

Edgar Filing: FRANKLIN STREET PROPERTIES CORP /MA/ - Form 10-Q

FRANKLIN STREET PROPERTIES CORP /MA/
Form 10-Q
July 31, 2007

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

FORM 10 - Q

(Mark One)

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

For the quarterly period ended June 30, 2007.

OR

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

For the transition period from _____ to _____.

Commission File Number: 001-32470

Franklin Street Properties Corp.

(Exact name of registrant as specified in its charter)

Maryland

04-3578653

(State or other jurisdiction of
incorporation or organization)

(IRS Employer Identification Number)

401 Edgewater Place, Suite 200
Wakefield, MA 01880-6210

(Address of principal executive offices) (Zip Code)

(781) 557-1300

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year,
if changed since last report)

Indicate by check mark whether the registrant: (1) has filed all reports
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of
1934 during the preceding 12 months (or for such shorter period that the
registrant was required to file such reports), and (2) has been subject to such
filing requirements for the past 90 days.

YES

NO

Indicate by check mark whether the registrant is a large accelerated filer, an
accelerated filer, or a non-accelerated filer. See definition of "accelerated

Edgar Filing: FRANKLIN STREET PROPERTIES CORP /MA/ - Form 10-Q

filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer

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

YES NO

The number of shares of common stock outstanding as of July 31, 2007 was 70,766,305.

Franklin Street Properties Corp.

Form 10-Q

Quarterly Report
June 30, 2007

Table of Contents

Part I. Financial Information	Page

Item 1. Financial Statements	
Consolidated Balance Sheets as of June 30, 2007 and December 31, 2006.....	3
Consolidated Statements of Income for the three and six months ended June 30, 2007 and 2006.....	4
Consolidated Statements of Cash Flows for the six months ended June 30, 2007 and 2006.....	5-6
Notes to Consolidated Financial Statements.....	7-17
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.....	18-28
Item 3. Quantitative and Qualitative Disclosures About Market Risk.....	28
Item 4. Controls and Procedures.....	28
Part II. Other Information	
Item 1. Legal Proceedings.....	29
Item 1A. Risk Factors.....	29
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.....	29
Item 3. Defaults Upon Senior Securities.....	29
Item 4. Submission of Matters to a Vote of Security Holders....	30

Edgar Filing: FRANKLIN STREET PROPERTIES CORP /MA/ - Form 10-Q

Item 5. Other Information.....	30
Item 6. Exhibits.....	30
Signatures	31

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Franklin Street Properties Corp.
Consolidated Balance Sheets
(Unaudited)

(in thousands, except share and par value amounts)	June 30, 2007	December 31, 2006
=====		
Assets:		
Real estate assets:		
Land	\$ 99,849	\$ 95,849
Buildings and improvements	748,757	688,757
Fixtures and equipment	61	61
	-----	-----
	848,667	783,667
Less accumulated depreciation	43,632	33,632
	-----	-----
Real estate assets, net	805,035	750,035
Acquired real estate leases, less accumulated amortization of \$25,890 and \$20,345, respectively	39,998	40,998
Investment in non-consolidated REITs	4,959	5,959
Assets held for syndication, net	77,645	77,645
Assets held for sale	8,938	62,938
Cash and cash equivalents	107,600	69,600
Certificate of deposit	--	5,000
Restricted cash	682	682
Tenant rent receivables, less allowance for doubtful accounts of \$355 and \$433, respectively	2,106	2,106
Straight-line rent receivable, less allowance for doubtful accounts of \$163 and \$163, respectively	6,288	4,288
Prepaid expenses	917	917
Deposits on real estate assets	--	5,000
Other assets	294	1,294
Office computers and furniture, net of accumulated depreciation of \$912 and \$851, respectively	360	360
Deferred leasing commissions, net of accumulated amortization of \$1,935, and \$1,313, respectively	8,428	7,428
	-----	-----
Total assets	\$ 1,063,250	\$ 955,250
=====		
Liabilities and Stockholders' Equity:		
Liabilities:		
Bank note payable	\$ 119,750	\$ 119,750
Accounts payable and accrued expenses	15,648	25,648
Accrued compensation	917	2,917
Tenant security deposits	1,783	1,783
Acquired unfavorable real estate leases, less accumulated amortization of \$852, and \$534, respectively	4,857	3,857

Edgar Filing: FRANKLIN STREET PROPERTIES CORP /MA/ - Form 10-Q

Total liabilities	142,955	33
Commitments and contingencies		
Stockholders' Equity:		
Preferred stock, \$.0001 par value, 20,000,000 shares authorized, none issued or outstanding	--	
Common stock, \$.0001 par value, 180,000,000 shares authorized, 70,766,305 and 70,766,305 shares issued and outstanding, respectively	7	
Additional paid-in capital	907,794	907
Treasury stock, 731,898 and 731,898 shares at cost, respectively	(14,008)	(14)
Earnings in excess of accumulated earnings/distributions	26,502	28
Total stockholders' equity	920,295	921
Total liabilities and stockholders' equity	\$ 1,063,250	\$ 955

