FRANKLIN STREET PROPERTIES CORP /MA/
Form 10-Q
August 03, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10 - Q

(Mark One)

[X]	QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the quarterly period ended June 30, 2010.
	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	04-3578653
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

401 Edgewater Place, Suite 200
Wakefield, MA 01880-6210
(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 |X| 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 |X| 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 |X|	Accelerated filer |_|
Non-accelerated filer |_| (Do not check if a smaller reporting company)	Smaller reporting company |_|

UNITED STATES
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FORM 10-Q, Continued

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES |_| NO |X|

The number of shares of common stock outstanding as of July 31, 2010 was 79,680,705.

Franklin Street Properties Corp.

Form 10-Q

Quarterly Report
June 30, 2010

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

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

(in thousands, except share and par value amounts)		June 30, 2010		December 31, 2009
Assets:				
Real estate assets:				
Land	$	135,075	$	126,447
Buildings and improvements		912,153		894,012
Fixtures and equipment		458		328
		1,047,686		1,020,787
Less accumulated depreciation		112,156		98,954
Real estate assets, net		935,530		921,833
Acquired real estate leases, less accumulated amortization of $20,154 and $34,592, respectively		56,431		44,757
Investment in non-consolidated REITs		90,782		92,910
Assets held for syndication, net		-		4,827
Cash and cash equivalents		21,487		27,404
Restricted cash		59		334
Tenant rent receivables, less allowance for doubtful accounts of $1,100 and $620, respectively		900		1,782
Straight-line rent receivable, less allowance for doubtful accounts of $700 and $100, respectively		14,955		10,754
Prepaid expenses		2,280		2,594
Related party mortgage loan receivable		46,270		36,535
Other assets		1,248		844
Office computers and furniture, net of accumulated depreciation of $1,306 and $1,233, respectively		372		384
Deferred leasing commissions, net of accumulated amortization of $5,845, and $4,995, respectively		16,587		10,808
Total assets	$	1,186,901	$	1,155,766
Liabilities and Stockholders' Equity:				
Liabilities:				
Bank note payable	$	162,968	$	109,008
Term loan payable		75,000		75,000
Accounts payable and accrued expenses		18,766		23,787
Accrued compensation		1,040		1,416
Tenant security deposits		2,004		1,808

Other liabilities: derivative termination value	1,735	2,076
Acquired unfavorable real estate leases, less accumulated amortization of $2,765, and $2,492, respectively	6,536	5,397
Total liabilities	268,049	218,492
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, 79,680,705 and 79,680,705 shares issued and outstanding, respectively	8	8
Additional paid-in capital	1,003,712	1,003,713
Accumulated other comprehensive loss	(1,735)	(2,076)
Accumulated distributions in excess of accumulated earnings	(83,133)	(64,371)
Total stockholders’ equity	918,852	937,274
Total liabilities and stockholders’ equity	$ 1,186,901	$ 1,155,766

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 Income
(Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
(in thousands, except per share amounts)	2010	2009	2010	2009
Revenue:				
Rental	$ 29,261	$ 29,254	$ 60,060	$ 59,072
Related party revenue:				
Syndication fees	541	29	662	39
Transaction fees	753	514	899	542
Management fees and interest income from loans	558	317	1,091	862
Other	6	18	15	36
Total revenue	31,119	30,132	62,727	60,551
Expenses:				
Real estate operating expenses	7,358	7,144	15,331	14,424
Real estate taxes and insurance	4,318	4,686	9,564	9,515
Depreciation and amortization	9,243	10,225	18,462	18,139
Selling, general and administrative	2,559	2,127	4,730	4,135
Commissions	336	40	450	170
Interest	1,736	1,599	3,388	3,176
Total expenses	25,550	25,821	51,925	49,559
Income before interest income, equity in earnings of non-consolidated REITs and taxes	5,569	4,311	10,802	10,992
Interest income	9	36	17	72
Equity in earnings of non-consolidated REITs	380	443	633	1,235
Income before taxes on income	5,958	4,790	11,452	12,299
Income tax expense (benefit)	4	(75)	(64)	(374)
Net income	$ 5,954	$ 4,865	$ 11,516	$ 12,673
Weighted average number of shares outstanding, basic and diluted	79,681	70,481	79,681	70,481
Net income per share, basic and diluted	$ 0.07	$ 0.07	$ 0.14	$ 0.18

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

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

(in thousands)	For the Six Months Ended June 30, 2010	2009
Cash flows from operating activities:		
Net income	$ 11,516	$ 12,673
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	18,597	18,276
Amortization of above market lease	1,147	1,780
Equity in earnings of non-consolidated REITs	(633)	(1,235)
Distributions from non-consolidated REITs	2,731	3,137
Increase in bad debt reserve	480	111
Changes in operating assets and liabilities:		
Restricted cash	275	1
Tenant rent receivables	402	498
Straight-line rents, net	(1,759)	(444)
Prepaid expenses and other assets, net	(224)	(943)
Accounts payable and accrued expenses	(4,139)	482
Accrued compensation	(376)	(1,154)
Tenant security deposits	196	(109)
Payment of deferred leasing commissions	(7,085)	(1,557)
Net cash provided by operating activities	21,128	31,516
Cash flows from investing activities:		
Purchase of real estate assets, office computers and furniture	(45,848)	(56,135)
Changes in deposits on real estate assets	-	1,300
Investment in non-consolidated REITs	-	(13,198)
Investment in related party mortgage loan receivable	(9,735)	(10,990)
Investment in assets held for syndication, net	4,858	13,017
Net cash used in investing activities	(50,725)	(66,006)
Cash flows from financing activities:		
Distributions to stockholders	(30,279)	(26,782)
Proceeds from equity offering, net	(1)	-
Borrowings under bank note payable	53,960	56,570
Net cash provided by financing activities	23,680	29,788
Net decrease in cash and cash equivalents	(5,917)	(4,702)
Cash and cash equivalents, beginning of period	27,404	29,244
Cash and cash equivalents, end of period	$ 21,487	$ 24,542
Non-cash investing and financing activities:		
Accrued costs for purchase of real estate assets	$ 1,054	$ 1,679

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
(Unaudited)

(in thousands)	For the Three Months Ended June 30, 2010	2009	For the Six Months Ended June 30, 2010	2009
Net income	$5,954	$4,865	$11,516	$12,673
Other comprehensive income:				
Unrealized gain on derivative financial instruments	260	686	341	705
Total other comprehensive income	260	686	341	705
Comprehensive income	$6,214	$5,551	$11,857	$13,378

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

Franklin Street Properties Corp.
Notes to Condensed 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. The Company also has a non-controlling common stock interest in fourteen corporations organized to operate as real estate investment trusts ("REITs") and a non-controlling preferred stock interest in three of those REITs.

The Company operates in two business segments: real estate operations and investment banking/investment services. FSP Investments LLC provides real estate investment and broker/dealer services. FSP Investments LLC's services include: (i) the organization of REIT entities (the "Sponsored REITs"), which are syndicated through private placements; (ii) sourcing of the acquisition of real estate on behalf of the Sponsored REITs; and (iii) the sale of preferred stock in Sponsored REITs. FSP Investments LLC is a registered broker/dealer with the Securities and Exchange Commission and is a member of the Financial Industry Regulatory Authority, or FINRA. FSP Property Management LLC provides asset management and property management services for the Sponsored REITs.

The Company owns and operates a portfolio of real estate, which consisted of 33 properties as of June 30, 2010. From time-to-time, the Company may acquire real estate or invest in real estate by purchasing shares of preferred stock offered in syndications of Sponsored REITs. The Company may also pursue, on a selective basis, the sale of its properties in order to take advantage of the value creation and demand for its properties, or for geographic or property specific reasons.

On September 23, 2009, the Company completed an underwritten public offering of 9.2 million shares of its common stock (including 1.2 million shares issued as a result of the full exercise of an overallotment option by the underwriter) at a price to the public of $13.00 per share. The proceeds from this public offering, net of underwriter discounts and offering costs, totaled approximately $114.7 million.

