FRANKLIN STREET PROPERTIES CORP /MA/
Form 8-K
August 30, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 8-K

CURRENT REPORT PURSUANT
TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported) August 30, 2004

Franklin Street Properties Corp.
(formerly known as Franklin Street Partners Limited Partnership)

(Exact Name of Registrant as Specified in Its Charter)

Maryland

(State or Other Jurisdiction of Incorporation)

000-32615	04-3578653
(Commission File Number)	(IRS Employer Identification No.)

401 Edgewater Place, Suite 200, Wakefield, MA	01880-6210
(Address of Principal Executive Offices)	(Zip Code)

(781) 557-1300

(Registrant's Telephone Number, Including Area Code)

Not Applicable

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

|_| Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

|_| Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

|_| Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

|_| Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 Results of Operations and Financial Condition

On August 13, 2004, Franklin Street Properties Corp. ("FSP Corp." or the "Registrant"), a Maryland corporation, four wholly-owned acquisition subsidiaries of FSP Corp., each a Delaware corporation (the "Acquisition Subs"), and four real estate investment trusts, each a Delaware corporation (the "Target REITs"), entered into an Agreement and Plan of Merger (the "Merger Agreement"), providing for (i) FSP Corp.'s acquisition of each of the Target REITs by merging each Target REIT into a related Acquisition Sub, resulting in the Acquisition Sub being the surviving corporation and (ii) the issuance of approximately 10,894,994 shares of FSP Corp. Common Stock as consideration in connection with the mergers. Upon consummation of the mergers, the holders of the preferred stock of the preferred stock of the Target REITs will become stockholders of FSP Corp.

Pursuant to the requirements of Rule 3-14 of Regulation S-X, this Current Report on Form 8-K includes a Statement of Revenues over Certain Operating Expenses for FSP Addison Circle Corp., FSP Collins Crossing Corp., FSP Montague Business Center Corp., and FSP Royal Ridge Corp. for the six months ended June 30, 2004 (unaudited) and for the three years ended December 31, 2003 or, in the case of FSP Royal Ridge Corp., for the two years ended December 31, 2003, as well as pro forma financial information for FSP Corp. and the acquisition of 13 real estate investment trusts completed by FSP Corp. in June 2003. Because changes will likely occur in occupancy, rents and expenses experienced by the Target REITs and because the merger may not be completed, the historical financial statements and pro forma financial data presented should not be considered as a projection of future results.

In connection with the mergers, the Registrant is hereby filing as part of this Current Report on Form 8-K the financial statements and pro forma financial statements set forth below under Item 9.01.

Upon consummation of the mergers, the Registrant expects to file a Current Report under Item 2.01 of Form 8-K, "Completion of Acquisition or Disposition of Assets," reporting the information required to be set forth therein.

FORWARD LOOKING STATEMENTS

THIS FORM 8-K CONTAINS FORWARD LOOKING STATEMENTS WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 AND THE FEDERAL SECURITIES LAWS. THESE FORWARD LOOKING STATEMENTS ARE BASED UPON FSP CORP.'S CURRENT BELIEFS AND EXPECTATIONS, BUT THEY ARE NOT GUARANTEED. FOR EXAMPLE, THE REVENUE IN EXCESS OF OPERATING EXPENSES MAY BE LESS THAN CURRENTLY EXPECTED DUE TO CHANGING MARKET CONDITIONS, INCREASED EXPENSES OR FOR OTHER REASONS. ALSO, VARIOUS CLOSING CONDITIONS UNDER THE MERGER AGREEMENTS MAY NOT BE SATISFIED AND THE ACQUISITION MAY NOT BE COMPLETED. INVESTORS ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE UPON FORWARD LOOKING STATEMENTS.

Item 9.01 Financial Statements and Exhibits.

(a) Financial Statements Under Rule 3-14 of Regulation S-X

Statements of revenue over certain operating expenses for FSP Addison Circle Corp.

(c) Exhibits

23.1 Consent of Braver and Company, P.C.

SIGNATURE

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 hereunto duly authorized.

Date: August 30, 2004

REGISTRANT

FRANKLIN STREET PROPERTIES CORP.

By: /s/ George J. Carter

George J. Carter
President and Chief Executive Officer

FSP ADDISON CIRCLE CORP
JUNE 30, 2004 AND 2003

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FSP ADDISON CIRCLE CORP.
STATEMENTS OF REVENUE OVER CERTAIN OPERATING EXPENSES
SIX MONTHS ENDED JUNE 30, 2004 AND 2003
(unaudited)

	2004	2003
Revenue		
Rental income	$4,720,305	$4,332,624
	4,720,305	4,332,624
Certain operating expenses		
Taxes and insurance	682,882	626,066
Management fees	110,572	109,520
Administrative	24,829	50,793
Operating and maintenance	669,470	708,688
	1,487,753	1,495,067
Excess of revenue over certain operating expenses	$3,232,552	$2,837,557

The accompanying notes are an integral part of these financial statements

FSP ADDISON CIRCLE CORP.
NOTES ACCOMPANYING THE STATEMENTS OF REVENUE OVER CERTAIN OPERATING EXPENSES
(unaudited)

1. DESCRIPTION OF THE PROPERTY:

The accompanying statements of revenue over certain operating expenses (the "Statements") include the operations of a recently constructed ten-story Class "A" suburban office tower containing approximately 293,787 rentable square feet located on approximately 3.62 acres of land in

Addison, Dallas County, Texas (the "Property"). The subject property was purchased by Champion Addison One, LP as a vacant tract of land on November 11, 1997. On September 30, 2002, Champion Addison One, LP sold the property to FSP Addison Circle Corp. (the "Company").

2. BASIS OF ACCOUNTING:

The accompanying Statements have been prepared on the accrual basis of accounting. The Statements have been prepared in accordance with Rule 3-14 of Regulation S-X of the Securities and Exchange Commission for real estate properties acquired or to be acquired. Accordingly, these Statements exclude certain historical expenses not comparable to the operations of the Property after acquisition such as amortization, depreciation, interest, corporate expenses and certain other costs not directly related to the future operations of the Property.

3. USE OF ESTIMATES:

The preparation of the Statements in conformity with the basis of accounting described in Note 2 requires management to make estimates and assumptions that affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

4. CONCENTRATIONS OF RISKS:

For the six months ended June 30, 2004 and 2003, rental income was received from various lessees. As such, future receipts are dependent upon the financial strength of the lessees and their ability to perform under the lease agreements.

5. LEASES:

The Company, as lessor, has minimum future rentals due under a noncancellable operating leases as follows:

Year Ending December 31,	Amount
2004	$ 3,342,000
2005	6,636,000
2006	5,698,000
2007	3,101,000
2008	2,369,000
Thereafter	943,000
	$ 22,089,000

In addition, the lessees are liable for real estate taxes and operating expenses as direct expenses to the lessees.

