders' equity	\$ 2,025,675	\$ 1,988,597	\$ 1,967,317	\$ 1,511,642	\$ 1,709,041	\$ 2,076,629	\$ 2,044,034

September 30, 2014



Condensed Consolidated Statements of Cash Flows

(in thousands)

	Nine Months ended September 30,		Twelve Months ended December 31	
	2014	2013	2013	2012
Cash flows from operating activities:				
Net income	\$ 8,853	\$ 13,236	\$ 19,827	\$ 7,633
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization expense	74,237	56,796	81,267	57,500
Amortization of above market lease	560	(277)	(365)	71
Gain (loss) on sale, less applicable income tax	-	-	(2,158)	14,826
Equity in earnings (losses) from non-consolidated REITs	1,491	(1,220)	1,358	(2,033)
Distributions from non-consolidated REITs	-	-	-	705
Increase in bad debt reserve	125	814	(1,250)	65
Changes in operating assets and liabilities:				
Restricted cash	(64)	(48)	(68)	(82)
Tenant rent receivables	2,112	(3,060)	(2,103)	(354)
Straight-line rents	(4,038)	(3,920)	(5,782)	(4,464)
Lease acquisition costs	(438)	(820)	(1,146)	(2,520)
Prepaid expenses and other assets	(106)	(1,845)	(1,547)	(328)
Accounts payable and accrued expenses	(2,133)	6,860	11,137	3,717
Accrued compensation	(122)	(108)	445	318
Tenant security deposits	304	1,402	1,538	481
Payment of deferred leasing commissions	(4,854)	(7,532)	(9,125)	(5,179)
Net cash provided by operating activities	75,927	60,278	92,028	70,356
Cash flows from investing activities:				
Purchase of real estate assets, office computers and furniture, capitalized merger costs and acquired real estate leases	(12,403)	(569,036)	(574,065)	(221,170)
Investment in non-consolidated REITs	-	4,858	4,858	(1)
Distributions in excess of earnings from non-consolidated REITs	81	81	108	2,105
Investment in related party mortgage loan receivable	(2,570)	(4,950)	(8,200)	(74,580)
Repayment of related party mortgage loan receivable	13,880	-	2,350	121,200
Proceeds received on sales of real estate assets	-	-	12,301	157
Net cash provided by (used in) investing activities	(1,012)	(569,047)	(562,648)	(172,289)
Cash flows from financing activities:				
Distributions to stockholders	(57,108)	(50,552)	(69,588)	(63,032)
Proceeds (costs) from equity offering, net	-	230,711	230,682	-
Borrowings under Revolver	10,000	160,000	160,000	294,750
Repayments under Revolver	(31,500)	(45,250)	(70,250)	(527,000)
Borrowing (repayment) of term loan payable, net	-	220,000	220,000	400,000
Deferred Financing Costs	-	(1,868)	(1,868)	(5,331)
Net cash provided by (used in) financing activities	(78,608)	513,041	468,976	99,387
Net decreases in cash and cash equivalents	(3,693)	4,272	(1,644)	(2,546)
Cash and cash equivalents, beginning of period	19,623	21,267	21,267	23,813
Cash and cash equivalents, end of period	\$ 15,930	\$ 25,539	\$ 19,623	\$ 21,267



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

(in thousands)

Region	Rentable Square Feet or RSF	Nine Months				Nine Months				Inc (Dec)	% Change
		Three Months Ended			Ended	Three Months Ended			Ended		
		31-Mar-14	30-Jun-14	30-Sep-14	30-Sep-14	31-Mar-13	30-Jun-13	30-Sep-13	30-Sep-13		
East	1,442	\$ 4,727	\$ 4,786	\$ 4,758	\$ 14,271	\$ 4,756	\$ 5,440	\$ 4,914	\$ 15,110	\$ (839)	-5.6%
MidWest	1,682	5,107	5,062	5,187	15,356	4,839	5,008	4,944	14,791	565	3.8%
South	3,525	14,135	13,694	13,720	41,549	13,227	13,297	13,199	39,723	1,826	4.6%
West	1,088	2,567	2,761	2,729	8,057	2,350	2,118	2,440	6,908	1,149	16.6%
Same Store	7,737	26,536	26,303	26,394	79,233	25,172	25,863	25,497	76,532	2,701	3.5%
Acquisitions	1,953	10,037	9,623	9,059	28,719	-	1,203	7,843	9,046	19,673	22.6%
Property NOI from the continuing portfolio	9,690	36,573	35,926	35,453	107,952	25,172	27,066	33,340	85,578	22,374	26.1%
Dispositions and asset held for sale		-	-	-	-	252	252	253	757	(757)	-1.1%
Property NOI		\$ 36,573	\$ 35,926	\$ 35,453	\$ 107,952	\$ 25,424	\$ 27,318	\$ 33,593	\$ 86,335	\$ 21,617	25.0%
Same Store		\$ 26,536	\$ 26,303	\$ 26,394	\$ 79,233	\$ 25,172	\$ 25,863	\$ 25,497	\$ 76,532	\$ 2,701	3.5%
Less Nonrecurring Items in NOI (a)		707	287	199	1,193	63	557	-	620	573	-0.7%
Comparative Same Store		\$ 25,829	\$ 26,016	\$ 26,195	\$ 78,040	\$ 25,109	\$ 25,306	\$ 25,497	\$ 75,912	\$ 2,128	2.8%

