

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2024.

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number: 001-32470

Franklin Street Properties Corp.
(Exact name of registrant as specified in its charter)

Maryland04-3578653
(State or other jurisdiction of incorporation or organization)(I.R.S. Employer Identification No.)

401 Edgewater Place, Suite 200
Wakefield, MA 01880
(Address of principal executive offices)(Zip Code)

(781) 557-1300
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class:	Trading Symbol	Name of each exchange on which registered:
Common Stock, \$.0001 par value per share	FSP	NYSE American

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ☐Accelerated Filer ☒
Non-accelerated Filer ☐Smaller Reporting Company ☒
Emerging Growth Company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒
The number of shares of common stock outstanding as of July 25, 2024, was103,566,715.

Franklin Street Properties Corp.
Form 10-Q

Quarterly Report
June 30, 2024

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

Franklin Street Properties Corp. Consolidated Balance Sheets (Unaudited)

(in thousands, except share and par value amounts)	June 30, 2024	December 31, 2023
Assets:		
Real estate assets:		
Land (amounts related to variable interest entities ("VIEs") of \$6,416 and \$6,416 at June 30, 2024 and December 31, 2023, respectively)	\$ 105,298	\$ 110,298
Buildings and improvements (amounts related to VIEs of \$13,279 and \$13,279 at June 30, 2024 and December 31, 2023, respectively)	1,086,300	1,133,971
Fixtures and equipment	10,436	12,904
	1,202,034	1,257,173
Less accumulated depreciation (amounts related to VIEs of \$511 and \$341 at June 30, 2024 and December 31, 2023, respectively)	361,278	366,349
Real estate assets, net (amounts related to VIEs of \$19,184 and \$19,354 at June 30, 2024 and December 31, 2023, respectively)	840,756	890,824
Acquired real estate leases, less accumulated amortization of \$20,505 and \$20,413, respectively (amounts related to VIEs of \$67 and \$305, less accumulated amortization of \$26 and \$222 at June 30, 2024 and December 31, 2023, respectively)	5,306	6,694
Assets held for sale	67,823	73,318
Cash, cash equivalents and restricted cash (amounts related to VIEs of \$1,745 and \$2,167 at June 30, 2024 and December 31, 2023, respectively)	31,495	127,880
Tenant rent receivables	2,349	2,191
Straight-line rent receivable	38,901	40,397
Prepaid expenses and other assets	4,064	4,239
Office computers and furniture, net of accumulated depreciation of \$1,051 and \$1,020, respectively	92	123
Deferred leasing commissions, net of accumulated amortization of \$14,584 and \$16,008, respectively	21,741	23,664
Total assets	\$ 1,012,527	\$ 1,169,330
Liabilities and Stockholders' Equity:		
Liabilities:		
Bank note payable	\$ —	\$ 90,000
Term loans payable, less unamortized financing costs of \$3,766 and \$293, respectively	149,604	114,707
Series A & Series B Senior Notes, less unamortized financing costs of \$2,019 and \$329, respectively	147,611	199,670
Accounts payable and accrued expenses (amounts related to VIEs of \$540 and \$590 at June 30, 2024 and December 31, 2023, respectively)	23,765	41,879
Accrued compensation	2,300	3,644
Tenant security deposits	6,248	6,204
Lease liability	859	334
Acquired unfavorable real estate leases, less accumulated amortization of \$419 and \$396, respectively	63	87
Total liabilities	330,450	456,525
Commitments and contingencies		
Stockholders' Equity:		
Preferred stock, \$.0001 par value, 20,000,000 shares authorized, none issued or outstanding	—	—
Common stock, \$.0001 par value, 180,000,000 shares authorized, 103,566,715 and 103,430,353 shares issued and outstanding, respectively	10	10
Additional paid-in capital	1,335,361	1,335,091
Accumulated other comprehensive income	—	355
Accumulated distributions in excess of accumulated earnings	(653,294)	(622,651)
Total stockholders' equity	682,077	712,805
Total liabilities and stockholders' equity	\$ 1,012,527	\$ 1,169,330

The accompanying notes are an integral part of these consolidated financial statements.

Franklin Street Properties Corp.
Consolidated Statements of Operations
(Unaudited)

(in thousands, except per share amounts)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2024	2023	2024	2023
Revenues:				
Rental	\$ 30,818	\$ 36,257	\$ 62,043	\$ 74,024
Other	12	9	12	9
Total revenues	30,830	36,266	62,055	74,033
Expenses:				
Real estate operating expenses	11,027	12,140	22,046	24,830
Real estate taxes and insurance	5,727	7,169	11,663	14,142
Depreciation and amortization	11,482	14,645	23,107	29,372
General and administrative	3,635	3,767	7,794	7,584
Interest	7,082	6,084	13,928	11,890
Total expenses	38,953	43,805	78,538	87,818
Loss on extinguishment of debt	—	—	(137)	(67)
Gain on consolidation of Sponsored REIT	—	—	—	394
Gain (loss) on sale of properties and impairment of assets held for sale, net	(13,200)	(806)	(13,205)	7,586
Interest income	348	—	1,356	—
Loss before taxes	(20,975)	(8,345)	(28,469)	(5,872)
Tax expense	48	75	106	142
Net loss	\$ (21,023)	\$ (8,420)	\$ (28,575)	\$ (6,014)
Weighted average number of shares outstanding, basic and diluted	103,477	103,330	103,454	103,283
Net loss per share, basic and diluted	\$ (0.20)	\$ (0.08)	\$ (0.28)	\$ (0.06)

The accompanying notes are an integral part of these consolidated financial statements.

Franklin Street Properties Corp.
Consolidated Statements of Comprehensive Income (Loss)
(Unaudited)

(in thousands)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2024	2023	2024	2023
Net loss	\$ (21,023)	\$ (8,420)	\$ (28,575)	\$ (6,014)
Other comprehensive income (loss):				
Unrealized gain on derivative financial instruments	—	—	—	177
Reclassification from accumulated other comprehensive income into interest expense	—	(1,064)	(355)	(2,055)
Total other comprehensive loss	—	(1,064)	(355)	(1,878)
Comprehensive loss	<u>\$ (21,023)</u>	<u>\$ (9,484)</u>	<u>\$ (28,930)</u>	<u>\$ (7,892)</u>

The accompanying notes are an integral part of these consolidated financial statements.

Franklin Street Properties Corp.
Consolidated Statements of Stockholders' Equity
(Unaudited)

(in thousands, except per share amounts)	Common Stock		Additional	Accumulated	Distributions	Total
	Shares	Amount	Paid-In Capital	other comprehensive income (loss)	in excess of accumulated earnings	Stockholders' Equity
Balance, December 31, 2022	103,236	\$ 10	\$ 1,334,776	\$ 4,358	\$ (570,408)	\$ 768,736
Comprehensive income (loss)	—	—	—	(814)	2,406	1,592
Distributions \$0.01 per share of common stock	—	—	—	—	(1,033)	(1,033)
Balance, March 31, 2023	<u>103,236</u>	<u>\$ 10</u>	<u>\$ 1,334,776</u>	<u>\$ 3,544</u>	<u>\$ (569,035)</u>	<u>\$ 769,295</u>
Comprehensive loss	—	—	—	(1,064)	(8,420)	(9,484)
Equity-based compensation	194	—	315	—	—	315
Distributions \$0.09 per share of common stock	—	—	—	—	(1,032)	(1,032)
Balance, June 30, 2023	<u>103,430</u>	<u>\$ 10</u>	<u>\$ 1,335,091</u>	<u>\$ 2,480</u>	<u>\$ (578,487)</u>	<u>\$ 759,094</u>
Balance, December 31, 2023	103,430	\$ 10	\$ 1,335,091	\$ 355	\$ (622,651)	\$ 712,805
Comprehensive loss	—	—	—	(355)	(7,552)	(7,907)
Distributions \$0.01 per share of common stock	—	—	—	—	(1,034)	(1,034)
Balance, March 31, 2024	<u>103,430</u>	<u>\$ 10</u>	<u>\$ 1,335,091</u>	<u>\$ —</u>	<u>\$ (631,237)</u>	<u>\$ 703,864</u>
Comprehensive loss	—	—	—	—	(21,023)	(21,023)
Equity-based compensation	137	—	270	—	—	270
Distributions \$0.01 per share of common stock	—	—	—	—	(1,034)	(1,034)
Balance, June 30, 2024	<u>103,567</u>	<u>\$ 10</u>	<u>\$ 1,335,361</u>	<u>\$ —</u>	<u>\$ (653,294)</u>	<u>\$ 682,077</u>

The accompanying notes are an integral part of these consolidated financial statements.

Franklin Street Properties Corp.
Consolidated Statements of Cash Flows
(Unaudited)

(in thousands)	For the Six Months Ended June 30,	
	2024	2023
Cash flows from operating activities:		
Net loss	\$ (28,575)	\$ (6,014)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization expense	24,604	30,634
Amortization of above and below market leases	(11)	(30)
Shares issued as compensation	270	315
Amortization of other comprehensive income into interest expense	(355)	(1,726)
Loss on extinguishment of debt	137	67
Gain on consolidation of Sponsored REIT	—	(394)
(Gain) loss on sale of properties and impairment of assets held for sale, net	13,205	(7,586)
Changes in operating assets and liabilities:		
Tenant rent receivables	(158)	263
Straight-line rents	464	322
Lease acquisition costs	(292)	(824)
Prepaid expenses and other assets	(420)	(267)
Accounts payable and accrued expenses	(12,557)	(8,747)
Accrued compensation	(1,344)	(1,358)
Tenant security deposits	44	(44)
Payment of deferred leasing commissions	(2,748)	(4,137)
Net cash provided by (used in) operating activities	(7,736)	474
Cash flows from investing activities:		
Property improvements, fixtures and equipment	(13,247)	(18,369)
Consolidation of Sponsored REIT	—	3,048
Proceeds received from sales of properties	34,326	28,098
Net cash provided by investing activities	21,079	12,777
Cash flows from financing activities:		
Distributions to stockholders	(2,068)	(2,065)
Proceeds received from termination of interest rate swap	—	4,206
Borrowings under Bank note payable	—	62,000
Repayments of Bank note payable	(22,667)	(35,000)
Repayments of Term loans payable	(28,963)	(40,000)
Repayments of Series A&B Senior Notes	(50,370)	—
Deferred financing costs	(5,660)	(2,327)
Net cash used in financing activities	(109,728)	(13,186)
Net increase (decrease) in cash, cash equivalents and restricted cash	(96,385)	65
Cash, cash equivalents and restricted cash, beginning of year	127,880	6,632
Cash, cash equivalents and restricted cash, end of period	\$ 31,495	\$ 6,697
Supplemental disclosure of cash flow information:		
Cash paid for:		
Interest	\$ 12,847	\$ 12,345
Taxes	\$ 372	\$ 337
Non-cash investing activities:		
Accrued costs for purchases of real estate assets	\$ 1,992	\$ 4,643
Investment in related party mortgage loan receivable converted to real estate assets and acquired real estate leases in conjunction with variable interest entity consolidation	\$ —	\$ 20,000

The accompanying notes are an integral part of these consolidated financial statements.

Franklin Street Properties Corp.
Notes to Consolidated Financial Statements
(Unaudited)

1. Organization, Properties, Basis of Presentation, Financial Instruments and Recent Accounting Standards

Organization

Franklin Street Properties Corp. ("FSP Corp." or the "Company") holds, directly and indirectly, 100% of the interest in FSP Investments LLC, FSP Property Management LLC, FSP Holdings LLC and FSP Protective TRS Corp. FSP Property Management LLC provides asset management and property management services. The Company also has a non-controlling common stock interest in the corporation that is the sole member of FSP Monument Circle LLC, which corporation was organized to operate as a real estate investment trust ("Monument Circle" or the "Sponsored REIT").

As of June 30, 2024, the Company owned and operated a portfolio of real estate consisting of 16 operating properties, and the Sponsored REIT, which was consolidated effective January 1, 2023. The Company may pursue, on a selective basis, the sale of its properties in order to take advantage of the value creation and demand for its properties, for geographic, property specific reasons or for other general corporate purposes.

Properties

The following table summarizes the Company's number of owned and consolidated properties and rentable square feet of real estate.

	As of June 30,	
	2024	2023
Owned and Consolidated Properties:		
Number of properties (1)	17	21
Rentable square feet	5,478,176	6,270,658

(1) Includes two properties and one property that were classified as assets held for sale as of June 30, 2024 and June 30, 2023, respectively.

Basis of Presentation

The unaudited consolidated financial statements of the Company include all of the accounts of the Company and its majority-owned and controlled subsidiaries. All significant intercompany balances and transactions have been eliminated. These financial statements should be read in conjunction with the Company's consolidated financial statements and notes thereto contained in the Company's Annual Report on Form 10-K for its fiscal year ended December 31, 2023, as filed with the Securities and Exchange Commission.

The accompanying interim financial statements are unaudited; however, the financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") for interim financial information and in conjunction with the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the disclosures required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting solely of normal recurring matters) necessary for a fair presentation of the financial statements for these interim periods have been included. Operating results for the three and six months ended June 30, 2024 are not necessarily indicative of the results that may be expected for the year ending December 31, 2024 or for any other period.

Financial Instruments

As disclosed in Note 4, the Company's derivatives were recorded at fair value using Level 2 inputs prior to their termination on February 8, 2023. The Company estimates that the carrying values of cash and cash equivalents, restricted cash, receivables, prepaid expenses, accounts payable and accrued expenses, accrued compensation, and tenant security deposits

approximate their fair values based on their short-term maturity and the bank note and term loans payable approximate their fair values as they bear interest at variable interest rates or at rates that are at market for similar investments.

Cash, Cash Equivalents and Restricted Cash

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated balance sheets that sum to the total of the same such amounts shown in the consolidated statement of cash flows.

(in thousands)	June 30, 2024	June 30, 2023
Cash and cash equivalents (1)	\$ 30,245	\$ 5,947
Restricted cash	1,250	750
Total cash, cash equivalents and restricted cash	<u>\$ 31,495</u>	<u>\$ 6,697</u>

(1) Includes \$1,745 and \$2,604 at June 30, 2024 and 2023, respectively, pertaining to Monument Circle, which the Company is unable to utilize for its own operational purposes.

Restricted cash consists of escrows arising from property sales. Cash held in escrow is paid based on the terms of the closing agreements for the sale.

Variable Interest Entities (VIEs)

The Company determines whether an entity is a VIE and, if so, whether it should be consolidated by utilizing judgments and estimates that are inherently subjective. The determination of whether an entity in which the Company holds a, direct or indirect, variable interest is a VIE is based on several factors, including whether the entity's total equity investment at risk upon inception is sufficient to finance the entity's activities without additional subordinated financial support. The Company makes judgments regarding the sufficiency of the equity at risk based first on a qualitative analysis, and then a quantitative analysis, if necessary.