See accompanying notes to consolidated financial statements

3

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

	For the Three Months Ended June 30,		For the Six Months Ended June
(in thousands, except per share amounts)	2007	2006	2007
Revenue:			
Rental	\$ 23,201	\$17,940	\$ 48,606
Related party revenue:			
Syndication fees	3,448	3,505	6,403
Transaction fees	3,761	3,469	6,842
Management fees and interest income from loans	1,862	698	3,679
Other	9	1	47
Total revenue	32,281	25,613	65,577
Expenses:			
Real estate operating expenses	5,771	4,110	12,076
Real estate taxes and insurance	4,039	2,993	8,327
Depreciation and amortization	6,889	4,782	14,172
Selling, general and administrative	2,000	1,954	3,888
Commissions	1,754	1,809	3,313
Interest	1,622	546	4,298
Total expenses	22,075	16,194	46,074

Edgar Filing: FRANKLIN STREET PROPERTIES CORP /MA/ - Form 10-Q

Income before interest income, equity in earnings (deficit) of non-consolidated REITs and taxes on income	10,206	9,419	19,503
Interest income	560	756	1,213
Equity in earnings (deficit) of non-consolidated REITs	(142)	156	(758)

Income before taxes on income	10,624	10,331	19,958
Income tax expense	373	347	613

Income from continuing operations	10,251	9,984	19,345
Income from discontinued operations	635	2,385	1,273
Gain on sale of assets	21,590	28,108	21,590

Net income	\$ 32,476	\$40,477	\$ 42,208
=====			
Weighted average number of shares outstanding, basic and diluted	70,766	67,149	70,766
=====			
Earnings per share, basic and diluted, attributable to:			
Continuing operations	\$ 0.14	\$ 0.15	\$ 0.27
Discontinued operations	0.01	0.03	0.02
Gains on sales of assets	0.31	0.42	0.31

Net income per share, basic and diluted	\$ 0.46	\$ 0.60	\$ 0.60
=====			

See accompanying notes to consolidated financial statements

4

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

	For the Six Months Ended June 30,	
(in thousands)	2007	2006

Cash flows from operating activities:		
Net income	\$ 42,208	\$ 53,600
Adjustments to reconcile net income to net cash provided by operating activities:		
(Gains) on assets sold	(21,590)	(28,108)
Depreciation and amortization expense	14,938	11,400
Amortization of above market lease	2,569	3,200
Equity in (earnings) deficit from non-consolidated REITs	725	(400)
Distributions from non-consolidated REITs	723	600
Changes in operating assets and liabilities:		
Restricted cash	79	
Tenant rent receivables, net	334	800
Straight-line rents, net	(2,049)	

Edgar Filing: FRANKLIN STREET PROPERTIES CORP /MA/ - Form 10-Q

Prepaid expenses and other assets, net	861	1,2
Accounts payable and accrued expenses	(2,074)	(1,2
Accrued compensation	(1,726)	(5
Tenant security deposits	39	1
Payment of deferred leasing commissions	(2,669)	(2,7

Net cash provided by operating activities	32,368	38,0

Cash flows from investing activities:		
Cash acquired through issuance of common stock in merger transaction	--	13,8
Purchase of real estate assets, office computers and furniture, capitalized merger costs	(72,416)	(108,2
Merger costs paid	--	(8
Purchase of acquired favorable and unfavorable leases	(3,726)	(5,1
Investment in non-consolidated REITs	(9)	(
Investment in certificate of deposit	5,143	
Investment in assets held for syndication, net	(74,420)	(9,5
Proceeds received on sales of real estate assets	74,812	87,7

Net cash used for investing activities	(70,616)	(22,1

Cash flows from financing activities:		
Distributions to stockholders	(43,875)	(37,0
Offering costs	--	(1
Borrowings under bank note payable, net	119,750	9,1

Net cash provided by (used for) financing activities	75,875	(28,0

Net increase (decrease) in cash and cash equivalents	37,627	(12,1
Cash and cash equivalents, beginning of period	69,973	69,7

Cash and cash equivalents, end of period	\$ 107,600	\$ 57,6
=====		

See accompanying notes to consolidated financial statements

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

	For the Six Months Ended June 30,	
	2007	2006
(in thousands)		
=====		

Edgar Filing: FRANKLIN STREET PROPERTIES CORP /MA/ - Form 10-Q

Supplemental disclosure of cash flow information:

Cash paid for:

Interest	\$3,398	\$ 9
Income taxes	600	3

Non-cash investing and financing activities:

Accrued costs for purchase of real estate assets	\$ 963	\$
Deposits on real estate assets converted to investments in assets held for syndication	\$5,010	\$
Assets acquired through the issuance of common stock in merger, net	\$ --	\$230,5
Investment in non-consolidated REITs converted to real estate assets and acquired real estate leases in conjunction with merger	\$ --	\$ 4,0

See accompanying notes to consolidated financial statement

6

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

1. Organization, Properties, Basis of Presentation and Recent Accounting Pronouncements

Organization

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

On April 30, 2006, the Company acquired five real estate investment trusts (the "2006 Target REITs"), by the merger of the five 2006 Target REITs with and into five of the Company's wholly-owned subsidiaries. The merger was effective April 30, 2006 and, as a result, the Company issued 10,971,697 shares in a tax-free exchange for all outstanding preferred shares of the 2006 Target REITs. The mergers were accounted for as a purchase and the acquired assets and liabilities were recorded at their fair value.