(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			Nine Months Ended	For the Three Months Ended:				For the Year Ended
	31-Mar-14	30-Jun-14	30-Sep-14	30-Sep-14	31-Mar-13	30-Jun-13	30-Sep-13	31-Dec-13	31-Dec-13
Net income	\$ 3,573	\$ 3,713	\$ 1,567	\$ 8,853	\$ 4,401	\$ 4,741	\$ 4,094	\$ 6,591	\$ 19,827
Gain (loss) on sale, less applicable income tax	-	-	-	-	-	-	-	(2,158)	(2,158)
GAAP income from non-consolidated REITs	484	552	455	1,491	188	196	431	543	1,358
FFO from non-consolidated REITs	419	351	508	1,278	647	696	459	346	2,148
Depreciation & amortization	24,289	23,638	25,374	73,301	15,984	17,044	22,176	23,886	79,090
NAREIT FFO*	28,765	28,254	27,904	84,923	21,220	22,677	27,160	29,208	100,265
Acquisition costs	14	-	-	14	17	133	406	12	568
Funds From Operations (FFO)*	\$ 28,779	\$ 28,254	\$ 27,904	\$ 84,937	\$ 21,237	\$ 22,810	\$ 27,566	\$ 29,220	\$ 100,833
Adjusted Funds From Operations (AFFO)*									
Funds From Operations (FFO)*	28,779	28,254	27,904	84,937	21,237	22,810	27,566	29,220	100,833
Reverse FFO from non-consolidated REITs	(419)	(351)	(508)	(1,278)	(647)	(696)	(459)	(346)	(2,148)
Distributions from non-consolidated REITs	27	27	27	81	27	27	27	26	107
Amortization of deferred financing costs	499	499	498	1,496	429	429	456	499	1,813
Straight-line rent	(1,783)	(1,541)	(714)	(4,038)	(657)	(1,186)	(2,078)	(1,862)	(5,783)
Non-investment capex	(1,119)	(2,202)	(943)	(4,264)	(1,118)	(1,622)	(1,552)	(1,479)	(5,771)
Tenant improvements	(1,133)	(1,837)	(2,640)	(5,610)	(1,729)	(5,754)	(4,596)	(2,992)	(15,071)
Leasing commissions	(1,112)	(2,795)	(944)	(4,851)	(2,813)	(1,087)	(3,821)	(1,536)	(9,257)
Adjusted Funds From Operations (AFFO)*	\$ 23,739	\$ 20,054	\$ 22,680	\$ 66,473	\$ 14,729	\$ 12,921	\$ 15,543	\$ 21,530	\$ 64,723
Per Share Data:									
EPS	\$ 0.04	\$ 0.04	\$ 0.02	\$ 0.09	\$ 0.05	\$ 0.05	\$ 0.04	\$ 0.07	\$ 0.21
FFO*	0.29	0.28	0.28	0.85	0.26	0.25	0.28	0.29	1.07
AFFO*	0.24	0.20	0.23	0.66	0.18	0.14	0.16	0.21	0.69
Weighted Average Shares (basic and diluted)	100,187	100,187	100,187	100,187	82,937	91,847	100,187	100,187	93,855

* 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			Nine Months Ended	For the Three Months Ended				Year Ended
	31-Mar-14	30-Jun-14	30-Sep-14	30-Sep-14	31-Mar-13	30-Jun-13	30-Sep-13	31-Dec-13	31-Dec-13
Net income	\$ 3,573	\$ 3,713	\$ 1,567	\$ 8,853	\$ 4,401	\$ 4,741	\$ 4,094	\$ 6,591	\$ 19,827
Interest expense	7,176	6,891	6,883	20,950	4,208	4,174	5,474	7,198	21,054
Depreciation and amortization	24,289	23,638	25,374	73,301	15,984	17,044	22,176	23,886	79,090
Income taxes	137	117	149	403	119	115	118	128	480
EBITDA	35,175	34,359	33,973	103,507	24,712	26,074	31,862	37,803	120,451
Excluding (gain) loss on sale, less applicable income tax	-	-	-	-	-	-	-	(2,158)	(2,158)
Adjusted EBITDA	\$ 35,175	\$ 34,359	\$ 33,973	\$ 103,507	\$ 24,712	\$ 26,074	\$ 31,862	\$ 35,645	\$ 118,293
Interest expense	\$ 7,176	\$ 6,891	\$ 6,883	\$ 20,950	\$ 4,208	\$ 4,174	\$ 5,474	\$ 7,198	\$ 21,054
Scheduled principal payments	-	-	-	-	-	-	-	-	-
Interest and scheduled principal payments	\$ 7,176	\$ 6,891	\$ 6,883	\$ 20,950	\$ 4,208	\$ 4,174	\$ 5,474	\$ 7,198	\$ 21,054
Interest coverage ratio	4.90	4.99	4.94	4.94	5.87	6.25	5.82	4.95	5.62
Debt service coverage ratio	4.90	4.99	4.94	4.94	5.87	6.25	5.82	4.95	5.62
Debt	\$ 936,500	\$ 916,500	\$ 905,000	\$ 905,000	\$ 621,750	\$ 581,500	\$ 951,500	\$ 926,500	
Adjusted EBITDA	35,175	34,359	33,973	103,507	24,712	26,074	31,862	35,645	
Annualized	140,700	137,436	135,892	138,009	98,848	104,296	127,448	142,580	
Debt-to-EBITDA	6.7	6.7	6.7	6.6	6.3	5.6	7.5	6.5	

