



Franklin Street Properties Supplemental Operating and Financial Data

Second Quarter 2018



Franklin Street Properties Corp.

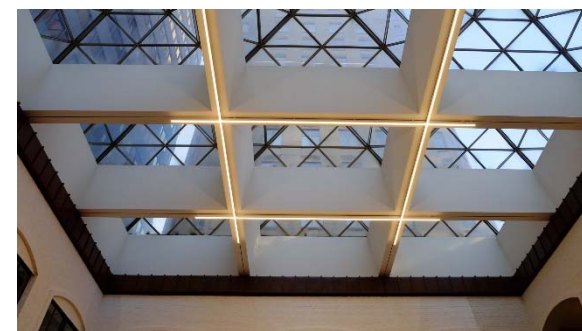
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All financial information contained in this supplemental information package is unaudited. In addition, certain statements contained in this supplemental information package may be deemed to be forward-looking statements within the meaning of the federal 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, which are detailed from time to time in FSP's reports filed with the Securities and Exchange Commission. FSP assumes no obligation to update or supplement forward-looking statements that become untrue because of subsequent events.



801 Marquette



Company Information

Overview

Franklin Street Properties Corp. (“FSP”, “we”, “our” or the “Company”) (NYSE American: 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 five core 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 June 30, 2018, the Company owned and operated a portfolio of real estate consisting of 34 properties, one property that has been redeveloped and is classified as non-operating and five managed Sponsored REITs, and held four promissory notes secured by mortgages on real estate owned by Sponsored REITs. From time-to-time, the Company may acquire, develop or redevelop 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 Chief Executive Officer and Chairman of the Board	Jeffrey B. Carter President and Chief Investment Officer
John G. Demeritt Executive Vice President, Chief Financial Officer and Treasurer	Scott H. Carter Executive Vice President, General Counsel and Secretary
John F. Donahue Executive Vice President	Eriel Anchondo Executive Vice President and Chief Operating Officer

Inquiries

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* Total Market Capitalization is the closing share price multiplied by the number of shares outstanding plus total debt outstanding.

Snapshot (as of June 30, 2018)

Corporate Headquarters	Wakefield, MA
Fiscal Year-End	31-Dec
Total Properties	34
Total Square Feet	9.8 Million
Trading Symbol	FSP
Exchange	NYSE American
Common Shares Outstanding	107,231,155
Quarterly Dividend	\$0.09
Dividend Yield	4.2%
Total Market Capitalization	\$2.0 Billion*
Insider Holdings	4.0%



Greenwood Plaza, Englewood, CO



Summary of Financial Highlights

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

	30-Jun-18	31-Mar-18	31-Dec-17	30-Sep-17	30-Jun-17
Income Items:					
Rental revenue	\$ 65,409	65,628	\$ 65,555	\$ 67,339	\$ 66,995
Total revenue	66,694	66,893	66,835	68,626	68,371
Adjusted EBITDA*	34,270	34,943	34,033	35,354	35,525
Equity in losses of non-consolidated REITs	(282)	(105)	(2,885)	(121)	(201)
Net income (loss)	665	1,425	(4,932)	1,903	(17,395)
FFO*	25,393	26,364	26,347	27,991	28,571
AFFO*	9,658	16,930	13,044	17,110	18,919
Per Share Data:					
EPS	\$ 0.01	0.01	\$ (0.05)	\$ 0.02	\$ (0.16)
FFO*	\$ 0.24	0.25	\$ 0.25	\$ 0.26	\$ 0.27
AFFO*	\$ 0.09	0.16	\$ 0.12	\$ 0.16	\$ 0.18
Weighted Average Shares (diluted)	107,231	107,231	107,231	107,231	107,231
Closing share price	\$ 8.56	8.41	\$ 10.74	\$ 10.62	\$ 11.08
Dividend declared	\$ 0.09	0.09	\$ 0.19	\$ 0.19	\$ 0.19
AFFO Payout Ratio:	100%	57%	156%	119%	108%
Balance Sheet Items:					
Real estate, net	\$ 1,627,498	1,627,941	\$ 1,632,692	\$ 1,635,706	\$ 1,640,551
Other assets, net	352,029	358,254	357,820	395,979	402,016
Total assets, net	1,979,527	1,986,195	1,990,512	2,031,685	2,042,567
Total liabilities, net	1,127,140	1,127,277	1,119,220	1,142,299	1,134,723
Shareholders' equity	852,387	858,918	871,292	889,386	907,844
Market Capitalization and Debt:					
Total Market Capitalization (a)	\$ 1,985,899	1,969,814	\$ 2,199,663	\$ 2,208,795	\$ 2,253,121
Total debt outstanding (excluding unamortized financing costs)	1,068,000	1,068,000	1,048,000	1,070,000	1,065,000
Debt to Total Market Capitalization	53.8%	54.2%	47.6%	48.4%	47.3%
Net Debt to Adjusted EBITDA*	7.7	7.5	7.6	7.5	7.4
Owned Portfolio Leasing Statistics (b):					
Owned portfolio assets	34	34	34	35	35
Portfolio total SF	9,760,699	9,760,657	9,761,984	10,085,889	10,084,710
Portfolio % leased	89.0%	88.5%	89.7%	88.7%	88.1%

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

(b) For periods in 2018 and 2017, excludes one property that was redeveloped and is classified as non-operating, which is located in Minneapolis, Minnesota.

* See pages 9 & 10 for reconciliations of Net income or loss to FFO, AFFO 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)

	Three Months Ended		Six Months Ended	For the Three Months Ended				For the Year Ended
	31-Mar-18	30-Jun-18	30-Jun-18	31-Mar-17	30-Jun-17	30-Sep-17	31-Dec-17	31-Dec-17
Revenue:								
Rental	\$ 65,628	\$ 65,409	\$ 131,037	\$ 67,376	\$ 66,995	\$ 67,339	\$ 65,555	\$ 267,265
Related party revenue:								
Management fees and interest income from loans	1,256	1,276	2,532	1,370	1,366	1,278	1,271	5,285
Other	9	9	18	10	10	9	9	38
Total revenue	66,893	66,694	133,587	68,756	68,371	68,626	66,835	272,588
Expenses:								
Real estate operating expenses	17,151	16,954	34,105	17,308	17,286	17,898	18,720	71,212
Real estate taxes and insurance	11,177	12,292	23,469	12,403	11,595	11,882	9,961	45,841
Depreciation and amortization	24,035	23,591	47,626	25,332	25,279	24,988	25,659	101,258
General and administrative	3,432	3,082	6,514	3,443	3,077	3,286	3,665	13,471
Interest	9,486	9,753	19,239	7,579	7,893	8,258	8,657	32,387
Total expenses	65,281	65,672	130,953	66,065	65,130	66,312	66,662	264,169
Income before equity in losses of non-consolidated REITs, other, gain (loss)								
on sale of properties and properties held for sale, less applicable income tax and taxes	1,612	1,022	2,634	2,691	3,241	2,314	173	8,419
Equity in losses of non-consolidated REITs	(105)	(282)	(387)	(397)	(201)	(121)	(2,885)	(3,604)
Other	—	—	—	22	129	67	(2,096)	(1,878)
Gain (loss) on sale of properties and provision for loss on properties held for sale, less applicable income tax	—	—	—	2,289	(20,492)	(257)	(21)	(18,481)
Income (loss) before taxes on income	1,507	740	2,247	4,605	(17,323)	2,003	(4,829)	(15,544)
Income tax expense	82	75	157	125	72	100	103	400
Net income (loss)	\$ 1,425	\$ 665	\$ 2,090	\$ 4,480	\$ (17,395)	\$ 1,903	\$ (4,932)	\$ (15,944)
Weighted average number of shares outstanding, basic and diluted	107,231	107,231	107,231	107,231	107,231	107,231	107,231	107,231
Net income (loss) per share, basic and diluted	\$ 0.01	\$ 0.01	\$ 0.02	\$ 0.04	\$ (0.16)	\$ 0.02	\$ (0.05)	\$ (0.15)



