FRANKLIN STREET PROPERTIES CORP /MA/
Form 10-K
February 23, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)
x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2009

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

For the transition period from ________ to ________

Commission File No. 001-32470

FRANKLIN STREET PROPERTIES CORP.
(Exact name of registrant as specified in its charter)

Maryland (State or other jurisdiction of incorporation or organization)	04-3578653 (I.R.S. Employer Identification No.)
401 Edgewater Place, Suite 200, Wakefield, Massachusetts (Address of principal executive offices)	01880-6210 (Zip Code)

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

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

Title of each class:	Name of each exchange on which registered:
Common Stock, $.0001 par value per share	NYSE Amex

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes |X| No |_|.

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes |_| No |X|.

UNITED STATES
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FORM 10-K, Continued

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 Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes |_| No |_|.

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. |X|

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 |_|

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2). Yes |_| No |X|.

The aggregate market value of the voting and non-voting common equity held by non-affiliates based on the closing sale price as reported on NYSE Amex, as of the last business day of the registrant's most recently completed second fiscal quarter, June 30, 2009,was approximately $796,786,802.

There were 79,680,705 shares of Common Stock outstanding as of February 22, 2010.

Documents incorporated by reference: The registrant intends to file a definitive proxy statement pursuant to Regulation 14A, promulgated under the Securities Exchange Act of 1934, as amended, to be used in connection with the registrant's Annual Meeting of Stockholders to be held on May 14, 2010 (the "Proxy Statement"). The information required in response to Items 10 – 14 of Part III of this Form 10-K, other than that contained in Part I under the caption, "Directors and Executive Officers of FSP Corp.," is hereby incorporated by reference to the Proxy Statement.

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PART I

Item 1. Business

History

Our company, Franklin Street Properties Corp., which we refer to as FSP Corp. or the Company, is a Maryland corporation that operates in a manner intended to qualify as a real estate investment trust, or REIT, for federal income tax purposes. Our common stock is traded on the NYSE Amex under the symbol “FSP”. FSP Corp. is the successor to Franklin Street Partners Limited Partnership, or the FSP Partnership, which was originally formed as a Massachusetts general partnership in January 1997 as the successor to a Massachusetts general partnership that was formed in 1981. On January 1, 2002, the FSP Partnership converted into FSP Corp., which we refer to as the conversion. As a result of this conversion, the FSP Partnership ceased to exist and we succeeded to the business of the FSP Partnership. In the conversion, each unit of both general and limited partnership interests in the FSP Partnership was converted into one share of our common stock. As a result of the conversion, we hold, directly and indirectly, 100% of the interest in three former subsidiaries of the FSP Partnership: FSP Investments LLC, FSP Property Management LLC, and FSP Holdings LLC. We operate some of our business through these subsidiaries.

On May 15, 2008, we acquired a real estate investment trust by merger, which we refer to as Park Ten Development. In this merger we paid cash consideration to the holders of preferred stock in Park Ten Development of approximately $127,290 per share for a total purchase price of approximately $35.4 million. As a result of the merger, we acquired all of the assets previously held by Park Ten Development.

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 (after payment of offering costs of approximately $0.7 million).

Our Business

We operate in two business segments and have two principal sources of revenue:

- Real estate operations, including rental income from real estate leasing, interest income from secured loans made for interim acquisition or other purposes and fee income from asset/property management.

- Investment banking/investment services, which generate brokerage commissions, loan origination fees, development services and other fees related to the organization of single-purpose entities that own real estate and the private placement of equity in those entities. We refer to these entities which are organized as corporations and operated in a manner intended to qualify as real estate investment trusts, as Sponsored REITs. Previously these entities were called Sponsored Entities and were organized as partnerships.

From time-to-time we may acquire real estate or invest in real estate by purchasing shares of preferred stock offered in the syndications of our Sponsored REITs, although we have no legal or any other enforceable obligation to acquire or to offer to acquire any Sponsored REIT. We may also pursue on a selective basis the sale of our properties to take advantage of the value creation and demand for our properties, or for geographic or property specific reasons. See Note 3 to our consolidated financial statements for additional information regarding our business segments.

Real Estate

We own and operate a portfolio of real estate consisting of 32 properties as of December 31, 2009, which includes 31 office buildings and one industrial use property. We derive rental revenue from income paid to us by tenants of these properties. From time-to-time we dispose of properties generating gains or losses in an ongoing effort to improve and upgrade our portfolio. See Item 2 of this Annual Report on Form 10-K for more information about our properties. We also held preferred stock investments in three Sponsored REITs as of December 31, 2009, as to which we record our share of income or loss under the equity method of accounting, and from which we received dividends.

We typically make an acquisition loan to each Sponsored REIT for its purchase of the underlying property, 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.

We also provide asset management, property management, property accounting, and/or development services to our portfolio and certain of our Sponsored REITs through our subsidiary FSP Property Management LLC. FSP Corp. recognizes revenue from its receipt of fee income from Sponsored REITs that have not been consolidated or acquired by us. FSP Property Management LLC does not receive any rental income.

Investment Banking/Investment Services

Through our subsidiary FSP Investments LLC, which acts as a real estate investment banking firm and broker/dealer, we organize Sponsored REITs and sell equity in them through private placements exempt from registration under the Securities Act of 1933. These single-purpose entities each typically acquire a single real estate asset. FSP Investments LLC raises capital required to equitize these entities through best efforts offerings to "accredited investors" within the meaning of Regulation D of the Securities Act. We retain 100% of the common stock interest in the Sponsored REIT, though there is virtually no economic benefit or risk related to the common stock subsequent to the completion of the syndication. Since 1997, FSP Investments LLC has sponsored the syndication of 50 entities, 13 of which were Sponsored Entities, and 37 of which were Sponsored REITs.

FSP Investments LLC derives revenue from syndication and other transaction fees received in connection with the sale of preferred stock in the Sponsored REITs and from fees paid by the Sponsored REITs for its services in identifying, inspecting and negotiating to purchase real properties on their behalf. FSP Investments LLC is a registered broker/dealer with the Securities and Exchange Commission, or SEC, and is a member of the Financial Industry Regulatory Authority, or FINRA. We have made an election to treat FSP Investments LLC as a "taxable REIT subsidiary" for federal income tax purposes.

Investment Objectives

Our investment objectives are to create shareholder value by increasing revenue from rental, dividend and interest income, net gains from sales of properties and investment banking services and increase the cash available for distribution in the form of dividends to our stockholders. We expect that, through FSP Investments LLC, we will continue to organize and cause the offering of Sponsored REITs in the future and that we will continue to derive investment banking/investment services income from such activities, as well as real estate revenue from loan origination fees, interest income and fees from asset management, property management and development. We may also acquire additional real properties by direct cash purchase or by acquisition of Sponsored REITs, though we have no obligation to acquire or offer to acquire any Sponsored REIT in the future. In addition, we may invest in real estate by purchasing shares of preferred stock offered in the syndications of our Sponsored REITs.

From time to time, as market conditions warrant, we may sell properties owned by us. We did not sell any properties in 2009 or 2008. However, we did recognize a gain of approximately $424,000 on a small piece of land as a result of a land taking by the Commonwealth of Virginia in 2009. In 2007 we sold five properties. When we sell a property, we either distribute some or all of the sale proceeds to our stockholders as a distribution or retain some or all of such proceeds for investment in real properties or other corporate activities.

We may acquire, and have acquired, real properties in any geographic area of the United States and of any property type. We own 32 properties that are located in 14 different states. Of the 32 properties, 31 are office buildings and one is an industrial use property. See Item 2 of this Annual Report on Form 10-K for more information about our properties.

We rely on the following principles in selecting real properties for acquisition by FSP Corp. and managing them after acquisition:

- we seek to buy or develop investment properties at a price which produces value for investors and avoid overpaying for real estate merely to outbid competitors;
- we seek to buy or develop properties in excellent locations with substantial infrastructure in place around them and avoid investing in locations where the future construction of such infrastructure is speculative;
- we seek to buy or develop properties that are well-constructed and designed to appeal to a broad base of users and avoid properties where quality has been sacrificed for cost savings in construction or which appeal only to a narrow group of users;
- we aggressively manage, maintain and upgrade our properties and refuse to neglect or undercapitalize management, maintenance and capital improvement programs; and
- we believe that we have the ability to hold properties through down cycles because we generally do not have significant leverage on the Company, which could place the properties at risk of foreclosure. As of February 22, 2010, none of our 32 properties was subject to mortgage debt.

Revolver

We currently have an unsecured revolving line of credit, which we refer to as the Revolver, with a group of banks that provides for borrowings at our election of up to $250,000,000 and that matures on August 11, 2011. Borrowings under the Revolver bear interest at either the bank's prime rate (3.25% at December 31, 2009) or a rate equal to LIBOR plus 100 basis points (1.23% at December 31, 2009). There were borrowings of $109,008,000 and $67,468,000 at the LIBOR plus 100 basis point rate at a weighted average rate of 1.34% and 2.39% outstanding under the Revolver at December 31, 2009 and 2008, respectively. The weighted average interest rate on amounts outstanding during 2009 and 2008 was approximately 1.23% and 3.61%, respectively. As of December 31, 2009, we were in compliance with all bank covenants required 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 also use the Revolver to fund the Acquisition Loans we typically make to each Sponsored REIT, which are 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. From time-to-time we may also draw down from the Revolver to make the Sponsored REITs Loans, described further below to fund construction costs, capital expenditures, leasing costs and other purposes.

Term Loan

We also have a $75 million unsecured term loan facility, which we refer to as the 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, 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. 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 December 31, 2009, we were in compliance with all bank covenants required under the Term Loan.

Hedging Activities

On October 15, 2008, we entered into an interest rate swap agreement that fixed the interest rate on our Term Loan at 5.84% for three years, which matches the initial three-year term of the Term Loan. We may engage in hedging transactions to protect us from interest rate fluctuations in the future. These transactions may include interest rate swaps, the purchase or sale of interest rate collars, caps or floors and other hedging instruments. These instruments may be used to hedge as much of the interest rate risk as we determine is in the best interest of our stockholders, given the cost of such hedges and the need to maintain our qualification as a REIT. We may elect to bear a level of interest rate risk that could otherwise be hedged when we believe based on all relevant facts, that bearing such risk is advisable.

Loans to Sponsored REITs

Acquisition Loans

We typically make an acquisition loan to each Sponsored REIT for its purchase of the underlying property, 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 one Acquisition Loan outstanding for the syndication of FSP Centre Pointe V Corp., and one Acquisition Loan outstanding for the syndication of FSP Grand Boulevard Corp. as of December 31, 2009 and 2008, respectively. The Acquisition Loan for FSP Grand Boulevard Corp. was repaid on May 29, 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. 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.

The following is a summary of the Sponsored REIT Loans outstanding as of December 31, 2009:

(dollars in 000's) Sponsored REIT	Maturity Date	Maximum Amount of Loan	Amount Drawn at 31-Dec-09	Interest Rate (1)	Draw Fee (2)	Rate in Effect at 31-Dec-09
Revolving lines of credit						
FSP Highland Place I Corp.	31-Dec-10	$ 5,500	$ 1,125	L+2%	n/a	2.24%
FSP Satellite Place Corp.	31-Mar-12	5,500	1,902	L+3%	0.5%	3.24%
FSP 1441 Main Street Corp.(a)	31-Mar-12	10,800	5,000	L+3%	0.5%	3.24%
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%	3.24%
Construction loan						
FSP 385 Interlocken	30-Apr-12	42,000	24,908	L+3%	n/a	3.24%

Development Corp. (c) (d)		
	$ 85,800	$ 36,535

(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

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.

As of December 31, 2009, 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.

Competition

The economy in the United States is continuing to experience significant disruptions, including increased levels of unemployment, the failure and near failure of a number of large 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. The current disruptions in the U.S. economy have affected our business, resulting in a decline in occupancy in our real estate portfolio in 2009, and REITs generally and may continue to affect real estate values, occupancy levels, property income levels and the propensity and the ability of investors to invest in our Sponsored REITs in the future. At this time, we cannot predict the extent or duration of any negative impact that the current disruptions in the U.S. economy will have on our business, our competitors' businesses, on REITs generally or on financial institutions that provide capital to us or our competitors.