* 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	Nine Months				Nine Month:			
	Three Months Ended			Ended	Three Months Ended			Ended
	<u>31-Mar-14</u>	<u>30-Jun-14</u>	<u>30-Sep-14</u>	<u>30-Sep-14</u>	<u>31-Mar-13</u>	<u>30-Jun-13</u>	<u>30-Sep-13</u>	<u>30-Sep-13</u>
Net Income	\$ 3,573	\$ 3,713	\$ 1,567	\$ 8,853	\$ 4,401	\$ 4,741	\$ 4,094	\$ 13,236
Add (deduct):								
Discontinued operations	-	-	-	-	(98)	(98)	(98)	(294)
Loss provision or (gain) on sale of assets	-	-	-	-	-	-	-	-
Management fee income	(646)	(682)	(649)	(1,977)	(559)	(598)	(692)	(1,849)
Depreciation and amortization	24,300	23,563	24,878	72,741	15,784	16,917	22,163	54,864
Amortization of above/below market leases	(11)	74	497	560	48	(29)	(143)	(124)
Selling, general and administrative	3,272	3,148	3,071	9,491	2,532	3,204	3,477	9,213
Interest expense	7,176	6,891	6,883	20,950	4,208	4,174	5,474	13,856
Interest income	(1,410)	(1,408)	(1,216)	(4,034)	(1,353)	(1,382)	(1,411)	(4,146)
Equity in earnings of				-				-
nonconsolidated REITs	484	552	455	1,491	187	196	431	814
Non-property specific items, net	(165)	75	(33)	(123)	22	(60)	45	7
Property NOI from the continuing portfolio	<u>\$ 36,573</u>	<u>\$ 35,926</u>	<u>\$ 35,453</u>	<u>\$ 107,952</u>	<u>\$ 25,172</u>	<u>\$ 27,065</u>	<u>\$ 33,340</u>	<u>\$ 85,577</u>
Dispositions and asset held for sale	-	-	-	-	252	253	253	758
Property NOI	<u>\$ 36,573</u>	<u>\$ 35,926</u>	<u>\$ 35,453</u>	<u>\$ 107,952</u>	<u>\$ 25,424</u>	<u>\$ 27,318</u>	<u>\$ 33,593</u>	<u>\$ 86,335</u>

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



Debt Summary

(dollars in thousands)	Maturity Date	Maximum Amount of Loan	Amount Drawn at 30-Sep-14	Interest Rate Components	(a)	
					Interest Rate at 30-Sep-14	Facility Fee
2012 Revolver	27-Sep-16	\$ 500,000	\$ 285,000	L+1.45%	1.60%	0.30%
2012 Term Loan	27-Sep-17	400,000	400,000	0.75% + 1.45%	2.20%	0.30%
2013 Term Loan	26-Aug-20	220,000	220,000	2.32% + 1.65%	3.97%	
		<u>\$ 1,120,000</u>	<u>\$ 905,000</u>		<u>2.44%</u>	

(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 1.65%, so our interest rate is 3.97% as September 30, 2014.
- 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 1.45%, so our interest rate is 2.20% as of September 30, 2014.
- 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 September 30, 2014, the facility fee was 30 bps based on our leverage ratio, or approximately \$2.7 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-14</u>	<u>30-Jun-14</u>	<u>30-Sep-14</u>	<u>31-Mar-13</u>	<u>30-Jun-13</u>	<u>30-Sep-13</u>	<u>31-Dec-13</u>
Market Data:							
Shares Outstanding	100,187	100,187	100,187	82,937	100,187	100,187	100,187
Closing market price per share	\$ 12.60	\$ 12.58	\$ 11.22	\$ 14.62	\$ 13.20	\$ 12.74	\$ 11.95
Market capitalization	\$ 1,262,361	\$ 1,260,358	\$ 1,124,103	\$ 1,212,545	\$ 1,322,474	\$ 1,276,388	\$ 1,197,239
Total Debt	936,500	916,500	905,000	621,750	581,500	951,500	926,500
Total Market Capitalization	\$ 2,198,861	\$ 2,176,858	\$ 2,029,103	\$ 1,834,295	\$ 1,903,974	\$ 2,227,888	\$ 2,123,739
Dividend Data:							
Total dividends paid	\$ 19,036	\$ 19,035	\$ 19,036	\$ 15,758	\$ 15,758	\$ 19,036	\$ 19,036
Common dividend per share	\$ 0.19	\$ 0.19	\$ 0.19	\$ 0.19	\$ 0.19	\$ 0.19	\$ 0.19
Quarterly dividend as a % of FFO*	65.5%	67.9%	67.9%	73.1%	76.0%	67.9%	65.5%
Liquidity:							
Cash and cash equivalents	\$ 20,031	\$ 18,455	\$ 15,930	\$ 17,282	\$ 24,962	\$ 25,539	\$ 19,623
Revolving credit facilities:							
Gross potential available under the 2012 Credit Facility	900,000	900,000	900,000	900,000	900,000	900,000	900,000
Less:							
Outstanding balance	(716,500)	(696,500)	(685,000)	(621,750)	(581,500)	(731,500)	(706,500)
Total Liquidity	\$ 203,531	\$ 221,955	\$ 230,930	\$ 295,532	\$ 343,462	\$ 194,039	\$ 213,123