Condensed Consolidated Balance Sheets

(in thousands)

	March 31, 2018	June 30, 2018	March 31, 2017	June 30, 2017	September 30, 2017	December 31, 2017
Assets:						
Real estate assets:						
Land	\$ 191,578	\$ 191,578	\$ 196,178	\$ 191,578	\$ 191,578	\$ 191,578
Buildings and improvements	1,821,035	1,833,470	1,836,073	1,792,784	1,800,831	1,811,631
Fixtures and equipment	5,909	7,565	4,600	4,841	5,017	5,614
	2,018,522	2,032,613	2,036,851	1,989,203	1,997,426	2,008,823
Less accumulated depreciation	390,581	405,115	350,697	348,652	361,720	376,131
Real estate assets, net	1,627,941	1,627,498	1,686,154	1,640,551	1,635,706	1,632,692
Acquired real estate leases, net	78,729	71,861	115,471	105,811	96,282	86,520
Investment in non-consolidated REITs	69,703	69,067	74,423	73,876	73,405	70,164
Asset held for sale	—	—	—	31,868	31,615	—
Cash, cash equivalents and restricted cash	14,355	10,448	11,174	11,623	12,710	9,819
Tenant rent receivables, net	3,411	4,039	3,785	4,706	3,990	3,123
Straight-line rent receivable, net	53,430	53,294	52,304	51,590	52,272	53,194
Prepaid expenses and other assets	8,355	7,444	4,946	5,124	6,282	8,387
Related party mortgage loan receivable	71,455	71,190	81,515	72,250	71,985	71,720
Other assets: derivative asset	18,740	21,196	13,603	11,333	10,771	13,925
Office computers and furniture, net of accumulated depreciation	261	236	275	287	319	289
Deferred leasing commissions, net	39,815	43,254	34,636	33,548	36,348	40,679
Total assets	\$ 1,986,195	\$ 1,979,527	\$ 2,078,286	\$ 2,042,567	\$ 2,031,685	\$ 1,990,512
Liabilities and Stockholders' Equity:						
Liabilities:						
Bank note payable	\$ 98,000	\$ 98,000	\$ 295,000	\$ 295,000	\$ 300,000	\$ 78,000
Term loan payable, net of unamortized financing costs	765,259	765,618	765,539	765,861	766,183	764,901
Series A & Series B Senior Notes	198,727	198,768	—	—	—	198,692
Accounts payable and accrued expenses	53,327	52,651	50,529	55,241	57,593	61,039
Accrued compensation	1,112	1,778	1,259	1,929	3,000	3,641
Tenant security deposits	5,588	5,576	5,441	5,367	5,431	5,383
Other liabilities: derivative liabilities	—	—	4,351	4,364	3,721	1,759
Acquired unfavorable real estate leases, net	5,264	4,749	8,144	6,961	6,371	5,805
Total liabilities	1,127,277	1,127,140	1,130,263	1,134,723	1,142,299	1,119,220
Commitments and contingencies						
Stockholders' Equity:						
Preferred stock	-	—	-	-	-	-
Common stock	11	11	11	11	11	11
Additional paid-in capital	1,356,457	1,356,457	1,356,457	1,356,457	1,356,457	1,356,457
Accumulated other comprehensive income (loss)	18,740	21,196	7,351	4,940	4,954	12,166
Accumulated distributions in excess of accumulated earnings	(516,290)	(525,277)	(415,796)	(453,564)	(472,036)	(497,342)
Total stockholders' equity	858,918	852,387	948,023	907,844	889,386	871,292
Total liabilities and stockholders' equity	\$ 1,986,195	\$ 1,979,527	\$ 2,078,286	\$ 2,042,567	\$ 2,031,685	\$ 1,990,512



Condensed Consolidated Statements of Cash Flows

(in thousands)

	Six Months ended June 30,		Twelve Months Ended December 31,	
	2018	2017	2017	2016
Cash flows from operating activities:				
Net income (loss)	\$ 2,090	\$ (12,915)	\$ (15,944)	\$ 8,378
Adjustments to reconcile net income or loss to net cash provided by operating activities:				
Depreciation and amortization expense	49,050	51,823	103,743	95,243
Amortization of above and below market leases	(208)	(855)	(1,031)	(496)
Hedge ineffectiveness	—	(151)	1,878	(1,878)
(Gain) loss on sale of properties and properties held for sale, less applicable income tax	—	18,203	18,481	2,938
Equity in earnings (losses) from non-consolidated REITs	387	598	3,604	831
Increase (decrease) in allowance for doubtful accounts	(80)	25	150	(30)
Changes in operating assets and liabilities:				
Tenant rent receivables	(836)	(1,618)	(160)	(185)
Straight-line rents	299	(1,897)	(1,767)	(1,977)
Lease acquisition costs	(398)	(318)	(2,052)	(1,095)
Prepaid expenses and other assets	325	(503)	(403)	(721)
Accounts payable and accrued expenses	(8,609)	(6,829)	3,870	5,751
Accrued compensation	(1,863)	(1,855)	(143)	58
Tenant security deposits	193	12	28	526
Payment of deferred leasing commissions	(6,641)	(3,632)	(14,309)	(12,965)
Net cash provided by operating activities	33,709	40,088	95,945	94,378
Cash flows from investing activities:				
Property acquisitions	—	—	—	(221,119)
Acquired real estate leases	—	—	—	(51,509)
Property improvements, fixtures and equipment	(24,281)	(28,464)	(54,306)	(37,490)
Distributions in excess of earnings from non-consolidated REITs	710	691	1,396	1,023
Investment in related party mortgage loan receivable	—	—	—	(3,000)
Repayment of related party mortgage loan receivable	530	9,530	10,060	39,861
Proceeds received on sales of real estate assets	—	6,160	37,756	27,262
Net cash used in investing activities	(23,041)	(12,083)	(5,094)	(244,972)
Cash flows from financing activities:				
Distributions to stockholders	(30,025)	(40,748)	(81,496)	(77,481)
Proceeds (costs) from equity offering, net	—	—	—	82,902
Borrowings under bank note payable	30,000	40,000	75,000	175,000
Repayments of bank note payable	(10,000)	(25,000)	(277,000)	(185,000)
Borrowing from Series A & Series B Senior Notes	—	—	200,000	—
Borrowing of term loan payable	—	—	—	150,000
Deferred Financing Costs	(14)	—	(6,902)	(3,647)
Net cash provided by (used in) financing activities	(10,039)	(25,748)	(90,398)	141,774
Net increase (decrease) in cash, cash equivalents and restricted cash	629	2,257	453	(8,820)
Cash, cash equivalents and restricted cash, beginning of period	9,819	9,366	9,366	18,186
Cash, cash equivalents and restricted cash, end of period	\$ 10,448	\$ 11,623	\$ 9,819	\$ 9,366



