NATIONAL OILWELL VARCO INC
Form DEF 14A
April 11, 2016
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant x Filed by a Party Other than the Registrant ¨

Check the Appropriate Box

¨ Preliminary Proxy Statement
¨ **Confidential for Use of the Commission only (as permitted by Rule 14a-6(e)(2)).**
x Definitive Proxy Statement
¨ Definitive Additional Materials
¨ Soliciting Material Pursuant to § 240.14a-12.

National Oilwell Varco, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Persons(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14-a6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which the transaction applies;

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined.)

4) Proposed maximum aggregate value of transaction:

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¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

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NATIONAL OILWELL VARCO, INC.

7909 Parkwood Circle Drive

Houston, Texas 77036

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held May 18, 2016

DATE:	Wednesday, May 18, 2016
TIME:	10:00 a.m. (Houston time)
PLACE:	National Oilwell Varco 7909 Parkwood Circle Dr. Houston, Texas 77036

The 2016 annual meeting of stockholders (Annual Meeting) of National Oilwell Varco, Inc. will be held at the Company s corporate headquarters located at 7909 Parkwood Circle Drive, Houston, Texas on Wednesday, May 18, 2016, at 10:00 a.m. local time, for the following purposes:

To elect nine directors to hold office for a one-year term;

To consider and act upon a proposal to ratify the appointment of Ernst & Young LLP as independent auditors of the Company for 2016;

To consider and act upon an advisory proposal to approve the compensation of our named executive officers;

To consider and act upon amendments to the National Oilwell Varco, Inc. Long-Term Incentive Plan; and

To consider and act upon any other matters that may properly come before the annual meeting or any postponement or adjournment thereof.

The Board of Directors recommends that you vote FOR the election of the nine nominees for director (Proposal 1), FOR the proposal to ratify the appointment of Ernst & Young LLP as Independent Auditors of the Company for 2016 (Proposal 2), FOR the approval of the compensation of our named executive officers (Proposal 3), and FOR the proposal to approve the amendments to the National Oilwell Varco, Inc. Long-Term Incentive Plan (Proposal 4).

The Board of Directors has set April 1, 2016 as the record date for the Annual Meeting. If you were a stockholder of record at the close of business on April 1, 2016, you are entitled to vote at the Annual Meeting. A complete list of these stockholders will be available for examination at the Annual Meeting and during ordinary business hours at our

offices at 7909 Parkwood Circle Drive, Houston, Texas for a period of ten days prior to the Annual Meeting.

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You are cordially invited to join us at the Annual Meeting. However, to ensure your representation, we request that you return your signed proxy card at your earliest convenience, whether or not you plan to attend the Annual Meeting. You may revoke your proxy at any time if you wish to attend and vote in person.

By Order of the Board of Directors

/s/ Craig L. Weinstock

Craig L. Weinstock

Senior Vice President, General Counsel and Secretary

Houston, Texas

April 11, 2016

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NATIONAL OILWELL VARCO, INC.

7909 Parkwood Circle Drive

Houston, Texas 77036

PROXY STATEMENT

Except as otherwise specifically noted in this Proxy Statement, the Company, we, our, us, and similar words in this Proxy Statement refer to National Oilwell Varco, Inc.

ANNUAL MEETING:	Date: Wednesday, May 18, 2016
	Time: 10:00 a.m. (Houston time)
	Place: National Oilwell Varco
	7909 Parkwood Circle Dr.
	Houston, Texas 77036
AGENDA:	Proposal 1: To elect nine nominees as directors of the Company for a term of one year.
	Proposal 2: To ratify the appointment of Ernst & Young LLP as independent auditors of the Company.
	Proposal 3: To approve, on an advisory basis, the compensation of our named executive officers.
	Proposal 4: To approve amendments to the National Oilwell Varco, Inc. Long-Term Incentive Plan.
	The Board of Directors recommends that you vote FOR the election of the nine nominees for director (Proposal 1), FOR the proposal to ratify the appointment of Ernst & Young LLP as independent auditors of the Company for 2016 (Proposal 2), FOR the approval of

the compensation of our named executive officers (Proposal 3), and FOR the proposal to approve the amendments to the National Oilwell Varco, Inc. Long-Term Incentive Plan (Proposal 4).

RECORD DATE/ WHO CAN VOTE:	All stockholders of record at the close of business on April 1, 2016 are entitled to vote. The only class of securities entitled to vote at the Annual Meeting is National Oilwell Varco common stock. Holders of National Oilwell Varco common stock are entitled to one vote per share at the Annual Meeting.
PROXIES SOLICITED BY:	Your vote and proxy is being solicited by the Board of Directors for use at the Annual Meeting. This Proxy Statement and enclosed proxy card is being sent on behalf of the Board of Directors to all stockholders beginning on or about April 11, 2016. By completing, signing and returning your proxy card, you will authorize the persons named on the proxy card to vote your shares according to your instructions.

PROXIES:

If your properly executed proxy does not indicate how you wish to vote your common stock, the persons named on the proxy card will vote FOR election of the nine nominees for director (Proposal 1), FOR the ratification of the appointment of Ernst & Young LLP as independent auditors (Proposal 2), FOR the approval of the compensation of our named executive officers (Proposal 3), and FOR the approval of the amendments to the National Oilwell Varco, Inc. Long-Term Incentive Plan (Proposal 4).

REVOKING YOUR PROXY:

You can revoke your proxy at any time prior to the time that the vote is taken at the meeting by: (i) filing a written notice revoking your proxy; (ii) filing another proxy bearing a later date; or (iii) casting your vote in person at the Annual Meeting. Your last vote will be the vote that is counted.

QUORUM:

As of April 1, 2016, there were 377,066,012 shares of National Oilwell Varco common stock issued and outstanding. The holders of these shares have the right to cast one vote for each share held by them. The presence, in person or by proxy, of stockholders entitled to cast at least 188,533,007 votes constitutes a quorum for adopting the proposals at the Annual Meeting. Abstentions will be included in determining the number of shares present at the meeting for the purpose of determining a quorum, as will broker non-votes. A broker non-vote occurs when a broker is not permitted to vote on a matter without instructions from the beneficial owner of the shares and no instruction is given. If you have properly signed and returned your proxy card by mail, you will be considered part of the quorum, and the persons named on the proxy card will vote your shares as you have instructed them.

VOTE REQUIRED FOR APPROVAL:

For the proposal to elect the nine director nominees (Proposal 1), our bylaws require that each director nominee be elected by the majority of votes cast with respect to such nominee (i.e., the number of shares voted for a director nominee must exceed the number of shares voted against that nominee). For additional information regarding our majority voting policy, see page 5 of the proxy statement. You cannot abstain in the election of directors and broker non-votes are not counted. **Brokers are not permitted to vote your shares on the election of directors in the absence of your specific instructions as to how to vote. Please provide your broker with voting instructions so that your vote can be counted.**

Approval of the proposal to ratify the appointment of Ernst & Young LLP as independent auditors (Proposal 2), and the proposal to approve the compensation of our named executive officers (Proposal 3), will

require the affirmative vote of a majority of the shares of our common stock entitled to vote and present in person or by proxy. An abstention will have the same effect as a vote against such proposal. **With respect to Proposal 3, brokers are not permitted to vote your shares in the absence of your specific instructions as to how to vote. Please provide your broker with voting instructions so that your vote can be counted.**

Approval of the proposal to approve the amendments to the National Oilwell Varco, Inc. Long-Term Incentive Plan (Proposal 4) will require the affirmative vote of the majority of the votes cast on the proposal. An abstention will have the same effect as a vote against such proposal. **With respect to Proposal 4, brokers are not permitted to vote your shares in the absence of your specific instructions as to how to vote. Please provide your broker with voting instructions so that your vote can be counted.**

MULTIPLE PROXY CARDS:

If you receive multiple proxy cards, this indicates that your shares are held in more than one account, such as two brokerage accounts, and are registered in different names. You should vote each of the proxy cards to ensure that all of your shares are voted.

HOUSEHOLDING:

The U.S. Securities and Exchange Commission, or SEC, has adopted rules that permit companies and intermediaries, such as brokers, to satisfy the delivery requirements for proxy statements with respect to two or more stockholders sharing the same address by delivering a copy of these materials, other than the Proxy Card, to those stockholders. This process, which is commonly referred to as householding, can mean extra convenience for stockholders, potential benefits to the environment, and cost savings for the Company. Beneficial stockholders can request information about householding from their banks, brokers, or other holders of record. Through householding, stockholders of record who have the same address and last name will receive only one copy of our Proxy Statement and Annual Report, unless one or more of these stockholders notifies us that they wish to continue receiving individual copies. This procedure will reduce printing costs and postage fees.

Stockholders who participate in householding will continue to receive separate Proxy Cards. If you are eligible for householding, but you and other stockholders of record with whom you share an address currently receive multiple copies of Proxy Statements and Annual Reports, or if you hold stock in more than one account and wish to receive only a single copy of the Proxy Statement or Annual Report for your household, please contact Broadridge Householding Department, in writing, at 51 Mercedes Way, Edgewood, New York 11717, or by phone at (800) 542-1061. If, at any time, you no longer wish to participate in householding and would prefer to receive a separate Proxy Statement and Annual Report, please notify your broker if you are a beneficial stockholder.

COST OF PROXY SOLICITATION:

We have retained InvestorCom, Inc. to solicit proxies from our stockholders at an estimated fee of $6,500, plus expenses. This fee does

not include the costs of preparing, printing, assembling, delivering and mailing the Proxy Statement. The Company will pay for the cost of soliciting proxies. Some of our directors, officers and employees may also solicit proxies personally, without any additional compensation, by telephone or mail. Proxy materials also will be furnished without cost to brokers and other nominees to forward to the beneficial owners of shares held in their names.

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Important Notice Regarding the Availability of Proxy Materials for the

Stockholder Meeting to Be Held on Wednesday, May 18, 2016.

The Company s 2016 Proxy Statement and the Annual Report to Stockholders for the year ended 2015 are also available at:

http://www.proxyvote.com

For directions to the Annual Meeting, please contact investor relations at 713-346-7500.

PLEASE VOTE YOUR VOTE IS IMPORTANT

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ELECTION OF DIRECTORS

PROPOSAL NO. 1 ON THE PROXY CARD

Clay C. Williams, Greg L. Armstrong, Marcela E. Donadio, Ben A. Guill, James T. Hackett, David D. Harrison, Roger L. Jarvis, Eric L. Mattson and William R. Thomas are nominees for directors for a one-year term expiring at the Annual Meeting in 2017, or when their successors are elected and qualified. Each of the nominees was elected as a director at the 2015 Annual Meeting, except Mr. Thomas, who joined the Board of Directors in November 2015 and except Mr. Hackett, who joined the Board of Directors in April 2016. We believe each of the nominees will be able to serve if elected. However, if any nominee is unable to serve, the remaining members of the Board have authority to nominate another person, elect a substitute, or reduce the size of the Board. Proxies cannot be voted for a greater number of persons than the number of nominees named.

Vote Required for Approval

National Oilwell Varco s Bylaws require that each director be elected by the majority of votes cast with respect to such director in uncontested elections (i.e., the number of shares voted for a director nominee must exceed the number of votes cast against that nominee). In a contested election (i.e., a situation in which the number of nominees exceeds the number of directors to be elected), the standard for election of directors would be a plurality of the shares represented in person or by proxy at any such meeting and entitled to vote on the election of directors. Whether an election is contested or not is determined as of a date that is 14 days in advance of when we file our definitive proxy statement with the SEC. This year s election was determined to be an uncontested election, and the majority vote standard will apply. If a nominee who is serving as a director is not elected at the annual meeting, Delaware law provides that the director would continue to serve on the Board as a holdover director. However, under our Bylaws and Corporate Governance Guidelines, each director must submit an advance, contingent, irrevocable resignation that the Board may accept if the director fails to be elected through a majority vote. In that situation, the Nominating/Corporate Governance Committee would make a recommendation to the Board about whether to accept or reject the resignation, or whether to take other action. The Board will act on the Nominating/Corporate Governance Committee s recommendation and publicly disclose its decision and the rationale behind it within 90 days from the date the election results are certified. If a nominee who was not already serving as a director fails to receive a majority of votes cast at the annual meeting, Delaware law provides that the nominee does not serve on the Board as a holdover director. All director nominees are currently serving on the Board.

Brokers are not permitted to vote your shares on the election of directors in the absence of your specific instructions as to how to vote. Please provide your broker with voting instructions so that your vote can be counted.

Key Attributes, Experience and Qualifications

The Company believes that each member of its Board of Directors possess the basic attributes of being a director of the Company, namely having a reputation for integrity, honesty, candor, fairness and discretion. Each director has also become knowledgeable in major aspects of the Company s business and operations, which has allowed the Board to provide better oversight functions to the Company.