FSP ADDISON CIRCLE CORP.
DECEMBER 31, 2003, 2002, AND 2001

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[LETTERHEAD OF BRAVER AND COMPANY, P.C.]

INDEPENDENT AUDITORS' REPORT

To the Stockholders
FSP Addison Circle Corp.

We have audited the accompanying statements of revenue over certain operating expenses (the "Statements") of FSP Addison Circle Corp. for the years ended December 31, 2003, 2002, and 2001. These Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these Statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the Statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Statements' presentation. We believe that our audits provide a reasonable basis for our opinion.

The accompanying Statements were prepared to comply with the requirements of Rule 3-14 of Regulation S-X of the Securities and Exchange Commission, and exclude certain expenses described in Note 2, and therefore, are not intended to be a complete presentation of the Property's revenue and expenses.

In our opinion, these Statements referred to above presents fairly, in all material respects, the revenue over certain operating expenses (as described in Note 2), of FSP Addison Circle Corp. for the years ended December 31, 2003, 2002, and 2001, in conformity with the basis of accounting described in Note 2.

/s/ Braver and Company, P.C
Newton, Massachusetts
February 28, 2004

FSP ADDISON CIRCLE CORP.
STATEMENTS OF REVENUE OVER CERTAIN OPERATING EXPENSES

YEARS ENDED DECEMBER 31, 2003, 2002, AND 2001

	2003	2002	2001
	(3)	(2)	(1)
REVENUE			
Rental income	$8,579,509	$8,679,187	$8,353,790
CERTAIN OPERATING EXPENSES (Note 2):			
Taxes and insurance	1,354,203	1,257,727	1,195,547
Management fees	216,292	158,765	135,923
Administrative	339,180	592,811	446,024
Operating and maintenance	1,227,418	880,036	905,373
	3,137,093	2,889,339	2,682,867
Excess of revenue over certain operating expenses	$5,442,416	$5,789,848	$5,670,923

Property Owner:
3 - FSP Addison Circle Corp
2 - January 1, 2002 to September 29, 2002 - Champion Addison One, LP
September 30, 2002 to December 31, 2002 - FSP Addison Circle Corp.
1 - Champion Addison One, LP

The accompanying notes are an integral part of these financial statements

FSP ADDISON CIRCLE CORP.
NOTES ACCOMPANYING THE STATEMENTS OF REVENUE OVER CERTAIN OPERATING EXPENSES

1. DESCRIPTION OF THE PROPERTY:

The accompanying statements of revenue over certain operating expenses (the "Statements") include the operations of a recently constructed ten-story Class "A" suburban office tower containing approximately 293,787 rentable square feet located on approximately 3.62 acres of land in Addison, Dallas County, Texas (the "Property"). The subject property was purchased by Champion Addison One, LP as a vacant tract of land on November 11, 1997. On September 30, 2002, Champion Addison One, LP sold the property to FSP Addison Circle Corp. (the "Company").

2. BASIS OF ACCOUNTING:

The accompanying Statements have been prepared on the accrual basis of accounting. The Statements have been prepared in accordance with Rule 3-14 of Regulation S-X of the Securities and Exchange Commission for real estate properties acquired or to be acquired. Accordingly, these Statements exclude certain historical expenses not comparable to the operations of the Property after acquisition such as amortization, depreciation, interest, corporate expenses and certain other costs not directly related to the future operations of the Property.

3. REVENUE RECOGNITION:

Rental revenue includes income from leases, certain reimbursable expenses, straight-line rent adjustments and other income associated with renting the property. A summary of rental revenue is shown in the following table:

	Year Ended December 31, 2003	2002	2001
Income from leases	$7,152,563	$7,230,163	$7,168,574
Straight-line rent adjustment	321,385	358,091	293,420
Reimbursable expenses	1,080,115	1,092,574	887,543
Other income	25,446	1,359	4,253
Total	$8,579,509	$8,682,187	$8,353,790

The Company has retained substantially all of the risks and benefits of the property and accounts for its leases as operating leases. Rental income from leases, which include rent concessions (including free rent and tenant improvement allowances) and scheduled increases in rental rates during the lease term, is recognized on a straight-line basis. The Company does not have any percentage rent arrangements with its tenants. Reimbursable costs are included in rental income in the period earned.

4. USE OF ESTIMATES:

The preparation of the Statements in conformity with the basis of accounting described in Note 2 requires management to make estimates and assumptions that affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

5. CONCENTRATIONS OF RISKS:

For the years ended December 31, 2003, 2002, and 2001, rental income was received from various lessees. As such, future receipts are dependent upon the financial strength of the lessees and their ability to perform under the lease agreements.

FSP ADDISON CIRCLE CORP.
NOTES ACCOMPANYING THE STATEMENTS OF REVENUE OVER CERTAIN OPERATING EXPENSES

6. LEASES:

The Company, as lessor, has minimum future rentals due under a noncancellable operating leases as follows:

Year Ending
December 31, Amount

2004	$ 6,684,000
2005	6,636,000
2006	5,698,000
2007	3,101,000
2008	2,369,000
Thereafter	943,000
	$ 25,431,000

In addition, the lessees are liable for real estate taxes and operating expenses as direct expenses to the lessees.

7. ALLOCATION:

Allocation of the statements of revenue over certain operating expenses by property owner, is as follows:

	For the period January 1, 2002 to September 29, 2002	For the period September 30, 2002 to December 31, 2002	Total 2002
Revenue			
Rental income	$6,577,352	$2,101,835	$8,679,187
	6,577,352	2,101,835	8,679,187
Certain operating expenses			
Taxes and insurance	930,968	326,759	1,257,727
Management fees	105,094	53,671	158,765
Administrative	512,993	79,818	592,811
Operating and maintenance	649,685	230,351	880,036
	2,198,740	690,599	2,889,339
Excess of revenue over certain operating expenses	$4,378,612	$1,411,236	$5,789,848

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FSP ADDISON CIRCLE CORP.
NOTES ACCOMPANYING THE STATEMENTS OF REVENUE OVER CERTAIN OPERATING EXPENSES

8. CASH DISTRIBUTION:

The Company declared and paid dividends as follows:

Years	Cash Dividends	Taxable Income / per share	Return of Capital / per share
2003	$ 4,628,950	$ 6,145	$ 1,133
2002	N/A	N/A	N/A
2001	N/A	N/A	N/A