On May 6, 2010, the Company entered into an on demand offering sales agreement whereby the Company may offer and sell up to an aggregate gross sales price of $75 million of its common stock from time to time. Sales of shares of the Company's common stock, if any, will depend upon market conditions and other factors determined by the Company and may be deemed to be "at the market offerings" as defined in Rule 415 of the Securities Act of 1933, as amended, including sales made directly on the NYSE Amex or sales made to or through a market maker other than on an exchange, as well as in negotiated transactions, if and to the extent agreed by the Company in writing. The Company has no obligation to sell any shares of its common stock, and may at any time suspend solicitation and offers. The Company has not sold any shares under the demand offering sales agreement.

Properties

The following table summarizes the Company's investment in real estate assets, excluding assets held for syndication and assets held for sale:

	As of June 30,	
	2010	2009
Commercial real estate:		

Number of properties	33	31
Rentable square feet	6,418,835	5,682,011

On June 29, 2010, the Company acquired two office buildings totaling approximately 470,000 square feet, located in downtown Minneapolis, Minnesota. The buildings were acquired for a purchase price of approximately $40.5 million excluding closing costs and adjustments.

Basis of Presentation

The unaudited condensed consolidated financial statements of the Company include all the accounts of the Company and its wholly-owned 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, 2009, as filed with the Securities and Exchange Commission.

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

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

The accompanying interim financial statements are unaudited; however, the financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") in the United States of America 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 accounting principles generally accepted in the United States of America 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, 2010 are not necessarily indicative of the results that may be expected for the year ending December 31, 2010 or for any other period.

Financial Instruments

The Company estimates that the carrying values of cash and cash equivalents, restricted cash, tenant rent receivables, bank note payable, term note payable (described below), accounts payable and its obligation to make the Sponsored REIT Loans (as defined in Note 3 below) approximate their fair values based on their short-term maturity and floating interest rate.

Recent Accounting Standards

In May 2009, the Financial Accounting Standards Board ("FASB") issued a pronouncement which sets forth the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements, and disclosures that an entity should make about events or transactions that occurred after the balance sheet date. This pronouncement required the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date. In February 2010, the FASB issued an update to the disclosure requirements relating to the subsequent events to exclude the date requirement to disclose the date through which an entity has evaluated subsequent events and whether that date represents the date the financial statements were issued or available to be issued. The Company is adhering to the requirements of this pronouncement, as amended, which was effective for financial periods ending after June 15, 2009.

On June 12, 2009, the FASB issued a pronouncement that changes how a company determines when an entity that is insufficiently capitalized or is not controlled through voting (or similar rights) should be consolidated. The determination of whether a company is required to consolidate an entity is based on, among other things, an entity`s purpose and design and a company`s ability to direct the activities of the entity that most significantly impact the entity`s economic performance. The pronouncement is effective for fiscal years and interim periods within those fiscal years beginning on or after November 15, 2009. The adoption of this standard did not have a material impact on the Company's financial position, results of operations or cash flows.

2. Investment Banking/Investment Services Activity

During the six months ended June 30, 2010, the Company sold on a best efforts basis, through private placements, preferred stock in the following Sponsored REITs:

Sponsored REIT	Property Location	Gross Proceeds (1) (in thousands)	
FSP 385 Interlocken Development Corp.	Broomfield, CO	$	4,325
FSP Centre Pointe V Corp.	West Chester, OH		6,100
	Total	$	10,425

(1) The syndication of FSP 385 Interlocken Development Corp. ("385 Interlocken"), which commenced in May 2008, and the syndication of FSP Centre Pointe V Corp. ("Centre Pointe V"), which commenced in December 2009, were not complete at June 30, 2010. Both syndications were completed on July 9, 2010.

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

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

Investment in Sponsored REITs:

At June 30, 2010, the Company held an interest in 14 Sponsored REITs. Twelve were fully syndicated and the Company no longer derives economic benefits or risks from the common stock interest that is retained in them. Two entities were not fully syndicated at June 30, 2010, which are 385 Interlocken and Centre Pointe V. The syndications of both 385 Interlocken and Centre Pointe V were completed on July 9, 2010. The Company holds a non-controlling preferred stock investment in three of these Sponsored REITs, FSP Phoenix Tower Corp. ("Phoenix Tower"), FSP 303 East Wacker Drive Corp. ("East Wacker") and FSP Grand Boulevard Corp. ("Grand Boulevard"), from which it continues to derive economic benefits and risks.

Equity in earnings of investment in non-consolidated REITs:

The following table includes equity in earnings of investments in non-consolidated REITs:

	Six Months Ended June 30,	
(in thousands)	2010	2009
Equity in earnings of Sponsored REITs	$ 162	$ 141
Equity in earnings (losses) of Phoenix Tower	(9)	1
Equity in earnings of East Wacker	367	1,064
Equity in earnings of Grand Boulevard	113	29
	$ 633	$ 1,235

Equity in earnings (losses) of investments in Sponsored REITs is derived from the Company's share of income (loss) following the commencement of syndication of Sponsored REITs. Following the commencement of syndication the Company exercises influence over, but does not control these entities, and investments are accounted for using the equity method.

Equity in earnings (losses) of Phoenix Tower is derived from the Company's preferred stock investment in the entity. In September 2006, the Company purchased 48 preferred shares or 4.6% of the outstanding preferred shares of Phoenix Tower for $4,116,000 (which represented $4,800,000 at the offering price net of commissions of $384,000 and fees of $300,000 that were excluded).

Equity in earnings of East Wacker is derived from the Company's preferred stock investment in the entity. In December 2007, the Company purchased 965.75 preferred shares or 43.7% of the outstanding preferred shares of East Wacker for $82,813,000 (which represented $96,575,000 at the offering price net of commissions of $7,726,000, loan fees of $5,553,000 and acquisition fees of $483,000 that were excluded).

Equity in earnings of Grand Boulevard is derived from the Company's preferred stock investment in the entity. In May 2009, the Company purchased 175.5 preferred shares or 27.0% of the outstanding preferred shares of Grand Boulevard for $15,049,000 (which represented $17,550,000 at the offering price net of commissions of $1,404,000, loan fees of $1,009,000 and acquisition fees of $88,000 that were excluded).

The Company recorded distributions declared of $2,731,000 and $3,137,000 from non-consolidated REITs during the six months ended June 30, 2010 and 2009, respectively.

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

3. Related Party Transactions and Investments in Non-consolidated Entities (continued)

Non-consolidated REITs:

The Company has in the past acquired by merger entities similar to the Sponsored REITs. The Company's business model for growth includes the potential acquisition by merger in the future of Sponsored REITs. The Company has no legal or any other enforceable obligation to acquire or to offer to acquire any Sponsored REIT. In addition, any offer (and the related terms and conditions) that might be made in the future to acquire any Sponsored REIT would require the approval of the boards of directors of the Company and the Sponsored REIT and the approval of the shareholders of the Sponsored REIT.

The operating data below for 2010 includes operations of the 14 Sponsored REITs the Company held an interest in as of June 30, 2010. The operating data for 2009 includes operations of the 12 Sponsored REITs the Company held an interest in as of June 30, 2009.

At June 30, 2010, December 31, 2009 and June 30, 2009, the Company had ownership interests in 14, 14 and 12 Sponsored REITs, respectively. Summarized financial information for these Sponsored REITs is as follows:

(in thousands)	June 30, 2010	December 31, 2009
Balance Sheet Data (unaudited):		
Real estate, net	$ 724,490	$ 724,517
Other assets	101,389	104,199
Total liabilities	(217,329)	(216,102)
Shareholders' equity	$ 608,550	$ 612,614

(in thousands)	For the Six Months Ended June 30, 2010	2009
Operating Data (unaudited):		
Rental revenues	$ 46,001	$ 48,812
Other revenues	98	251
Operating and maintenance expenses	(25,797)	(25,248)
Depreciation and amortization	(12,749)	(12,090)
Interest expense	(4,576)	(4,160)
Net income	$ 2,977	$ 7,565

Syndication fees and Transaction fees:

The Company provides syndication and real estate acquisition advisory services for Sponsored REITs. Syndication, development and transaction fees from non-consolidated entities amounted to approximately $1,561,000 and $581,000 for the six months ended June 30, 2010 and 2009, respectively.

