

FRANKLIN STREET PROPERTIES CORP /MA/
Form 10-Q
October 29, 2013
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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 September 30, 2013.

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)

Maryland
(State or other jurisdiction of incorporation
or organization)

04-3578653
(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)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files).

YES NO

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

Large accelerated filer Accelerated filer

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Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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 October 25, 2013 was 100,187,405.

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Franklin Street Properties Corp.

Form 10-Q

Quarterly Report

September 30, 2013

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Franklin Street Properties Corp.
Condensed Consolidated Balance Sheets
(Unaudited)

(in thousands, except share and par value amounts)	September 30, 2013	December 31, 2012
Assets:		
Real estate assets:		
Land	\$ 185,479	\$ 141,545
Buildings and improvements	1,599,519	1,172,928
Fixtures and equipment	985	904
	1,785,983	1,315,377
Less accumulated depreciation	210,293	180,589
Real estate assets, net	1,575,690	1,134,788
Acquired real estate leases, less accumulated amortization of \$60,589 and \$39,203, respectively	194,893	108,203
Investment in non-consolidated REITs	81,065	81,960
Asset held for sale	10,143	10,575
Cash and cash equivalents	25,539	21,267
Restricted cash	623	575
Tenant rent receivables, less allowance for doubtful accounts of \$80 and \$1,300, respectively	6,029	1,749
Straight-line rent receivable, less allowance for doubtful accounts of \$135 and \$135, respectively	40,086	35,374
Related party mortgage loan receivables	98,846	93,896
Prepaid expenses and other assets	11,303	13,761
Other assets: derivative asset	4,365	
Office computers and furniture, net of accumulated depreciation of \$694 and \$584, respectively	543	544
Deferred leasing commissions, net of accumulated amortization of \$14,402 and \$11,812, respectively	27,504	23,376
Total assets	\$ 2,076,629	\$ 1,526,068
Liabilities and Stockholders Equity:		
Liabilities:		
Bank note payable	\$ 331,500	\$ 216,750
Term loans payable	620,000	400,000
Accounts payable and accrued expenses	39,907	31,122
Accrued compensation	2,432	2,540
Tenant security deposits	3,891	2,489
Other liabilities: derivative liability	4,579	1,219
Acquired unfavorable real estate leases, less accumulated amortization of \$5,936 and \$4,618, respectively	15,171	7,199
Total liabilities	1,017,480	661,319

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, 100,187,405 and 82,937,405 shares issued and outstanding, respectively	10	8
Additional paid-in capital	1,273,585	1,042,876
Accumulated other comprehensive loss	(214)	(1,219)
Accumulated distributions in excess of accumulated earnings	(214,232)	(176,916)
Total stockholders' equity	1,059,149	864,749
Total liabilities and stockholders' equity	\$ 2,076,629	\$ 1,526,068

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

Table of Contents**Franklin Street Properties Corp.****Condensed Consolidated Statements of Income (Loss)****(Unaudited)**

(in thousands, except per share amounts)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2013	2012	2013	2012
Revenue:				
Rental	\$ 56,760	\$ 37,944	\$ 145,618	\$ 109,207
Related party revenue:				
Management fees and interest income from loans	1,665	3,485	4,929	9,146
Other	21	39	64	112
Total revenue	58,446	41,468	150,611	118,465
Expenses:				
Real estate operating expenses	13,991	9,642	35,877	26,938
Real estate taxes and insurance	8,801	5,761	22,704	16,946
Depreciation and amortization	22,163	13,367	54,863	39,031
Selling, general and administrative	3,477	3,141	9,213	7,454
Interest	5,474	4,187	13,856	11,901
Total expenses	53,906	36,098	136,513	102,270
Income before interest income, equity in earnings				
(losses) of non-consolidated REITs and taxes	4,540	5,370	14,098	16,195
Interest income	5	5	10	17
Equity in earnings (losses) of non-consolidated REITs	(431)	176	(814)	1,061
Income before taxes on income	4,114	5,551	13,294	17,273
Taxes on income	118	80	352	236
Income from continuing operations	3,996	5,471	12,942	17,037
Discontinued operations:				
Income (loss) from discontinued operations, net of income tax	98	(169)	294	(563)
Provision for loss on property held for sale of \$14,300 less applicable income tax		(14,300)		(14,300)
Total discontinued operations	98	(14,469)	294	(14,863)
Net income (loss)	\$ 4,094	\$ (8,998)	\$ 13,236	\$ 2,174
Weighted average number of shares outstanding, basic and diluted	100,187	82,937	91,720	82,937
Earnings per share, basic and diluted, attributable to:				
Continuing operations	\$ 0.04	\$ 0.07	\$ 0.14	\$ 0.21
Discontinued operations	0.00	(0.18)	0.00	(0.18)
Net income (loss) per share, basic and diluted	\$ 0.04	\$ (0.11)	\$ 0.14	\$ 0.03

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

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Franklin Street Properties Corp.

Condensed Consolidated Statements of Other Comprehensive Income (Loss)

(Unaudited)

(in thousands)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2013	2012	2013	2012
Net income (loss)	\$ 4,094	\$ (8,998)	\$ 13,236	\$ 2,174
Other comprehensive income:				
Unrealized gain (loss) on derivative financial instruments	(6,953)		1,005	
Total other comprehensive income	(6,953)		1,005	
Comprehensive income (loss)				