



Supplemental Operating and Financial Data Second Quarter 2014



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

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





Company Overview

Overview

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

Our Business

As of June 30, 2014, the Company owned and operated a portfolio of real estate consisting of 39 properties, managed 13 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

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Snapshot (as of June 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	6.0%
Total Market Capitalization	\$2.2 Billion
Insider Holdings	10.2%





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-Jun-14	31-Mar-14	31-Dec-13	30-Sep-13	30-Jun-13	31-Mar-13
Income Items:						
Rental revenue	\$ 60,994	\$ 61,597	\$ 61,307	\$ 56,760	\$ 46,017	\$ 42,842
Total revenue	62,741	63,263	63,024	58,446	47,671	44,495
Adjusted EBITDA*	34,359	35,175	35,645	31,862	26,074	24,712
Equity in losses of non-consolidated REITs	(552)	(484)	(543)	(431)	(196)	(188)
Net income	3,713	3,573	6,591	4,094	4,741	4,401
FFO*	28,254	28,779	29,220	27,566	22,810	21,237
Per Share Data:						
EPS	\$ 0.04	\$ 0.04	\$ 0.07	\$ 0.04	\$ 0.05	\$ 0.05
FFO*	\$ 0.28	\$ 0.29	\$ 0.29	\$ 0.28	\$ 0.25	\$ 0.26
Weighted Average Shares (diluted)	100,187	100,187	100,187	100,187	91,847	82,937
Closing share price	\$ 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
Payout Ratio:	67%	66%	66%	69%	77%	74%
Balance Sheet Items:						
Real estate, net	\$ 1,549,963	\$ 1,558,136	\$ 1,568,338	\$ 1,575,690	\$ 1,280,252	\$ 1,128,398
Other assets, net	438,634	467,539	475,696	500,939	428,789	383,244
Total assets, net	1,988,597	2,025,675	2,044,034	2,076,629	1,709,041	1,511,642
Total liabilities, net	975,853	993,273	993,868	1,017,480	627,997	657,809
Shareholders' equity	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)	\$ 2,176,858	\$ 2,198,861	\$ 2,123,739	\$ 2,227,888	\$ 1,903,974	\$ 1,834,295
Total debt outstanding	916,500	936,500	926,500	951,500	581,500	621,750
Debt to Total Market Capitalization	42.1%	42.6%	43.6%	42.7%	30.5%	33.9%
Debt to Adjusted EBITDA	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	40	38	37
Portfolio total SF	9,686,215	9,686,055	9,685,285	9,807,339	8,529,752	7,856,859
Portfolio % leased	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)

	Six 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-Jun-14	31-Mar-13	30-Jun-13	30-Sep-13	31-Dec-13	31-Dec-13
Revenue:								
Rental	\$ 61,597	\$ 60,994	\$ 122,591	\$ 42,842	\$ 46,017	\$ 56,760	\$ 61,307	\$ 206,926
Related party revenue:								
Management fees and interest income from loans	1,643	1,671	3,314	1,622	1,642	1,665	1,717	6,646
Other	23	76	99	31	12	21	-	64
Total revenue	63,263	62,741	126,004	44,495	47,671	58,446	63,024	213,636
Expenses:								
Real estate operating expenses	15,071	14,995	30,066	10,770	11,116	13,991	15,223	51,100
Real estate taxes and insurance	9,251	9,763	19,014	6,595	7,308	8,801	8,912	31,616
Depreciation and amortization	24,300	23,563	47,863	15,781	16,919	22,163	23,976	78,839
Selling, general and administrative	3,272	3,148	6,420	2,532	3,204	3,477	2,698	11,911
Interest	7,176	6,891	14,067	4,208	4,174	5,474	7,198	21,054
Total expenses	59,070	58,360	117,430	39,886	42,721	53,906	58,007	194,520
Income before interest income, equity in losses of non-consolidated REITs and taxes								
	4,193	4,381	8,574	4,609	4,950	4,540	5,017	19,116
Interest income	1	1	2	1	4	5	6	16
Equity in losses of non-consolidated REITs	(484)	(552)	(1,036)	(188)	(196)	(431)	(543)	(1,358)
Income before taxes on income	3,710	3,830	7,540	4,422	4,758	4,114	4,480	17,774
Income tax expense	137	117	254	119	115	118	128	480
Income from continuing operations	3,573	3,713	7,286	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	\$ 7,286	\$ 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	82,937	91,847	100,187	100,187	93,855
Earnings per share, basic and diluted, attributable to:								
Continuing operations	\$ 0.04	\$ 0.04	\$ 0.07	\$ 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	\$ 0.07	\$ 0.05	\$ 0.05	\$ 0.04	\$ 0.07	\$ 0.21



Condensed Consolidated Balance Sheets

(in thousands)

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



Condensed Consolidated Statements of Cash Flows

(in thousands)

