



# Supplemental Operating and Financial Data Fourth Quarter 2014



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

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



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





# Company Overview

## Overview

Franklin Street Properties Corp. (“FSP”, “we”, “our” or the “Company”) (NYSE MKT: FSP) is investing in institutional-quality office properties in the U.S. FSP’s strategy is to invest in select urban infill and central business district (CBD) properties, with primary emphasis on our top five markets of Atlanta, Dallas, Denver, Houston, and Minneapolis. FSP seeks value-oriented investments with an eye towards long-term growth and appreciation, as well as current income. FSP is a Maryland corporation that operates in a manner intended to qualify as a real estate investment trust (REIT) for federal income tax purposes. FSP’s real estate operations include property acquisitions and dispositions, short-term financing, leasing, development and asset management.

## Our Business

As of December 31, 2014, the Company owned and operated a portfolio of real estate consisting of 38 properties, managed 10 Sponsored REITs and held five 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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877-686-9496 or [InvestorRelations@franklinstreetproperties.com](mailto:InvestorRelations@franklinstreetproperties.com)

## Snapshot (as of December 31, 2014)

Corporate Headquarters	Wakefield, MA
Fiscal Year-End	31-Dec
Total Properties	38
Total Square Feet	9.6
Trading Symbol	FSP
Exchange	NYSE MKT
Common Shares Outstanding	100,187,405
Quarterly Dividend	\$0.19
Dividend Yield	6.2%
Total Market Capitalization	\$2.1 Billion
Insider Holdings	10.2%





# Summary of Financial Highlights

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

	31-Dec-14	30-Sep-14	30-Jun-14	31-Mar-14	31-Dec-13	30-Sep-13	30-Jun-13	31-Mar-13
<b>Income Items:</b>								
Rental revenue	\$ 61,022	\$ 59,728	\$ 60,994	\$ 61,597	\$ 61,307	\$ 56,760	\$ 46,017	\$ 42,842
Total revenue	62,489	61,190	62,741	63,263	63,024	58,446	47,671	44,495
Adjusted EBITDA*	33,182	33,973	34,359	35,175	35,645	31,862	26,074	24,712
Equity in losses of non-consolidated REITs	(269)	(455)	(552)	(484)	(543)	(431)	(196)	(188)
Net income	4,295	1,567	3,713	3,573	6,591	4,094	4,741	4,401
FFO*	27,525	27,904	28,254	28,779	29,220	27,566	22,810	21,237
<b>Per Share Data:</b>								
EPS	\$ 0.04	\$ 0.02	\$ 0.04	\$ 0.04	\$ 0.07	\$ 0.04	\$ 0.05	\$ 0.05
FFO*	\$ 0.27	\$ 0.28	\$ 0.28	\$ 0.29	\$ 0.29	\$ 0.28	\$ 0.25	\$ 0.26
Weighted Average Shares (diluted)	100,187	100,187	100,187	100,187	100,187	100,187	91,847	82,937
Closing share price	\$ 12.27	\$ 11.22	\$ 12.58	\$ 12.60	\$ 11.95	\$ 12.74	\$ 13.20	\$ 14.62
Dividend	\$ 0.19	\$ 0.19	\$ 0.19	\$ 0.19	\$ 0.19	\$ 0.19	\$ 0.19	\$ 0.19
Payout Ratio:	69%	68%	67%	66%	66%	69%	77%	74%
<b>Balance Sheet Items:</b>								
Real estate, net	\$ 1,524,307	\$ 1,542,012	\$ 1,549,963	\$ 1,558,136	\$ 1,568,338	\$ 1,575,690	\$ 1,280,252	\$ 1,128,398
Other assets, net	412,083	425,305	438,634	467,539	475,696	500,939	428,789	383,244
Total assets, net	1,936,390	1,967,317	1,988,597	2,025,675	2,044,034	2,076,629	1,709,041	1,511,642
Total liabilities, net	956,743	968,948	975,853	993,273	993,868	1,017,480	627,997	657,809
Shareholders' equity	979,647	998,369	1,012,744	1,032,402	1,050,166	1,059,149	1,081,044	853,833
<b>Market Capitalization and Debt:</b>								
Total Market Capitalization (a)	\$ 2,117,299	\$ 2,029,103	\$ 2,176,858	\$ 2,198,861	\$ 2,123,739	\$ 2,227,888	\$ 1,903,974	\$ 1,834,295
Total debt outstanding	888,000	905,000	916,500	936,500	926,500	951,500	581,500	621,750
Debt to Total Market Capitalization	41.9%	44.6%	42.1%	42.6%	43.6%	42.7%	30.5%	33.9%
Debt to Adjusted EBITDA	6.7	6.7	6.7	6.7	6.5	7.5	5.6	6.3
<b>Owned Portfolio Leasing Statistics:</b>								
Owned portfolio assets (includes asset held for sale before 12/31/13)	38	39	39	39	39	40	38	37
Portfolio total SF	9,580,057	9,690,361	9,686,215	9,686,055	9,685,285	9,807,339	8,529,752	7,856,859
Portfolio % leased	92.8%	93.3%	94.1%	94.5%	94.1%	93.8%	94.4%	94.4%

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

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

Non-GAAP Measures beginning on page 27.



# Condensed Consolidated Income Statements

(\$ in thousands, except per share amounts)

	For the Three Months Ended				For the	For the Three Months Ended				For the
	31-Mar-14	30-Jun-14	30-Sep-14	31-Dec-14	Year Ended 31-Dec-14	31-Mar-13	30-Jun-13	30-Sep-13	31-Dec-13	Year Ended 31-Dec-13
Revenue:										
Rental	\$ 61,597	\$ 60,994	\$ 59,728	\$ 61,022	\$ 243,341	\$ 42,842	\$ 46,017	\$ 56,760	\$ 61,307	\$ 206,926
Related party revenue:										
Management fees and interest income from loans	1,643	1,671	1,462	1,465	6,241	1,622	1,642	1,665	1,717	6,646
Other	23	76	-	2	101	31	12	21	-	64
<b>Total revenue</b>	<b>63,263</b>	<b>62,741</b>	<b>61,190</b>	<b>62,489</b>	<b>249,683</b>	<b>44,495</b>	<b>47,671</b>	<b>58,446</b>	<b>63,024</b>	<b>213,636</b>
Expenses:										
Real estate operating expenses	15,071	14,995	15,632	16,334	62,032	10,770	11,116	13,991	15,223	51,100
Real estate taxes and insurance	9,251	9,763	8,555	9,288	36,857	6,595	7,308	8,801	8,912	31,616
Depreciation and amortization	24,300	23,563	24,878	23,174	95,915	15,781	16,919	22,163	23,976	78,839
Selling, general and administrative	3,272	3,148	3,071	3,492	12,983	2,532	3,204	3,477	2,698	11,911
Interest	7,176	6,891	6,883	6,483	27,433	4,208	4,174	5,474	7,198	21,054
<b>Total expenses</b>	<b>59,070</b>	<b>58,360</b>	<b>59,019</b>	<b>58,771</b>	<b>235,220</b>	<b>39,886</b>	<b>42,721</b>	<b>53,906</b>	<b>58,007</b>	<b>194,520</b>
Income before interest income, equity in losses of non-consolidated REITs and taxes										
Interest income	4,193	4,381	2,171	3,718	14,463	4,609	4,950	4,540	5,017	19,116
Equity in losses of non-consolidated REITs	(484)	(552)	(455)	(269)	(1,760)	(188)	(196)	(431)	(543)	(1,358)
Gain on sale of property, less applicable income tax	-	-	-	940	940	-	-	-	-	-
<b>Income before taxes on income</b>	<b>3,710</b>	<b>3,830</b>	<b>1,716</b>	<b>4,390</b>	<b>13,646</b>	<b>4,422</b>	<b>4,758</b>	<b>4,114</b>	<b>4,480</b>	<b>17,774</b>
Income tax expense	137	117	149	95	498	119	115	118	128	480
<b>Income from continuing operations</b>	<b>3,573</b>	<b>3,713</b>	<b>1,567</b>	<b>4,295</b>	<b>13,148</b>	<b>4,303</b>	<b>4,643</b>	<b>3,996</b>	<b>4,352</b>	<b>17,294</b>
Income from discontinued operations	-	-	-	-	-	98	98	98	81	375
Gain on sale of property, less applicable income tax	-	-	-	-	-	-	-	-	2,158	2,158
<b>Net income</b>	<b>\$ 3,573</b>	<b>\$ 3,713</b>	<b>\$ 1,567</b>	<b>\$ 4,295</b>	<b>\$ 13,148</b>	<b>\$ 4,401</b>	<b>\$ 4,741</b>	<b>\$ 4,094</b>	<b>\$ 6,591</b>	<b>\$ 19,827</b>
Weighted average number of shares outstanding, basic and diluted										
	100,187	100,187	100,187	100,187	100,187	82,937	91,847	100,187	100,187	93,855
Earnings per share, basic and diluted, attributable to:										
Continuing operations	\$ 0.04	\$ 0.04	\$ 0.02	\$ 0.04	\$ 0.13	\$ 0.05	\$ 0.05	\$ 0.04	\$ 0.04	\$ 0.18
Discontinued operations	-	-	-	-	-	-	-	-	-	-
Gain on sale of property, less applicable income tax	-	-	-	-	-	-	-	-	0.03	0.03
<b>Net income per share, basic and diluted</b>	<b>\$ 0.04</b>	<b>\$ 0.04</b>	<b>\$ 0.02</b>	<b>\$ 0.04</b>	<b>\$ 0.13</b>	<b>\$ 0.05</b>	<b>\$ 0.05</b>	<b>\$ 0.04</b>	<b>\$ 0.07</b>	<b>\$ 0.21</b>



