

Conference Title: Franklin Street Properties Corp - Annual Meeting

Date: 10/05/2022

Operator: Welcome to the Annual Meeting for Franklin Street Properties Corp. Our host for today's call is George Carter, Chairman of the Board. At this time, all participants will be in a listen-only mode. I'll now like to turn the call over to your host. Mr. Carter, you may begin.

George Carter: Thank you. Good morning, everyone. My name is George Carter, and I am Chairman of the Board and Chief Executive Officer of Franklin Street Properties. Welcome to our 2022 Annual Meeting of stockholders. I would now like to call this meeting to order.

Due to the ongoing public health impact of the COVID-19 pandemic and to support the health and well-being of our stockholders, employees and communities, this year we are holding our annual meeting in an all virtual format and are pleased to have everyone join this live audio webcast. To design this meeting to seek to provide stockholders the same opportunities to participate as they would at an in-person meeting, we remain committed to returning to hold our annual meetings in person under normal circumstances.

Eriel Anchondo, our Chief Operating Officer is going to say a few words of introduction. Then the meeting will be turned over to Scott Carter, our General Counsel and Secretary, who will conduct the business portion of the meeting. After the business portion of the meeting, I will be back to give some prepared remarks, which will be followed by a question and answer session. Eriel?

Eriel Anchondo: Thank you, George, and good morning, everyone. Welcome to the 2022 annual meeting of stockholders of Franklin Street Properties. On behalf of the Board of Directors, officers and employees, I want to thank you for your trust and interest in the company.

The Board of Directors of Franklin Street Properties is comprised of eight individuals, seven of them being independent members. Furthermore, the Audit, Nominating and Corporate Governance and Compensation Committees are all comprised of independent members.

I would like to introduce you to the members of the Board, starting with our independent directors. Georgia Murray. Ms. Murray has been a member of the Board since 2005 and serves as the Lead Independent Director and is also a member of the Audit Committee and the Compensation Committee. Ms. Murray is today standing for election as a Director.

John Burke. Mr. Burke has been a member of the Board since 2004 and serves as a Chair of the Audit Committee and is a member of the Compensation Committee and the Nominating and Corporate Governance Committee. Mr. Burke is today standing for election as a Director. Brian Hansen. Mr. Hansen has been a member of the Board since 2012 and serves as the Chair of the Compensation Committee and is a member of the Audit Committee and the Nominating and Corporate Governance Committee. Mr. Hansen is today standing for election as the Director.

Kenneth Hoxsie. Mr. Hoxsie has been a member of the Board since 2016 and serves as a Chair of the Nominating and Corporate Governance Committee and is a member of the Audit Committee. Mr. Hoxsie is today standing for election as a Director. Dennis McGillicuddy. Mr. McGillicuddy has been a member of the Board since 2002 and is a member of the Audit Committee. Mr. McGillicuddy is today standing for election as a Director.

Kathryn P. O'Neil. Ms. O'Neil has been a member of the Board since 2016 and is a member of the Audit Nominating and Corporate Governance and Compensation Committees. Ms. O'Neil is today standing for election as a Director. Milton P. Wilkins Jr. Mr. Wilkins joined the Board in February 2022 and is a member of the Audit Committee. Mr. Wilkins is today standing for election as a Director.

The remaining director is George Carter, who opened the meeting and is our Chairman of the Board and Chief Executive Officer. You'll be hearing from Mr. Carter after we conclude the business portion of today's meeting. Mr. Carter is today standing for election as the Director.

Next, I would like to introduce you to the company's other executive officers. Jeffrey Carter, our President and Chief investment officer; John Demeritt, our Chief Financial Officer; Scott Carter, our General Counsel and Secretary; and John Donahue, President of FSP, Property Management.

Finally, I would like to introduce you to Georgia Touma, our Vice President and Director of Investor Relations. Ms. Touma will be acting as the inspector of elections today. We are fortunate to have in attendance a significant number of representatives from professional services firms with whom we do business.

First, we have Tom Ward from the law firm WilmerHale, which is the company's outside legal counsel. There are representatives from the company's independent public accounting firm Ernst & Young, including Steve Connors. Their representatives from Marcum, the independent auditors for single asset REITs, including John McCarthy. Thank you all for being here today.

And I'm now going to turn the meeting over to our General Counsel, Scott Carter, who will conduct the formal business portion of the meeting. Scott?