With respect to our real estate investments, we face competition in each of the markets where the properties are located. In order to establish, maintain or increase the rental revenues for a property, it must be competitive on location, cost and amenities with other buildings of similar use. Some of our competitors may have significantly more resources than we do and may be able to offer more attractive rental rates or services. On the other hand, some of our competitors may be smaller or have less fixed overhead costs, less cash or other resources that make them willing or able to accept lower rents in order to maintain a certain occupancy level. In markets where there is not currently significant existing property competition, our competitors may decide to enter the market and build new buildings to compete with our existing projects or those in a development stage. Our competition is not only with other developers, but also with property users who choose to own their building or a portion of the building in the form of an office condominium, and with larger market forces (including the current disruptions in the U.S. economy described above, changes in interest rates and tax treatment) that increase competition among landlords for quality tenants and individual decisions beyond our control.

With respect to our investment banking and investment services business, we face competition for investment dollars from every other kind of investment, including stocks, bonds, mutual funds, exchange traded funds and other real-estate related investments, including other REITs. Some of our competitors have significantly more resources than we do and are able to advertise their investment products. Because the offerings of the Sponsored REITs are made pursuant to an exemption from registration under the Securities Act, FSP Investments LLC may not advertise the Sponsored REITs or otherwise engage in any general solicitation of investors to purchase interests in the Sponsored REITs, which may affect our ability to compete for investment dollars. In addition, because we offer the Sponsored REITs only to accredited investors, our pool of potential investment clients is smaller than that available to some other financial institutions. Our competition is not only with alternative types of investments, but also with larger market forces (including the current disruptions in the U.S. economy described above, changes in interest rates and tax treatment) beyond our control that may affect the propensity and the ability of investors to invest in Sponsored REITs.

Employees

We had 43 employees as of February 22, 2010.

Available Information

We are subject to the informational requirements of the Securities Exchange Act of 1934, and, in accordance therewith, we file reports and other information with the SEC. The reports and other information we file can be inspected and copied at the SEC Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Such reports and other information may also be obtained from the web site that the SEC maintains at http://www.sec.gov. Further information about the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330.

We make available, free of charge through our website http://www.franklinstreetproperties.com our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file such material with the SEC.

Reports and other information concerning us may also be obtained electronically through a variety of databases, including, among others, the Electronic Data Gathering, Analysis, and Retrieval (EDGAR) program at http://www.sec.gov, Knight-Ridder Information Inc., Federal Filing/Dow Jones and Lexis/Nexis.

We will voluntarily provide paper copies of our filings and code of ethics upon written request received at the address on the cover of this Annual Report on Form 10-K, free of charge.

Item 1A. Risk Factors

The following important factors, among others, could cause actual results to differ materially from those indicated by forward-looking statements made in this Annual Report on Form 10-K and presented elsewhere by management from time-to-time.

Economic conditions in the United States could have a material adverse impact on our earnings and financial condition.

Because economic conditions in the United States may affect real estate values, occupancy levels, property income and the propensity and the ability of investors to invest in Sponsored REITs, current and future economic conditions in the United States could have a material adverse impact on our earnings and financial condition. The economy in the United States is continuing to experience significant disruptions, including increased levels of unemployment, the failure and near failure of a number of large financial institutions, reduced liquidity and increased credit risk premiums for a number of market participants. These conditions may continue or worsen in the future. 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. At this time we cannot predict the extent or duration of any negative impact that the current disruptions in the U.S. economy will have on our earnings and financial condition.

If a Sponsored REIT defaults on an Acquisition Loan or a Sponsored REIT Loan, we may be required to keep a balance outstanding on the Revolver or use our cash balance to repay the Revolver which may reduce cash available for distribution to our stockholders or for other corporate purposes.

We typically draw on the Revolver to make an acquisition loan to a Sponsored REIT. The acquisition loan enables the Sponsored REIT to acquire real property prior to the consummation of the offering of its equity interests and is typically secured by a first mortgage against the real property acquired. We refer to these loans as Acquisition Loans. Once the offering has been completed, the Sponsored REIT typically repays the Acquisition Loan out of the offering proceeds. From time-to-time, we may also draw on the Revolver to make secured loans to Sponsored REITs for the purpose of funding construction costs, capital expenditures, leasing costs and for other purposes. We refer to these loans as Sponsored REIT Loans. 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. If we are unable to fully syndicate a Sponsored REIT or if a Sponsored REIT defaults on an Acquisition Loan or a Sponsored REIT Loan for any other reason, the Sponsored REIT could be unable to fully repay the Acquisition Loan or the Sponsored REIT Loan, as the case may be, and we would have to satisfy our obligation under the Revolver through other means. If we are required to use cash for this purpose, we would have less cash available for distribution to our stockholders or for other corporate purposes.

Covenants in our debt agreements could adversely affect our financial condition.

Our debt agreements contain customary restrictions, requirements and other limitations on our ability to incur indebtedness, including loan to value ratios, debt service coverage ratios, unencumbered liquidity requirements, account balance requirements, net worth requirements, total debt to asset ratios and secured debt to total asset ratios, which we must maintain. Our continued ability to borrow under the Revolver is subject to compliance with our financial and other covenants. Failure to comply with such covenants could cause a default under the applicable debt agreements, and we may then be required to repay such debt with capital from other sources. Under those circumstances, other sources of capital may not be available to us, or be available only on unattractive terms.

We may use debt financing to purchase properties directly for our real estate portfolio, to make Acquisition Loans, Sponsored REIT Loans or for other corporate purposes. If we are unable to obtain debt financing from these or other sources, or to refinance existing indebtedness upon maturity, our financial condition and results of operations could be materially adversely affected. If we breach covenants in our debt agreements, the lenders can declare a default. A default under our debt agreements could result in difficulty financing growth in both the investment banking/investment services and real estate segments of our business and could also result in a reduction in the cash available for distribution to our stockholders or for other corporate purposes. In addition, our debt agreements include cross-default provisions so that a default under one constitutes a default under the other. Defaults under our debt agreements could materially and adversely affect our financial condition and results of operations.

An increase in interest rates would increase our interest costs on variable rate debt and could adversely impact our ability to refinance existing debt or sell assets.

As of December 31, 2009, we had approximately $109.0 million of indebtedness that bears interest at variable rates, and we may incur more of such indebtedness in the future. Approximately $75 million of this variable rate debt is fixed through an interest rate swap contract at 5.84% per annum through October 15, 2011. If interest rates increase, then so will the interest costs on our unhedged variable rate debt, which could adversely affect our cash flow, our ability to pay principal and interest on our debt and our ability to make distributions to our stockholders. In addition, rising interest rates could limit our ability to both incur new debt and to refinance existing debt when it matures. This risk is currently heightened because the debt market is experiencing volatility, including reduced liquidity and increased credit risk premiums. These conditions, which increase the cost and reduce the availability of debt, may continue or worsen in the future. From time to time, we may enter into interest rate swap agreements and other interest rate hedging contracts, including swaps, caps and floors. While these agreements are intended to lessen the impact of rising interest rates on us, they also expose us to the risks that the other parties to the agreements will not perform, we could incur significant costs associated with the settlement of the agreements, the agreements will be unenforceable and the underlying transactions will fail to qualify as highly-effective cash flow hedges. In addition, an increase in interest rates could decrease the amount third parties are willing to pay for our assets, thereby limiting our ability to change our portfolio promptly in response to changes in economic or other conditions.

If we are not able to collect sufficient rents from each of our owned real properties, investments in Sponsored REITs or interest on Acquisition Loans or Sponsored REIT Loans we fund, we may suffer significant operating losses or a reduction in cash available for future dividends.

A substantial portion of our revenue is generated by the rental income of our real properties and investments in Sponsored REITs. If our properties do not provide us with a steady rental income or we do not collect interest income from Acquisition Loans or Sponsored REIT Loans we fund, our revenues will decrease, which may cause us to incur operating losses in the future and reduce the cash available for distribution to our stockholders.

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We may not be able to find properties that meet our criteria for purchase.

Growth in our portfolio of real estate and our investment banking/investment services business is dependent on the ability of our acquisition executives to find properties for sale and/or development which meet the applicable investment criteria. To the extent they fail to find such properties, we will be unable to syndicate offerings of Sponsored REITs to investors, and this segment of our business could have lower revenue, and we would be unable to increase the size of our portfolio of real estate, which would reduce the cash available for distribution to our stockholders.

We face risks in continuing to attract investors for Sponsored REITs.

Our investment banking/investment services business continues to depend upon its ability to attract purchasers of equity interests in Sponsored REITs. Our success in this area will depend on the propensity and ability of investors who have previously invested in Sponsored REITs to continue to invest in future Sponsored REITs and on our ability to expand the investor pool for the Sponsored REITs by identifying new potential investors. This risk is currently heightened because the financial markets are experiencing volatility, including the failure and near failure of a number of financial institutions and reduced liquidity and increased credit risk premiums in the debt markets. These conditions may continue or worsen in the future. Moreover, our investment banking/investment services business may be affected to the extent existing Sponsored REITs incur losses or have operating results that fail to meet investors' expectations.

We are dependent on key personnel.

We depend on the efforts of George J. Carter, our President and Chief Executive Officer and a Director; Barbara J. Fournier, our Chief Operating Officer, Treasurer, Secretary, an Executive Vice President and a Director; John G. Demeritt, our Chief Financial Officer and an Executive Vice President; Janet Prier Notopoulos, an Executive Vice President and a Director; Scott H. Carter, our General Counsel, Assistant Secretary and an Executive Vice President; R. Scott MacPhee, an Executive Vice President; and William W. Gribbell, an Executive Vice President. If any of our executive officers were to resign, our operations could be adversely affected. We do not have employment agreements with any of our executive officers.

Our level of dividends may fluctuate.

Because our real estate occupancy levels and rental rates can fluctuate and our investment banking/investment services business is transactional in nature, there is no predictable recurring level of revenue from such activities. As a result of this, the amount of cash available for distribution may fluctuate, which may result in our not being able to maintain or grow dividend levels in the future. On July 21, 2008, we announced that we had reduced our regular quarterly dividend from $0.31 per share of common stock to $0.19 per share of common stock in order to better align our regular quarterly dividends with the results of our current real estate operations only, without taking into account the results of our less predictable transactional operations.

We face risks from tenant defaults or bankruptcies.

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.

The real properties held by us may significantly decrease in value.

As of February 22, 2010, we owned 32 properties. Some or all of these properties may decline in value. To the extent our real properties decline in value, our stockholders could lose some or all of the value of their investments. The value of our common stock may be adversely affected if the real properties held by us decline in value since these real properties represent the majority of the tangible assets held by us. Moreover, if we are forced to sell or lease the real property held by us below its initial purchase price or its carrying costs or if we are forced to lease real property at below market rates because of the condition of the property, our results of operations would be adversely affected and such negative results of operations may result in lower dividends being paid to holders of our common stock.

New acquisitions may fail to perform as expected.

We may acquire new properties, whether by direct FSP Corp. purchase with cash or by drawing on the Revolver, by acquisition of Sponsored REITs or other entities by cash or through the issuance of shares of our stock or by investment in a Sponsored REIT. We acquired a property in Maryland in June 2007, a preferred stock interest in a Sponsored REIT that owns a property in Illinois in December 2007, a property in Texas by merger in May 2008, a property in Virginia in December 2008 and a property in Missouri in December 2008. We also acquired a preferred stock interest in a Sponsored REIT that owns a property in Missouri in May 2009, a property in Virginia in June 2009, a property in Minnesota in June 2009 and another property in Virginia in September 2009. Newly acquired properties, including preferred stock interests therein, may fail to perform as expected, in which case, our results of operations could be adversely affected.

We face risks in owning, developing and operating real property.

An investment in us is subject to the risks incident to the ownership, development and operation of real estate-related assets. These risks include the fact that real estate investments are generally illiquid, which may affect our ability to vary our portfolio in response to changes in economic and other conditions, as well as the risks normally associated with:

- changes in general and local economic conditions;
- the supply or demand for particular types of properties in particular markets;
- changes in market rental rates;
- the impact of environmental protection laws;
- changes in tax, real estate and zoning laws; and
- the impact of obligations and restrictions contained in title-related documents.

Certain significant costs, such as real estate taxes, utilities, insurance and maintenance costs, generally are not reduced even when a property’s rental income is reduced. In addition, environmental and tax laws, interest rate levels, the availability of financing and other factors may affect real estate values and property income. Furthermore, the supply of commercial space fluctuates with market conditions.

We may encounter significant delays in reletting vacant space, resulting in losses of income.