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The Company considered the following factors in determining that the board member should serve on the Board:

CLAY C. WILLIAMS, 53

Mr. Williams has been a Director of the Company since November 2013 and Chairman of the Board since May 2014. Mr. Williams has served as the Company s Chief Executive Officer since February 2014 and as the Company s President since December 2012. Mr. Williams served as the Company s Chief Operating Officer from December 2012 until February 2014. Mr. Williams previously served as the Company s Executive Vice President from February 2009 and as the Company s Senior Vice President and Chief Financial Officer from March 2005, until December 2012. He served as Varco s Vice President and Chief Financial Officer from January 2003 until its merger with the Company on March 11, 2005. From May 2002 until January 2003, Mr. Williams served as Varco s Vice President Finance and Corporate Development. From February 2001 until May 2002, and from February 1997 until February 2000, he served as Varco s Vice President Corporate Development. Mr. Williams serves as a director of Benchmark Electronics, Inc., a company engaged in providing electronic manufacturing services in the United States and internationally.

Mr. Williams has been an officer of a publicly traded company since 1997, occupying positions of increasing importance from VP-Corporate Development, to Senior VP and CFO, to President and COO, to President and CEO. Mr. Williams has extensive experience with the Company and the oil service industry. Mr. Williams has an MBA degree from the University of Texas at Austin, as well as a Bachelor of Science degree in Civil/Geological Engineering from Princeton University. Mr. Williams has also gained valuable outside board experience from his tenure as a director of Benchmark Electronics, Inc.

GREG L. ARMSTRONG, 57

Mr. Armstrong has been a Director of the Company since March 2005. Mr. Armstrong served as a Director of Varco from May 20, 2004 until its merger with the Company on March 11, 2005. Since 1998, he has been the Chairman of the Board and Chief Executive Officer of Plains All American GP LLC, the general partner and controlling entity of Plains All American Pipeline, L.P., a publicly traded master limited partnership engaged in the business of marketing, gathering, transporting, terminalling and storing crude oil. From 2010 to 2013, he served as Chairman of the Board and Chief Executive Officer of PAA Natural Gas Storage, L.P., a publicly traded master limited partnership engaged in the natural gas storage business, the outstanding minority interest of which was acquired by Plains All American in 2013. Mr. Armstrong is Finance Committee Chairman of the National Petroleum Council and is a director of the Federal Reserve Bank of Dallas and previously served as a director and Chairman of the Federal Reserve Bank of Dallas, Houston Branch.

Mr. Armstrong provides valuable service and experience to the Audit Committee, due to his experience serving as an auditor for a major accounting firm, approximately 31 years of being a certified public accountant (currently inactive) and eight years of experience serving as a chief financial officer. Mr. Armstrong has been an officer of a publicly traded energy company since 1981, occupying positions of increasing importance ranging from controller, to CFO, to COO and CEO. Through service in these roles, he gained extensive experience in assessing the risks associated with various energy industry cycles. He has also gained valuable outside board experience from his previous tenure as a director of BreitBurn Energy Partners.

MARCELA E. DONADIO, 61

Ms. Donadio has been a Director of the Company since April 2014. She was Americas Oil & Gas Sector Leader of Ernst & Young LLP, from which she retired in March 2014. Ms. Donadio joined Ernst & Young in 1976, serving since 1989 as audit partner for multiple companies in the oil and gas industry. She held various energy industry

leadership positions until being named Americas Oil & Gas Sector Leader in 2007. In that role she was responsible for one of the firm s most significant industry groups in

the US and throughout the Americas. Ms. Donadio also served as spokesperson of the firm on business and industry issues affecting energy companies, including those relevant to accounting standards. Ms. Donadio also serves on the Board of Directors of Marathon Oil Corporation, an energy company.

Ms. Donadio provides valuable service and experience to the Audit Committee, due to her 37 years of audit and public accounting experience with a specialization in domestic and international operations in all segments of the energy industry. Ms. Donadio has in-depth experience on numerous audit engagements of global energy companies conducted in compliance with the Sarbanes-Oxley Act and under the financial reporting requirements of the SEC. Ms. Donadio earned a Bachelor of Science degree in Accounting from Louisiana State University and is a licensed certified public accountant in the State of Texas.

BEN A. GUILL, 65

Mr. Guill has served as a Director of the Company since 1999. He is a Managing Partner of White Deer Energy, a middle market private equity fund focused on energy investments. Until April 2007, he was President of First Reserve Corporation, a corporate manager of private investments focusing on the energy and energy-related sectors, which he joined in September 1998. Prior to joining First Reserve, Mr. Guill was the Managing Director and Co-head of Investment Banking of Simmons & Company International, an investment-banking firm specializing in the oil service industry.

Mr. Guill has an MBA degree and 21 years of experience in investment banking and 15 years of experience in private equity. Mr. Guill also served as president of a private investment firm focused on the energy sector. Mr. Guill has over 34 years of experience in the energy industry as an investment banker and private equity investor. Mr. Guill has also gained valuable outside board experience from his previous tenures as a director of: Emerald Oil, Inc., Dresser, Inc., Quanta Services, Inc., T-3 Energy Services, Inc., Chart Industries, Inc. and the general partner of Cheniere Energy Partners, L.P.

JAMES T. HACKETT, 62

Mr. Hackett has been a Director of the Company since April 2016. Mr. Hackett is a Partner at Riverstone Holdings, LLC, an energy and power-focused private investment firm, based in New York. Prior to joining Riverstone Holdings, LLC in 2013, Mr. Hackett served as the Chairman of the Board from 2006 to 2013 and the Chief Executive Officer from 2003 to 2012 of Anadarko Petroleum Corporation. Before joining Anadarko, Mr. Hackett served as President and Chief Operating Officer of Devon Energy Corporation, following its merger with Ocean Energy, where he had served as Chairman, President, and Chief Executive Officer. Mr. Hackett has held senior positions at Seagull, Duke Energy, and Pan Energy. He also held positions in engineering, finance and marketing with NGC Corp., Burlington Resources, and Amoco Oil Corp. Mr. Hackett serves on the Board of Directors of Enterprise Products Holdings, LLC and Riverstone Energy, Ltd.

Mr. Hackett provides valuable service and experience to the Audit Committee, due to his three years of experience in private equity and over 36 in the energy industry. Through the various leadership positions he has held with several publicly traded energy companies, Mr. Hackett has gained valuable knowledge of the oil and gas industry and extensive experience in assessing the risks associated with various energy industry cycles. Mr. Hackett received a Bachelor of Science degree from the University of Illinois in 1975 and an MBA from Harvard Business School in 1979. Mr. Hackett has also gained valuable outside board experience from his previous tenures as a director of: Cameron International, Fluor Corp, Anadarko Petroleum Corporation, Bunge, Ltd., Halliburton Corporation, Federal Reserve Bank of Dallas and Temple-Inland, Inc.

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DAVID D. HARRISON, 68

Mr. Harrison has been a Director of the Company since August 2003. He has served as Executive Vice President and Chief Financial Officer of Pentair, Inc., a diversified manufacturer in water technologies and enclosures businesses, since February 2000 until his retirement in February 2007. He also served as Executive Vice President and Chief Financial Officer of Pentair, Inc. from 1994 to 1996. From 1972 through 1994, Mr. Harrison held various domestic and international finance positions with a combination of General Electric and Borg-Warner Chemicals. Mr. Harrison served as a director of Navistar International Corporation until his retirement from the Board in October 2012. Navistar is a holding company whose wholly owned subsidiaries produce International® brand commercial trucks, MaxxForce brand diesel engines, IC brand school buses, and Workhorse brand chassis for motor homes and step vans. Mr. Harrison also serves as a director of James Hardie Industries, a leading fiber cement technology company.

Mr. Harrison provides valuable service and experience to the Audit Committee, due to his 29 years of being a certified management accountant and 15 years of experience serving as a chief financial officer and chief accounting officer of publicly traded companies. Mr. Harrison has 45 years of continuous experience in major domestic and foreign companies in a variety of different industries. Mr. Harrison s experience outside the energy industry helps provide a different perspective for the Company. He has a bachelor s degree in accounting and an MBA degree. He has also gained valuable outside board experience from his tenure as a director of Navistar International Corporation and James Hardie Industries.

ROGER L. JARVIS, 62

Mr. Jarvis has been a Director of the Company since February 2002. Since August 2012, he has served as Chairman of Common Resources III LLC, a privately held company engaged in the business of exploration for and production of hydrocarbons in the United States. Mr. Jarvis previously served as Chairman of Common Resources II from May 2010 until its acquisition in August 2012 and at Common Resources LLC from 2007 until its acquisition in May 2010. He served as Chairman, President, Chief Executive Officer and Director of Spinnaker Exploration Company, a natural gas and oil exploration and production company, from 1996 and as its Chairman of the Board from 1998, until its acquisition by Norsk Hydro ASA in December 2005.

Mr. Jarvis served as the chief executive officer and chairman of the board of a publicly traded company in the oil and gas industry for 10 years. Mr. Jarvis has extensive experience in the oil and gas exploration business involving the drilling, completion and production of oil and gas wells, both offshore and onshore. As a result of this extensive experience, Mr. Jarvis is very familiar with the strategic and project planning processes that impact the Company s business. He has also gained valuable outside board experience from his previous tenure as a director of the Bill Barret Corporation.

ERIC L. MATTSON, 64

Mr. Mattson has been a Director of the Company since March 2005. Mr. Mattson served as a Director of Varco (and its predecessor, Tuboscope Inc.) from January 1994 until its merger with the Company on March 11, 2005.
Mr. Mattson is currently an investor in and serves as the EVP and Chief Financial Officer of SES Holdings, LLC, a privately held oil service company located in Gainesville, Texas. Prior to that, Mr. Mattson served as Senior Vice President and Chief Financial Officer of VeriCenter, Inc., a private provider of managed hosting services, since 2003, until its acquisition in August 2007. From November 2002 until October 2003, Mr. Mattson worked as an independent consultant. Mr. Mattson was the Chief Financial Officer of Netrail, Inc., a private Internet backbone and broadband service provider, from September 1999 until November 2002. From July 1993 until May 1999, Mr. Mattson served as Senior Vice President and Chief Financial Officer of Baker Hughes Incorporated, a provider of products and services

to the oil, gas and process industries. Mr. Mattson serves as a director of Rex Energy Corporation, a company engaged in the acquisition, production, exploration and development of oil and gas.

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Mr. Mattson has an MBA degree and 42 years of financial experience, including 23 years as a chief financial officer of four different companies. Mr. Mattson has extensive experience in the oil service business, having worked in that industry for over 33 years. He also has extensive mergers and acquisitions experience of over 33 years on a global basis. Mr. Mattson has dealt with all facets of potential risk areas for a global energy service company, as a former chief financial officer of Baker Hughes, and brings that experience and perspective to the Company.

WILLIAM R. THOMAS, 63

Mr. Thomas has been a Director of the Company since November 2015. Mr. Thomas has been serving as the Chairman and CEO of EOG Resources, Inc. since January 2014. Prior to that, he served as President and Chief Executive Officer from July 2013 through December 2013 and as President from September 2011 to July 2013. Mr. Thomas previously held other leadership positions at EOG Resources, Inc., including Senior Executive Vice President, Exploitation and Senior Executive Vice President, Exploration. Mr. Thomas has been with EOG Resources, Inc. and its predecessor companies since 1979.

Mr. Thomas provides valuable service and experience to the Audit Committee, due to his over two years of experience serving as a director of, and as the Chief Executive Officer of, EOG Resources, Inc. (EOG). Mr. Thomas has been with EOG and its predecessor companies for over 37 years. Through his service at EOG and various leadership positions held with EOG, he has gained valuable knowledge of the oil and gas industry and extensive experience in assessing the risks associated with various energy industry cycles. Mr. Thomas received a Bachelor of Science degree in Geology from Texas A&M University in 1975.

Your Board of Directors recommends that you vote FOR the election of the nine nominees for director.

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COMMITTEES AND MEETINGS OF THE BOARD

Committees

The Board of Directors appoints committees to help carry out its duties. The Board of Directors has the following standing committees: Audit, Compensation, and Nominating/Corporate Governance. Last year, the Board of Directors met six times and the committees met a total of 15 times. As an employee of the Company, Mr. Williams does not serve on any committees. The following table sets forth the committees of the Board of Directors and their members during 2015, as well as the number of meetings each committee held during 2015:

Director	Audit	Compensation	Nominating/Corporate Governance
Clay C. Williams			
Greg L. Armstrong	M		
Marcela E. Donadio	M		M
Ben A. Guill		C	
James T. Hackett	M		
David D. Harrison	C		
Roger L. Jarvis			C
Eric L. Mattson		M	M
William R. Thomas	M	M	
Number of Meetings Held in 2015	9	2	3

C: Chair M: Member

Attendance at Meetings

Each incumbent director attended at least 75% of the meetings of the Board and committees of which that director was a serving member.