The Company operates in two business segments: real estate operations (including real estate leasing, interim acquisition financing, development and asset/property management) and investment banking/investment services (including real estate acquisitions and broker/dealer services). FSP Investments provides real estate investment and broker/dealer services. FSP Investments' 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 the Sponsored REITs. FSP Property Management provides asset management and property management services for the Sponsored REITs.

The Company owns and operates a portfolio of real estate, which consisted of 27 properties and one property that was held for sale as of June 30, 2007. The Company also pursues, 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.

Properties

Edgar Filing: FRANKLIN STREET PROPERTIES CORP /MA/ - Form 10-Q

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

	As of June 30,	
	2007	2006
	-----	-----
Commercial real estate:		
Number of properties	27	25
Square feet	5,066,813	4,499,407

Basis of Presentation

The unaudited 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 financial statements and notes thereto contained in the Company's Annual Report on Form 10-K for its fiscal year ended December 31, 2006, 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 in the United States of America for interim financial information and in conjunction with the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the disclosures required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting solely of normal recurring matters) necessary for a fair presentation of the financial statements for these interim periods have been included. Operating results for the three and six months ended June 30, 2007 are not necessarily indicative of the results that may be expected for the year ending December 31, 2007 or for any other period.

7

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

1. Organization, Properties, Basis of Presentation and Recent Accounting Pronouncements (continued)

Reclassifications

Certain balances from the 2006 balance sheet and interim financial statements have been reclassified to conform to the 2007 presentation. The reclassifications primarily were related to the disposition of six properties sold and one property held for sale in 2006, two properties sold in 2007 and one asset held-for-sale in 2007, which are reported as discontinued operations for all periods presented. These reclassifications changed rental revenues, operating and maintenance expenses, depreciation and amortization, other income and the related assets, which are segregated on the financial statements. There was no change to net income for any period presented as a result of these reclassifications.

Recent Accounting Standards

Edgar Filing: FRANKLIN STREET PROPERTIES CORP /MA/ - Form 10-Q

In September 2006, the Financial Accounting Standards Board ("FASB") issued SFAS No. 157, which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. SFAS No. 157 applies under other accounting pronouncements that require or permit fair value measurements, the FASB having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The adoption of this standard is not expected to have a material impact on the Company's financial position, operations or cash flow.

In June 2006, the FASB issued FASB Interpretation No. 48 ("FIN 48"), which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, "Accounting for Income Taxes". This interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This interpretation also provides guidance on derecognition, classification, interest and penalties, accounting for interim periods, disclosure and transition. The guidance is effective for periods beginning after December 15, 2006. The adoption of this standard did not have a material impact on the Company's financial position, operations or cash flow.

2. Investment Banking/Investment Services Activity

During the six months ended June 30, 2007, the Company sold on a best efforts basis, through private placements, preferred stock in the following Sponsored REITs:

Sponsored REIT	Property Location	Date Syndication Completed	Gro
FSP 50 South Tenth Street Corp.	Minneapolis, MN	January 9, 2007	
FSP 303 East Wacker Drive Corp.	Chicago, IL		
	Total		

(1) The syndication of FSP 50 South Tenth Street Corp. commenced in November 2006. The syndication of FSP 303 East Wacker Drive Corp., which commenced in January 2007, was not complete at June 30, 2007. These amounts represent the gross proceeds syndicated during the six months ended June 30, 2007.

3. Certificates of Deposit

Investment in certificates of deposit consists of investments the Company has the ability and intent to hold until their maturity. As of June 30, 2007, the Company did not hold any certificates of deposit. As of December 31, 2006 the Company held a certificate of deposit with an original maturity of six months at a carrying value of \$5.1 million with an annual interest rate of 5% that matured on April 11, 2007. The Company believed the aggregate fair value was approximately the same as its carrying value on that date.

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

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

Investment in Sponsored REITs:

At June 30, 2007, the Company held an interest in eleven Sponsored REITs. Ten 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 preferred stock investment in two of these Sponsored REITs, FSP Park Ten Development Corp. ("Park Ten Development") and FSP Phoenix Tower Corp. ("Phoenix Tower"), from which it continues to derive economic benefit and risk. The remaining entity that was not fully syndicated at June 30, 2007, FSP 303 East Wacker Drive Corp., has a value of approximately \$77.6 million on the accompanying consolidated balance sheets and is classified as assets held for syndication.