When leases expire, we may incur expenses and may not be able to re-lease the space on the same terms. Certain leases provide tenants the right to terminate early if they pay a fee. If we are unable to re-lease space promptly, if the terms are significantly less favorable than anticipated or if the costs are higher, we may have to reduce distributions to our stockholders. This risk is currently heightened because the economy in the United States is continuing to experience significant disruptions, including increased 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. These conditions may continue or worsen in the future. Typical lease terms range from five to ten years, so up to approximately 20% of our rental revenue from commercial properties could be expected to expire each year.

We face risks from geographic concentration.

The properties in our portfolio as of December 31, 2009, by aggregate square footage, are distributed geographically as follows: South – 38.2%, West – 17.8%, Midwest – 18.3%, East – 25.6%. However, within certain of those regions, we hold a larger concentration of our properties in Dallas, Texas – 15.6%, Greater Denver, Colorado – 11.5%, Northern Virginia – 10.7% and Houston, Texas – 9.4%. We are likely to face risks to the extent that any of these areas in which we hold a larger concentration of our properties suffer deteriorating economic conditions.

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We compete with national, regional and local real estate operators and developers, which could adversely affect our cash flow.

Competition exists in every market in which our properties are currently located and in every market in which properties we may acquire in the future will be located. We compete with, among others, national, regional and numerous local real estate operators and developers. Such competition may adversely affect the percentage of leased space and the rental revenues of our properties, which could adversely affect our cash flow from operations and our ability to make expected distributions to our stockholders. Some of our competitors may have more resources than we do or other competitive advantages. Competition may be accelerated by any increase in availability of funds for investment in real estate. For example, decreases in interest rates tend to increase the availability of funds and therefore can increase competition. To the extent that our properties continue to operate profitably, this will likely stimulate new development of competing properties. The extent to which we are affected by competition will depend in significant part on both local market conditions and national and global economic conditions.

There is limited potential for revenue to increase from an increase in leased space in our properties.

We anticipate that future increases in revenue from our properties will be primarily the result of scheduled rental rate increases or rental rate increases as leases expire. While we cannot predict when existing vacancy 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 some cases may be below the expiring rates.

We are subject to possible liability relating to environmental matters, and we cannot assure you that we have identified all possible liabilities.

Under various federal, state and local laws, ordinances and regulations, an owner or operator of real property may become liable for the costs of removal or remediation of certain hazardous substances released on or in its property. Such laws may impose liability without regard to whether the owner or operator knew of, or caused, the release of such hazardous substances. The presence of hazardous substances on a property may adversely affect the owner’s ability to sell such property or to borrow using such property as collateral, and it may cause the owner of the property to incur substantial remediation costs. In addition to claims for cleanup costs, the presence of hazardous substances on a property could result in the owner incurring substantial liabilities as a result of a claim by a private party for personal injury or a claim by an adjacent property owner for property damage.

In addition, we cannot assure you that:

- future laws, ordinances or regulations will not impose any material environmental liability;
- proposed legislation to address climate change will not increase utility and other costs of operating our properties which, if not offset by rising rental income and/or paid by tenants, would materially and adversely affect our financial condition and results of operations;
- the current environmental conditions of our properties will not be affected by the condition of properties in the vicinity of such properties (such as the presence of leaking underground storage tanks) or by third parties unrelated to us;
- tenants will not violate their leases by introducing hazardous or toxic substances into our properties that could expose us to liability under federal or state environmental laws; or
- environmental conditions, such as the growth of bacteria and toxic mold in heating and ventilation systems or on walls, will not occur at our properties and pose a threat to human health.

We are subject to compliance with the Americans With Disabilities Act and fire and safety regulations, any of which could require us to make significant capital expenditures.

All of our properties are required to comply with the Americans With Disabilities Act (ADA), and the regulations, rules and orders that may be issued thereunder. The ADA has separate compliance requirements for "public accommodations" and "commercial facilities," but generally requires that buildings be made accessible to persons with disabilities. Compliance with ADA requirements might require, among other things, removal of access barriers and noncompliance could result in the imposition of fines by the U.S. government or an award of damages to private litigants.

In addition, we are required to operate our properties in compliance with fire and safety regulations, building codes and other land use regulations, as they may be adopted by governmental agencies and bodies and become applicable to our properties. Compliance with such requirements may require us to make substantial capital expenditures, which expenditures would reduce cash otherwise available for distribution to our stockholders.

We face risks associated with our Tenants being designated "Prohibited Persons" by the Office of Foreign Assets Control.

Pursuant to Executive Order 13224 and other laws, the Office of Foreign Assets Control of the United States Department of the Treasury, or OFAC, maintains a list of persons designated as terrorists or who are otherwise blocked or banned, which we refer to as Prohibited Persons. OFAC regulations and other laws prohibit conducting business or engaging in transactions with Prohibited Persons (the "OFAC Requirements"). Our current leases and certain other agreements require the other party to comply with the OFAC Requirements. If a tenant or other party with whom we contract is placed on the OFAC list we may be required by the OFAC Requirements to terminate the lease or other agreement. Any such termination could result in a loss of revenue or a damage claim by the other party that the termination was wrongful.

Actual or threatened terrorist attacks may adversely affect our ability to generate revenues and the value of our properties.

We have significant investments in markets that may be the targets of actual or threatened terrorism attacks in the future. As a result, some tenants in these markets may choose to relocate their businesses to other markets or to lower-profile office buildings within these markets that may be perceived to be less likely targets of future terrorist activity. This could result in an overall decrease in the demand for office space in these markets generally or in our properties in particular, which could increase vacancies in our properties or necessitate that we lease our properties on less favorable terms or both. In addition, future terrorist attacks in these markets could directly or indirectly damage our properties, both physically and financially, or cause losses that materially exceed our insurance coverage. As a result of the foregoing, our ability to generate revenues and the value of our properties could decline materially. See also "We may lose capital investment or anticipated profits if an uninsured event occurs."

We may lose capital investment or anticipated profits if an uninsured event occurs.

We carry, or our tenants carry, comprehensive liability, fire and extended coverage with respect to each of our properties, with policy specification and insured limits customarily carried for similar properties. There are, however, certain types of losses that may be either uninsurable or not economically insurable. Should an uninsured material loss occur, we could lose both capital invested in the property and anticipated profits.

Contingent or unknown liabilities acquired in mergers or similar transactions could require us to make substantial payments.

The properties which we acquired in mergers were acquired subject to liabilities and without any recourse with respect to liabilities, whether known or unknown. As a result, if liabilities were asserted against us based upon any of these properties, we might have to pay substantial sums to settle them, which could adversely affect our results of operations and financial condition and our cash flow and ability to make distributions to our stockholders. Unknown liabilities with respect to properties acquired might include:

- liabilities for clean-up or remediation of environmental conditions;
- claims of tenants, vendors or other persons dealing with the former owners of the properties; and
- liabilities incurred in the ordinary course of business.

Our employee retention plan may prevent changes in control.

During February 2006, our Board of Directors approved a change in control plan, which included a form of retention agreement and discretionary payment plan. Payments under the discretionary plan are capped at 1% of the market capitalization of FSP Corp. as reduced by the amount paid under the retention plan. The costs associated with these two components of the plan may have the effect of discouraging a third party from making an acquisition proposal for us and may thereby inhibit a change in control under circumstances that could otherwise give the holders of our common stock the opportunity to realize a greater premium over the then-prevailing market prices.

Further issuances of equity securities may be dilutive to current stockholders.

The interests of our existing stockholders could be diluted if additional equity securities are issued to finance future acquisitions, repay indebtedness or to fund other general corporate purposes. Our ability to execute our business strategy depends on our access to an appropriate blend of debt financing, including unsecured lines of credit and other forms of secured and unsecured debt, and equity financing.

The price of our common stock may vary.

The market prices for our common stock may fluctuate with changes in market and economic conditions, including the market perception of REITs in general, and changes in the financial condition of our securities. Such fluctuations may depress the market price of our common stock independent of the financial performance of FSP Corp. The market conditions for REIT stocks generally could affect the market price of our common stock.

We would incur adverse tax consequences if we failed to qualify as a REIT.

The provisions of the tax code governing the taxation of real estate investment trusts are very technical and complex, and although we expect that we will be organized and will operate in a manner that will enable us to meet such requirements, no assurance can be given that we will always succeed in doing so. In addition, as a result of our acquisition of the target REITs pursuant to the mergers, we might no longer qualify as a real estate investment trust. We could lose our ability to so qualify for a variety of reasons relating to the nature of the assets acquired from the target REITs, the identity of the stockholders of the target REITs who become our stockholders or the failure of one or more of the target REITs to have previously qualified as a real estate investment trust. Moreover, you should note that if one or more of the REITs that we acquired in May 2008, April 2006, April 2005 or June 2003 did not qualify as a real estate investment trust immediately prior to the consummation of its acquisition, we could be disqualified as a REIT as a result of such acquisition.

If in any taxable year we do not qualify as a real estate investment trust, we would be taxed as a corporation and distributions to our stockholders would not be deductible by us in computing our taxable income. In addition, if we were to fail to qualify as a real estate investment trust, we could be disqualified from treatment as a real estate investment trust in the year in which such failure occurred and for the next four taxable years and, consequently, we would be taxed as a regular corporation during such years. Failure to qualify for even one taxable year could result in a significant reduction of our cash available for distribution to our stockholders or could require us to incur indebtedness or liquidate investments in order to generate sufficient funds to pay the resulting federal income tax liabilities.

Provisions in our organizational documents may prevent changes in control.

Our Articles of Incorporation and Bylaws contain provisions, described below, which may have the effect of discouraging a third party from making an acquisition proposal for us and may thereby inhibit a change of control under circumstances that could otherwise give the holders of our common stock the opportunity to realize a premium over the then-prevailing market prices.

Ownership Limits. In order for us to maintain our qualification as a real estate investment trust, the holders of our common stock may be limited to owning, either directly or under applicable attribution rules of the Internal Revenue Code, no more than 9.8% of the lesser of the value or the number of our equity shares, and no holder of common stock may acquire or transfer shares that would result in our shares of common stock being beneficially owned by fewer than 100 persons. Such ownership limit may have the effect of preventing an acquisition of control of us without the approval of our board of directors. Our Articles of Incorporation give our board of directors the right to refuse to give effect to the acquisition or transfer of shares by a stockholder in violation of these provisions.

Staggered Board. Our board of directors is divided into three classes. The terms of these classes will expire in 2010, 2011 and 2012, respectively. Directors of each class are elected for a three-year term upon the expiration of the initial term of each class. The staggered terms for directors may affect our stockholders' ability to effect a change in control even if a change in control were in the stockholders' best interests.

Preferred Stock. Our Articles of Incorporation authorize our board of directors to issue up to 20,000,000 shares of preferred stock, par value $.0001 per share, and to establish the preferences and rights of any such shares issued. The issuance of preferred stock could have the effect of delaying or preventing a change in control even if a change in control were in our stockholders' best interest.

Increase of Authorized Stock. Our board of directors, without any vote or consent of the stockholders, may increase the number of authorized shares of any class or series of stock or the aggregate number of authorized shares we have authority to issue. The ability to increase the number of authorized shares and issue such shares could have the effect of delaying or preventing a change in control even if a change in control were in our stockholders' best interest.

Amendment of Bylaws. Our board of directors has the sole power to amend our Bylaws. This power could have the effect of delaying or preventing a change in control even if a change in control were in our stockholders' best interests.

Stockholder Meetings. Our Bylaws require advance notice for stockholder proposals to be considered at annual meetings of stockholders and for stockholder nominations for election of directors at special meetings of stockholders. Our Bylaws also provide that stockholders entitled to cast more than 50% of all the votes entitled to be cast at a meeting must join in a request by stockholders to call a special meeting of stockholders. These provisions could have the effect of delaying or preventing a change in control even if a change in control were in the best interests of our stockholders.