	Six Months ended June 30,		Twelve Months ended December 31	
	2014	2013	2013	2012
Cash flows from operating activities:				
Net income	\$ 7,286	\$ 9,142	\$ 19,827	\$ 7,633
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization expense	48,854	33,968	81,267	57,500
Amortization of above market lease	63	(82)	(365)	71
Gain (loss) on sale, less applicable income tax	-	-	(2,158)	14,826
Equity in earnings (losses) from non-consolidated REITs	1,036	383	1,358	(2,033)
Distributions from non-consolidated REITs	-	-	-	705
Increase in bad debt reserve	125	(1,190)	(1,250)	65
Changes in operating assets and liabilities:				
Restricted cash	(85)	(27)	(68)	(82)
Tenant rent receivables	2,110	608	(2,103)	(354)
Straight-line rents	(3,323)	(1,842)	(5,782)	(4,464)
Lease acquisition costs	(437)	(669)	(1,146)	(2,520)
Prepaid expenses and other assets	503	(870)	(1,547)	(328)
Accounts payable and accrued expenses	(8,405)	(1,244)	11,137	3,717
Accrued compensation	(933)	(863)	445	318
Tenant security deposits	232	585	1,538	481
Payment of deferred leasing commissions	(3,908)	(3,711)	(9,125)	(5,179)
Net cash provided by operating activities	43,118	34,188	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	(7,578)	(192,294)	(574,065)	(221,170)
Investment in non-consolidated REITs	-	4,752	4,858	(1)
Distributions in excess of earnings from non-consolidated REITs	54	-	108	2,105
Investment in related party mortgage loan receivable	11,310	(3,950)	(8,200)	(74,580)
Repayment of related party mortgage loan receivable	-	-	2,350	121,200
Changes in deposits on real estate assets	-	(3,000)	-	-
Proceeds received on sales of real estate assets	-	-	12,301	157
Net cash provided by (used in) investing activities	3,786	(194,438)	(562,648)	(172,289)
Cash flows from financing activities:				
Distributions to stockholders	(38,072)	(31,516)	(69,588)	(63,032)
Proceeds (costs) from equity offering, net	-	230,711	230,682	-
Borrowings under Revolver	10,000	-	160,000	294,750
Repayments under Revolver	(20,000)	(35,250)	(70,250)	(527,000)
Borrowing (repayment) of term loan payable, net	-	-	220,000	400,000
Deferred Financing Costs	-	-	(1,868)	(5,331)
Net cash provided by (used in) financing activities	(48,072)	163,945	468,976	99,387
Net decreases in cash and cash equivalents	(1,168)	3,695	(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	\$ 18,455	\$ 24,962	\$ 19,623	\$ 21,267



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

(in thousands)