# Condensed Consolidated Balance Sheets

(in thousands)

	March 31, 2014	June 30, 2014	September 30, 2014	December 31, 2014	March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013
<b>Assets:</b>								
Real estate assets:								
Land	\$ 185,479	\$ 185,479	\$ 185,479	\$ 183,930	\$ 141,545	\$ 157,879	\$ 185,479	\$ 185,479
Buildings and improvements	1,605,808	1,609,747	1,613,699	1,604,984	1,175,743	1,320,703	1,599,519	1,603,941
Fixtures and equipment	1,296	1,395	1,633	1,677	904	960	985	1,170
	1,792,583	1,796,621	1,800,811	1,790,591	1,318,192	1,479,542	1,785,983	1,790,590
Less accumulated depreciation	234,447	246,658	258,799	266,284	189,794	199,290	210,293	222,252
Real estate assets, net	1,558,136	1,549,963	1,542,012	1,524,307	1,128,398	1,280,252	1,575,690	1,568,338
Acquired real estate leases, net	172,262	161,519	149,019	138,714	102,274	129,226	194,893	183,454
Investment in non-consolidated REITs	79,983	79,405	78,907	78,611	81,746	81,523	81,065	80,494
Assets held for sale	-	-	-	-	10,431	10,286	10,143	-
Cash and cash equivalents	20,031	18,455	15,930	7,519	17,282	24,962	25,539	19,623
Restricted cash	688	728	707	742	583	602	623	643
Tenant rent receivables, net	6,035	2,867	2,865	4,733	2,357	2,331	6,029	5,102
Straight-line rent receivable, net	44,392	46,021	46,737	47,021	36,210	37,865	40,086	42,261
Prepaid expenses and other assets	9,954	9,716	9,768	10,901	10,545	12,532	11,846	11,215
Related party mortgage loan receivable	101,916	88,436	88,436	93,641	96,896	97,846	98,846	99,746
Other assets: derivative asset	4,801	2,626	4,582	3,020	-	6,739	4,365	5,321
Deferred leasing commissions, net	27,477	28,861	28,354	27,181	24,920	24,877	27,504	27,837
<b>Total assets</b>	<b>\$ 2,025,675</b>	<b>\$ 1,988,597</b>	<b>\$ 1,967,317</b>	<b>\$ 1,936,390</b>	<b>\$ 1,511,642</b>	<b>\$ 1,709,041</b>	<b>\$ 2,076,629</b>	<b>\$ 2,044,034</b>
<b>Liabilities and Stockholders' Equity:</b>								
<b>Liabilities:</b>								
Bank note payable	\$ 316,500	\$ 296,500	\$ 285,000	\$ 268,000	\$ 221,750	\$ 181,500	\$ 331,500	\$ 306,500
Term loan payable	620,000	620,000	620,000	620,000	400,000	400,000	620,000	620,000
Accounts payable and accrued expenses	34,390	34,590	40,228	42,561	25,493	29,971	39,907	44,137
Accrued compensation	1,027	2,052	2,863	3,758	540	1,677	2,432	2,985
Tenant security deposits	4,258	4,259	4,331	4,248	2,474	3,074	3,891	4,027
Other liabilities: derivative termination value	3,825	5,985	4,847	7,268	778	-	4,579	2,044
Acquired unfavorable real estate leases, net	13,273	12,467	11,679	10,908	6,774	11,775	15,171	14,175
<b>Total liabilities</b>	<b>993,273</b>	<b>975,853</b>	<b>968,948</b>	<b>956,743</b>	<b>657,809</b>	<b>627,997</b>	<b>1,017,480</b>	<b>993,868</b>
<b>Commitments and contingencies</b>								
<b>Stockholders' Equity:</b>								
Preferred stock	-	-	-	-	-	-	-	-
Common stock	10	10	10	10	8	10	10	10
Additional paid-in capital	1,273,556	1,273,556	1,273,556	1,273,556	1,042,876	1,273,585	1,273,585	1,273,556
Accumulated other comprehensive income (loss)	976	(3,359)	(265)	(4,248)	(778)	6,739	(214)	3,277
Accumulated distributions in excess of accumulated earnings	(242,140)	(257,463)	(274,932)	(289,671)	(188,273)	(199,290)	(214,232)	(226,677)
<b>Total stockholders' equity</b>	<b>1,032,402</b>	<b>1,012,744</b>	<b>998,369</b>	<b>979,647</b>	<b>853,833</b>	<b>1,081,044</b>	<b>1,059,149</b>	<b>1,050,166</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 2,025,675</b>	<b>\$ 1,988,597</b>	<b>\$ 1,967,317</b>	<b>\$ 1,936,390</b>	<b>\$ 1,511,642</b>	<b>\$ 1,709,041</b>	<b>\$ 2,076,629</b>	<b>\$ 2,044,034</b>



# Condensed Consolidated Statements of Cash Flows

(in thousands)