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

(in thousands)	Rentable Square Feet or RSF	Three Months Ended		Six Months Ended	Three Months Ended		Six Months Ended	Inc (Dec)	% Change
		31-Mar-18	30-Jun-18	30-Jun-18	31-Mar-17	30-Jun-17	30-Jun-17		
Region									
East	1,007	\$ 3,991	\$ 4,123	\$ 8,114	\$ 3,917	\$ 3,941	\$ 7,858	\$ 256	3.3 %
MidWest	1,549	6,257	4,955	11,212	4,365	3,908	8,273	2,939	35.5 %
South	4,597	15,431	15,223	30,654	17,008	16,463	33,471	(2,817)	(8.4)%
West	2,608	10,958	11,061	22,019	10,958	12,045	23,003	(984)	(4.3)%
Same Store	9,761	36,637	35,362	71,999	36,248	36,357	72,605	(606)	(0.8)%
Acquisitions	—	—	—	—	—	—	—	—	— %
Property NOI* from the continuing portfolio	9,761	36,637	35,362	71,999	36,248	36,357	72,605	(606)	(0.8)%
Dispositions, Non-Operating, Development or Redevelopment	-	79	(38)	41	625	467	1,092	(1,051)	(1.4)%
Property NOI*	9,761	\$ 36,716	\$ 35,324	\$ 72,040	\$ 36,873	\$ 36,824	\$ 73,697	\$ (1,657)	(2.2)%
Same Store		\$ 36,637	\$ 35,362	\$ 71,999	\$ 36,248	\$ 36,357	\$ 72,605	\$ (606)	(0.8)%
Less Nonrecurring Items in NOI* (a)		761	1,141	1,902	65	1,178	1,243	659	(0.9)%
Comparative Same Store		\$ 35,876	\$ 34,221	\$ 70,097	\$ 36,183	\$ 35,179	\$ 71,362	\$ (1,265)	(1.8)%

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

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



FFO* & AFFO* Reconciliation

(in thousands, except per share amounts)

	Three Months Ended		Six Months Ended	Three Months Ended			Year Ended	
	31-Mar-18	30-Jun-18	30-Jun-18	31-Mar-17	30-Jun-17	30-Sep-17	31-Dec-17	
Net income (loss)	\$ 1,425	\$ 665	\$ 2,090	\$ 4,480	\$ (17,395)	\$ 1,903	\$ (4,932)	\$ (15,944)
(Gain) loss on sale of properties and properties held for sale, less applicable income tax	—	—	—	(2,289)	20,492	257	21	18,481
GAAP income from non-consolidated REITs	105	282	387	397	201	121	2,885	3,604
FFO from non-consolidated REITs	884	978	1,862	791	800	874	708	3,173
Depreciation & amortization	23,950	23,468	47,418	25,163	24,592	24,903	25,569	100,227
NAREIT FFO*	26,364	25,393	51,757	28,542	28,690	28,058	24,251	109,541
Hedge ineffectiveness	—	—	—	(22)	(129)	(67)	2,096	1,878
Acquisition costs	—	—	—	8	10	—	—	18
Funds From Operations (FFO)*	\$ 26,364	\$ 25,393	\$ 51,757	\$ 28,528	\$ 28,571	\$ 27,991	\$ 26,347	\$ 111,437
Adjusted Funds From Operations (AFFO)*								
Funds From Operations (FFO)*	\$ 26,364	\$ 25,393	\$ 51,757	\$ 28,528	\$ 28,571	\$ 27,991	\$ 26,347	\$ 111,437
Reverse FFO from non-consolidated REITs	(884)	(978)	(1,862)	(791)	(800)	(874)	(708)	(3,173)
Distributions from non-consolidated REITs	355	355	710	346	345	350	355	1,396
Amortization of deferred financing costs	711	713	1,424	606	606	606	667	2,485
Straight-line rent	40	259	299	(1,082)	(792)	(147)	254	(1,767)
Tenant improvements	(6,777)	(8,212)	(14,989)	(6,474)	(5,363)	(4,474)	(4,166)	(20,477)
Leasing commissions	(1,021)	(5,314)	(6,335)	(1,579)	(1,963)	(4,482)	(5,869)	(13,893)
Non-investment capex	(1,858)	(2,558)	(4,416)	(1,670)	(1,685)	(1,860)	(3,836)	(9,051)
Adjusted Funds From Operations (AFFO)*	\$ 16,930	\$ 9,658	\$ 26,588	\$ 17,884	\$ 18,919	\$ 17,110	\$ 13,044	\$ 66,957
Per Share Data:								
EPS	\$ 0.01	\$ 0.01	\$ 0.02	\$ 0.04	\$ (0.16)	\$ 0.02	\$ (0.05)	\$ (0.15)
FFO*	0.25	0.24	0.48	0.27	0.27	0.26	0.25	1.04
AFFO*	0.16	0.09	0.25	0.17	0.18	0.16	0.12	0.62
Weighted Average Shares (basic and diluted)	107,231	107,231	107,231	107,231	107,231	107,231	107,231	107,231

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



EBITDA* & Adjusted EBITDA* Reconciliation

(in thousands, except ratio amounts)

	Three Months Ended		Six Months Ended	Three Months Ended				Year Ended
	31-Mar-18	30-Jun-18	30-Jun-18	31-Mar-17	30-Jun-17	30-Sep-17	31-Dec-17	31-Dec-17
Net income (loss)	\$ 1,425	\$ 665	\$ 2,090	\$ 4,480	\$ (17,395)	\$ 1,903	\$ (4,932)	\$ (15,944)
Interest expense	9,486	9,753	19,239	7,579	7,893	8,258	8,657	32,387
Depreciation and amortization	23,950	23,468	47,418	25,163	24,592	24,903	25,569	100,227
Income taxes	82	75	157	125	72	100	103	400
EBITDA*	34,943	33,961	68,904	37,347	15,162	35,164	29,397	117,070
(Gain) loss on sale of properties and provisions for loss on properties held for sale or equity investments, less applicable income tax	—	309	309	(2,289)	20,492	257	2,540	21,000
Hedge ineffectiveness	—	—	—	(22)	(129)	(67)	2,096	1,878
Adjusted EBITDA*	\$ 34,943	\$ 34,270	\$ 69,213	\$ 35,036	\$ 35,525	\$ 35,354	\$ 34,033	\$ 139,948
Interest expense	\$ 9,486	\$ 9,753	\$ 19,239	\$ 7,579	\$ 7,893	\$ 8,258	\$ 8,657	\$ 32,387
Scheduled principal payments	—	—	—	—	—	—	—	—
Interest and scheduled principal payments	\$ 9,486	\$ 9,753	\$ 19,239	\$ 7,579	\$ 7,893	\$ 8,258	\$ 8,657	\$ 32,387
Interest coverage ratio	3.68	3.51	3.60	4.62	4.50	4.28	3.93	4.32
Debt service coverage ratio	3.68	3.51	3.60	4.62	4.50	4.28	3.93	4.32
Debt excluding unamortized financing costs	\$ 1,068,000	\$ 1,068,000	\$ 1,065,000	\$ 1,065,000	\$ 1,065,000	\$ 1,070,000	\$ 1,048,000	\$ 1,048,000
Cash, cash equivalents and restricted cash	14,355	10,448	11,174	11,623	11,623	12,710	9,819	9,819
Net Debt (Debt less Cash, cash equivalents and restricted cash)	\$ 1,053,645	\$ 1,057,552	\$ 1,053,826	\$ 1,053,377	\$ 1,053,377	\$ 1,057,290	\$ 1,038,181	\$ 1,038,181
Adjusted EBITDA*	\$ 34,943	\$ 34,270	\$ 35,036	\$ 35,525	\$ 35,525	\$ 35,354	\$ 34,033	\$ 34,033
Annualized	\$ 139,772	\$ 137,080	\$ 140,144	\$ 142,100	\$ 142,100	\$ 141,416	\$ 136,132	\$ 136,132
Net Debt-to-Adjusted EBITDA*	7.5	7.7	7.5	7.4	7.4	7.5	7.6	7.6