Region	Rentable Square Feet or RSF	Six Months			Six Months			Inc (Dec)	% Change
		Three Months Ended 31-Mar-14	30-Jun-14	30-Jun-14	Three Months Ended 31-Mar-13	30-Jun-13	30-Jun-13		
East	1,442	\$ 4,727	\$ 4,786	\$ 9,513	\$ 4,756	\$ 5,440	\$ 10,196	\$ (683)	-6.7%
MidWest	1,682	5,107	5,062	10,169	4,839	5,008	9,847	322	3.3%
South	3,523	14,135	13,694	27,829	13,227	13,297	26,524	1,305	4.9%
West	1,088	2,567	2,761	5,328	2,350	2,118	4,468	860	19.2%
Same Store	7,735	26,536	26,303	52,839	25,172	25,863	51,035	1,804	3.5%
Acquisitions	1,951	10,037	9,623	19,660	-	1,203	1,203	18,457	35.3%
Property NOI from the continuing portfolio	9,686	36,573	35,926	72,499	25,172	27,066	52,238	20,261	38.8%
Dispositions and asset held for sale		-	-	-	252	252	504	(504)	-1.3%
Property NOI		\$ 36,573	\$ 35,926	\$ 72,499	\$ 25,424	\$ 27,318	\$ 52,742	\$ 19,757	37.5%
Same Store		\$ 26,536	\$ 26,303	\$ 52,839	\$ 25,172	\$ 25,863	\$ 51,035	\$ 1,804	3.5%
Less Nonrecurring Items in NOI (a)		707	287	994	63	557	620	374	-0.7%
Comparative Same Store		\$ 25,829	\$ 26,016	\$ 51,845	\$ 25,109	\$ 25,306	\$ 50,415	\$ 1,430	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		Six Months Ended	For the Three Months Ended:				For the Year Ended
	31-Mar-14	30-Jun-14	30-Jun-14	31-Mar-13	30-Jun-13	30-Sep-13	31-Dec-13	31-Dec-13
Net income	\$ 3,573	\$ 3,713	\$ 7,286	\$ 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	1,036	188	196	431	543	1,358
FFO from non-consolidated REITs	419	351	770	647	696	459	346	2,148
Depreciation & amortization	24,289	23,638	47,927	15,984	17,044	22,176	23,886	79,090
NAREIT FFO*	28,765	28,254	57,019	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	\$ 57,033	\$ 21,237	\$ 22,810	\$ 27,566	\$ 29,220	\$ 100,833
Adjusted Funds From Operations (AFFO)*								
Funds From Operations (FFO)*	28,779	28,254	57,033	21,237	22,810	27,566	29,220	100,833
Reverse FFO from non-consolidated REITs	(419)	(351)	(770)	(647)	(696)	(459)	(346)	(2,148)
Distributions from non-consolidated REITs	27	27	54	27	27	27	26	107
Amortization of deferred financing costs	499	499	998	429	429	456	499	1,813
Straight-line rent	(1,783)	(1,541)	(3,324)	(657)	(1,186)	(2,078)	(1,862)	(5,783)
Building improvements	(1,119)	(2,202)	(3,321)	(1,118)	(1,622)	(1,552)	(1,479)	(5,771)
Tenant improvements	(1,133)	(1,837)	(2,970)	(1,729)	(5,754)	(4,596)	(2,992)	(15,071)
Leasing commissions	(1,112)	(2,795)	(3,907)	(2,813)	(1,087)	(3,821)	(1,536)	(9,257)
Adjusted Funds From Operations (AFFO)*	\$ 23,739	\$ 20,054	\$ 43,793	\$ 14,729	\$ 12,921	\$ 15,543	\$ 21,530	\$ 64,723
Per Share Data:								
EPS	\$ 0.04	\$ 0.04	\$ 0.07	\$ 0.05	\$ 0.05	\$ 0.04	\$ 0.07	\$ 0.21
FFO*	0.29	0.28	0.57	0.26	0.25	0.28	0.29	1.07
AFFO*	0.24	0.20	0.44	0.18	0.14	0.16	0.21	0.69
Weighted Average Shares (basic and diluted)	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		Six Months Ended	For the Three Months Ended				Year Ended
	31-Mar-14	30-Jun-14	30-Jun-14	31-Mar-13	30-Jun-13	30-Sep-13	31-Dec-13	31-Dec-13
Net income	\$ 3,573	\$ 3,713	\$ 7,286	\$ 4,401	\$ 4,741	\$ 4,094	\$ 6,591	\$ 19,827
Interest expense	7,176	6,891	14,067	4,208	4,174	5,474	7,198	21,054
Depreciation and amortization	24,289	23,638	47,927	15,984	17,044	22,176	23,886	79,090
Income taxes	137	117	254	119	115	118	128	480
EBITDA	35,175	34,359	69,534	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	\$ 69,534	\$ 24,712	\$ 26,074	\$ 31,862	\$ 35,645	\$ 118,293
Interest expense	\$ 7,176	\$ 6,891	\$ 14,067	\$ 4,208	\$ 4,174	\$ 5,474	\$ 7,198	\$ 21,054
Scheduled principal payments	-	-	-	-	-	-	-	-
Interest and scheduled principal payments	\$ 7,176	\$ 6,891	\$ 14,067	\$ 4,208	\$ 4,174	\$ 5,474	\$ 7,198	\$ 21,054
Interest coverage ratio	4.90	4.99	4.94	5.87	6.25	5.82	4.95	5.62
Debt service coverage ratio	4.90	4.99	4.94	5.87	6.25	5.82	4.95	5.62
Debt	\$ 936,500	\$ 916,500	\$ 936,500	\$ 621,750	\$ 581,500	\$ 951,500	\$ 926,500	\$ 926,500
Adjusted EBITDA	35,175	34,359	69,534	24,712	26,074	31,862	35,645	35,645
Annualized	140,700	137,436	139,068	98,848	104,296	127,448	142,580	142,580
Debt-to-EBITDA	6.7	6.7	6.7	6.3	5.6	7.5	6.5	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	Six Months			Six Months		
	Three Months Ended		Ended	Three Months Ended		Ended
	31-Mar-14	30-Jun-14	30-Jun-14	31-Mar-13	30-Jun-13	30-Jun-13
Net Income	\$ 3,573	\$ 3,713	\$ 7,286	\$ 4,401	\$ 4,741	\$ 9,142
Add (deduct):						
Discontinued operations	-	-	-	(98)	(98)	(196)
Management fee income	(646)	(682)	(1,328)	(559)	(598)	(1,157)
Depreciation and amortization	24,300	23,563	47,863	15,784	16,917	32,701
Amortization of above/below market leases	(11)	74	63	48	(29)	19
Selling, general and administrative	3,272	3,148	6,420	2,532	3,204	5,736
Interest expense	7,176	6,891	14,067	4,208	4,174	8,382
Interest income	(1,410)	(1,408)	(2,818)	(1,353)	(1,382)	(2,735)
Equity in losses of			-			-
non-consolidated REITs	484	552	1,036	187	196	383
Non-property specific items, net	(165)	75	(90)	22	(60)	(38)
Property NOI from the continuing portfolio	\$ 36,573	\$ 35,926	\$ 72,499	\$ 25,172	\$ 27,065	\$ 52,237
Dispositions and asset held for sale	-	-	-	252	253	505
Property NOI	\$ 36,573	\$ 35,926	\$ 72,499	\$ 25,424	\$ 27,318	\$ 52,742