Audit Committee

Mr. Harrison (Chair), Mr. Armstrong, Ms. Donadio, Mr. Hackett and Mr. Thomas are the current members of the Audit Committee. All members of this committee are independent within the meaning of the rules governing audit committees by the New York Stock Exchange, or NYSE.

The Audit Committee is appointed by the Board of Directors to assist the Board in fulfilling its oversight responsibilities. The Committee s primary duties and responsibilities are to:

- monitor the integrity of the Company s financial statements, financial reporting processes, systems of internal controls regarding finance, and disclosure controls and procedures;

select and appoint the Company s independent auditors, pre-approve all audit and non-audit services to be provided, consistent with all applicable laws, to the Company by the Company s independent auditors, and establish the fees and other compensation to be paid to the independent auditors;

monitor the independence and performance of the Company s independent auditors and internal audit function;

establish procedures for the receipt, retention, response to and treatment of complaints, including confidential, anonymous submissions by the Company s employees, regarding accounting, internal controls, disclosure or auditing matters, and provide an avenue of communication among the independent auditors, management, the internal audit function and the Board of Directors;

prepare an audit committee report as required by the Securities and Exchange Commission (the SEC) to be included in the Company s annual proxy statement; and

monitor the Company s compliance with legal and regulatory requirements.

A copy of the Audit Committee Charter is available on the Company s website, www.nov.com, under the Investor Relations/Corporate Governance section.

Audit Committee Financial Expert

The Board of Directors has determined that all members of the Audit Committee meet the NYSE standard of having accounting or related financial management expertise and meet the SEC s criteria of an Audit Committee Financial Expert.

Compensation Committee

Messrs. Guill (Chair), Mattson and Thomas are the current members of the Compensation Committee. All members of the Compensation Committee are independent as defined by the applicable NYSE listing standards.

The Compensation Committee is appointed by the Board of Directors to assist the Board in fulfilling its oversight responsibilities. The Committee s primary duties and responsibilities are to:

discharge the Board s responsibilities relating to compensation of the Company s directors and executive officers;

approve and evaluate all compensation of directors and executive officers, including salaries, bonuses, and compensation plans, policies and programs of the Company; and

administer all plans of the Company under which shares of common stock may be acquired by directors or executive officers of the Company.

A copy of the Compensation Committee Charter is available on the Company s website, www.nov.com, under the Investor Relations/Corporate Governance section.

Compensation Committee Interlocks and Insider Participation. Messrs. Guill, Mattson and Thomas served on the Compensation Committee during 2015. None of these members is a former or current officer or employee of the Company or any of its subsidiaries, is involved in a relationship requiring disclosure as an interlocking executive officer/director, or had any relationship requiring disclosure under Item 404 of Regulation S-K.

Nominating/Corporate Governance Committee

Mr. Jarvis (Chair), Ms. Donadio and Mr. Mattson are the current members of the Nominating/Corporate Governance Committee. All members of the Nominating/Corporate Governance Committee are independent as defined by the applicable NYSE listing standards.

The Nominating/Corporate Governance Committee is appointed by the Board of Directors to assist the Board in fulfilling its oversight responsibilities. The Committee s primary duties and responsibilities are to:

- ensure that the Board and its committees are appropriately constituted so that the Board and directors may effectively meet their fiduciary obligations to stockholders and the Company;
- identify individuals qualified to become Board members and recommend to the Board director nominees for each annual meeting of stockholders and candidates to fill vacancies in the Board;
- recommend to the Board annually the directors to be appointed to Board committees;
- monitor, review, and recommend, when necessary, any changes to the Corporate Governance Guidelines; and

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monitor and evaluate annually the effectiveness of the Board and management of the Company, including their effectiveness in implementing the policies and principles of the Corporate Governance Guidelines.

A copy of the Nominating/Corporate Governance Committee Charter is available on the Company s website, www.nov.com, under the Investor Relations/Corporate Governance section.

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BOARD OF DIRECTORS

Director Nomination Process and Diversity Considerations

The Nominating/Corporate Governance Committee has the responsibility of identifying candidates for election as directors, reviewing background information relating to candidates for director, and recommending to the Board of Directors nominees for directors to be submitted to stockholders for election. It is the policy of the Committee to consider director candidates recommended by stockholders. Nominees to be evaluated by the Nominating/Corporate Governance Committee are selected by the Committee from candidates recommended by multiple sources, including other directors, management, stockholders, and candidates identified by independent search firms (which firms may be paid by the Company for their services), all of whom will be evaluated based on the same criteria. As of April 1, 2016, we had not received any recommendations from stockholders for potential director candidates. All of the current nominees for director are standing members of the Board that are proposed by the entire Board for re-election. Written suggestions for nominees should be sent to the Secretary of the Company at the address listed below.

The Board of Directors believes that nominees should reflect the following characteristics:

- have a reputation for integrity, honesty, candor, fairness and discretion;
- be knowledgeable, or willing to become so quickly, in the critical aspects of the Company s businesses and operations;
- be experienced and skillful in serving as a competent overseer of, and trusted advisor to, the senior management of at least one substantial enterprise; and
- have a range of talent, skill and expertise sufficient to provide sound and prudent guidance with respect to the full scope of the Company s operations and interests.

The Board considers diversity in identifying nominees for director. The Board seeks to achieve a mix of directors that represents a diversity of background and experience, including with respect to gender and race. The Board considers diversity in a variety of different ways and in a fairly expansive manner. The Board not only considers diversity concepts such as race and gender, but also diversity in the sense of differences in viewpoint, professional experience, education, skill and other qualities and attributes that contribute to board heterogeneity. Also considered as part of the diversity analysis is whether the individual has work experience in the Company s industry, or in the broader oil and gas industry. The Company believes the Board benefits from different viewpoints and experiences by having a mix of members of the Board who have experience in the oil and gas industry and those who do not have such experience.

The Nominating/Corporate Governance Committee reviews Board composition annually to ensure that the Board reflects the knowledge, experience, skills, expertise, and diversity required for the Board to fulfill its duties. There are currently no directorship vacancies to be filled on the Board. If and when the need arises for the Company to add a new director to the Board, the Nominating/Corporate Governance Committee will take every reasonable step to ensure that diverse candidates (including, without limitation, women and minority candidates) are in the pool from which nominees are chosen and strive to obtain diverse candidates by searching in traditional corporate environments, as well as government, academia, and non-profit organizations.

Any stockholder of record who is entitled to vote for the election of directors may nominate persons for election as directors if timely written notice in proper form of the intent to make a nomination at the Annual Meeting is received by the Company at National Oilwell Varco, Inc., 7909 Parkwood Circle Drive, Houston, TX 77036, Attention: Craig L. Weinstock, Secretary. The notice must be received no later than April 21, 2016 10 days after the first public notice of the Annual Meeting is first sent to stockholders. To be in proper form, the notice must contain prescribed information about the proponent and each nominee, including such information about each nominee as would have been required to be included in a proxy statement filed pursuant to the rules of the SEC had such nominee been nominated by the Board of Directors.

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AUDIT COMMITTEE REPORT

The responsibilities of the Audit Committee, which are set forth in the Audit Committee Charter adopted by the Board of Directors, include providing oversight to the Company s financial reporting process through periodic combined and separate meetings with the Company s independent auditors and management to review accounting, auditing, internal controls and financial reporting matters. The management of the Company is responsible for the preparation and integrity of the financial reporting information and related systems of internal controls. The Audit Committee, in carrying out its role, relies on the Company s senior management, including senior financial management, and its independent auditors.

The Board of Directors has determined that all of the members of the Audit Committee are independent based on the guidelines set forth by the NYSE and SEC rules for the independence of Audit Committee members. The Audit Committee held nine (9) meetings in 2015, and at each regularly scheduled quarterly meeting met separately in executive session with both the internal audit vice president and the independent audit partner, without management being present.

The Audit Committee reviewed and discussed with senior management the audited financial statements included in the Company s Annual Report on Form 10-K. Management has confirmed to the Audit Committee that such financial statements have been prepared with integrity and objectivity and in conformity with generally accepted accounting principles.

The Audit Committee is directly responsible for the appointment, compensation, retention and oversight of the independent external audit firm retained to audit the Company s financial statements. The Audit Committee has appointed Ernst & Young LLP as the Company s independent external auditor for fiscal year 2016. The Audit Committee is responsible for audit fee negotiations associated with the Company s retention of Ernst & Young LLP.

The Audit Committee discussed with Ernst & Young LLP, the Company s independent auditors, the matters required to be discussed under the applicable rules of the Public Company Accounting Oversight Board (PCAOB), which require independent auditors to communicate certain matters related to the conduct of an audit to those who have responsibility for oversight of the financial reporting process. Among the matters to be communicated to the audit committee are: (1) methods used to account for significant unusual transactions; (2) the effect of critical and significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus; (3) the process used by management in formulating particularly sensitive accounting estimates and the basis for the auditor s conclusions regarding the reasonableness of those estimates; and (4) disagreements with management over the application of accounting principles, the basis for management s accounting estimates, and the disclosures in the financial statements. In addition, the Audit Committee reviewed with Ernst & Young their judgment as to the quality, not just the acceptability, of the Company s accounting principles.

The Audit Committee has received the written disclosures and the letter from Ernst & Young required by applicable requirements of the PCAOB Ethics and Independence Rule 3526, *Communication with Audit Committees Concerning Independence*, regarding Ernst & Young s communication with the Audit Committee concerning independence, and has discussed Ernst & Young s independence with Ernst & Young.

Based on the foregoing, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company s 2015 Annual Report on Form 10-K.

Notwithstanding the foregoing, the Audit Committee s charter clarifies that it is not the Audit Committee s duty to conduct audits or to determine that the Company s financial statements are complete and accurate and are in accordance with generally accepted accounting principles (GAAP). Management is responsible for the Company s financial reporting process, including its system of internal controls, and for the preparation of financial statements in accordance with GAAP. Management is also responsible for assuring compliance with laws and regulations and the Company s corporate policies, subject to the Audit Committee s oversight in the areas covered by the Audit Committee s charter. The independent auditors are responsible for expressing opinions on those financial statements and on the effectiveness of the Company s internal control over financial reporting.

Members of the Audit Committee

David D. Harrison, Committee Chair

Greg L. Armstrong

Marcela E. Donadio

James T. Hackett

William R. Thomas

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RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS

PROPOSAL NO. 2 ON THE PROXY CARD

Information Regarding our Independent Auditors

The Audit Committee of the Board of Directors has reappointed Ernst & Young LLP as independent auditors for 2016. Stockholders are being asked to vote upon the ratification of the appointment. Representatives of Ernst & Young will attend the Annual Meeting, where they will be available to respond to appropriate questions and have the opportunity to make a statement if they desire.

Vote Required for Approval

The proposal to ratify the appointment of Ernst & Young LLP as independent auditors will require approval of a majority of the shares of our common stock entitled to vote and present in person or by proxy. In accordance with NYSE rules, a proposal to ratify independent auditors is considered to be a discretionary item. This means that brokerage firms may vote in their discretion on this matter on behalf of beneficial owners who have not furnished voting instructions within the time period specified in the voting instructions submitted by such brokerage firms. Abstentions, which will be counted as votes present for the purpose of determining a quorum, will have the effect of a vote against the proposal. Your shares will be voted as you specify on your proxy. If your properly executed proxy does not specify how you want your shares voted, we will vote them for the ratification of the appointment of Ernst & Young LLP as independent auditors.

Audit Fees

The Audit Committee pre-approves all services provided by the Company s independent auditors to the Company and its subsidiaries. Consideration and approval of such services generally occurs in the regularly scheduled quarterly meetings of the Audit Committee. The Audit Committee has delegated the Audit Committee Chair to pre-approve allowed non-audit services, subject to review by the full committee at the next regularly scheduled meeting. The Audit Committee has considered whether the provision of all services other than those rendered for the audit of the Company s financial statements is compatible with maintaining Ernst & Young s independence and has concluded that their independence is not compromised.

The following table sets forth Ernst & Young LLP s fees for services rendered during 2015 and 2014. All services provided by Ernst & Young LLP were pre-approved by the Audit Committee.