Supermajority Votes Required. Our Articles of Incorporation require the affirmative vote of the holders of no less than 80% of the shares of capital stock outstanding and entitled to vote in order (i) to amend the provisions of our Articles of Incorporation relating to the classification of directors, removal of directors, limitation of liability of officers and directors or indemnification of officers and directors or (ii) to amend our Articles of Incorporation to impose cumulative voting in the election of directors. These provisions could have the effect of delaying or preventing a change in control even if a change in control were in our stockholders' best interest.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties

Set forth below is information regarding our properties as of December 31, 2009:

Property Location	Date of Purchase or Merged Entity Date of Purchase	Approx. Square Feet	Percent Leased as of 12/31/09	Approx. Number of Tenants	Major Tenants1
Office					
1515 Mockingbird Lane Charlotte, NC 28209	8/1/97	109,550	86%	63	Primary PhysicianCare
678-686 Hillview Drive Milpitas, CA 95035	3/9/99	36,288	100%	1	Headway Technologies, Inc.
600 Forest Point Circle Charlotte, NC 28273	7/8/99	62,212	100%	2	American National Red Cross Cellco Partnership d/b/a Verizon Wireless
18000 W. Nine Mile Rd. Southfield, MI 48075	9/30/99	214,697	56%	4	International Business Machines Corp.
4820 & 4920 Centennial Blvd. Colorado Springs, CO 80919	9/28/00	110,730	78%	3	Comcast of ColoradoX, LLC Walter Kidde Portable Equipment, Inc. AMI Semiconductor, Inc
14151 Park Meadow Drive Chantilly, VA 20151	3/15/01	136,683	50%	2	American Systems Corporation
1370 & 1390 Timberlake Manor Parkway, Chesterfield, MO 63017	5/24/01	232,766	99%	5	RGA Reinsurance Company AMDOCS, Inc.
501 & 505 South 336th Street Federal Way, WA 98003	9/14/01	117,010	26%	5	SunGard Availability Services, LP

50 Northwest Point Rd. Elk Grove Village, IL 60005	12/5/01	176,848	100%	1	Citicorp Credit Services, Inc.
1350 Timberlake Manor Parkway Chesterfield, MO 63017	3/4/02	116,312	100%	7	RGA Reinsurance Company Metropolitan Life Insurance Company AB Mauri Food Inc. d/b/a Fleischmanns Yeast

1 Major tenants are tenants who occupy 10% or more of the space in an individual property.

Property Location	Date of Purchase or Merged Entity Date of Purchase	Approx. Square Feet	Percent Leased as of 12/31/09	Approx. Number of Tenants	Major Tenants1
16285 Park Ten Place Houston, TX 77084	6/27/02	155,715	62%	7	TMI, Inc. a/k/a Trendmaker Homes PB Americas, Inc. BAE Systems Land & Armaments, LP
2730-2760 Junction Avenue 408-410 East Plumeria San Jose, CA 95134	8/27/02	145,951	100%	3	Techwell, Inc. County of Santa Clara AltiGen Communications, Inc.
15601 Dallas Parkway Addison, TX 75001	9/30/02	293,787	61%	7	Behringer Harvard Holdings, LLC Noble Royalties, Inc.
1500 & 1600 Greenville Ave. Richardson, TX 75080	3/3/03	298,766	100%	3	Tektronix Texas, LLC. ARGO Data Resource Corp.
6550 & 6560 Greenwood Plaza Englewood, CO 80111	2/24/05	199,077	100%	1	New Era of Networks, Inc.
3815-3925 River Crossing Pkwy Indianapolis, IN 46240	7/6/05	205,059	95%	14	Crowe, Chizek & Company, LLC Somerset CPAs, P.C. The College Network, Inc.
5055 & 5057 Keller Springs Rd. Addison, TX 75001	2/24/06	218,934	72%	26	See Footnote2
2740 North Dallas Parkway Plano, TX 75093	12/15/00	116,622	50%	4	Masergy Communications, Inc. Activant Solutions, Inc. NelsonArchitectural Engineers, Inc.
5505 Blue Lagoon Drive Miami, FL 33126	11/6/03	212,619	100%	1	Burger King Corporation

5600, 5620 & 5640 Cox Road Glen Allen, VA 23060	7/16/03	303,745	21%	3	See Footnote2
1293 Eldridge Parkway Houston, TX 77077	1/16/04	248,399	100%	1	CITGO Petroleum Corporation
380 Interlocken Crescent Broomfield, CO 80021	8/15/03	240,184	87%	10	Cooley Godward, LLP Montgomery Watson Americas, Inc. VMWare, Inc.

2 No Tenant occupies more than 10% of the space.

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Property Location	Date of Purchase or Merged Entity Date of Purchase	Approx. Square Feet	Percent Leased as of 12/31/09	Approx. Number of Tenants	Major Tenants1
3625 Cumberland Boulevard Atlanta, GA 30339	6/27/06	387,267	90%	26	Corporate Holdings, LLC Century Business Services, Inc. Bennett Thrasher PC
390 Interlocken Crescent Broomfield, CO 80021	12/21/06	241,516	98%	14	Vail Holdings, Inc. Leopard Communications, Inc. MSI, LLC
120 East Baltimore St. Baltimore, MD 21202	6/13/07	325,410	95%	19	Ober, Kaler, Grimes & Shriver State Retirement and Pension Systems of Maryland SunTrust Bank
16290 Katy Freeway Houston, TX 77094	9/28/05	156,746	98%	4	Murphy Exploration and Production Company
2291 Ball Drive St Louis, MO 63146	12/11/08	127,778	100%	1	Monsanto Company
45925 Horseshoe Drive Sterling, VA 20166	12/26/08	135,888	100%	1	Giesecke & Devrient America, Inc.
4807 Stonecroft Blvd. Chantilly, VA 20151	6/26/09	111,469	100%	1	Northrup Grumman Systems Corp.
14800 Charlson Road Eden Praire, MN 55347	6/30/09	153,028	100%	1	C.H. Robinson Worldwide, Inc.
3140, 3150 Fairview Park Drive Falls Church, VA 22042	9/30/09	252,613	100%	1	Noblis, Inc.

Sub Total Office		5,843,669	84%		
Industrial					
8730 Bollman Place Savage (Jessup), MD 20794	12/14/99	98,745	100%	1	Maines Paper and Foodservice, Inc.
Sub Total Industrial		98,745	100%		
Grand Total		5,942,414	84%		

All of the properties listed above are owned, directly or indirectly, by us. None of our properties are subject to any mortgage loans. We have no material undeveloped or unimproved properties, or proposed programs for material renovation, improvement or development of any of our properties. We believe that our properties are adequately covered by insurance as of December 31, 2009.

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The following table provides certain information about our owned commercial properties as of December 31, 2009:

Property Name	City	State	Type	Year Built or Renovated	Net Rentable Square Feet	Leased Sq. Ft.	Percentage Leased as of December 31, 2009 (a)	Annualized Rent as of December 31, 2009 (b)	Average Annualized Rent per Leased Sq. Ft. (c)
Park Seneca	Charlotte	NC	Office	1969	109,550	94,575	86.33%	1,422,561	$ 15.04
Forest Park	Charlotte	NC	Office	1999	62,212	62,212	100.00%	855,162	13.75
Meadow Point	Chantilly	VA	Office	1999	136,683	68,725	50.28%	186,732	2.72
Innsbrook	Glen Allen	VA	Office	1999	303,745	63,118	20.78%	840,930	13.32
East Baltimore	Baltimore	MD	Office	1989	325,410	308,401	94.77%	8,190,610	26.56
Loudoun Tech Center	Dulles	VA	Office	1999	135,888	135,888	100.00%	1,685,767	12.41
Bollman Place	Savage	MD	Industrial	1984	98,745	98,745	100.00%	611,232	6.19
Stonecroft	Chantilly	VA	Office	2008	111,469	111,469	100.00%	4,095,160	36.74
Fairview Park	Falls Church	VA		2001	252,613	252,613	100.00%	6,523,980	25.83
East total					1,536,315	1,195,746	77.83%	24,412,134	20.42
Southfield Centre	Southfield	MI	Office	1977	214,697	119,396	55.61%	1,441,108	12.07
Northwest Point	Elk Grove Village	IL	Office	1999	176,848	176,848	100.00%	3,205,146	18.12
River Crossing	Indianapolis	IN	Office	1998	205,059	194,246	94.73%	4,721,704	24.31
Timberlake	Chesterfield	MO	Office	1999	232,766	230,347	98.96%	4,690,866	20.36
Timberlake East	Chesterfield	MO	Office	2000	116,312	116,197	99.90%	2,559,445	22.03
Lakeside Crossing	St. Louis	MO	Office	2008	127,778	127,778	100.00%	2,883,950	22.57
Eden Bluff	Eden Praire	MN	Office	2006	153,028	153,028	100.00%	3,884,765	25.39
Midwest total					1,226,488	1,117,840	91.14%	23,386,983	20.92

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The following table is continued from the previous page and provides certain information about our owned commercial properties as of December 31, 2009:

Property Name	City	State	Year Built or Renovated	Net Rentable Square Feet	Leased Sq. Ft.	Percentage Leased as of December 31, 2009 (a)		Annualized Rent as of December 31, 2009 (b)	Average Annualized Rent per Leased Sq. Ft. (c)
Blue Lagoon Drive	Miami	FL	2002	212,619	212,619	100.00	%	4,597,571	21.62
One Overton Place	Atlanta	GA	2002	387,267	349,728	90.31	%	9,211,587	26.34
Willow Bend Office Center	Plano	TX	1999	116,622	58,071	49.79	%	1,003,904	17.29
Park Ten	Houston	TX	1999	155,715	96,696	62.10	%	2,546,644	26.34
Addison Circle	Addison	TX	1999	293,787	180,006	61.27	%	4,156,760	23.09
Collins Crossing	Richardson	TX	1999	298,766	298,766	100.00	%	7,711,008	25.81
Eldridge Green	Houston	TX	1999	248,399	248,399	100.00	%	6,655,927	26.80
Park Ten Phase II	Houston	TX	2006	156,746	153,326	97.82	%	3,989,925	26.02
Liberty Plaza	Addison	TX	1985	218,934	156,559	71.51	%	3,396,852	21.70
South Total				2,088,855	1,754,170	83.98	%	43,270,178	24.67
Centennial Technology Center	Colorado Springs	CO	1999	110,730	86,910	78.49	%	1,316,959	15.15
380 Interlocken	Broomfield	CO	2000	240,184	208,844	86.95	%	7,362,819	35.26
Greenwood Plaza	Englewood	CO	2000	199,077	199,077	100.00	%	8,097,285	40.67
390 Interlocken	Broomfield	CO	2002	241,516	237,837	98.48	%	6,089,039	25.60
Hillview Center	Milpitas	CA	1984	36,288	36,288	100.00	%	527,681	14.54
Federal Way	Federal Way	WA	1982	117,010	30,592	26.14	%	355,957	11.64
Montague Business Center	San Jose	CA	1982	145,951	145,951	100.00	%	2,010,109	13.77
West Total				1,090,756	945,499	86.68	%	25,759,849	27.24
Grand Total				5,942,414	5,013,255	84.36	%	$16,829,143	$23.30

(a) Based on all leases in effect, including month-to-month tenants, divided by the Property's net rentable square footage.
(b) Represents gross rental charges for the month of December 2009 (including month-to-month leases) multiplied by 12, which can result in unusual per square foot amounts calculated when there are free rent periods (usually with new leases).
(c) Represents the annualized rent as of December 2009 divided by leased square feet.

The following table provides a summary schedule of the lease expirations for the 20 tenants with the greatest amount of square feet leased in place for our owned properties as of December 31, 2009, assuming that none of the tenants exercise renewal options:

	Tenant Name	Number of Leases	Remaining Lease Term in Months	Aggregate Leased Square Feet	% of Aggregate Leased Square Feet	Annualized Rent (a) (in 000's)	% of Aggregate Annualized Rent
1	Noblis, Inc. (e)	1	85	252,613	4.25%	$ 6,524	5.59%
2	CITGO Petroleum Corporation (b)	1	146	248,399	4.18%	6,656	5.70%
3	Tektronix Texas, LLC	1	6	241,372	4.06%	6,385	5.47%
4	Burger King Corporation	1	105	212,619	3.58%	4,598	3.94%
5	New Era of Networks Inc	1	4	199,077	3.35%	8,097	6.93%
6	RGA Reinsurance Company	1	60	185,501	3.12%	3,604	3.09%
7	Citicorp Credit Services, Inc (c)	1	84	176,848	2.98%	3,158	2.70%
8	C.H. Robinson Worldwide, Inc. (d)	1	138	153,028	2.58%	3,885	3.33%
9	Geisecke & Devrient America, Inc.	1	62	135,888	2.29%	1,686	1.44%
10	Murphy Exploration & Production Company	1	88	133,786	2.25%	3,514	3.01%
11	Monsanto Company	1	61	127,778	2.15%	2,884	2.47%
12	Northrop Grumman Systems Corporation (d)	1	100	111,469	1.88%	4,095	3.51%
13	Maines Paper & Food Service, Inc.	1	47	98,745	1.66%	611	0.52%
14	Amdocs, Inc.	1	17	91,928	1.55%	2,062	1.77%
15	County of Santa Clara	1	96	90,467	1.52%	1,268	1.09%
16	Ober, Kaler, Grimes & Shriver	1	15	89,885	1.51%	2,490	2.13%
17	Vail Holdings, Inc.	1	111	83,620	1.41%	2,082	1.78%
18	International Business Machines Corp.	1	31	83,209	1.40%	978	0.84%
19	Corporate Holdings, LLC	1	51	81,818	1.38%	2,151	1.84%
20	Noble Royalties, Inc.	1	59	78,344	1.32%	2,039	1.75%
				2,876,394	48.40%	$ 68,766	58.88%

(a) Annualized rent represents the monthly rent, including tenant reimbursements, for each lease in effect at December 31, 2009 mulitplied by 12.
Tenant reimbursements generally include payment of real estate taxes, operating expenses and common area maintenance and utility charges.