The Company analyzes any investments in VIEs to determine if the Company is the primary beneficiary. In evaluating whether the Company is the primary beneficiary, the Company evaluates its direct and indirect economic interests in the entity. Determining which reporting entity, if any, is the primary beneficiary of a VIE is primarily a qualitative approach focused on identifying which reporting entity has both (1) the power to direct the activities of a VIE that most significantly impact such entity's economic performance and (2) the obligation to absorb losses or the right to receive benefits from such entity that could potentially be significant to such entity. Performance of that analysis requires the exercise of judgment.

The Company considers a variety of factors in identifying the entity that holds the power to direct matters that most significantly impact the VIE's economic performance including, but not limited to, the ability to direct a proposed sale of the property or merger of the company. In addition, the Company considers the rights of other investors to participate in those decisions, to replace the manager and to amend the corporate charter. The Company determines whether it is the primary beneficiary of a VIE at the time it becomes involved with a VIE and considers that conclusion upon a reconsideration event.

As of January 1, 2023, the Company's relationship with the Sponsored REIT was considered a VIE and the Company became the primary beneficiary. Upon this reconsideration event, the entity is included within the Company's consolidated financial statements and all intercompany accounts and transactions have been eliminated in consolidation. A gain on consolidation of approximately \$0.4 million was recognized in the three months ended March 31, 2023. Cash and cash equivalents of \$ 3 million held by Monument Circle was included in the Company's cash and cash equivalents upon consolidation and is reflected as "Consolidation of Sponsored REIT" in the consolidated statement of cash flows. The cash and cash equivalents held by Monument Circle are unable to be utilized for the Company's operational purposes. The creditors of Monument Circle's trade payables do not have any recourse against the Company.

The consolidation value of Monument Circle was allocated to real estate investments and leases, including lease origination costs. Lease origination costs represent the value associated with acquiring an in-place lease (i.e. the market cost to execute a similar lease, including leasing commission, legal, vacancy, and other related costs). The value assigned to building approximates the replacement cost; the value assigned to land approximates its appraised value; and the value assigned to leases approximates their fair value. Other assets and liabilities are recorded at their historical costs, which approximates fair value.

The Company assessed the fair value of the acquired real estate leases based on estimated cash flow projections that utilize appropriate discount rates and available market information. Such inputs are Level 3 in the fair value hierarchy.

The following table summarizes the estimated fair value of the assets acquired at the date of consolidation, January 1, 2023: (in thousands)

Real estate assets	\$	19,695
Value of acquired real estate leases		305
Total	\$	20,000

The following is quantitative information about significant unobservable inputs in the Company's Level 3 measurement of the assets acquired in the consolidation of Monument Circle and were measured at fair value on a nonrecurring basis at January 1, 2023:

Description	Fair Value (1) at January 1, 2023 (in thousands)	Valuation Technique	Significant Unobservable Input	Range		Weighted Average (2)
				Min	Max	
Monument Circle Consolidation	\$ 20,000	Discounted Cash Flows	Exit Cap Rate	7.50 %	7.50 %	7.50 %
			Discount Rate	9.50 %	9.50 %	9.50 %

(1) Classified within Level 3 of the fair value hierarchy.

(2) Unobservable inputs were weighted based on the fair value of the related instrument.

The relationships and investments related to the Sponsored REIT are summarized in Note 2.

Recent Accounting Standards

In October 2023, the Financial Accounting Standards Board ("FASB") issued ASU No. 2023-06, Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative ("ASU 2023-06"). ASU 2023-06 adds interim and annual disclosure requirements to GAAP at the request of the Securities and Exchange Commission. The guidance in ASU 2023-06 is required to be applied prospectively and the GAAP requirements will be effective when the removal of the related SEC disclosure requirements is effective. If the SEC does not act to remove its related requirements by June 30, 2027, any related FASB amendments will be removed from the Accounting Standards Codification and will not be effective. The Company does not anticipate that the adoption of ASU 2023-06 will have a material impact on the consolidated financial statements.

In November 2023, the FASB issued ASU No. 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures ("ASU 2023-07"). ASU 2023-07 requires public entities to disclose significant segment expense and other segment items on an annual and interim basis and to provide in interim periods all disclosures about a reportable segment's profit or loss and assets that are currently required annually. The guidance in ASU 2023-07 is applied retrospectively to all periods presented in the financial statements and is effective for public entities for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The Company does not anticipate that the adoption of ASU 2023-07 will have a material impact on the consolidated financial statements.

In December 2023, the FASB issued ASU No. 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures ("ASU 2023-09"). ASU 2023-09 enhances the transparency and decision usefulness of income tax disclosures and disclosures about income taxes paid. The guidance in ASU 2023-09 should be applied prospectively but may be applied retrospectively for each period presented. ASU 2023-09 is effective for public entities for fiscal years beginning after December 15, 2024. The Company does not anticipate that the adoption of ASU 2023-09 will have a material impact on the consolidated financial statements.

2. Related Party Transactions and Investments in Non-Consolidated Entities

Management fees and interest income from loans:

Asset management fees range from 1% to 5% of collected rents and the applicable contracts are cancellable with 30 days notice. Asset management fee income from non-consolidated entities amounted to approximately \$ 0 and \$0 for the six months ended June 30, 2024 and 2023, respectively.

Prior to the consolidation of Monument Circle on January 1, 2023, the Company held the Sponsored REIT Loan, which was reported in the balance sheet as a related party mortgage loan receivable. The Company reviewed the need for an allowance under the current expected credit loss model for the Sponsored REIT Loan at each reporting period. The measurement of expected credit losses was based upon historical experiences, current conditions, and reasonable and supportable forecasts that affected the collectability of the reported amount. The Company elected to apply the practical expedient for financial assets secured by collateral in instances where the borrower was experiencing financial difficulty and repayment of the Sponsored REIT Loan was expected to be provided substantially through operation or sale of the collateral. The Company used the fair value of the collateral at the reporting date, and an adjustment to the allowance for expected credit losses was recorded when the amortized cost basis of the financial asset exceeded the fair value of the collateral, less costs to sell.

The Company regularly evaluated the extent and impact of any credit deterioration that could affect performance and the value of the secured property, as well as the financial and operating capability of the borrower. A property's fair value, operating results and existing cash balances were considered and used to assess whether cash flows from operations were sufficient to cover the current and future operating and debt service requirements. The Company also evaluated the borrower's competency in managing and operating the secured property and considered the overall economic environment, real estate sector and geographic sub-market in which the secured property is located. The Company applied normal loan review and underwriting procedures (as may be implemented or modified from time to time) in making that judgment. The outstanding Sponsored REIT Loan is secured by a mortgage on the underlying property and the balances within the borrower's cash accounts.

The Company recognized no interest income and fees from the Sponsored REIT Loan for the six months ended June 30, 2024 and 2023, respectively.

On October 29, 2021, the Company agreed to amend and restate the then existing Sponsored REIT Loan to extend the maturity date from December 6, 2022 to June 30, 2023 and to advance an additional \$3.0 million tranche of indebtedness to FSP Monument Circle LLC with the same June 30, 2023 maturity date, effectively increasing the aggregate principal amount of the Sponsored REIT Loan from \$21 million to \$24 million. In addition, the Company agreed to defer all principal and interest payments due under the Sponsored REIT Loan until the maturity date. As part of its consideration for agreeing to amend and restate the Sponsored REIT Loan, the Company obtained from the stockholders of the parent of Monument Circle the right to vote their shares in favor of any sale of the property owned by Monument Circle any time on or after January 1, 2023. There were no commitments to lend additional funds to the Sponsored REIT. On June 26, 2023, the Sponsored REIT Loan maturity was extended to September 30, 2023. On September 26, 2023, the Sponsored REIT Loan maturity was extended to September 30, 2024.

The Company recorded a \$4.2 million decrease in its provision for credit losses during the three months ended March 31, 2023. The change in the allowance for credit losses during the three months ended March 31, 2023 was due to the consolidation of Monument Circle. There were no adjustments during the six months ended June 30, 2024. The following table presents a roll-forward of the Company's allowance for credit losses.

(In thousands)	For the Six Months Ended June 30,	
	2024	2023
Beginning allowance for credit losses	\$ —	\$ (4,237)
Additional increases to the allowance for credit losses	—	—
Reductions to the allowance for credit losses	—	4,237
Ending allowance for credit losses	\$ —	\$ —

3. Bank Note Payable, Term Loans Payable and Senior Notes

BMO Term Loan

As of June 30, 2024, the Company has a term loan borrowing in the aggregate principal amount of approximately \$ 86.0 million (the "BMO Term Loan") with Bank of Montreal, as administrative agent, and the other lending institutions party thereto, that matures on April 1, 2026. On February 21, 2024, the Company amended the BMO Term Loan by entering into a Second Amendment to Second Amended and Restated Credit Agreement with Bank of Montreal and the other lending institutions party thereto (the "BMO Second Amendment"). The BMO Second Amendment amended the Second Amended and Restated Credit Agreement dated September 27, 2018 (the "Original BMO Credit Agreement"), as amended by the First Amendment to Second Amended and Restated Credit Agreement dated February 10, 2023 (the "BMO First Amendment"), to, among other things: (1) extend the maturity date from October 1, 2024 to April 1, 2026; (2) change the interest rate from either 300 basis points over SOFR or 200 basis points over the base rate to either 300 basis points over SOFR with a floor on SOFR of 500 basis points or 200 basis points over the base rate with a floor on the base rate of 600 basis points; (3) provide that, if, as of March 31, 2025, the aggregate principal amount outstanding under the BMO Term Loan, BofA Term Loan (defined below) and the Senior Notes (defined below) exceeds \$200 million, the spread over SOFR or the base rate, as applicable, will permanently increase by 100 basis points from 300 basis points to 400 basis points in the case of SOFR, and from 200 basis points to 300 basis points in the case of the base rate; (4) require mandatory prepayments of the BMO Term Loan, the BofA Term Loan and the Senior Notes with net cash proceeds from the disposition of property, assets and equity issuances as follows: (a) 25.55556% to the BMO Term Loan; (b) 20.00000% to the BofA Term Loan; (c) 44.44444% to the Senior Notes; and (d) the remaining 10% to be retained by the Company; (5) require that, within 90 days of the February 21, 2024 effective date of the BMO Second Amendment, certain of the Company's subsidiaries guarantee the BMO Term Loan; (6) require that, within 90 days of the February 21, 2024 effective date of the BMO Second Amendment, the Company pledge its equity interests in certain of the Company's subsidiaries as collateral for the BMO Term Loan; (7) reduce the Company's minimum fixed charge coverage ratio from 1.50x to 1.25x; and (8) reduce the Company's minimum unsecured interest coverage ratio from 1.75x to 1.25x. The Original BMO Credit Agreement, as amended by the BMO First Amendment and the BMO Second Amendment, is referred to as the BMO Credit Agreement.

On February 21, 2024, as part of the BMO Second Amendment, the Company repaid an approximately \$ 29.0 million portion of the BMO Term Loan.

Effective February 21, 2024, upon entering into the BMO Second Amendment, the BMO Term Loan bears interest at either (i) 300 basis points over one, three or six month term SOFR, plus a corresponding adjustment of 0.11448%, 0.26161% or 0.42826%, respectively, with a floor on SOFR of 5.00% or (ii) 200 basis points over the base rate with a floor on the base rate of 6.00%. In addition, effective February 21, 2024 upon entering into the BMO Second Amendment, if, as of March 31, 2025, the aggregate principal amount outstanding under the BMO Term Loan, the BofA Term Loan and the Senior Notes exceeds \$200 million, the spread over SOFR or the base rate, as applicable, will permanently increase by 100 basis points from 300 basis points to 400 basis points in the case of SOFR, and from 200 basis points to 300 basis points in the case of the base rate.

As of June 30, 2024, the interest rate on the BMO Term Loan was 8.45% per annum. The weighted average variable interest rate on all amounts outstanding under the BMO Term Loan was 8.45% for the six months ended June 30, 2024. As of December 31, 2023, the interest rate on the BMO Term Loan was 8.47% per annum. The weighted average variable interest rate on all amounts outstanding under the BMO Term Loan from February 8, 2023, which is when the Company terminated

its outstanding interest rate swaps applicable to the BMO Term Loan as described below, through December 31, 2023, was approximately 8.11% per annum.

Although the interest rate on the BMO Term Loan was variable under the BMO Credit Agreement, the Company fixed the base LIBOR interest rate that previously applied to the BMO Term Loan by entering into interest rate swap transactions. On February 20, 2019, the Company entered into ISDA Master Agreements with a group of banks that fixed the base LIBOR interest rate on the BMO Term Loan at 2.39% per annum for the period beginning on August 26, 2020 and ending January 31, 2024. On February 8, 2023, the Company terminated all outstanding interest rate swaps applicable to the BMO Term Loan and, on February 10, 2023, the Company received an aggregate of approximately \$4.3 million as a result of such terminations, of which approximately \$0.1 million related to interest receivable.

The BMO Credit Agreement contains customary affirmative and negative covenants for credit facilities of this type, including limitations with respect to indebtedness, liens, investments, mergers and acquisitions, disposition of assets, use of net cash proceeds from the disposition of property, assets and equity issuances, mandatory prepayments, the requirement to have certain subsidiaries provide guarantees, the requirement to pledge our equity interests in certain subsidiaries as collateral, changes in business, certain restricted payments, repurchases and redemptions of the Company's common stock, going concern qualifications to the Company's financial statements, and transactions with affiliates. In addition, the BMO Credit Agreement also restricts the Company's ability to make quarterly dividend distributions that exceed \$0.01 per share of the Company's common stock; provided, however, that notwithstanding such restriction, the Company is permitted to make dividend distributions based on the Company's good faith estimate of projected or estimated taxable income or otherwise as necessary to retain the Company's status as a real estate investment trust, to meet the distribution requirements of Section 857 of the Internal Revenue Code or to eliminate any income or excise taxes to which the Company would otherwise be subject. The BMO Credit Agreement also contains financial covenants that require the Company to maintain a minimum tangible net worth, a maximum leverage ratio, a maximum secured leverage ratio, a maximum recourse leverage ratio, a minimum fixed charge coverage ratio, a maximum unencumbered leverage ratio, and minimum unsecured interest coverage. The Company was in compliance with the BMO Term Loan financial covenants as of June 30, 2024.