* See the Appendix for Definitions of these Non-GAAP Measures beginning on page 27. Amounts in the EBITDA and Adjusted 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 (Loss) to Property NOI*

(in thousands)

Reconciliation of Net income to Property NOI*

	Three Months Ended		Six Months	Three Months Ended				Year
	31-Mar-18	30-Jun-18	Ended 30-Jun-18	31-Mar-17	30-Jun-17	30-Sep-17	31-Dec-17	Ended 31-Dec-17
Net income (loss)	\$ 1,425	\$ 665	\$ 2,090	\$ 4,480	\$ (17,395)	\$ 1,903	\$ (4,932)	\$ (15,944)
Add (deduct):								
(Gain) loss on sale of properties and properties held for sale, less applicable income taxes	—	—	—	(2,289)	20,492	257	21	18,481
Hedge ineffectiveness	—	—	—	(22)	(129)	(67)	2,096	1,878
Management fee income	(746)	(746)	(1,492)	(794)	(768)	(791)	(756)	(3,109)
Depreciation and amortization	24,035	23,591	47,626	25,332	25,279	24,988	25,659	101,258
Amortization of above/below market leases	(85)	(123)	(208)	(168)	(687)	(86)	(90)	(1,031)
General and administrative	3,432	3,082	6,514	3,443	3,077	3,286	3,665	13,471
Interest expense	9,486	9,753	19,239	7,579	7,893	8,258	8,657	32,387
Interest income	(1,120)	(1,141)	(2,261)	(1,214)	(1,206)	(1,134)	(1,133)	(4,687)
Equity in losses of non-consolidated REITs	105	282	387	397	201	121	2,885	3,604
Non-property specific items, net	184	(39)	145	129	67	103	228	527
Property NOI*	\$ 36,716	\$ 35,324	\$ 72,040	\$ 36,873	\$ 36,824	\$ 36,838	\$ 36,300	\$ 146,835

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



Debt Summary

(in thousands)

	Maturity Date	Maximum Amount of Loan	Amount Drawn at 30-Jun-18	Interest Rate (a) Components	Interest Rate at 30-Jun-18	Facility Fee
BAML Revolver	12-Jan-22	\$ 600,000	\$ 98,000	L + 1.20%	3.24%	0.25%
JPM Term Loan	30-Nov-18	150,000	150,000	L + 1.35%	3.35%	
BAML Term Loan	12-Jan-23	400,000	400,000	1.12% + 1.35%	2.47%	
BMO Term Loan	26-Aug-20	220,000	220,000	2.32% + 1.65%	3.97%	
Series A Senior Notes	20-Dec-24	116,000	116,000		3.99%	
Series B Senior Notes	20-Dec-27	84,000	84,000		4.26%	
		<u>\$ 1,570,000</u>	<u>\$ 1,068,000</u>		<u>3.28%</u>	

- On October 18, 2017, we recast our credit facility with Bank of America, N.A., as administrative agent, to, among other things, (i) increase the borrowing capacity of the revolving line of credit from \$500 million to \$600 million, (ii) extend the maturity date applicable to the revolving line of credit from October 29, 2018 to January 12, 2022 (with two optional six month extensions), (iii) extend the maturity date applicable to the term loan from September 27, 2021 to January 12, 2023, (iv) modify certain financial covenants, including a reset of minimum tangible net worth, and (v) increase the accordion feature from \$350 million to \$500 million. Pricing is based on our investment grade rating. At our investment grade rating from Moody's of Baa3, pricing on the borrowing spread decreased by five basis points for the revolving line of credit and by ten basis points for the term loan. We also simultaneously amended our term loan with Bank of Montreal, as administrative agent, and our term loan with JPMorgan Chase Bank, N.A., as administrative agent, to conform the financial covenants and certain other provisions.
- The BAML Revolver is subject to a 25 basis point facility fee at our investment grade rating and, when applied to our availability of \$600 million, would be \$1.5 million annually.
- On October 24, 2017, we entered into a note purchase agreement relating to a private placement of \$200 million in aggregate principal amount of unsecured senior notes, consisting of \$116 million in aggregate principal amount of 3.99% Series A Senior Notes with a 7-year maturity and \$84 million in aggregate principal amount of 4.26% Series B Senior Notes with a 10-year maturity. On December 20, 2017, we drew the proceeds from the private placement and reduced the outstanding balance on our revolving line of credit.
- We incurred financing costs to close the BAML Revolver, BAML Term Loan and the BMO Term Loan and the credit facilities that preceded them. We also incurred financing costs in connection with the JPM Term Loan and with the Series A and Series B Senior Notes. These costs are deferred and amortized into interest expense during the terms of the loans. Following the amendments on October 18, 2017 and the note purchase agreement on October 24, 2017, we estimate the annual run rate for amortization to interest expense from these deferred financing costs is approximately \$2.9 million.
- Additional information on these transactions can be found in a Current Report on Form 8-K that the Company filed with the U.S. Securities and Exchange Commission on October 24, 2017.

(a) Interest rate excludes amortization of deferred financing costs and facility fees, which is discussed in the notes above.



Capital Analysis

(in thousands, except per share amounts)

	31-Mar-18	30-Jun-18	31-Mar-17	30-Jun-17	30-Sep-17	31-Dec-17
Market Data:						
Shares Outstanding	107,231	107,231	107,231	107,231	107,231	107,231
Closing market price per share	\$ 8.41	\$ 8.56	\$ 12.14	\$ 11.08	\$ 10.62	\$ 10.74
Market capitalization	\$ 901,814	\$ 917,899	\$ 1,301,786	\$ 1,188,121	\$ 1,138,795	\$ 1,151,663
Total debt outstanding excluding unamortized financing costs	1,068,000	1,068,000	1,065,000	1,065,000	1,070,000	1,048,000
Total Market Capitalization	\$ 1,969,814	\$ 1,985,899	\$ 2,366,786	\$ 2,253,121	\$ 2,208,795	\$ 2,199,663
Dividend Data:						
Total dividends declared for the quarter	\$ 9,651	\$ 9,651	\$ 20,374	\$ 20,374	\$ 20,374	\$ 20,374
Common dividend declared per share	\$ 0.09	\$ 0.09	\$ 0.19	\$ 0.19	\$ 0.19	\$ 0.19
Declared dividend as a % of Net income (loss) per share	677%	1449%	455%	-117%	1071%	-413%
Declared dividend as a % of AFFO* per share	57%	100%	114%	108%	119%	156%
Liquidity:						
Cash, cash equivalents and restricted cash	\$ 14,355	\$ 10,448	\$ 11,174	\$ 11,623	\$ 12,710	\$ 9,819
Revolver:						
Gross potential available under the BAML Revolver	600,000	600,000	500,000	500,000	500,000	600,000
Less:						
Outstanding balance	(98,000)	(98,000)	(295,000)	(295,000)	(300,000)	(78,000)
Total Liquidity	\$ 516,355	\$ 512,448	\$ 216,174	\$ 216,623	\$ 212,710	\$ 531,819