	Twelve Months ended December 31		
	2014	2013	2012
Cash flows from operating activities:			
Net income	\$ 13,148	\$ 19,827	\$ 7,633
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization expense	97,916	81,267	57,500
Amortization of above market lease	635	(365)	71
Gain (loss) on sale of properties, less applicable income tax	(940)	(2,158)	14,826
Equity in earnings (losses) from non-consolidated REITs	1,760	1,358	(2,033)
Distributions from non-consolidated REITs	-	-	705
Increase in bad debt reserve	275	(1,250)	65
Changes in operating assets and liabilities:			
Restricted cash	(99)	(68)	(82)
Tenant rent receivables	94	(2,103)	(354)
Straight-line rents	(4,737)	(5,782)	(4,464)
Lease acquisition costs	(440)	(1,146)	(2,520)
Prepaid expenses and other assets	700	(1,547)	(328)
Accounts payable and accrued expenses	206	11,137	3,717
Accrued compensation	773	445	318
Tenant security deposits	222	1,538	481
Payment of deferred leasing commissions	(6,347)	(9,125)	(5,179)
<b>Net cash provided by operating activities</b>	<b>103,166</b>	<b>92,028</b>	<b>70,356</b>
Cash flows from investing activities:			
Property acquisitions	-	(454,447)	(167,812)
Property improvements, fixtures and equipment	(18,370)	(19,120)	(15,824)
Office computers and furniture	(191)	(355)	(232)
Acquired real estate leases	-	(100,143)	(37,302)
Investment in non-consolidated REITs	-	4,858	(1)
Distributions in excess of earnings from non-consolidated REITs	107	108	2,105
Investment in related party mortgage loan receivable	(11,170)	(8,200)	(74,580)
Repayment of related party mortgage loan receivable	17,275	2,350	121,200
Changes in deposits on real estate assets	-	-	-
Investment in assets held for syndication, net	-	-	-
Proceeds received on sales of real estate assets	14,192	12,301	157
<b>Net cash provided by (used in) investing activities</b>	<b>1,843</b>	<b>(562,648)</b>	<b>(172,289)</b>
Cash flows from financing activities:			
Distributions to stockholders	(76,142)	(69,588)	(63,032)
Proceeds (costs) from equity offering, net	-	230,682	-
Borrowings under bank note payable	15,000	160,000	294,750
Borrowings (repayments) under Revolver	(53,500)	(70,250)	(527,000)
Borrowing (repayment) of term loan payable, net	-	220,000	400,000
Deferred Financing Costs	(2,471)	(1,868)	(5,331)
Swap termination payment	-	-	-
<b>Net cash provided by (used in) financing activities</b>	<b>(117,113)</b>	<b>468,976</b>	<b>99,387</b>
Net decreases in cash and cash equivalents	(12,104)	(1,644)	(2,546)
Cash and cash equivalents, beginning of period	19,623	21,267	23,813
<b>Cash and cash equivalents, end of period</b>	<b>\$ 7,519</b>	<b>\$ 19,623</b>	<b>\$ 21,267</b>

December 31, 2014



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

(in thousands)

Region	Rentable Square Feet	Three Months Ended:				Year	Three Months Ended:				Year	Inc (Dec)	% Change
		31-Mar-14	30-Jun-14	30-Sep-14	31-Dec-14	Ended 31-Dec-14	31-Mar-13	30-Jun-13	30-Sep-13	31-Dec-13	Ended 31-Dec-13		
East	1,442	\$ 4,727	\$ 4,786	\$ 4,758	\$ 4,702	\$ 18,973	\$ 4,756	\$ 5,440	\$ 4,914	\$ 5,150	\$ 20,260	\$ (1,287)	-6.4%
MidWest	1,682	5,107	5,062	5,187	4,857	20,213	4,839	5,008	4,944	5,074	19,865	348	1.8%
South	3,525	14,135	13,694	13,720	13,803	55,352	13,226	13,297	13,199	13,410	53,132	2,220	4.2%
West	977	2,311	2,497	2,457	2,454	9,719	2,093	1,865	2,186	2,445	8,589	1,130	13.2%
Same Store	7,626	26,280	26,039	26,122	25,816	104,257	24,914	25,610	25,243	26,079	101,846	2,411	2.4%
Acquisitions	1,954	10,037	9,623	9,059	9,078	37,797	-	1,203	7,843	10,186	19,232	18,565	14.9%
Property NOI from the portfolio	9,580	36,317	35,662	35,181	34,894	142,054	24,914	26,813	33,086	36,265	121,078	20,976	17.3%
Property NOI on assets sold		256	264	272	207	999	510	505	507	340	1,862	(863)	-0.8%
Property NOI		\$ 36,573	\$ 35,926	\$ 35,453	\$ 35,101	\$ 143,053	\$ 25,424	\$ 27,318	\$ 33,593	\$ 36,605	\$ 122,940	\$ 20,113	16.4%
Same Store		\$ 26,280	\$ 26,039	\$ 26,122	\$ 25,816	\$ 104,257	\$ 24,914	\$ 25,610	\$ 25,243	\$ 26,079	\$ 101,846	\$ 2,411	2.4%
Less Nonrecurring Items in NOI (a)		707	287	173	56	1,223	63	557	-	378	998	225	-0.2%
Comparative Same Store		\$ 25,573	\$ 25,752	\$ 25,949	\$ 25,760	\$ 103,034	\$ 24,851	\$ 25,053	\$ 25,243	\$ 25,701	\$ 100,848	\$ 2,186	2.2%

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

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





# FFO & AFFO Reconciliation

(in thousands, except per share amounts)

	For the Three Months Ended				For the	For the Three Months Ended				For the
	31-Mar-14	30-Jun-14	30-Sep-14	31-Dec-14	Year Ended 31-Dec-14	31-Mar-13	30-Jun-13	30-Sep-13	31-Dec-13	Year Ended 31-Dec-13
Net income	\$ 3,573	\$ 3,713	\$ 1,567	\$ 4,295	\$ 13,148	\$ 4,401	\$ 4,741	\$ 4,094	\$ 6,591	\$ 19,827
Gain (loss) on sale, less applicable income tax	-	-	-	(940)	(940)	-	-	-	(2,158)	(2,158)
GAAP income from non-consolidated REITs	484	552	455	269	1,760	188	196	431	543	1,358
FFO from non-consolidated REITs	419	351	508	652	1,930	647	696	459	346	2,148
Depreciation & amortization	24,289	23,638	25,374	23,249	96,550	15,984	17,044	22,176	23,886	79,090
NAREIT FFO*	28,765	28,254	27,904	27,525	112,448	21,220	22,677	27,160	29,208	100,265
Acquisition costs	14	-	-	-	14	17	133	406	12	568
<b>Funds From Operations (FFO)*</b>	<b>\$ 28,779</b>	<b>\$ 28,254</b>	<b>\$ 27,904</b>	<b>\$ 27,525</b>	<b>\$ 112,462</b>	<b>\$ 21,237</b>	<b>\$ 22,810</b>	<b>\$ 27,566</b>	<b>\$ 29,220</b>	<b>\$ 100,833</b>
Adjusted Funds From Operations (AFFO)*										
Funds From Operations (FFO)*	28,779	28,254	27,904	27,525	112,462	21,237	22,810	27,566	29,220	100,833
Reverse FFO from non-consolidated REITs	(419)	(351)	(508)	(652)	(1,930)	(647)	(696)	(459)	(346)	(2,148)
Distributions from non-consolidated REITs	27	27	27	26	107	27	27	27	26	107
Amortization of deferred financing costs	499	499	498	506	2,002	429	429	456	499	1,813
Straight-line rent	(1,783)	(1,541)	(714)	(698)	(4,736)	(657)	(1,186)	(2,078)	(1,862)	(5,783)
Tenant improvements	(1,132)	(1,837)	(2,612)	(4,244)	(9,825)	(1,724)	(5,094)	(4,594)	(2,993)	(14,405)
Leasing commissions	(1,080)	(2,786)	(577)	(1,405)	(5,848)	(2,812)	(909)	(3,821)	(1,498)	(9,040)
Non-investment capex	(364)	(1,621)	(700)	(851)	(3,536)	(482)	(707)	(498)	(1,179)	(2,866)
<b>Adjusted Funds From Operations (AFFO)*</b>	<b>\$ 24,527</b>	<b>\$ 20,644</b>	<b>\$ 23,318</b>	<b>\$ 20,207</b>	<b>\$ 88,696</b>	<b>\$ 15,371</b>	<b>\$ 14,674</b>	<b>\$ 16,599</b>	<b>\$ 21,867</b>	<b>\$ 68,511</b>
Per Share Data:										
EPS	\$ 0.04	\$ 0.04	\$ 0.02	\$ 0.04	\$ 0.13	\$ 0.05	\$ 0.05	\$ 0.04	\$ 0.07	\$ 0.21
FFO*	0.29	0.28	0.28	0.27	1.12	0.26	0.25	0.28	0.29	1.07
AFFO*	0.24	0.21	0.23	0.20	0.89	0.19	0.16	0.17	0.22	0.73
Weighted Average Shares (basic and diluted)	100,187	100,187	100,187	100,187	100,187	82,937	91,847	100,187	100,187	93,855

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



## EBITDA Reconciliation

(in thousands, except ratio amounts)