Scott Carter: Thanks, Eriel, and good morning, everyone. I'm going to facilitate the business portion of the meeting. I will then turn the meeting back over to George Carter for his remarks and a question and answer session.

In order to conduct an orderly meeting, I call your attention to the rules of conduct posted on the virtual meeting website, which include information about participating in the meeting. Please note that various remarks that we may make about future expectations, plans and prospects for the

company may constitute forward-looking statements for purposes of the Safe Harbor provisions under the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those indicated by these forward-looking statements as a result of various important factors, including those discussed in the Risk Factors section of our Annual Report on Form 10-K for the year-ended December 31, 2021, and our most recent quarterly report on Form 10-Q for the quarter ended March 31, 2022, both of which are on file with the SEC.

In addition, these forward-looking statements represent the company's expectations only as of today Tuesday, May 10th, 2022. While the company may elect to update these forward-looking statements, it specifically disclaims any obligation to do so. Any forward-looking statements should not be relied upon as representing the company's estimates or views as of any date subsequent to today. At times during this meeting, we may refer to funds from operations, or FFO, and other non-GAAP financial measures. Reconciliations of FFO and other non-GAAP financial measures to GAAP net income can be found in our filings with the SEC.

As indicated in the notice of meeting and accompanying documents that were made available to all stockholders entitled to notice of and to vote at the 2022 annual meeting of stockholders, we are here today to consider and vote upon the following matters: first, to elect eight directors, each to serve for a term expiring at our 2023 annual meeting of stockholders; second, to ratify our Audit Committee's appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2022; third, to approve by non-binding vote our executive compensation.

Broadridge Financial Solutions has prepared an affidavit certifying that the notice of annual meeting and proxy statement were sent to all stockholders of record as of the close of business on February 28, 2022. A copy of the notice of meeting and the affidavit of mailing will be incorporated into the minutes of this meeting. The company has appointed Georgia Touma to act as inspector of elections. Georgia Touma is with us today and has taken the oath of the Inspector of elections. Our

inspector of elections has furnished a count of the number of shares represented at this meeting in person via this virtual meeting or via proxy.

There are present at this meeting in person or through representation by proxy a total of 86,325,550 shares of common stock out of a total of 103,286,981 shares entitled to vote, which represents approximately 83.57% of our total shares outstanding as of the record date for this meeting. I hereby declare that a quorum exists.

The polls are now open and will remain open until I announce that the polls are closed. No votes will be accepted after the polls are closed. The preliminary results of the voting on these matters will be announced following the tabulation of the voting.

The first matter to be voted on is the election of eight directors, each for a term expiring at our 2023 annual meeting of stockholders. The nominees for election. Are George J. Carter, Georgia Murray, Brian N. Hansen, John N. Burke, Dennis J. McGillicuddy, Kenneth A. Hoxsie, Kathryn P. O'Neil and Milton P. Wilkins, Jr.

The second matter to be voted on is the ratification of our Audit Committee's appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2022. The third matter to be voted on is to approve on an advisory non-binding basis the compensation of our named executive officers as disclosed in our 2022 proxy statement.

If there are any stockholders with questions relating for the proposals being voted on, please enter them now using the Q&A button on your screen. Stockholders may also submit other questions during the meeting, but responses to questions that do not relate to proposals being voted on will be addressed later during the question and answer period that will follow the business portion of this meeting. We will pause for a moment to see if we have any questions relating to the proposal. Seeing none, we will now proceed to vote.

If you are a stockholder who has not yet voted, or if you previously voted by proxy and wish to change your vote, you may vote by using the voting button on your screen. We will pause for a moment to allow for any voting. Now that everyone has had an opportunity to vote, the business items on the agenda for this meeting are complete and the polls are now closed.

We now have the preliminary report of the results of the meeting. The final tabulation will be reflected in the minutes of this meeting and filed by the company in a current report on Form 8-K with the SEC. On the proposal that the nominees be elected as directors, each to serve for a term expiring at our 2023 annual meeting of stockholders, approximately 75,676,586 shares were voted for the election of Mr. Carter, representing approximately 97.67% of the votes cast and approximately 1,802,346 shares were voted against.