The BMO Credit Agreement provides for customary events of default with corresponding grace periods, including failure to pay any principal or interest when due, certain cross defaults and a change in control of the Company (as defined in the BMO Credit Agreement). In the event of a default by the Company, the administrative agent may, and at the request of the requisite number of lenders shall, declare all obligations under the BMO Credit Agreement immediately due and payable, terminate the lenders' commitments to make loans under the BMO Credit Agreement, and enforce any and all rights of the lenders or administrative agent under the BMO Credit Agreement and related documents. For certain events of default related to bankruptcy, insolvency, and receivership, the commitments of lenders will be automatically terminated and all outstanding obligations of the Company will become immediately due and payable.

BofA Term Loan

As of June 30, 2024, the Company has a term loan borrowing in the aggregate principal amount of approximately \$ 67.3 million (the "BofA Term Loan") with Bank of America, N.A. as administrative agent, and other lending institutions party thereto that matures on April 1, 2026. Prior to February 21, 2024, we referred to the BofA Term Loan as the BofA Revolver. On February 21, 2024, the Company amended the BofA Term Loan by entering into a Second Amendment to Credit Agreement with the lending institutions party thereto (the "BofA Second Amendment"). The BofA Second Amendment amended the Credit Agreement dated January 10, 2022 (the Original BofA Credit Agreement, as amended by the First Amendment to Credit Agreement dated February 10, 2023 (the "BofA First Amendment") to, among other things: (1) extend the maturity date from October 1, 2024 to April 1, 2026; (2) convert borrowings from being either revolving loans or letters of credit to a term loan; (3) change the interest rate from 300 basis points over SOFR to 300 basis points over SOFR with a floor on SOFR of 500 basis points; (4) provide that, if, as of March 31, 2025, the aggregate principal amount outstanding under the BMO Term Loan, the BofA Term Loan and the Senior Notes exceeds \$200 million, the spread over SOFR will permanently increase by 100 basis points from 300 basis points to 400 basis points; (5) require mandatory prepayments of the BMO Term Loan, the BofA Term Loan and the Senior Notes with net cash proceeds from the disposition of property, assets and equity issuances as follows: (a) 25.55556% to the BMO Term Loan; (b) 20.00000% to the BofA Term Loan; (c) 44.44444% to the Senior Notes; and (d) the remaining 10% to be retained by the Company; (6) require that, within 90 days of the February 21, 2024 effective date of the BofA Second Amendment, certain of the Company's subsidiaries guarantee the

BofA Term Loan; (7) require that, within 90 days of the February 21, 2024 effective date of the BofA Second Amendment, the Company pledge its equity interests in certain of the Company's subsidiaries as collateral for the BofA Term Loan; (8) reduce the Company's minimum fixed charge coverage ratio from 1.50x to 1.25x; and (9) reduce the Company's minimum unsecured interest coverage ratio from 1.75x to 1.25x. The Original BofA Credit Agreement, as amended by the BofA First Amendment and the BofA Second Amendment, is referred to as the BofA Credit Agreement.

On February 21, 2024, as part of the BofA Second Amendment, the Company repaid an approximately \$ 22.7 million portion of the BofA Revolver.

Effective February 21, 2024, upon entering into the BofA Second Amendment, the BofA Term Loan bears interest at 300 basis points over either (i) the daily simple SOFR, plus an adjustment of 0.11448%, or (ii) one, three or six month term SOFR, plus a corresponding adjustment of 0.11448%, 0.26161% or 0.42826%, respectively, with a floor on SOFR of 5.00%. In addition, effective February 21, 2024, upon entering into the BofA Second Amendment, under certain circumstances, such as if SOFR is not able to be determined, the BofA Term Loan bears interest at 200 basis points over the base rate with a floor on the base rate of 600 basis points. In addition, effective February 21, 2024 upon entering into the BofA Second Amendment, if, as of March 31, 2025, the aggregate principal amount outstanding under the BMO Term Loan, the BofA Term Loan and the Senior Notes exceeds \$200 million, the spread over SOFR will permanently increase by 100 basis points from 300 basis points to 400 basis points in the case of SOFR, and from 200 basis points to 300 basis points in the case of the base rate.

As of June 30, 2024, the interest rate on the BofA Term Loan was 8.45% per annum. The weighted average variable interest rate on all amounts outstanding under the BofA Term Loan was 8.44% for the six months ended June 30, 2024. As of December 31, 2023, the interest rate on the BofA Revolver was 8.47% per annum. The weighted average variable interest rate on all amounts outstanding under the BofA Revolver through December 31, 2023 was approximately 8.05% per annum.

The BofA Credit Agreement contains customary affirmative and negative covenants for credit facilities of this type, including limitations with respect to indebtedness, liens, investments, mergers and acquisitions, disposition of assets, use of net cash proceeds from the disposition of property, assets and equity issuances, mandatory prepayments, the requirement to have certain subsidiaries provide guarantees, the requirement to pledge the Company's equity interests in certain subsidiaries as collateral, changes in business, certain restricted payments, repurchases and redemptions of the Company's common stock, going concern qualifications to the Company's financial statements, and transactions with affiliates. In addition, the BofA Credit Agreement also restricts the Company's ability to make quarterly dividend distributions that exceed \$0.01 per share of the Company's common stock; provided, however, that notwithstanding such restriction, the Company is permitted to make dividend distributions based on the Company's good faith estimate of projected or estimated taxable income or otherwise as necessary to retain the Company's status as a real estate investment trust, to meet the distribution requirements of Section 857 of the Internal Revenue Code or to eliminate any income or excise taxes to which the Company would otherwise be subject. The BofA Credit Agreement also contains financial covenants that require the Company to maintain a minimum tangible net worth, a maximum leverage ratio, a maximum secured leverage ratio, a maximum secured recourse leverage ratio, a minimum fixed charge coverage ratio, a maximum unencumbered leverage ratio, and minimum unsecured interest coverage. The Company was in compliance with the BofA Term Loan financial covenants as of June 30, 2024.

The BofA Credit Agreement provides for customary events of default with corresponding grace periods, including failure to pay any principal or interest when due, failure to comply with the provisions of the BofA Credit Agreement, certain cross defaults and a change in control of the Company (as defined in the BofA Credit Agreement). In the event of a default by the Company, BofA, in its capacity as administrative agent, may, and at the request of the requisite number of lenders shall, declare all obligations under the BofA Credit Agreement immediately due and payable and enforce any and all rights of the lenders or BofA under the BofA Credit Agreement and related documents. For certain events of default related to bankruptcy, insolvency, and receivership, all outstanding obligations of the Company will become immediately due and payable.

Senior Notes

As of June 30, 2024, the Company has senior notes in the aggregate principal amount of approximately \$ 149.6 million (the "Senior Notes") that mature on April 1, 2026. The Senior Notes consist of (i) Series A Senior Notes due April 1, 2026 in an aggregate principal amount of approximately \$86.8 million (the "Series A Notes") and (ii) Series B Senior Notes due April 1,

2026 in the aggregate principal amount of approximately \$62.8 million (the "Series B Notes"). On February 21, 2024, the Company amended the terms of the Senior Notes by entering into a First Amendment to Note Purchase Agreement (the "NPA First Amendment") with the purchasers party thereto. The NPA First Amendment amended the Note Purchase Agreement dated October 24, 2017 (the "Original Note Purchase Agreement") to, among other things: (1) extend the maturity date of the Series A Notes from December 20, 2024 to April 1, 2026; (2) shorten the maturity date of the Series B Notes from December 20, 2027 to April 1, 2026; (3) increase the interest rate applicable to the Series A Notes from 4.49% per annum to 8.00% per annum; (4) increase the interest rate applicable to the Series B Notes from 4.76% per annum to 8.00% per annum; (5) provide that, if, as of March 31, 2025, the aggregate principal amount outstanding under the BMO Term Loan, the BofA Term Loan and the Senior Notes exceeds \$200 million, the per annum interest rates applicable to the Series A Note and the Series B Notes will permanently increase by 1.00% from 8.00% per annum to 9.00% per annum; (6) require mandatory prepayments of the BMO Term Loan, the BofA Term Loan and the Senior Notes with net cash proceeds from the disposition of property, assets and equity issuances as follows: (a) 25.55556% to the BMO Term Loan; (b) 20.00000% to the BofA Term Loan; (c) 44.44444% to the Senior Notes; and (d) the remaining 10% to be retained by the Company; (7) require that, within 90 days of the February 21, 2024 effective date of the NPA First Amendment, certain of the Company's subsidiaries guarantee the Senior Notes; (8) require that, within 90 days of the February 21, 2024 effective date of the NPA First Amendment, the Company pledge its equity interests in certain of the Company's subsidiaries as collateral for the Senior Notes; and (9) conform all financial covenants and negative covenants in the Note Purchase Agreement with the BofA Credit Agreement and the BMO Credit Agreement. The Original Note Purchase Agreement, as amended by the NPA First Amendment, is referred to as the Note Purchase Agreement.

On February 21, 2024, as part of the NPA First Amendment, the Company repaid an approximately \$ 29.2 million portion of the Series A Notes. As of June 30, 2024, approximately \$86.8 million aggregate principal amount of the Series A Notes remained outstanding. In addition, on February 21, 2024, as part of the NPA First Amendment, the Company repaid an approximately \$21.2 million portion of the Series B Notes. As of June 30, 2024, approximately \$62.8 million aggregate principal amount of the Series B Notes remained outstanding.

As of June 30, 2024, the interest rate on the Series A Notes was 8.00% per annum and the interest rate on the Series B Notes was 8.00% per annum. As of December 31, 2023, the interest rate on the Series A Notes was 4.49% per annum and the interest rate on the Series B Notes was 4.76% per annum.

The Note Purchase Agreement contains customary affirmative and negative covenants, including limitations with respect to indebtedness, liens, investments, mergers and acquisitions, disposition of assets, use of net cash proceeds from the disposition of property, assets and equity issuances, mandatory prepayments, the requirement to have certain subsidiaries provide guarantees, the requirement to pledge the Company's equity interests in certain subsidiaries as collateral, changes in business, certain restricted payments, repurchases and redemptions of the Company's common stock, going concern qualifications to the Company's financial statements, transactions with affiliates, certain restrictions on severance, retention and similar arrangements applicable to the Company's executive officers, and real estate investment trust compliance requirements. In addition, the Note Purchase Agreement also restricts the Company's ability to make quarterly dividend distributions that exceed \$0.01 per share of the Company's common stock; provided, however, that notwithstanding such restriction, the Company is permitted to make dividend distributions based on the Company's good faith estimate of projected or estimated taxable income or otherwise as necessary to retain the Company's status as a real estate investment trust, to meet the distribution requirements of Section 857 of the Internal Revenue Code or to eliminate any income or excise taxes to which the Company would otherwise be subject. The Note Purchase Agreement also contains financial covenants that require the Company to maintain a minimum tangible net worth, a maximum leverage ratio, a maximum secured leverage ratio, a maximum secured recourse leverage ratio, a minimum fixed charge coverage ratio, a maximum unencumbered leverage ratio, and minimum unsecured interest coverage. The Company was in compliance with the Note Purchase Agreement financial covenants as of June 30, 2024.

The Note Purchase Agreement contains customary events of default, including payment defaults, cross defaults with certain other indebtedness, breaches of covenants and bankruptcy events. In the case of an event of default, the purchasers may, among other remedies, accelerate the payment of all obligations.

4. Financial Instruments: Derivatives and Hedging

On February 20, 2019, the Company entered into interest rate swap transactions that fixed the interest rate for the period beginning August 26, 2020 and ending January 31, 2024 on the BMO Term Loan (the "2019 BMO Interest Rate Swap"). The variable rates that were fixed under the 2019 BMO Interest Rate Swap is described in Note 3. On February 8, 2023, the Company terminated the 2019 BMO Interest Rate Swap applicable to the BMO Term Loan and, on February 10, 2023, the Company received an aggregate of approximately \$4.3 million as a result of such terminations, of which approximately \$ 0.1 million related to interest receivable. As of June 30, 2024, there were no derivative instruments.

The 2019 BMO Interest Rate Swap qualified as a cash flow hedge and has been recognized on the consolidated balance sheets at fair value. If a derivative qualifies as a hedge, depending on the nature of the hedge, changes in the fair value of the derivative will either be offset against the change in fair value of the hedged asset, liability, or firm commitment through earnings, or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be recognized in earnings in the same period in which the hedged interest payments affect earnings, which may increase or decrease reported net income and stockholders' equity prospectively, depending on future levels of interest rates and other variables affecting the fair values of derivative instruments and hedged items, but will have no effect on cash flows.

The following table summarizes the notional and fair value of the Company's derivative financial instrument at December 31, 2023 and June 30, 2024. The notional value is an indication of the extent of the Company's involvement in this instrument at that time, but does not represent exposure to credit, interest rate or market risks.

(in thousands)	Notional Value	Strike Rate	Effective Date	Expiration Date	Fair Value (1) at	
					June 30, 2024	December 31, 2023
2019 BMO Interest Rate Swap	\$ 165,000	2.39 %	Aug-20	Jan-24	\$ —	\$ —

(1) Classified within Level 2 of the fair value hierarchy.

The 2019 BMO Interest Rate Swap was reported as an asset with a fair value of approximately \$ 4.4 million at December 31, 2022. The balance was included in other assets: derivative asset in the consolidated balance sheet at December 31, 2022. The gain (loss) on the Company's 2019 BMO Interest Rate Swap was recorded in other comprehensive income (loss) (OCI), and the accompanying consolidated statements of operations as a component of interest expense for the six months ended June 30, 2024 and 2023, was as follows:

(in thousands)	Six Months Ended June 30,	
	2024	2023
Interest Rate Swaps in Cash Flow Hedging Relationships:		
Amounts of gain recognized in OCI	\$ —	\$ 177
Amounts of previously recorded gain (loss) reclassified from OCI into Interest Expense	\$ 355	\$ 2,055
Total amount of Interest Expense presented in the consolidated statements of operations	\$ 13,928	\$ 11,890

Over time, the realized gains in accumulated other comprehensive income were reclassified into earnings as a decrease to interest expense in the same periods in which the hedged interest payments affected earnings.

The Company hedged the exposure to variability in anticipated future interest payments on existing debt.

5. Net Income (Loss) Per Share

Basic net income (loss) per share is computed by dividing net income (loss) by the weighted average number of Company shares outstanding during the period. Diluted net income (loss) per share reflects the potential dilution that could occur if securities or other contracts to issue shares were exercised or converted into shares. There were no potential dilutive shares outstanding at each of June 30, 2024 and 2023.