FSP COLLINS CROSSING CORP.
JUNE 30, 2004 AND 2003

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FSP COLLINS CROSSING CORP.
STATEMENTS OF REVENUE OVER CERTAIN OPERATING EXPENSES
SIX MONTHS ENDED JUNE 30, 2004 AND 2003
(unaudited)

	2004	2003 (1)
Revenue		
Rental income	$3,923,538	$2,568,934
	3,923,538	2,568,934
Certain operating expenses		
Taxes and insurance	477,650	340,783
Management fees	112,653	74,103
Administrative	11,754	9,648
Operating and maintenance	784,669	410,658
	1,386,726	835,192
Excess of revenue over certain operating expenses	$2,536,812	$1,733,742

Property owner:

1 - March 3, 2003 to December 31, 2003 - FSP Collins Crossing Corp.
1 - January 1, 2003 to March 2, 2003 - Collins Crossing Limited Partnership

The accompanying notes are an integral part of these financial statements

FSP COLLINS CROSSING CORP.
NOTES ACCOMPANYING THE STATEMENTS OF REVENUE OVER CERTAIN OPERATING EXPENSES
(unaudited)

1. DESCRIPTION OF THE PROPERTY:

The accompanying statements of revenue over certain operating expenses (the "Statements") include the operations of a commercial building located in Dallas County, Texas (the "Property"). The Property is an eleven-story Class "A" institutional quality suburban office tower containing approximately 298,766 square feet of rentable space. The Property was owned by Collins Crossing Limited Partnership and sold to FSP Collins Crossing Corp. (the "Company") on March 3, 2003.

2. BASIS OF ACCOUNTING:

The accompanying Statement have been prepared on the accrual basis of accounting. The Statements have been prepared in accordance with Rule 3-14 of Regulation S-X of the Securities and Exchange Commission for real estate properties acquired or to be acquired. Accordingly, these Statements exclude certain historical expenses not comparable to the operations of the Property after acquisition such as amortization, depreciation, interest, corporate expenses and certain other costs not directly related to future operations of the Property.

3. USE OF ESTIMATES:

The preparation of the Statements in conformity with the basis of accounting described in Note 2 requires management to make estimates and assumptions that affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

4. CONCENTRATIONS OF RISKS:

For the six months ended June 30, 2004 and 2003, rental income was from three lessees. As such, future receipts are dependent upon the financial strength of these lessees and their ability to perform under the lease agreements.

5. LEASES:

The Company, as lessor, has minimum future rentals due under noncancellable operating leases as follows:

Year Ending December 31,	Amount
2004	$ 3,351,000
2005	6,947,000

2006	6,036,000
2007	5,811,000
2008	5,811,000
Thereafter	8,688,000
	$ 36,644,000

In addition, the lessees are liable for real estate taxes and operating expenses as direct expenses to the lessees.

FSP COLLINS CROSSING CORP.
DECEMBER 31, 2003, 2002 AND 2001

CONTENTS

[LETTERHEAD OF BRAVER AND COMPANY, P.C.]

INDEPENDENT AUDITORS' REPORT

To the Stockholders
FSP Collins Crossing Corp.

We have audited the accompanying statements of revenue over certain operating expenses (the "Statements") of FSP Collins Crossing Corp. for the years ended December 31, 2003, 2002 and 2001. These Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these Statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the Statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Statements' presentation. We believe that our audits provide a reasonable basis for our opinion.

The accompanying Statements were prepared to comply with the requirements of Rule 3-14 of Regulation S-X of the Securities and Exchange Commission, and exclude certain expenses described in Note 2 and, therefore, are not intended to be a complete presentation of the Property's revenue and expenses.

In our opinion, these Statements referred to above present fairly, in all material respects, the revenue over certain operating expenses (as described in Note 2), of FSP Collins Crossing Corp. for the years ended December 31, 2003, 2002 and 2001, in conformity with the basis of accounting described in Note 2.

/s/ Braver and Company, P.C.
Newton, Massachusetts
February 28, 2004

FSP COLLINS CROSSING CORP.
STATEMENTS OF REVENUE OVER CERTAIN OPERATING EXPENSES
YEARS ENDED DECEMBER 31, 2003, 2002, AND 2001

	2003	2002	2001
	(3)	(2)	(1)
Revenue			
Rental income	$7,810,887	$7,719,461	$7,231,817
	7,810,887	7,719,461	7,231,817
Certain operating expenses			
Taxes and insurance	916,353	906,803	1,080,465
Management fees	211,726	148,990	136,467
Administrative	102,130	64,208	59,948
Operating and maintenance	1,392,632	1,165,129	1,320,489
	2,622,841	2,285,130	2,597,369
Excess of revenue over certain operating expenses	$5,188,046	$5,434,331	$4,634,447

Property Owner:
3 - March 3, 2003 to December 31, 2003 - FSP Collins Crossing Corp.
3 - January 1, 2003 to March 2, 2003 - Collins Crossing Limited Partnership
2 - Collins Crossing Limited Partnership
1 - Collins Crossing Limited Partnership

The accompanying notes are an integral part of these financial statements

FSP COLLINS CROSSING CORP.

NOTES ACCOMPANYING THE STATEMENTS OF REVENUE OVER CERTAIN OPERATING EXPENSES

1. DESCRIPTION OF THE PROPERTY:

The accompanying statements of revenue over certain operating expenses (the "Statements") include the operations of a commercial building located in Dallas County, Texas (the "Property"). The Property is an eleven-story Class "A" institutional quality suburban office tower containing approximately 298,766 square feet of rentable space. The Property was owned by Collins Crossing Limited Partnership and sold to FSP Collins Crossing Corp. (the "Company") on March 3, 2003.

2. BASIS OF ACCOUNTING:

The Statements have been prepared on the accrual basis of accounting. The Statements have been prepared in accordance with Rule 3-14 of Regulation S-X of the Securities and Exchange Commission for real estate properties acquired or to be acquired. Accordingly, these Statements exclude certain historical expenses not comparable to the operations of the Property after acquisition such as amortization, depreciation, interest, corporate expenses and certain other costs not directly related to future operations of the Property.

3. REVENUE RECOGNITION:

Rental revenue includes income from leases, certain reimbursable expenses, and straight-line rent adjustments associated with renting the property.

	Year Ended December 31, 2003	2002	2001
Income from leases	$6,822,916	$6,747,319	$6,415,650
Straight-line rent adjustment	332,181	294,140	252,620
Reimbursable expenses	655,790	678,002	563,547
Total	$7,810,887	$7,719,461	$7,231,817

The Company has retained substantially all of the risks and benefits of the Property and accounts for its leases as operating leases. Rental income from leases, which includes rent concessions (including free rent and tenant improvement allowances) and scheduled increases in rental rates during the lease term, is recognized on a straight-line basis. The Company does not have any percentage rent arrangements with its tenants. Reimbursable costs are included in rental income in the period earned.