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



Owned Portfolio Overview

	As of the Quarter Ended				
	30-Jun-18	31-Mar-18	31-Dec-17	30-Sep-17	30-Jun-17
Owned portfolio of commercial real estate:					
Number of properties (a)	34	34	34	35	35
Square feet	9,760,699	9,760,657	9,761,984	10,085,889	10,084,710
Leased percentage	89.0%	88.5%	89.7%	88.7%	88.1%
Investments in non-consolidated commercial real estate:					
Number of properties	2	2	2	2	2
Square feet	1,396,493	1,396,493	1,396,071	1,396,071	1,396,071
Leased percentage	74.0%	74.4%	75.3%	79.2%	78.9%
Single Asset REITs (SARs) managed:					
Number of properties	3	4	4	4	4
Square feet	674,342	810,278	810,278	810,278	810,278
Leased percentage	96.1%	96.1%	93.0%	89.9%	90.1%
Total owned, investments and managed properties:					
Number of properties	39	40	40	41	41
Square feet	11,831,534	11,967,428	11,968,333	12,292,238	12,291,059
Leased percentage	87.7%	87.4%	88.2%	87.7%	87.2%

(a) Excludes one property that was redeveloped and is classified as non-operating.



Owned Portfolio Overview

MSA / Property Name	City	State	Square Feet	Percent Leased	Wtd Occupied Percentage (a)	GAAP Rent (b)	MSA / Property Name	City	State	Square Feet	Percent Leased	Wtd Occupied Percentage (a)	GAAP Rent (b)
East Region							Midwest Region						
Washington, D.C.							Chicago						
Meadow Point	Chantilly	VA	138,537	100.0%	100.0%	\$ 26.77	Northwest Point	Elk Grove Village	IL	177,095	100.0%	100.0%	\$ 32.09
Stoncroft	Chantilly	VA	111,469	100.0%	100.0%	\$ 35.42	909 Davis Street	Evanston	IL	195,098	92.2%	83.3%	\$ 36.39
Loudoun Tech Center	Dulles	VA	136,658	95.7%	95.8%	\$ 18.41	Indianapolis						
Richmond							River Crossing	Indianapolis	IN	205,059	94.9%	94.5%	\$ 23.66
Innsbrook	Glen Allen	VA	298,456	100.0%	100.0%	\$ 12.46	St. Louis						
Charlotte							Timberlake	Chesterfield	MO	234,496	100.0%	100.0%	\$ 28.29
Forest Park	Charlotte	NC	62,212	100.0%	100.0%	\$ 13.76	Timberlake East	Chesterfield	MO	117,036	100.0%	100.0%	\$ 28.23
Raleigh-Durham							Minneapolis						
Emperor Boulevard	Durham	NC	259,531	100.0%	100.0%	\$ 34.09	121 South 8th Street	Minneapolis	MN	293,460	78.9%	74.8%	\$ 21.11
							Plaza Seven	Minneapolis	MN	326,483	87.3%	89.6%	\$ 34.72
East Region Total			1,006,863	99.4%	99.4%	\$ 23.46	Midwest Region Total			1,548,727	91.7%	90.2%	\$ 29.29

- (a) Weighted Occupied Percentage for the three months ended June 30, 2018.
 (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 Occupied Percentage (a)</u>	<u>GAAP Rent (b)</u>	<u>MSA / Property Name</u>	<u>City</u>	<u>State</u>	<u>Square Feet</u>	<u>Percent Leased</u>	<u>Wtd Occupied Percentage (a)</u>	<u>GAAP Rent (b)</u>
South Region							West Region						
Dallas-Fort Worth							Denver						
Legacy Tennyson Center	Plano	TX	202,600	86.4%	70.9%	\$ 19.57	380 Interlocken	Broomfield	CO	240,358	86.2%	86.2%	\$ 29.74
One Legacy Circle	Plano	TX	214,110	100.0%	100.0%	\$ 37.49	1999 Broadway	Denver	CO	676,379	76.6%	77.9%	\$ 30.43
Addison Circle	Addison	TX	288,794	100.0%	94.7%	\$ 32.71	Greenwood Plaza	Englewood	CO	196,236	100.0%	100.0%	\$ 25.19
Collins Crossing	Richardson	TX	300,887	100.0%	100.0%	\$ 24.72	390 Interlocken	Broomfield	CO	241,512	98.8%	98.0%	\$ 30.28
Liberty Plaza	Addison	TX	218,934	85.8%	86.6%	\$ 21.94	1001 17th Street	Denver	CO	655,413	93.2%	91.8%	\$ 35.03
Houston							West Region Total						
Park Ten	Houston	TX	157,460	89.5%	68.6%	\$ 28.92				2,608,528	87.5%	87.2%	\$ 31.71
Eldridge Green	Houston	TX	248,399	100.0%	100.0%	\$ 30.62	Total Owned						
Park Ten Phase II	Houston	TX	156,746	1.4%	1.4%	\$ 9.96				9,760,699	89.0%	87.0%	\$ 28.91
Westchase I & II	Houston	TX	629,025	88.1%	84.2%	\$ 29.13							
Miami-Ft. Lauderdale-West Palm Beach													
Blue Lagoon Drive	Miami	FL	212,619	100.0%	100.0%	\$ 23.43							
Atlanta													
One Overton Park	Atlanta	GA	387,267	79.3%	60.5%	\$ 24.14							
One Ravinia	Atlanta	GA	386,602	91.3%	91.1%	\$ 25.69							
Two Ravinia	Atlanta	GA	411,047	77.4%	74.2%	\$ 27.68							
Pershing Plaza	Atlanta	GA	160,145	97.4%	97.4%	\$ 36.16							
999 Peachtree	Atlanta	GA	621,946	84.8%	87.8%	\$ 32.11							
South Region Total			4,596,581	86.7%	83.0%	\$ 28.53							

- (a) Weighted Occupied Percentage for the three months ended June 30, 2018.
 (b) Weighted Average GAAP Rent per Occupied Square Foot.