6. Stockholders' Equity

As of June 30, 2024, the Company had 103,566,715 shares of common stock outstanding. The Company declared and paid dividends as follows (in thousands, except per share amounts):

Quarter Paid	Dividends Per Share	Total Dividends
2024:		
First quarter of 2024	\$ 0.01	\$ 1,034
Second quarter of 2024	\$ 0.01	\$ 1,034
2023:		
First quarter of 2023	\$ 0.01	\$ 1,033
Second quarter of 2023	\$ 0.01	\$ 1,032

Equity-Based Compensation

On May 20, 2002, the stockholders of the Company approved the 2002 Stock Incentive Plan (the "Plan"). The Plan is an equity-based incentive compensation plan and provides for the grants of up to a maximum of 2,000,000 shares of the Company's common stock ("Awards"). All of the Company's employees, officers, directors, consultants and advisors are eligible to be granted Awards. Awards under the Plan are made at the discretion of the Company's Board of Directors, and have no vesting requirements. Upon granting an Award, the Company will recognize compensation cost equal to the fair value of the Company's common stock, as determined by the Company's Board of Directors, on the date of the grant.

On May 31, 2024 and May 18, 2023, the Company granted shares under the Plan to non-employee directors with the compensation cost related to such grants indicated in the table below, which was recognized during the three months ended June 30, 2024 and year ended December 31, 2023, respectively, and is included in general and administrative expenses for such periods. Such shares were fully vested on the date of issuance.

	Shares Available for Grant	Compensation Cost
Balance December 31, 2022	1,696,687	1,406,250
Shares granted 2023	(194,439)	314,991
Balance December 31, 2023	1,502,248	1,721,241
Shares granted 2024	(136,362)	269,997
Balance June 30, 2024	1,365,886	\$ 1,991,238

7. Income Taxes

General

The Company has elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended (the "Code"). As a REIT, the Company generally is entitled to a tax deduction for distributions paid to its shareholders, thereby effectively subjecting the distributed net income of the Company to taxation at the shareholder level only. The Company must comply with a variety of restrictions to maintain its status as a REIT. These restrictions include the type of income it can earn, the type of assets it can hold, the number of shareholders it can have and the concentration of their ownership, and the amount of the Company's taxable income that must be distributed annually.

One such restriction is that the Company generally cannot own more than 10% of the voting power or value of the securities of any one issuer unless the issuer is itself a REIT or a taxable REIT subsidiary ("TRS"). In the case of TRSs, the Company's ownership of securities in all TRSs generally cannot exceed 20% (25% of taxable years beginning on or before December 31, 2017) of the value of all of the Company's assets and, when considered together with other non-real estate

assets, cannot exceed 25% of the value of all of the Company's assets. FSP Investments LLC and FSP Protective TRS Corp. are the Company's taxable REIT subsidiaries operating as taxable corporations under the Code. The TRSs have gross amounts of net operating losses ("NOLs") available to those taxable corporations of \$4.9 million and \$4.9 million as of December 31, 2023 and December 31, 2022, respectively. The NOLs created prior to 2018 will expire between 2030 and 2047 and the NOLs generated after 2017 will not expire. A valuation allowance is provided for the full amount of the NOLs as the realization of any tax benefits from such NOLs is not assured.

Income taxes are recorded based on the future tax effects of the difference between the tax and financial reporting bases of the Company's assets and liabilities. In estimating future tax consequences, potential future events are considered except for potential changes in income tax law or in rates.

The Company adopted an accounting pronouncement related to uncertainty in income taxes effective January 1, 2007, which did not result in recording a liability, nor was any accrued interest and penalties recognized with the adoption. Accrued interest and penalties will be recorded as income tax expense, if the Company records a liability in the future. The Company's effective tax rate was not affected by the adoption. The Company and one or more of its subsidiaries files income tax returns in the U.S. federal jurisdiction and various state jurisdictions. The statute of limitations for the Company's income tax returns is generally three years and as such, the Company's returns that remain subject to examination would be primarily from 2020 and thereafter.

Net operating losses

Section 382 of the Code restricts a corporation's ability to use net operating losses ("NOLs") to offset future taxable income following certain "ownership changes." Such ownership changes occurred with past mergers and accordingly a portion of the NOLs incurred by the Company's prior sponsored REITs available for use by the Company in any particular future taxable year will be limited. To the extent that the Company does not utilize the full amount of the annual NOLs limit, the unused amount may be carried forward to offset taxable income in future years. NOLs expire 20 years after the year in which they arise, and the last of the Company's NOLs will expire in 2027. Approximately \$0.7 million of NOLs expired in 2023 and approximately \$0.1 million of NOLs expired in 2021. The Company used approximately \$11.1 million of NOLs in 2021 to offset federal net taxable capital gains resulting from the sale of properties in 2021, therefore approximately \$11.1 million of valuation allowances were reversed in 2021. A valuation allowance is provided for the full amount of the gross NOLs available as the realization of any tax benefits remaining from such NOLs is not assured. The gross amount of NOLs available to the Company was approximately \$29.7 million and \$29.7 million as of June 30, 2024 and December 31, 2023, respectively.

Income Tax Expense

The Company is subject to a business tax known as the Revised Texas Franchise Tax. Some of the Company's leases allow reimbursement by tenants for these amounts because the Revised Texas Franchise Tax replaces a portion of the property tax for school districts. Because the tax base on the Revised Texas Franchise Tax is derived from an income based measure, it is considered an income tax. The Company recorded a provision for the Revised Texas Franchise Tax of \$106,000 and \$142,000 for the six months ended June 30, 2024 and 2023, respectively.

The income tax expense reflected in the consolidated statements of operations relates primarily to a franchise tax on the Company's Texas properties.

(Dollars in thousands)	For the Six Months Ended June 30,	
	2024	2023
Revised Texas Franchise Tax	\$ 106	\$ 142
Other Taxes	—	—
Tax expense	\$ 106	\$ 142

Taxes on income are a current tax expense. No deferred income taxes were provided as there were no material temporary differences between the financial reporting basis and the tax basis of the TRSs.

8. Leases

Leases as a Lessor:

The Company is a lessor of commercial real estate with operations that include the leasing of office and industrial properties. Many of the leases with customers contain options to extend leases at a fair market rate and may also include options to terminate leases. The Company considers several inputs when evaluating the amount it expects to derive from its leased assets at the end of the lease terms, such as the remaining useful life, expected market conditions, fair value of lease payments, expected fair values of underlying assets, and expected deployment of the underlying assets. The Company's strategy to address its risk for the residual value in its commercial real estate is to re-lease the commercial space.

The Company has elected to apply the practical expedient to not separate non-lease components from the related lease component of real estate leases. This combined component is primarily comprised of fixed lease payments, early termination fees, common area maintenance cost reimbursements, and parking lease payments. The Company applies ASC 842-Leases to the combined lease and non-lease components.

For the six months ended June 30, 2024 and 2023, the Company recognized the following amounts of income relating to lease payments:

Income relating to lease payments:

(in thousands)	For the Six Months Ended June 30,	
	2024	2023
Income from leases (1)	\$ 62,495	\$ 74,316
	\$ 62,495	\$ 74,316

(1) Includes amounts recognized from variable lease payments of \$17,462 and \$21,382 for the six months ended June 30, 2024 and 2023, respectively.

9. Disposition of Properties and Assets Held for Sale

In the three months ended March 31, 2023, the Company sold one office property located in Elk Grove, Illinois on March 10, 2023, for a sales price of \$29.1 million, at a gain of approximately \$ 8.4 million. The Company used the proceeds of the disposition principally to repay a portion of outstanding indebtedness.

In the three months ended March 31, 2024, the Company sold one office property located in Richardson, Texas on January 26, 2024, for a sales price of \$35.0 million at a loss of approximately \$ 2.1 million, which was recorded as an impairment during the year ended December 31, 2023. An additional \$5,000 of costs related to the sale were recorded during the three months ended March 31, 2024.

During the three months ended September 30, 2023, the Company reclassified \$ 39.0 million of an office property in Atlanta, Georgia as assets held for sale as of September 30, 2023. The Company recorded this property at the fair value less cost to sell, which was less than the carrying value and resulted in an impairment of \$20.5 million in the three months ended September 30, 2023. The reclassification was a non-cash investing activity on the statement of cash flows. The Company estimated the fair value of this property, less estimated costs to sell, using the offers to purchase the property made by third parties (Level 3 inputs, as there is no active market).

The property was expected to sell for a sales price of \$ 40.0 million at a loss of approximately \$ 20.5 million, which was recorded as an impairment as of September 30, 2023, however on November 15, 2023, the Company received notice from the buyer indicating that the buyer was terminating the transaction and directing the deposit and interest be disbursed to the Company. At June 30, 2024 and December 31, 2023, the office property remained classified on the consolidated balance sheet as an asset held for sale in the amount of \$39.2 million and \$39.0 million, respectively, and was comprised of \$ 52.4 million and \$52.2 million of real estate assets, net of accumulated depreciation, respectively, \$ 4.4 million of straight-line rents receivable, and \$2.9 million of deferred leasing commissions, net of accumulated amortization. The Company expects the property to be sold within the next twelve months.

During the three months ended June 30, 2024, the Company entered into an agreement to sell a property in Glen Allen, Virginia for a gross sales price of approximately \$31.0 million and an expected loss of \$ 13.2 million. The Company reclassified \$28.6 million of its office property as an asset held for sale as of June 30, 2024, which is comprised of \$ 38.0 million of real estate assets, net of accumulated depreciation, \$1.4 million of straight-line rents receivable, and \$ 2.4 million of deferred leasing commissions, net of accumulated amortization. The Company recorded the property at the fair value less cost to sell, which was less than the carrying value and resulted in an impairment of \$13.2 million in the three months ended June 30, 2024. The reclassification is a non-cash investing activity on the statement of cash flows. The Company estimated the fair value of the property, less estimated costs to sell, using the offers to purchase the property made by third parties (Level 3 inputs, as there is no active market). The Company closed on the sale of the property on July 8, 2024.

The Company reports the results of operations of its properties that have been disposed of or classified as held for sale in its consolidated statements of operations, which includes rental income, rental operating expenses, real estate taxes and insurance and depreciation and amortization.

10. Subsequent Events

On July 5, 2024, the Board of Directors of the Company declared a cash distribution of \$ 0.01 per share of common stock payable on August 8, 2024, to stockholders of record on July 19, 2024.

On July 8, 2024, the Company sold a property located in Glen Allen, Virginia for a gross selling price of \$ 31.0 million at a loss of approximately \$13.2 million, which had been recorded as an impairment as of June 30, 2024. On July 10, 2024, the Company used proceeds of \$25.3 million, or 90% of the net proceeds from the disposition, to repay outstanding indebtedness.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the financial statements and notes thereto appearing elsewhere in this report and in our Annual Report on Form 10-K for the year ended December 31, 2023. Historical results and percentage relationships set forth in the consolidated financial statements, including trends which might appear, should not be taken as necessarily indicative of future operations. The following discussion and other parts of this Quarterly Report on Form 10-Q may also contain forward-looking statements based on current judgments and current knowledge of management, which are subject to certain risks, trends and uncertainties that could cause actual results to differ materially from those indicated in such forward-looking statements. Accordingly, readers are cautioned not to place undue reliance on forward-looking statements. Investors are cautioned that our forward-looking statements involve risks and uncertainty, including without limitation, adverse changes in general economic or local market conditions, including the impact of recessionary concerns, inflation, energy prices and interest rates, as well as those resulting from the COVID-19 pandemic, including the impact of work-from-home policies, and other potential infectious disease outbreaks and terrorist attacks or other acts of violence, which may negatively affect the markets in which we and our tenants operate, our inability to extend and/or refinance our debt or effect asset sales sufficient to repay such debt prior to the maturity dates thereof, adverse changes in energy prices, which if sustained, could negatively impact occupancy and rental rates in the markets in which we own properties, including energy-influenced markets such as Dallas, Denver and Houston, expectations for future potential property dispositions, expectations for future potential leasing activity, expectations for the potential payment of special dividends, changes in interest rates as a result of economic market conditions, disruptions in the debt markets, economic conditions in the markets in which we own properties, risks of a lessening of demand for the types of real estate owned by us, uncertainties relating to fiscal policy, changes in government regulations and regulatory uncertainty, geopolitical events, and expenditures that cannot be anticipated such as utility rate and usage increases, delays in construction schedules, unanticipated increases in construction costs, unanticipated repairs, increases in the level of general and administrative costs as a percentage of revenues as revenues decrease as a result of property dispositions, additional staffing, insurance increases and real estate tax valuation reassessments. See Part I, Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2023. Although we believe the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. We may not update any of the forward-looking statements after the date this Quarterly Report on Form 10-Q is filed to conform them to actual results or to changes in our expectations that occur after such date, other than as required by law.

Overview

FSP Corp., or we or the Company, operates in a single reportable segment: real estate operations. The real estate operations market involves real estate rental operations, leasing, secured financing of real estate and services provided for asset management, property management, property acquisitions, dispositions and development. Our current strategy is to focus on infill and central business district office properties in the United States sunbelt and mountain west regions as well as select opportunistic markets. We believe that the United States sunbelt and mountain west regions have macro-economic drivers that have the potential to increase occupancies and rents. We are focused on long-term growth and appreciation, as well as current income.

As of June 30, 2024, approximately 4.8 million square feet, or approximately 87.7% of our total owned and consolidated portfolio, was located in Dallas, Denver, Houston and Minneapolis.

The main factor that affects our real estate operations is the broad economic market conditions in the United States. These market conditions affect the occupancy levels and the rent levels on both a national and local level. We have no influence on broader economic market conditions. In the future, we may look to acquire and/or develop quality properties in good locations in order to lessen the impact of downturns in the market and to take advantage of upturns when they occur.

We continue to believe that the current price of our common stock does not accurately reflect the value of our underlying real estate assets and we will seek to increase shareholder value by (1) pursuing the sale of select properties where we believe that short to intermediate term valuation potential has been reached and (2) striving to lease vacant space. As we continue to execute this strategy, our revenue, Funds From Operations, and capital expenditures may decrease in the short term. Proceeds from dispositions are intended to be used primarily for the repayment of debt.

For the six months ended June 30, 2024 and the year ended December 31, 2023, our disposition strategy resulted in aggregate gross sale proceeds of \$35.0 million and \$154.5 million, respectively. On July 8, 2024, we sold a property located in Glen Allen, Virginia for a gross selling price of \$31.0 million.

In July 2022, we adopted a variable quarterly dividend policy, which replaced our previous regular quarterly dividend policy. Under the variable quarterly dividend policy, the Board of Directors determines quarterly dividends based upon a variety of factors, including the Company's estimates of its annual taxable income and the amount that the Company is required to distribute annually in the aggregate to enable the Company to continue to qualify as a real estate investment trust for federal income tax purposes.