4. USE OF ESTIMATES:

The preparation of the Statements in conformity with the basis of accounting described in Note 2 requires management to make estimates and assumptions that affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

5. CONCENTRATIONS OF RISKS:

For the years ended December 31, 2003, 2002, and 2001, rental income was from three lessees. As such, future receipts are dependent upon the financial strength of these lessees and their ability to perform under the lease agreements.

FSP COLLINS CROSSING CORP.
NOTES ACCOMPANYING THE STATEMENTS OF REVENUE OVER CERTAIN OPERATING EXPENSES

6. LEASES:

The Company, as lessor, has minimum future rentals due under noncancellable operating leases as follows:

Year Ending December 31,	Amount
2004	$ 6,701,000
2005	6,947,000
2006	6,036,000
2007	5,811,000
2008	5,811,000
Thereafter	8,688,000
	$ 39,994,000

In addition, the lessees are liable for real estate taxes and operating expenses as direct expenses to the lessees.

7. ALLOCATION:

Allocation of the statements of revenue over certain operating expenses by Property owner, is as follows:

	For the period January 1, 2003 to March 2, 2003	For the period March 3, 2003 to December 31, 2003	Total 2003
Revenue			
Rental income	$1,347,445	$6,463,442	$7,810,887
	1,347,445	6,463,442	7,810,887
Certain operating expenses			
Taxes and insurance	156,372	759,981	916,353
Management fees	24,885	186,841	211,726
Administrative	18,688	83,442	102,130
Operating and maintenance	275,996	1,116,636	1,392,632
	475,941	2,146,900	2,622,841

Excess of revenue over certain operating expenses	$ 871,504	$4,316,542	$5,188,046

FSP COLLINS CROSSING CORP.
NOTES ACCOMPANYING THE STATEMENTS OF REVENUE OVER CERTAIN OPERATING EXPENSES

8. CASH DISTRIBUTION:

The Company declared and paid dividends as follows:

Years	Cash Dividends	Taxable Income / per share	Return of Capital / per share
2003	$ 2,018,218	$	$ 3,636
2002	N/A	N/A	N/A
2001	N/A	N/A	N/A

FSP MONTAGUE BUSINESS CENTER CORP.
JUNE 30, 2004 AND 2003

CONTENTS

FSP MONTAGUE BUSINESS CENTER CORP.
STATEMENTS OF REVENUE OVER CERTAIN OPERATING EXPENSES
SIX MONTHS ENDED JUNE 30, 2004 AND 2003
(unaudited)

	2004	2003
Revenue		
Rental income	$2,295,842	$2,429,337
	2,295,842	2,429,337

Certain operating expenses		
Taxes and insurance	139,807	172,551
Management fees	68,104	67,955
Administrative	6,827	20,708
Operating and maintenance	55,920	85,432
	270,658	346,646
Excess of revenue over certain operating expenses	$2,025,184	$2,082,691

The accompanying notes are an integral part of these financial statements

FSP MONTAGUE BUSINESS CENTER CORP.
NOTES ACCOMPANYING THE STATEMENTS OF REVENUE OVER CERTAIN OPERATING EXPENSES
(unaudited)

1. DESCRIPTION OF THE PROPERTY:

The accompanying statements of revenue over certain operating expenses (the "Statements") include the operations of a commercial building located in San Jose, California (the "Property"). The Property consists of two adjacent single-story Class "A" suburban office buildings containing 145,951 square feet located on 9.95 acres of land. The Property was owned by Teacher's Insurance and Annuity Association of America and TlAA Realty, Inc. and sold to FSP Montague Business Center Corp (the "Company") on August 27, 2002.

2. BASIS OF ACCOUNTING:

The accompanying statements have been prepared on the accrual basis of accounting. The Statements have been prepared in accordance with Rule 3-14 of Regulation S-X of the Securities and Exchange Commission for real estate properties acquired or to be acquired. Accordingly, these Statements exclude certain historical expenses not comparable to the operations of the Property after acquisition such as amortization, depreciation, interest, corporate expenses and certain other costs not directly related to future operations of the Property.

3. USE OF ESTIMATES:

The preparation of the Statements in conformity with the basis of accounting described in Note 2 requires management to make estimates and assumptions that affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

4. CONCENTRATIONS OF RISKS:

For the six months ended June 30, 2004, and 2003, rental income was from various lessees. As such, future receipts are dependent upon the financial strength of the lessees and their ability to perform under the lease agreements.

5. LEASES:

The Company, as lessor, has minimum future rentals due under noncancellable operating leases as follows:

Year Ending December 31,	Amount
2004	$ 1,991,000
2005	4,174,000
2006	4,390,000
	$ 10,555,000

In addition, the lessees are liable for real estate taxes and operating expenses as direct expenses to the lessees.

FSP MONTAGUE BUSINESS
CENTER CORP.
DECEMBER 31, 2003, 2002 AND 2001

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[LETTERHEAD OF BRAVER AND COMPANY, P.C.]

INDEPENDENT AUDITORS' REPORT

To the Stockholders
FSP Montague Business Center Corp.

We have audited the accompanying statements of revenue over certain operating expenses (the "Statement") of FSP Montague Business Center Corp. for the years ended December 31, 2003, 2002 and 2001. These Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these Statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the Statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Statements' presentation. We believe that our audits provide a reasonable basis for our opinion.

The accompanying Statements were prepared to comply with the requirements of Rule 3-14 of Regulation S-X of the Securities and Exchange Commission, and exclude certain expenses described in Note 2 and, therefore, are not intended to be a complete presentation of the Property's revenue and expenses.

In our opinion, these Statements referred to above present fairly, in all material respects, the revenue over certain operating expenses (as described in Note 2) of FSP Montague Business Center Corp. for the years ended December 31, 2003, 2002 and 2001, in conformity with the basis of accounting described in Note 2.