The table below shows the Company's share of income and expenses from Sponsored REITs prior to consolidation. Management fees of \$18,000 and \$11,000 for the six months ended June 30, 2007 and 2006, respectively, and interest expenses are eliminated in consolidation.

(in thousands)	Six Months Ended June 30,	
	2007	2006
	-----	-----
Operating Data:		
Rental revenues	\$ 2,079	\$ 1,215
Operating and maintenance expenses	1,102	554
Depreciation and amortization	442	288
Interest expense	992	479
Interest income	39	9
	-----	-----
	\$ (418)	\$ (97)
	=====	=====

Equity in earnings (deficit) of investment in non-consolidated REITs:

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

(in thousands)	Six Months Ended June 30,	
	2007	2006
	-----	-----
Equity in earnings (deficit) of Sponsored REITs	\$ (850)	\$ 161
Equity in earnings of FSP Blue Lagoon Drive Corp.	--	75
Equity in deficit of Park Ten Development	(11)	--
Equity in earnings of Phoenix Tower	103	--
	-----	-----
	\$ (758)	\$ 236
	=====	=====

Equity in earnings (deficit) of investments in Sponsored REITs is derived from

Edgar Filing: FRANKLIN STREET PROPERTIES CORP /MA/ - Form 10-Q

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 (deficit) of Park Ten Development is 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.

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).

9

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

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

Equity in earnings of FSP Blue Lagoon Drive Corp. ("Blue Lagoon") is derived from the Company's preferred stock investment in the entity. In January 2004, the Company purchased 49.25 preferred shares, or 8.22%, of the authorized preferred shares of Blue Lagoon for \$4,248,000 (which represented \$4,925,000 at the offering price net of commissions of \$394,000 and loan fees of \$283,000 that were excluded). Blue Lagoon was one of the 2006 Target REITs that the Company acquired by merger on April 30, 2006 at which time the preferred stock investment was canceled and the merger was accounted for as a purchase, and the acquired assets and liabilities were recorded at their fair value.

The Company recorded distributions declared or received of \$723,000 and \$609,000 from Sponsored REITs during the six months ended June 30, 2007 and 2006, respectively.

Non-consolidated REITs:

The Company has in the past acquired by merger entities similar to the Sponsored REITs, including on April 30, 2006, the five 2006 Target REITs. The Company's business model for growth includes the potential acquisition by merger in the future of Sponsored REITs. However, 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 2007 includes operations of the eleven Sponsored REITs the Company held an interest in as of June 30, 2007. The operating data for 2006 includes operations of the nine Sponsored REITs the Company held an interest in as of June 30, 2006 and operations from the five 2006 Target REITs from January through April 30, 2006. The five 2006 Target REITs were merged into the Company on April 30, 2006.

At June 30, 2007, December 31, 2006 and June 30, 2006, the Company had ownership

Edgar Filing: FRANKLIN STREET PROPERTIES CORP /MA/ - Form 10-Q

interests in eleven, ten and nine Sponsored REITs, respectively. Summarized financial information for these Sponsored REITs is as follows:

	June 30, 2007	December 31, 2006
	-----	-----
	(in thousands)	
Balance Sheet Data (unaudited):		

Real estate, net	\$ 616,638	\$ 612,835
Other assets	69,398	87,383
Total liabilities	(211,294)	(132,565)
	-----	-----
Shareholders equity	\$ 474,742	\$ 567,653
	=====	=====
	For the Six Months Ended	
	June 30,	
	2007	2006
	-----	-----
	(in thousands)	
Operating Data (unaudited):		

Rental revenue	\$ 44,479	\$ 29,526
Other revenue	1,500	1,452
Operating and maintenance expenses	(21,375)	(14,652)
Depreciation and amortization	(10,557)	(6,750)
Interest expense and commitment fees	(13,480)	(7,006)
	-----	-----
Net income	\$ 567	\$ 2,570
	=====	=====

10

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

4. 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 and transaction fees from non-consolidated entities amounted to approximately \$13,245,000 and \$10,834,000 for the six months ended June 30, 2007 and 2006, 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 \$477,000 and \$338,000 for the six months ended June 30, 2007 and 2006, 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. The Company recognized interest income from interim mortgage loans of approximately \$3,202,000 and \$531,000 for the six months ended June 30, 2007 and 2006, respectively, relating to these loans.

5. Bank Note Payable

The Company has a revolving line of credit agreement (the "Loan Agreement") with a group of banks providing for borrowings at the Company's election of up to \$150,000,000. Borrowings under the Loan Agreement bear interest at either the bank's prime rate (8.25% at June 30, 2007) or a rate equal to LIBOR plus 125 basis points (6.57% at June 30, 2007). The balance outstanding was \$119,750,000 at June 30, 2007, and there was no balance outstanding at December 31, 2006. The weighted average interest rate on amounts outstanding during the six months ended June 30, 2007 and 2006 was 6.57% and 6.34%, respectively; and for the year ended December 31, 2006 was approximately 6.39%.