As more fully described in Note 3 "Bank Note Payable, Term Loans Payable and Senior Notes" in the Notes to Consolidated Financial Statements included in this report and in "Liquidity and Capital Resources" below, on February 21, 2024, we entered into amendments to each of the BofA Term Loan, BMO Term Loan, Series A Notes and Series B Notes (each as defined in Note 3 in the Notes to Consolidated Financial Statements included in this report) to extend the maturity dates of each facility and modify the interest rate payable under each facility and in connection with such amendments, repaid an aggregate of \$102 million principal amount of debt. On July 10, 2024, we used proceeds from the sale of a property in Glen Allen, Virginia to repay an aggregate of approximately \$25.3 million of principal amount of debt.

The credit rating for our senior unsecured debt was downgraded by Moody's Investor Service from Ba1 to Ba3 on April 12, 2023, and from Ba3 to B3 on June 14, 2023, which continues to be the rating as of June 30, 2024. As of February 21, 2024, the interest rate applicable to borrowings under the Senior Notes are no longer based on the rating of our debt.

Trends and Uncertainties

Long-Term Impact of COVID-19 Pandemic

Considerable uncertainty still surrounds the long-term impact of the COVID-19 pandemic and its potential effects on the population, including the spread of more contagious variants of the virus, and on the commercial real estate market and our business. Many of our tenants still do not fully occupy the space that they lease. The impact of the COVID-19 pandemic continues to present material uncertainty and risk with respect to the performance of our properties and our financial results, such as the potential negative impact to the businesses of our tenants, the impact of work-from-home policies, the potential negative impact to leasing efforts and occupancy at our properties, uncertainty regarding future rent collection levels or requests for rent concessions from our tenants, the occurrence of a default under any of our debt agreements, the potential for increased borrowing costs, negative impacts on our ability to refinance existing indebtedness or to secure new sources of capital on favorable terms, fluctuations in our level of dividends, increased costs of operations, making more difficult our ability to complete required capital expenditures in a timely manner and on budget, decreases in values of our real estate assets, changes in law and/or regulation, and uncertainty regarding government and regulatory policy. We are unable to estimate the full extent of the long-term impact that the COVID-19 pandemic will have on our future financial results at this time. See "Risk Factors" in Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2023.

Economic Conditions

Although recent indicators suggest that economic activity has expanded at a modest pace, the global economy continues to experience significant disruptions as a result of various factors, including geopolitical events such as the ongoing wars between Russia and Ukraine and between Israel and Hamas, a U.S. designated Foreign Terrorist Organization, in the Gaza Strip and ongoing conflicts in various other parts of the Middle East, increasing tensions with China and Iran, the long-term impact of the COVID-19 pandemic and continuing supply chain difficulties. In addition, various economic factors, including but not limited to, inflation and interest rates, are contributing to recessionary concerns for the economy of the United States. Economic conditions directly affect the demand for office space, our primary income producing asset. In addition, the broad economic market conditions in the United States are typically affected by numerous other factors, including but not limited to, employment levels, energy prices, uncertainty about government fiscal, monetary, trade and tax policies, changes in currency exchange rates, the regulatory environment and the availability of credit. During 2023, the Federal Reserve raised the federal funds rate target several times, most recently increasing it by 25 basis points on July 26, 2023, to a range of 5.25%

to 5.50%. If interest rates continue to increase, then the interest costs on our unhedged variable rate debt would be adversely affected, which could in turn adversely affect our cash flow, our ability to pay principal and interest on our debt and our ability to make distributions to stockholders. As of June 30, 2024, approximately 50.6% of our total debt constituted unhedged variable rate debt. Increasing interest rates could also decrease the amount third parties are willing to pay for our assets and limit our ability to incur new debt or refinance existing debt when it matures. As of the date of this report, the impact of current economic conditions and geopolitical events and the long-term impact of the COVID-19 pandemic are adversely affecting the demand for office space in the United States.

Real Estate Operations

As of June 30, 2024, our real estate portfolio was comprised of 16 owned properties, which we refer to as our owned properties, and a non-controlling common stock interest in the corporation that is the sole member of FSP Monument Circle LLC, which corporation was organized to operate as a real estate investment trust, which we refer to as the Sponsored REIT. The Sponsored REIT, which we also refer to as Monument Circle, was consolidated effective January 1, 2023. We refer to these 17 properties as our owned and consolidated properties. Our owned properties were approximately 72.3% leased as of June 30, 2024, a decrease from 74.0% leased as of December 31, 2023. The 1.7% decrease in leased space was primarily a result of lease maturities that occurred during the six months ended June 30, 2024, and the impact on leased percentage from the disposition of one property on January 26, 2024. These decreases were partially offset by new leasing during the six months ended June 30, 2024. As of June 30, 2024, we had approximately 1,456,000 square feet of vacancy in our owned properties compared to approximately 1,445,000 square feet of vacancy at December 31, 2023. During the six months ended June 30, 2024, we leased approximately 272,000 square feet of office space in our owned properties, of which approximately 180,000 square feet were with existing tenants, at a weighted average term of 6.1 years. On average, tenant improvements for such leases were \$28.18 per square foot, lease commissions were \$8.57 per square foot and rent concessions were approximately four months of free rent. Average GAAP base rents under such leases were \$28.10 per square foot, or 12.0% higher than average rents in the respective properties as applicable compared to the year ended December 31, 2023.

Our owned and consolidated properties were approximately 69.7% and 73.3% leased, as of June 30, 2024 and June 30, 2023, respectively.

As of June 30, 2024, leases for approximately 3.1% and 8.7% of the square footage in our owned and consolidated properties are scheduled to expire during 2024 and 2025, respectively. As the third quarter of 2024 begins, we believe that our operating properties are stabilized, with a balanced lease expiration schedule, and existing vacancy is being actively marketed to numerous potential tenants. While leasing activity at our properties has continued, we believe that the impact of geopolitical events, current economic conditions and the long-term impact of the COVID-19 pandemic may limit or delay new tenant leasing during at least the third quarter of 2024 and potentially in future periods.

While we cannot generally predict when an existing vacancy in our owned properties will be leased or if existing tenants with expiring leases will renew their leases or what the terms and conditions of the lease renewals will be, we expect to renew or sign new leases at then-current market rates for locations in which the buildings are located, which could be above or below the expiring rates. Also, we believe the potential exists for any of our tenants to default on its lease or to seek the protection of bankruptcy. If any of our tenants defaults on its lease, we may experience delays in enforcing our rights as a landlord and may incur substantial costs in protecting our investment. In addition, at any time, a tenant of one of our properties may seek the protection of bankruptcy laws, which could result in the rejection and termination of such tenant's lease and thereby cause a reduction in cash available for distribution to our stockholders.

Consolidation of Sponsored REIT

As of January 1, 2023, we consolidated Monument Circle into our financial statements. On October 29, 2021, we agreed to amend and restate our existing loan to Monument Circle that is secured by a mortgage on real estate owned by Monument Circle, which we refer to as the Sponsored REIT Loan. The amended and restated Sponsored REIT Loan extended the maturity date from December 6, 2022 to June 30, 2023, increased the aggregate principal amount of the loan from \$21 million to \$24 million, and included certain other modifications. In consideration of our agreement to amend and restate the Sponsored REIT Loan, we obtained from the stockholders of Monument Circle the right to vote their shares in favor of any sale of the property owned by Monument Circle any time on or after January 1, 2023. As a result of our obtaining this right

to vote shares, GAAP variable interest entity (VIE) rules required us to consolidate Monument Circle as of January 1, 2023. A gain on consolidation of approximately \$0.4 million was recognized in the three months ended March 31, 2023. On June 26, 2023, the Sponsored REIT Loan maturity was initially extended to September 30, 2023 and on September 26, 2023 was further extended to September 30, 2024.

Additional information about the consolidation of Monument Circle is incorporated herein by reference to Note 1, "Organization, Properties, Basis of Presentation, Financial Instruments, and Recent Accounting Standards – Variable Interest Entities (VIEs)" and Note 2, "Related Party Transactions and Investments in Non-Consolidated Entities - Management fees and interest income from loans", in the Notes to Consolidated Financial Statements included in this report.

Dispositions of Properties and Assets Held for Sale

During 2023, we sold an office property located in Elk Grove, Illinois on March 10, 2023, for a sales price of \$29.1 million, at a gain of approximately \$8.4 million. During the three months ended June 30, 2023, we entered into an agreement to sell a property in Charlotte, North Carolina at an expected loss of \$0.8 million, which was recorded as an impairment, and we classified the property as an asset held for sale as of June 30, 2023. The property was sold on August 9, 2023, for a sales price of \$9.2 million, at a loss of \$0.8 million, which had been our expected loss. During the three months ended September 30, 2023, we recorded a gain on sale of \$53,000 as a result of conveying approximately 7,826 square feet of land at our Addison, Texas property to the Town of Addison as part of a road revitalization project. In addition, during the three months ended September 30, 2023, we executed purchase and sale agreements with four different unrelated purchasers for the potential sale of four properties. Three of these potential dispositions were classified as assets held for sale as of September 30, 2023. On October 26, 2023, we completed the sale of one of the assets held for sale as of September 30, 2023, an office building located in Plano, Texas for a sales price of \$48.0 million at a gain of approximately \$10.6 million. On December 6, 2023, we sold another of the assets held for sale, an office property located in Miami, Florida for a sales price of \$68.0 million at a loss of approximately \$18.9 million. The one remaining asset held for sale was expected to sell for a sales price of \$40.0 million at a loss of approximately \$20.5 million, which was recorded as an impairment as of September 30, 2023; however on November 15, 2023, we received notice from the buyer indicating that the buyer was terminating the transaction and directing the deposit and interest be disbursed to us. During the three months ended December 31, 2023, we executed a purchase and sale agreement to sell a property located in Richardson, Texas for \$35 million at an expected loss of approximately \$2.1 million, which had been recorded as an impairment as of December 31, 2023.

On January 26, 2024, we sold the office property located in Richardson, Texas for a sales price of \$35 million. The property was classified as held for sale as of December 31, 2023 and an impairment of \$2.1 million had been recorded during the year ended December 31, 2023. An additional \$5,000 of costs related to the sale were recorded during the three months ended March 31, 2024. We used the proceeds from the disposition primarily for the repayment of debt.

During the three months ended June 30, 2024, the Company entered into an agreement to sell a property in Glen Allen, Virginia for a gross sales price of approximately \$31.0 million and an expected loss of \$13.2 million, which was recorded as an impairment as of June 30, 2024. The property was sold on July 8, 2024. On July 10, 2024, the Company used proceeds of \$25.3 million, or 90% of the net proceeds from the disposition, to repay outstanding indebtedness.

The dispositions of these properties did not represent a strategic shift that has a major effect on our operations and financial results. Our current strategy is to focus on the sunbelt and mountain west regions of the United States. Accordingly, the properties sold remained classified within continuing operations for all periods presented.

We continue to believe that the current price of our common stock does not accurately reflect the value of our underlying real estate assets, and we will seek to increase shareholder value by (1) pursuing the sale of select properties where we believe that short to intermediate term valuation potential has been reached and (2) striving to lease vacant space. As we continue to execute this strategy, our revenue, Funds From Operations, and capital expenditures may decrease in the short term. Proceeds from dispositions are intended to be used primarily for the repayment of debt.

Critical Accounting Estimates

We have certain critical accounting policies that are subject to judgments and estimates by our management and uncertainties of outcome that affect the application of these policies. We base our estimates on historical experience and on various other assumptions we believe to be reasonable under the circumstances. On an on-going basis, we evaluate our estimates. In the event estimates or assumptions prove to be different from actual results, adjustments are made in subsequent periods to reflect more current information. The accounting policies that we believe are most critical to the understanding of our financial position and results of operations, and that require significant management estimates and judgments, are discussed in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2023.

Critical accounting policies are those that have the most impact on the reporting of our financial condition and results of operations and those requiring significant judgments and estimates. We believe that our judgments and estimates are consistently applied and produce financial information that fairly presents our results of operations.

Recent Accounting Standards

In October 2023, the Financial Accounting Standards Board ("FASB") issued ASU No. 2023-06, Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative ("ASU 2023-06"). ASU 2023-06 adds interim and annual disclosure requirements to GAAP at the request of the Securities and Exchange Commission. The guidance in ASU 2023-06 is required to be applied prospectively and the GAAP requirements will be effective when the removal of the related SEC disclosure requirements is effective. If the SEC does not act to remove its related requirements by June 30, 2027, any related FASB amendments will be removed from the Accounting Standards Codification and will not be effective. The Company does not anticipate that the adoption of ASU 2023-06 will have a material impact on the consolidated financial statements.

In November 2023, the FASB issued ASU No. 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures ("ASU 2023-07"). ASU 2023-07 requires public entities to disclose significant segment expense and other segment items on an annual and interim basis and to provide in interim periods all disclosures about a reportable segment's profit or loss and assets that are currently required annually. The guidance in ASU 2023-07 is applied retrospectively to all periods presented in the financial statements and is effective for public entities for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The Company does not anticipate that the adoption of ASU 2023-07 will have a material impact on the consolidated financial statements.

In December 2023, the FASB issued ASU No. 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures ("ASU 2023-09"). ASU 2023-09 enhances the transparency and decision usefulness of income tax disclosures and disclosures about income taxes paid. The guidance in ASU 2023-09 should be applied prospectively but may be applied retrospectively for each period presented. ASU 2023-09 is effective for public entities for fiscal years beginning after December 15, 2024. The Company does not anticipate that the adoption of ASU 2023-09 will have a material impact on the consolidated financial statements.

Results of Operations

The following table shows financial results for the three months ended June 30, 2024 and 2023:

(in thousands)	Three months ended		June 30,
	2024	2023	Change
Revenues:			
Rental	\$ 30,818	\$ 36,257	\$ (5,439)
Other	12	9	3
Total revenues	30,830	36,266	(5,436)
Expenses:			
Real estate operating expenses	11,027	12,140	(1,113)
Real estate taxes and insurance	5,727	7,169	(1,442)
Depreciation and amortization	11,482	14,645	(3,163)
General and administrative	3,635	3,767	(132)
Interest	7,082	6,084	998
Total expenses	38,953	43,805	(4,852)
Impairment on asset held for sale	(13,200)	(806)	(12,394)
Interest income	348	—	348
Loss before taxes	(20,975)	(8,345)	(12,630)
Tax expense	48	75	(27)
Net loss	<u>\$ (21,023)</u>	<u>\$ (8,420)</u>	<u>\$ (12,603)</u>

Comparison of the three months ended June 30, 2024 to the three months ended June 30, 2023:

Revenues

Total revenues decreased by \$5.4 million to \$30.8 million for the three months ended June 30, 2024, as compared to the three months ended June 30, 2023. The decrease was primarily a result of:

- A decrease in rental revenue of approximately \$5.4 million arising primarily from the sale of four properties in 2023, and one property in 2024 and other losses of rental income from lease expirations during the periods presented. These decreases were partially offset by rental income earned from leases commencing after June 30, 2023. Our leased space in our owned and consolidated properties was 69.7% as of June 30, 2024 and 73.3% as of June 30, 2023.