(b) On January 20, 2010, the Company signed a new lease at a Houston, Texas property, for approximately 248,000 square feet of space with one of its current tenants, CITGO Petroleum Corporation, effectively extending the lease expiration from February 29, 2012 to February 28, 2022.

(c) The lease with Citicorp Credit Services, Inc. is guaranteed by Citigroup.

(d) Acquired in June 2009.

(e) Acquired in September 2009.

The following table provides a summary schedule of the lease expirations for leases in place for our owned properties as of December 31, 2009, assuming that none of the tenants exercise renewal options:

Year of Lease Expiration December 31,	Number of Leases Expiring Within the Year	Rentable Square Footage Subject to Expiring Leases	Annualized Rent Under Expiring Leases (a)	Annualized Rent Per Square Foot Under Expiring Leases	Percentage of Total Final Annualized Rent Under Expiring Leases
2010	96(b)	797,637	22,824,562	28.62	19.54%
2011	34	402,779	9,352,006	23.22	8.00%
2012	39(c)	433,197	9,201,711	21.24	7.88%
2013	27	354,393	6,472,017	18.26	5.54%
2014	22	585,420	12,447,673	21.26	10.65%
2015	16	467,676	8,778,595	18.77	7.51%
2016	7	487,849	11,500,538	23.57	9.84%
2017	5	523,658	12,370,759	23.62	10.59%
2018	5	394,913	10,620,629	26.89	9.09%
2019	2	88,719	2,302,286	25.95	1.97%
2020 and thereafter	4(c)	477,014	10,959,267	22.97	9.38%
	257	5,013,255	116,830,043	23.30	100.00%
Vacancies as of 12/31/09		929,159			
Total Portfolio Square Footage		5,942,414			

(a) Annualized rent represents the monthly rent, including tenant reimbursements, for each lease in effect at December 31, 2009 mulitplied by 12. Tenant reimbursements generally include payment of real estate taxes, operating expenses and common area maintenance and utility charges.

(b) 30 Leases are Month to Month

(c) On January 20, 2010, the Company signed a new lease at a Houston, Texas property, for approximately 248,000 square feet of space with CITGO Petroleum Corporation, effectively extending the lease expiration from February 29, 2012 to February 28, 2022.

Item 3. 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 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report.

Directors and Executive Officers of FSP Corp.

The following table sets forth the names, ages and positions of all our directors and executive officers as of February 22, 2010.

Name	Age	Position
George J. Carter (5)	61	President, Chief Executive Officer and Director
Barbara J. Fournier (4)	54	Executive Vice President, Chief Operating Officer, Treasurer, Secretary and Director
Barry Silverstein (1) (2) (4)	76	Director
Dennis J. McGillicuddy (1) (2) (3)	68	Director
Georgia Murray (1) (2) (5) (7)	59	Director
John N. Burke (1) (2) (4) (6)	48	Director
John G. Demeritt	49	Executive Vice President and Chief Financial Officer
William W. Gribbell	50	Executive Vice President
R. Scott MacPhee	52	Executive Vice President
Janet Prier Notopoulos (3)	62	Executive Vice President and Director
Scott H. Carter	38	Executive Vice President, General Counsel and Assistant Secretary

(1) Member of the Audit Committee
(2) Member of the Compensation Committee
(3) Class I Director
(4) Class II Director
(5) Class III Director
(6) Chair of the Audit Committee
(7) Chair of the Compensation Committee

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George J. Carter, age 61, is President, Chief Executive Officer and has been a Director of FSP Corp. since 2002. Mr. Carter is responsible for all aspects of the business of FSP Corp. and its affiliates, with special emphasis on the evaluation, acquisition and structuring of real estate investments. Prior to the conversion, he was President of the general partner of the FSP Partnership (the "General Partner") and was responsible for all aspects of the business of the FSP Partnership and its affiliates. From 1992 through 1996 he was President of Boston Financial Securities, Inc. ("Boston Financial"). Prior to joining Boston Financial, Mr. Carter was owner and developer of Gloucester Dry Dock, a commercial shipyard in Gloucester, Massachusetts. From 1979 to 1988, Mr. Carter served as Managing Director in charge of marketing at First Winthrop Corporation, a national real estate and investment banking firm headquartered in Boston, Massachusetts. Prior to that, he held a number of positions in the brokerage industry including those with Merrill Lynch & Co. and Loeb Rhodes & Co. Mr. Carter is a graduate of the University of Miami (B.S.). Mr. Carter is a FINRA General Securities Principal (Series 24) and holds a FINRA Series 7 general securities license.

Barbara J. Fournier, age 54, is Executive Vice President, Chief Operating Officer, Treasurer, Secretary and has been a Director of FSP Corp. since 2002. Ms. Fournier has as her primary responsibility, together with Mr. Carter, the management of all operating business affairs of FSP Corp. and its affiliates. Ms. Fournier was the Principal Financial Officer until March 2005. Prior to the conversion, Ms. Fournier was the Vice President, Chief Operating Officer, Treasurer and Secretary of the General Partner. From 1993 through 1996, she was Director of Operations for the private placement division of Boston Financial. Prior to joining Boston Financial, Ms. Fournier served as Director of Operations for Schuparra Securities Corp. and as the Sales Administrator for Weston Financial Group. From 1979 through 1986, Ms. Fournier worked at First Winthrop Corporation in administrative and management capacities; including Office Manager, Securities Operations and Partnership Administration. Ms. Fournier attended Northeastern University and the New York Institute of Finance. Ms. Fournier is a member of the NYSE Amex Listed Company Council. Ms. Fournier is a FINRA General Securities Principal (Series 24). She also holds other FINRA supervisory licenses including Series 4 and Series 53, and a FINRA Series 7 general securities license.

Barry Silverstein, age 76, has been a Director of the Company since May 2002. Mr. Silverstein took his law degree from Yale University in 1957 and subsequently held positions as attorney/officer/director of various privately-held manufacturing companies in Chicago, Illinois. In 1964, he moved to Florida to manage his own portfolio and to teach at the University of Florida Law School. In 1968, Mr. Silverstein became the principal founder and shareholder in Coaxial Communications, a cable television company. In 1998 and 1999, Coaxial sold its cable systems. Since January 2001, Mr. Silverstein has been a private investor.

Dennis J. McGillicuddy, age 68, has been a Director of the Company since May 2002. Mr. McGillicuddy graduated from the University of Florida with a B.A. degree and from the University of Florida Law School with a J.D. degree. In 1968, Mr. McGillicuddy joined Barry Silverstein in founding Coaxial Communications, a cable television company. In 1998 and 1999, Coaxial sold its cable systems. Mr. McGillicuddy has served on the boards of various charitable organizations. He is currently president of the Board of Trustees of Florida Studio Theater, a professional non-profit theater organization, and he serves as a Co-Chair, together with his wife, of Embracing Our Differences, an annual month-long art exhibit that promotes the values of diversity and inclusion. Mr. McGillicuddy is an officer and board member of The Florida Winefest and Auction Inc., a Sarasota-based charity, which funds programs of local charities that provide services to disadvantaged children and their families. Mr. McGillicuddy also is a member of the Advisory Board to the Center For Mindfulness In Medicine, Health Care & Society, University of Massachusetts Medical School.

Georgia Murray, age 59, has been a Director of the Company since April 2005 and Chair of the Compensation Committee since October 2006. Ms. Murray is retired from Lend Lease Real Estate Investments, Inc., where she served as a Principal from November 1999 until May 2000. From 1987 through October 1999, Ms. Murray served as Senior Vice President and Director of The Boston Financial Group, Inc. Boston Financial was an affiliate of the Boston Financial Group, Inc. She is a past Trustee of the Urban Land Institute and a past President of the Multifamily

Housing Institute. Ms. Murray previously served on the Board of Directors of Capital Crossing Bank. She also serves on the boards of numerous non-profit entities. Ms. Murray is a graduate of Newton College.

John N. Burke, age 48, has been a Director of the Company and Chair of the Audit Committee since June 2004. Mr. Burke is a certified public accountant with approximately 25 years of experience in the practice of public accounting working with both private and publicly traded companies with extensive experience serving clients in the real estate industry. Such experience includes the independent analysis and evaluation of financial reporting, accounting systems, internal controls and audit committee matters. Mr. Burke has been involved as an advisor on several client public offering, private equity and debt financings and merger and acquisition transactions. Mr. Burke's consulting experience includes Securities and Exchange Commission reporting, compliance with Sarbanes-Oxley, and business planning matters. Prior to starting his own accounting and consulting firm in 2003, Mr. Burke was an Assurance Partner in the Boston office of BDO Seidman, LLP, an international accounting and consulting firm. Mr. Burke is a member of the American Institute of Certified Public Accountants, the Massachusetts Society of CPAs and holds FINRA Series 6 and 63 security licensure in Massachusetts. Mr. Burke earned an M.S. in Taxation and studied undergraduate accounting and finance at Bentley College.

John G. Demeritt, age 49, is Executive Vice President and Chief Financial Officer of FSP Corp. and has been Chief Financial Officer since March 2005. Mr. Demeritt previously served as Senior Vice President, Finance and Principal Accounting Officer since September 2004. Prior to September 2004, Mr. Demeritt was a Manager with Caturano & Company, an independent accounting firm where he focused on Sarbanes Oxley compliance. Previously, from March 2002 to March 2004 he provided consulting services to public and private companies where he focused on SEC filings, evaluation of business processes and acquisition integration. During 2001 and 2002 he was Vice President of Financial Planning & Analysis at Cabot Industrial Trust, a publicly traded real estate investment trust, which was acquired by CalWest in December 2001. From October 1995 to December 2000 he was Controller and Officer of The Meditrust Companies, a publicly traded real estate investment trust (formerly known as the The La Quinta Companies, which was then acquired by the Blackstone Group), where he was involved with a number of merger and financing transactions. Prior to that, from 1986 to 1995 he had financial and accounting responsibilities at three other public companies, and was previously associated with Laventhol & Horwath, an independent accounting firm from 1983 to 1986. Mr. Demeritt is a Certified Public Accountant and holds a Bachelor of Science degree from Babson College.

William W. Gribbell, age 50, is an Executive Vice President of FSP Corp. and has as his primary responsibility the direct equity placement of the Sponsored REITs. Prior to the conversion, Mr. Gribbell was an Executive Vice President of the General Partner. From 1993 through 1996 he was an executive officer of Boston Financial. From 1989 to 1993 Mr. Gribbell worked at Winthrop Financial Associates. Mr. Gribbell is a graduate of Boston University (B.A.). Mr. Gribbell holds a FINRA Series 7 general securities license.

R. Scott MacPhee, age 52, is an Executive Vice President of FSP Corp. and has as his primary responsibility the direct equity placement of the Sponsored REITs. Prior to the conversion, Mr. MacPhee was an Executive Vice President of the General Partner. From 1993 through 1996 he was an executive officer of Boston Financial. From 1985 to 1993 Mr. MacPhee worked at Winthrop Financial Associates. Mr. MacPhee attended American International College. Mr. MacPhee holds a FINRA Series 7 general securities license.