* 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-Jun-14	Interest Rate Components	(a)	
					Interest Rate at 30-Jun-14	Facility Fee
2012 Revolver	27-Sep-16	\$ 500,000	\$ 296,500	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>\$ 916,500</u>		<u>2.43%</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 of March 31, 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 June 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 June 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)

	31-Mar-14	30-Jun-14	31-Mar-13	30-Jun-13	30-Sep-13	31-Dec-13
Market Data:						
Shares Outstanding	100,187	100,187	82,937	100,187	100,187	100,187
Closing market price per share	\$ 12.60	\$ 12.58	\$ 14.62	\$ 13.20	\$ 12.74	\$ 11.95
Market capitalization	\$ 1,262,361	\$ 1,260,358	\$ 1,212,545	\$ 1,322,474	\$ 1,276,388	\$ 1,197,239
Total Debt	936,500	916,500	621,750	581,500	951,500	926,500
Total Market Capitalization	\$ 2,198,861	\$ 2,176,858	\$ 1,834,295	\$ 1,903,974	\$ 2,227,888	\$ 2,123,739
Dividend Data:						
Total dividends paid	\$ 19,036	\$ 19,035	\$ 15,758	\$ 15,758	\$ 19,036	\$ 19,036
Common dividend per share	\$ 0.19	\$ 0.19	\$ 0.19	\$ 0.19	\$ 0.19	\$ 0.19
Quarterly dividend as a % of FFO*	65.5%	67.9%	73.1%	76.0%	67.9%	65.5%
Liquidity:						
Cash and cash equivalents	\$ 20,031	\$ 18,455	\$ 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
Less:						
Outstanding balance	(716,500)	(696,500)	(621,750)	(581,500)	(731,500)	(706,500)
Total Liquidity	\$ 203,531	\$ 221,955	\$ 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.

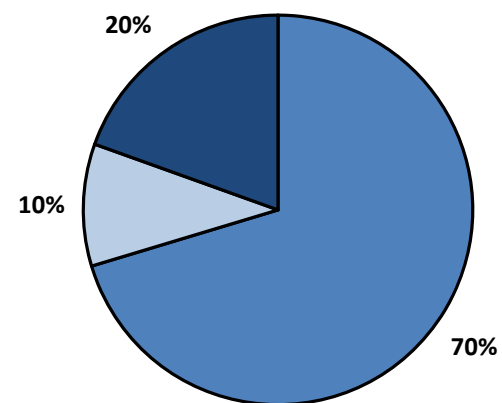


Portfolio Overview

	As of				
	30-Jun-14	31-Mar-14	31-Dec-13	30-Sep-13	30-Jun-13
Owned portfolio of commercial real estate:					
Number of properties (a)	39	39	39	40	38
Square feet	9,686,215	9,686,055	9,685,285	9,807,339	8,529,752
Leased percentage	94.1%	94.5%	94.1%	93.8%	94.4%
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	65.5%	64.0%	64.1%	61.5%	67.6%
Single Asset REITs (SARs) managed:					
Number of properties	11	12	12	13	13
Square feet	2,687,775	3,067,199	3,067,199	3,323,198	3,323,566
Leased percentage	89.1%	87.4%	87.4%	86.6%	83.9%
Total owned (a) , investments and managed properties :					
Number of properties	52	53	53	55	53
Square feet	13,769,490	14,148,754	14,147,984	14,526,037	13,248,818
Leased percentage	90.2%	90.0%	89.7%	89.1%	89.0%

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>
East Region						
Baltimore						
East Baltimore	Baltimore	MD	325,445	81.2%	77.9%	\$ 23.44
Washington, D.C.						
Meadow Point	Chantilly	VA	138,537	92.6%	92.6%	\$ 27.19
Stonecroft	Chantilly	VA	111,469	100.0%	100.0%	\$ 38.96
Loudoun Tech Center	Dulles	VA	136,658	100.0%	100.0%	\$ 15.52
Richmond						
Innsbrook	Glen Allen	VA	298,456	99.9%	99.9%	\$ 18.23
Charlotte						
Park Seneca	Charlotte	NC	109,674	87.8%	82.2%	\$ 15.27
Forest Park	Charlotte	NC	62,212	100.0%	100.0%	\$ 13.95
Raleigh-Durham						
Emperor Boulevard	Durham	NC	259,531	100.0%	100.0%	\$ 35.70
East Region Total			1,441,982	94.1%	92.9%	\$ 24.51

<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>
Midwest Region						
Chicago						
Northwest Point	Elk Grove Village	IL	176,848	100.0%	100.0%	\$ 19.48
909 Davis Street	Evanston	IL	195,245	97.9%	97.9%	\$ 36.01
Indianapolis						
River Crossing	Indianapolis	IN	205,059	99.1%	99.1%	\$ 23.41
St. Louis						
Timberlake	Chesterfield	MO	232,766	98.3%	98.3%	\$ 22.26
Timberlake East	Chesterfield	MO	116,197	91.0%	91.0%	\$ 23.65
Lakeside Crossing	Maryland Heights	MO	127,778	100.0%	100.0%	\$ 26.86
Minneapolis						
Eden Bluff	Eden Prairie	MN	153,028	100.0%	100.0%	\$ 27.82
121 South 8th Street	Minneapolis	MN	475,012	90.3%	90.1%	\$ 14.67
Midwest Region Total			1,681,933	96.1%	96.0%	\$ 22.70