Management fees and interest income from loans:

Asset management fees range from 1% to 5% of collected rents and the applicable contracts are cancelable with 30 days notice. Asset management fee income from non-consolidated entities amounted to approximately $397,000 and $448,000 for the six months ended June 30, 2010 and 2009, respectively.

The Company typically makes an acquisition loan ("Acquisition Loans") to each Sponsored REIT which is secured by a mortgage on the borrower's real estate. These loans enable Sponsored REITs to acquire their respective properties prior to the consummation

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

3. Related Party Transactions and Investments in Non-consolidated Entities (continued)

of the offerings of their equity interests. The Company anticipates that each Acquisition Loan will be repaid at maturity or earlier from the proceeds of the Sponsored REIT's equity offering. Each Acquisition Loan has a term of two years and bears interest at the same rate paid by FSP Corp. for borrowings under the Revolver. The Company had no Acquisition Loans outstanding as of June 30, 2010. The Company had one Acquisition Loan outstanding for the syndication of FSP Centre Pointe V Corp. as of December 31, 2009. Acquisition Loans are classified as assets held for syndication.

From time-to-time the Company may also make secured loans ("Sponsored REIT Loans") to Sponsored REITs to fund construction costs, capital expenditures, leasing costs and other purposes. Since December 2007, the Company has provided Sponsored REIT Loans in the form of revolving lines of credit to five Sponsored REITs, or to wholly-owned subsidiaries of those Sponsored REITs, and a construction loan to one wholly-owned subsidiary of another Sponsored REIT. The Company anticipates that each Sponsored REIT Loan will be repaid at maturity or earlier from long term financings of the underlying properties, cash flows from the underlying properties or some other capital event. Each Sponsored REIT Loan is secured by a mortgage on the underlying property and has an initial term of approximately two to three years. Advances under each Sponsored REIT Loan bear interest at a rate equal to the 30-day LIBOR rate plus an agreed upon amount of basis points and most advances also require a 50 basis point draw fee.

The following is a summary of the Sponsored REIT Loans outstanding as of June 30, 2010:

(dollars in 000's) Sponsored REIT	Maturity Date	Maximum Amount of Loan	Amount Drawn at 30-Jun-10	Interest Rate (1)	Draw Fee (2)	Rate in Effect at 30-Jun-10
Revolving lines of credit						
FSP Highland Place I Corp.	31-Dec-10	$ 5,500	$ 1,125	L +2%	n/a	2.35 %
FSP Satellite Place Corp.	31-Mar-12	5,500	5,500	L +3%	0.5 %	3.35 %
FSP 1441 Main Street Corp.(a)	31-Mar-12	10,800	5,000	L +3%	0.5 %	3.35 %
FSP 505 Waterford Corp.	30-Nov-11	7,000	-	L +3%	0.5 %	
FSP Phoenix Tower Corp. (b)	30-Nov-11	15,000	3,600	L +3%	0.5 %	3.35 %
Construction loan						
FSP 385 Interlocken Development Corp. (c) (d)	30-Apr-12	42,000	31,045	L +3%	n/a	3.35 %
		$ 85,800	$ 46,270			

(1) The interest rate is 30-Day LIBOR rate plus the additional rate indicated.
(2) The draw fee is a percentage of each new advance, and is paid at the time of each new draw.

(a) The Borrower is FSP 1441 Main Street LLC, a wholly-owned subsidiary.
(b) The Borrower is FSP Phoenix Tower Limited Partnership, a wholly-owned subsidiary.
(c) The Borrower is FSP 385 Interlocken LLC, a wholly-owned subsidiary.
(d) The Borrower paid a commitment fee of $210,000 at loan origination in March 2009.

The Company recognized interest income and fees from the Acquisition Loan and Sponsored REIT Loans of approximately $694,000 and $414,000 for the six months ended June 30, 2010 and 2009, respectively.

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

4. Bank Note Payable and Term Note Payable

As of June 30, 2010, the Company has a bank note payable, which is an unsecured revolving line of credit (the "Revolver") for advances up to $250 million that matures on August 11, 2011, and a term note payable, which is an unsecured term loan (the "Term Loan") of $75 million that matures in October 2011 with two one-year extensions available at the Company's election. Each extension of the Term Loan has a 15 basis point fee if elected. The Revolver and the Term Loan are with a group of banks.

The Revolver and Term Loan include restrictions on property liens and require compliance with various financial covenants. Financial covenants include the maintenance of at least $1.5 million in operating cash accounts, a minimum unencumbered cash and liquid investments balance and tangible net worth, limitations on permitted secured debt and compliance with various debt and operating income ratios, as defined in the loan agreement. The Company was in compliance with the Revolver and Term Loan financial covenants as of June 30, 2010 and December 31, 2009, respectively.

Revolver

The Company's Revolver is an unsecured revolving line of credit with a group of banks that provides for borrowings at the Company's election of up to $250 million. The Revolver matures on August 11, 2011. Borrowings under the Revolver bear interest at either the bank's prime rate (3.25% at June 30, 2010) or a rate equal to LIBOR plus 100 basis points (1.35% at June 30, 2010).

There were borrowings of $162,968,000 and $109,008,000 at the LIBOR plus 100 basis point rate at a weighted average rate of 1.35% and 1.34% outstanding under the Revolver at June 30, 2010 and December 31, 2009, respectively. The weighted average interest rate on amounts outstanding during the six months ended June 30, 2010 and 2009 was approximately 1.29% and 1.46%, respectively; and for the year ended December 31, 2009 was approximately 1.34%.

The Company has drawn on the Revolver and intends to draw on the Revolver in the future for a variety of corporate purposes, including the funding of mortgage loans to Sponsored REITs and the acquisition of properties that it acquires directly for its portfolio. The Company typically causes mortgage loans to Sponsored REITs to be secured by a first mortgage against the real property owned by the Sponsored REIT. The Company makes these loans to enable a Sponsored REIT to acquire real property prior to the consummation of the offering of its equity interests, and the loan is repaid out of the offering proceeds. The Company also may make secured loans to Sponsored REITs for the purpose of funding capital expenditures, costs of leasing or for other purposes which would be repaid from long-term financing of the property, cash flows from the property or a capital event.

Term Loan

The Company also has a $75 million unsecured Term Loan with three banks. Proceeds from the Term Loan were used to reduce the outstanding principal balance on the Revolver. The Term Loan has an initial three-year term that matures on October 15, 2011. In addition, the Company has the right to extend the Term Loan's initial maturity date for up to two successive one-year periods, or until October 15, 2013, if both extensions are exercised. Each extension has a 15 basis point fee if elected. The Term Loan has an interest rate option equal to LIBOR (subject to a 2% floor) plus 200 basis points and a requirement that the Company fix the interest rate for the initial three-year term of the

Term Loan pursuant to an interest rate swap agreement which the Company did at an interest rate of 5.84% per annum.

5. Net Income Per Share

Basic net income per share is computed by dividing net income by the weighted average number of Company shares outstanding during the period. Diluted net income 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 June 30, 2010 and 2009.

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

6. Financial Instruments: Derivatives and Hedging

On October 15, 2008, the Company fixed the interest rate for the initial three-year term of the Term Loan at 5.84% per annum pursuant to an interest rate swap agreement. The variable rate that was fixed under the interest rate swap agreement is described in Note 4.

The interest swap agreement qualifies as a cash flow hedge and has been recognized on the condensed 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 immediately recognized in earnings. The accounting for cash flow hedges 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 June 30, 2010. The notional value is an indication of the extent of the Company's involvement in these instruments at that time, but does not represent exposure to credit, interest rate or market risks (dollars in thousands).