	2015	2014
	(in thousands)	
Audit Fees	$ 9,097	$ 8,685
Audit Related Fees(1)	$ 233	$ 305
Tax Fees(2)	$ 6,582	$ 9,423
All Other Fees		
Total	$ 15,612	$ 18,413

(1) Consists primarily of fees for audits of employee benefit plans.

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(2) Consists primarily of fees for compliance, planning and advice with respect to various domestic and foreign corporate tax matters, including fees of $0 and $3.3 million in 2015 and 2014, respectively, for services related to the spin-off of the Company s distribution business into an independent publicly traded corporation named NOW Inc.

Your Board of Directors recommends that you vote FOR the proposal to ratify the appointment of Ernst & Young LLP.

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APPROVAL OF COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS PROPOSAL NO. 3 ON THE PROXY CARD

A proposal will be presented at the meeting asking stockholders to approve on an advisory basis the compensation of the Company s named executive officers as described in this proxy statement.

Why You Should Approve our Executive Compensation Program

The Company s compensation philosophy is designed to attract and retain executive talent and emphasize pay for performance, including the creation of stockholder value. The Company encourages its stockholders to read the Executive Compensation section of this proxy statement, including the compensation tables, as well as the Compensation Discussion and Analysis (CD&A) section of this proxy statement, for a more detailed discussion of our compensation programs and policies. The Company believes its compensation programs and policies are appropriate and effective in implementing its compensation philosophy and in achieving its goals, and that they are aligned with stockholder interests and worthy of continued stockholder support.

In the past, our stockholders have overwhelmingly approved the compensation of our named executive officers. In May 2015, our stockholders approved, on an advisory basis, the compensation of our named executive officers with approximately 97% of stockholder votes cast in favor of our say-on-pay resolution. We believe this strong result indicates general approval from our stockholders of the Company s existing approach to its compensation programs and policies.

We believe that stockholders should consider the following in determining whether to approve this proposal:

Compensation Program is Closely Linked to Stockholder Value

An important portion of each executive s compensation at the Company is in the form of long-term incentive awards, which are directly linked to the Company s performance and the creation of stockholder value. The Company s long-term incentive awards consist of: stock options, restricted stock and performance share awards (as used herein, the terms performance awards and performance share awards shall have the same meaning). We believe this mix appropriately motivates long-term performance and rewards executives for both absolute gains in share price and relative financial performance against a designated peer group.

Strong Pay-for-Performance Orientation

Incentive Plan awards are aligned with our performance: For 2015, the Company s operating profit performance was below the target operating profit objective set under the 2015 annual incentive plan, therefore, four of the five named executive officers did not receive an incentive compensation bonus payout for 2015. However, there were individual businesses where the operating profit target entry point and other performance measures established for said businesses were met or exceeded. As a result, certain groups within the business segments received bonus payouts; this included Rig Systems and Rig Aftermarket. Therefore Mr. Rovig received an incentive compensation bonus payout for 2015.

Stockholders' Equity:				
Preferred stock, $.0001 par value, 20,000,000 shares authorized, none issued or outstanding		-		-
Common stock, $.0001 par value, 180,000,000 shares authorized, 79,680,705 and 70,480,705 shares issued and outstanding, respectively		8		7
Additional paid-in capital		1,003,729		889,019
Accumulated other comprehensive loss		(2,269)		(3,099)
Accumulated distributions in excess of accumulated earnings		(57,489)		(36,930)
Total stockholders' equity		943,979		848,997
Total liabilities and stockholders' equity	$	1,145,775	$	1,025,433

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

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

(in thousands, except per share amounts)	For the Three Months Ended September 30, 2009	For the Three Months Ended September 30, 2008	For the Nine Months Ended September 30, 2009	For the Nine Months Ended September 30, 2008
Revenue:				
Rental	$31,702	$27,927	$90,774	$82,283
Related party revenue:				
Syndication fees	-	304	39	3,766
Transaction fees	1	300	543	3,606
Management fees and interest income from loans	370	380	1,232	1,364
Other	19	13	55	52
Total revenue	32,092	28,924	92,643	91,071
Expenses:				
Real estate operating expenses	7,752	7,159	22,176	20,973
Real estate taxes and insurance	5,364	4,590	14,879	13,375
Depreciation and amortization	8,801	7,666	26,940	22,616
Selling, general and administrative	2,243	1,927	6,378	6,557
Commissions	8	208	178	2,020
Interest	1,744	1,108	4,920	3,351
Total expenses	25,912	22,658	75,471	68,892
Income before interest income, equity in earnings of non-consolidated REITs and taxes	6,180	6,266	17,172	22,179
Interest income	16	177	88	657
Equity in earnings of non-consolidated REITs	475	679	1,710	2,167
Income before taxes	6,671	7,122	18,970	25,003
Income tax benefit	(270)	(297)	(644)	(337)
Net income	$6,941	$7,419	$19,614	$25,340
Weighted average number of shares outstanding, basic and diluted	71,281	70,481	70,750	70,481
Net income per share, basic and diluted	$0.10	$0.11	$0.28	$0.36

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

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

	For the Nine Months Ended September 30,	
(in thousands)	2009	2008
Cash flows from operating activities:		
Net income	$ 19,614	$ 25,340
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	27,141	22,649
Amortization of above market lease	2,544	3,376
Equity in earnings of non-consolidated REITs	(1,710)	(2,167)
Distributions from non-consolidated REITs	4,257	3,838
Increase in bad debt reserve	111	79
Changes in operating assets and liabilities:		
Restricted cash	5	-
Tenant rent receivables, net	(182)	219
Straight-line rents, net	(849)	(854)
Prepaid expenses and other assets, net	(472)	(1,474)
Accounts payable, accrued expenses	4,294	3,863
Accrued compensation	(904)	88
Tenant security deposits	(117)	(51)
Payment of deferred leasing commissions	(2,202)	(2,434)
Net cash provided by operating activities	51,530	52,472
Cash flows from investing activities:		
Purchase of real estate assets, office computers and furniture, capitalized merger costs and acquired real estate leases	(130,819)	(39,282)
Investment in non-consolidated REITs	(13,200)	(10)
Investment in related party mortgage loan receivable	(22,139)	(1,125)
Investment in assets held for syndication	13,017	12,235
Net cash used in investing activities	(153,141)	(28,182)
Cash flows from financing activities:		
Distributions to stockholders	(40,173)	(57,089)
Proceeds from equity offering, net	115,385	-
Borrowings under bank note payable	23,540	20,368
Deferred financing costs	-	(30)
Net cash provided by (used in) financing activities	98,752	(36,751)
Net decrease in cash and cash equivalents	(2,859)	(12,461)
Cash and cash equivalents, beginning of period	29,244	46,988
Cash and cash equivalents, end of period	$ 26,385	$ 34,527
Non-cash investing and financing activities:		
Accrued costs for purchase of real estate assets	$ -	$ 2,027
Accrued costs for equity offering	$ 674	$ -

Investment in non-consolidated REITs converted to real estate assets and acquired real estate leases in conjunction with merger	$ -	$ 1,162

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

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

(in thousands)	For the Three Months Ended September 30, 2009	2008	For the Nine Months Ended September 30, 2009	2008
Net income	$ 6,941	$ 7,419	$ 19,614	$ 25,340
Other comprehensive income:				
Unrealized gain on derivative financial instruments	125	-	830	-
Total other comprehensive income	125	-	830	-
Comprehensive income	$ 7,066	$ 7,419	$ 20,444	$ 25,340

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

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

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

Organization

Franklin Street Properties Corp. ("FSP Corp." or the "Company") holds, directly and indirectly, 100% of the interest in FSP Investments LLC, FSP Property Management LLC, FSP Holdings LLC and FSP Protective TRS Corp. The Company also has a non-controlling common stock interest in thirteen corporations organized to operate as real estate investment trusts ("REITs") and a non-controlling preferred stock interest in three of those REITs.

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

The Company owns and operates a portfolio of real estate, which consisted of 32 properties as of September 30, 2009. From time-to-time the Company may acquire real estate or invest in real estate by purchasing shares of preferred stock offered in syndications of Sponsored REITs. The Company may also pursue, on a selective basis, the sale of its properties in order to take advantage of the value creation and demand for its properties, or for geographic or property specific reasons.

On May 15, 2008, the Company acquired one of its Sponsored REITs, FSP Park Ten Development Corp. ("Park Ten Development") by merging a wholly-owned subsidiary of the Company with and into Park Ten Development for a total purchase price of approximately $35.4 million. The holders of preferred stock in Park Ten Development received cash consideration of approximately $127,290 per share. The merger was accounted for as a purchase and the acquired assets and liabilities were recorded at their fair value.

Properties

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

	As of September 30,	
	2009	2008
Commercial real estate:		
Number of properties	32	27
Rentable square feet	5,934,624	5,066,813

Basis of Presentation

The unaudited condensed consolidated financial statements of the Company include all the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated. These financial statements should be read in conjunction with the Company's consolidated financial statements and notes thereto contained in the Company's Annual Report on Form 10-K for its fiscal year ended December 31, 2008, as filed with the Securities and Exchange Commission.

The accompanying interim financial statements are unaudited; however, the financial statements have been prepared in accordance with generally accepted accounting principles (“GAAP”) in the United States of America for interim financial information and in conjunction with the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the disclosures required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting solely of normal recurring matters) necessary for a fair presentation of the financial statements for these interim periods have been included. Operating results for the three and nine months ended September 30, 2009 are not necessarily indicative of the results that may be expected for the year ending December 31, 2009 or for any other period.

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

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

Financial Instruments

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

Recent Accounting Standards

Accounting Standards Codification

In June 2009, the Financial Accounting Standards Board ("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 is 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 is 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 March 2008, the FASB issued a pronouncement that requires entities to provide greater transparency about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for, and (c) how derivative instruments and related hedged items affect an entity's financial position, results of operations, and cash flows. 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.

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

2. Investment Banking/Investment Services Activity

During the nine months ended September 30, 2009, the Company sold on a best efforts basis, through private placements, preferred stock in the following Sponsored REITs:

Sponsored REIT	Property Location	Gross Proceeds (1) (in thousands)
FSP Grand Boulevard Corp.	Kansas City, MO	$ 350
FSP 385 Interlocken Development Corp.	Broomfield, CO	200
FSP Lakeside Crossing II Corp.	Maryland Heights, MO	-
	Total	$ 550

(1) The syndication of FSP Grand Boulevard Corp. (“Grand Boulevard”) was completed on May 29, 2009. The syndication of FSP 385 Interlocken Development Corp. (“385 Interlocken”), which commenced in May 2008, was not complete at September 30, 2009. The syndication of FSP Lakeside Crossing II Corp. (“Lakeside Crossing II”), which commenced in September 2009, was not complete at September 30, 2009.

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

Investment in Sponsored REITs:

At September 30, 2009, the Company held an interest in thirteen Sponsored REITs. Eleven were fully syndicated and the Company no longer derives economic benefits or risks from the common stock interest that is retained in them. The Company holds a non-controlling preferred stock investment in three of these Sponsored REITs, FSP Phoenix Tower Corp. (“Phoenix Tower”), FSP 303 East Wacker Drive Corp. (“East Wacker”) and Grand Boulevard, from which it continues to derive economic benefits and risks. Two entities were not fully syndicated at September 30, 2009, which are 385 Interlocken and Lakeside Crossing II.

Equity in earnings of investment in non-consolidated REITs:

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

(in thousands)	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008
Equity in earnings of Sponsored REITs	$ 141	$ 133
Equity in earnings of Park Ten Development	-	10
Equity in earnings of Phoenix Tower	11	18

Equity in earnings of East Wacker	1,441	2,006
Equity in earnings of Grand Boulevard	117	-
	$ 1,710	$ 2,167

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

Equity in earnings of Park Ten Development was derived from the Company's preferred stock investment in the entity. In September 2005, the Company acquired 8.5 preferred shares or 3.05% of the authorized preferred shares of Park Ten Development via a non-monetary exchange of land valued at $850,000. The Company acquired Park Ten Development by merger on May 15, 2008, which merger was accounted for as a purchase, and the acquired assets and liabilities were recorded at their fair value.

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

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

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

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

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

The Company recorded distributions declared of $4,257,000 and $3,838,000 from non-consolidated REITs during the nine months ended September 30, 2009 and 2008, respectively.