(a) Weighted Occupied Percentage for the quarter ended June 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>	<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							West Region						
Dallas-Fort Worth							Seattle						
Willow Bend Office Center	Plano	TX	117,050	100.0%	97.4%	\$ 20.62	Federal Way	Federal Way	WA	117,010	56.5%	54.4%	\$ 18.07
Legacy Tennyson Center	Plano	TX	202,600	100.0%	100.0%	\$ 17.59	San Francisco-San Jose-Oakland						
One Legacy Circle	Plano	TX	214,110	100.0%	100.0%	\$ 33.30	Hillview Center	Milpitas	CA	36,288	100.0%	100.0%	\$ 15.93
Addison Circle	Addison	TX	293,926	97.3%	94.2%	\$ 24.26	Montague Business Center	San Jose	CA	145,951	81.1%	96.9%	\$ 16.03
Collins Crossing	Richardson	TX	298,766	99.5%	99.5%	\$ 24.38	Denver						
Liberty Plaza	Addison	TX	218,934	96.0%	92.9%	\$ 20.36	380 Interlocken	Broomfield	CO	240,184	95.2%	90.0%	\$ 28.91
Houston							1999 Broadway	Denver	CO	673,839	92.6%	93.7%	\$ 30.88
Park Ten	Houston	TX	157,460	80.3%	90.6%	\$ 25.43	Greenwood Plaza	Englewood	CO	196,236	100.0%	100.0%	\$ 23.69
Eldridge Green	Houston	TX	248,399	100.0%	100.0%	\$ 29.43	390 Interlocken	Broomfield	CO	241,516	70.1%	69.4%	\$ 27.06
Park Ten Phase II	Houston	TX	156,746	100.0%	100.0%	\$ 30.56	1001 17th Street	Denver	CO	655,420	88.5%	88.5%	\$ 33.01
Westchase I & II	Houston	TX	629,025	97.5%	97.3%	\$ 31.77	Colorado Springs						
Miami-Ft. Lauderdale-West Palm Beach							Centennial Technology Center	Colorado Springs	CO	110,405	97.3%	85.4%	\$ 16.11
Blue Lagoon Drive	Miami	FL	212,619	100.0%	100.0%	\$ 21.93	West Region Total						
Atlanta										<u>2,416,849</u>	<u>88.0%</u>	<u>88.0%</u>	<u>\$ 28.02</u>
One Overton Place	Atlanta	GA	387,267	98.9%	98.9%	\$ 22.04	Total Owned						
One Ravinia	Atlanta	GA	386,603	93.7%	90.4%	\$ 22.74				<u>9,686,215</u>	<u>94.1%</u>	<u>93.7%</u>	<u>\$ 25.78</u>
999 Peachtree	Houston	TX	621,946	93.5%	93.7%	\$ 30.08							
South Region Total			<u>4,145,451</u>	<u>96.8%</u>	<u>96.4%</u>	<u>\$ 26.25</u>							