The Loan Agreement includes restrictions on property liens and requires 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, and compliance with various debt and operating income ratios, as defined in the Loan Agreement. The Company was in compliance with the Loan Agreement's financial covenants as of June 30, 2007 and December 31, 2006. Borrowings under the Loan Agreement mature on August 18, 2008.

6. Net Income Per Share

Basic net income per share is computed by dividing net income by the weighted average number of Company shares outstanding during the period. Diluted net income per share reflects the potential dilution that could occur if securities or other contracts to issue shares were exercised or converted into shares. There were no potential dilutive shares outstanding at June 30, 2007 and 2006.

7. Discontinued Operations

During 2006 the Company sold six properties, each of which was sold at a gain. The Company also reached an agreement to sell another commercial property, located in Greenville, South Carolina, which sold on January 31, 2007 at a loss. For the year ended December 31, 2006, the Company reported the gains from the sale of these properties and a provision for loss on the Greenville property held for sale. In May 2007, the Company reached an agreement to sell a property located Westford, Massachusetts, which sold on July 16, 2007 at a gain. During June 2007, the Company sold a property located in Alpharetta, Georgia at a gain and a property located in San Diego, California at a gain. Accordingly, as of June 30, 2007 the Westford property is classified as an asset held for sale on June 30, 2007, and each of the properties sold previously or held for sale are classified as assets held for sale as of December 31, 2006.

11

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

7. Discontinued Operations (continued)

The operating results for these real estate assets have been reflected as discontinued operations in the consolidated statements of income for all periods presented, and are summarized below:

For the

For the

Edgar Filing: FRANKLIN STREET PROPERTIES CORP /MA/ - Form 10-Q

(in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Rental revenue	\$ 1,537	\$ 5,272	\$ 3,117	\$ 11,297
Rental operating expenses	(365)	(1,406)	(739)	(3,074)
Real estate taxes and insurance	(171)	(525)	(365)	(1,218)
Depreciation and amortization	(375)	(956)	(749)	(2,185)
Interest income	9	--	9	--
Net income from discontinued operations	\$ 635	\$ 2,385	\$ 1,273	\$ 4,820

During the six months ended June 30, 2007 and 2006, respectively, gains on sales of properties are summarized below:

(dollars in thousands)

Property Address	City/ State	Property Type	Date of Sale
2007			
33 & 37 Villa Road	Greenville, SC	Office	January 5, 2007
11680 Great Oaks Way	Alpharetta, GA	Office	June 21, 2007
17030 Goldentop Road	San Diego, CA	Office	June 27, 2007
Settlement of escrows on prior property sales			
Net Sales Proceeds and Gain on sales of real estate			

2006

22400 Westheimer Parkway	Katy, TX	Apartment	May 24, 2006
4995 Patrick Henry Drive	Santa Clara, CA	Office	May 31, 2006
12902 Federal Systems Park Dr	Fairfax, VA	Office	May 31, 2006
Net Sales Proceeds and Gain on sales of real estate			

8. Business Segments

The Company operates in two business segments: real estate operations (including real estate leasing, interim acquisition financing, development and asset/property management) and investment banking/investment services (including real estate acquisition 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, 2006. The Company's operations are located in the United States of America.

Edgar Filing: FRANKLIN STREET PROPERTIES CORP /MA/ - Form 10-Q

The Company evaluates the performance of its reportable segments based on Adjusted Funds From Operations ("AFFO") as management believes that AFFO represents the most accurate measure of the reportable segment's activity and is the basis for distributions paid to equity holders. The Company defines AFFO as: net income as computed in accordance with GAAP; excluding gains or losses on the sale of real estate and non-cash income from Sponsored REITs; plus certain non-cash items included in the computation of net income (depreciation and

12

amortization and straight-line rent adjustments); plus distributions received from Sponsored REITs; plus the net proceeds from the sale of land. Depreciation and amortization, gain or loss on the sale of real estate, and straight-line rents are an adjustment to AFFO, as these are non-cash items included in net income.