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



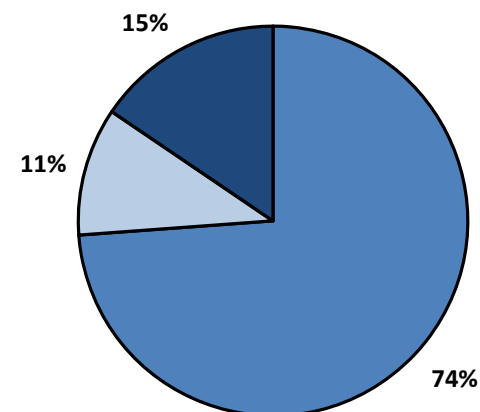
Portfolio Overview

For the Three Months Ended

	30-Sep-14	30-Jun-14	31-Mar-14	31-Dec-13	30-Sep-13
Owned portfolio of commercial real estate:					
Number of properties (a)	39	39	39	39	40
Square feet	9,690,361	9,686,215	9,686,055	9,685,285	9,807,339
Leased percentage	93.3%	94.1%	94.5%	94.1%	93.8%
Investments in non-consolidated commercial real estate:					
Number of properties (a)	2	2	2	2	2
Square feet	1,395,500	1,395,500	1,395,500	1,395,500	1,395,500
Leased percentage	71.0%	65.5%	64.0%	64.1%	61.5%
Single Asset REITs (SARs) managed:					
Number of properties	9	11	12	12	13
Square feet	2,036,572	2,687,775	3,067,199	3,067,199	3,323,198
Leased percentage	86.6%	89.1%	87.4%	87.4%	86.6%
Total owned (a) , investments and managed properties:					
Number of properties	50	52	53	53	55
Square feet	13,122,433	13,769,490	14,148,754	14,147,984	14,526,037
Leased percentage	89.9%	90.2%	90.0%	89.7%	89.1%

Portfolio Breakdown by FSP Participation

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



(a) Includes asset 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>
East Region							Midwest Region						
Baltimore							Chicago						
East Baltimore	Baltimore	MD	325,445	81.2%	78.0%	\$ 23.30	Northwest Point	Elk Grove Village	IL	176,848	100.0%	100.0%	\$ 19.44
							909 Davis Street	Evanston	IL	195,245	97.9%	97.9%	\$ 35.60
Washington, D.C.							Indianapolis						
Meadow Point	Chantilly	VA	138,537	92.6%	92.6%	\$ 27.32	River Crossing	Indianapolis	IN	205,059	97.6%	98.3%	\$ 23.16
Stoncroft	Chantilly	VA	111,469	100.0%	100.0%	\$ 38.24							
Loudoun Tech Center	Dulles	VA	136,658	92.0%	99.1%	\$ 15.95							
Richmond							St. Louis						
Innsbrook	Glen Allen	VA	298,456	99.9%	99.9%	\$ 18.29	Timberlake	Chesterfield	MO	232,766	98.3%	98.3%	\$ 21.65
							Timberlake East	Chesterfield	MO	116,197	91.0%	91.0%	\$ 24.20
							Lakeside Crossing	Maryland Heights	MO	127,778	100.0%	100.0%	\$ 26.60
Charlotte							Minneapolis						
Park Seneca	Charlotte	NC	109,674	88.4%	83.7%	\$ 15.42	Eden Bluff	Eden Prairie	MN	153,028	100.0%	100.0%	\$ 27.86
Forest Park	Charlotte	NC	62,212	100.0%	100.0%	\$ 14.16	121 South 8th Street	Minneapolis	MN	475,012	90.8%	90.2%	\$ 14.90
Raleigh-Durham							Midwest Region Total						
Emperor Boulevard	Durham	NC	259,531	100.0%	100.0%	\$ 35.89				1,681,933	96.0%	95.9%	\$ 22.61
East Region Total			1,441,982	93.4%	93.0%	\$ 24.54							

(a) Weighted Occupied Percentage for the nine months ended September 30, 2014

(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>
South Region						
Dallas-Fort Worth						
Willow Bend Office Center	Plano	TX	117,050	100.0%	98.3%	\$ 20.84
Legacy Tennyson Center	Plano	TX	202,600	100.0%	100.0%	\$ 17.59
One Legacy Circle	Plano	TX	214,110	100.0%	100.0%	\$ 33.37
Addison Circle	Addison	TX	293,926	95.3%	93.6%	\$ 24.46
Collins Crossing	Richardson	TX	300,472	99.5%	99.0%	\$ 24.31
Liberty Plaza	Addison	TX	218,934	96.0%	93.9%	\$ 20.45
Houston						
Park Ten	Houston	TX	157,460	80.3%	87.2%	\$ 26.62
Eldridge Green	Houston	TX	248,399	100.0%	100.0%	\$ 29.69
Park Ten Phase II	Houston	TX	156,746	100.0%	100.0%	\$ 31.29
Westchase I & II	Houston	TX	629,025	97.3%	97.1%	\$ 32.16
Miami-Ft. Lauderdale-West Palm Beach						
Blue Lagoon Drive	Miami	FL	212,619	100.0%	100.0%	\$ 22.38
Atlanta						
One Overton Place	Atlanta	GA	387,267	98.9%	98.9%	\$ 22.77
One Ravinia	Atlanta	GA	386,603	93.7%	91.5%	\$ 22.87
999 Peachtree	Houston	TX	621,946	97.8%	93.5%	\$ 29.07
South Region Total			<u>4,147,157</u>	<u>97.2%</u>	<u>96.3%</u>	<u>\$ 26.37</u>