(a) Weighted Occupied Percentage for the quarter ended June 30, 2014

(b) Weighted Average GAAP Rent per Occupied Square Foot



Managed Portfolio Overview

MSA / Property Name City State Square Feet

Southeast Region

Columbia

1441 Main Street Columbia SC 264,857

Atlanta

Satellite Place Duluth GA 134,785

Southeast Region Total

399,642

Southwest Region

Dallas-Fort Worth

5601 Executive Drive Irving TX 152,586

Houston

Energy Tower I Houston TX 325,797

Denver

Highland Place Centennial CO 138,771
 385 Interlocken Broomfield CO 296,868

Southwest Region Total

914,022

MSA / Property Name City State Square Feet

Midwest Region

Chicago

East Wacker (a) Chicago IL 860,429

Indianapolis

Monument Circle Indianapolis IN 213,609

St. Louis

Lakeside Crossing II Maryland Heights MO 116,000

Minneapolis

50 South Tenth Street Minneapolis MN 498,768

Kansas City

Grand Boulevard (b) Kansas City MO 535,071

Cincinnati

Centre Pointe V West Chester OH 135,936
 Union Centre West Chester OH 409,798

Midwest Region Total

2,769,611

Total Managed

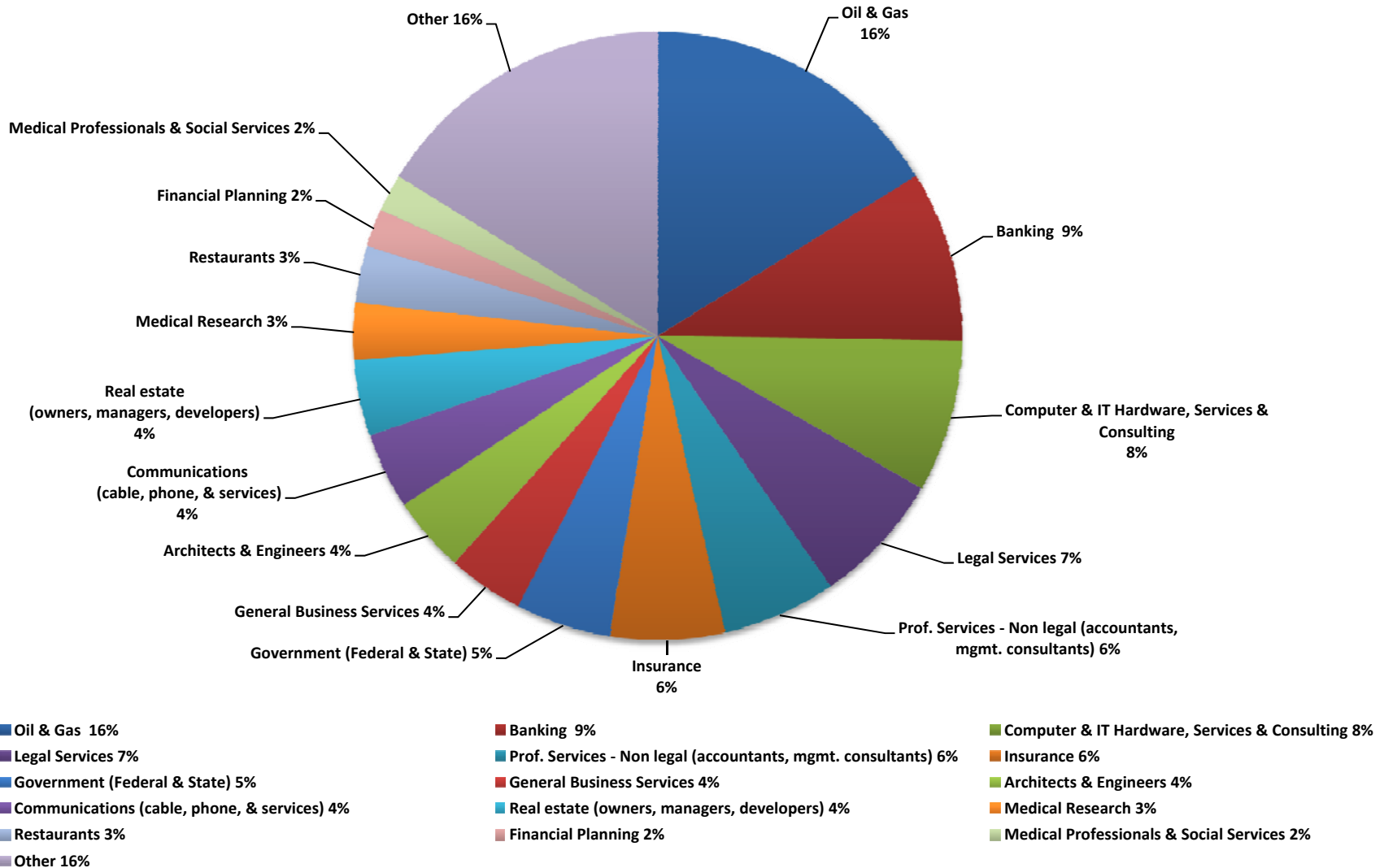
4,083,275

Total Owned & Managed

13,769,490

- (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





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	18	263,111	2.7%	\$ 2,896,157	1.3%
2	Quintiles Transnational Corp	1	57	259,531	2.7%	8,821,181	3.9%
3	CITGO Petroleum Corporation	1	92	248,399	2.6%	7,558,782	3.3%
4	Sutherland Asbill Brennan LLP	1	70	243,839	2.5%	7,410,774	3.3%
5	Newfield Exploration Company	1	92	234,495	2.4%	7,898,562	3.5%
6	US Government (a)	6	1,2,6,14,47,75	229,752	2.4%	7,207,773	3.2%
7	Burger King Corporation	1	51	212,619	2.2%	4,792,432	2.1%
8	Denbury Onshore, LLC	2	61	202,600	2.1%	3,510,042	1.5%
9	RGA Reinsurance Company	2	6	197,354	2.0%	4,304,802	1.9%
10	SunTrust Bank (b)	2	28, 87	182,888	1.9%	3,719,025	1.6%
11	Citicorp Credit Services, Inc	1	30	176,848	1.8%	3,689,049	1.6%
12	C.H. Robinson Worldwide, Inc	1	84	153,028	1.6%	4,221,068	1.9%
13	T-Mobile South, LLC dba T-Mobile	1	56	151,792	1.6%	3,500,324	1.5%
14	Houghton Mifflin Harcourt Publishing Company	1	33	150,050	1.5%	6,055,170	2.7%
15	Petrobras America, Inc.	1	65	144,813	1.5%	5,139,413	2.3%
16	Murphy Exploration & Production Company	1	34	144,677	1.5%	4,439,625	2.0%
17	Argo Data Resource Corporation	1	110	138,540	1.4%	3,700,702	1.6%
18	Monsanto Company	1	67	127,778	1.3%	3,282,617	1.4%
19	Federal National Mortgage Association	1	27	123,144	1.3%	2,008,787	0.9%
20	Giesecke & Devrient America (c)	1	1,126	123,098	1.3%	-	0.0%
			Total	3,708,356	38.3%	\$ 94,156,285	41.5%