	For the Three Months Ended				Year Ended	For the Three Months Ended				Year Ended
	31-Mar-14	30-Jun-14	30-Sep-14	31-Dec-14	31-Dec-14	31-Mar-13	30-Jun-13	30-Sep-13	31-Dec-13	31-Dec-13
Net income	\$ 3,573	\$ 3,713	\$ 1,567	\$ 4,295	\$ <b>13,148</b>	\$ 4,401	\$ 4,741	\$ 4,094	\$ 6,591	\$ <b>19,827</b>
Interest expense	7,176	6,891	6,883	6,483	<b>27,433</b>	4,208	4,174	5,474	7,198	<b>21,054</b>
Depreciation and amortization	24,289	23,638	25,374	23,249	<b>96,550</b>	15,984	17,044	22,176	23,886	<b>79,090</b>
Income taxes	137	117	149	95	<b>498</b>	119	115	118	128	<b>480</b>
EBITDA	35,175	34,359	33,973	34,122	<b>137,629</b>	24,712	26,074	31,862	37,803	<b>120,451</b>
Excluding (gain) loss on sale, less applicable income tax	-	-	-	(940)	<b>(940)</b>	-	-	-	(2,158)	<b>(2,158)</b>
Adjusted EBITDA	\$ 35,175	\$ 34,359	\$ 33,973	\$ 33,182	\$ <b>136,689</b>	\$ 24,712	\$ 26,074	\$ 31,862	\$ 35,645	\$ <b>118,293</b>
Interest expense	\$ 7,176	\$ 6,891	\$ 6,883	\$ 6,483	\$ <b>27,433</b>	\$ 4,208	\$ 4,174	\$ 5,474	\$ 7,198	\$ <b>21,054</b>
Scheduled principal payments	-	-	-	-	-	-	-	-	-	-
Interest and scheduled principal payments	\$ 7,176	\$ 6,891	\$ 6,883	\$ 6,483	\$ <b>27,433</b>	\$ 4,208	\$ 4,174	\$ 5,474	\$ 7,198	\$ <b>21,054</b>
Interest coverage ratio	4.90	4.99	4.94	5.12	<b>4.98</b>	5.87	6.25	5.82	4.95	<b>5.62</b>
Debt service coverage ratio	4.90	4.99	4.94	5.12	<b>4.98</b>	5.87	6.25	5.82	4.95	<b>5.62</b>
Debt	\$ 936,500	\$ 916,500	\$ 905,000	\$ 888,000	<b>\$ 888,000</b>	\$ 621,750	\$ 581,500	\$ 951,500	\$ 926,500	<b>\$ 926,500</b>
Adjusted EBITDA	35,175	34,359	33,973	<b>33,182</b>	<b>33,182</b>	24,712	26,074	31,862	<b>35,645</b>	<b>35,645</b>
Annualized	140,700	137,436	135,892	<b>132,728</b>	<b>132,728</b>	98,848	104,296	127,448	<b>142,580</b>	<b>142,580</b>
Debt-to-EBITDA	6.7	6.7	6.7	<b>6.7</b>	<b>6.7</b>	6.3	5.6	7.5	<b>6.5</b>	<b>6.5</b>

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



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

Reconciliation to Net income	Three Months Ended:				Year	Three Months Ended:				Year
	31-Mar-14	30-Jun-14	30-Sep-14	31-Dec-14	Ended 31-Dec-14	31-Mar-13	30-Jun-13	30-Sep-13	31-Dec-13	Ended 31-Dec-13
Net Income	\$ 3,573	\$ 3,713	\$ 1,567	\$ 4,295	\$ 13,148	\$ 4,401	\$ 4,741	\$ 4,094	\$ 6,591	\$ 19,827
Add (deduct):										
Discontinued operations	-	-	-	-	-	(98)	(98)	(98)	(81)	(375)
Gain on sale of properties	-	-	-	(940)	(940)	-	-	-	(2,158)	(2,158)
Management fee income	(646)	(682)	(649)	(619)	(2,596)	(559)	(598)	(692)	(689)	(2,538)
Depreciation and amortization	24,300	23,563	24,878	23,174	95,915	15,784	16,917	22,163	23,976	78,840
Amortization of above/below market leases	(11)	74	497	75	635	48	(29)	(143)	(91)	(215)
Selling, general and administrative	3,272	3,148	3,071	3,492	12,983	2,532	3,204	3,477	2,716	11,929
Interest expense	7,176	6,891	6,883	6,483	27,433	4,208	4,174	5,474	7,198	21,054
Interest income	(1,410)	(1,408)	(1,216)	(1,264)	(5,298)	(1,353)	(1,382)	(1,411)	(1,438)	(5,584)
Equity in earnings of non-consolidated REITs	484	552	455	269	1,760	187	196	431	544	1,358
Non-property specific items, net	(165)	75	(33)	136	13	22	(60)	45	(45)	(38)
Property NOI from the continuing portfolio	36,573	35,926	35,453	35,101	143,053	25,172	27,065	33,340	36,523	122,100
Property NOI classified in discontinued operations	-	-	-	-	-	252	253	253	82	840
Property NOI	\$ 36,573	\$ 35,926	\$ 35,453	\$ 35,101	\$ 143,053	\$ 25,424	\$ 27,318	\$ 33,593	\$ 36,605	\$ 122,940

\* 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 31-Dec-14	Interest Rate Components	(a)	
					Interest Rate at 31-Dec-14	Facility Fee
BAML Revolver	29-Oct-18	\$ 500,000	\$ 268,000	L+1.25%	1.41%	0.25%
BAML Term Loan	27-Sep-17	400,000	400,000	0.75% + 1.45%	2.20%	
BMO Term Loan	26-Aug-20	220,000	220,000	2.32% + 1.65%	3.97%	
		<u>\$ 1,120,000</u>	<u>\$ 888,000</u>		<u>2.40%</u>	

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

On October 29, 2014, we amended and restated our bank facility we call the BAML Credit Facility, which has a total of \$900 million available and is comprised of a revolver that we can borrow up to \$500 million on, which we call the BAML Revolver and a term loan for \$400 million that we call the BAML Term Loan. On August 26, 2013, we entered into a term loan we call the BMO Term Loan and borrowed \$220 million. Additional information about these loans are in the footnotes to our financial statements. Pricing is based on our credit rating for the BAML Revolver, BAML Term Loan and the BMO Term Loan. Our credit rating as of December 31, 2014 was Baa3 from Moody's.

- The BAML Revolver is priced based on our current credit rating at a spread of 1.25%, which was an interest rate of 1.41% as of December 31, 2014. The BAML Revolver is also subject to a facility fee based on our credit rating, which was 25 bps or approximately \$1.25 million per year at December 31, 2014.
- The BAML Term Loan has LIBOR fixed at 0.75% for five years. At our current credit rating the spread for the BAML Term Loan is 1.45%, so our interest rate is 2.20% as of December 31, 2014.
- The BMO Term Loan has fixed LIBOR at 2.32% for seven years. At our current credit rating the spread over LIBOR is 1.65%, so our interest rate is 3.97% as December 31, 2014.
- We incurred financing costs to close the BAML Revolver, BAML Term Loan and the credit facilities that preceded them. We also incurred financing costs to close the BMO Term Loan. 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 \$2.1 million.
- The BAML 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 BMO Term Loan includes an accordion feature that allows for up to \$50 million of additional borrowing capacity. The accordion features are subject to receipt of lender commitments and satisfaction of certain customary conditions.