Expenses

Total expenses decreased by \$4.9 million to \$38.9 million for the three months ended June 30, 2024, as compared to the three months ended June 30, 2023. The decrease was primarily a result of:

- A decrease in real estate operating expenses and real estate taxes and insurance of approximately \$2.6 million is primarily attributable to the property dispositions noted above.
- A decrease in depreciation and amortization of approximately \$3.2 million, which was primarily attributable to the property dispositions noted above.
- A decrease in general and administrative expenses of \$0.1 million, which was primarily attributable to lower personnel expenses during the three months ended June 30, 2024 compared to the same period in 2023.

These decreases were partially offset by:

- An increase in interest expense of approximately 1.0 million. The increase was primarily due to higher interest expense as a result of higher interest rates under the loan amendments we entered into on February 10, 2023, and February 21, 2024, described above and was partially offset by a lower principal amount of debt outstanding compared to the same period in 2023.

Impairment on assets held for sale

During the three months ended June 30, 2023, we entered into an agreement to sell a property in Charlotte, North Carolina for a sales price of \$9.2 million, at an expected loss of \$0.8 million, which was recorded as an impairment. We classified the property as an asset held for sale as of June 30, 2023. The property was sold on August 9, 2023.

During the three months ended June 30, 2024, we entered into an agreement to sell a property in Glen Allen, Virginia for a gross sales price of approximately \$31.0 million and an expected loss of \$13.2 million, which was recorded as an impairment. We classified the property as an asset held for sale as of June 30, 2024. The property was sold on July 8, 2024.

Interest income

During the three months ended June 30, 2024, we invested disposition proceeds in an interest-bearing account and earned \$0.3 million in interest income.

Tax expense on income

Included in income taxes is the Revised Texas Franchise Tax, which is a tax on revenues from Texas properties, which was \$48,000 during the three months ended June 30, 2024, compared to \$75,000 during the three months ended June 30, 2023.

Net income and loss

Net loss for the three months ended June 30, 2024 was \$21.0 million, compared to a net loss of \$8.4 million for the three months ended June 30, 2023, for the reasons described above.

The following table shows financial results for the six months ended June 30, 2024 and 2023:

(in thousands)	Six months ended June 30,		
	2024	2023	Change
Revenues:			
Rental	\$ 62,043	\$ 74,024	\$ (11,981)
Other	12	9	3
Total revenues	62,055	74,033	(11,978)
Expenses:			
Real estate operating expenses	22,046	24,830	(2,784)
Real estate taxes and insurance	11,663	14,142	(2,479)
Depreciation and amortization	23,107	29,372	(6,265)
General and administrative	7,794	7,584	210
Interest	13,928	11,890	2,038
Total expenses	78,538	87,818	(9,280)
Loss on extinguishment of debt	(137)	(67)	(70)
Gain on consolidation of Sponsored REIT	—	394	(394)
Gain (loss) on sale of properties and impairment of assets held for sale, net	(13,205)	7,586	(20,791)
Interest income	1,356	—	1,356
Loss before taxes	(28,469)	(5,872)	(22,597)
Tax expense	106	142	(36)
Net loss	<u>\$ (28,575)</u>	<u>\$ (6,014)</u>	<u>\$ (22,561)</u>

Comparison of the six months ended June 30, 2024 to the six months ended June 30, 2023:

Revenues

Total revenues decreased by \$12.0 million to \$62.1 million for the six months ended June 30, 2024, as compared to the six months ended June 30, 2023. The decrease was primarily a result of:

- A decrease in rental revenue of approximately \$12.0 million arising primarily from the sale of four properties in 2023, and one property in 2024 and other losses of rental income from lease expirations during the periods presented. These decreases were partially offset by rental income earned from leases commencing after June 30, 2023. Our leased space in our owned and consolidated properties was 69.7% as of June 30, 2024 and 73.3% as of June 30, 2023.

Expenses

Total expenses decreased by \$9.3 million to \$78.5 million for the six months ended June 30, 2024, as compared to the six months ended June 30, 2023. The decrease was primarily a result of:

- A decrease in real estate operating expenses and real estate taxes and insurance of approximately \$5.3 million, which was primarily attributable to the property dispositions noted above.
- A decrease in depreciation and amortization of approximately \$6.2 million, which was primarily attributable to the property dispositions noted above.

These decreases were partially offset by:

- An increase in general and administrative expenses of \$0.2 million, which was primarily attributable to higher professional fees related to debt transactions during the six months ended June 30, 2024 compared to the same period in 2023.

- An increase in interest expense of approximately \$2.0 million. The increase was primarily due to higher interest expense as a result of higher interest rates under the loan amendments we entered into on February 10, 2023 and February 21, 2024, as described above, and was partially offset by a lower principal amount of debt outstanding compared to the same period in 2023.

Loss on extinguishment of debt

During the six months ended June 30, 2024 and June 30, 2023, we repaid debt and incurred a loss on extinguishment of debt of \$0.1 million and \$0.1 million, respectively, related to unamortized deferred financing costs on the dates of the repayments.

Gain on consolidation of Sponsored REIT

During the six months ended June 30, 2023, we recorded a gain on consolidation of Sponsored REIT as a result of reducing the Monument Circle loan loss reserve, which resulted in a \$0.4 million gain.

Gain on sale of properties and impairment of assets held for sale

During the three months ended March 31, 2023, we sold an office property located in Elk Grove, Illinois on March 10, 2023 for a sales price of \$29.1 million, at a gain of approximately \$8.4 million. During the three months ended June 30, 2023, we entered into an agreement to sell a property in Charlotte, North Carolina for a sales price of \$9.2 million, at an expected loss of \$0.8 million, which was recorded as an impairment. We classified the property as an asset held for sale as of June 30, 2023. The property was sold on August 9, 2023.

During the six months ended June 30, 2024, we sold an office property located in Richardson, Texas on January 26, 2024, for a sales price of \$35.0 million at a loss of approximately \$2.1 million. The property was classified as held for sale as of December 31, 2023 and an impairment of \$2.1 million was recorded during the year ended December 31, 2023. An additional \$5,000 of costs related to the sale were recorded during the six months ended June 30, 2024.

During the three months ended June 30, 2024, we entered into an agreement to sell a property in Glen Allen, Virginia for a gross sales price of approximately \$31.0 million and an expected loss of \$13.2 million, which was recorded as an impairment. We classified the property as an asset held for sale as of June 30, 2024. The property was sold on July 8, 2024.

Interest income

During the six months ended June 30, 2024, we invested disposition proceeds in an interest-bearing account and earned \$1.4 million in interest income. On February 21, 2024, we used \$102.0 million of disposition proceeds to repay debt.

Tax expense on income

Included in income taxes is the Revised Texas Franchise Tax, which is a tax on revenues from Texas properties, which was \$106,000 during the six months ended June 30, 2024, compared to \$142,000 during the six months ended June 30, 2023.

Net loss

Net loss for the six months ended June 30, 2024 was \$28.6 million, compared to a net loss of \$6.0 million for the six months ended June 30, 2023, for the reasons described above.

Non-GAAP Financial Measures

Funds From Operations

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

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

Other real estate companies and the National Association of Real Estate Investment Trusts, or NAREIT, may define this term in a different manner. We have included the NAREIT FFO definition as of May 17, 2016 in the table and note that other REITs may not define FFO in accordance with the NAREIT definition or may interpret the current NAREIT definition differently than we do.

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

The calculations of FFO are shown in the following table:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2024	2023	2024	2023
(in thousands):				
Net loss	\$ (21,023)	\$ (8,420)	\$ (28,575)	\$ (6,014)
Gain on consolidation of Sponsored REIT	—	—	—	(394)
(Gain) loss on sale of properties and impairment of assets held for sale, net	13,200	806	13,205	(7,586)
Depreciation and amortization	11,476	14,633	23,095	29,342
NAREIT FFO	3,653	7,019	7,725	15,348
Lease Acquisition costs	68	91	189	169
Funds From Operations	<u>\$ 3,721</u>	<u>\$ 7,110</u>	<u>\$ 7,914</u>	<u>\$ 15,517</u>

Net Operating Income (NOI)

The Company provides property performance based on Net Operating Income, which we refer to as NOI. Management believes that investors are interested in this information. NOI is a non-GAAP financial measure that the Company defines as net income or loss (the most directly comparable GAAP financial measure) plus 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, hedge ineffectiveness, gains or losses on the sale of assets and excludes non-property specific income and expenses. The information presented includes footnotes and the data is shown by region with properties owned and consolidated in the periods presented, which we call Same Store. The comparative Same Store results include properties held for the periods presented and exclude acquired properties or properties that have been placed in service, but that do not have operating activity for all periods presented, dispositions and significant nonrecurring income such as bankruptcy

settlements and lease termination fees. NOI, as defined by the Company, may not be comparable to NOI reported by other REITs that define NOI differently. NOI should not be considered an alternative to net income or loss as an indication of our performance or to cash flows as a measure of the Company's liquidity or its ability to make distributions. The calculations of NOI are shown in the following table:

Net Operating Income (NOI)*

		Rentable								
		Square								
	Feet	Three Months Ended		Six Months Ended	Three Months Ended		Six Months Ended	Inc	%	
(in thousands)	or RSF	31-Mar-24	30-Jun-24	30-Jun-24	31-Mar-23	30-Jun-23	30-Jun-23	(Dec)	Change	
Region										
East	298	\$ 709	\$ 711	\$ 1,420	\$ 276	\$ 343	\$ 619	\$ 801	129.4 %	
MidWest	757	1,640	1,665	3,305	2,239	1,718	3,957	(652)	(16.5)%	
South	2,069	5,266	5,240	10,506	5,129	5,251	10,380	126	1.2 %	
West	2,140	6,204	6,224	12,428	6,423	6,412	12,835	(407)	(3.2)%	
Property NOI* from Owned Properties	5,264	13,819	13,840	27,659	14,067	13,724	27,791	(132)	(0.5)%	
Disposition and Acquisition Properties (a)	214	89	(92)	(3)	3,673	2,847	6,520	(6,523)	(18.9)%	
Property NOI*	5,478	\$ 13,908	\$ 13,748	\$ 27,656	\$ 17,740	\$ 16,571	\$ 34,311	\$ (6,655)	(19.4)%	
Same Store		\$ 13,819	\$ 13,840	\$ 27,659	\$ 14,067	\$ 13,724	\$ 27,791	\$ (132)	(0.5)%	
Less Nonrecurring										
Items in NOI* (b)		246	255	501	1,292	301	1,593	(1,092)	4.2 %	
Comparative										
Same Store		\$ 13,573	\$ 13,585	\$ 27,158	\$ 12,775	\$ 13,423	\$ 26,198	\$ 960	3.7 %	
		Three Months Ended		Six Months Ended	Three Months Ended		Six Months Ended			
		31-Mar-24	30-Jun-24	30-Jun-24	31-Mar-23	30-Jun-23	30-Jun-23			
Reconciliation to Net Income (Loss)		31-Mar-24	30-Jun-24	30-Jun-24	31-Mar-23	30-Jun-23	30-Jun-23			
Net income (loss)	\$	(7,552)	\$ (21,023)	\$ (28,575)	\$ 2,406	\$ (8,420)	\$ (6,014)			
Add (deduct):										
Loss on extinguishment of debt		137	—	137	67	—	67			
Gain on consolidation of Sponsored REIT		—	—	—	(394)	—	(394)			
Gain on sale of properties and impairment of assets held for sale, net		5	13,200	13,205	(8,392)	806	(7,586)			
Management fee income		(462)	(443)	(905)	(374)	(427)	(801)			
Depreciation and amortization		11,625	11,482	23,107	14,727	14,645	29,372			
Amortization of above/below market leases		(6)	(6)	(12)	(18)	(12)	(30)			
General and administrative		4,159	3,635	7,794	3,817	3,768	7,585			
Interest expense		6,846	7,082	13,928	5,806	6,084	11,890			
Interest income		(1,008)	(348)	(1,356)	—	—	—			
Non-property specific items, net		164	169	333	95	127	222			
Property NOI*	\$	13,908	\$ 13,748	\$ 27,656	\$ 17,740	\$ 16,571	\$ 34,311			

(a) We define Disposition and Acquisition Properties as properties that were sold or acquired or consolidated and do not have operating activity for all periods presented.

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

*Excludes NOI from investments in and interest income from secured loans to non-consolidated REITs.

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The information presented below provides the weighted average GAAP rent per square foot for the six months ended June 30, 2024 for our owned and consolidated properties and weighted occupancy square feet and percentages. GAAP rent includes the impact of tenant concessions and reimbursements.

Property Name	City	State	Year Built or Renovated	Net Rentable Square Feet	Weighted Occupied Sq. Ft.	Weighted Occupied Percentage as of June 30, 2024 (a)	Weighted Average Rent per Occupied Square Feet (b)
Innsbrook (c)	Glen Allen	VA	1999	298,183	235,714	79.1 %	\$ 19.93
East Total				298,183	235,714	79.1 %	19.93
120 Monument Circle	Indianapolis	IN	1992	213,760	8,721	4.1 %	33.91
121 South 8th Street	Minneapolis	MN	1974	297,541	230,862	77.6 %	25.72
801 Marquette Ave	Minneapolis	MN	1923/2017	129,691	119,108	91.8 %	25.48
Plaza Seven	Minneapolis	MN	1987	330,096	197,959	60.0 %	29.66
Midwest Total				971,088	556,650	57.3 %	27.20
Park Ten	Houston	TX	1999	157,609	125,882	79.9 %	29.20
Addison Circle	Addison	TX	1999	289,333	229,817	79.4 %	34.92
Eldridge Green	Houston	TX	1999	248,399	248,399	100.0 %	26.36
Park Ten Phase II	Houston	TX	2006	156,746	141,573	90.3 %	29.95
Liberty Plaza	Addison	TX	1985	217,841	162,488	74.6 %	25.56
Legacy Tennyson Center	Plano	TX	1999/2008	209,562	108,825	51.9 %	31.07
Westchase I & II	Houston	TX	1983/2008	629,025	385,089	61.2 %	27.36
Pershing Park Plaza (c)	Atlanta	GA	1989	160,145	127,796	79.8 %	39.59
South Total				2,068,660	1,529,869	74.0 %	29.82
1999 Broadway	Denver	CO	1986	682,639	349,579	51.2 %	35.13
1001 17th Street	Denver	CO	1977/2006	649,235	461,282	71.1 %	37.59
600 17th Street	Denver	CO	1982	612,135	480,526	78.5 %	34.64
Greenwood Plaza	Englewood	CO	2000	196,236	128,790	65.6 %	28.96
West Total				2,140,245	1,420,177	66.4 %	35.21
Total Owned & Consolidated Properties				5,478,176	3,742,410	68.3 %	\$ 30.85

- (a) Based on weighted occupied square feet for the six months ended June 30, 2024, including month-to-month tenants, divided by the applicable property's net rentable square footage.
- (b) Represents annualized GAAP rental revenue for the six months ended June 30, 2024, per weighted occupied square foot.
- (c) Properties are classified as assets held for sale as of June 30, 2024.