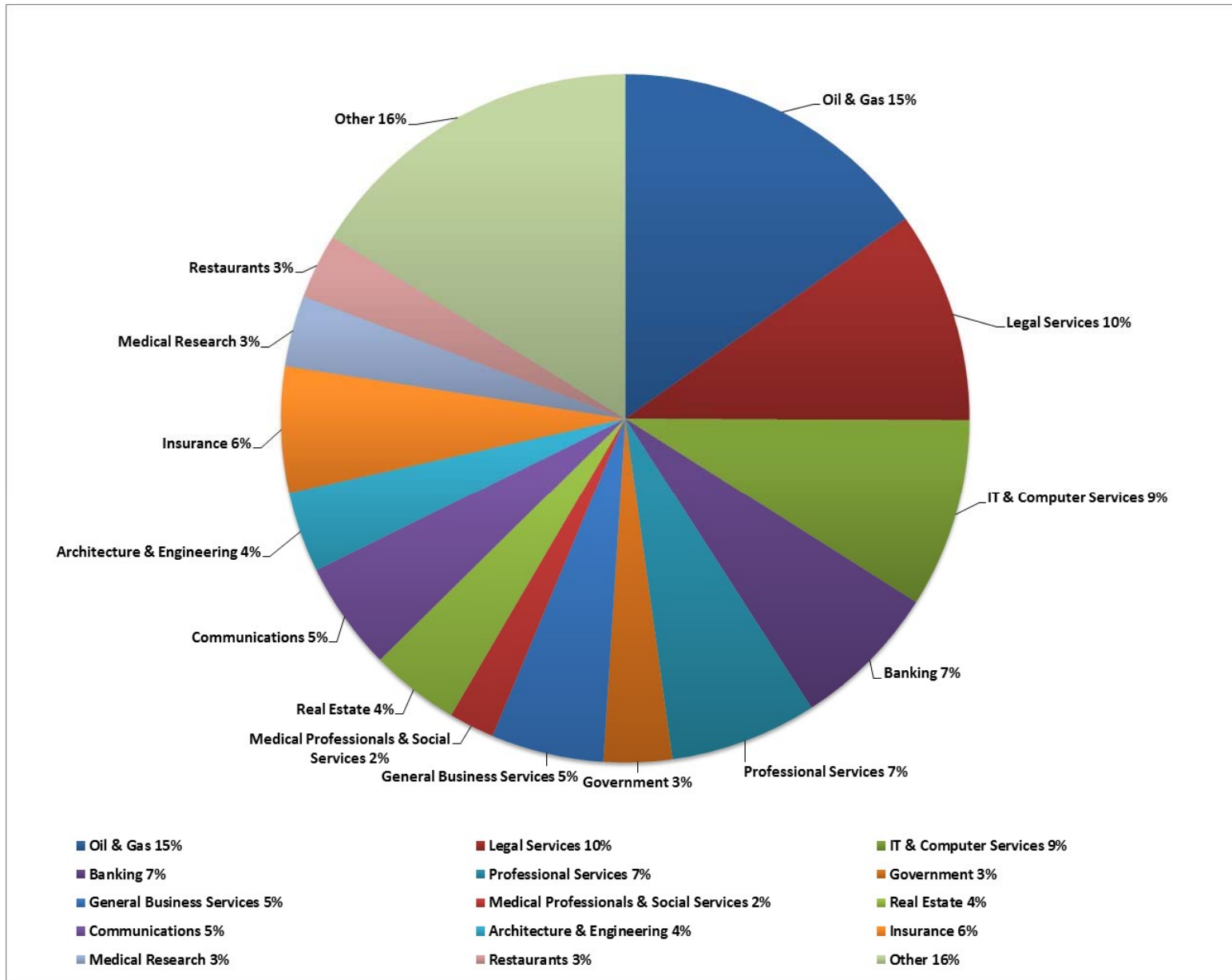
Managed Portfolio Overview

<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			
Atlanta				Chicago			
Satellite Place	Duluth	GA	134,785	(a) East Wacker	Chicago	IL	861,422
				Indianapolis			
				Monument Circle	Indianapolis	IN	213,760
Southeast Region Total				Kansas City			
			<u>134,785</u>	(b) Grand Boulevard	Kansas City	MO	535,071
Southwest Region							
Houston							
Energy Tower I	Houston	TX	325,797				
				Midwest Region Total			
			<u>325,797</u>				<u>1,610,253</u>
Southwest Region Total				Total Managed			
							<u>2,070,835</u>
				Total Owned & Managed			
							<u>11,831,534</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)





20 Largest Tenants with Annualized Rent and Remaining Term

	Tenant Name	Number of Leases	Remaining Lease Term in Months	Aggregate Leased Square Feet	% of Total Square Feet	Annualized Rent	% of Aggregate Leased Annualized Rent
1	Quintiles IMS Healthcare Incorporated	1	95	259,531	2.7%	\$ 9,168,715	3.7%
2	CITGO Petroleum Corporation	1	44	248,399	2.5%	8,385,950	3.4%
3	Newfield Exploration Company	1	44	234,495	2.4%	9,231,449	3.8%
4	US Government (a)	4	14, 23, 27, 31	223,641	2.3%	7,230,609	2.9%
5	Centene Management Company, LLC	3	60, 60, 60	216,879	2.2%	5,582,310	2.3%
6	Burger King Corporation	1	3	212,619	2.2%	5,351,620	2.2%
7	Eversheds Sutherland (US) LLP	1	94	179,868	1.8%	5,334,134	2.2%
8	The Vail Corporation (b)	1	141	164,636	1.7%	4,347,842	1.8%
9	EOG Resources, Inc.	1	102	160,937	1.6%	5,455,764	2.2%
10	T-Mobile South, LLC dba T-Mobile (c)	1	8	151,792	1.6%	3,969,427	1.6%
11	Citicorp Credit Services, Inc.	1	110	146,260	1.5%	4,886,547	2.0%
12	Petrobras America, Inc.	1	17	144,813	1.5%	5,372,562	2.2%
13	Jones Day	1	29	140,342	1.4%	4,919,841	2.0%
14	Argo Data Resource Corporation	1	62	140,246	1.4%	3,973,169	1.6%
15	SunTrust Bank	1	3	127,500	1.3%	4,667,775	1.9%
16	Federal National Mortgage Association	1	3	123,144	1.3%	4,483,673	1.8%
17	Kaiser Foundation Health Plan	1	71	120,979	1.2%	3,320,575	1.3%
18	Giesecke & Devrient America	1	78	112,110	1.1%	2,077,398	0.8%
19	Northrop Grumman Systems Corp.	1	18	111,469	1.1%	3,368,593	1.4%
20	Randstad General Partner (US) (d)	2	36, 71	109,638	1.1%	2,470,612	1.0%
Total				3,329,298	34.1%	\$ 103,598,566	42.1%

(a) Includes 27,398 square feet, which expire in 2019 and 159,330 square feet, which expire in 2020. The remaining 36,913 square feet expire in 2021.

(b) Includes 22,584 square feet commencing 10/1/18.

(c) On July 30, 2018, a lease renewal was executed, which extends the 151,792 square feet leased through August 2025.

(d) Includes 98,695 square feet, which expire in 2021; and 10,943 square feet commencing on 3/1/19 and expiring in 2024.