Non-consolidated REITs:

The Company has in the past acquired by merger entities similar to the Sponsored REITs. On March 19, 2008, the Company entered into an agreement and plan of merger to acquire Park Ten Development by merger for a total purchase price of approximately $35.4 million. Upon completion of the acquisition on May 15, 2008, the holders of preferred stock in Park Ten Development received cash consideration of approximately $127,290 per share. The acquisition was effected by merging a wholly-owned subsidiary of the Company with and into Park Ten Development. Consummation of the acquisition required the approval of Park Ten Development's stockholders. The Company's business model for growth includes the potential acquisition by merger in the future of Sponsored REITs. The Company has no legal or any other enforceable obligation to acquire or to offer to acquire any Sponsored REIT. In addition, any offer (and the related terms and conditions) that might be made in the future to acquire any Sponsored REIT would require the approval of the boards of directors of the Company and the Sponsored REIT and the approval of the shareholders of the Sponsored REIT.

The operating data below for 2009 includes operations of the thirteen Sponsored REITs the Company held an interest in as of September 30, 2009. The operating data for 2008 includes operations of the twelve Sponsored REITs the Company held an interest in as of September 30, 2008.

At September 30, 2009, December 31, 2008 and September 30, 2008, the Company had ownership interests in thirteen, twelve and twelve Sponsored REITs, respectively. Summarized financial information for these Sponsored REITs is as follows:

(in thousands)	September 30, 2009	December 31, 2008
Balance Sheet Data (unaudited):		
Real estate, net	$ 675,950	$ 683,218
Other assets	103,825	114,015
Total liabilities	(199,269)	(189,435)

Shareholders' equity	$	580,506	$	607,798

(in thousands)	For the Nine Months Ended September 30,			
		2009		2008
Operating Data (unaudited):				
Rental revenues	$	71,966	$	76,023
Other revenues		327		1,638
Operating and maintenance expenses		(38,178)		(40,303)
Depreciation and amortization		(18,330)		(17,805)
Interest expense		(6,225)		(7,970)
Net income	$	9,560	$	11,583

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Franklin Street Properties Corp.
Notes to Condensed Consolidated Financial Statements
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3. Related Party Transactions and Investments in Non-consolidated Entities (continued)

Syndication fees and Transaction fees:

The Company provides syndication and real estate acquisition advisory services for Sponsored REITs. Syndication, development and transaction fees from non-consolidated entities amounted to approximately $581,000 and $7,372,000 for the nine months ended September 30, 2009 and 2008, respectively.

Management fees and interest income from loans:

Asset management fees range from 1% to 5% of collected rents and the applicable contracts are cancelable with 30 days notice. Asset management fee income from non-consolidated entities amounted to approximately $664,000 and $706,000 for the nine months ended September 30, 2009 and 2008, respectively.

The Company typically makes interim mortgage loans to Sponsored REITs that enable Sponsored REITs to acquire their respective properties prior to the consummation of the offerings of their equity interests. The interim mortgage loans are subsequently repaid out of offering proceeds. As of September 30, 2009, there were no interim mortgage loans outstanding. From time-to-time the Company also makes secured loans to Sponsored REITs for the purpose of funding construction costs, capital expenditures, leasing costs and for other purposes (the "Sponsored REIT Loans"). The Company is typically entitled to interest on the funds that it advances to make interim mortgage loans and the Sponsored REIT Loans.

Sponsored REIT Loans

Since December 2007, the Company has provided 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. Each of the Sponsored REIT Loans is secured by a mortgage on the underlying property and has a term of approximately three years. Advances under each of the Sponsored REIT Loans bear interest at a rate equal to the 30-day LIBOR rate plus an agreed upon amount of basis points and most advances also require a 50 basis point draw fee. The Company also received a $210,000 loan commitment fee at the time of the closing of the construction loan. The Company anticipates that any advances made under the Sponsored REIT Loans will be repaid at their maturity or earlier from long term financing of the underlying properties, cash flows of the underlying properties or some other capital events.

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

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

The following is a summary of the Sponsored REIT Loans outstanding as of September 30, 2009:

(dollars in 000's) Sponsored REIT	Maturity Date	Maximum Amount of Loan	Amount Drawn at 30-Sep-09	Interest Rate (1)	Draw Fee (2)	Rate in Effect at 30-Sep-09
Revolving lines of credit						
FSP Highland Place I Corp.	31-Dec-10	$ 5,500	$ 1,125	L+2%	n/a	2.26%
FSP Satellite Place Corp.	31-Mar-12	5,500	1,302	L+3%	0.5%	3.26%
FSP 1441 Main Street Corp.(a)	31-Mar-12	10,800	1,250	L+3%	0.5%	3.26%
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%	3.26%
Construction loan						
FSP 385 Interlocken Development Corp. (c)	30-Apr-12	42,000	15,987	L+3%	n/a	3.26%
		$ 85,800	$ 23,264			

(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

The Company recognized interest income and fees from the Sponsored REIT Loans of approximately $568,000 and $658,000 for the nine months ended September 30, 2009 and 2008, respectively.

4. Bank note payable and term note payable

As of September 30, 2009, the Company has a bank note payable, which is an unsecured revolving line of credit (the “Revolver”) for advances up to $250 million that matures on August 11, 2011, and a term note payable, which is an unsecured term loan (the “Term Loan”) of $75 million that matures in October 2011 with two one-year extensions available at the Company’s election. The Revolver and the Term Loan are with a group of banks.

The Revolver and Term Loan include restrictions on property liens and require compliance with various financial covenants. Financial covenants include the maintenance of at least $1,500,000 in operating cash accounts, a minimum unencumbered cash and liquid investments balance and tangible net worth, limitations on permitted secured debt and compliance with various debt and operating income ratios, as defined in the loan agreement. The Company was in

compliance with the Revolver and Term Loan financial covenants as of September 30, 2009 and the Revolver at September 30, 2008.

Revolver

The Company's Revolver is an unsecured revolving line of credit with a group of banks that provides for borrowings at our election of up to $250,000,000. The Revolver matures on August 11, 2011. Borrowings under the Revolver bear interest at either the bank's prime rate (3.25% at September 30, 2009) or a rate equal to LIBOR plus 100 basis points (1.25% at September 30, 2009). There were borrowings of $91,008,000 and $67,468,000 at the LIBOR plus 100 basis point rate at a weighted average rate of 1.24% and 2.39% outstanding under the Revolver at September 30, 2009 and December 31, 2008, respectively. The weighted average interest rate on amounts outstanding during the nine months ended September 30, 2009 and 2008 was approximately 1.34% and 3.90%, respectively; and for the year ended December 31, 2008 was approximately 3.61%.

Franklin Street Properties Corp.
Notes to Condensed Consolidated Financial Statements
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4. Bank note payable and term note payable (continued)

The Company has drawn on the Revolver and intends to draw on the Revolver in the future for a variety of corporate purposes, including the funding of interim mortgage loans to Sponsored REITs and the acquisition of properties that it acquires directly for its portfolio.

The Company typically requires mortgage loans to Sponsored REITs to be secured by a first mortgage against the real property owned by the Sponsored REIT. The Company makes these loans to enable a Sponsored REIT to acquire real property prior to the consummation of the offering of its equity interests, and the loan is repaid out of the offering proceeds. The Company also may make secured loans to Sponsored REITs for the purpose of funding construction costs, capital expenditures, leasing costs or for other purposes that the Company anticipates would be repaid at their maturity or earlier from long term financings of the underlying properties, cash flows of the underlying properties or some other capital events.

Term Loan

On October 15, 2008, the Company entered into a $75 million unsecured Term Loan with three banks. Proceeds from the Term Loan were used to reduce the outstanding principal balance on the Revolver. The Term Loan has an initial three-year term that matures on October 15, 2011. In addition, the Company has the right to extend the Term Loan's initial maturity date for up to two successive one-year periods, or until October 15, 2013 if both extensions are exercised. The Term Loan has an interest rate option equal to LIBOR (subject to a 2% floor) plus 200 basis points and a requirement that the Company fix the interest rate for the initial three-year term of the Term Loan pursuant to an interest rate swap agreement which the Company did at an interest rate of 5.84% per annum.

5. Net Income Per Share

Basic net income per share is computed by dividing net income by the weighted average number of Company shares outstanding during the period. Diluted net income per share reflects the potential dilution that could occur if securities or other contracts to issue shares were exercised or converted into shares. There were no potential dilutive shares outstanding at September 30, 2009 and 2008.

6. Financial Instruments: Derivatives and Hedging

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

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

The following table summarizes the notional and fair value of our derivative financial instrument at September 30, 2009. The notional value is an indication of the extent of our involvement in these instruments at that time, but does not represent exposure to credit, interest rate or market risks (dollars in thousands).

	Notional Value	Strike Rate	Effective Date	Expiration Date	Fair Value
Interest Rate Swap	$ 75,000	5.840%	10/2008	10/2011	$ (2,269)

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Franklin Street Properties Corp.
Notes to Condensed Consolidated Financial Statements
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6. Financial Instruments: Derivatives and Hedging (continued)

On September 30, 2009, the derivative instrument was reported as an obligation at its fair value of approximately $2.3 million. This is included in other liabilities: derivative termination value on the condensed consolidated balance sheet at September 30, 2009. Offsetting adjustments are represented as deferred gains or losses in accumulated other comprehensive income of $2.3 million. Over time, the unrealized gains and losses held in accumulated other comprehensive income will be reclassified into earnings as a reduction to interest expense in the same periods in which the hedged interest payments affect earnings. We estimate that approximately $1.1 million of the current balance held in accumulated other comprehensive income will be reclassified into earnings within the next 12 months. We are hedging exposure to variability in future cash flows for forecasted transactions in addition to anticipated future interest payments on existing debt.

Fair Value Measurements

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

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

7. Stockholders' Equity

As of September 30, 2009, the Company had 79,680,705 shares of common stock outstanding.

On September 23, 2009, the Company completed an underwritten public offering of 9.2 million shares of its common stock (including 1.2 million shares issued as a result of the full exercise of an overallotment option by the underwriter) at a price to the public of $13.00 per share. The proceeds from this public offering, net of underwriter discounts and offering costs, totaled approximately $114.7 million (after payment of accrued offering costs of approximately $0.7 million).

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

Quarter Paid	Dividends Per Share		Total Dividends
First quarter of 2009	$	0.19	$13,391
Second quarter of 2009	$	0.19	$13,391
Third quarter of 2009	$	0.19	$13,391
First quarter of 2008	$	0.31	$21,849
Second quarter of 2008	$	0.31	$21,849
Third quarter of 2008	$	0.19	$13,391

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Franklin Street Properties Corp.
Notes to Condensed Consolidated Financial Statements
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8. Business Segments

The Company operates in two business segments: real estate operations (including real estate leasing, making interim acquisition loans and other financing and asset/property management) including discontinued operations and investment banking/investment services (including real estate acquisition, development and broker/dealer services). The Company has identified these segments because this information is the basis upon which management makes decisions regarding resource allocation and performance assessment. The accounting policies of the reportable segments are the same as those described in the "Significant Accounting Policies" in Note 2 to the Company's consolidated financial statements included in its Annual Report on Form 10-K for the year ended December 31, 2008. The Company's operations are located in the United States of America.