AFFO 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 AFFO in a different manner. We believe that in order to facilitate a clear understanding of the results of the Company, AFFO 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 AFFO by business segment is shown in the following table:

(in thousands)	Real Estate Operations	Investment Banking/ Investment Services	Total
	-----	-----	-----
Three Months Ended March 31, 2007			
Net Income	\$ 9,376	\$ 356	\$ 9,732
(Equity) Deficit in income of non-consolidated REITs	583	--	583
Distributions from non-consolidated REITs	281	--	281
Depreciation and amortization	8,970	30	9,000
Straight line rent	(1,273)	--	(1,273)
	-----	-----	-----
Adjusted Funds From Operations	\$ 17,937	\$ 386	\$ 18,323
	=====	=====	=====
Three Months Ended June 30, 2007			
Net Income	\$ 31,922	\$ 554	\$ 32,476
Gain on sale of assets, net	(21,590)	--	(21,590)
(Equity) Deficit in income of non-consolidated REITs	142	--	142
Distributions from non-consolidated REITs	442	--	442
Depreciation and amortization	8,478	30	8,508
Straight line rent	(776)	--	(776)
	-----	-----	-----
Adjusted Funds From Operations	\$ 18,618	\$ 584	\$ 19,202
	=====	=====	=====

Six Months Ended June 30, 2007

Edgar Filing: FRANKLIN STREET PROPERTIES CORP /MA/ - Form 10-Q

Net Income	\$ 41,298	\$ 910	\$ 42,208
Gain on sale of assets, net	(21,590)	--	(21,590)
(Equity) Deficit in income of non-consolidated REITs	725	--	725
Distributions from non-consolidated REITs	723	--	723
Depreciation and amortization	17,448	60	17,508
Straight line rent	(2,049)	--	(2,049)
	-----	-----	-----
Adjusted Funds From Operations	\$ 36,555	\$ 970	\$ 37,525
	=====	=====	=====

13

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

8. Business Segments (continued)

(in thousands)	Real Estate Operations	Investment Banking/ Investment Services	Total
	-----	-----	-----
Three Months Ended March 31, 2006			
Net Income	\$ 13,054	\$ 85	\$ 13,139
(Equity) Deficit in income of non-consolidated REITs	(275)	--	(275)
Distributions from non-consolidated REITs	118	--	118
Depreciation and amortization	7,100	33	7,133
Straight line rent	200	--	200
	-----	-----	-----
Adjusted Funds From Operations	\$ 20,197	\$ 118	\$ 20,315
	=====	=====	=====
Three Months Ended June 30, 2006			
Net Income	\$ 39,993	\$ 484	\$ 40,477
Gain on sale of assets, net	(28,108)	--	(28,108)
(Equity) Deficit in income of non-consolidated REITs	(156)	--	(156)
Distributions from non-consolidated REITs	491	--	491
Depreciation and amortization	7,481	32	7,513
Straight line rent	(139)	--	(139)
	-----	-----	-----
Adjusted Funds From Operations	\$ 19,562	\$ 516	\$ 20,078
	=====	=====	=====
Six Months Ended June 30, 2006			
Net Income	\$ 53,047	\$ 569	\$ 53,616
Gain on sale of assets, net	(28,108)	--	(28,108)
(Equity) Deficit in income of non-consolidated REITs	(431)	--	(431)
Distributions from non-consolidated REITs	609	--	609
Depreciation and amortization	14,581	65	14,646
Straight line rent	61	--	61
	-----	-----	-----
Adjusted Funds From Operations	\$ 39,759	\$ 634	\$ 40,393
	=====	=====	=====

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

8. Business Segments (continued)

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

(in thousands)	Real Estate Operations -----	Investment Banking/ Investment Services -----	Total -----
Three Months Ended June 30, 2007:			
Revenue	\$ 28,531	\$ 3,750	\$ 32,281
Interest income	540	20	560
Interest expense	1,622	--	1,622
Income from discontinued operations	635	--	635
Capital expenditures	2,193	--	2,193
Six Months Ended June 30, 2007:			
Revenue	\$ 58,617	\$ 6,960	\$ 65,577
Interest income	1,184	29	1,213
Interest expense	4,298	--	4,298
Income from discontinued operations	1,273	--	1,273
Capital expenditures	5,048	--	5,048
Identifiable Assets as of June 30, 2007	\$1,057,718	\$ 5,532	\$1,063,250
Three Months Ended June 30, 2006:			
Revenue	\$ 21,799	\$ 3,783	\$ 25,582
Interest income	743	13	756
Interest expense	546	--	546
Income from discontinued operations	2,385	--	2,385
Capital expenditures	1,492	24	1,516
Six Months Ended June 30, 2006:			
Revenue	\$ 43,560	\$ 5,950	\$ 49,510
Interest income	1,323	22	1,345
Interest expense	1,140	--	1,140
Income from discontinued operations	4,820	--	4,820
Capital expenditures	1,725	60	1,785
Identifiable Assets as of June 30, 2006	\$ 931,927	\$ 5,466	\$ 937,393

Edgar Filing: FRANKLIN STREET PROPERTIES CORP /MA/ - Form 10-Q

(Unaudited)

9. Cash Dividends

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

Quarter Paid	Dividends Per Share	Total Dividends
First quarter of 2007	\$.31	\$21,937
Second quarter of 2007	\$.31	\$21,938
First quarter of 2006	\$.31	\$18,536
Second quarter of 2006	\$.31	\$18,536

10. 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 dividends 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 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 or a "taxable REIT subsidiary" ("TRS"). In the case of TRSs, the Company's ownership of securities in all TRSs generally cannot exceed 20% 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. Effective January 1, 2001, a subsidiary of the Company has elected to be treated as a TRS. As a result, FSP Investments operates as a taxable corporation under the Code and has accounted for income taxes in accordance with the provisions of Statement of Financial Accounting Standard ("SFAS") No. 109, Accounting for Income Taxes. Taxes are provided when FSP Investments has net profits for both financial statement and income tax purposes.