	Notional Value	Strike Rate	Effective Date	Expiration Date	Fair Value
Interest Rate Swap	$ 75,000	5.840%	10/2008	10/2011	$ (1,735)

On June 30, 2010, the derivative instrument was reported as an obligation at its fair value of approximately $1.7 million. This is included in other liabilities: derivative termination value on the condensed consolidated balance sheet at June 30, 2010. Offsetting adjustments are represented as deferred gains or losses in accumulated other comprehensive loss of $1.7 million. Over time, the unrealized gains and losses held in accumulated other comprehensive loss will be reclassified into earnings as an adjustment to interest expense in the same periods in which the hedged interest payments affect earnings. We estimate that approximately $1.3 million of the current balance held in accumulated other comprehensive income will be reclassified into earnings within the next 12 months. We are hedging exposure to variability in future cash flows for forecasted future interest payments on existing debt.

Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There is an established fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The related accounting pronouncement describes three levels of inputs that may be used to measure fair value. Financial assets and liabilities recorded on the condensed consolidated balance sheets at fair value are categorized based on the inputs to the valuation techniques as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access. Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the asset or liability, which is typically based on an entity's own assumptions, as there is little, if any, related market activity or information. In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability. The Company's outstanding derivative follows the related accounting pronouncement, and Level 2 inputs were used to value the interest rate swap.

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7. Stockholders' Equity

As of June 30, 2010, the Company had 79,680,705 shares of common stock outstanding.

On September 23, 2009, the Company completed an underwritten public offering of 9.2 million shares of its common stock (including 1.2 million shares issued as a result of the full exercise of an overallotment option by the underwriter) at a price to the public of $13.00 per share. The proceeds from this public offering, net of underwriter discounts and offering costs, totaled approximately $114.7 million.

On May 6, 2010, the Company entered into an on demand offering sales agreement whereby the Company may offer and sell up to an aggregate gross sales price of $75 million of its common stock from time to time. Sales of shares of the Company's common stock, if any, will depend upon market conditions and other factors determined by the Company and may be deemed to be "at the market offerings" as defined in Rule 415 of the Securities Act of 1933, as amended, including sales made directly on the NYSE Amex or sales made to or through a market maker other than on an exchange, as well as in negotiated transactions, if and to the extent agreed by the Company in writing. The Company has no obligation to sell any shares of its common stock, and may at any time suspend solicitation and offers.

The Company declared and paid dividends as follows (in thousands, except per share amounts):

Quarter Paid	Dividends Per Share	Total Dividends
First quarter of 2010	$ 0.19	$ 15,139
Second quarter of 2010	$ 0.19	$ 15,140
First quarter of 2009	$ 0.19	$ 13,391
Second quarter of 2009	$ 0.19	$ 13,391

8. Business Segments

The Company operates in two business segments: real estate operations (including real estate leasing, making interim acquisition loans and other financing and asset/property management) and investment banking/investment services (including real estate acquisition, development and broker/dealer services). The Company has identified these segments because this information is the basis upon which management makes decisions regarding resource allocation and performance assessment. The accounting policies of the reportable segments are the same as those described in "Significant Accounting Policies" in Note 2 to the Company's consolidated financial statements included in its Annual Report on Form 10-K for the year ended December 31, 2009. The Company's operations are located in the United States of America.

The Company evaluates the performance of its reportable segments based on Funds From Operations ("FFO") as management believes that FFO represents the most accurate measure of the reportable segment's activity and is the basis for distributions paid to equity holders. The Company defines FFO as net income (determined in accordance with GAAP), excluding gains (or losses) from sales of property and acquisition costs of newly acquired properties that are not capitalized, plus depreciation and amortization, and after adjustments to exclude non-cash income (or losses) from non-consolidated or Sponsored REITs, plus distributions received from non-consolidated or Sponsored REITs.

FFO should not be considered as an alternative to net income (determined in accordance with GAAP), as an indicator of the Company’s financial performance, nor as an alternative to cash flows from operating activities (determined in accordance with GAAP), nor as a measure of the Company’s liquidity, nor is it necessarily indicative of sufficient cash flow to fund all of the Company’s needs. Other real estate companies may define this term in a different manner. We believe that in order to facilitate a clear understanding of the results of the Company, FFO should be examined in connection with net income and cash flows from operating, investing and financing activities in the consolidated financial statements.

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8. Business Segments (continued)

The calculation of FFO by business segment for the three and six months ended June 30, 2010 are shown in the following table:

(in thousands)	Real Estate Operations	Investment Banking/ Investment Services	Total
Three Months Ended March 31, 2010			
Net income (loss)	$ 6,041	$ (479)	$ 5,562
Equity in income of non-consolidated REITs	(253)	-	(253)
Distributions from non-consolidated REITs	1,407	-	1,407
Depreciation and amortization	9,901	33	9,934
Funds From Operations	$ 17,096	$ (446)	$ 16,650
Three Months Ended June 30, 2010			
Net income (loss)	$ 5,691	$ 263	$ 5,954
Equity in income of non-consolidated REITs	(380)	-	(380)
Distributions from non-consolidated REITs	1,324	-	1,324
Acquisition costs	129	-	129
Depreciation and amortization	9,636	39	9,675
Funds From Operations	$ 16,400	$ 302	$ 16,702
Six Months Ended June 30, 2010			
Net income (loss)	$ 11,732	$ (216)	$ 11,516
Equity in income of non-consolidated REITs	(633)	-	(633)
Distributions from non-consolidated REITs	2,731	-	2,731
Acquisition costs	129	-	129
Depreciation and amortization	19,537	72	19,609
Funds From Operations	$ 33,496	$ (144)	$ 33,352

Franklin Street Properties Corp.
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8. Business Segments (continued)

The calculation of FFO by business segment for the three and six months ended June 30, 2009 are shown in the following table:

(in thousands)	Real Estate Operations	Investment Banking/ Investment Services	Total
Three Months Ended March 31, 2009			
Net Income (loss)	$ 8,586	$ (778)	$ 7,808
Equity in income of non-consolidated REITs	(792)	-	(792)
Distributions from non-consolidated REITs	1,615	-	1,615
Depreciation and amortization	8,680	27	8,707
Funds From Operations	$ 18,089	$ (751)	$ 17,338
Three Months Ended June 30, 2009			
Net Income (loss)	$ 5,212	$ (347)	$ 4,865
Equity in income of non-consolidated REITs	(443)	-	(443)
Distributions from non-consolidated REITs	1,523	-	1,523
Acquisition costs	248	-	248
Depreciation and amortization	11,191	25	11,216
Funds From Operations	$ 17,731	$ (322)	$ 17,409
Six Months Ended June 30, 2009			
Net Income (loss)	$ 13,798	$ (1,125)	$ 12,673
Equity in income of non-consolidated REITs	(1,235)	-	(1,235)
Distributions from non-consolidated REITs	3,138	-	3,138
Acquisition costs	248	-	248
Depreciation and amortization	19,871	52	19,923
Funds From Operations	$ 35,820	$ (1,073)	$ 34,747

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8. Business Segments (continued)

The following table is a summary of other financial information by business segment:

(in thousands)	Real Estate Operations	Investment Banking/ Investment Services	Total
Three Months Ended June 30, 2010:			
Revenue	$ 29,826	$ 1,293	$ 31,119
Interest income	9	-	9
Interest expense	1,736	-	1,736
Capital expenditures	1,371	62	1,433
Six Months Ended June 30, 2010			
Revenue	$ 61,166	$ 1,561	$ 62,727
Interest income	17	-	17
Interest expense	3,388	-	3,388
Investment in non-consolidated REITs	90,782	-	90,782
Capital expenditures	3,056	62	3,118
Identifiable assets as of June 30, 2010	$ 1,183,161	$ 3,740	$ 1,186,901
Three Months Ended June 30, 2009			
Revenue	$ 29,588	$ 542	$ 30,130
Interest income	35	1	36
Interest expense	1,598	-	1,598
Capital expenditures	939	88	1,027
Six Months Ended June 30, 2009			
Revenue	$ 59,970	$ 581	$ 60,551
Interest income	68	3	71
Interest expense	3,176	-	3,176
Investment in non-consolidated REITs	94,579	-	94,579
Capital expenditures	2,678	189	2,867
Identifiable assets as of June 30, 2009	$ 1,061,856	$ 3,640	$ 1,065,496

9. Income Taxes

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.