/s/ Braver and Company, P.C.
Newton, Massachusetts
February 28, 2004

FSP MONTAGUE BUSINESS CENTER CORP.
STATEMENTS OF REVENUE OVER CERTAIN OPERATING EXPENSES
YEARS ENDED DECEMBER 31, 2003, 2002, AND 2001

	2003	2002	2001
	(3)	(2)	(1)
Revenue:			
Rental income	$4,807,583	$4,362,159	$3,822,325
	4,807,583	4,362,159	3,822,325
Certain operating expenses (Note 2):			
Taxes and insurance	338,516	200,690	223,859
Management fees	136,176	85,731	81,426
Administrative	34,697	35,803	4,169
Operating and maintenance	143,863	90,070	115,926
	653,252	412,294	425,380
Excess of revenue over certain operating expenses	$4,154,331	$3,949,865	$3,396,945

========== ========== ==========

Property Owner:
3 - FSP Montague Business Center Corp.
2 - January 1, 2002 to August 26, 2002 - Teachers Insurance and Annuity Association of America August 27, 2002 to December 31, 2002 - FSP Montague Business Center Corp.
1 - Teachers Insurance and Annuity Association of America

The accompanying notes are an integral part of these financial statements

FSP MONTAGUE BUSINESS CENTER CORP.
NOTES ACCOMPANYING THE STATEMENTS OF REVENUE OVER CERTAIN OPERATING EXPENSES

1. DESCRIPTION OF THE PROPERTY:

The accompanying statements of revenue over certain operating expenses (the "Statements") include the operations of a commercial building located in San Jose, California (the "Property"). The Property consists of two adjacent single-story Class "A" suburban office buildings containing 145,951 square feet located on 9.95 acres of land. The Property was owned by Teacher's Insurance and Annuity Association of America and TIAA Realty, Inc. and sold to FSP Montague Business Center Corp (the "Company") on August 27, 2002.

2. BASIS OF ACCOUNTING:

The accompanying statements have been prepared on the accrual basis of accounting. The Statements have been prepared in accordance with Rule 3-14 of Regulation S-X of the Securities and Exchange Commission for real estate properties acquired or to be acquired. Accordingly, these Statements exclude certain historical expenses not comparable to the operations of the Property after acquisition such as amortization, depreciation, interest, corporate expenses and certain other costs not directly related to future operations of the Property.

3. REVENUE RECOGNITION:

Rental revenue includes income from leases, certain reimbursable expenses, straight-line rent adjustments and other income associated with renting the property. A summary of rental revenue is shown in the following table:

	Year Ended December 31, 2003	2002	2001
Income from leases	$3,788,888	$3,472,106	$2,731,934
Straight-line rent adjustment	262,263	375,540	679,196
Reimbursable expenses	745,269	503,350	411,195
Other income	11,163	11,163	--
Total	$4,807,583	$4,362,159	$3,822,325

The Company has retained substantially all of the risks and benefits of the Property and accounts for its leases as operating leases. Rental income from leases, which includes rent concessions (including free rent and tenant improvement allowances) and scheduled increases in rental rates during the lease term, is recognized on a straight-line basis. The Company does not have any percentage rent arrangements with its tenants. Reimbursable costs are included in rental income in the period earned.

4. USE OF ESTIMATES:

The preparation of the Statements in conformity with the basis of accounting described in Note 2 requires management to make estimates and assumptions that affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

5. CONCENTRATIONS OF RISKS:

For the years ended December 31, 2003, 2002, and 2001, rental income was from various lessees. As such, future receipts are dependent upon the financial strength of the lessees and their ability to perform under the lease agreements.

FSP MONTAGUE BUSINESS CENTER CORP.
NOTES ACCOMPANYING THE STATEMENTS OF REVENUE OVER CERTAIN OPERATING EXPENSES

6. LEASES:

The Company, as lessor, has minimum future rentals due under noncancellable operating leases as follows:

Year Ending December 31,	Amount
2004	$ 3,982,000
2005	4,174,000
2006	4,390,000
	$ 12,546,000

In addition, the lessees are liable for real estate taxes and operating expenses as direct expenses to the lessees.

7. ALLOCATION:

Allocation of the statements of revenue over certain operating expenses by Property owner, is as follows:

	For the period January 1, 2002 to August 26, 2002	For the period August 27, 2002 to December 31, 2002	Total 2002

Revenue			
Rental income	$2,772,694	$1,589,465	$4,362,159
	2,772,694	1,589,465	4,362,159
Certain operating expenses			
Taxes and insurance	117,594	83,096	200,690
Management fees	44,055	41,676	85,731
Administrative	11,095	24,708	35,803
Operating and maintenance	60,751	29,319	90,070
	233,495	178,799	412,294
Excess of revenue over certain operating expenses	$2,539,199	$1,410,666	$3,949,865

FSP MONTAGUE BUSINESS CENTER CORP.
NOTES ACCOMPANYING THE STATEMENTS OF REVENUE OVER CERTAIN OPERATING EXPENSES

8. CASH DISTRIBUTION:

The Company declared and paid dividends as follows:

Years	Cash Dividends	Taxable Income / per share	Return of Capital / per share
2003	$ 3,713,746	$ 11,119	$ --
2002	287,490		861
2001	N/A	N/A	N/A

FSP ROYAL RIDGE CORP.
JUNE 30, 2004 AND 2003

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FSP ROYAL RIDGE CORP.
STATEMENTS OF REVENUE OVER CERTAIN OPERATING EXPENSES
SIX MONTHS ENDED JUNE 30, 2004 AND 2003
(unaudited)

	2004	2003 (1)
Revenue		
Rental income	$1,749,600	$590,491
	1,749,600	590,491
Certain operating expenses		
Taxes and insurance	163,900	147,830
Management fees	68,027	5,509
Administrative	9,361	2,035
Operating and maintenance	329,538	265,656
	570,826	421,030
Excess of revenue over certain operating expenses	$1,178,774	$169,461

Property Owner:
1 - January 1, 2003, to January 29, 2003 - CK Royal 400, LLC
1 - January 30, 2003, to December 31, 2003 - FSP Royal Ridge Corp.

The accompanying notes are an integral part of these financial statements

FSP ROYAL RIDGE CORP.
NOTES ACCOMPANYING THE STATEMENTS OF REVENUE OVER CERTAIN OPERATING EXPENSES
(unaudited)

1. DESCRIPTION OF THE PROPERTY:

The accompanying statements of revenue over certain operating expenses (the "Statements") include the operations of a commercial building located in Alpharetta, Georgia (the "Property"). The Property is a recently constructed six-story Class "A" institutional quality suburban office tower containing approximately 161,366 square feet of rentable space completed in December 2001. The Property was owned by CK Royal 400, LLC and sold to FSP Royal Ridge Corp. (the "Company") on January 30, 2003.

2. BASIS OF ACCOUNTING:

The accompanying Statement have been prepared on the accrual basis of accounting. The Statements have been prepared in accordance with Rule 3-14 of Regulation S-X of the Securities and Exchange Commission for real estate properties acquired or to be acquired. Accordingly, these Statements exclude certain historical expenses not comparable to the operations of the Property after acquisition such as amortization, depreciation, interest, corporate expenses and certain other costs not directly related to future operations of the Property.