(a) Weighted Occupied Percentage for the nine months ended September 30, 2014

(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>
West Region						
Seattle						
Federal Way	Federal Way	WA	117,010	56.5%	54.9%	\$ 18.40
San Francisco-San Jose-Oakland						
Hillview Center	Milpitas	CA	36,288	100.0%	100.0%	\$ 16.10
Montague Business Center	San Jose	CA	145,951	81.1%	91.6%	\$ 16.12
Denver						
380 Interlocken	Broomfield	CO	240,184	95.8%	91.6%	\$ 29.01
1999 Broadway	Denver	CO	676,279	87.6%	92.0%	\$ 30.80
Greenwood Plaza	Englewood	CO	196,236	100.0%	100.0%	\$ 23.77
390 Interlocken	Broomfield	CO	241,516	71.2%	69.6%	\$ 27.23
1001 17th Street	Denver	CO	655,420	81.1%	86.4%	\$ 31.75
Colorado Springs						
Centennial Technology Center	Colorado Springs	CO	110,405	97.3%	88.0%	\$ 16.00
West Region Total						
			<u>2,419,289</u>	<u>84.7%</u>	<u>86.9%</u>	<u>\$ 27.68</u>
Total Owned						
			<u>9,690,361</u>	<u>93.3%</u>	<u>93.4%</u>	<u>\$ 25.73</u>



Managed Portfolio Overview

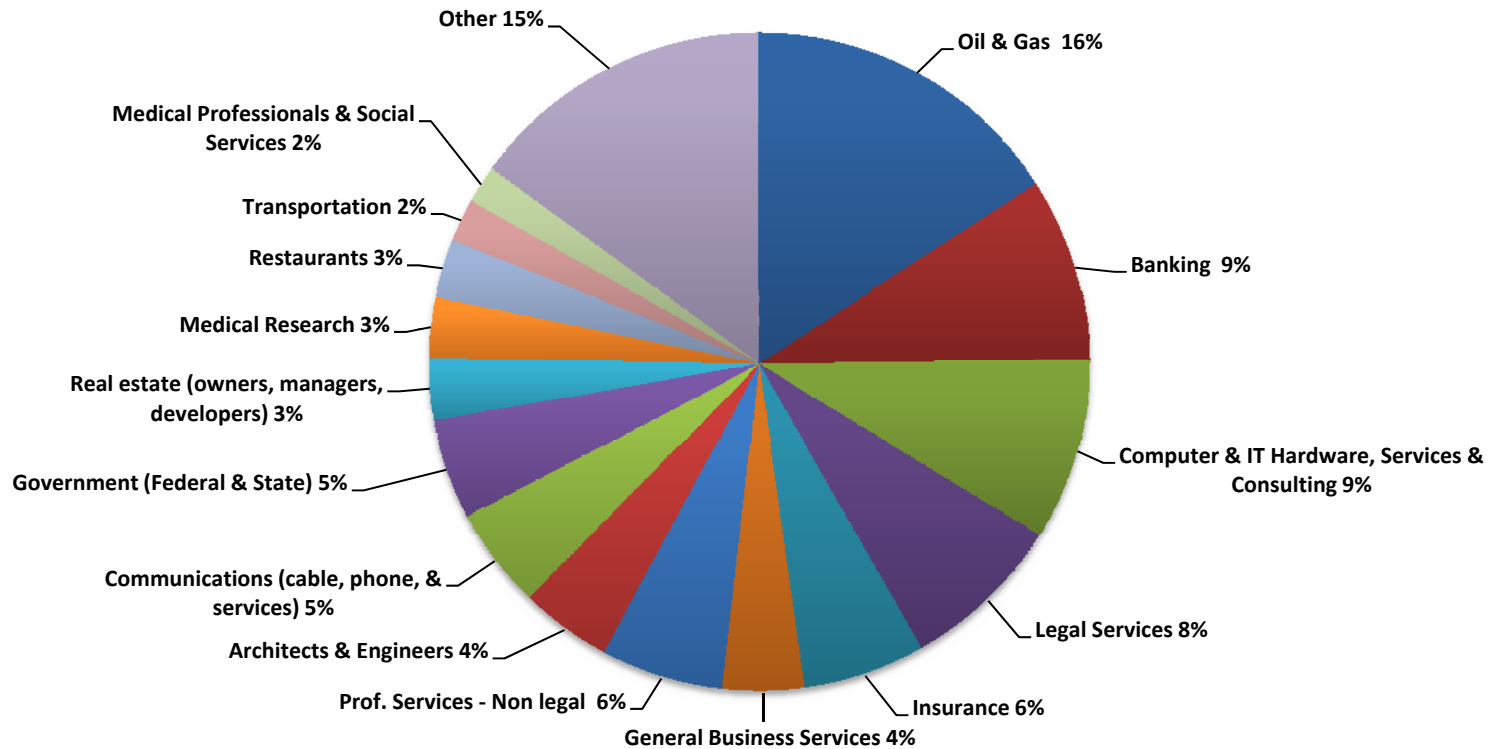
<u>MSA / Property Name</u>	<u>City</u>	<u>State</u>	<u>Square Feet</u>	<u>MSA / Property Name</u>	<u>City</u>	<u>State</u>	<u>Square Feet</u>
Southeast Region				Midwest Region			
Columbia				Chicago			
1441 Main Street	Columbia	SC	264,857	East Wacker (a)	Chicago	IL	860,429
Atlanta				Indianapolis			
Satellite Place	Duluth	GA	134,785	Monument Circle	Indianapolis	IN	213,760
Southeast Region Total			<u>399,642</u>	St. Louis			
Southwest Region				Kansas City			
Houston				Grand Boulevard (b)			
Energy Tower I	Houston	TX	325,797	Kansas City	Kansas City	MO	535,071
Denver				Cincinnati			
Highland Place	Centennial	CO	138,771	Centre Pointe V	West Chester	OH	135,936
385 Interlocken	Broomfield	CO	296,868	Union Centre	West Chester	OH	409,798
Southwest Region Total			<u>761,436</u>	Midwest Region Total			<u>2,270,994</u>
Total Managed							<u>3,432,072</u>
Total Owned & Managed							<u>13,122,433</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.