# Capital Analysis

(in thousands, except per share amounts)

	<u>31-Mar-14</u>	<u>30-Jun-14</u>	<u>30-Sep-14</u>	<u>31-Dec-14</u>	<u>31-Mar-13</u>	<u>30-Jun-13</u>	<u>30-Sep-13</u>	<u>31-Dec-13</u>
<b>Market Data:</b>								
Shares Outstanding	100,187	100,187	100,187	100,187	82,937	100,187	100,187	100,187
Closing market price per share	\$ 12.60	\$ 12.58	\$ 11.22	\$ 12.27	\$ 14.62	\$ 13.20	\$ 12.74	\$ 11.95
Market capitalization	\$ 1,262,361	\$ 1,260,358	\$ 1,124,103	\$ 1,229,299	\$ 1,212,545	\$ 1,322,474	\$ 1,276,388	\$ 1,197,239
Total Debt	936,500	916,500	905,000	888,000	621,750	581,500	951,500	926,500
Total Market Capitalization	\$ 2,198,861	\$ 2,176,858	\$ 2,029,103	\$ 2,117,299	\$ 1,834,295	\$ 1,903,974	\$ 2,227,888	\$ 2,123,739
<b>Dividend Data:</b>								
Total dividends paid	\$ 19,036	\$ 19,035	\$ 19,036	\$ 19,036	\$ 15,758	\$ 15,758	\$ 19,036	\$ 19,036
Common dividend per share	\$ 0.19	\$ 0.19	\$ 0.19	\$ 0.19	\$ 0.19	\$ 0.19	\$ 0.19	\$ 0.19
Quarterly dividend as a % of FFO*	65.5%	67.9%	67.9%	70.4%	73.1%	76.0%	67.9%	65.5%
<b>Liquidity:</b>								
Cash and cash equivalents	\$ 20,031	\$ 18,455	\$ 15,930	\$ 7,519	\$ 17,282	\$ 24,962	\$ 25,539	\$ 19,623
Revolving credit facilities:								
Gross potential available under the BAML Credit Facility	900,000	900,000	900,000	900,000	900,000	900,000	900,000	900,000
Less:								
Outstanding balance	(716,500)	(696,500)	(685,000)	(668,000)	(621,750)	(581,500)	(731,500)	(706,500)
<b>Total Liquidity</b>	<b>\$ 203,531</b>	<b>\$ 221,955</b>	<b>\$ 230,930</b>	<b>\$ 239,519</b>	<b>\$ 295,532</b>	<b>\$ 343,462</b>	<b>\$ 194,039</b>	<b>\$ 213,123</b>

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



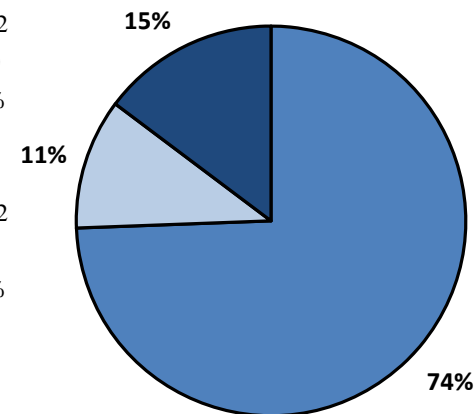
# Portfolio Overview

As of the Quarter Ended

	31-Dec-14	30-Sep-14	30-Jun-14	31-Mar-14	31-Dec-13
<b>Owned portfolio of commercial real estate:</b>					
Number of properties	38	39	39	39	39
Square feet	9,580,057	9,690,361	9,686,215	9,686,055	9,685,285
Leased percentage	92.8%	93.3%	94.1%	94.5%	94.1%
<b>Investments in non-consolidated commercial real estate:</b>					
Number of properties	2	2	2	2	2
Square feet	1,395,780	1,395,500	1,395,500	1,395,500	1,395,500
Leased percentage	71.3%	71.0%	65.5%	64.0%	64.1%
<b>Single Asset REITs (SARs) managed:</b>					
Number of properties	8	9	11	12	12
Square feet	1,897,801	2,036,572	2,687,775	3,067,199	3,067,199
Leased percentage	84.7%	86.6%	89.1%	87.4%	87.4%
<b>Total owned (a) , investments and managed properties :</b>					
Number of properties	48	50	52	53	53
Square feet	12,873,638	13,122,433	13,769,490	14,148,754	14,147,984
Leased percentage	89.3%	89.9%	90.2%	90.0%	89.7%

## Portfolio Breakdown by FSP Participation

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





# Owned Portfolio Overview

<u>MSA / Property Name</u>	<u>City</u>	<u>State</u>	<u>Square Feet</u>	<u>Percent Leased</u>	<u>Wtd Ave (a) Occupied</u>	<u>GAAP (b) Rent</u>	<u>MSA / Property Name</u>	<u>City</u>	<u>State</u>	<u>Square Feet</u>	<u>Percent Leased</u>	<u>Wtd Ave (a) Occupied</u>	<u>GAAP (b) Rent</u>
<b>East Region</b>							<b>Midwest Region</b>						
<b>Baltimore</b>							<b>Chicago</b>						
East Baltimore	Baltimore	MD	325,445	81.9%	78.7%	\$ 23.35	Northwest Point	Elk Grove Village	IL	176,848	100.0%	100.0%	\$ 19.52
							909 Davis Street	Evanston	IL	195,245	97.9%	97.9%	\$ 35.70
<b>Washington, D.C.</b>							<b>Indianapolis</b>						
Meadow Point	Chantilly	VA	138,537	92.6%	92.6%	\$ 27.47	River Crossing	Indianapolis	IN	205,059	100.0%	98.2%	\$ 23.08
Stonecroft	Chantilly	VA	111,469	100.0%	100.0%	\$ 38.46							
Loudoun Tech Center	Dulles	VA	136,658	92.0%	97.3%	\$ 16.17							
<b>Richmond</b>							<b>St. Louis</b>						
Innsbrook	Glen Allen	VA	298,456	99.9%	99.9%	\$ 18.28	Timberlake	Chesterfield	MO	232,766	98.3%	98.3%	\$ 21.32
							Timberlake East	Chesterfield	MO	116,197	91.0%	91.0%	\$ 23.51
							Lakeside Crossing	Maryland Heights	MO	127,778	100.0%	100.0%	\$ 26.10
<b>Charlotte</b>							<b>Minneapolis</b>						
Park Seneca	Charlotte	NC	109,674	92.1%	85.2%	\$ 15.43	Eden Bluff	Eden Prairie	MN	153,028	100.0%	100.0%	\$ 27.73
Forest Park	Charlotte	NC	62,212	100.0%	100.0%	\$ 14.15	121 South 8th Street	Minneapolis	MN	475,012	91.2%	90.3%	\$ 15.00
<b>Raleigh-Durham</b>							<b>Midwest Region Total</b>						
Emperor Boulevard	Durham	NC	259,531	100.0%	100.0%	\$ 35.66				1,681,933	96.4%	96.0%	\$ 22.50
<b>East Region Total</b>			<b>1,441,982</b>	<b>93.8%</b>	<b>93.1%</b>	<b>\$ 24.56</b>							

(a) Weighted Occupied Percentage for the year ended December 31, 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>
<b>South Region</b>						
<b>Dallas-Fort Worth</b>						
Willow Bend Office Center	Plano	TX	117,050	100.0%	98.7%	\$ 20.89
Legacy Tennyson Center	Plano	TX	202,600	100.0%	100.0%	\$ 17.59
One Legacy Circle	Plano	TX	214,110	100.0%	100.0%	\$ 33.10
Addison Circle	Addison	TX	293,926	89.6%	92.6%	\$ 24.47
Collins Crossing	Richardson	TX	300,472	99.5%	99.1%	\$ 24.59
Liberty Plaza	Addison	TX	218,934	90.6%	93.8%	\$ 20.63
<b>Houston</b>						
Park Ten	Houston	TX	157,460	63.1%	82.6%	\$ 29.64
Eldridge Green	Houston	TX	248,399	100.0%	100.0%	\$ 31.23
Park Ten Phase II	Houston	TX	156,746	100.0%	100.0%	\$ 31.15
Westchase I & II	Houston	TX	629,025	97.7%	96.9%	\$ 32.82
<b>Miami-Ft. Lauderdale-West Palm Beach</b>						
Blue Lagoon Drive	Miami	FL	212,619	100.0%	100.0%	\$ 23.19
<b>Atlanta</b>						
One Overton Place	Atlanta	GA	387,267	86.3%	96.8%	\$ 23.38
One Ravinia	Atlanta	GA	386,603	95.2%	92.1%	\$ 23.04
999 Peachtree	Houston	TX	621,946	97.7%	93.6%	\$ 29.23
<b>South Region Total</b>			<u>4,147,157</u>	<u>94.9%</u>	<u>95.9%</u>	<u>\$ 26.82</u>