3. USE OF ESTIMATES:

The preparation of the Statements in conformity with the basis of accounting described in Note 2 requires management to make estimates and assumptions that affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

4. CONCENTRATIONS OF RISKS:

For the six months ended June 30, 2004, and 2003, rental income was received from three lessees. As such, future receipts are dependent upon the financial strength of these lessees and their ability to perform under the lease agreements.

5. LEASES:

The Company, as lessor, has minimum future rentals due under noncancellable operating leases as follows:

Year Ending December 31,	Amount
2004	$ 1,012,000
2005	2,040,000
2006	2,071,000
2007	2,123,000
2008	2,176,000
Thereafter	6,750,000
	$ 16,172,000

In addition, the lessees are liable for real estate taxes and operating expenses as direct expenses to the lessees.

FSP ROYAL RIDGE CORP.
DECEMBER 31, 2003 AND 2002

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[LETTERHEAD OF BRAVER AND COMPANY, P.C.]

INDEPENDENT AUDITORS' REPORT

To the Stockholders
FSP Royal Ridge Corp.

We have audited the accompanying statements of revenue over certain operating expenses (the "Statements") of FSP Royal Ridge Corp. for the years ended December 31, 2003 and 2002. These Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these Statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the Statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Statements' presentation. We believe that our audits provide a reasonable basis for our opinion.

The accompanying Statements were prepared to comply with the requirements of Rule 3-14 of Regulation S-X of the Securities and Exchange Commission, and exclude certain expenses described in Note 2 and, therefore, are not intended to be a complete presentation of the Property's revenue and expenses.

In our opinion, these Statements referred to above present fairly, in all material respects, the revenue over certain operating expenses (as described in Note 2) of FSP Royal Ridge Corp. for the years ended December 31, 2003 and 2002, in conformity with the basis of accounting described in Note 2.

/s/ Braver and Company, P.C.
Newton, Massachusetts
February 28, 2004

FSP ROYAL RIDGE CORP.
STATEMENTS OF REVENUE OVER CERTAIN OPERATING EXPENSES
YEARS ENDED DECEMBER 31, 2003 AND 2002

	2003	2002
	(2)	(1)
Revenue		
Rental income	$2,693,318	$ 3,084

	2,693,318	3,084
Certain operating expenses		
Taxes and insurance	273,948	184,096
Management fees	73,071	33,212
Administrative	108,814	62,264
Operating and maintenance	649,604	526,358
	1,105,437	805,930
Excess of revenue (deficit) over certain operating expenses	$1,587,881	$(802,846)

Property Owner:
2 - January 1, 2003, to January 29, 2003 - CK Royal 400, LLC
2 - January 30, 2003, to December 31, 2003 - FSP Royal Ridge Corp.
1 - CK Royal 400, LLC

The accompanying notes are an integral part of these financial statements

FSP ROYAL RIDGE CORP.
NOTES ACCOMPANYING THE STATEMENTS OF REVENUE OVER CERTAIN OPERATING EXPENSES

1. DESCRIPTION OF THE PROPERTY:

The accompanying statements of revenue over certain operating expenses (the "Statements") include the operations of a commercial building located in Alpharetta, Georgia (the "Property"). The Property is a recently constructed six-story Class "A" institutional quality suburban office tower containing approximately 161,366 square feet of rentable space completed in December 2001. The Property was owned by CK Royal 400, LLC and sold to FSP Royal Ridge Corp. (the "Company") on January 30, 2003.

2. BASIS OF ACCOUNTING:

The accompanying Statement have been prepared on the accrual basis of accounting. The Statements have been prepared in accordance with Rule 3-14 of Regulation S-X of the Securities and Exchange Commission for real estate properties acquired or to be acquired. Accordingly, these Statements exclude certain historical expenses not comparable to the operations of the Property after acquisition such as amortization, depreciation, interest, corporate expenses and certain other costs not directly related to future operations of the Property.

3. REVENUE RECOGNITION:

Rental revenue includes income from leases, certain reimbursable expenses, and straight-line rent adjustments associated with renting the property. A summary of rental revenue is shown in the following table:

Year Ended December 31,

	2003	2002
Income from leases	$1,152,591	$ --
Straight-line rent adjustment	954,172	--
Reimbursable expenses	586,555	3,084
Total	$2,693,318	$ 3,084

The Company has retained substantially all of the risks and benefits of the Property and accounts for its leases as operating leases. Rental income from leases, which includes rent concessions (including free rent and tenant improvement allowances) and scheduled increases in rental rates during the lease term, is recognized on a straight-line basis. The Company does not have any percentage rent arrangements with its tenants. Reimbursable costs are included in rental income in the period earned.

4. USE OF ESTIMATES:

The preparation of the Statements in conformity with the basis of accounting described in Note 2 requires management to make estimates and assumptions that affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

5. CONCENTRATIONS OF RISKS:

For the years ended December 31, 2003, and 2002, rental income was received from three lessees. As such, future receipts are dependent upon the financial strength of these lessees and their ability to perform under the lease agreements.

6. LEASES:

The Company, as lessor, has minimum future rentals due under noncancellable operating leases as follows:

Year Ending December 31,	Amount
2004	$ 2,198,000
2005	2,040,000
2006	2,071,000
2007	2,123,000
2008	2,176,000
Thereafter	6,750,000
	$ 17,358,000

In addition, the lessees are liable for real estate taxes and operating expenses as direct expenses to the lessees.

7. ALLOCATION:

Allocation of the statements of revenue over certain operating expenses by Property owner, is as follows:

	For the period January 1, 2003 to January 29, 2003	For the period January 30, 2003 to December 31, 2003	Total 2003
Revenue			
Rental income	$ 1,195	$ 2,692,123	$ 2,693,318
	1,195	2,692,123	2,693,318
Certain operating expenses			
Taxes and insurance	19,046	254,902	273,948
Management fees	2,652	70,419	73,071
Administrative	4,736	104,078	108,814
Operating and maintenance	87,616	561,988	649,604
	114,050	991,387	1,105,437
(Deficit) excess of revenue over certain operating expenses	$ (112,855)	$ 1,700,736	$ 1,587,881

FSP ROYAL RIDGE CORP.
NOTES ACCOMPANYING THE STATEMENTS OF REVENUE OVER CERTAIN OPERATING EXPENSES

8. CASH DISTRIBUTION:

The Company declared and paid dividends as follows:

Years	Cash Dividends	Taxable Income / per share	Return of Capital / per share
2003	$ 1,375,196	$	$ 4,623
2002	N/A	N/A	N/A

FSP Corp. Unaudited Condensed Consolidated Pro Forma Financial Statements

Overview

The following unaudited pro forma financial information has been prepared based upon certain pro forma adjustments to the historical consolidated financial statements of FSP Corp. The pro forma consolidated balance sheets have been presented as if the mergers occurred as of June 30, 2004. The pro forma consolidated statements of income for the six months ended June 30, 2004 and for the year ended December 31, 2003 and the consolidated pro forma statements of cash flow for the six months ended June 30, 2004 and December 31, 2003 are presented as if the mergers occurred at the beginning of the period presented.