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9. Income Taxes (continued)

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 a TRS, the Company's ownership of securities in all TRS's generally cannot exceed 20% prior to 2009 and 25% beginning in 2009 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. The Company has two subsidiaries, FSP Investments LLC, which is part of the Company's investment banking/investment services segment, and FSP Protective TRS Corp., which are TRSs operating as taxable corporations under the Code.

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.

Accrued interest and penalties will be recorded as income tax expense, if the Company records a liability in the future. 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 2006 and thereafter.

The income tax expense (benefit) reflected in the condensed consolidated statements of income relates to the TRSs and a franchise tax in Texas (described below). The expense (benefit) differs from the amounts computed by applying the federal statutory rate to income before taxes as follows:

(in thousands)	For the Six Months Ended June 30, 2010	2009
Federal income tax benefit at statutory rate	$ (354)	$ (502)
Increase (decrease) in taxes resulting from:		
State income tax benefit, net of federal impact	(65)	(99)
Valuation allowance on tax benefit	242	99
Revised Texas franchise tax	113	128
Income tax benefit	$ (64)	$ (374)

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. A valuation allowance of approximately $242,000 was recorded to reduce the tax benefit resulting from the 2010 loss attributable to FSP Investments as future use of the tax benefit at the federal and state level may be uncertain. FSP Investments has approximately a $502,000 federal tax benefit arising from a loss for the six months ended June 30 2009. The 2009 federal loss should be fully utilized by carrying the loss back to the tax years 2004 and 2005. A valuation allowance of approximately $99,000 was recorded to reduce the tax benefit from the 2009 loss from FSP Investments due to recent tax legislation enacted in Massachusetts that will hinder the ability to use the loss carry-forward.

In May 2006, the State of Texas enacted a business tax (the “Revised Texas Franchise Tax”) that replaced its existing franchise tax. The Revised Texas Franchise Tax is a tax at a rate of approximately 0.7% of revenues at Texas properties commencing with 2007 revenues. 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 income taxes on its condensed consolidated statement of income of $113,000 and $128,000 for the six months ended June 30, 2010 and 2009, respectively.

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10. Subsequent Events

On July 16, 2010, the Board of Directors of the Company declared a cash distribution of $0.19 per share of common stock payable on August 20, 2010 to stockholders of record on July 30, 2010.

On July 27, 2010, the Company made a $2.5 million advance under the 385 Interlocken Construction Loan.

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, 2009. Historical results and percentage relationships set forth in the condensed 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, economic conditions in the United States, disruptions in the debt markets, economic conditions in the markets in which we own properties, changes in the demand by investors for investment in Sponsored REITs, risks of a lessening of demand for the types of real estate owned by us, changes in government regulations, and expenditures that cannot be anticipated such as utility rate and usage increases, unanticipated repairs, additional staffing, insurance increases and real estate tax valuation reassessments. See Item 1A. "Risk Factors" below. 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

Franklin Street Properties Corp., FSP or the Company, operates in two business segments: real estate operations and investment banking/investment services. The real estate operations segment involves real estate rental operations, leasing, secured financing of real estate for interim acquisition or other property financing, and services provided for asset management, property management, property acquisitions, dispositions and development. The investment banking/investment services segment involves the structuring of real estate investments and broker/dealer services that include the organization of Sponsored REITs, the acquisition and development of real estate on behalf of Sponsored REITs and the raising of capital to equitize the Sponsored REITs through sale of preferred stock in private placements.

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 the national market conditions. We 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.

Our investment banking/investment services customers who are primarily institutions and high net-worth individuals. To the extent that the broad capital markets affect these investors our business is also affected. These investors have many investment choices. We must continually search for real estate at a price and at a competitive risk/reward rate of return that meets our customer's risk/reward profile for providing a stream of income and as a long-term hedge against inflation.

Due to the transactional nature of significant portions of our business, our quarterly financial metrics have historically been quite variable. We do not manage our business to quarterly targets but rather manage our business to longer-term targets. Consequently, we consider annual financial results to be much more meaningful for performance and trend measurements.

Critical Accounting Policies

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, 2009.

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 assessments are consistently applied and produce financial information that fairly presents our results of operations. No changes to our critical accounting policies have occurred since the filing of our Annual Report on Form 10-K for the year ended December 31, 2009.

Trends and Uncertainties

Economic Conditions

The economy in the United States is continuing to experience significant disruptions, including high levels of unemployment, the failure and near failure of a number of financial institutions, reduced liquidity and increased credit risk premiums for a number of market participants. Economic conditions may be affected by numerous factors including but not limited to, inflation and employment levels, energy prices, recessionary concerns, changes in currency exchange rates, the availability of debt and interest rate fluctuations. We believe that the disruptions in the U.S. economy contributed to a decline in occupancy in our real estate portfolio during 2009, and that they may continue to negatively affect real estate values, occupancy levels, property income and the propensity and the ability of investors to invest in our Sponsored REITs during 2010. At this time, we cannot predict the extent or duration of any negative impact that the disruptions in the U.S. economy will have on our business.

Real Estate Operations

Leasing

Our real estate portfolio was approximately 85% leased as of June 30, 2010 and approximately 84% leased as of December 31, 2009. Several properties in our portfolio have significant lease roll scheduled to occur during the remainder of 2010 and, as a consequence, we expect occupancy and rental income for those properties to be lower in 2010. However, we believe that we will be successful in re-leasing all or some portion of that vacated space in 2010 and, during the second quarter, we saw significant prospective tenant interest at most of those properties. Successful re-leasing efforts during the remainder of 2010 would favorably position us going into 2011, as more modest scheduled lease expirations of approximately 7%, 8% and 8% of our square footage are projected in 2011, 2012 and 2013, respectively.

While we cannot generally predict when existing vacancy in our real estate portfolio 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 current market rates for locations in which the buildings are located, which in many cases may be below the expiring rates. Also, in light of the current economic conditions, we believe the potential for any of our tenants to default on its lease or to seek the protection of bankruptcy still exists. 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.

Acquisitions

Our property acquisition efforts in the second quarter of 2010 culminated in our acquisition on June 29, 2010 of two office buildings totaling approximately 470,000 square feet located in downtown Minnesota for a purchase price of approximately $40.5 million excluding closing costs and adjustments. We continue to pursue acquisition opportunities and anticipate that those efforts could result in one or more additional property acquisitions during the remainder of 2010. New property acquisitions are anticipated to provide additional accretive rental income.

Dispositions

We continue to evaluate our portfolio, and in the future may decide to dispose of properties from time-to-time in the ordinary course of business. We believe that the current property sales environment remains challenged relative to both liquidity and pricing. However, we also believe that we are witnessing improving pricing and liquidity in certain markets, extending a trend that we believe began in the second half of 2009. We believe that both improving office property fundamentals as well as plentiful and attractive financing availability will likely be required to meaningfully improve the marketplace for property dispositions. As an important part of our total return strategy, we intend to be active in property dispositions when we believe that market conditions warrant such activity.

Investment Banking/Investment Services

Unlike our real estate operations business, which provides a rental revenue stream which is ongoing and recurring in nature, our investment banking/investment services business is transactional in nature. Equity raised for Sponsored REIT syndications was $10.4 million during the six months ended June 30, 2010 compared to $0.6 million for the six months ended June 30, 2009. For the year ended December 31, 2009, syndication proceeds decreased 29.6% to $40.4 million compared to $57.4 million in 2008. We do not currently have any open private placement offerings.

In May 2008, one of our Sponsored REITs, FSP 385 Interlocken Development Corp., began development of an office property located in Broomfield, Colorado. Permanent equity capitalization of the property was structured as a private placement offering of preferred stock totaling $38 million, $37.8 million of which had been closed in as of June 30, 2010. This private placement offering was completed on July 9, 2010. In December 2009, one of our Sponsored REITs, FSP Lakeside Crossing II Corp., purchased an office property located in Maryland Heights, Missouri. Permanent equity capitalization of the property was structured as a private placement stock offering totaling $21 million, and was fully subscribed in the fourth quarter of 2009. Also in December 2009, one of our Sponsored REITs, FSP Centre Pointe V Corp., purchased an office property located in West Chester, Ohio. Permanent equity capitalization of the property was structured as a private placement preferred stock offering totaling $25 million, of which $24.9 million had been raised as of June 30, 2010. This private placement offering was completed on July 9, 2010.