(a) Weighted Occupied Percentage for the year ended December 31, 2014

(b) Weighted Average GAAP Rent per Occupied Square Foot

<u>MSA / Property Name</u>	<u>City</u>	<u>State</u>	<u>Square Feet</u>	<u>Percent Leased</u>	<u>Wtd Ave (a) Occupied</u>	<u>GAAP (b) Rent</u>
<b>West Region</b>						
<b>Seattle</b>						
Federal Way	Federal Way	WA	117,010	57.1%	54.7%	\$ 18.46
<b>San Francisco-San Jose-Oakland</b>						
Hillview Center	Milpitas	CA	36,288	100.0%	100.0%	\$ 16.10
Montague Business Center	San Jose	CA	145,951	81.1%	89.0%	\$ 16.12
<b>Denver</b>						
380 Interlocken	Broomfield	CO	240,185	95.8%	92.6%	\$ 29.56
1999 Broadway	Denver	CO	676,379	88.9%	90.8%	\$ 30.81
Greenwood Plaza	Englewood	CO	196,236	100.0%	100.0%	\$ 23.65
390 Interlocken	Broomfield	CO	241,516	72.3%	70.0%	\$ 27.50
1001 17th Street	Denver	CO	655,420	84.8%	85.0%	\$ 31.78
<b>West Region Total</b>			<u>2,308,985</u>	<u>85.7%</u>	<u>86.2%</u>	<u>\$ 28.33</u>
<b>Total Owned</b>			<u>9,580,057</u>	<u>92.8%</u>	<u>93.1%</u>	<u>\$ 26.04</u>





# Managed Portfolio Overview

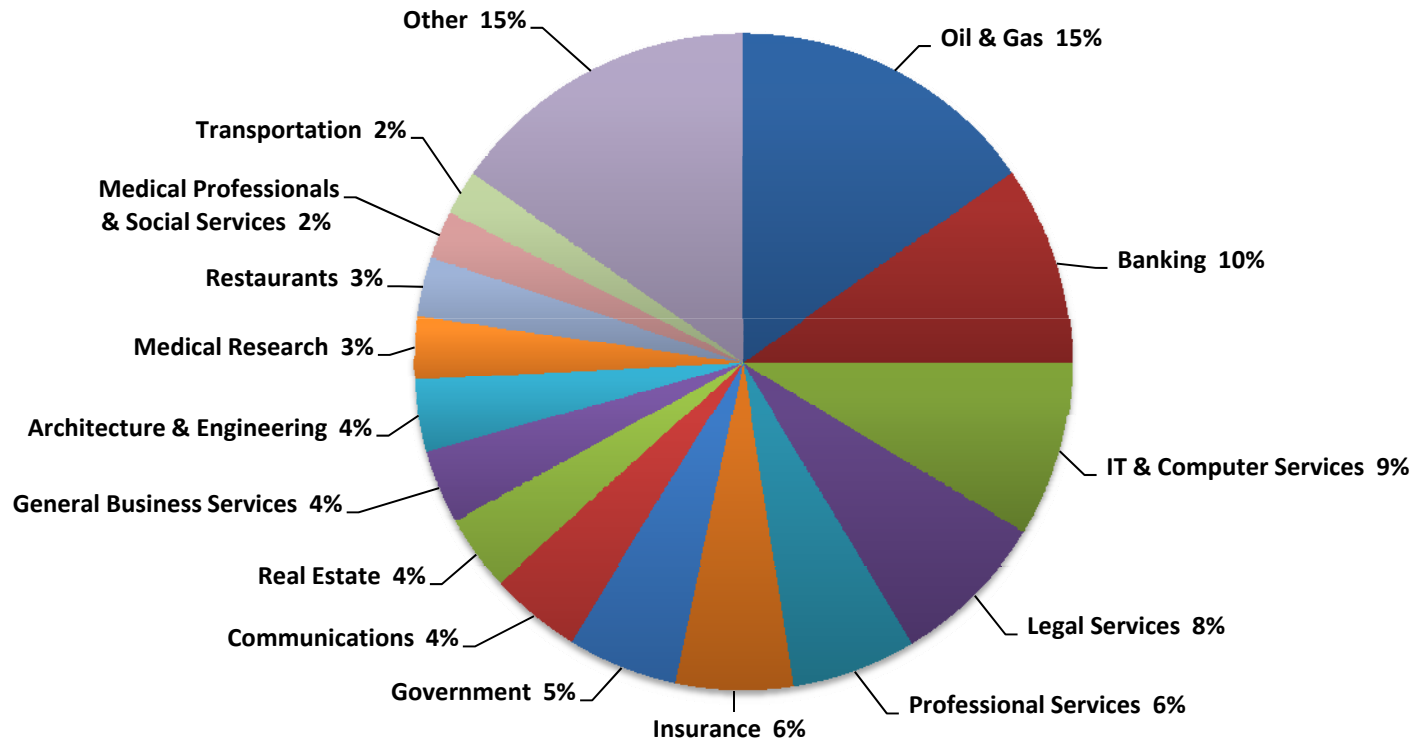
<u>MSA / Property Name</u>	<u>City</u>	<u>State</u>	<u>Square Feet</u>	<u>MSA / Property Name</u>	<u>City</u>	<u>State</u>	<u>Square Feet</u>
<b>Southeast Region</b>				<b>Midwest Region</b>			
<b>Columbia</b>				<b>Chicago</b>			
1441 Main Street	Columbia	SC	264,857	(a) East Wacker	Chicago	IL	860,709
<b>Atlanta</b>				<b>Indianapolis</b>			
Satellite Place	Duluth	GA	134,785	Monument Circle	Indianapolis	IN	213,760
<b>Southeast Region Total</b>			<u>399,642</u>	<b>St. Louis</b>			
<b>Southwest Region</b>				<b>Kansas City</b>			
<b>Houston</b>				(b) Grand Boulevard			
Energy Tower I	Houston	TX	325,797	Kansas City	Kansas City	MO	535,071
<b>Denver</b>				<b>Cincinnati</b>			
385 Interlocken	Broomfield	CO	296,868	Centre Pointe V	West Chester	OH	135,936
<b>Southwest Region Total</b>			<u>622,665</u>	Union Centre	West Chester	OH	409,798
<b>Midwest Region Total</b>							<u>2,271,274</u>
<b>Total Managed</b>							<u>3,293,581</u>
<b>Total Owned &amp; Managed</b>							<u>12,873,638</u>

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

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

# Tenants by Industry

(By Square Feet)



- Oil & Gas 15%
- Banking 10%
- IT & Computer Services 9%
- Legal Services 8%
- Professional Services 6%
- Insurance 6%
- Government 5%
- Communications 4%
- Real Estate 4%
- General Business Services 4%
- Architecture & Engineering 4%
- Medical Research 3%
- Restaurants 3%
- Medical Professionals & Social Services 2%
- Transportation 2%