Approximately 75,574,411 shares were voted for the election of Ms. Murray, representing approximately 97.54% of the votes cast and approximately 1,904,521 shares were voted against. Approximately 75,686,546 shares were voted for the election of Mr. Hansen, representing approximately 97.68% of the votes cast and approximately 1,792,386 shares were voted against. Approximately 74,605,623 shares were voted for the election of Mr. Burke, representing approximately 96.29% of the votes cast and approximately 2,873,309 shares were voted against. Approximately 75,749,231 shares were voted for the election of Mr. McGillicuddy, representing approximately 97.76% of the votes cast and approximately 1,729,701 shares were voted against. Approximately 74,904,618 shares were voted for the election of Mr. Hoxsie, representing approximately 96.67% of the votes cast. And approximately 2,574,314 shares were voted against. Approximately 76,42,412 shares were voted for the election of Ms. O'Neil, representing approximately 98.14% of the votes cast, and approximately 1,436,520 shares were voted against. And approximately 77,270,081 shares were voted for the election of Mr. Wilkins, representing approximately 99.73% of the votes cast and approximately 208,851 shares were voted against.

There were approximately 8,846,618 broker non-votes. As the holders of a majority of the votes cast at this meeting have voted for each of the nominees, I hereby declare that the nominees have been elected as directors for a term expiring at our 2023 annual meeting of stockholders. On the proposal to ratify our Audit Committee's appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2022, approximately 85,861,379 shares have been voted for ratification, representing approximately 99.47% of the votes cast.

Approximately 451,137 shares have been voted against ratification, and holders of approximately 13,034 shares abstained. As the holders of a majority of the votes cast at this meeting have voted for this proposal, I hereby declare that our Audit Committee's appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2022, has been ratified.

On the proposal to approve on a non-binding advisory basis the compensation of our named executive officers, as disclosed in our 2022 proxy statement, approximately 74,973,191 shares have been voted for this proposal, representing approximately 96.95% of the votes cast. Approximately 2,356,984 shares have been voted against this proposal, holders of approximately 148,757 shares have abstained, and there were approximately 8,846,618 broker non-votes. The holders of a majority of the votes cast at this meeting, having voted in favor of the resolution regarding executive compensation, I hereby declare that the resolution regarding executive compensation has been approved.

And that concludes the business portion of the meeting. I'd now like to turn the meeting back over to George Carter. George?

George Carter: Thank you, Scott, and good morning again, fellow stockholders. I would like to begin my prepared remarks today by recognizing that the past year, 2021, like 2020, continued in

so many ways to be uniquely challenging for our country, the world, and more specifically for most office property owners. I want to thank everyone who contributed to the operation of our business during this time that was again dominated by the COVID-19 pandemic, including frontline workers, first responders, our vendors and service providers, our tenants and their employees, FSP employees, our Board of Directors, and of course, our shareholders and other capital partners.

Notwithstanding the specific challenges caused by the pandemic for full year 2021, our monthly rental collections were very solid, and we achieved approximately 1,035,000 square feet of total leasing with new tenants, renewals of existing tenants and expansions. But to achieve that, we had to work hard and creatively with some of our tenants to try to help them through this period. And even after everyone's best efforts, not all our tenants were able to weather the storm.

COVID pandemic has been so unfortunate for so many. As we move into the summer of 2022, there is a real hope and optimism that office property owners have seen the worst of this pandemic-induced disruption for their tenants and their property investments.

For shareholders that have followed Franklin Street through 2021 and into the first quarter of 2022, you know that for full year 2022, we are focused on continuing to execute many of the same primary business objectives and goals we set last year for 2021. Those objectives and goals for this year are to: number one, continue to lease vacant office space in our portfolio of properties, of which at the end of the first quarter, we had about 1.6 million square feet available to lease out of a total of about 6.9 million square feet or about 23% current vacancy in the entire portfolio.

Number two, to continue our disposition efforts of specific office properties, where we believe that those properties short to intermediate term valuation potential has been reached. Three, to continue to further pay down our debt with the bulk of any property disposition proceeds. All of our debt is unsecured, so any property can be sold with all available sale proceeds able to be used for debt reduction without any asset specific debt prepayment penalties being incurred.

Number four, to pay to shareholders dividends, some or all of which may be required to maintain FSP's REIT because of potential gains on sale of any property assets that might be realized from the disposition process. Number five, to continue to repurchase FSP's common shares in the open market under our previously announced stock repurchase plan. And number six, to continue to evaluate and measure how the broader stock market views our business plan and the value of its execution relative to its pricing of our common stock in the public marketplace.