Tenants by Industry

(By Square Feet)



- Oil & Gas 16%
- Banking 9%
- Computer & IT Hardware, Services & Consulting 9%
- Legal Services 8%
- Insurance 6%
- General Business Services 4%
- Prof. Services - Non legal 6%
- Architects & Engineers 4%
- Communications (cable, phone, & services) 5%
- Government (Federal & State) 5%
- Real estate (owners, managers, developers) 3%
- Restaurants 3%
- Transportation 2%
- Medical Research 3%
- Medical Professionals & Social Services 2%
- Other 15%



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	15	263,111	2.7%	\$ 2,896,157	1.3%
2	Quintiles Transnational Corp	1	54	259,531	2.7%	8,821,181	3.9%
3	CITGO Petroleum Corporation	1	89	248,399	2.6%	7,558,782	3.3%
4	Sutherland Asbill Brennan LLP	1	67	243,839	2.5%	7,352,253	3.2%
5	Newfield Exploration Company	1	89	234,495	2.4%	7,912,540	3.5%
6	US Government (a)	6	3, 11, 16, 34, 44, 72	224,327	2.3%	7,222,950	3.2%
7	Burger King Corporation	1	48	212,619	2.2%	4,792,432	2.1%
8	Denbury Onshore, LLC	2	58	202,600	2.1%	3,510,042	1.5%
9	RGA Reinsurance Company	2	3	197,354	2.0%	4,304,802	1.9%
10	SunTrust Bank (b)	2	25, 84	182,888	1.9%	3,719,025	1.6%
11	Citicorp Credit Services, Inc	1	27	176,848	1.8%	3,689,049	1.6%
12	C.H. Robinson Worldwide, Inc	1	81	153,028	1.6%	4,221,068	1.8%
13	T-Mobile South, LLC dba T-Mobile	1	53	151,792	1.6%	3,579,531	1.6%
14	Houghton Mifflin Harcourt Publishing Company	1	30	150,050	1.5%	5,962,139	2.6%
15	Petrobras America, Inc.	1	62	144,813	1.5%	4,969,982	2.2%
16	Murphy Exploration & Production Company	1	31	144,677	1.5%	4,439,625	1.9%
17	Argo Data Resource Corporation	1	107	140,246	1.4%	3,741,362	1.6%
18	Monsanto Company	1	64	127,778	1.3%	3,282,617	1.4%
19	Federal National Mortgage Association	1	24	123,144	1.3%	2,008,787	0.9%
20	Vail Corp d/b/a Vail Resorts (c)	1	54, 102	122,232	1.3%	3,376,135	1.5%
				Total	38.2%	\$ 97,360,459	42.6%

(a) Includes 180,444 and 4,990 square feet which expire in 2018 & 2014, respectively.

The remaining 38,893 square feet expire between 2015 - 2020.

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

(c) Includes 38,293 square feet that expires March 31, 2019. The remaining 83,939 square feet expires March 31, 2023.