The slowdown in our investment banking business actually began in the third quarter of 2007 and, at this point, it remains unclear when or if a higher volume of equity investment will return. Business in this area, while always uncertain, has been affected by the uncertainty surrounding the future performance of commercial property markets and the amount of available mortgage financing for adequate capitalization of those markets. While we believe that general investor confidence and interest in commercial real estate investing continues to slowly improve, capital raising efforts over any specific period of time will likely remain unpredictable. In addition, the timing of property acquisitions that could be attractive for syndication is also unpredictable. While still optimistic that our investment banking/investment services business for full year 2010 will show an increase over 2009, our ability to source and acquire attractive real estate investment properties will likely be the controlling factor. We also continue to rely solely on our in-house investment executives to access interested investors who have capital they can afford to place in an illiquid position for an indefinite period of time (i.e., invest in a Sponsored REIT). We continue to evaluate whether our in-house sales force is capable, either through our existing client base or through new clients, of raising sufficient investment capital in Sponsored REITs to achieve future performance objectives.

The following table shows results for the three months ended June 30, 2010 and 2009:

(in thousands)	Three months ended June 30,		
Revenue:	2010	2009	Change
Rental	$ 29,261	$ 29,254	$ 7
Related party revenue:			
Syndication fees	541	29	512
Transaction fees	753	514	239
Management fees and interest income from loans	558	317	241
Other	6	18	(12)
Total revenue	31,119	30,132	987
Expenses:			
Real estate operating expenses	7,358	7,144	214
Real estate taxes and insurance	4,318	4,686	(368)
Depreciation and amortization	9,243	10,225	(982)
Selling, general and administrative	2,559	2,127	432
Commissions	336	40	296
Interest	1,736	1,599	137
Total expenses	25,550	25,821	(271)
Income before interest income, equity in earnings in non-consolidated REITs and taxes	5,569	4,311	1,258
Interest income	9	36	(27)
Equity in earnings of non-consolidated REITs	380	443	(63)
Income before taxes	5,958	4,790	1,168
Income tax expense (benefit)	4	(75)	79
Net income	5,954	$ 4,865	$ 1,089

Comparison of the three months ended June 30, 2010 to the three months ended June 30, 2009:

Revenues

Total revenues increased by $1.0 million to $31.1 million for the quarter ended June 30, 2010, as compared to the quarter ended June 30, 2009. The increase was primarily a result of:

- o A $0.8 million increase in syndication fees and transaction (loan commitment) fees, which was principally a result of an increase in gross syndication proceeds for the quarter ended June 30, 2010 compared to the same period in 2009.

- o A $0.2 million increase in interest from loan interest income from Sponsored REITs, which was principally a result of a larger loan receivable balance during the three months ended June 30, 2010 as compared to the three months ended June 30, 2009, from which interest income is derived.

Expenses

Total expenses decreased by $0.3 million to $25.5 million for the quarter ended June 30, 2010 as compared to the quarter ended June 30, 2009. The increase was primarily a result of:

- o A decrease in depreciation and amortization of approximately $1.0 million. During the three months ended June 30, 2009 depreciation and amortization was accelerated on lease related assets from a tenant that filed for bankruptcy and vacated space leased at a property in Virginia. The decrease in depreciation and amortization was partially offset by increased depreciation and amortization from the acquisition of two properties located in Virginia and Minnesota in June 2009, and the acquisition of another property in Virginia in September 2009.

- o A decrease in real estate operating expenses and real estate taxes and insurance of approximately $0.1 million, which was primarily a result of a real estate tax abatement of $0.4 million from a property in Illinois, which was partially offset by increased expenses from the acquisition of two properties located in Virginia and Minnesota in June 2009, and the acquisition of another property in Virginia in September 2009.

These decreases were partially offset by:

- o An increase in general and administrative expenses of $0.4 million, which was primarily the result of an increase to compensation of $0.3 million and acquisition costs of $0.1 million. We had 42 and 40 employees as of June 30, 2010 and 2009, respectively, at our headquarters in Wakefield.

- o An increase in commission expenses of $0.3 million, which was principally a result of an increase in gross syndication proceeds for the three months ended June 30, 2010 compared to the same period in 2009.

- o An increase in interest expense of $0.1 million, which was principally a result of an increase to the amount outstanding on our Revolver during the three months ended June 30, 2010 compared to the three months ended June 30, 2009.

Equity in earnings of non-consolidated REITs

Equity in earnings from non-consolidated REITs decreased approximately $63,000 to $380,000 during the three months ended June 30, 2010 compared to $443,000 during the same period in 2009. The decrease was primarily due to lower equity in income from our investment in FSP 303 East Wacker Drive Corp., which we refer to as East Wacker.

Taxes on income

Taxes on income increased $79,000 to $4,000 for the three months ended June 30, 2010 compared to a benefit of $75,000 for the three months ended June 30, 2009. The benefit in 2010 was reduced, as we have carried back losses in prior years and placed a valuation allowance on future tax benefits. Tax losses are primarily from reduced activity in the investment banking and investment services business. Included in income taxes is the Revised Texas Franchise Tax, which is a tax on revenues at Texas properties.

Net income

Net income for the three months ended June 30, 2010 was $6.0 million compared to $4.9 million for the three months ended June 30, 2009, for the reasons described above.

The following table shows results for the six months ended June 30, 2010 and 2009:

(in thousands)

	Six months ended June 30,		
Revenue:	2010	2009	Change
Rental	$ 60,060	$ 59,072	$ 988
Related party revenue:			
Syndication fees	662	39	623
Transaction fees	899	542	357
Management fees and interest income from loans	1,091	862	229
Other	15	36	(21)
Total revenue	62,727	60,551	2,176
Expenses:			
Real estate operating expenses	15,331	14,424	907
Real estate taxes and insurance	9,564	9,515	49
Depreciation and amortization	18,462	18,139	323
Selling, general and administrative	4,730	4,135	595
Commissions	450	170	280
Interest	3,388	3,176	212
Total expenses	51,925	49,559	2,366
Income before interest income, equity in earnings (losses) in non-consolidated REITs and taxes	10,802	10,992	(190)
Interest income	17	72	(55)
Equity in earnings in non-consolidated REITs	633	1,235	(602)
Income before taxes	11,452	12,299	(847)
Income tax benefit	(64)	(374)	310
Net income	$ 11,516	$ 12,673	$ (1,157)

Comparison of the six months ended June 30, 2010 to the six months ended June 30, 2009:

Revenues

Total revenues increased by $2.2 million to $62.7 million for the six months ended June 30, 2010, as compared to the six months ended June 30, 2009. The increase was primarily a result of:

o An increase in rental revenue of approximately $1.0 million arising primarily from the acquisition of two properties located in Virginia and Minnesota in June 2009, and the acquisition of another property in Virginia in September 2009, that were included in the results for the six months ended June 30, 2010. These increases were partially offset by the loss of rental income from expiring leases, primarily from tenants that leased space in properties in Colorado, Texas and Virginia that were included in the results for the six months ended June 30, 2009.

- o A $1.0 million increase in syndication fees and transaction (loan commitment) fees, which was principally a result of an increase in gross syndication proceeds for the six months ended June 30, 2010 compared to the same period in 2009.

- o A $0.2 million increase in interest from loan interest income from Sponsored REITs, which was principally a result of a larger loan receivable balance during the six months ended June 30, 2010 as compared the six months ended June 30, 2009, from which interest income is derived.

Expenses

Total expenses increased by $2.4 million to $51.9 million for the six months ended June 30, 2010 as compared to the six months ended June 30, 2009. The increase was primarily a result of:

- An increase in real estate operating expenses and real estate taxes and insurance of approximately $1.0 million, and depreciation of $0.3 million, which were primarily from the acquisition of two properties located in Virginia and Minnesota in June 2009, and the acquisition of another property in Virginia in September 2009. In addition, depreciation and amortization during the six months ended June 30, 2009 was accelerated on lease related assets from a tenant that filed for bankruptcy and vacated space leased at a property in Virginia.