As I expressed during last year's annual meeting of FSP's stockholders, all of us at Franklin Street have continued to be very disappointed in our share price for some time and have come to the recognition that FSP has difficulty in consistently generating certain of the publicly listed office REIT metrics that have become the established standard for the public equity markets to value office REIT stocks.

Some of this likely has to do with the somewhat unique way the company originally built its property portfolio and consequently the specific character nature of the office properties we now own, which as a Group can have difficulty cohesively generating certain desired, ongoing, recurring corporate public company REIT metrics that the stock market wants to measure to determine FSP stock price. And some of it may just be due to our smaller size, which can cause greater volatility of rental operations and consequently operating earnings at the portfolio level.

But we have also come to recognize that our stock's current pricing in the public stock market may not reflect our individual property's full embedded value, particularly as certain individual properties are considered by different sources of both private and public capital real estate investors. They may have different opinions of those properties' current values and future value potential regardless of their current rental operations.

So, if we continue to feel the stock market is having trouble recognizing what we believe is the real value of our individual properties, then as we did in 2021, we will continue in 2022 to try to directly realize some of these property values ourselves. So again, as in 2021, the most significant and distinguishing characteristic of FSP this year will be the amount of our property disposition efforts relative to the size of our entire portfolio as we continue to try and recognize some of this perceived value disparity for shareholders.

At this time, we are targeting property dispositions in the range of \$250 million to \$350 million. But that disposition range could very well be decreased or increased as the year proceeds. Obviously, we will keep shareholders and the market informed of any changes in our estimates.

Presently, capital investment markets for office properties have a high degree of uncertainty and unpredictability associated with them, which can definitely be impactful relative to achieving desired property disposition targets. Proceeds from any successful property dispositions will be used primarily for: number one, continued debt paydown, which can lower the risk of the remaining property portfolio and consequently make its NAV, that's net asset value, a higher quality NAV, as well as just giving the company greater operating and investment flexibility.

Number two, proceeds for distribution can be used for shareholder dividends, which can include quarterly dividends and potentially special annual dividends, as were paid for 2021 from potential gains on sale and taxable income thresholds relative to rule[?] requirements. Dividends paid to shareholders are determined by the FSP Board of Directors. Currently, dividend amounts are heavily influenced by projected gains on sale from estimated yearly property disposition targets rather than portfolio rental operations.

Number three, proceeds from dispositions can be used for continued FSP share repurchase under our existing share repurchase program. Current FSP stock prices may be presenting to us, in effect, one of the best competitive real estate reinvestment opportunities available.

And number four, proceeds from dispositions can be used for general corporate purposes, including, and very important, CapEx requirements required to add additional value to our remaining property portfolio.

At last year's annual stockholders meeting, where we first articulated the rollout of this really new strategy where we are effectively - which we are effectively continuing this year. I said last year, I said, let's see if FSP can do the strategy in 2021. Let's see if we can make leasing progress. Let's see if we can do property dispositions, debt pay down, dividends to shareholders? And let's see how the stock market reacts to it in terms of FSP's stock price? I said, let's also see how we get through the COVID pandemic in 2021 relative to both the US and global economies and all associated metrics? Let's see how office properties in our country, and more specifically, in FSP markets are doing going into 2022?

And I said that I thought whatever the situation was at the end of 2021, going into '22, FSP would be better positioned to deal with it if it makes leasing progress at its properties and if it has less debt. So, I don't know yet how we will do in 2022, trying to execute a basic continuation of the 2021 plan. Obviously, 2022 is a new year with its own distinctive challenges and opportunities that aren't in many ways different than 2021.

But we certainly can look back at how we did last year relative to certain goals and objectives with our new strategy that really was rolled out last year. And there are many categories of measurement. I've just picked six here to quickly take a look at.

The first category of measurement would be leasing. In 2021, we leased 1,035,000 square feet. You can compare that to 2020, where we leased 1,130,000 square feet, so a little bit less in 2021 than '20. At the end of 2021, we were 78.4% leased versus 85% leased at the end of 2020. So, we were less leased at the end of '21. But most of that drop in lease percentage was actual property

sales that we did in 2021 selling those properties, as I said earlier, that have achieved their near term or intermediate term objectives. Those properties were, in general, the better occupied properties.

We certainly, as most office REITs experience - most conventional office REITs certainly were disappointed with leasing and COVID, but relative to the size of our portfolio and other players in the marketplace, we held our own. We certainly need real leasing work to be done in 2022 and '23 to add value to the remaining portfolio of our properties, to realize their full potential. And as we look at leasing in the portfolio and in the broader office marketplace, there is still a lot of uncertainty relative to the longer term post-COVID effect on office.