Leasing Activity

(Owned Portfolio)

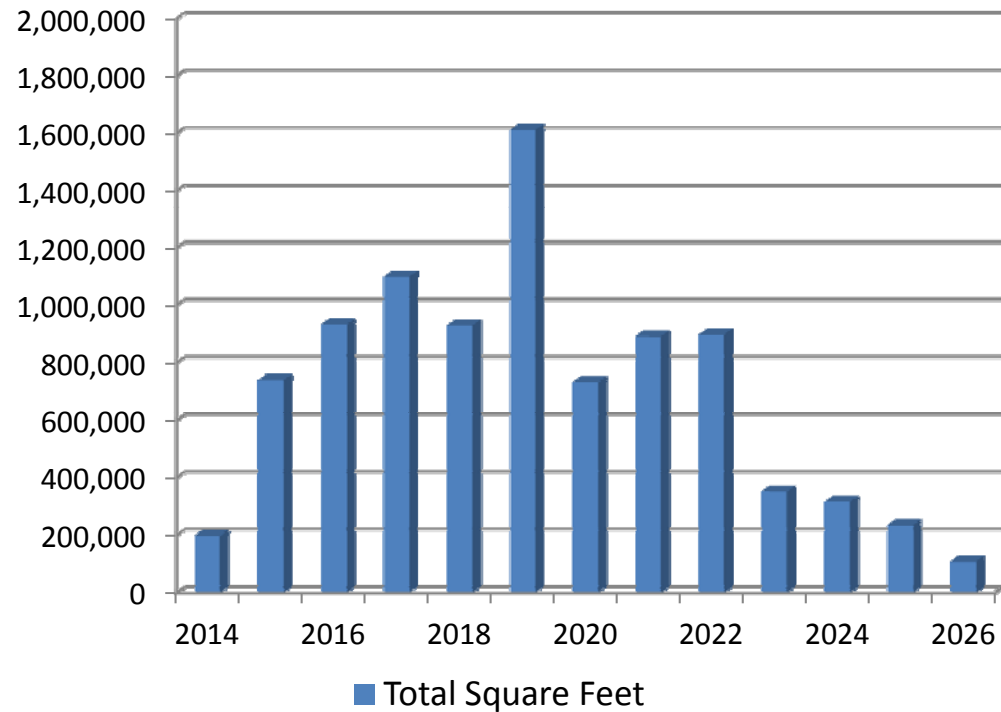
	Nine Months Ended 30-Sep-14	Year Ended 31-Dec-13	Year Ended 31-Dec-12
Leasing Activity			
(in Square Feet - SF)			
New leasing	75,000	267,000	315,740
Renewals	<u>527,000</u>	<u>645,000</u>	<u>700,838</u>
	<u>602,000</u>	<u>912,000</u>	<u>1,016,578</u>
Other information per SF			
(Activity on a year-to-date basis)			
GAAP Rents on leasing	\$ 27.02	\$ 23.33	\$ 22.41
Weighted average lease term	6.5 Years	7.2 Years	5.1 Years
Increase over ave GAAP rents in prior year	13.4%	8.0%	1.5%
Average free rent	3 Months	3 Months	3 Months
Tenant Improvements	\$ 15.42	\$ 18.25	\$ 12.26
Leasing Costs	\$ 7.84	\$ 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	200,150	2.1%
2015	738,292	7.6%
2016	933,033	9.6%
2017	1,099,438	11.3%
2018	929,300	9.6%
2019	1,611,868	16.6%
2020	731,343	7.6%
2021	892,158	9.2%
2022	897,391	9.3%
2023	352,495	3.6%
2024	316,320	3.3%
2025	234,488	2.4%
2026	108,648	1.1%
Vacant	645,437	6.7%
Total	9,690,361	100.0%





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	40 (b)	200,150	5,062,686	25.29	2.2%	2.2%
2015	90	738,292	18,230,146	24.69	8.0%	10.2%
2016	70	933,033	19,347,939	20.74	8.5%	18.7%
2017	74	1,099,438	30,011,734	27.30	13.1%	31.8%
2018	60	929,300	26,586,412	28.61	11.6%	43.4%
2019	57	1,611,868	42,351,189	26.27	18.6%	62.0%
2020	26	731,343	19,768,967	27.03	8.7%	70.7%
2021	18	892,158	22,106,527	24.78	9.7%	80.4%
2022 and thereafter	46	1,909,342 (c)	44,837,407	23.48	19.6%	100.0%
	481	9,044,924	228,303,007	25.24	100.0%	
Vacancies as of 9/30/14		645,437				
Total Portfolio Square Footage		9,690,361				

(a) Annualized rent represents the monthly rent, including tenant reimbursements, for each lease in effect at September 30, 2014 multiplied by 12. Tenant reimbursements generally include payment of real estate taxes, operating expenses and common area maintenance and utility charges.

(b) Includes 21 leases that are month-to-month.

(c) Includes 51,776 square feet that are non-revenue producing building amenities.



Capital Expenditures (in thousands)

Capital Expenditures

Owned Portfolio

(in thousands)

	For the Three Months Ended			Nine Months Ended	
	31-Mar-14	30-Jun-14	30-Sep-14	30-Sep-14	
Tenant improvements	\$ 1,133	\$ 1,837	\$ 2,640	\$ 5,610	
Deferred leasing costs	1,112	2,795	944	4,851	
Non-investment capex	1,119	2,202	943	4,264	
	\$ 3,364	\$ 6,834	\$ 4,527	\$ 14,725	
	For the Three Months Ended:				Year ended
	31-Mar-13	30-Jun-13	30-Sep-13	31-Dec-13	31-Dec-13
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
Non-investment capex	1,118	1,622	1,552	1,479	5,771
	\$ 5,660	\$ 8,463	\$ 9,969	\$ 6,007	\$ 30,099
	For the Three Months Ended:				Year ended
	31-Mar-12	30-Jun-12	30-Sep-12	31-Dec-12	31-Dec-12
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
Non-investment capex	746	1,003	711	1,252	3,712
	\$ 5,956	\$ 5,051	\$ 4,669	\$ 8,500	\$ 24,176