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

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

The calculation of FFO by business segment for the three and nine months ended September 30, 2009 and 2008 are shown in the following tables:

Franklin Street Properties Corp.
Notes to Condensed Consolidated Financial Statements
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8. Business Segments (continued)

(in thousands)	Real Estate Operations	Investment Banking/ Investment Services	Total
Three Months Ended March 31, 2009			
Net Income (loss)	$ 8,586	$ (778)	$ 7,808
Equity in income of non-consolidated REITs	(792)	-	(792)
Distributions from non-consolidated REITs	1,615	-	1,615
Depreciation and amortization	8,680	27	8,707
Funds From Operations	$ 18,089	$ (751)	$ 17,338
Three Months Ended June 30, 2009			
Net Income (loss)	$ 5,212	$ (347)	$ 4,865
Equity in income of non-consolidated REITs	(443)	-	(443)
Distributions from non-consolidated REITs	1,523	-	1,523
Acquisition costs	248	-	248
Depreciation and amortization	11,191	25	11,216
Funds From Operations	$ 17,731	$ (322)	$ 17,409
Six Months Ended June 30, 2009			
Net Income (loss)	$ 13,798	$ (1,125)	$ 12,673
Equity in income of non-consolidated REITs	(1,235)	-	(1,235)
Distributions from non-consolidated REITs	3,138	-	3,138
Acquisition costs	248	-	248
Depreciation and amortization	19,871	52	19,923
Funds From Operations	$ 35,820	$ (1,073)	$ 34,747
Three Months Ended September 30, 2009			
Net Income (loss)	$ 7,566	$ (625)	$ 6,941
Equity in income of non-consolidated REITs	(475)	-	(475)
Distributions from non-consolidated REITs	1,119	-	1,119

Acquisition costs		391		-			391	
Depreciation and amortization		9,528		33			9,561	
Funds From Operations	$	18,129	$	(592	)	$	17,537	
Nine Months Ended September 30, 2009								
Net Income (loss)	$	21,364	$	(1,750	)	$	19,614	
Equity in income of non-consolidated REITs		(1,710	)	-			(1,710	)
Distributions from non-consolidated REITs		4,257		-			4,257	
Acquisition costs		639		-			639	
Depreciation and amortization		29,399		85			29,484	
Funds From Operations	$	53,949	$	(1,665	)	$	52,284	

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Franklin Street Properties Corp.
Notes to Condensed Consolidated Financial Statements
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8. Business Segments (continued)

(in thousands)	Real Estate Operations	Investment Banking/ Investment Services	Total
Three Months Ended March 31, 2008			
Net Income (loss)	$ 7,874	$ (488)	$ 7,386
Equity in income of non-consolidated REITs	(793)	-	(793)
Distributions from non-consolidated REITs	546	-	546
Depreciation and amortization	8,464	34	8,498
Funds From Operations	$ 16,091	$ (454)	$ 15,637
Three Months Ended June 30, 2008			
Net Income	$ 7,182	$ 3,352	$ 10,534
Equity in income of non-consolidated REITs	(694)	-	(694)
Distributions from non-consolidated REITs	1,731	-	1,731
Depreciation and amortization	8,677	35	8,712
Funds From Operations	$ 16,896	$ 3,387	$ 20,283
Six Months Ended June 30, 2008			
Net Income	$ 15,056	$ 2,864	$ 17,920
Equity in income of non-consolidated REITs	(1,487)	-	(1,487)
Distributions from non-consolidated REITs	2,277	-	2,277
Depreciation and amortization	17,141	69	17,210
Funds From Operations	$ 32,987	$ 2,933	$ 35,920
Three Months Ended September 30, 2008			
Net Income (loss)	$ 7,672	$ (253)	$ 7,419
Equity in losses of non-consolidated REITs	(679)	-	(679)
Distributions from non-consolidated REITs	1,561	-	1,561
Depreciation and amortization	8,747	37	8,784

Funds From Operations	$	17,301	$	(216)	$	17,085
Nine Months Ended September 30, 2008						
Net Income	$	22,729	$	2,611	$	25,340
Equity in losses of non-consolidated REITs		(2,167)		-		(2,167)
Distributions from non-consolidated REITs		3,838		-		3,838
Depreciation and amortization		25,888		106		25,994
Funds From Operations	$	50,288	$	2,717	$	53,005

Franklin Street Properties Corp.
Notes to Condensed Consolidated Financial Statements
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8. Business Segments (continued)

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

(in thousands)	Real Estate Operations	Investment Banking/ Investment Services	Total
Three Months Ended September 30, 2009			
Revenue	$ 32,091	$ 1	$ 32,092
Interest income	16	-	16
Interest expense	1,744	-	1,744
Capital expenditures	1,818	23	1,841
Nine Months Ended September 30, 2009			
Revenue	$ 92,061	$ 582	$ 92,643
Interest income	85	3	88
Interest expense	4,920	-	4,920
Investment in non-consolidated REITs	93,936	-	93,936
Capital expenditures	6,053	212	6,265
Identifiable assets as of September 30, 2009	$ 1,142,459	$ 3,316	$ 1,145,775
Three Months Ended September 30, 2008			
Revenue	$ 28,320	$ 604	$ 28,924
Interest income	167	10	177
Interest expense	1,108	-	1,108
Capital expenditures	2,407	-	2,407
Nine Months Ended September 30, 2008			
Revenue	$ 83,699	$ 7,372	$ 91,071
Interest income	629	28	657
Interest expense	3,351	-	3,351
Investment in non-consolidated REITs	83,896	-	83,896
Capital expenditures	5,874	-	5,874
Identifiable Assets as of September 30, 2008	$ 991,487	$ 5,573	$ 997,060

Franklin Street Properties Corp.
Notes to Condensed Consolidated Financial Statements
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9. Income Taxes

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

One such restriction is that the Company generally cannot own more than 10% of the voting power or value of the securities of any one issuer unless the issuer is itself a REIT, a taxable REIT subsidiary (“TRS”) or is treated as a disregarded entity for federal income tax puposes. In the case of TRSs, the Company’s ownership of securities in all TRSs generally cannot exceed 25% (20% for taxable years beginning on or before July 30, 2008) of the value of all of the Company’s assets and, when considered together with other non-real estate assets, cannot exceed 25% of the value of all of the Company’s assets. Two subsidiaries, FSP Investments LLC and FSP Protective TRS Corp., became TRSs. As a result, FSP Investments LLC (which is part of the Company’s investment banking/investment services segment) and FSP Protective TRS Corp. operate as taxable corporations under the Code and have accounted for income taxes in accordance with the related accounting pronouncement.

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

The Company’s adopted an accounting pronouncement related to uncertainty in income taxes effective January 1, 2007, which did not result in recording a liability, nor was any accrued interest and penalties recognized with the adoption. Accrued interest and penalties will be recorded as income tax expense, if the Company records a liability in the future. The Company’s effective tax rate was not affected by the adoption. The Company and one or more of its subsidiaries files income tax returns in the U.S. federal jurisdiction and various state jurisdictions. The statute of limitations for the Company’s income tax returns is generally three years and as such, the Company’s returns that remain subject to examination would be primarily from 2005 and thereafter.

The income tax expense reflected in the condensed consolidated statements of income relates only to the TRSs. The expense differs from the amounts computed by applying the federal statutory rate to income before taxes as follows:

	For the Nine Months Ended September 30,	
(in thousands)	2009	2008
Federal income tax benefit	$ (830)	$ (438)
Increase (decrease) in taxes resulting from:		
State income tax benefit, net of federal	(158)	(81)

impact		
Valuation allowance on state tax benefit	158	
Revised Texas franchise tax	186	182
Income tax benefit	$ (644)	$ (337)

Taxes on income are a current tax expense. No deferred income taxes were provided as there were no material temporary differences between the financial reporting basis and the tax basis of the TRSs. During the nine months ended September 30, 2009 and the year ended December 31, 2008, FSP Investments had a federal tax benefit of approximately $830,000 and $736,000, respectively, arising from losses which should be fully utilized by carrying those losses back to tax years 2006 and 2007, and carrying forward a net operating loss of approximately $1,306,000 to future years. For state tax reporting purposes, a valuation allowance of approximately $158,000 and $136,000 was recorded during the nine months ended September 30, 2009 and the three months ended December 31, 2008 to reduce the tax benefit of these losses from FSP Investments due to recent tax legislation in Massachusetts that will most likely hinder the ability to use the loss carry-forward.

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9. Income Taxes (continued)

In May 2006, the State of Texas enacted a business tax (the "Revised Texas Franchise Tax") that replaced its existing franchise tax. The Revised Texas Franchise Tax is a tax at a rate of approximately 0.7% of revenues at Texas properties commencing with 2007 revenues. Some of the Company's leases allow reimbursement by tenants for these amounts because the Revised Texas Franchise Tax replaces a portion of the property tax for school districts. Because the tax base on the Revised Texas Franchise Tax is derived from an income based measure, it is considered an income tax and is accounted for in accordance with the related accounting pronouncement. The Company recorded a provision on its condensed consolidated statements of income taxes of $186,000 and $182,000 for the nine months ended September 30, 2009 and 2008, respectively.

10. Subsequent Events

On October 16, 2009, the Board of Directors of the Company declared a cash distribution of $0.19 per share of common stock payable on November 20, 2009 to stockholders of record on October 30, 2009.

On October 7, 2009, the Company made a $1.8 million advance under its Sponsored REIT Loan to FSP 1441 Main Street LLC and on October 21, 2009, the Company made a $3.2 million advance under its Sponsored REIT Loan to FSP 385 Interlocken LLC.

The Company has evaluated all subsequent events through November 3, 2009, the date the condensed consolidated financial statements were issued.

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

The following discussion should be read in conjunction with the financial statements and notes thereto appearing elsewhere in this report and in our Annual Report on Form 10-K for the year ended December 31, 2008. Historical results and percentage relationships set forth in the condensed consolidated financial statements, including trends which might appear, should not be taken as necessarily indicative of future operations. The following discussion and other parts of this Quarterly Report on Form 10-Q may also contain forward-looking statements based on current judgments and current knowledge of management, which are subject to certain risks, trends and uncertainties that could cause actual results to differ materially from those indicated in such forward-looking statements. Accordingly, readers are cautioned not to place undue reliance on forward-looking statements. Investors are cautioned that our forward-looking statements involve risks and uncertainty, including without limitation, economic conditions in the United States, disruptions in the debt markets, economic conditions in the markets in which we own properties, changes in the demand by investors for investment in Sponsored REITs, risks of a lessening of demand for the types of real estate owned by us, changes in government regulations, and expenditures that cannot be anticipated such as utility rate and usage increases, unanticipated repairs, additional staffing, insurance increases and real estate tax valuation reassessments. See Item 1A. "Risk Factors" below. Although we believe the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. We may not update any of the forward-looking statements after the date this Quarterly Report on Form 10-Q is filed to conform them to actual results or to changes in our expectations that occur after such date, other than as required by law.

Overview

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.

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

Critical Accounting Policies

We have certain critical accounting policies that are subject to judgments and estimates by our management and uncertainties of outcome that affect the application of these policies. We base our estimates on historical experience and on various other assumptions we believe to be reasonable under the circumstances. On an on-going basis, we evaluate our estimates. In the event estimates or assumptions prove to be different from actual results, adjustments are made in subsequent periods to reflect more current information. The accounting policies that we believe are most critical to the understanding of our financial position and results of operations, and that require significant management estimates and judgments, are discussed in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2008.

Critical accounting policies are those that have the most impact on the reporting of our financial condition and results of operations and those requiring significant judgments and estimates. We believe that our judgments and assessments are consistently applied and produce financial information that fairly presents our results of operations. No changes to our critical accounting policies have occurred since the filing of our Annual Report on Form 10-K for the year ended December 31, 2008.

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 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 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 significantly reduced activity in, and lower profit contribution from, these two transactional components of our business, investment banking/investment services and property dispositions. However, since the third quarter of 2008, our real estate operations continued to show steady performance, and we have announced dividends of $0.19 per share of common stock for each quarterly period.

Real Estate Operations

Our real estate portfolio was approximately 90% leased as of September 30, 2009, down from 92% leased as of June 30, 2009. 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 8% of the square footage in our portfolio is scheduled to expire during the remainder of 2009 and 13% is scheduled to expire during 2010. 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.

We own an office property, which we refer to as the Property, located in Glen Allen, Virginia, a suburb of Richmond that includes three buildings containing an aggregate of approximately 297,789 rentable square feet of space. Capital One Services, Inc., which we refer to as CapOne, leased 100% of the Property from us pursuant to a lease, which we

refer to as the CapOne Lease, that expired on October 31, 2009. LandAmerica Financial Group, Inc., which we refer to as LandAm, sublet 100% of the Property from CapOne pursuant to a sublease that also expired on October 31, 2009. Commencing on November 1, 2009, LandAm was scheduled to directly lease 100% of the Property from us pursuant to a lease, which we refer to as the LandAm Lease, that was due to expire on October 31, 2016. On November 26, 2008, LandAm filed a voluntary motion for relief under Chapter 11 of the United States Bankruptcy Code with the United States Bankruptcy Court for the Eastern District of Virginia, Richmond Division, which we refer to as the Bankruptcy Court. On June 19, 2009, LandAm filed a notice of rejection of the LandAm Lease with the Bankruptcy Court. The CapOne Lease remained in effect, and CapOne remained financially obligated to us for all payments of rent due under the CapOne Lease through October 31, 2009. As of November 3, 2009, approximately 64,000 rentable square feet of space had been leased to three different tenants at the Property. We continue to receive expressions of interest in the Property from other potential replacement tenants and continue to be optimistic that our leasing efforts will be successful. However, we cannot predict how long it will take to lease the vacant space or what the terms and conditions of any new lease or leases will be, although we would expect to sign new leases at current market rates which will likely be below the expiring rates.

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 2008 was $57.4 million. Equity raised for Sponsored REIT syndications for the first three quarters of 2009 was insignificant.

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 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 September 30, 2009. The offering is ongoing as of the beginning of the fourth quarter of 2009. In September 2009, we commenced a private placement offering of preferred stock totaling $21 million, none of which had been closed in as of September 30, 2009, in a Sponsored REIT, FSP Lakeside Crossing II Corp., that is expected to own an office property in Maryland Heights, Missouri. This offering is also ongoing as of the beginning of the fourth quarter of 2009.

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 have expressed 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.

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 the fourth quarter of 2009 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.