- An increase in general and administrative expenses of $0.6 million, which was primarily the result of an increase to compensation of $0.3 million, acquisition costs of $0.1 million and $0.1 million in professional fees. We had 42 and 40 employees as of June 30, 2010 and 2009, respectively, at our headquarters in Wakefield.

- An increase in commission expenses of $0.3 million, which was principally a result of an increase in gross syndication proceeds for the six months ended June 30, 2010 compared to the same period in 2009.

- An increase in interest expense of $0.2 million, which was principally a result of an increase to the amount outstanding on our Revolver during the six months ended June 30, 2010 compared to the six months ended June 30, 2009.

Equity in earnings of non-consolidated REITs

Equity in earnings from non-consolidated REITs decreased approximately $0.6 million to $0.6 million during the six months ended June 30, 2010 compared to $1.2 million during the same period in 2009. The decrease was primarily due to lower equity in income of the Company’s investment in East Wacker.

Taxes on income

Taxes on income increased $310,000 for the six months ended June 30, 2010 to a tax benefit of $64,000, compared to a benefit of $374,000 million for the six months ended June 30, 2009. The benefit in 2010 was reduced, as we have carried back losses in prior years and placed a valuation allowance on future tax benefits. Tax losses are primarily from reduced activity in the investment banking and investment services business. Included in income taxes is the Revised Texas Franchise Tax, which is a tax on revenues at Texas properties.

Net income

Net income for the six months ended June 30, 2010 was $11.5 million compared to $12.7 million for the six months ended June 30, 2009, for the reasons described above.

Liquidity and Capital Resources

Cash and cash equivalents were $21.5 million and $27.4 million at June 30, 2010 and December 31, 2009, respectively. This decrease of $5.9 million is attributable to $21.1 million provided by operating activities less $50.7 million used by investing activities and $23.7 million provided by financing activities. Management believes that existing cash, cash anticipated to be generated internally by operations, cash anticipated to be generated by the sale of preferred stock in future Sponsored REITs and our existing debt financing 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 from fees and commissions from the sale of shares in newly formed Sponsored REITs. 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 interest on the part of investors in purchasing shares of Sponsored REITs and the level of rental income from our real properties.

Operating Activities

The cash provided by our operating activities of $21.1 million is primarily attributable to net income of $11.5 million plus the add-back of $17.8 million of non-cash activities, $2.7 million of distributions from non-consolidated REITs, a $0.4 million decrease in tenant rent receivables, a $0.3 million decrease in restricted cash and a $0.2 million increase in tenant security deposits. These increases were partially offset by a $4.5 million decrease in accounts payable and accrued liabilities, $7.1 million in payments of leasing commissions and a $0.2 million increase in prepaid expenses.

Investing Activities

Our cash used for investing activities for the six months ended June 30, 2010 of $50.7 million is primarily attributable to additions to real estate investments and office equipment of approximately $45.8 million and secured loans made to Sponsored REITs of approximately $9.7 million. These uses were partially offset by a decrease in assets held for syndication of $4.8 million.

Financing Activities

Our cash provided by financing activities for the six months ended June 30, 2010 of $23.7 million is primarily attributable to borrowings under our Revolver of $54.0 million and was partially offset by distributions paid to stockholders of $30.3 million.

Revolver

The Revolver is with a group of banks for borrowings at our election of up to $250,000,000 and matures on August 11, 2011. Borrowings under the Revolver bear interest at either the bank's prime rate (3.25% at June 30, 2010) or a rate equal to LIBOR plus 100 basis points (1.35% at June 30, 2010). There were borrowings of $162,968,000 and $109,008,000 at the LIBOR plus 100 basis point rate at a weighted average rate of 1.35% and 1.34% outstanding under the Revolver at June 30, 2010 and December 31, 2009, respectively. The weighted average interest rate on amounts outstanding during the six months ended June 30, 2010 and 2009 was approximately 1.29% and 1.46%, respectively; and for the year ended December 31, 2009 was approximately 1.34%. As of June 30, 2010, we were in compliance with all bank covenants under the Revolver.

We have drawn on the Revolver, and intend to draw on the Revolver in the future for a variety of corporate purposes, including the acquisition of properties that we acquire directly for our portfolio and the funding of loans to Sponsored

REITs. We typically draw down on the Revolver to make an acquisition loan to each Sponsored REIT which is secured by a mortgage on the borrower's real estate. These loans typically are repaid out of the proceeds of the borrower's equity offering. We refer to these loans as Acquisition Loans. From time-to-time we may also make secured loans to Sponsored REITs to fund construction costs, capital expenditures, leasing costs and other purposes. We anticipate that these loans will be repaid at their maturity or earlier from long-term financings of the underlying properties, cash flows from the underlying properties or some other capital event. We refer to these loans as Sponsored REIT Loans.

Term Loan

On October 15, 2008, we closed on a $75 million unsecured term loan facility with three banks. Proceeds from the Term Loan were used to reduce the outstanding principal balance on the Revolver. The Term Loan has an initial three-year term that matures on October 15, 2011. In addition, we have the right to extend the initial maturity date for up to two successive one-year periods, or until October 15, 2013 if both extensions are exercised. Each extension has a 15 basis point fee if elected. We fixed the interest rate for the initial three-year term of the Term Loan at 5.84% per annum pursuant to an interest rate swap agreement. As of June 30, 2010, we were in compliance with all bank covenants under the Term Loan.

Equity Securities

On September 23, 2009, we completed an underwritten public offering of 9.2 million shares of our common stock (including 1.2 million shares issued as a result of the full exercise of an overallotment option by the underwriter) at a price to the public of $13.00 per share. The proceeds from this public offering, net of underwriter discounts and offering costs, totaled approximately $114.7 million. We used approximately $74.6 million of the net proceeds of the offering to repay outstanding borrowings under our $250 million Revolver, including an aggregate of approximately $51.6 million drawn down in June 2009 for the acquisition of properties in Eden Prairie, Minnesota and Chantilly, Virginia. We used the remainder of the net proceeds to fund a portion of the purchase price of a property in Falls Church, Virginia in September 2009.

On May 6, 2010, we entered into an on demand offering sales agreement that allows us to offer and sell up to an aggregate gross sales price of $75 million of our common stock from time to time. Sales of shares of our common stock, if any, will depend upon market conditions and other factors determined by us and may be deemed to be "at the market offerings" as defined in Rule 415 of the Securities Act of 1933, as amended, including sales made directly on the NYSE Amex or sales made to or through a market maker other than on an exchange, as well as in negotiated transactions, if and to the extent agreed by us in writing. We have no obligation to sell any shares of our common stock, and may at any time suspend solicitation and offers. We have not sold any shares under the demand offering sales agreement.

As of June 30, 2010, we have an automatic shelf registration statement on Form S-3 on file with the SEC relating to the offer and sale, from time to time, of an indeterminate amount of our common stock. From time to time, we expect to issue additional shares of our common stock under our automatic shelf registration statement or a different registration statement to fund the acquisition of additional properties, to pay down any existing debt financing and for other corporate purposes.

Contingencies

From time to time, we may provide financing to Sponsored REITs in the form of a construction loan and/or a revolving line of credit secured by a mortgage. As of June 30, 2010, we were committed to fund up to $85.8 million to six Sponsored REITs under such arrangements for the purpose of funding construction costs, capital expenditures, leasing costs or for other purposes, of which $46.3 million has been drawn and is outstanding. We anticipate that advances made under these facilities will be repaid at their maturity date or earlier from long-term financings of the underlying properties, cash flows from the underlying properties or another other capital event.

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.

Assets Held for Syndication

During the six months ended June 30, 2010 and at December 31, 2009, we had one asset held for syndication for a property in West Chester, Ohio, which was fully subscribed on July 9, 2010. The loan to this syndication was repaid on June 29, 2010.