Transaction Activity

Recent Acquisitions:

	<u>City</u>	<u>State</u>	<u>Square Feet</u>	<u>Date Acquired</u>	<u>Purchase Price</u> (in thousands)
2013					
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
2012					
One Ravinia	Atlanta	GA	386,603	7/31/12	\$ 52,750
Westchase	Houston	TX	629,025	11/1/12	154,750
2011					
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)	
2013						
East Renner Road	Richardson	TX	122,300	10/29/13	\$ 12,300	\$ 2,169
2012						
Southfield	Southfield	MI	252,613	12/21/12	\$ 293	\$ (14,826)
2011						
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 30-Sep-14</u>	<u>Interest Rate (1)</u>	<u>Draw Fee (2)</u>	<u>Interest Rate at 30-Sep-14</u>	
Secured revolving lines of credit								
FSP Highland Place I Corp.	Centennial, CO	31-Dec-14	\$ 5,500	\$ 3,395	L+4.4%	0.5%	4.56%	
FSP Satellite Place Corp.	Duluth, GA	31-Mar-15	5,500	5,500	L+4.4%	0.5%	4.56%	
FSP 1441 Main Street Corp.	Columbia, SC	31-Mar-15	10,800	9,000	L+4.4%	0.5%	4.56%	
FSP Energy Tower I Corp.	Houston, TX	3-Jul-15	20,000	-	L+5.0%	0.5%	5.16%	
Secured construction loan								
FSP 385 Interlocken Development Corp.	Broomfield, CO	30-Apr-15	42,000	37,541	L+4.4%	n/a	4.56%	
Mortgage loan secured by property								
FSP Energy Tower I Corp. (3)	Houston, TX	3-Jul-15	33,000	33,000	6.41%	n/a	6.41%	
			\$ 116,800	\$ 88,436				

- (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, which was extended for one year from July 5, 2014 to July 3, 2015 and an extension fee of \$108,900 was paid by the borrower to the Company.



Net Asset Value Components

(in thousands except per share data)

	As of	Assets:		Other information:
	<u>30-Sep-14</u>	Loans outstanding on secured RE	\$ 88,436	Leased SF to be FFO producing
Total Market Capitalization Values		Investments in SARs (book basis)	78,907	During 2014
Shares outstanding	100,187.4	Straight-line rent receivable	46,737	<u>42</u>
Closing price, December 31st	\$ 11.22	Asset held for sale	-	Straight-line rental revenue Q2
Market capitalization	\$ 1,124,103	Cash and cash equivalents	15,930	<u>\$ 715</u>
Debt	<u>905,000</u>	Restricted cash	707	Management fee income second quarter 2014
Total Market Capitalization	<u>2,029,103</u>	Tenant rent receivables	2,865	<u>\$ 247</u>
		Prepaid expenses	1,942	Interest income from secured loans
		Office computers and furniture	637	<u>\$ 1,462</u>
		Other assets:		FFO from non-consolidated REITs - Q2 2014 (7):
	3 Months	Deferred financing costs, net	6,170	East Wacker
	Ended	Other assets: Derivative Market Value	4,582	<u>\$ 173</u>
NOI Components	<u>30-Sep-14</u>	Phoenix Tower Liquidating Trust (6)	4	Grand Boulevard
Same Store NOI (1)	\$ 26,394	Other assets	<u>1,015</u>	<u>\$ 351</u>
Acquisitions (1) (2)	<u>9,059</u>		<u>\$ 247,932</u>	
Property NOI (1)	35,453		-	
Full quarter adjustment (3)	-			
Stabilized portfolio	<u>\$ 35,453</u>			
		Liabilities:		
Financial Statement Reconciliation:		Debt	\$ 905,000	
Rental Revenue	\$ 60,068	Accounts payable & accrued expenses	43,091	
Rental operating expenses	(15,564)	Tenant security deposits	4,331	
Real estate taxes and insurance	(8,555)	Other liabilities: derivative liability	<u>4,847</u>	
Taxes (4)	(149)		<u>\$ 957,269</u>	
Management fees & other (5)	(347)		-	
Property NOI (1)	<u>\$ 35,453</u>			

Footnotes to the components

- (1) See pages 11 & 29 for definitions and reconciliations
- (2) Includes NOI from 3 acquisitions made in 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 2 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.

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) excluding the proportionate share of FFO and including distributions received, from non-consolidated REITs; (3) less the effect of straight-line rent; (4) plus deferred financing costs, (5) 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 (6) 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)

The Company provides property performance based on Net Operating Income, which we refer to as NOI. Management believes that investors are interested in this information. NOI is a non-GAAP financial measure that the Company defines as 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. The information presented includes footnotes and the data is shown by region with properties owned in both periods, which we call Same Store. The Comparative Same Store results include properties held for the periods presented and exclude significant nonrecurring income such as bankruptcy settlements and lease termination fees. NOI, as defined 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.



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