The following table shows results for the three months ended September 30, 2009 and 2008:

(in thousands)	Three months ended September 30,		
Revenue:	2009	2008	Change
Rental	$ 31,702	$ 27,927	$ 3,775
Related party revenue:			
Syndication fees	-	304	(304)
Transaction fees	1	300	(299)
Management fees and interest income from loans	370	380	(10)
Other	19	13	6
Total revenue	32,092	28,924	3,168
Expenses:			
Real estate operating expenses	7,752	7,159	593
Real estate taxes and insurance	5,364	4,590	774
Depreciation and amortization	8,801	7,666	1,135
Selling, general and administrative	2,243	1,927	316
Commissions	8	208	(200)
Interest	1,744	1,108	636
Total expenses	25,912	22,658	3,254
Income before interest income, equity in earnings in non-consolidated REITs and taxes	6,180	6,266	(86)
Interest income	16	177	(161)
Equity in earnings of non-consolidated REITs	475	679	(204)
Income before taxes	6,671	7,122	(451)
Income tax expense (benefit)	(270)	(297)	27
Net income	$ 6,941	$ 7,419	$ (478)

Comparison of the three months ended September 30, 2009 to the three months ended September 30, 2008:

Revenues

Total revenues increased by $3.2 million to $32.1 million for the quarter ended September 30, 2009, as compared to $28.9 million for the quarter ended September 30, 2008. The increase was primarily a result of:

- An increase in rental revenue of approximately $3.8 million arising primarily from the acquisition of four properties, which were located in Virginia and Missouri that were acquired in December 2008, and in Virginia and Minnesota that were acquired in June 2009, and to a lesser extent, early termination fees of $0.4 million received during the three months ended September 30, 2009.

The increase was partially offset by:

- o A $0.6 million decrease in syndication fees and transaction (loan commitment) fees, which was principally a result of the decrease in gross syndication proceeds for the quarter ended September 30, 2009 compared to the same period in 2008.

Expenses

Total expenses increased by $3.3 million to $25.9 million for the quarter ended September 30, 2009 as compared to the quarter ended September 30, 2008. The increase was primarily a result of:

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- o An increase in real estate operating expenses and real estate taxes and insurance of approximately $1.4 million, and depreciation of $1.1 million, which were primarily from the acquisition of four properties, which were located in Virginia and Missouri that were acquired in December 2008, and in Virginia and Minnesota that were acquired in June 2009.

- o An increase in interest expense of approximately $0.6 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 three months ended September 30, 2009 compared to the three months ended September 30, 2008.

- o An increase in general and administrative expenses of $0.3 million, which was primarily the result of acquisition costs of $0.4 million that were recorded in the three months ended September 30, 2009 related to the acquisition of a property in Virginia completed in September 2009. We had 41 and 40 employees as of September 30, 2009 and 2008, respectively, at our headquarters in Wakefield.

The increase was partially offset by:

- o A decrease in commission expense of $0.2 million, which was principally a result of the decrease in gross syndication proceeds in the three months ended September 30, 2009 as compared to the three months ended September 30, 2008.

Interest income

Interest income decreased $0.2 million to $16,000 during the three months ended September 30, 2009, which was primarily a result of lower average interest rates on invested funds and a lower average balance 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 $0.2 million to $0.5 million compared to $0.7 million during the three months ended September 30, 2009 compared to the same period in 2008. The decrease was primarily due to lower equity in income of the Company's investment in FSP 303 East Wacker Drive Corp., which we refer to as East Wacker.

Taxes on income

Taxes on income was a benefit of $0.3 million in both periods and is primarily due to a taxable loss from the investment banking and investment services business, which was principally a result of lower gross syndication proceeds during the three months ended September 30, 2009 and 2008.

Net income

Net income for the three months ended September 30, 2009 was $6.9 million compared to $7.4 million for the three months ended September 30, 2008, for the reasons described above.

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The following table shows results for the nine months ended September 30, 2009 and 2008:

(in thousands)

	Nine months ended September 30,		
Revenue:	2009	2008	Change
Rental	$ 90,774	$ 82,283	$ 8,491
Related party revenue:			
Syndication fees	39	3,766	(3,727)
Transaction fees	543	3,606	(3,063)
Management fees and interest income from loans	1,232	1,364	(132)
Other	55	52	3
Total revenue	92,643	91,071	1,572
Expenses:			
Real estate operating expenses	22,176	20,973	1,203
Real estate taxes and insurance	14,879	13,375	1,504
Depreciation and amortization	26,940	22,616	4,324
Selling, general and administrative	6,378	6,557	(179)
Commissions	178	2,020	(1,842)
Interest	4,920	3,351	1,569
Total expenses	75,471	68,892	6,579
Income before interest income, equity in earnings (losses) in non-consolidated REITs and taxes	17,172	22,179	(5,007)
Interest income	88	657	(569)
Equity in earnings in non-consolidated REITs	1,710	2,167	(457)
Income before taxes	18,970	25,003	(6,033)
Income tax benefit	(644)	(337)	(307)
Net income	$ 19,614	$ 25,340	$ (5,726)

Comparison of the nine months ended September 30, 2009 to the nine months ended September 30, 2008:

Revenues

Total revenue increased by $1.6 million to $92.6 million for the nine months ended September 30, 2009 compared to the nine months ended September 30, 2008. The increase was primarily a result of:

o An increase to rental revenue of approximately $8.5 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, and the acquisition of two properties located in Virginia and Minnesota that were acquired in June 2009, and early termination fees of $0.8 million received during the nine months ended September 30, 2009.

This increase was partially offset by:

- o A $6.8 million decrease in syndication fees and transaction (loan commitment) fees, which was principally a result of the decrease in gross syndication proceeds for the nine months ended September 30, 2009 compared to the same period in 2008.

- o A decrease in loan interest income of approximately $0.1 million, which was principally a result of lower interest rates charged during the nine months ended September 30, 2009 as compared the nine months ended September 30, 2008, from which interest income is derived. Interest rates charged are primarily based on our borrowing costs, which are at floating rates and were also lower during the periods in 2009 than 2008.

Expenses

Total expenses increased by approximately $6.6 million to $75.5 million for the nine months ended September 30, 2009 compared to the nine months ended September 30, 2008. The increase was primarily a result of:

- An increase in real estate operating expenses and real estate taxes and insurance of approximately $2.7 million, and depreciation and amortization of $4.3 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, and the acquisition of two properties located in Virginia and Minnesota that were acquired in June 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 nine months ended September 30, 2009 compared to the nine months ended September 30, 2008.

These increases were partially offset by:

- A decrease in general and administrative expenses of $0.2 million, which was primarily the result of a net decrease in discretionary and other compensation costs of $0.7 million, which was partially offset by an increase from acquisition costs of $0.6 million that were recorded in the nine months ended September 30, 2009 related to the acquisition of two properties in June 2009 and the acquisition of a property in September 2009. We had 41 and 40 employees as of September 30, 2009 and 2008, respectively, at our headquarters in Wakefield.

- A decrease in commission expense of $1.8 million, which was principally a result of the decrease in gross syndication proceeds in the nine months ended September 30, 2009 compared to the same period in 2008.

Interest income

Interest income decreased $0.6 million to $0.1 million during the nine months ended September 30, 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 $0.5 million to $1.7 million, which was principally a result of our preferred stock investment in East Wacker during the nine months ended September 30, 2009 compared to the same period of 2008.

Taxes on income

Taxes on income decreased approximately $0.3 million to a credit of $0.6 million during the nine months ended September 30, 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.

Net income

Net income for the nine months ended September 30, 2009 was $19.6 million compared to $25.3 million for the nine months ended September 30, 2008, for the reasons described above.

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Liquidity and Capital Resources

Cash and cash equivalents were $26.4 million and $29.2 million at September 30, 2009 and December 31, 2008, respectively. This decrease of $2.8 million is attributable to $51.5 million provided by operating activities less $153.1 million used by investing activities plus $98.8 million provided by financing activities. Management believes that existing cash, cash anticipated to be generated internally by operations, cash anticipated to be generated by the sale of preferred stock in future Sponsored REITs and our existing debt financing will be sufficient to meet working capital requirements and anticipated capital expenditures for at least the next 12 months. Although there is no guarantee that we will be able to obtain the funds necessary for our future growth, we anticipate generating funds from continuing real estate operations and from fees and commissions from the sale of shares in newly formed Sponsored REITs. We believe that we have adequate funds to cover unusual expenses and capital improvements, in addition to normal operating expenses. Our ability to maintain or increase our level of dividends to stockholders, however, depends in significant part upon the level of interest on the part of investors in purchasing shares of Sponsored REITs and the level of rental income from our real properties.

Operating Activities

The cash provided by our operating activities of $51.5 million is primarily attributable to net income of $19.6 million, plus the add-back of $27.2 million of non-cash activities, $4.3 million of distributions from non-consolidated REITs, an increase in accounts payable and accrued liabilities of approximately $3.4 million. These increases were partially offset by increases in tenant rent receivables of $0.2 million, prepaid and other assets of $0.5 million, decreases in security deposits of $0.1 million and payment of leasing commissions of $2.2 million.

Investing Activities

Our cash used for investing activities for the nine months ended September 30, 2009 of $153.1 million is primarily attributable to additions to real estate investments and office equipment of approximately $130.8 million and secured loans made to Sponsored REITs of approximately $22.1 million and an investment in preferred shares of a Sponsored REIT of $13.2 million, which were partially offset by a decrease in assets held for syndication of $13.0 million.

Financing Activities

Our cash provided by financing activities for the nine months ended September 30, 2009 of $98.8 million is primarily attributable to net proceeds from an equity offering of $115.4 million (before payment of accrued offering costs of approximately $0.7 million), net borrowings under our Revolver of $23.5 million and was partially offset by distributions paid to shareholders of $40.2 million.

Revolver

The Revolver is with a group of banks for borrowings at our election of up to $250,000,000 and matures on August 11, 2011. Borrowings under the Revolver bear interest at either the bank's prime rate (3.25% at September 30, 2009) or a rate equal to LIBOR plus 100 basis points (1.25% at September 30, 2009). There were borrowings of $91,008,000 and $67,468,000 at the LIBOR plus 100 basis point rate at a weighted average rate of 1.24% and 2.39% outstanding under the Revolver at September 30, 2009 and December 31, 2008, respectively. The weighted average interest rate on amounts outstanding during the nine months ended September 30, 2009 and 2008 was approximately 1.34% and 3.90%, respectively; and for the year ended December 31, 2008 was approximately 3.61%. As of September 30, 2009, we were in compliance with all bank covenants under the Revolver.

We have drawn on the Revolver, and intend to draw on the Revolver in the future for a variety of corporate purposes, including the funding of interim mortgage loans to Sponsored REITs and the acquisition of properties that we acquire directly for our portfolio. We typically cause mortgage loans to Sponsored REITs to be secured by a first mortgage against the real property owned by the Sponsored REIT. We make these loans to enable a Sponsored REIT to acquire real property prior to the consummation of the offering of its equity interests, and the loan is repaid out of the offering proceeds. We also may make secured loans to Sponsored REITs for the purpose of funding construction costs, capital expenditures, leasing costs or for other purposes that we anticipate will be repaid at their maturity or earlier from long term financings of the underlying properties, cash flows of the underlying properties or some other capital events.

Term Loan

On October 15, 2008, we closed on a $75,000,000 unsecured term loan facility with three banks. Proceeds from the Term Loan were used to reduce the outstanding principal balance on the Revolver. The Term Loan has an initial three-year term that matures on October 15, 2011. In addition, we have the right to extend the initial maturity date for up to two successive one-year periods, or until October 15, 2013 if both extensions are exercised. 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 September 30, 2009, we were in compliance with all bank covenants under the Term Loan.

Equity Securities

On September 23, 2009, we completed an underwritten public offering of 9.2 million shares of our common stock (including 1.2 million shares issued as a result of the full exercise of an overallotment option by the underwriter) at a price to the public of $13.00 per share. The proceeds from this public offering, net of underwriter discounts and offering costs, totaled approximately $114.7 million. We used approximately $74.6 million of the net proceeds of the offering to repay outstanding borrowings under our $250 million Revolver, including an aggregate of approximately $51.6 million drawn down in June 2009 for the acquisition of properties in Eden Prairie, Minnesota and Chantilly, Virginia. FSP Corp. 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 September 30, 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.

Contingencies

From time to time, we may provide financing to Sponsored REITs in the form of a construction loan and/or a revolving line of credit secured by a mortgage. As of September 30, 2009, we were committed to fund up to $85.8 million to six Sponsored REITs under such arrangements for the purpose of funding construction costs, capital expenditures, leasing costs or for other purposes, of which $23.3 million has been drawn and is outstanding. We anticipate that advances made under these facilities will be repaid at their maturity date or earlier from long-term financings of the underlying properties, cash flows from the underlying properties or capital events.