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 adoption of the provisions of FIN 48 effective January 1, 2007 did not result in recording a liability, nor was any accrued interest and penalties recognized with the adoption of FIN 48. 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 of FIN 48. 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 2003 and thereafter.

Edgar Filing: FRANKLIN STREET PROPERTIES CORP /MA/ - Form 10-Q

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

10. Income Taxes (continued)

The income tax expense reflected in the consolidated statements of income relates only to the TRS. The expense differs from the amounts computed by applying the Federal statutory rate of 34% to income before income taxes as follows:

(in thousands)	For the Six Months Ended June 30,	
	2007	2006
	-----	-----
Federal income tax expense at statutory rate	\$ 518	\$ 341
Increase in taxes resulting from:		
State income taxes, net of federal impact	95	63
	-----	-----
	\$ 613	\$ 404
	=====	=====

No deferred income taxes were provided as there were no material temporary differences between the financial reporting basis and the tax basis of the taxable REIT subsidiary.

11. Subsequent Events

The Company repaid \$60 million of its revolving line of credit on July 5, 2007 and declared a cash distribution of \$0.31 per share on July 20, 2007 to stockholders of record on July 31, 2007 payable on August 20, 2007.

On July 16, 2007, the Company sold a commercial office property in Westford, Massachusetts. Gross proceeds from the sale of the property were approximately \$11.5 million, which resulted in a net gain of approximately \$1.9 million.

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, 2006. Historical results and percentage relationships set forth in the consolidated financial statements, including trends which might appear, should not be taken as necessarily indicative of future operations. The following discussion and other parts of this 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 changes in 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

Edgar Filing: FRANKLIN STREET PROPERTIES CORP /MA/ - Form 10-Q

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 the factors set forth below under the caption, Item 1A. "Risk Factors". 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

We operate in two business segments: real estate operations and investment banking/investment services. The real estate operations segment involves real estate rental operations, leasing, interim acquisition financing, development services, asset/property management services, property acquisitions and dispositions. 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 the 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. We continue to be very optimistic about our full-year 2007 financial performance potential and growth prospects.

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, 2006.

Critical accounting policies are those that have the most impact on the

Edgar Filing: FRANKLIN STREET PROPERTIES CORP /MA/ - Form 10-Q

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 our Annual Report on Form 10-K for the year ended December 31, 2006.

18

Trends and Uncertainties

Real Estate Operations

Our property operations during the second quarter of 2007 produced profit results that were generally in line with management's expectations. The portfolio was approximately 88% leased as of June 30, 2007. Two properties totaling approximately 263,000 square feet, one in the greater Seattle/Tacoma area, and the other in Silicon Valley, did not contribute meaningful rental income as each was substantially vacant. Both properties are in the process of being physically repositioned in their respective markets from single- to multi-tenant configurations. Lease-up of these two assets is likely to take up a good portion of 2007 and possibly beyond. However, once repositioned and re-leased, we believe these two properties can add meaningful rental income and value. The Seattle property had one new lease signed for a portion of the property during the second quarter of 2007 and a second one was signed in July 2007, which raised occupancy in the property to 12%.

One vacant property in Westford, Massachusetts was sold in July at a gain, which effectively reduced vacant space in our portfolio by approximately 105,000 square feet.

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 the locations in which the buildings are located, which in some cases may be below the expiring rental rates. In most of our markets, leasing conditions are still improving gradually, but market rents have still not returned to the levels that were reached in the late 1990s and before 2001.

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 in the second quarter of 2007 totaled \$60.1 million. Future business in this area, while always uncertain, continues to be more encouraging than in the past three years. In January 2007, one of our Sponsored REITs purchased a property for investment syndication. Permanent equity capitalization of the property was structured as a private placement preferred stock offering totaling \$221 million. This offering is the largest single-investment syndication in our history, and is ongoing as of the beginning of the third quarter of 2007.

Despite this large current syndication, our property acquisition executives continue to grapple with high valuation levels for prime commercial investment real estate. Prolonged historically low interest rates, a growing general economy, and substantially increased capital allocation to real estate assets continue to make pricing on many properties we would have an interest in

Edgar Filing: FRANKLIN STREET PROPERTIES CORP /MA/ - Form 10-Q

acquiring too expensive for our investment/syndication model. This upward pressure on prices is causing capitalization rates to remain low and prices per square foot to rise. Specifically, our acquisition executives have a challenge identifying enough property at a price acceptable under our investment criteria to grow our overall investment banking/investment services business. As the second quarter of 2007 ends, valuation levels for many top quality investment properties remain at historically high levels, with significant competition from a variety of capital sources to acquire them. We 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 also 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.