Janet Prier Notopoulos, age 62, is an Executive Vice President of FSP Corp. and has been a Director of FSP Corp. and President of FSP Property Management since 2002. Ms. Notopoulos has as her primary responsibility the oversight of the management of the real estate assets of FSP Corp. and its affiliates. Prior to the conversion, Ms. Notopoulos was a Vice President of the General Partner. Prior to joining the FSP Partnership in 1997, Ms. Notopoulos was a real estate and marketing consultant for various clients. From 1975 to 1983, she was Vice President of North Coast Properties, Inc., a Boston real estate investment company. Between 1969 and 1973, she was a real estate paralegal at Goodwin, Procter & Hoar. Ms. Notopoulos is a graduate of Wellesley College (B.A.) and the Harvard School of Business Administration (M.B.A).

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Scott H. Carter, age 38, is Executive Vice President, General Counsel and Assistant Secretary of FSP Corp. Mr. Carter has been General Counsel since February 2008. Mr. Carter joined FSP Corp. in October 2005 as Senior Vice President, In-house Counsel and was appointed to the position of Assistant Secretary in May 2006. Mr. Carter has as his primary responsibility the management of all of the legal affairs of FSP Corp. and its affiliates. Prior to joining FSP Corp. in October 2005, Mr. Carter was associated with the law firm of Nixon Peabody LLP, which he originally joined in 1999. At Nixon Peabody LLP, Mr. Carter concentrated his practice on the areas of real estate syndication, acquisitions and finance. Mr. Carter received a Bachelor of Business Administration (B.B.A.) degree in Finance and Marketing and a Juris Doctor (J.D.) degree from the University of Miami. Mr. Carter is admitted to practice law in the Commonwealth of Massachusetts. Mr. Carter’s father, George J. Carter, serves as President, Chief Executive Officer and a Director of FSP Corp.

With the exception of Scott H. Carter, each of the above executive officers has been a full-time employee of FSP Corp. for the past five fiscal years.

George J. Carter, Barbara J. Fournier and Janet Notopoulos is each also a director of each of the following public reporting companies, each of which is a Sponsored REIT: FSP Galleria North Corp.; FSP Phoenix Tower Corp; FSP 50 South Tenth Street Corp.; and FSP 303 East Wacker Drive Corp. Each of these directors holds office in these companies from the time of his or her election until the next annual meeting and until a successor is elected and qualified, or until such director's earlier death, resignation or removal.

PART II

Item 5. Market For Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is listed on the NYSE Amex under the symbol "FSP". The following table sets forth the high and low sales prices on the NYSE Amex (previously called the NYSE Alternext US, and the American Stock Exchange prior to its acquisition by the NYSE Euronext on October 1, 2008) for the quarterly periods indicated.

Three Months Ended	Range			
	High		Low	
December 31, 2009	$	15.36	$	10.35
September 30, 2009	$	15.20	$	12.00
June 30, 2009	$	14.84	$	11.43
March 31, 2009	$	14.88	$	9.57
December 31, 2008	$	15.00	$	8.13
September 30, 2008	$	14.80	$	11.05
June 30, 2008	$	16.19	$	12.33
March 31, 2008	$	15.78	$	11.40

As of February 10, 2010, there were 6,303 holders of our common stock, including both holders of record and participants in securities position listings.

On January 15, 2010, we declared a dividend of $0.19 per share of our common stock payable to stockholders of record as of January 29, 2010 that was paid on February 19, 2010. Set forth below are the distributions per share of common stock made by FSP Corp. in each quarter since 2008.

Quarter Ended	Distribution Per Share of Common Stock of FSP Corp.
December 31, 2009	$0.19
September 30, 2009	$0.19
June 30, 2009	$0.19
	$0.19

March 31, 2009	
December 31, 2008	$0.19
September 30, 2008	$0.19
June 30, 2008	$0.31
March 31, 2008	$0.31

While not guaranteed, we expect that cash dividends on our common stock comparable to our most recent quarterly dividend will continue to be paid in the future. See Part I, Item 1A Risk Factors, “Our level of dividends may fluctuate.”, for additional information.

The following table provides information about purchases by Franklin Street Properties Corp. during the quarter ended December 31, 2009 of equity securities that are registered by the Company pursuant to Section 12 of the Exchange Act:

ISSUER PURCHASES OF EQUITY SECURITIES

	(a)	(b)	(c)	(d)
Period	Total Number of Shares (or Units) Purchased (1) (2)	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs (1) (2)	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs (1) (2)
10/01/09-10/31/09	0	N/A	0	$31,240,465
11/01/09-11/30/09	0	N/A	0	$0
12/01/09-12/31/09	0	N/A	0	$0
Total:	0	N/A	0	$0

(1) Our Articles of Incorporation provide that we will use our best efforts to redeem shares of our common stock from stockholders who request such redemption. Any FSP Corp. stockholder wishing to have shares redeemed must make such a request no later than July 1 of any year for a redemption that would be effective the following January 1. This obligation is subject to significant conditions. However, as our common stock is currently listed for trading on the NYSE Amex, we are no longer obligated to, and do not intend to, effect any such redemption.

(2) On October 28, 2005, FSP Corp. announced that the Board of Directors of FSP Corp. had authorized the repurchase of up to $35 million of the Company's common stock from time to time in the open market or in privately negotiated transactions. On September 10, 2007, FSP Corp. announced that the Board of Directors of FSP Corp. had authorized certain modifications to this common stock repurchase plan, including increasing the repurchase authorization to up to $50 million of the Company's common stock (inclusive of all repurchases previously made under the plan). This repurchase authorization expired on November 1, 2009.

STOCK PERFORMANCE GRAPH

The following graph compares the cumulative total stockholder return on the Company's common stock between December 31, 2004 and December 31, 2009 with the cumulative total return of (1) the NAREIT Equity Index, (2) the Standard & Poor's 500 Composite Stock Price Index ("S&P 500") and (3) the Russell 2000 Total Return Index over the same period. This graph assumes the investment of $100.00 on December 31, 2004 and assumes that any distributions are reinvested.

	As of December 31,					
	2004	2005	2006	2007	2008	2009
FSP	$ 100	$ 125	$ 133	$ 102	$ 109	$ 116
NAREIT Equity	100	112	151	128	80	102
S&P 500	100	105	121	128	81	102
Russell 2000	100	105	124	122	81	103

Notes to Graph:
Because there was no market for the Company's common stock prior to its listing on the American Stock Exchange (now the NYSE Amex) on June 2, 2005, the Board of Directors made a good faith determination of the price per share of Common Stock as of December 31, 2004 for purposes of the calculations set forth above. In order to make the Common Stock price more comparable to publicly traded indices, the Board of Directors did not apply any discount to reflect the lack of a trading market.

The above performance graph and related information shall not be deemed "soliciting material" or to be "filed" with the Securities and Exchange Commission, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933 or Securities Exchange Act of 1934, each as amended, except to the extent that we specifically incorporate it by reference into such filing.

Item 6. Selected Financial Data

The following selected financial information is derived from the historical consolidated financial statements of FSP Corp. This information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 and with FSP Corp.'s consolidated financial statements and related notes thereto included in Item 8.

	Year Ended December 31,				
	2009	2008	2007	2006	2005
(In thousands, except per share amounts)					
Operating Data:					
Total revenue	$128,383	$120,416	$126,993	$107,245	$72,470
Income from:					
Continuing operations	27,448	31,959	36,106	41,540	30,137
Discontinued operations	-	-	1,190	7,951	14,486
Gain on sale of land or properties	424	-	23,789	61,438	30,493
Net income	27,872	31,959	61,085	110,929	75,116
Basic and diluted income per share:					
Continuing operations	0.38	0.45	0.51	0.62	0.53
Discontinued operations	-	-	0.01	0.12	0.25
Gain on sale of land or properties	-	-	0.34	0.91	0.54
Total	0.38	0.45	0.86	1.65	1.32
Distributions declared per share outstanding (1):	0.76	1.00	1.24	1.24	1.24

	As of December 31,				
	2009	2008	2007	2006	2005
Balance Sheet Data:					
Total assets	$1,155,766	$1,025,433	$1,003,466	$955,317	$677,173
Total liabilities	218,492	176,436	112,848	33,355	15,590
Total shareholders' equity	937,274	848,997	890,618	921,962	661,583

(1) The 2005, 2006, 2007 and first half of 2008 quarterly distributions were each in the amount of $0.31 per share of common stock, or $1.24 on an annual basis. Commencing with FSP Corp.'s distribution payable for the quarter ended September 30, 2008, the amount of the distribution was decreased from $0.31 per share of common stock to $0.19 per share of common stock resulting in $1.00 in distributions being paid in 2008 and $0.76 in distributions in 2009.

The 2008, 2006 and 2005 financial statements reflect acquisition by merger of one, five and four Sponsored REITs, respectively. Prior to their acquisition, FSP Corp. held a non-controlling common stock interest with virtually no economic benefits or risks in each of these REITs, a preferred stock interest in Park Ten Development (which was acquired in 2008) and a preferred stock interest in one of the Sponsored REITS acquired by merger in 2006.

Item 7. 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. Historical results and percentage relationships set forth in the consolidated financial statements, including trends which might appear, should not be taken as necessarily indicative of future operations. The following discussion and other parts of this Annual Report on Form 10-K 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 "Risk Factors" in Item 1A. 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 Annual Report on Form 10-K is filed to conform them to actual results or to changes in our expectations that occur after such date, other than as required by law.

Overview

FSP Corp., or 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 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.

As of December 31, 2009, 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.

Trends and Uncertainties

Economic Conditions

The economy in the United States is continuing to experience significant disruptions, including increased levels of unemployment, the failure and near failure of a number of large 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. The current disruptions in the U.S. economy have affected our business, resulting in a decline in occupancy in our real estate portfolio in 2009, and may affect real estate values, occupancy levels, property income and the propensity and the ability of investors to invest in our Sponsored REITs in the future. At this time, we cannot predict the extent or duration of any negative impact that the current disruptions in the U.S. economy will have on our business.

On July 21, 2008, we announced that we had reduced our regular quarterly dividend to $0.19 per share of common stock for the three months ended June 30, 2008, which was paid on August 20, 2008. In our July 21, 2008 announcement, we noted that we had experienced a significant slowing of activity in, and lower profit contribution from, two transactional components of our business, investment banking/investment services and property dispositions, since the onset of the current disruptions in the U.S. economy. We also noted that our ongoing/recurring real estate operations continued to show solid performance and that our board of directors believed it was prudent to better align our regular quarterly dividends with the results of our current real estate operations only, without taking into account the results of our less predictable transactional operations. Since the third quarter of 2008, we have continued to experience a significant slowing of activity in, and lower profit contribution from, two transactional components of our business, investment banking/investment services and property dispositions. However, since the third quarter of 2008, we have announced a dividend of $0.19 per share of common stock for each quarterly period.

Real Estate Operations

Our real estate portfolio was approximately 84% leased as of December 31, 2009 and approximately 93% leased as of December 31, 2008. New leasing activity remains slow in most of our markets and we do not expect to see an increase in the pace of leasing until the broader economic markets stabilize and there is new job growth. Approximately 13% of the square footage in our portfolio is scheduled to expire during 2010 and approximately 7% is scheduled to expire during 2011. While we cannot predict when existing vacancy 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.

As the economic downturn continues, we believe the potential for any of our tenants to default on its lease or to seek the protection of bankruptcy laws has increased. 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.

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 for 2009 decreased 29.6% to $40.4 million compared to $57.4 million in 2008.

In August 2007, one of our Sponsored REITs, FSP Grand Boulevard Corp., purchased an office property located in Kansas City, Missouri. Permanent equity capitalization of the property was structured as a private placement preferred stock offering totaling $65 million, and was fully subscribed in the second quarter of 2009. We purchased a total of 175.5 shares of preferred stock in the Sponsored REIT at a net cost of approximately $15 million. The balance of the offering was subscribed for primarily by institutions and high net worth individuals, our traditional customer base. 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, $33.5 million of which had been closed in as of December 31, 2009. This private placement offering is ongoing as of the beginning of 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 $18.8 had been raised as of December 31, 2009. This private placement offering is ongoing as of the beginning of 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, continues to be adversely affected by the current turmoil in the financial, debt and real estate markets. Investors who have historically participated in our private placement real estate offerings continue to express concern and uncertainty about investing in this environment. Recently, however, some investors have expressed cautious interest in investing some portion of their capital in specific property situations as evidenced by the investments in FSP Lakeside Crossing II Corp. and FSP Centre Pointe V Corp. described above.