The unaudited pro forma consolidated financial statement data are not necessarily indicative of what the company's actual financial position or results of operations would have been as of the date or for the period indicated, nor do they purport to represent the company's financial position or results of operations as of or for any future period. The unaudited pro forma consolidated financial statement data should be read in conjunction with the financial statements and pro forma financial statements included in this Form 8-K, and FSP Corp.'s Annual Report on Form 10-K for the year ended December 31, 2003 and FSP Corp.'s Quarterly Report on Form 10-Q for the quarterly period ending June 30, 2004.

Franklin Street Properties Corp.
Condensed Consolidated Pro Forma Balance Sheets
June 30, 2004
(Unaudited)

(in thousands)	Historical (FSP Corp.)	Purchase of Target REITs	Adjustm
Assets:			
Real estate assets, net	$ 444,508	$ 135,185(d)	$ 500
Acquired favorable leases, net	--	9,571(d)	--
Acquired lease origination costs, net	6,898	4,319(d)	--
Cash and cash equivalents	59,000	6,664(d)	(500
Restricted cash	1,028	--	--
Tenant rents receivable, net	630	--	--

Straight line rents receivable, net	4,941	--	--
Prepaid expenses	1,007	--	--
Investment in non-consolidated REITs	4,301	--	--
Deferred leasing commissions, net	1,082	--	--
Office computers and equipment, net	431	--	--
Total assets	$ 523,826	$ 155,739	$ --
Liabilities and stockholders' equity			
Liabilities:			
Accounts payable and accrued expenses	$ 7,982	$ --	$ --
Accrued compensation	1,817	--	--
Tenant security deposits	1,028	--	--
Total liabilities	10,827	--	--
Stockholders' equity			
Preferred Stock	--	--	--
Common Stock	5	1(i)	--
Additional paid-- in capital	512,813	155,738(i)	--
Retained earnings (distributions in excess of earnings)	(225)	--	--
Accumulated undistributed net realized gain on sale of properties	406	--	--
Total stockholders' equity	512,999	155,739	--
Total liabilities and stockholders' equity	$ 523,826	$ 155,739	$ --

See accompanying notes to condensed consolidated pro forma financial statements.

Franklin Street Properties Corp.
Condensed Consolidated Pro Forma Statements of Income
For the six months ended
June 30, 2004
(Unaudited)

(in thousands, except per share amounts)	Historical (FSP Corp.)	Target REITs (l)	Adjustments
Revenue:			
Rental income	$ 35,067	$12,690	$ (1,080)(d)
Syndication fees	8,448	--	--
Transaction fees	8,742	--	--

Sponsored REIT income	2,334	--	--
Other	742	--	(118)(e)
Total revenue	55,333	12,690	(1,198)
Expenses:			
Real estate operating expenses	6,771	2,252	(118)(e)
Real estate taxes and insurance	4,567	1,465	--
Depreciation and amortization	6,697	--	1,500(e) 465(e)
Sponsored REIT expenses	1,678	--	--
Selling, general and administrative	3,132	--	420(b)
Commissions	4,287	--	--
Shares issued as compensation	162	--	--
Interest	517	--	--
Total expenses	27,811	3,717	2,267
Income(loss) before interest, taxes and discontinued operations,	27,522	8,973	(3,465)
Interest income	349	--	--
Taxes on income (a)(b)	(976)	--	--
Net income	$ 26,895	$ 8,973	$ (3,465)
Weighted average shares outstanding, basic and diluted	49,627	--	10,895(i)
Net income per share basic and diluted	$ 0.54	$ --	$ --

See accompanying notes to condensed consolidated pro forma financial statements.

Franklin Street Properties Corp.
Condensed Consolidated Pro Forma Statements of Income
For the year ended
December 31, 2003
(Unaudited)

(in thousands, except per share amounts)	Historical (FSP Corp.)	Target REITs (m)	2003 Merger (Pro Forma) Adjustment (j)
Revenue:			
Rental income	$49,789	$23,890	$15,204
Syndication fees	14,631	--	--

Transaction fees	14,745	--	--
Sponsored REIT income	3,452	--	--
Other	1,151	--	--
Total revenue	83,768	23,890	15,204
Expenses:			
Real estate operating expenses	10,425	4,635	3,997
Real estate taxes and insurance	6,264	2,883	2,667
Depreciation and amortization	9,265	--	3,298
Sponsored REIT expenses	2,620	--	--
Selling, general and administrative	5,711	--	--
Commissions	7,291	--	--
Interest	1,036	--	--
Total expenses	42,612	7,518	9,962
Income (loss) before interest, taxes, discontinued operations and gain on sales of properties	41,156	16,372	5,242
Interest income	367	--	117
Taxes on income (a)(b)	(1,700)	--	--
Income from discontinued operations	195	--	--
Gain on sale of properties, net of tax	6,362	--	--
Net income	$46,380	$16,372	$ 5,359
Weighted average shares outstanding, basic and diluted	39,214	--	10,416(j)
Basic and diluted net income per share	$ 1.18	$ --	$ --

See accompanying notes to condensed consolidated pro forma financial statements.

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Franklin Street Properties Corp.
NOTES TO CONDENSED CONSOLIDATED PRO FORMA FINANCIAL STATEMENTS
(Unaudited)

Basis of Presentation

The following unaudited pro forma condensed consolidated financial statement presentation has been prepared based upon certain pro forma adjustments to the historical consolidated financial statements of FSP Corp. The pro forma balance sheets are presented as if the mergers occurred as of June 30, 2004. The pro forma statements of income are presented as if the mergers occurred as of the beginning of the period.

The mergers will be treated as a purchase of assets and each Target REIT's assets and liabilities will be recorded on FSP Corp.'s books at their fair value as of the effective date of the mergers.

PRO FORMA ADJUSTMENTS

Certain assumptions regarding the operations of FSP Corp. have been made in connection with the preparation of the pro forma condensed consolidated financial information. These assumptions are as follows:

(a) FSP Corp. and each of the Target REITs have elected to be, and are qualified as, a real estate investment trust for federal income tax purposes. Each entity has met the various required tests; therefore, no provision for federal or state income taxes have been reflected on real estate operations.