Leasing Activity

(Owned Portfolio)

	Six Months Ended		Year Ended	Year Ended
	30-Jun-18	30-Jun-17	31-Dec-17	31-Dec-16
Leasing Activity (a) (in Square Feet - SF)				
New leasing	166,000	112,000	460,000	299,000
Renewals and expansions	602,000	364,000	1,011,000	895,000
	<u>768,000</u>	<u>476,000</u>	<u>1,471,000</u>	<u>1,194,000</u>
Other information per SF (Activity on a year-to-date basis)				
GAAP Rents on leasing	\$ 31.96	\$ 28.64	\$ 30.43	\$ 29.64
Weighted average lease term	7.3 Years	5.8 Years	6.8 Years	6.6 Years
Increase or decrease over average GAAP rents in prior year (1)	6.2%	7.2%	12.3%	10.4%
Average free rent	4 Months	3 Months	4 Months	3 Months
Tenant Improvements	\$ 27.28	\$ 18.87	\$ 22.22	\$ 18.71
Leasing Costs	\$ 8.35	\$ 7.82	\$ 9.92	\$ 10.05

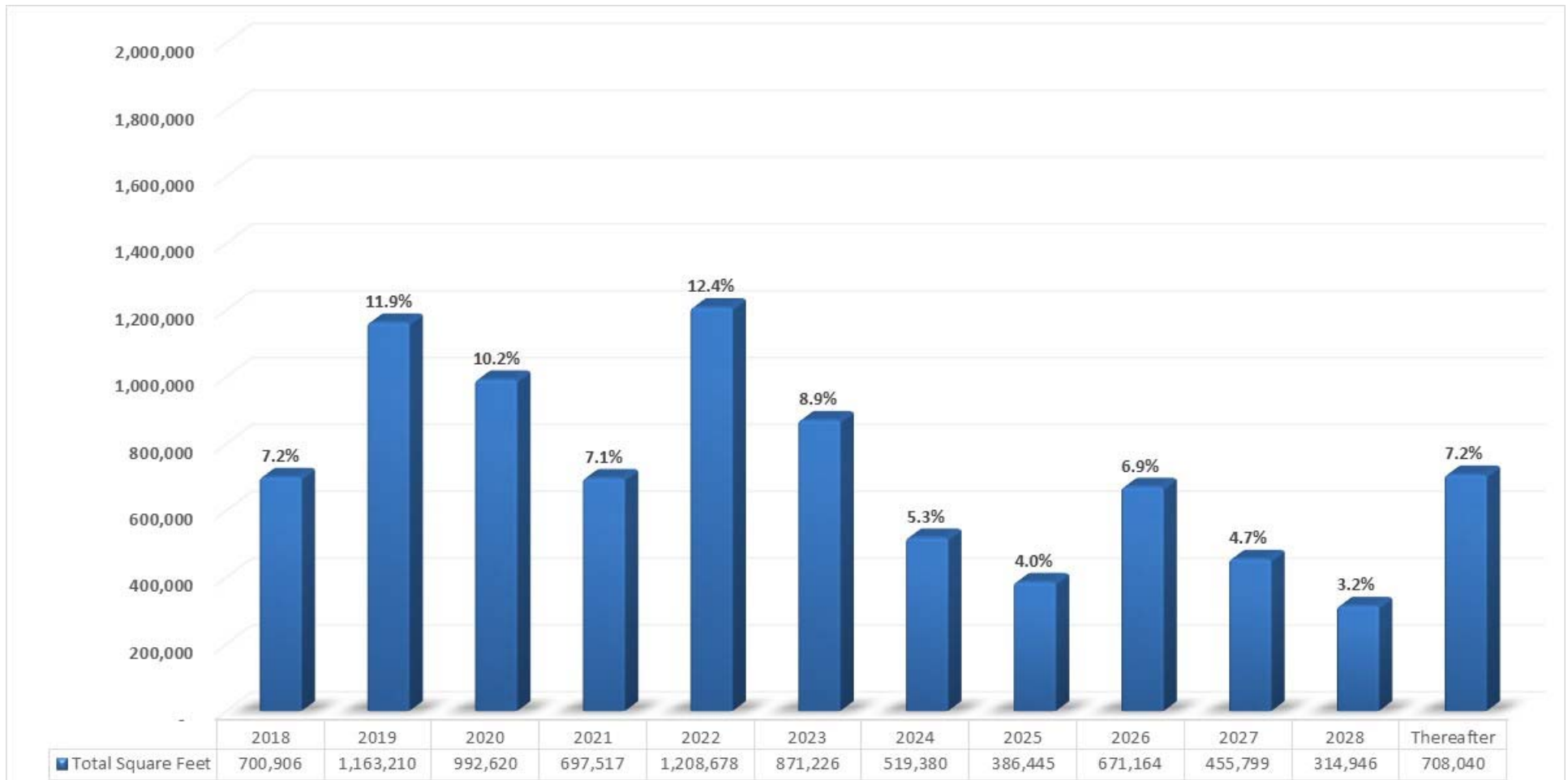
(a) Leasing activity includes leasing at 801 Marquette, which was redeveloped and is being leased for future occupancy.

(1) The increase or decrease percentage is calculated by comparing average GAAP rents at properties that had leasing activity in the current year to average GAAP rents at the same properties in the prior year.



Lease Expirations by Square Feet

(Owned Portfolio)





Lease Expirations with Annualized Rent per Square Foot

(Owned Portfolio)

Year of Lease Expiration December 31,	Number of Leases Expiring Within the Year (a)	Rentable Square Footage Subject to Expiring Leases	Annualized Rent Under Expiring Leases (b)	Annualized Rent Per Square Foot Under Expiring Leases	Percentage of Total Annualized Rent Under Expiring Leases	Cumulative Total
2018	33 (c)	700,906	\$ 21,713,407	\$ 30.98	8.8%	8.8%
2019	64	1,163,210	34,284,297	29.47	13.9%	22.8%
2020	70	992,620	32,110,580	32.35	13.0%	35.8%
2021	62	697,517	19,421,106	27.84	7.9%	43.7%
2022	68	1,208,678	37,858,901	31.32	15.4%	59.1%
2023	61	871,226	21,962,203	25.21	8.9%	68.0%
2024	32	519,380	14,212,205	27.36	5.8%	73.8%
2025	19	386,445	9,192,438	23.79	3.7%	77.5%
2026	13	671,164	21,521,366	32.07	8.7%	86.3%
2027	7	455,799	15,051,740	33.02	6.1%	92.4%
2028 and thereafter	90	1,022,986 (d)	18,749,817	18.33	7.6%	100.0%
	519	8,689,931	\$ 246,078,059	\$ 28.32	100.0%	
Vacancies as of 6/30/18		1,070,768				
Total Portfolio Square Footage		9,760,699				

- (a) The number of leases approximates the number of tenants. Tenants with lease maturities in different years are included in annual totals for each lease. Tenants may have multiple leases in the same year.
- (b) Annualized rent represents the monthly rent charged, including tenant reimbursements, for each lease in effect at June 30, 2018 multiplied by 12. Tenant reimbursements generally include payment of real estate taxes, operating expenses and common area maintenance and utility charges.
- (c) Includes 7 leases that are month-to-month.
- (d) Includes 111,021 square feet that are non-revenue producing building amenities.



Capital Expenditures

(in thousands)

	For the Three Months Ended		Six Months Ended
	31-Mar-18	30-Jun-18	30-Jun-18
Tenant improvements	\$ 6,777	\$ 8,212	\$ 14,989
Deferred leasing costs	1,021	5,314	6,335
Non-investment capex	1,858	2,558	4,416
Total Capital Expenditures	\$ 9,656	\$ 16,084	\$ 25,740

	For the Three Months Ended				Year ended
	31-Mar-17	30-Jun-17	30-Sep-17	31-Dec-17	31-Dec-17
Tenant improvements	\$ 6,474	\$ 5,363	\$ 4,474	\$ 4,166	\$ 20,477
Deferred leasing costs	1,579	1,963	4,482	5,869	13,893
Non-investment capex	1,670	1,685	1,860	3,836	9,051
Total Capital Expenditures	\$ 9,723	\$ 9,011	\$ 10,816	\$ 13,871	\$ 43,421

First generation leasing and investment capital was \$5.4 million for the six months ended June 30, 2018 and \$25.0 million for the year ended December 31, 2017.