Liquidity and Capital Resources

Cash and cash equivalents were \$31.5 million and \$127.9 million at June 30, 2024 and December 31, 2023, respectively. The decrease of \$96.4 million is attributable to \$7.7 million used in operating activities, plus \$21.1 million provided by investing activities less \$109.8 million used in financing activities. Management believes that existing cash and cash anticipated to be generated internally by operations, including property dispositions, will be sufficient to meet working capital requirements and anticipated capital expenditures for at least the next 12 months. Although there is no guarantee that we will be able to obtain the funds necessary for our future growth, we anticipate generating funds from continuing real estate operations and property dispositions. We believe that we have adequate funds to cover unusual expenses and capital improvements, in addition to normal operating expenses. Our ability to maintain or increase our level of dividends to stockholders, however, depends in significant part upon the level of rental income from our real properties, property dispositions and our interest costs.

Operating Activities

Cash used in operating activities for the six months ended June 30, 2024 of \$7.7 million is primarily attributable to a net loss of \$28.6 million, excluding \$13.2 million of impairment charges on an asset held for sale, plus the add-back of \$25.1 million of non-cash expenses, less a decrease in accounts payable and accrued compensation of \$13.9 million, an increase in payment of deferred leasing commissions of \$2.7 million, an increase in lease acquisition costs of \$0.3 million, an increase in prepaid expenses of \$0.4 million and an increase in tenant receivables of \$0.2 million.

Investing Activities

Cash provided by investing activities for the six months ended June 30, 2024 of \$21.1 million is primarily attributable to proceeds from an asset sale of \$34.3 million, which was partially offset by purchases of other real estate assets and office equipment investments of \$13.2 million.

Financing Activities

Cash used in financing activities for the six months ended June 30, 2024 of \$109.8 million is primarily attributable to the repayment of a portion of the BMO Term Loan of \$28.9 million, repayment of a portion of the BofA Term Loan of \$22.7 million, repayment of a portion of the Senior Notes of \$50.4 million, payment of distributions to stockholders of \$2.1 million, and payment of deferred financing costs of \$5.7 million.

Liquidity beyond the next 12 months

Our ability to generate cash adequate to meet our needs is dependent primarily on income from real estate investments, the sale of real estate investments, leveraging of real estate investments, proceeds from public offerings of stock, private placement of debt and access to the capital markets. The acquisition of new properties, the payment of expenses related to real estate operations, capital improvement expenses, debt service payments, general and administrative expenses, and distribution requirements place demands on our liquidity.

We intend to operate our properties from the cash flows generated by our properties. However, our expenses are affected by various factors, including inflation. See Part II, Item 1A, Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2023 for additional factors. Increases in operating expenses are predominantly borne by our tenants. To the extent that increases cannot be passed on to our tenants through rent reimbursements, such expenses would reduce the amount of available cash flow, which can adversely affect the market value of the applicable property.

We have used a variety of sources to fund our cash needs in addition to our free cash flow generated from our investments in real estate. We have considered adding or refinancing existing term debt or raising capital through public offerings or At The Market (ATM) programs of our common stock. We believe these sources of funds will provide sufficient funds to adequately meet our obligations beyond the next twelve months.

BMO Term Loan

We have a term loan borrowing in the aggregate principal amount of approximately \$86.0 million as of June 30, 2024, which we refer to as the BMO Term Loan, with Bank of Montreal, as administrative agent, and the other lending institutions party thereto, that matures on April 1, 2026. On February 21, 2024, we amended the BMO Term Loan by entering into a Second Amendment to Second Amended and Restated Credit Agreement with Bank of Montreal and the other lending institutions party thereto, which we refer to as the BMO Second Amendment. The BMO Second Amendment amended the Second Amended and Restated Credit Agreement dated September 27, 2018, which we refer to as the Original BMO Credit Agreement, as amended by the First Amendment to Second Amended and Restated Credit Agreement dated February 10, 2023, which we refer to as the BMO First Amendment, to, among other things: (1) extend the maturity date from October 1, 2024 to April 1, 2026; (2) change the interest rate from either 300 basis points over SOFR (Secured Overnight Financing Rate) or 200 basis points over the base rate to either 300 basis points over SOFR with a floor on SOFR of 500 basis points or 200 basis points over the base rate with a floor on the base rate of 600 basis points; (3) provide that, if, as of March 31, 2025, the aggregate principal amount outstanding under the BMO Term Loan, the BofA Term Loan (defined below) and the Senior Notes (defined below) exceeds \$200 million, the spread over SOFR or the base rate, as applicable, will permanently increase by 100 basis points, from 300 basis points to 400 basis points in the case of SOFR, and from 200 basis points to 300 basis points in the case of the base rate; (4) require mandatory prepayments of the BMO Term Loan, the BofA Term Loan and the Senior Notes with net cash proceeds from the disposition of property, assets and equity issuances as follows: (a) 25.55556% to the BMO Term Loan; (b) 20.00000% to the BofA Term Loan; (c) 44.44444% to the Senior Notes; and (d) the remaining 10% to be retained by us; (5) require that, within 90 days of the February 21, 2024 effective date of the BMO Second Amendment, certain of our subsidiaries guarantee the BMO Term Loan; (6) require that, within 90 days of the February 21, 2024 effective date of the BMO Second Amendment, we pledge our equity interests in certain of our subsidiaries as collateral for the BMO Term Loan; (7) reduce our minimum fixed charge coverage ratio from 1.50x to 1.25x; and (8) reduce our minimum unsecured interest coverage ratio from 1.75x to 1.25x. We refer to the Original BMO Credit Agreement, as amended by the BMO First Amendment and the BMO Second Amendment, as the BMO Credit Agreement.

The BMO Credit Agreement initially provided for an unsecured term loan borrowing in the amount of \$220 million. The BMO Term Loan initially consisted of a \$55 million tranche A term loan and a \$165 million tranche B term loan. On June 4, 2021, we repaid the tranche A term loan that was scheduled to mature on November 30, 2021, and incurred a loss on extinguishment of debt of \$0.1 million related to unamortized deferred financing costs. On February 10, 2023, we repaid a \$40 million portion of the tranche B term loan. On August 10, 2023, we repaid an additional \$10 million portion of the tranche B term loan. On February 21, 2024, as part of the BMO Second Amendment, we repaid an approximately \$29.0 million portion of the tranche B term loan. The tranche B term loan matures on April 1, 2026.

Effective February 21, 2024 upon entering into the BMO Second Amendment, the BMO Term Loan bears interest at either (i) 300 basis points over one, three or six month term SOFR, plus a corresponding adjustment of 0.11448%, 0.26161% or 0.42826%, respectively, with a floor on SOFR of 5.00% or (ii) 200 basis points over the base rate with a floor on the base rate of 6.00%. In addition, effective February 21, 2024 upon entering into the BMO Second Amendment, if, as of March 31, 2025, the aggregate principal amount outstanding under the BMO Term Loan, the BofA Term Loan and the Senior Notes exceeds \$200 million, the spread over SOFR or the base rate, as applicable, will permanently increase by 100 basis points from 300 basis points to 400 basis points in the case of SOFR, and from 200 basis points to 300 basis points in the case of the base rate.

As of June 30, 2024, the interest rate on the BMO Term Loan was 8.45% per annum. The weighted average variable interest rate on all amounts outstanding under the BMO Term Loan was 8.45% for the six months ended June 30, 2024. As of December 31, 2023, the interest rate on the BMO Term Loan was 8.47% per annum. The weighted average variable interest rate on all amounts outstanding under the BMO Term Loan from February 8, 2023, which is when the Company terminated its outstanding interest rate swaps applicable to the BMO Term Loan as described below, through December 31, 2023 was approximately 8.11% per annum.

Although the interest rate on the BMO Term Loan is currently variable under the BMO Credit Agreement, we previously fixed the base LIBOR interest rate that previously applied to the BMO Term Loan by entering into interest rate swap transactions. On February 20, 2019, we entered into ISDA Master Agreements with a group of banks that fixed the base LIBOR interest rate on the BMO Term Loan at 2.39% per annum for the period beginning on August 26, 2020 and ending

January 31, 2024. On February 8, 2023, we terminated all remaining interest rate swaps applicable to the BMO Term Loan and, on February 10, 2023, we received an aggregate of approximately \$4.3 million as a result of such terminations.

The BMO Credit Agreement contains customary affirmative and negative covenants for credit facilities of this type, including limitations with respect to indebtedness, liens, investments, mergers and acquisitions, disposition of assets, use of net cash proceeds from the disposition of property, assets and equity issuances, mandatory prepayments, the requirement to have certain subsidiaries provide guarantees, the requirement to pledge our equity interests in certain subsidiaries as collateral, changes in business, certain restricted payments, repurchases and redemptions of our common stock, going concern qualifications to our financial statements, and transactions with affiliates. In addition, the BMO Credit Agreement also restricts our ability to make quarterly dividend distributions that exceed \$0.01 per share of our common stock; provided, however, that notwithstanding such restriction, we are permitted to make dividend distributions based on our good faith estimate of projected or estimated taxable income or otherwise as necessary to retain our status as a real estate investment trust, to meet the distribution requirements of Section 857 of the Internal Revenue Code or to eliminate any income or excise taxes to which we would otherwise be subject. The BMO Credit Agreement also contains financial covenants that require us to maintain a minimum tangible net worth, a maximum leverage ratio, a maximum secured leverage ratio, a maximum secured recourse leverage ratio, a minimum fixed charge coverage ratio, a maximum unencumbered leverage ratio, and minimum unsecured interest coverage. We were in compliance with the BMO Term Loan financial covenants as of June 30, 2024.

The BMO Credit Agreement provides for customary events of default with corresponding grace periods, including failure to pay any principal or interest when due, certain cross defaults and a change in control (as defined in the BMO Credit Agreement). In the event of a default by us, the administrative agent may, and at the request of the requisite number of lenders shall, declare all obligations under the BMO Credit Agreement immediately due and payable, terminate the lenders' commitments to make loans under the BMO Credit Agreement, and enforce any and all rights of the lenders or administrative agent under the BMO Credit Agreement and related documents. For certain events of default related to bankruptcy, insolvency, and receivership, the commitments of lenders will be automatically terminated and all of our outstanding obligations will become immediately due and payable.

BofA Term Loan

As of June 30, 2024, we have a term loan borrowing in the amount of approximately \$67.3 million, which we refer to as the BofA Term Loan, with Bank of America, N.A. as administrative agent, and other lending institutions party thereto that matures on April 1, 2026. Prior to February 21, 2024, we referred to the BofA Term Loan as the BofA Revolver. On February 21, 2024, we amended the BofA Term Loan by entering into a Second Amendment to Credit Agreement with the lending institutions party thereto, which we refer to as the BofA Second Amendment. The BofA Second Amendment amended the Credit Agreement dated January 10, 2022, which we refer to as the Original BofA Credit Agreement, as amended by the First Amendment to Credit Agreement dated February 10, 2023, which we refer to as the BofA First Amendment, to, among other things: (1) extend the maturity date from October 1, 2024 to April 1, 2026; (2) convert borrowings from being either revolving loans or letters of credit to a term loan; (3) change the interest rate from 300 basis points over SOFR to 300 basis points over SOFR with a floor on SOFR of 500 basis points; (4) provide that, if, as of March 31, 2025, the aggregate principal amount outstanding under the BMO Term Loan, the BofA Term Loan and the Senior Notes exceeds \$200 million, the spread over SOFR will permanently increase by 100 basis points from 300 basis points to 400 basis points; (5) require mandatory prepayments of the BMO Term Loan, the BofA Term Loan and the Senior Notes with net cash proceeds from the disposition of property, assets and equity issuances as follows: (a) 25.55556% to the BMO Term Loan; (b) 20.00000% to the BofA Term Loan; (c) 44.44444% to the Senior Notes; and (d) the remaining 10% to be retained by us; (6) require that, within 90 days of the February 21, 2024 effective date of the BofA Second Amendment, certain of our subsidiaries guarantee the BofA Term Loan; (7) require that, within 90 days of the February 21, 2024 effective date of the BofA Second Amendment, we pledge our equity interests in certain of our subsidiaries as collateral for the BofA Term Loan; (8) reduce our minimum fixed charge coverage ratio from 1.50x to 1.25x; and (9) reduce our minimum unsecured interest coverage ratio from 1.75x to 1.25x. We refer to the Original BofA Credit Agreement, as amended by the BofA First Amendment and the BofA Second Amendment, as the BofA Credit Agreement.

Prior to entering into the BofA Second Amendment on February 21, 2024, borrowings made under the BofA Revolver could be revolving loans or letters of credit, the combined sum of which could not exceed \$150 million outstanding at any time. On February 10, 2023, we borrowed \$40.0 million under the BofA Revolver to repay a portion of the BMO

Term Loan. Effective October 1, 2023, availability under the BofA Revolver was reduced to \$125 million. As of December 31, 2023, there were borrowings of \$90 million drawn and outstanding under the BofA Revolver. On February 21, 2024, as part of the BofA Second Amendment, we repaid an approximately \$22.7 million portion of the BofA Revolver.

Effective February 21, 2024 upon entering into the BofA Second Amendment, the BofA Term Loan bears interest at 300 basis points over either (i) the daily simple SOFR, plus an adjustment of 0.11448%, or (ii) one, three or six month term SOFR, plus a corresponding adjustment of 0.11448%, 0.26161% or 0.42826%, respectively, with a floor on SOFR of 5.00%. In addition, effective February 21, 2024 upon entering into the BofA Second Amendment, under certain circumstances, such as if SOFR is not able to be determined, the BofA Term Loan bears interest at 200 basis points over the base rate with a floor on the base rate of 600 basis points. In addition, effective February 21, 2024 upon entering into the BofA Second Amendment, if, as of March 31, 2025, the aggregate principal amount outstanding under the BMO Term Loan, the BofA Term Loan and the Senior Notes exceeds \$200 million, the spread over SOFR will permanently increase by 100 basis points from 300 basis points to 400 basis points in the case of SOFR, and from 200 basis points to 300 basis points in the case of the base rate.