A second category of measurement was dispositions. In 2021, we sold 10 properties for aggregate gross proceeds of approximately \$603 million, more than our early estimates earlier in the year and actually at a slightly better than anticipated pricing. So, we definitely achieved what we were shooting for and '21 dispositions.

Another category is debt pay-down and the amount of debt pay-down. Between September 30th 2020 and December 31st 2021, we reduced total indebtedness at the company by approximately 53% from approximately \$1 billion to approximately \$475 million. And again, I think that achieves a lot of our goals and objectives for '21 on debt pay-down.

Fourth category would be dividends for shareholders. Total dividends paid for 2021 was \$0.68 per share. That included \$0.36 in total quarterly dividends and \$0.32 in an annual special dividend. And again, that was a reasonable dividend cash return on our share value for 2021, at least in our opinion.

Category measurement, number five, really a stock repurchases for 2021. We repurchased approximately 3.4 million shares for approximately \$18.2 million. We've put that program in place

the second half of the year, so we thought we did a pretty good job repurchasing shares there. We are limited under our program as to when we can purchase and how much we can purchase on any given day. We do have fairly low trading volume.

For the first quarter of 2022, we have repurchased another 847,000 shares for approximately \$4.8 million. And as of this stockholders meeting, we have about 27 million out of our original 50 million share repurchase authorization remaining under our program.

And the sixth category of measurement, which is not a specific measurement of what we do is just sort of how the stock market viewed our 2021 new strategy and what they thought the value of that was to our stock. And believe me, we have perspective on this. In the last five years, our stock has not done well, and one year, does not make up for that. But 2021 was the first year of this program. And it was important, I think, to see that the stock market thought it was a reasonable strategy or if they didn't.

And so just a couple of notes at the end of 2020, that is the closing price on December 31st 2020, our stock closed at \$4.37 a share. And at the end of 2021, literally the closing trade, 12/31/21, our stock closed at \$5.95 a share, so that's a \$1.58 in stock appreciation. And if you add \$0.68 in dividends to it, then total return between stock appreciation and dividends was about \$2.26 per share, which again compared to past years when we were under a different strategy, seemed to confirm that the market was at least interested in this new strategy. Again, this wasn't so much a specific price target as it was just a view of what the market's view of this new strategy was.

So again, in 2022, our plan is to continue to try to execute the same basic program we put in place in 2021. If successful - and there is certainly no guarantee of success, particularly in light of the current capital marketplace we find ourselves in. It's - it certainly is tough out there for a lot of investments, stocks included, and office properties included. But if successful this year, by year

end 2022, we should have very little remaining debt and maximum flexibility to take advantage of the best opportunities available.

In closing my prepared remarks today, I want all FSP's shareholders to know that we do have a very focused and specific strategy for Franklin Street Properties. Our strategy, our objective is to try and maximize value for our shareholders by realizing the embedded value in each one of our office properties at the best price and time we can achieve it. Your Board of Directors and company management are constantly considering and analyzing the best value we can achieve, the best way we can achieve it.

Looking at price and time, we consider macro market factors like COVID and the potential longer term post-COVID office landscape, interest rates, inflation, recession risk supply, chain concerns, and recently heightened geopolitical activity and its potential effects on the economy. And of course, we are looking at and analyzing specific individual properties within our portfolio, their current potential market value, as well as their potential future market values and their position within their own specific market and submarket.

2021 was the first full year of this strategy for FSP. And if you measure total return for FSP's shareholders just in 2021 between stock price and dividends, meaningful returns were achieved. 2022 will continue the basic elements of this strategy. And as I said at last year's annual stockholders meeting, all strategic options for potential value creation are always on the table and are always being evaluated and compared.

We believe that the best strategy for creating the best value for FSP's shareholders right now is the strategy we have outlined for 2022, which continues the basic plan and efforts executed in 2021. We are excited and fully engaged with all the challenges and opportunities that are presenting themselves this year and will be in the years to come.

Thank you, fellow stockholders. And that concludes my prepared remarks. So, seeing that there are no questions, I would like to thank everyone for attending this annual stockholder meeting. Very much forward to speaking to next year. And I would now like to adjourn the meeting. Thank you all very much.

Operator: This now concludes the meeting. Thank you for joining and have a pleasant day.