In addition to difficulties in raising equity from potential real estate investors in this market, our property acquisition executives are now grappling with greater uncertainty surrounding the valuation levels for prime commercial investment real estate. We believe that the current turmoil in the debt markets, as well as perceptions about the future U.S. economy and interest rates, are producing a larger than normal divergence in the perception of value and future relative investment performance of commercial properties. While we generally believe that such an environment has the potential to produce some exceptional property acquisition opportunities, caution, perspective and disciplined underwriting standards can significantly impact the timing of any future acquisitions. Consequently, our ability to provide a regular stream of real estate investment product necessary to grow our overall investment banking/investment services business continues to remain uncertain as 2010 begins. 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.

Discontinued Operations and Property Dispositions

During the years ended December 31, 2009 and 2008, we sold no properties. However, we recognized a gain of approximately $424,000 on a small piece of land as a result of a land taking by the Commonwealth of Virginia in 2009. During the year ended December 31, 2007, we disposed of five office properties. The five office properties are located in Greenville, South Carolina; Alpharetta, Georgia; San Diego, California; Westford, Massachusetts and Austin, Texas. Accordingly, sold properties as of December 31, 2007 are classified as held for sale on our financial statements. The operating results for these real estate assets have been reflected as discontinued operations in the financial statements for the year ended December 31, 2007.

We continue to evaluate our portfolio, and in the future may decide to dispose of additional properties from time-to-time in the ordinary course of business. However, because of the current uncertainty surrounding the valuation levels for real estate and the current uncertainty in the capital and debt markets previously discussed, we do not expect the level of disposition activity to be as significant as it was in 2007.

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 below. Significant estimates in the consolidated financial statements include the allowance for doubtful accounts, purchase price allocations, useful lives of fixed assets and the valuation of the derivative.

Critical accounting policies are those that have the most impact on the reporting of our financial condition and results of operations and those requiring significant judgments and estimates. We believe that our judgments and estimates are consistently applied and produce financial information that fairly presents our results of operations. Our most critical accounting policies involve our investments in Sponsored REITs and our investments in real property. These policies affect our:

- allocation of purchase prices;
- allowance for doubtful accounts;
- assessment of the carrying values and impairments of long lived assets;
- useful lives of fixed assets;
- valuation of derivatives;
- classification of leases; and
- revenue recognition in the syndication of Sponsored REITs.

Allocation of Purchase Price

We have historically allocated the purchase prices of properties to land, buildings and improvements. Each component of purchase price generally has a different useful life. For properties acquired subsequent to June 1, 2001, we allocate the value of real estate acquired among land, buildings, improvements and identified intangible assets and liabilities, which may consist of the value of above market and below market leases, the value of in-place leases, and the value of tenant relationships. Purchase price allocations and the determination of the useful lives are based on management's estimates. Under some circumstances we may rely upon studies commissioned from independent real estate appraisal firms in determining the purchase price allocations.

Purchase price allocated to land and building and improvements is based on management's determination of the relative fair values of these assets assuming the property was vacant. Management determines the fair value of a property using methods similar to those used by independent appraisers. Purchase price allocated to above market leases is based on the present value (using an interest rate which reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to the in-place leases and (ii) our estimate of fair market lease rates for the corresponding leases, measured over a period equal to the remaining non-cancelable terms of the respective leases. Purchase price allocated to in-place leases and tenant relationships is determined as the excess of (i) the purchase price paid for a property after adjusting existing in-place leases to market rental rates over (ii) the estimated fair value of the property as if vacant. This aggregate value is allocated between in-place lease values and tenant relationships is based on management's evaluation of the specific characteristics of each tenant's lease; however, the value of tenant relationships has not been separated from in-place lease value because such value and its consequence to amortization expense is immaterial for acquisitions reflected in our financial statements. Factors considered by us in performing these analyses include (i) an estimate of carrying costs during the expected lease-up periods, including real estate taxes, insurance and other operating income and expenses, and (ii) costs to execute similar leases in current market conditions, such as leasing commissions, legal and other related costs. If future acquisitions result in our allocating material amounts to the value of tenant relationships, those amounts would be separately allocated and amortized over the estimated life of the relationships.

Allowance for bad debts

We provide an allowance for doubtful accounts based on our estimate of a tenant's ability to make future rent payments. The computation of this allowance is based in part on the tenants' payment history and current credit status.

Impairment

We periodically evaluate our real estate properties for impairment indicators. These indicators may include declining tenant occupancy, weak or declining tenant profitability, cash flow or liquidity, our decision to dispose of an asset before the end of its estimated useful life or legislative, economic or market changes that permanently reduce the value of our investments. If indicators of impairment are present, we evaluate the carrying value of the property by comparing it to its expected future undiscounted cash flows. If the sum of these expected future cash flows is less than the carrying value, we reduce the net carrying value of the property to the present value of these expected future cash flows. This analysis requires us to judge whether indicators of impairment exist and to estimate likely future cash flows. If we misjudge or estimate incorrectly or if future tenant profitability, market or industry factors differ from our expectations, we may record an impairment charge which is inappropriate or fail to record a charge when we should have done so, or the amount of such charges may be inaccurate.

Depreciation Expense

We compute depreciation expense using the straight-line method over estimated useful lives of up to 39 years for buildings and improvements, and up to 15 years for personal property. Costs incurred in connection with leasing (primarily tenant improvements and leasing commissions) are capitalized and amortized over the lease period. The allocated cost of land is not depreciated. The value of above or below-market leases is amortized over the remaining non-cancelable periods of the respective leases as an adjustment to rental income. The value of in-place leases, exclusive of the value of above-market and below-market in-place leases, is also amortized over the remaining non-cancelable periods of the respective leases. If a lease is terminated prior to its stated expiration, all unamortized amounts relating to that lease are written off. Inappropriate allocation of acquisition costs, or incorrect estimates of useful lives, could result in depreciation and amortization expenses which do not appropriately reflect the allocation of our capital expenditures over future periods, as is required by generally accepted accounting principles.

Derivative Instruments

We recognize derivatives on the balance sheet at fair value. Derivatives that do not qualify, or are not designated as hedge relationships, must be adjusted to fair value through income. Derivative instruments designated in a hedge relationship to mitigate exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Cash flow hedges are accounted for by recording the fair value of the derivative instrument on the balance sheet as either an asset or liability. To the extent hedges are effective, a corresponding amount, adjusted for swap payments, is recorded in accumulated other comprehensive income within stockholders' equity. Amounts are then reclassified from accumulated other comprehensive income to the income statement in the period or periods the hedged forecasted transaction affects earnings. Ineffectiveness, if any, is recorded in the income statement. We periodically review the effectiveness of each hedging transaction, which involves estimating future cash flows, at least quarterly. Derivative instruments designated in a hedge relationship to mitigate exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. We currently have no fair value hedges outstanding. Fair values of derivatives are subject to significant variability based on changes in interest rates. The results of such variability could be a significant increase or decrease in our derivative assets, derivative liabilities, book equity, and/or earnings.

Lease Classification

Some of our real estate properties are leased on a triple net basis, pursuant to non-cancelable, fixed term, operating leases. Each time we enter a new lease or materially modify an existing lease we evaluate whether it is appropriately classified as a capital lease or as an operating lease. The classification of a lease as capital or operating affects the carrying value of a property, as well as our recognition of rental payments as revenue. These evaluations require us to make estimates of, among other things, the remaining useful life and market value of a property, discount rates and future cash flows. Incorrect assumptions or estimates may result in misclassification of our leases.

Revenue Recognition

We earn syndication and transaction fees in connection with the syndication of Sponsored REITs. We recognize syndication fees related to commissions when shares of the Sponsored REIT are sold and the investor's funds have been transferred from escrow into our account. We recognize transaction fees related to loan commitment and acquisition fees upon an investor closing and the subsequent payment of the Sponsored REIT's loan and fees payable to us. Other transaction fees are recognized upon the final closing of the syndication of the Sponsored REIT.

Ownership of Stock in a Sponsored REIT

Common stock investments in Sponsored REITs are consolidated while the entity is controlled by the Company. 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. Once under the equity method of accounting, our cost basis is adjusted by our share of the Sponsored REITs' earnings, if any, prior to completion of the syndication. Equity in losses or dividends received from Sponsored REITs generally are recognized as income once the investment balance is reduced to zero, unless there is an asset held for syndication from the Sponsored REIT entity. Equity in losses or distributions received in excess of investment is recorded as an adjustment to the carrying value of the asset held for syndication.

We recognize our share of the operations during the period we consolidate and when the equity method is appropriate, as opposed to classifying the Sponsored REITs as discontinued operations, because we earn an ongoing asset and/or property management fee from Sponsored REITs. These ongoing fees, in addition to the influence that we exercise over the Sponsored REIT, constitute a continuing involvement between the Company and the Sponsored REIT and preclude treatment as discontinued operations.

We currently hold preferred stock interest in three Sponsored REITs. As a result of our common stock interest and our preferred stock interest in these three Sponsored REITs, we exercise influence over, but do not control these entities. These preferred share investments are accounted for using the equity method. Under the equity method of accounting our cost basis is adjusted by our share of the Sponsored REITs' operations and distributions received. We also agreed to vote our preferred shares (i) with respect to any merger in the same manner that a majority of the other stockholders of the Sponsored REIT vote for or against the merger and (ii) with respect to any other matter presented to a vote by the stockholders of these Sponsored REITs in the same proportion as shares voted by other stockholders of that Sponsored REIT.

These policies involve significant judgments made based upon our experience, including judgments about current valuations, ultimate realizable value, estimated useful lives, salvage or residual value, the ability of our tenants to perform their obligations to us, current and future economic conditions and competitive factors in the markets in which our properties are located. Competition, economic conditions and other factors may cause occupancy declines in the future. In the future we may need to revise our carrying value assessments to incorporate information which is not now known and such revisions could increase or decrease our depreciation expense related to properties we own, result in the classification of our leases as other than operating leases or decrease the carrying values of our assets.

Recent Accounting Standards

In June 2009, the Financial Accounting Standards Board, or FASB, issued a pronouncement establishing the FASB Accounting Standards Codification as the source of authoritative accounting principles recognized by the FASB to be applied in the preparation of financial statements in conformity with GAAP. The standard explicitly recognizes rules and interpretive releases of the SEC under federal securities laws as authoritative GAAP for SEC registrants. This standard is effective for financial statements issued for fiscal years and interim periods ending after September 15, 2009. The Company has adopted this standard in accordance with GAAP.

In September 2006, the FASB issued a pronouncement that defines fair value, establishes a framework for measuring fair value in GAAP and provides for expanded disclosure about fair value measurements that will be applied prospectively, to all other accounting pronouncements that require or permit fair value measurements. The pronouncement excludes certain leasing transactions accounted for in accounting for leases and was effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The adoption did not have a material impact on the Company’s financial position, operations or cash flow. The FASB then issued a pronouncement to defer the effective date for all non-financial assets and non-financial liabilities except those that are recognized or disclosed at fair value in the financial statements on a recurring basis to fiscal years beginning after November 15, 2008. The adoption of this standard did not have a material impact on the Company’s financial position, results of operations or cash flows.

In December 2007, the FASB issued a pronouncement, which establishes principles and requirements for how the acquirer shall recognize and measure in its financial statements the identifiable assets acquired, liabilities assumed, any noncontrolling interest in the acquiree and goodwill acquired in a business combination. The pronouncement was effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The adoption of this standard did not have a material impact on the Company’s financial position, results of operations or cash flows.

In May 2009, the 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 requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date. This disclosure should alert all users of financials statements that an entity has not evaluated subsequent events after that date in the set of financial statements being presented. The Company is adhering to the requirements of this pronouncement, 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 Company is currently evaluating the impact of this pronouncement on the Company’s consolidated financial statements.

Results of Operations

Overview

During 2007 we acquired one property, made an $82.8 million investment in a Sponsored REIT and sold five properties. During 2008, we acquired one property by merger and two additional properties by direct acquisition. During 2009, we acquired three properties, made a $15 million investment in a Sponsored REIT and 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. As a result of this activity, as of December 31, 2009, we owned 32 properties and had investments in three non-consolidated REITs.

Mergers and Acquisitions:

On June 13, 2007, we acquired a commercial property in Maryland. On May 15, 2008, we completed the acquisition by merger of Park Ten Development, on December 11, 2008 we acquired a commercial property in Missouri and on December 23, 2008 we acquired a commercial property in Virginia. On June 26, 2009, we acquired a commercial property in Virginia, on June 30, 2009 we acquired a commercial property in Minnesota and on September 30, 2009 we acquired another commercial property in Virginia. The results of operations for each of the acquired properties are included in our operating results as of their respective merger or purchase dates. Increases in rental revenues and expenses for the year ended December 31, 2009 compared to the year ended December 31, 2008, or the year ended December 31, 2008 compared to the year ended December 31, 2007 are primarily a result of the timing of these acquisitions and subsequent contribution of these acquired properties.