Related Party Transactions

In November 2009, we commenced the syndication of FSP Centre Pointe V Corp., which was in process as of June 30, 2010 and was completed on July 9, 2010. In September 2009, we commenced the syndication of FSP Lakeside

Crossing II Corp., which was completed December 15, 2009. In May 2008, we commenced the syndication of FSP 385 Interlocken Development Corp., which was in process as of June 30, 2010 and was completed on July 9, 2010. During 2007, we commenced the syndication of FSP Grand Boulevard Corp., which was completed May 29, 2009. As part of this syndication, we purchased the final 175.5 shares of its preferred stock for approximately $15 million on May 29, 2009, representing an approximately 27% interest.

We have drawn on the Revolver, and intend to draw on the Revolver in the future for a variety of corporate purposes, including the acquisition of properties that we acquire directly for our portfolio and for loans to Sponsored REITs, including the Acquisition Loans and the Sponsored REIT Loans described below. Additional Information about our Acquisition Loans and our Sponsored REIT Loans outstanding as of June 30, 2010, including a summary table of the Sponsored REIT Loans, is incorporated herein by reference to Note 3, "Related Party Transactions and Investments in Non-Consolidated Entities – Management fees and interest income from loans", in the Notes to Condensed Consolidated Financial Statements included in this report.

Loans to Sponsored REITs

Acquisition Loans

We typically make an acquisition loan to each Sponsored REIT which is secured by a mortgage on the borrower's real estate. These loans enable Sponsored REITs to acquire their respective properties prior to the consummation of the offerings of their equity interests. We refer to these loans as Acquisition Loans. We anticipate that each Acquisition Loan will be repaid at maturity or earlier from the proceeds of the Sponsored REIT's equity offering. Each Acquisition Loan has a term of two years and bears interest at the same rate paid by FSP Corp. for borrowings under the Revolver. We had no Acquisition Loans outstanding at June 30, 2010. We had one Acquisition Loan outstanding for the syndication of FSP Centre Pointe V Corp., as of December 31, 2009. Acquisition Loans are classified as assets held for syndication.

Sponsored REIT Loans

From time-to-time we may also make secured loans to Sponsored REITs to fund construction costs, capital expenditures, leasing costs and other purposes. We refer to these loans as Sponsored REIT Loans. Since December 2007, we have provided Sponsored REIT Loans in the form of revolving lines of credit to five Sponsored REITs, or to wholly-owned subsidiaries of those Sponsored REITs, and a construction loan to one wholly-owned subsidiary of another Sponsored REIT. We anticipate that each Sponsored REIT Loan will be repaid at maturity or earlier from long term financing of the property securing the loan, cash flows from that underlying property or some other capital event. Each Sponsored REIT Loan is secured by a mortgage on the underlying property and has a term of approximately two to three years. Advances under each Sponsored REIT Loan bear interest at a rate equal to the 30-day LIBOR rate plus an agreed upon number of basis points and most advances also require a 50 basis point draw fee. During the six months ended June 30, 2009, we received a $210,000 loan commitment fee at the time of the closing of the Sponsored REIT Loan that is structured as a construction loan. As of June 30, 2010 we were committed to fund Sponsored REIT Loans up to $85.8 million to six Sponsored REITs, of which $46.3 million was drawn and outstanding.

Additional Information about our Acquisition Loans and our Sponsored REIT Loans outstanding as of June 30, 2010, including a summary table of our Sponsored REIT Loans, is incorporated herein by reference to Note 3, "Related Party Transactions and Investments in Non-Consolidated Entities – Management fees and interest income from loans", in the Notes to Condensed Consolidated Financial Statements included in this report.

Other Considerations

We generally pay the ordinary annual operating expenses of our properties from the rental revenue generated by the properties. For the three and six months ended June 30, 2010 and 2009, the rental income exceeded the expenses for each individual property, with the exception of our property located in Federal Way, Washington, our property located in Southfield, Michigan and our property located in Glen Allen, Virginia.

Our property located in Federal Way, Washington had a single tenant lease, which expired September 14, 2006. During 2007 and 2008, we signed leases with three tenants and in 2009 with an additional two for an aggregate total of approximately 26% of the space, which generated rental income of $151,000 and $252,000 for the three and six months ended June 30, 2010, respectively, and had operating expenses of $155,000 and $296,000 for the three and six months ended June 30, 2010, respectively. The property generated rental income of $79,000 and $159,000 for the three and six months ended June 30, 2009, respectively, and had operating expenses of $139,000 and $270,000 for the three and six months ended June 30, 2009, respectively.

Our property located in Southfield, Michigan with approximately 215,000 square feet of rentable space, had rental revenue that covered ordinary annual operating expenses for the three and six months ended June 30, 2009. However, the property had a lease with a tenant for approximately 138,000 square feet of space that expired on July 31, 2009. The tenant re-leased approximately 83,000 square feet and vacated approximately 55,000 square feet. On September 15, 2009, a lease with a different tenant at the property expired and approximately 17,000 square feet of space was vacated. As a result the leases in place generated rental income of $354,000 and $708,000 for the three and six months ended June 30, 2010, respectively, and had operating expenses of $449,000 and $1,012,000 for the three and six months ended June 30, 2010, respectively.

Our property located at Glen Allen, Virginia with approximately 304,000 square feet of rentable space, had rental revenue that covered ordinary annual operating expenses for the three and six months ended June 30, 2009. The single tenant lease at this property expired on October 31, 2009. As of June 30, 2010, several leases had been executed and the property was approximately 35% leased. As a result, the leases in place generated rental income of $435,000 and $760,000 for the three and six months ended June 30, 2010, respectively, and had operating expenses of $358,000 and $769,000 for the three and six months ended June 30, 2010, respectively.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

For quantitative and qualitative disclosures about market risk, see “Quantitative and Qualitative Disclosures About Market Risk” in Item 7A of Part II of our Annual Report on Form 10-K for the year ended December 31, 2009, which is incorporated by reference. Our exposure to market risk has not changed materially since December 31, 2009.

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, 2010. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, 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 SEC'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, 2010, 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, 2010 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

There were no material changes to the risk factors disclosed in Part I, "Item 1A. Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2009, except to the extent previously updated or to the extent additional factual information disclosed elsewhere in this Quarterly Report on Form 10-Q relates to such risk factors. In addition to the other information set forth in this report, you should carefully consider the risk factors discussed in the Form 10-K, which could materially affect our business, financial condition or future results. The risks described in our Annual Report on 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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. (Removed and Reserved)

Item 5. Other Information

None.

Item 6. Exhibits

The Exhibits listed in the Exhibit Index are filed as part of this Quarterly Report on Form 10-Q and are incorporated herein by reference.

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: August 3, 2010	/s/ George J. Carter George J. Carter	Chief Executive Officer and Director (Principal Executive Officer)
Date: August 3, 2010	/s/ John G. Demeritt John G. Demeritt	Chief Financial Officer (Principal Financial Officer)

EXHIBIT INDEX

Exhibit No.	Description
3.1 (1)	Articles of Incorporation.
3.2 (2)	Amended and Restated By-laws.
10.1 (3)	Baird On Demand Offering Sales Agreement between FSP Corp. and Robert W. Baird & Co. Incorporated dated May 6, 2010.
31.1*	Certification of FSP Corp.'s President and 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 President and 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.
99.1*	Table regarding investors in Sponsored REITs.
101**	The following materials from FSP Corp.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2010, formatted in XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets; (ii) the Condensed Consolidated Statements of Income; (iii) the Condensed Consolidated Statements of Cash Flows; (iv) the Condensed Consolidated Statements of Other Comprehensive Income; and (v) the Notes to Condensed Consolidated Financial Statements, tagged as blocks of text.

(1) Incorporated by reference to Exhibit 3.1 to FSP Corp.'s Form 8-A, filed on April 5, 2005 (File No. 001-32470).

(2) Incorporated by reference to Exhibit 3.1 to FSP Corp.'s Current Report on Form 8-K, filed on May 15, 2006 (File No. 001-32470).

(3) Incorporated by reference to Exhibit 1.1 to FSP Corp.'s Current Report on Form 8-K, filed on May 7, 2010 (File No. 001-32470).

* Filed herewith.

** XBRL (eXtensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these Sections.