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

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

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

(c) Includes 10,988 square feet on a month-to-month basis



Leasing Activity

(Owned Portfolio)

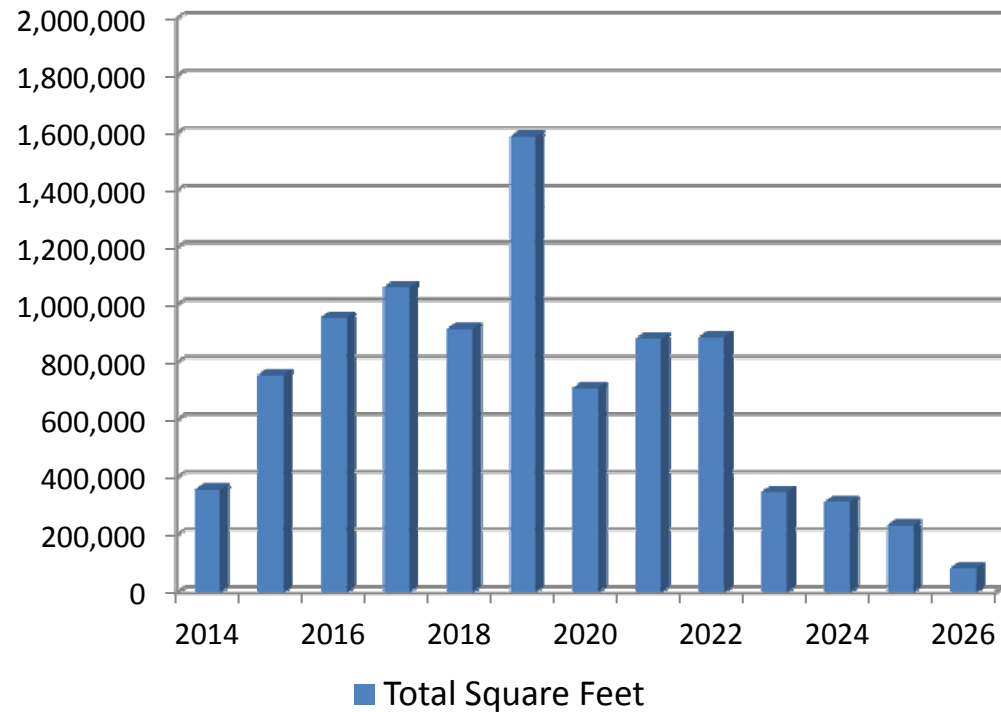
	Six Months Ended 30-Jun-14	Year Ended 31-Dec-13	Year Ended 31-Dec-12
Leasing Activity			
(in Square Feet - SF)			
New leasing	45,000	267,000	315,740
Renewals	380,000	645,000	700,838
	<u>425,000</u>	<u>912,000</u>	<u>1,016,578</u>
 Other information per SF			
(Activity on a year-to-date basis)			
GAAP Rents on leasing	\$ 25.41	\$ 23.33	\$ 22.41
Weighted average lease term	7.1 Years	7.2 Years	5.1 Years
 Increase over ave GAAP rents in prior year	 12.5%	 8.0%	 1.5%
 Average free rent	 3 Months	 3 Months	 3 Months
Tenant Improvements	\$ 15.49	\$ 18.25	\$ 12.26
Leasing Costs	\$ 8.33	\$ 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	359,210	3.7%
2015	756,895	7.8%
2016	956,247	9.9%
2017	1,062,897	11.0%
2018	916,902	9.5%
2019	1,587,211	16.4%
2020	711,761	7.3%
2021	882,926	9.1%
2022	888,286	9.1%
2023	350,789	3.6%
2024	316,320	3.3%
2025	234,488	2.4%
2026	86,128	0.9%
Vacant	576,155	6.0%
Total	9,686,215	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	61 (b)	359,210	9,437,294	26.27	4.2%	4.2%
2015	88	756,895	18,816,253	24.86	8.3%	12.5%
2016	67	956,247	20,043,656	20.96	8.8%	21.3%
2017	69	1,062,897	28,862,361	27.15	12.7%	34.0%
2018	56	916,902	26,225,338	28.60	11.6%	45.6%
2019	53	1,587,211	41,317,228	26.03	18.3%	63.9%
2020	21	711,761	19,167,993	26.93	8.5%	72.4%
2021	17	882,926	19,227,749	21.78	8.5%	80.9%
2022 and thereafter	39	1,876,011 (c)	43,526,400	23.20	19.1%	100.0%
	471	9,110,060	226,624,270	24.88	100.0%	
Vacancies as of 6/30/14		576,155				
Total Portfolio Square Footage		<u>9,686,215</u>				