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

Assets Held for Syndication

As of September 30, 2009, we had no assets held for syndication. As of December 31, 2008, we had one asset held for syndication, a property in Kansas City, Missouri, which was completed on May 29, 2009.

Related Party Transactions

On May 15, 2008, we acquired Park Ten Development by merger for a total purchase price of approximately $35.4 million. The acquisition was effected by merging a wholly owned acquisition subsidiary of the Company with and into Park Ten Development. The holders of preferred stock in Park Ten Development received cash consideration of

approximately $127,290 per share.

In September 2009, we commenced the syndication of FSP Lakeside Crossing II Corp., which is still in process as of September 30, 2009. In May 2008, we commenced the syndication of FSP 385 Interlocken Development Corp., which is still in process as of September 30, 2009. During 2007, we commenced the syndication of FSP Grand Boulevard Corp., which was completed May 29, 2009. As part of this syndication, we purchased the final 175.5 preferred shares of its preferred stock for approximately $15 million on May 29, 2009, representing approximately a 27.0% interest.

We typically make interim mortgage loans to Sponsored REITs that enable Sponsored REITs to acquire their respective properties prior to the consummation of the offerings of their equity interests. The interim mortgage loans are subsequently repaid out of offering proceeds. As of September 30, 2009, there were no interim mortgage loans outstanding. From time-to-time we also make secured loans to Sponsored REITs for the purpose of funding construction costs, capital expenditures, leasing costs and for other purposes, which we refer to as the Sponsored REIT Loans. We are typically entitled to interest on the funds that we advance to make interim mortgage loans and the Sponsored REIT Loans.

Sponsored REIT Loans

Since December 2007, we have provided 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. Each of the Sponsored REIT Loans is secured by a mortgage on the underlying property and has a term of approximately three years. Advances under each of the Sponsored REIT Loans bear interest at a rate equal to the 30-day LIBOR rate plus an agreed upon amount of basis points and most advances also require a 50 basis point draw fee. We also received a $210,000 loan commitment fee at the time of the closing of the construction loan. We anticipate that any advances made under the Sponsored REIT Loans will be repaid at their maturity or earlier from long term financing of the underlying properties, cash flows of the underlying properties or some other capital events.

The following is a summary of the Sponsored REIT Loans outstanding as of September 30, 2009:

(dollars in 000's) Sponsored REIT	Maturity Date	Maximum Amount of Loan	Amount Drawn at 30-Sep-09	Interest Rate (1)	Draw Fee (2)	Rate in Effect at 30-Sep-09
Revolving lines of credit						
FSP Highland Place I Corp.	31-Dec-10	$ 5,500	$ 1,125	L+2%	n/a	2.26%
FSP Satellite Place Corp.	31-Mar-12	5,500	1,302	L+3%	0.5%	3.26%
FSP 1441 Main Street Corp.(a)	31-Mar-12	10,800	1,250	L+3%	0.5%	3.26%
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%	3.26%
Construction loan						
FSP 385 Interlocken Development Corp. (c)	30-Apr-12	42,000	15,987	L+3%	n/a	3.26%
		$ 85,800	$ 23,264			

(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

For a discussion of transactions between us and related parties during 2008, see Footnote No. 4 “Related Party Transactions” to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2008.

Other Considerations

We generally pay the ordinary annual operating expenses of our properties from the rental revenue generated by the properties. For the three and nine months ended September 30, 2009 and 2008, the rental income exceeded the expenses for each individual property, with the exception of our property located at Federal Way, Washington and

expenses exceeded income for the three months ended September 30, 2009 at our property located at Southfield, Michigan.

Our property located in Federal Way, Washington had a single tenant lease, which expired September 14, 2006. During 2007 and 2008, we signed leases with three tenants and in May 2009 with another tenant for an aggregate total of approximately 16% of the space, which generated rental income of $87,000 and $246,000 for the three and nine months ended September 30, 2009, and had operating expenses of $130,000 and $400,000 for the three and nine months ended September 30, 2009, respectively. The 2007 and 2008 leases generated rental income of $69,000 and $260,000 for the three and nine months ended September 30, 2008, and had operating expenses of $156,000 and $444,000 for the three and nine months ended September 30, 2008, respectively. We expect the property will not produce revenue to cover its expenses in the fourth quarter of 2009.

Our property located in Southfield, Michigan with approximately 215,000 square feet of rentable space had a lease with a tenant for approximately 138,000 square feet of space that expired on July 31, 2009. The tenant re-leased approximately 83,000 square feet and vacated approximately 55,000 square feet. On September 15, 2009, a lease with a different tenant at the property expired and approximately 17,000 square feet of space was vacated. As a result, for the three months ended September 30, 2009, the leases in place generated rental income of $526,000 and operating expenses of $630,000. We expect the property will not produce revenue to cover its expenses in the fourth quarter of 2009.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market Rate Risk

We are exposed to changes in interest rates primarily from our floating rate borrowing arrangements. We use interest rate derivative instruments to manage exposure to interest rate changes. As of September 30, 2009 and December 31, 2008, if market rates on borrowings under our Revolver increased by 10% at maturity, or approximately 12 and 24 basis points, respectively, over the current variable rate, the increase in interest expense would decrease future earnings and cash flows by $0.1 million and $0.2 million annually. The interest rate on our Revolver as of September 30, 2009 was LIBOR plus 100 basis points. We do not believe that the interest rate risk represented by borrowings under our Revolver is material as of September 30, 2009.

Our Term Loan of $75 million bears interest at a variable rate of LIBOR plus 200 basis points, with a 2% floor on LIBOR, which was fixed at 5.84% per annum for its initial three year term with an interest rate swap agreement, and therefore, the fair value of this instrument is affected by changes in market interest rates. We believe that we have mitigated interest rate risk with respect to the Term Loan through the interest rate swap agreement for the initial three year term of the loan. This interest rate swap agreement was our only derivative instrument as of September 30, 2009.

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. Upon maturity, our future income, cash flows and fair values relevant to financial instruments will be dependent upon the balance then outstanding and prevalent market interest rates.

The table below lists our derivative instrument, which is hedging variable cash flows related to interest on our Term Loan as of September 30, 2009 (in thousands):

	Notional Value	Strike Rate	Effective Date	Expiration Date	Fair Value
Interest Rate Swap	$ 75,000	5.840%	10/2008	10/2011	$ (2,269)

Our Term Loan hedging transaction used a derivative instrument that involves certain additional risks such as counterparty credit risk, the enforceability of hedging contracts and the risk that unanticipated and significant changes in interest rates will cause a significant loss of basis in the contract. The counterparty to our derivative arrangement is RBS Citizens, N.A., which has a Moody’s rating of A2. As a result, we do not anticipate that the counterparty will fail to meet its obligations. However, there can be no assurance that we will be able to adequately protect against the foregoing risks or that we will ultimately realize an economic benefit that exceeds the related amounts incurred in connection with engaging in such hedging strategies.

The Revolver matures in August 2011 and has a variable rate of interest. Upon maturity, our future income, cash flows and fair values relevant to financial instruments will be dependent upon the balance then outstanding and

prevalent market interest rates.

We borrow from time-to-time under the Revolver. These borrowings bear interest at the bank's base rate (3.25% at September 30, 2009) or a 30-day LIBOR plus 100 basis points (1.25% at September 30, 2009), as elected by us when requesting funds. Generally the borrowings are for 30-day LIBOR plus 100 basis points. There were borrowings totaling $91,008,000 and $67,468,000 in the aggregate at the 30-day LIBOR plus 100 basis point rate, representing a weighted average rate of 1.24% and 2.39% outstanding under the Revolver at September 30, 2009 and December 31, 2008, respectively. We have drawn on the Revolver, and intend to draw on the Revolver in the future for a variety of corporate purposes, including the funding of interim mortgage loans to Sponsored REITs and the acquisition of properties that we acquire directly for our portfolio. Generally interim mortgage loans bear interest at the same variable rate payable by us under our line of credit. As of September 30, 2009, there were no interim mortgage loans outstanding. We also may draw on the Revolver to fund our Sponsored REIT Loans. Information about our Sponsored REIT Loans as of September 30, 2009 is incorporated herein by reference to "Part I. - Item 2. – Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources – Sponsored REIT Loans".

The following table presents as of September 30, 2009 our contractual variable rate borrowings under our Revolver, which matures on August 11, 2011, and under our Term Loan, which matures on October 15, 2011. Under the Term Loan 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

	Payment due by period (in thousands)						
	Total	2009	2010	2011	2012	2013	2014
Revolver (1)	$ 91,008	$ -	$ -	$ 91,008	$ -	$ -	$ -
Term Loan	75,000	-	150	74,850	-	-	-
Total	$ 166,008	$ -	$ 150	$ 165,858	$ -	$ -	$ -

(1) The Revolver maturity is in 2011, however borrowings made thereunder are with 30-Day LIBOR advances, which are due or can be renewed at maturity.

Item 4. Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2009. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of September 30, 2009, our chief executive officer and chief financial officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting

No change in our internal control over financial reporting occurred during the quarter ended September 30, 2009 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

There were no material changes to the risk factors disclosed in Part I, "Item 1A. Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2008, except (i) for the update set forth below and (ii) to the extent previously updated or to the extent additional factual information disclosed elsewhere in this Quarterly Report on Form 10-Q relates to such risk factors. In addition to the update below and the other information set forth in this report, you should carefully consider the risk factors discussed in the Annual Report on Form 10-K, which could materially affect our business, financial condition or future results. The risks described below and in our Annual Report on Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

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.

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

Use of Proceeds from Public Offering of Common Stock

On September 23, 2009, Franklin Street Properties Corp., or FSP Corp., completed an underwritten public offering of 9.2 million shares of its common stock (including 1.2 million shares issued as a result of the full exercise of an overallotment option by the underwriter) at a price to the public of $13.00 per share, or an aggregate offering price of $119.6 million. The offer and sales of the shares in the offering were registered under the Securities Act of 1933 pursuant to an automatic shelf registration statement on Form S-3 (File No. 333-158898), which became effective upon its filing with the Securities and Exchange Commission on April 29, 2009 and which registered an indeterminate amount of common stock. The offering commenced on September 17, 2009 and did not terminate before all of the securities offered were sold. Robert W. Baird & Co. Incorporated acted as sole book-running manager of the offering.

FSP Corp. raised approximately $114.7 million in the offering, after deducting underwriting discounts and commissions of $3.6 million and other estimated offering costs of $1.3 million. No payments were made by FSP Corp. to its directors, officers or persons owning ten percent or more of its common stock or to their associates, or to FSP Corp.'s affiliates. FSP Corp. used approximately $74.6 million of the net proceeds of the offering to repay outstanding borrowings under its $250 million unsecured revolving line of credit, 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. FSP Corp. used the remaining proceeds to fund a portion of the purchase price of a property in Falls Church, Virginia in September 2009.

Issuer Purchases of Equity Securities

The following table provides information about purchases by Franklin Street Properties Corp. during the quarter ended September 30, 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)
07/01/09-07/31/09	0	N/A	0	$31,240,465
08/01/09-08/31/09	0	N/A	0	$31,240,465
09/01/09-09/30/09	0	N/A	0	$31,240,465
Total:	0	N/A	0	$31,240,465

(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. The Board of Directors increased the repurchase authorization to up to $50 million of the Company's common stock (inclusive of all repurchases previously made under the plan). The repurchase authorization expired on November 1, 2009.

Item 3. Defaults Upon Senior Securities

None.

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

None.

Item 5. Other Information

None.

Item 6. Exhibits

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

SIGNATURES

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

FRANKLIN STREET PROPERTIES CORP.

Date	Signature	Title
Date: November 3, 2009	/s/ George J. Carter George J. Carter	Chief Executive Officer and Director (Principal Executive Officer)
Date: November 3, 2009	/s/ John G. Demeritt John G. Demeritt	Chief Financial Officer (Principal Financial Officer)

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EXHIBIT INDEX

Exhibit No.	Description
3.1 (1)	Articles of Incorporation.
3.2 (2)	Amended and Restated By-laws.
10.1 (3)	Underwriting Agreement dated September 17, 2009 by and between FSP Corp. and Robert W. Baird & Co. Incorporated.
31.1*	Certification of FSP Corp.'s President and Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of FSP Corp.'s Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of FSP Corp.'s President and Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of FSP Corp.'s Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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

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

(3) Incorporated by reference to FSP Corp.'s Current Report on Form 8-K, filed on September 23, 2009 (File No. 001-32470).

* Filed herewith.