As of June 30, 2024, the interest rate on the BofA Term Loan was 8.45% per annum. The weighted average variable interest rate on all amounts outstanding under the BofA Term Loan was 8.44% for the six months ended June 30, 2024. As of December 31, 2023, the interest rate on the BofA Revolver was 8.47% per annum. The weighted average variable interest rate on all amounts outstanding under the BofA Revolver through December 31, 2023 was approximately 8.05% per annum.

The BofA Credit Agreement contains customary affirmative and negative covenants for credit facilities of this type, including limitations with respect to indebtedness, liens, investments, mergers and acquisitions, disposition of assets, use of net cash proceeds from the disposition of property, assets and equity issuances, mandatory prepayments, the requirement to have certain subsidiaries provide guarantees, the requirement to pledge our equity interests in certain subsidiaries as collateral, changes in business, certain restricted payments, repurchases and redemptions of our common stock, going concern qualifications to our financial statements, and transactions with affiliates. In addition, the BofA Credit Agreement also restricts our ability to make quarterly dividend distributions that exceed \$0.01 per share of our common stock; provided, however, that notwithstanding such restriction, we are permitted to make dividend distributions based on our good faith estimate of projected or estimated taxable income or otherwise as necessary to retain our status as a real estate investment trust, to meet the distribution requirements of Section 857 of the Internal Revenue Code or to eliminate any income or excise taxes to which we would otherwise be subject. The BofA Credit Agreement also contains financial covenants that require us to maintain a minimum tangible net worth, a maximum leverage ratio, a maximum secured leverage ratio, a maximum secured recourse leverage ratio, a minimum fixed charge coverage ratio, a maximum unencumbered leverage ratio, and minimum unsecured interest coverage. We were in compliance with the BofA Term Loan financial covenants as of June 30, 2024.

The BofA Credit Agreement provides for customary events of default with corresponding grace periods, including failure to pay any principal or interest when due, failure to comply with the provisions of the BofA Credit Agreement, certain cross defaults and a change in control (as defined in the BofA Credit Agreement). In the event of a default by us, the administrative agent may, and at the request of the requisite number of lenders shall, declare all obligations under the BofA Credit Agreement immediately due and payable and enforce any and all rights of the lenders or BofA under the BofA Credit Agreement and related documents. For certain events of default related to bankruptcy, insolvency, and receivership, all of our outstanding obligations will become immediately due and payable.

Senior Notes

We have senior notes in the aggregate principal amount of approximately \$149.6 million as of June 30, 2024, which we refer to as the Senior Notes, that mature on April 1, 2026. The Senior Notes consist of (i) Series A Senior Notes due April 1, 2026 in an aggregate principal amount of approximately \$86.8 million, which we refer to as the Series A Notes, and (ii) Series B Senior Notes due April 1, 2026 in the aggregate principal amount of approximately \$62.8 million, which we refer to as the Series B Notes. On February 21, 2024, we amended the terms of the Senior Notes by entering into a First Amendment to Note Purchase Agreement, which we refer to as the NPA First Amendment, with the purchasers party thereto. The NPA First Amendment amended the Note Purchase Agreement dated October 24, 2017, which we refer to as the Original Note Purchase Agreement, to, among other things: (1) extend the maturity date of the Series A Notes from December 20, 2024 to April 1, 2026; (2) shorten the maturity date of the Series B Notes from December 20, 2027 to April 1,

2026; (3) increase the interest rate applicable to the Series A Notes from 4.49% per annum to 8.00% per annum; (4) increase the interest rate applicable to the Series B Notes from 4.76% per annum to 8.00% per annum; (5) provide that, if, as of March 31, 2025, the aggregate principal amount outstanding under the BMO Term Loan, the BofA Term Loan and the Senior Notes exceeds \$200 million, the per annum interest rates applicable to the Series A Note and the Series B Notes will permanently increase by 1.00% from 8.00% per annum to 9.00% per annum; (6) require mandatory prepayments of the BMO Term Loan, the BofA Term Loan and the Senior Notes with net cash proceeds from the disposition of property, assets and equity issuances as follows: (a) 25.55556% to the BMO Term Loan; (b) 20.00000% to the BofA Term Loan; (c) 44.44444% to the Senior Notes; and (d) the remaining 10% to be retained by us; (7) require that, within 90 days of the February 21, 2024 effective date of the NPA First Amendment, certain of our subsidiaries guarantee the Senior Notes; (8) require that, within 90 days of the February 21, 2024 effective date of the NPA First Amendment, we pledge our equity interests in certain of our subsidiaries as collateral for the Senior Notes; and (9) conform all financial covenants and negative covenants in the Note Purchase Agreement with the BofA Credit Agreement and the BMO Credit Agreement. We refer to the Original Note Purchase Agreement, as amended by the NPA First Amendment, as the Note Purchase Agreement.

On February 21, 2024, as part of the NPA First Amendment, we repaid an approximately \$29.2 million portion of the Series A Notes. In addition, on February 21, 2024, as part of the NPA First Amendment, we repaid an approximately \$21.2 million aggregate principal amount of the Series B Notes. As of June 30, 2024, approximately \$86.8 million aggregate principal amount remained outstanding under the Series A Notes and approximately \$62.8 million aggregate principal amount remained outstanding under the Series B Notes.

As of June 30, 2024, the interest rate on the Series A Notes was 8.00% per annum and the interest rate on the Series B Notes was 8.00% per annum. As of December 31, 2023, the interest rate on the Series A Notes was 4.49% per annum and the interest rate on the Series B Notes was 4.76% per annum.

The Note Purchase Agreement contains customary affirmative and negative covenants, including limitations with respect to indebtedness, liens, investments, mergers and acquisitions, disposition of assets, use of net cash proceeds from the disposition of property, assets and equity issuances, mandatory prepayments, the requirement to have certain subsidiaries provide guarantees, the requirement to pledge our equity interests in certain subsidiaries as collateral, changes in business, certain restricted payments, repurchases and redemptions of our common stock, going concern qualifications to our financial statements, transactions with affiliates, certain restrictions on severance, retention and similar arrangements applicable to our executive officers, and real estate investment trust compliance requirements. In addition, the Note Purchase Agreement also restricts our ability to make quarterly dividend distributions that exceed \$0.01 per share of our common stock; provided, however, that notwithstanding such restriction, we are permitted to make dividend distributions based on our good faith estimate of projected or estimated taxable income or otherwise as necessary to retain our status as a real estate investment trust, to meet the distribution requirements of Section 857 of the Internal Revenue Code or to eliminate any income or excise taxes to which we would otherwise be subject. The Note Purchase Agreement also contains financial covenants that require us to maintain a minimum tangible net worth, a maximum leverage ratio, a maximum secured leverage ratio, a maximum secured recourse leverage ratio, a minimum fixed charge coverage ratio, a maximum unencumbered leverage ratio, and minimum unsecured interest coverage. We were in compliance with the Note Purchase Agreement financial covenants as of June 30, 2024.

Equity Offering

From time to time, we may issue debt securities, common stock, preferred stock or depository shares under a registration statement to fund the acquisition of additional properties, to pay down any existing debt financing and for other corporate purposes.

Stock Repurchase Program

On June 23, 2021, we announced that our Board of Directors had authorized the repurchase of up to \$50 million of the Company's common stock from time to time in the open market, privately negotiated transactions or other manners as permitted by federal securities laws. The repurchase authorization may be suspended or discontinued at any time. On February 10, 2023, we disclosed in a Current Report on Form 8-K that our Board of Directors had discontinued the repurchase authorization.

Contingencies

We may be subject to various legal proceedings and claims that arise in the ordinary course of our business. Although occasional adverse decisions (or settlements) may occur, we believe that the final disposition of such matters will not have a material adverse effect on our financial position or results of operations.

Sponsored REIT Loan

The Sponsored REIT Loan is secured by a mortgage on the underlying property and has a current term of less than one year. We anticipate that the Sponsored REIT Loan will be repaid through cash flow from property operations or sale of the underlying property, although the actual amount and timing of any repayment is uncertain and will likely depend on prevailing market conditions at the time of any such sale.

The Sponsored REIT Loan subjects us to credit risk. However, we believe that our position as asset manager of the Sponsored REIT helps mitigate that risk by providing us with unique insight and the ability to rely on qualitative analysis of the Sponsored REIT. Before making the Sponsored REIT Loan, we considered a variety of subjective factors, including the quality of the underlying real estate, leasing, the financial condition of the Sponsored REIT and local and national market conditions. These factors are subject to change and we do not apply a formula or assign relative weights to the factors. Instead, we make a subjective determination after considering such factors collectively.

Additional information about the Sponsored REIT Loan outstanding as of June 30, 2024, is incorporated herein by reference to Note 2, "Related Party Transactions and Investments in Non-Consolidated Entities - Management fees and interest income from loans", in the Notes to Consolidated Financial Statements included in this report.

Other Considerations

We generally pay the ordinary annual operating expenses of our owned and consolidated properties from the rental revenue generated by the properties. For the three and six months ended June 30, 2024 and 2023, respectively, the rental income exceeded the expenses for each individual property, with the exception of Monument Circle for the three and six months ended June 30, 2024 and 2023.

Monument Circle has approximately 214,000 square feet of rentable space comprised of both office and street level retail space. The office component comprises approximately 95% of the rentable space and had been net leased to a single corporate tenant, through December 31, 2018. The retail component comprises the remaining approximately 5% of the property's rentable space. Monument Circle had approximately \$77,000 and \$148,000 of rental income, and, \$240,000 and \$529,000 of operating expenses, for the three and six months ended June 30, 2024, respectively, and was 4.1% leased to two retail tenants as of June 30, 2024.

Monument Circle had approximately \$68,000 and \$138,000 of rental income, and, \$310,000 and \$526,000 of operating expenses, for the three and six months ended June 30, 2023, respectively, and was 4.1% leased to two retail tenants as of June 30, 2023.

Off-Balance Sheet Arrangements and Contractual Obligations

There have been no material changes to our contractual obligations and off-balance-sheet arrangements as disclosed in our Annual Report on Form 10-K for the year ended December 31, 2023.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market Rate Risk

We are exposed to changes in interest rates primarily from our floating rate borrowing arrangements. As of June 30, 2024 and December 31, 2023, if market rates on our outstanding borrowings under the BofA Term Loan and the BofA Revolver, respectively, subject to a floating rate increased by 10% at maturity, or approximately 85 and 85 basis points, respectively, over the current variable rate, the increase in interest expense would decrease future earnings and cash flows by approximately \$0.6 million and \$0.8 million, respectively. The interest rate on the BofA Term Loan as of June 30, 2024 and the BofA Revolver as of December 31, 2023, was SOFR plus an adjustment of 0.11448% plus 300 basis points, or 8.45% and 8.47% per annum, respectively. There was \$67.3 million drawn on the BofA Term Loan and \$90 million drawn on the BofA Revolver as of June 30, 2024 and December 31, 2023, respectively. We do not believe that the interest rate risk on the BofA Term Loan is material as of June 30, 2024.

As of June 30, 2024, if market rates on our outstanding borrowings under the BMO Term Loan subject to a floating rate increased by 10% at maturity, or approximately 85 basis points over the current variable rate, the increase in interest expense would decrease future earnings and cash flows by approximately \$0.7 million. The interest rate on the BMO Term Loan as of June 30, 2024 was SOFR plus an adjustment of 0.11448% plus 300 basis points, or 8.45% per annum.

The following table presents, as of June 30, 2024, our contractual variable rate borrowings under our BofA Term Loan, which matures on April 1, 2026, and under our BMO Term Loan Tranche B, which matures on April 1, 2026.

	Payment due by period (in thousands)						
	Total	2024	2025	2026	2027	2028	Thereafter
BofA Term Loan	\$ 67,333	\$ —	\$ —	\$ 67,333	\$ —	\$ —	\$ —
BMO Term Loan Tranche B	86,037	—	—	86,037	—	—	—
Total	\$ 153,370	\$ —	\$ —	\$ 153,370	\$ —	\$ —	\$ —

Item 4. Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2024. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of June 30, 2024, our chief executive officer and chief financial officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting

No change in our internal control over financial reporting occurred during the quarter ended June 30, 2024 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we may be subject to legal proceedings and claims that arise in the ordinary course of our business. Although occasional adverse decisions (or settlements) may occur, we believe that the final disposition of such matters will not have a material adverse effect on our financial position, cash flows or results of operations.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the risk factors discussed in the Annual Report on Form 10-K for the year ended December 31, 2023 ("2023 Form 10-K"), which could materially affect our business, financial condition or future results. The risks described in the 2023 Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The Company did not make any repurchases of any equity securities during the three months ended June 30, 2024.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

Director and Officer Trading Arrangements

None of our directors or officers adopted or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement (as defined in Item 408(c) of Regulation S-K) during the quarterly period covered by this report.

Item 6. Exhibits

Exhibit No.	Description
3.1 (1)	Articles of Incorporation, as amended
3.2 (2)	Amended and Restated By-laws.
31.1*	Certification of FSP Corp.'s Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of FSP Corp.'s Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of FSP Corp.'s Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of FSP Corp.'s Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101*	The following materials from FSP Corp.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2024, formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets; (ii) the Consolidated Statements of Operations; (iii) the Consolidated Statements of Stockholders' Equity; (iv) the Consolidated Statements of Cash Flows; (v) the Consolidated Statements of Comprehensive Income (Loss); and (vi) the Notes to Consolidated Financial Statements.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).
Footnotes	Description
(1)	Incorporated by reference to Exhibit 3.1 to FSP Corp.'s Quarterly Report on Form 10-Q, filed on July 30, 2019 (File No. 001-32470).
(2)	Incorporated by reference to Exhibit 3.1 to FSP Corp.'s Current Report on Form 8-K, filed on February 3, 2023 (File No. 001-32470).
*	Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FRANKLIN STREET PROPERTIES CORP.

Date	Signature	Title
Date: July 30, 2024	<u>/s/ George J. Carter</u> George J. Carter	Chief Executive Officer and Director (Principal Executive Officer)
Date: July 30, 2024	<u>/s/ John G. Demeritt</u> John G. Demeritt	Chief Financial Officer (Principal Financial Officer)

CERTIFICATIONS

I, George J. Carter, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Franklin Street Properties Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 30, 2024

/s/ George J. Carter
George J. Carter
Chief Executive Officer

CERTIFICATIONS

I, John G. Demeritt, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Franklin Street Properties Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 30, 2024

/s/ John G. Demeritt
John G. Demeritt
Chief Financial Officer

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report on Form 10-Q of Franklin Street Properties Corp. (the "Company") for the period ended June 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, George J. Carter, Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, that to his knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 30, 2024

/s/ George J. Carter

George J. Carter

Chief Executive Officer

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report on Form 10-Q of Franklin Street Properties Corp. (the "Company") for the period ended June 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, John G. Demeritt, Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, that to his knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 30, 2024

/s/ John G. Demeritt
John G. Demeritt
Chief Financial Officer