(a) Annualized rent represents the monthly rent, including tenant reimbursements, for each lease in effect at June 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 20 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		Six Months Ended		
	31-Mar-14	30-Jun-14	30-Jun-14		
Tenant improvements	\$ 1,133	\$ 1,837	\$ 2,970		
Deferred leasing costs	1,112	2,795	3,907		
Non-investment capex	1,119	2,202	3,321		
	\$ 3,364	\$ 6,834	\$ 10,198		
	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-Jun-14</u>	<u>Interest Rate (1)</u>	<u>Draw Fee (2)</u>	<u>Interest Rate at 30-Jun-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%	4.55%
FSP Satellite Place Corp.	Duluth, GA	31-Mar-15	5,500	5,500	L+4.4%	0.5%	4.55%
FSP 1441 Main Street Corp.	Columbia, SC	31-Mar-15	10,800	9,000	L+4.4%	0.5%	4.55%
Secured construction loan							
FSP 385 Interlocken Development Corp.	Broomfield, CO	30-Apr-15	42,000	37,541	L+4.4%	n/a	4.55%
Mortgage loan secured by property							
FSP Energy Tower I Corp. (3)	Houston, TX	5-Jul-14	33,000	33,000	6.41%	n/a	6.41%
			<u>\$ 96,800</u>	<u>\$ 88,436</u>			

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

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

(3) The loan has a secured fixed mortgage amount of \$33,000,000. A loan fee of \$300,630 was paid at the time of closing and funding of the loan on July 5, 2012. The borrower also is required to pay the Company an exit fee in the amount of 0.982% of the principal repayment amount. On July 3, 2014 the loan's maturity date 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
	<u>30-Jun-14</u>
Total Market Capitalization Values	
Shares outstanding	100,187.4
Closing price, December 31st	<u>\$ 12.58</u>
Market capitalization	<u>\$ 1,260,358</u>
Debt	<u>916,500</u>
Total Market Capitalization	<u>2,176,858</u>
	3 Months
	Ended
	<u>30-Jun-14</u>
NOI Components	
Same Store NOI (1)	\$ 26,303
Acquisitions (1) (2)	<u>9,623</u>
Property NOI (1)	35,926
Full quarter adjustment (3)	-
Stabilized portfolio	<u>\$ 35,926</u>
 Financial Statement Reconciliation:	
Rental Revenue	\$ 60,994
Rental operating expenses	(14,995)
Real estate taxes and insurance	(9,763)
Taxes (4)	(117)
Management fees & other (5)	(193)
Property NOI (1)	<u>\$ 35,926</u>

Assets:		
Loans outstanding on secured RE	\$ 88,436	
Investments in SARs (book basis)	79,405	
Straight-line rent receivable	46,021	
Asset held for sale	-	
Cash and cash equivalents	18,455	
Restricted cash	728	
Tenant rent receivables	2,867	
Prepaid expenses	1,817	
Office computers and furniture	710	
Other assets:		
Deferred financing costs, net	6,170	
Other assets: Derivative Market Value	2,626	
Phoenix Tower Liquidating Trust (6)	4	
Other assets	<u>1,015</u>	
	<u>\$ 248,254</u>	
	-	
Liabilities:		
Debt	\$ 916,500	
Accounts payable & accrued expenses	36,642	
Tenant security deposits	4,259	
Other liabilities: derivative liability	<u>5,985</u>	
	<u>\$ 963,386</u>	

Other information:

Leased SF to be FFO producing During 2014	<u>72</u>
Straight-line rental revenue Q2	<u>\$ 1,541</u>
Management fee income second quarter 2014	\$ 263
Interest income from secured loans	<u>1,407</u>
Management fees and interest income from loans	<u>\$ 1,671</u>
 FFO from non-consolidated REITs - Q1 2014 (7):	
East Wacker	\$ 276
Grand Boulevard	<u>143</u>
Total	<u>\$ 419</u>

Footnotes to the components

- (1) See pages 11 & 29 for definitions and reconciliations
- (2) Includes NOI from 3 acquisitions 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) less the effect of straight-line rent; (3) plus deferred financing costs, (4) less recurring capital expenditures that are generally for (a) maintenance of properties or are second generation capital expenditures or what we call non-investment capex, (b) tenant improvements, (c) leasing commissions; and (4) plus non-cash compensation expenses, if any. AFFO should not be considered as an alternative to net income (determined in accordance with GAAP), as an indicator of the Company's financial performance, nor as an alternative to cash flows from operating activities (determined in accordance with GAAP), nor as a measure of the Company's liquidity, nor is it necessarily indicative of sufficient cash flow to fund all of the Company's needs. Other real estate companies may define this term in a different manner. We believe that in order to facilitate a clear understanding of the results of the Company, AFFO should be examined in connection with net income and cash flows from operating, investing and financing activities in the consolidated financial statements.



Appendix: Non-GAAP Financial Measure Definitions

Definition of Property Net Operating Income (Property NOI)

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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