## 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	% of Aggregate Leased Annualized Rent
1	TCF National Bank	2	12	263,111	2.8%	\$ 2,937,400	1.3%
2	Quintiles Transnational Corp	1	51	259,531	2.7%	8,821,181	3.9%
3	CITGO Petroleum Corporation	1	86	248,399	2.6%	7,558,782	3.4%
4	Sutherland Asbill Brennan LLP	1	64	243,839	2.5%	7,352,253	3.3%
5	Newfield Exploration Company	1	86	234,495	2.4%	7,921,342	3.5%
6	US Government (a)	6	2, 8, 18, 41, 45, 69	224,427	2.3%	7,222,999	3.2%
7	Burger King Corporation	1	45	212,619	2.2%	5,217,670	2.3%
8	Denbury Onshore, LLC	2	55	202,600	2.1%	3,510,042	1.5%
9	RGA Reinsurance Company (b)	2	-	197,354	2.1%	4,304,802	1.9%
10	SunTrust Bank (c)	2	22, 81	182,888	1.9%	3,754,246	1.7%
11	Citicorp Credit Services, Inc	1	24	176,848	1.9%	3,689,049	1.6%
12	C.H. Robinson Worldwide, Inc	1	78	153,028	1.6%	4,221,068	1.9%
13	T-Mobile South, LLC dba T-Mobile	1	50	151,792	1.6%	3,588,227	1.6%
14	Houghton Mifflin Harcourt Publishing Company	1	27	150,050	1.6%	5,962,139	2.6%
15	Petrobras America, Inc.	1	59	144,813	1.5%	4,969,982	2.2%
16	Murphy Exploration & Production Company	1	28	144,677	1.5%	4,439,625	2.0%
17	Argo Data Resource Corporation	1	104	140,246	1.5%	3,741,362	1.7%
18	Monsanto Company	1	61	127,778	1.3%	3,282,617	1.5%
19	Federal National Mortgage Association	1	21	123,144	1.3%	2,678,382	1.2%
20	Vail Corp d/b/a Vail Resorts (d)	1	51, 99	122,232	1.3%	3,430,358	1.5%
			<b>Total</b>	<b>3,703,871</b>	<b>38.7%</b>	<b>\$ 98,603,524</b>	<b>43.8%</b>

(a) Includes 180,444 and 5,090 square feet which expire in 2018 & 2016, respectively. The remaining 38,893 square feet expire between 2015-2020.

(b) Lease expired and tenants vacated on December 31, 2014. As of January 1, 2015, Kaiser Foundation Health Plan will become the 20th largest tenant with 120,979 square feet.

(c) Includes 55,388 square feet which expires October 31, 2016. The remaining 127,500 square feet expires September 30, 2021.

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



## Leasing Activity

(Owned Portfolio)

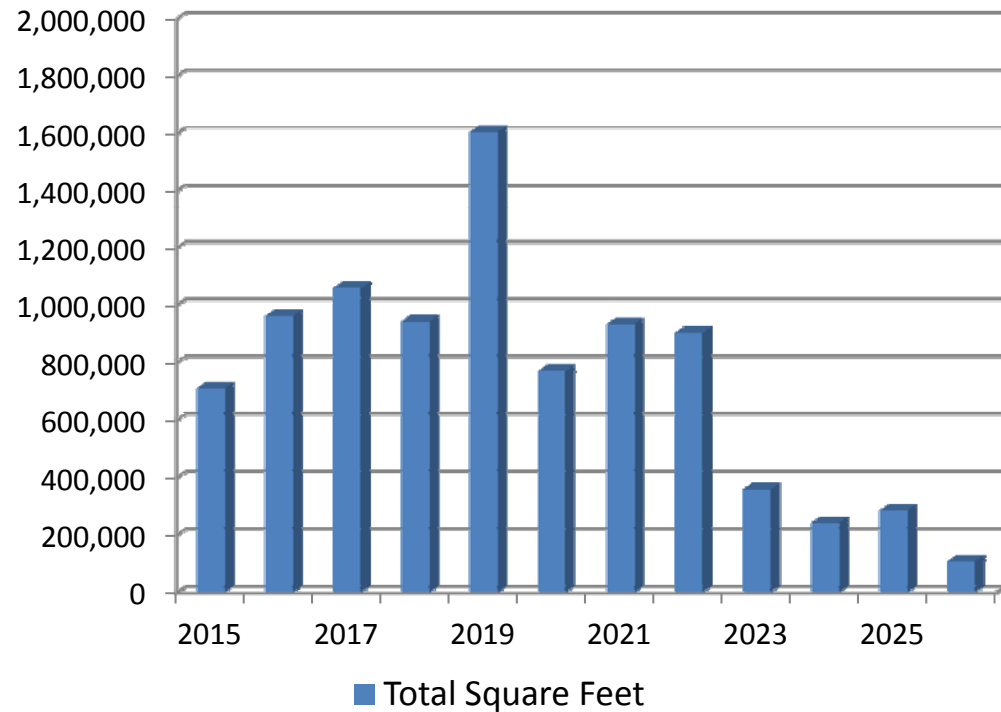
	Year Ended 31-Dec-14	Year Ended 31-Dec-13	Year Ended 31-Dec-12
<b>Leasing Activity</b>			
<b>(in Square Feet - SF)</b>			
New leasing	149,000	267,000	315,740
Renewals	635,000	645,000	700,838
	<u>784,000</u>	<u>912,000</u>	<u>1,016,578</u>
<b>Other information per SF</b>			
<b>(Activity on a year-to-date basis)</b>			
GAAP Rents on leasing	\$ 26.89	\$ 23.33	\$ 22.41
Weighted average lease term	6.25 Years	7.2 Years	5.1 Years
Increase over average GAAP rents in prior year	11.8%	8.0%	1.5%
Average free rent	3 Months	3 Months	3 Months
Tenant Improvements	\$ 16.40	\$ 18.25	\$ 12.26
Leasing Costs	\$ 7.66	\$ 8.48	\$ 5.40



# Lease Expirations by Square Feet

(Owned Portfolio)

<u>Year</u>	<u>Total Square Feet</u>	<u>% of Square Feet</u>
2015	710,649	7.4%
2016	962,093	10.0%
2017	1,059,927	11.1%
2018	944,323	9.9%
2019	1,606,640	16.8%
2020	771,151	8.1%
2021	933,499	9.7%
2022	903,231	9.4%
2023	359,567	3.8%
2024	243,257	2.5%
2025	286,792	3.0%
2026	109,992	1.1%
Vacant	688,936	7.2%
<b>Total</b>	<b>9,580,057</b>	<b>100.0%</b>





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

Year of Lease Expiration December 31,	Number of Leases Expiring Within the Year	Rentable Square Footage Subject to Expiring Leases	Annualized Rent Under Expiring Leases (a)	Annualized Rent Per Square Foot Under Expiring Leases	Percentage of Total Final Annualized Rent Under Expiring Leases	Cumulative Total
2015	110 (b)	710,649	17,647,630	24.83	7.8%	7.8%
2016	72	962,093	20,118,004	20.91	8.9%	16.7%
2017	75	1,059,927	29,480,637	27.81	13.1%	29.8%
2018	64	944,323	27,380,387	28.99	12.2%	42.0%
2019	57	1,606,640	42,132,132	26.22	18.7%	60.7%
2020	32	771,151	20,964,007	27.19	9.3%	70.0%
2021	20	933,499	22,261,544	23.85	9.9%	79.9%
2022	18	903,231	25,031,685	27.71	11.1%	91.0%
2023 and thereafter	27	999,608 (c)	20,204,027	20.21	9.0%	100.0%
	475	8,891,121	225,220,053	25.33	100.0%	
Vacant SF as of 12/31/14		688,936				
Total Portfolio Square Footage		<u>9,580,057</u>				

(a) Annualized rent represents the monthly rent, including tenant reimbursements, for each lease in effect at December 31, 2014 multiplied by 12. Tenant reimbursements generally include payment of real estate taxes, operating expenses and common area maintenance and utility charges.

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

(c) Includes 53,120 square feet that are non-revenue producing building amenities.