(b) FSP Corp. has subsidiaries which are not in the business of real estate operations. Those subsidiaries are taxable as real estate investment trust subsidiaries (each, a "TRS") and are subject to income taxes at regular tax rates. The taxes on income shown in the pro forma statements of operations are the taxes on income incurred by the TRS. There are no material items that would cause a deferred tax asset or a deferred tax liability.

(c) The costs of the mergers to FSP Corp. are estimated at $500,000 and are reflected as paid as of June 30, 2004 and are capitalized to the assets acquired.

(d) The cost of the property (including capitalized merger costs of $500,000) has been allocated to real estate investments, acquired lease origination costs and acquired favorable leases. Acquired lease origination costs represent the value associated with acquiring an in-place lease (i.e. the market cost to execute a similar lease, including leasing commission, legal, vacancy and other related costs). Acquired favorable leases represents the value associated with a lease which has a rental stream with above market rates. The value assigned to buildings land and to leases approximates their fair value.

The following schedule shows the allocation of the aggregate cost of the properties based upon appraised values. Depreciation and amortization for the Target REITs is based on a preliminary allocation of the purchase price to real estate investments and to the leases acquired. The allocation is subject to change as additional information is obtained. An increase in the allocation to lease origination costs will result in an increase in amortization expense. For each $1,000,000 increase in lease origination costs, the related pro forma amortization expense will increase by approximately $200,000 per year.

(in thousands) Asset Category	Amount	Life (years)	Depreciation and Amortiz for the Six months ended June 30, 2004	for Year December
Land	$ 18,707	N/A	$ --	$
Buildings and improvements	116,978	39	1,500	
Real estate investments	135,685		1,500	
Acquired lease origination costs	4,319	3 - 6	465	
Acquired favorable leases	9,571	3 - 6	1,080	
Total lease costs	13,890		1,545	
Total	$ 149,575		$ 3,045	$

In addition to real estate assets, FSP Corp. is also acquiring approximately $6,664,000 in cash from the Target REITs. Other assets and liabilities, net, are expected to be immaterial at the effective date of the mergers.

(e) Management fees charged by FSP Corp. to the Target REITs have been eliminated from revenue and expenses as follows.

Six Months Ended June 30, 2004	Year Ended December 31, 2003
$ 118,000	$ 204,000

Franklin Street Properties Corp.
NOTES TO CONDENSED CONSOLIDATED PRO FORMA FINANCIAL STATEMENTS
(Unaudited)

(f) Interest of $273,000 charged by FSP Corp. on loans to the two Target REITs syndicated in 2003 has been eliminated from revenue and expenses. See footnote (g) for additional interest expense incurred during syndications.

(g) Income and expenses directly related to the syndication of two Target REITs in 2003 have been eliminated. A summary of these items is as follows:

Revenue directly related to the syndication of two Target REITs in 2003 that is included in FSP Corp.'s financial statements as follows:

Loan origination fees	$ 4,902,000	
Other organization costs	656,000	
Total transaction fees		$ 5,558,000

Syndication fees, gross	$ 6,820,000	
Syndication fees, rebates	(1,417,000)	
Total syndication fees, net		5,403,000
Total revenue adjustment		$ 10,961,000

The two Target REITs have accounted for these fees in their financial statements as follows:

Interest expense	$ 4,902,000
Real estate acquisition costs	656,000
	$ 5,558,000
Gross syndication fees recorded as an offset to additional paid-in capital	$ 6,820,000

In connection with the syndication of the two Target REITs in 2003, FSP Corp. incurred direct expenses of $264,000 relating to interest expense that is eliminated in the pro forma statement of income.

(h) Represents the elimination of FSP Corp's proportionate share of Sponsored REIT revenue and expense while the Target REITs were being syndicated by FSP Corp.

(in thousands)	Six Months Ended June 30, 2004	Year Ended December 31, 2003
Sponsored REIT revenue	$ --	$ 1,468
Sponsored REIT expenses	--	1,208
	$ --	$ 260

Franklin Street Properties Corp.
NOTES TO CONDENSED CONSOLIDATED PRO FORMA FINANCIAL STATEMENTS
(Unaudited)

(i) Approximately 10,894,994 million shares of FSP common stock, par value of $0.0001 per share, will be issued in exchange for the 1822.5 outstanding shares of Target REIT preferred Stock in connection with the mergers.

(j) Represents the revenue and expenses of the 13 sponsored REITs acquired by FSP Corp. for the period January 1, 2003 to May 31, 2003, the date of acquisition.

(unadudited) (in thousands)	For the period January 1, 2003 to May 31, 2003

Revenue	$ 15,204
Real estate operating expenses	(3,997)
Real estate taxes and insurance	(2,667)
Deprciation and amortization	(3,298)
Interest income	117
Net income	$ 5,359

Weighted average shares outstanding are adjusted by approximately 10,416,000 shares which is the impact of the shares assumed to be issued on January 1, 2003.

(k) The following table summarizes the assets acquired from the Target REITs as of June 30, 2004.

(in thousands)

	Montague	Addison Circle	Royal Ridge	Collins Crossing
Assets:				
Real estate, cost (1)	$ 20,000	$ 54,500	$ 26,075	$ 48,500
Cash	2,035	1,677	967	1,985
Other assets and liabilities, net	--	--	--	--
Total assets acquired	$ 22,035	$ 56,177	$ 27,042	$ 50,485

(1) Cost of property at appraised value including land, buildings and acquired leases.

Franklin Street Properties Corp.
NOTES TO CONDENSED CONSOLIDATED PRO FORMA FINANCIAL STATEMENTS
(Unaudited)

(l) The following information represents the historical revenue and certain operating expenses of the Target REITs for the six months ended June 30, 2004.

(in thousands)

	Montague	Addison Circle	Royal Ridge	Collins Crossing
Revenue:				
Rental	$ 2,296	$ 4,720	$ 1,750	$ 3,924
Total Revenue	2,296	4,720	1,750	3,924
Expenses:				

Rental operating expenses	131	805	407	909
Real estate taxes and insurance	140	683	164	478
Total expenses	271	1,488	571	1,387
Net income	$ 2,025	$ 3,232	$ 1,179	$ 2,537

(m) The following information represents the historical revenue and certain operating expenses for the Target REITs for the year ended December 31, 2003.

(in thousands)

	Montague	Addison Circle	Royal Ridge	Collins Crossing
Revenue:				
Rental	$ 4,807	$ 8,579	$ 2,693	$ 7,811
Total Revenue	4,807	8,579	2,693	7,811
Expenses:				
Rental operating expenses	314	1,783	831	1,707
Real estate taxes and insurance	339	1,354	274	916
Total expenses	653	3,137	1,105	2,623
Net income	$ 4,154	$ 5,442	$ 1,588	$ 5,188