Transaction Activity

(in thousands except for Square Feet)

	<u>City</u>	<u>State</u>	<u>Square Feet</u>	<u>Date Acquired</u>	<u>Purchase Price</u>
2016					
Plaza Seven	Minneapolis	MN	325,796	6/6/16	\$ 82,000
Pershing Plaza	Atlanta	GA	160,145	8/10/16	45,450
600 17th Street	Denver	CO	613,527	12/1/16	154,260

2015					
Two Ravinia	Atlanta	GA	442,130	4/8/15	\$ 78,000

	<u>City</u>	<u>State</u>	<u>Square Feet</u>	<u>Date Sold</u>	<u>Gross Sale Proceeds</u>	<u>Gain (loss) on Sale</u>
2017						
Hillview	Milpitas	CA	36,288	1/6/17	\$ 6,342	\$ 2,289
East Baltimore	Baltimore	MD	325,445	10/20/17	32,547	(20,770)

2016						
Lakeside I	Maryland Heights	MO	127,778	4/5/16	\$ 20,189	\$ 4,154
Federal Way	Federal Way	WA	117,010	12/16/16	7,500	(7,092)

2015						
Willow Bend	Plano	TX	117,050	2/23/15	\$ 20,750	\$ 1,462
Eden Bluff	Eden Prairie	MN	153,028	3/31/15	28,000	9,000
Park Seneca	Charlotte	NC	109,699	5/13/15	8,150	949
Montague	San Jose	CA	145,561	12/9/15	30,250	12,251



Loan Portfolio of Secured Real Estate

(in thousands)

(dollars in thousands)

Sponsored REIT	Location	Maturity Date	Maximum Amount of Loan	Amount Drawn at 30-Jun-18	Interest Rate (1)	Draw Fee (2)	Interest Rate at 30-Jun-18
Secured revolving lines of credit							
FSP Satellite Place Corp.	Duluth, GA	31-Dec-19	\$ 5,500	\$ 1,590	L+4.40%	0.5%	6.40%
FSP Energy Tower I Corp.	Houston, TX	30-Jun-19	20,000	15,600	L+5.00%	0.5%	7.00%
Mortgage loan secured by property							
FSP Monument Circle LLC (3)	Indianapolis, IN	7-Dec-18	21,000	21,000	4.90%	n/a	4.90%
FSP Energy Tower I Corp. (4)	Houston, TX	30-Jun-19	33,000	33,000	6.41%	n/a	6.41%
			<u>\$ 79,500</u>	<u>\$ 71,190</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) Includes an origination fee of \$164,000 and an exit fee of \$38,000 when repaid by the borrower.
- (4) This mortgage includes an annual extension fee of \$108,900 paid by the borrower.



Net Asset Value Components

(in thousands except per share data)

	As of
	30-Jun-18
Total Market Capitalization Values	
Shares outstanding	107,231.2
Closing price	\$ 8.56
Market capitalization	\$ 917,899
Debt	1,068,000
Total Market Capitalization	<u>\$ 1,985,899</u>

NOI Components

	3 Months
	Ended
	30-Jun-18
Same Store NOI (1)	\$ 35,362
Acquisitions (1) (2)	<u>—</u>
Property NOI (1)	35,362
Full quarter adjustment (3)	<u>—</u>
Stabilized portfolio	\$ 35,362

Financial Statement Reconciliation:	
Rental Revenue	\$ 65,409
Rental operating expenses	(16,954)
Real estate taxes and insurance	(12,292)
NOI on assets sold	38
Taxes (4)	(75)
Management fees & other (5)	(764)
Property NOI (1)	<u>\$ 35,362</u>

Assets:

Loans outstanding on secured RE	\$ 71,190
Investments in SARs (book basis)	69,067
Straight-line rent receivable	53,294
Asset held for sale	—
Cash, cash equivalents and restricted cash	10,448
Tenant rent receivables	4,039
Prepaid expenses	3,024
Office computers and furniture	236
Other assets:	
Deferred financing costs, net	10,034
Other assets: Derivative Market Value	21,196
Other assets	—
	<u>\$ 242,528</u>

Liabilities:

Debt (excluding contra for unamortized financing costs)	\$ 1,068,000
Accounts payable & accrued expenses	54,429
Tenant security deposits	5,576
Other liabilities: derivative liability	—
	<u>\$ 1,128,005</u>

Other information:

Leased SF to be FFO producing During 2018 (in 000's)	<u>207</u>
Straight-line rental revenue current quarter	<u>\$ (260)</u>
Management fee income current quarter	\$ 135
Interest income from secured loans	1,141
Management fees and interest income from loans	<u>\$ 1,276</u>
FFO from non-consolidated REITs - Q1 2018 (6):	
East Wacker	\$ 764
Grand Boulevard	120
Total	<u>\$ 884</u>

Footnotes to the components

- (1) See pages 11 & 28 for definitions and reconciliations.
- (2) Includes NOI from acquisitions not in Same Store.
- (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 in Property NOI.
- (6) 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 or loss (computed in accordance with GAAP), excluding gains (or losses) from sales of property, hedge ineffectiveness 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 or loss (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 as of May 17, 2016 in the table on page 9 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 or loss 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 or loss plus interest expense, income tax expense and depreciation and amortization expense. Adjusted EBITDA is defined as EBITDA excluding hedge ineffectiveness, gains and losses on sales of properties or shares of equity investments or provisions for losses on assets held for sale or equity investments. 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 or loss is the financial measure calculated and presented in accordance with GAAP that is most directly comparable to EBITDA and Adjusted EBITDA.

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 or loss (the most directly comparable GAAP financial measure) plus 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, hedge ineffectiveness, 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 the periods presented, which we call Same Store. The comparative Same Store results include properties held for the periods presented and exclude properties that are non-operating, being developed or redeveloped, dispositions and 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 or loss as an indication of our performance or to cash flows as a measure of the Company's liquidity or its ability to make distributions.



Appendix: Non-GAAP Financial Measure Definitions

Definition of Adjusted Funds From Operations (AFFO)

The Company also evaluates performance based on Adjusted Funds From Operations, which we refer to as AFFO. The Company defines AFFO as (1) FFO, (2) excluding our proportionate share of FFO and including distributions received, from non-consolidated REITs, (3) excluding the effect of straight-line rent, (4) plus deferred financing costs and (5) less recurring capital expenditures that are generally for maintenance of properties, which we call non-investment capex or are second generation capital expenditures. Second generation costs include re-tenanting space after a tenant vacates, which include tenant improvements and leasing commissions.

We exclude development/redevelopment activities, capital expenditures planned at acquisition and costs to reposition a property. We also exclude first generation leasing costs, which are generally to fill vacant space in properties we acquire or were planned for at acquisition.

AFFO should not be considered as an alternative to net income or loss (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 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 or loss and cash flows from operating, investing and financing activities in the consolidated financial statements.



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