## Capital Expenditures (in thousands)

(in thousands)	For the Three Months Ended				Year ended
	<u>31-Mar-14</u>	<u>30-Jun-14</u>	<u>30-Sep-14</u>	<u>31-Dec-14</u>	<u>31-Dec-14</u>
Tenant improvements	\$ 1,132	\$ 1,837	\$ 2,612	\$ 4,244	\$ 9,825
Deferred leasing costs	1,080	2,786	577	1,405	5,848
Non-investment capex	<u>364</u>	<u>1,621</u>	<u>700</u>	<u>851</u>	<u>3,536</u>
Recurring Capital Expenditures	2,576	6,244	3,889	6,500	19,209
1st generation leasing	33	9	394	580	1,016
Investment capex	<u>755</u>	<u>580</u>	<u>244</u>	<u>516</u>	<u>2,095</u>
Total Capital Expenditures	<u>\$ 3,364</u>	<u>\$ 6,833</u>	<u>\$ 4,527</u>	<u>\$ 7,596</u>	<u>\$ 22,320</u>

(in thousands)	For the Three Months Ended:				Year ended
	<u>31-Mar-13</u>	<u>30-Jun-13</u>	<u>30-Sep-13</u>	<u>31-Dec-13</u>	<u>31-Dec-13</u>
Tenant improvements	\$ 1,724	\$ 5,094	\$ 4,594	\$ 2,993	\$ 14,405
Deferred leasing costs	2,812	909	3,821	1,498	9,040
Non-investment capex	<u>482</u>	<u>707</u>	<u>498</u>	<u>1,179</u>	<u>2,866</u>
Recurring Capital Expenditures	5,018	6,710	8,913	5,670	26,311
1st generation leasing	128	1,011	2	36	1,177
Investment capex	<u>515</u>	<u>743</u>	<u>1,054</u>	<u>299</u>	<u>2,611</u>
Total Capital Expenditures	<u>\$ 5,661</u>	<u>\$ 8,464</u>	<u>\$ 9,969</u>	<u>\$ 6,005</u>	<u>\$ 30,099</u>



# Transaction Activity

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

<b>Recent Dispositions:</b>						
	<u>City</u>	<u>State</u>	<u>Square Feet</u>	<u>Date Sold</u>	<u>Net Sales</u> <u>Proceeds</u>	<u>Gain (Loss)</u> <u>on Sale</u>
(in thousands)						
<b>2014</b>						
Centennial	Colorado Springs	CO	110,405	12/3/14	\$ 15,500	\$ 940
<b>2013</b>						
East Renner Road	Richardson	TX	122,300	10/29/13	\$ 12,300	\$ 2,169
<b>2012</b>						
Southfield	Southfield	MI	252,613	12/21/12	\$ 293	\$ (14,826)
<b>2011</b>						
Fairview	Falls Church	VA	252,613	1/21/11	89,382	19,592
Bollman (a)	Savage	MD	98,745	6/24/11	7,408	2,346

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





## Loan Portfolio of Secured Real Estate

(dollars in thousands)

<u>Sponsored REIT</u>	<u>Location</u>	<u>Maturity Date</u>	<u>Maximum Amount of Loan</u>	<u>Amount Drawn at 31-Dec-14</u>	<u>Interest Rate (1)</u>	<u>Draw Fee (2)</u>	<u>Interest Rate at 31-Dec-14</u>
<b>Secured revolving lines of credit</b>							
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%
FSP Energy Tower I Corp.	Houston, TX	3-Jul-15	20,000	8,600	L+5.0%	0.5%	5.15%
<b>Secured construction loan</b>							
FSP 385 Interlocken Development Corp.	Broomfield, CO	30-Apr-15	42,000	37,541	L+4.4%	n/a	4.55%
<b>Mortgage loan secured by property</b>							
FSP Energy Tower I Corp. (3)	Houston, TX	3-Jul-15	33,000	33,000	6.41%	n/a	6.41%
				<u>\$ 111,300</u>	<u>\$ 93,641</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, which was extended for one year from July 5, 2014 to July 3, 2015 and an extension fee of \$108,900 was paid by the borrower to the Company.



# Net Asset Value Components

(in thousands except per share data)

	<b>As of</b>
	<b><u>31-Dec-14</u></b>
Total Market Capitalization Values	
Shares outstanding	100,187.4
Closing price, December 31st	\$ 12.27
Market capitalization	\$ 1,229,299
Debt	888,000
Total Market Capitalization	<u>2,117,299</u>
	<b>3 Months</b>
	<b>Ended</b>
	<b><u>31-Dec-14</u></b>
<b>NOI Components</b>	
Same Store NOI (1)	\$ 25,816
Acquisitions (1) (2)	9,078
Property NOI (1)	34,894
Full quarter adjustment (3)	-
<b>Stabilized portfolio</b>	<b><u>\$ 34,894</u></b>
Financial Statement Reconciliation:	
Rental Revenue	\$ 61,022
Rental operating expenses	(16,334)
Real estate taxes and insurance	(9,288)
NOI on assets sold during the quarter	(207)
Taxes (4)	(95)
Management fees & other (5)	(204)
Property NOI (1)	<u>\$ 34,894</u>

<b>Assets:</b>	
Loans outstanding on secured RE	\$ 93,641
Investments in SARs (book basis)	78,611
Straight-line rent receivable	47,021
Asset held for sale	-
Cash and cash equivalents	7,519
Restricted cash	742
Tenant rent receivables	4,733
Prepaid expenses	1,475
Office computers and furniture	609
Other assets:	
Deferred financing costs, net	7,637
Other assets: Derivative Market Value	3,020
Phoenix Tower Liquidating Trust (6)	4
Other assets	<u>1,176</u>
	<u>\$ 246,188</u>
	-
<b>Liabilities:</b>	
Debt	\$ 888,000
Accounts payable & accrued expenses	46,319
Tenant security deposits	4,248
Other liabilities: derivative liability	7,268
	<u>\$ 945,835</u>
	-

<b>Other information:</b>	
Leased SF to be FFO producing	
During 2015 (in 000's)	<u>114</u>
Straight-line rental revenue current quarter	<u>\$ 699</u>
Management fee income current quarter	\$ 202
Interest income from secured loans	<u>1,263</u>
Management fees and interest income from loans	<u>\$ 1,465</u>
FFO from non-consolidated REITs - Q3 2014 (7):	
East Wacker	\$ 374
Grand Boulevard	134
Total	<u>\$ 508</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 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.



## Appendix: Non-GAAP Financial Measure Definitions

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

The Company defines AFFO as the sum of (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, (5) less recurring capital expenditures that are generally for (a) 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 (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.



## AFFO\* Comparison

<i>Quarterly AFFO Per Share</i>					
<i>New Definition</i>					
	Q1	Q2	Q3	Q4	Total
2014	\$ 0.24	\$ 0.21	\$ 0.23	\$ 0.20	\$ 0.89
2013	\$ 0.19	\$ 0.16	\$ 0.17	\$ 0.22	\$ 0.73
<i>Old Definition</i>					
	Q1	Q2	Q3	Q4	Total
2014	\$ 0.24	\$ 0.20	\$ 0.23	\$ 0.19	\$ 0.85
2013	\$ 0.18	\$ 0.14	\$ 0.16	\$ 0.21	\$ 0.69

### Adjusted Funds From Operations (AFFO)\*

<i>New Definition</i>	For the Year Ended	
	December 31,	
(in thousands):	2014	2013
Funds From Operations (FFO)*	\$ 112,462	\$ 100,833
Reverse FFO from non-consolidated REITs	(1,930)	(2,148)
Distributions from non-consolidated REITs	107	107
Amortization of deferred financing costs	2,002	1,813
Straight-line rent	(4,736)	(5,783)
Tenant improvements	(9,825)	(14,405)
Leasing commissions	(5,848)	(9,040)
Non-investment capex	(3,536)	(2,866)
<b>Adjusted Funds From Operations (AFFO)*</b>	<b>\$ 88,696</b>	<b>\$ 68,511</b>
Weighted Average Shares (basic and diluted)	100,187	93,855
AFFO Per Share	\$ 0.89	\$ 0.73

### *Old Definition*

	For the Year Ended	
	December 31,	
(in thousands):	2014	2013
Funds From Operations (FFO)*	\$ 112,462	\$ 100,833
Reverse FFO from non-consolidated REITs	(1,930)	(2,148)
Distributions from non-consolidated REITs	107	107
Amortization of deferred financing costs	2,002	1,813
Straight-line rent	(4,736)	(5,783)
Tenant improvements	(10,350)	(15,071)
Leasing commissions	(6,338)	(9,257)
Non-investment capex	(5,632)	(5,771)
<b>Adjusted Funds From Operations (AFFO)*</b>	<b>\$ 85,585</b>	<b>\$ 64,723</b>
Weighted Average Shares (basic and diluted)	100,187	93,855
AFFO Per Share	\$ 0.85	\$ 0.69

Note: The new definition excludes 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.

\*Please see the definition of FFO on page 27 and AFFO on page 29.



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