Sales of Real Estate:

On January 31, 2007, we sold a commercial property, located in Greenville, South Carolina, on June 21, 2007, we sold an office property in Alpharetta, Georgia, on June 27, 2007 we sold an office property in San Diego, California, on July 16, 2007 we sold an office property in Westford, Massachusetts, and on December 20, 2007 we sold an office property in Austin, Texas. We had no sales of real estate in 2008 or 2009. However, we recognized a gain of approximately $424,000 on a small piece of land as a result of a land taking by the Commonwealth of Virginia in

2009. The operating results of the properties sold in 2007 are classified as discontinued operations in our financial statements for all periods presented.

Investment Banking:

Revenue for the investment banking/investment services segment is primarily based on the gross proceeds from the sale of securities in the syndications of the Sponsored REITs. During 2007, we completed one syndication of a Sponsored REIT and began the process of syndicating another Sponsored REIT (which we completed in May 29, 2009), for which total gross proceeds aggregated $147.5 million in 2007. During 2008, we started syndication of another Sponsored REIT. Total gross proceeds from both syndications aggregated $57.4 million in 2008 and one remains currently in process. During 2009, we completed the syndication of two Sponsored REITs and began the process of syndicating another Sponsored REIT, for which total gross proceeds aggregated $40.4 million in 2009. We believe the decrease of $17.0 million in 2009 compared to 2008 and the decrease of $90.1 million in 2008 compared to 2007 were attributable to the recent turmoil in the financial, debt and real estate markets, which is discussed above in “Trends and Uncertainties – Economic Conditions”. Revenues and expenses for investment banking/investment services are directly related to the gross proceeds of these syndications.

Our acquisition executives continue to work on other property investment opportunities for our own portfolio and for syndication. However, business growth in the syndication area remains uncertain at the beginning of 2010.

The following table shows financial results for the years ended December 31, 2009 and 2008.

(in thousands)			
Revenues:	2009	2008	Change
Rental	$122,074	$111,198	$10,876
Related party revenue:			
Syndication fees	2,428	3,766	(1,338)
Transaction fees	2,080	3,641	(1,561)
Management fees and interest income from loans	1,740	1,739	1
Other	61	72	(11)
Total revenues	128,383	120,416	7,967
Expenses:			
Real estate operating expenses	30,822	28,999	1,823
Real estate taxes and insurance	19,228	17,740	1,488
Depreciation and amortization	36,293	30,360	5,933
Selling, general and administrative	8,891	8,268	623
Commissions	1,801	2,151	(350)
Interest	6,570	4,921	1,649
Total expenses	103,605	92,439	11,166
Income before interest income, equity in earnings (losses) of non-consolidated REITs and taxes on income	24,778	27,977	(3,199)
Interest income	97	745	(648)
Equity in earnings (losses) of non-consolidated REITs	1,994	2,747	(753)
Income before taxes on income	26,869	31,469	(4,600)
Taxes on income	(579)	(490)	(89)
Income from continuing operations	27,448	31,959	(4,511)
Discontinued operations:			
Income from discontinued operations	-	-	-
Gain on sale of properties, less applicable income tax	424	-	424

Total discontinued operations	424	-	424
Net income	$27,872	$31,959	$(4,087)

Comparison of the year ended December 31, 2009 to the year ended December 31, 2008

Revenues

Total revenues increased by $8.0 million to $128.4 million for the year ended December 31, 2009, as compared to $120.4 million for the year ended December 31, 2008. The increase was primarily a result of:

- An increase to rental revenue of approximately $10.9 million arising primarily from the acquisition of a property in Texas in May 2008, the acquisition of two properties located in Virginia and Missouri in December 2008, the acquisition of two properties located in Virginia and Minnesota in June 2009, the acquisition of another property in Virginia in September 2009 and early termination fees of $0.8 million received during the year ended December 31, 2009.

This increase was partially offset by:

- A $2.9 million decrease in syndication fees and transaction fees, which was principally a result of the decrease in gross syndication proceeds for the year ended December 31, 2009 compared to the same period in 2008.

Expenses

Total expenses increased by approximately $11.2 million to $103.6 million for the year ended December 31, 2009 compared to $92.4 million for the year ended December 31, 2008. The increase was primarily a result of:

- An increase in real estate operating expenses and real estate taxes and insurance of approximately $3.3 million, and depreciation and amortization of $5.9 million, which were primarily from the acquisition of a property in Texas in May 2008, the acquisition of two properties located in Virginia and Missouri in December 2008, the acquisition of two properties located in Virginia and Minnesota that were acquired in June 2009 and the acquisition of another property in Virginia in September 2009.

- An increase in interest expense of approximately $1.6 million primarily as a result of the addition of the Term Loan, which was borrowed in October 2008; and was partially offset by lower average interest rates during the year ended December 31, 2009 compared to the year ended December 31, 2008.

- An increase in general and administrative expenses of $0.6 million, which was primarily the result acquisition costs of $643,000 that were recorded in during the year ended December 31, 2009 related to the acquisition of two properties in June 2009 and the acquisition of a property in September 2009. We had 43 and 41 employees as of December 31, 2009 and 2008, respectively, at our headquarters in Wakefield.

These increases were partially offset by:

- A decrease in commission expense of $350,000, which was principally a result of the decrease in gross syndication proceeds in the year ended December 31, 2009 compared to the same period in 2008.

Interest income

Interest income decreased $0.6 million to $0.1 million during the year ended December 31, 2009, which was primarily a result of lower average interest rates on invested funds and lower average balances of cash and cash equivalents in

2009 compared to the same period in 2008.

Equity in earnings of non-consolidated REITs

Equity in earnings from non-consolidated REITs decreased approximately $0.8 million to $2.0 million, which was principally a result of our preferred stock investment in East Wacker during the year ended December 31, 2009 compared to the same period of 2008.

Taxes on income

Taxes on income decreased approximately $0.1 million to a tax benefit of $0.6 million during the year ended December 31, 2009 compared to the same period of 2008. The decrease was primarily due to a lower taxable income from the investment banking and investment services business in the 2009 period compared to 2008.

Income from continuing operations

The resulting income from continuing operations for the year ended December 31, 2009 compared to the year ended December 31, 2008 decreased $4.5 million to $27.4 million for the reasons described above.

Gain on sale

During 2009, we recognized a gain of approximately $424,000 on a small piece of land as a result of a land taking by the Commonwealth of Virginia. During 2008, we did not sell any properties.

Net income

Net income for the year ended December 31, 2009 decreased $4.1 million to $27.9 million compared to $32.0 million for the year ended December 31, 2008, for the reasons described above.

The following table shows financial results for the years ended December 31, 2008 and 2007.

(in thousands)			
Revenues:	2008	2007	Change
Rental	$111,198	$100,961	$10,237
Related party revenue:			
Syndication fees	3,766	8,986	(5,220)
Transaction fees	3,641	9,898	(6,257)
Management fees and interest income from loans	1,739	7,030	(5,291)
Other	72	118	(46)
Total revenues	120,416	126,993	(6,577)
Expenses:			
Real estate operating expenses	28,999	26,171	2,828
Real estate taxes and insurance	17,740	16,535	1,205
Depreciation and amortization	30,360	29,334	1,026
Selling, general and administrative	8,268	7,466	802
Commissions	2,151	4,737	(2,586)
Interest	4,921	7,684	(2,763)
Total expenses	92,439	91,927	512
Income before interest income, equity in earnings (losses) of non-consolidated REITs and taxes on income	27,977	35,066	(7,089)
Interest income	745	2,377	(1,632)
Equity in earnings (losses) of non-consolidated REITs	2,747	(464)	3,211
Income before taxes on income	31,469	36,979	(5,510)
Taxes on income	(490)	873	(1,363)
Income from continuing operations	31,959	36,106	(4,147)
Discontinued operations:			
Income from discontinued operations	-	1,190	(1,190)
Gain on sale of properties, less applicable income tax	-	23,789	(23,789)
Total discontinued operations	-	24,979	(24,979)
Net income	$31,959	$61,085	$(29,126)

Comparison of the year ended December 31, 2008 to the year ended December 31, 2007

Revenues

Total revenues decreased by $6.6 million to $120.4 million for the year ended December 31, 2008, as compared to $127.0 million for the year ended December 31, 2007. The decrease was primarily a result of:

- A $11.5 million decrease in syndication and transaction fees, which was principally a result of the decrease in gross syndication proceeds for the year ended December 31, 2008 compared to the same period in 2007.
- A $5.3 million decrease in interest income from loans, which was principally a result of lower interest income earned from lower average loan balances during the year ended December 31, 2008 as compared to the same period

in 2007. This interest income is derived from mortgage loans on the properties in syndication. The impact of this decrease was slightly greater as a result of lower interest rates charged during 2008 compared to 2007.

These decreases were partially offset by:

- o An increase to rental revenue of approximately $10.2 million from real estate arising primarily from the acquisitions of the following properties: a property in Maryland in June 2007, a property in Texas in May 2008, a property in Missouri in December 2008 and a property in Virginia in December 2008.

Expenses

Total expenses were $92.4 million for the year ended December 31, 2008, or an increase of $0.5 million compared to the year ended December 31, 2007. The increase was primarily a result of:

- o The increase in real estate operating expenses, real estate taxes and insurance costs of $4.0 million, and depreciation of $1.0 million, which were primarily a result of the acquisitions discussed above.
- o An increase in selling, general and administrative expenses of approximately $0.8 million for the year ended December 31, 2008, which was primarily a result of the cost of new employees hired in 2008, and increases in discretionary bonuses and professional fees. We had 41 and 38 employees as of December 31, 2008 and 2007 at our headquarters in Wakefield.

These increases were partially offset by:

- o A decrease in interest expense of $2.8 million resulting primarily from a lower average loan balance outstanding during the year ended December 31, 2008 compared to the year ended December 31, 2007, and to a lesser extent lower interest rates in 2008 compared to 2007.
- o A decrease in commission expenses of $2.6 million, which was principally a result of the decrease in gross syndication proceeds for the year ended December 31, 2008 compared to the year ended December 31, 2007.

Interest income

Interest income decreased $1.6 million to $0.7 million for the year ended December 31, 2008 compared to the year ended December 31, 2007, which was primarily a result of a lower interest rates and a lower average balance of cash between 2008 and 2007.

Equity in earnings (losses) of non-consolidated REITs

Equity in earnings (losses) of non-consolidated REITs increased approximately $3.2 million to $2.7 million for the year ended December 31, 2008 compared to losses of $0.5 million for the year ended December 31, 2007, which was principally a result of income attributed to us from our investment in East Wacker.

Taxes on income

Taxes on income decreased $1.4 million for the year ended December 31, 2008 compared to the year ended December 31, 2007. The decrease was primarily due to lower taxable income from the investment banking and investment services business in the 2008 period compared to 2007, which was principally a result of the decrease in gross syndication proceeds from 2008 compared to 2007.

Income from continuing operations

The resulting income from continuing operations for the year ended December 31, 2008 compared to the year ended December 31, 2007 decreased $4.1 million to $32.0 million for the reasons discussed above.

Discontinued operations and gain on sale of assets

During 2008, we did not sell any properties. During 2007, we sold five properties which are reported as discontinued operations on our financial statements for the year ended December 31, 2007. Income from discontinued operations was $1.2 million for the year ended December 31, 2007.

During the year ended December 31, 2007, we reported $23.8 million as gain on sale of assets, which is summarized in the table below:

(in thousands) Property Address	City/ State	Property Type	Date of Sale		Net Sales Proceeds		Gain
33 & 37 Villa Road	Greenville, SC	Office	January 31, 2007	$	5,830	$	-
11680 Great Oaks Way	Alpharetta, GA	Office	June 21, 2007		32,535		6,601
17030 Goldentop Road	San Diego, CA	Office	June 27, 2007		36,199		14,741
10 Lyberty Way	Westford, MA	Office	July 16, 2007		10,861		1,942
11211 Taylor Draper Lane	Austin, TX	Office	December 20, 2007		10,429		257
Settlement of escrows on prior property sales					248		248
Net Sales Proceeds and Gain on sales of real estate							