Results of Operations

Overview:

During 2006 we acquired the five 2006 Target REITs by merger, acquired three additional properties with cash, sold six properties and reached an agreement to sell another property, which closed on January 31, 2007. During the first six months of 2007 we completed the sale of the property held for sale at December 31, 2006, sold two properties and reached an agreement to sell another property, which closed on July 16, 2007. As a result of this activity, as of June 30, 2007, we operated 27 properties and had one property held for sale.

19

Acquisitions, Mergers and Dispositions:

On February 24, 2006 we acquired one commercial property in Texas, on April 30, 2006 we completed the acquisition by merger of the five 2006 Target REITs, on June 27, 2006 we acquired a commercial property in Georgia and on December 21, 2006 we acquired a commercial property in Broomfield, Colorado. On June 13, 2007 we acquired a commercial property in Baltimore Maryland. The results of operations for each of the acquired or merged properties are included in our operating results as of their respective purchase or merger dates. Increases in rental revenues and expenses for the three months ended June 30, 2007 as compared to the same period in 2006 are primarily a result of the timing of these acquisitions and subsequent contribution of these acquired properties. The operating results of the nine properties sold and one property that was held for sale were classified as discontinued operations in our financial statements for all periods presented.

Sales of Real Estate:

The sales of real estate in 2006 included the following. On May 24, 2006 we sold an apartment building in Katy, Texas, and on May 31, 2006 we sold two commercial properties, one in Santa Clara, California and another in Fairfax, Virginia. On August 9, 2006 we sold a commercial property in Peabody, Massachusetts, on November 16, 2006 we sold a commercial property in Herndon, Virginia and on December 21, 2006 we sold a commercial property in North Andover, Massachusetts. As of December 31, 2006, we classified a property in Greenville, South Carolina as held-for-sale, which was sold on January 31, 2007. Also during 2007, we sold a commercial property in Alpharetta, Georgia on June 21, 2007 and another commercial property in San Diego, California on June 27, 2007. As of June 30, 2007, we classified a commercial property in Westford, Massachusetts as held for sale, which was sold on July 16, 2007.

Edgar Filing: FRANKLIN STREET PROPERTIES CORP /MA/ - Form 10-Q

Investment Banking:

The investment banking/investment services segment is primarily based on the gross proceeds from the sale of securities of the Sponsored REITs. During the three and six months ended June 30, 2007 our investment banking/investment services segment had total gross proceeds of \$60.1 million and \$109.3 million, respectively; which was derived primarily from the syndication of FSP 303 East Wacker Drive Corp. During the three and six months ended June 30, 2006 our investment banking/investment services segment had total gross proceeds of \$55.2 million and \$84.4 million, respectively; which was derived from the syndication of FSP Phoenix Tower Corp. As a result, total gross proceeds during the three and six months ended June 30, 2007 increased \$4.9 million and \$24.9 million, respectively, compared to the same periods in 2006. The syndication currently in process commenced in January 2007 and the syndication in process during the three and six months ended June 30, 2006 commenced in February 2006.

Our acquisition executives continue to work on other property investment opportunities, and we continue to be more optimistic about potential future investment banking product than in the past several years. Our investment banking business had better first half results than last year, and we are optimistic about this business segment's potential for increased contribution for the full year 2007.

20

The following table compares our income statement for the three months ended June 30, 2007 and 2006:

(in thousands)

	Three months ended June 30,		
Revenue:	2007	2006	Chan
Rental	\$ 23,201	\$ 17,940	\$ 5,
Related party revenue:			
Syndication fees	3,448	3,505	
Transaction fees	3,761	3,469	
Management fees and interest income from loans	1,862	698	1,
Other	9	1	
Total revenue	32,281	25,613	6,
Expenses:			
Real estate operating expenses	5,771	4,109	1,
Real estate taxes and insurance	4,039	2,993	1,
Depreciation and amortization	6,889	4,782	2,
Selling, general and administrative	2,000	1,954	
Commissions	1,754	1,809	
Interest	1,622	546	1,
Total expenses	22,075	16,193	5,
Income before interest income, equity in earnings in non-consolidated REITs and taxes on income	10,206	9,420	
Interest income	560	756	(

Edgar Filing: FRANKLIN STREET PROPERTIES CORP /MA/ - Form 10-Q

Equity in earnings (deficit) in non-consolidated REITs	(142)	156	(

Income before taxes on income	10,624	10,332	
Taxes on income	373	347	

Income from continuing operations	10,251	9,985	
Income from discontinued operations	635	2,385	(1,

Income before gain on sale of properties	10,886	12,370	(1,
Gain on sale of assets	21,590	28,108	(6,

Net income	\$ 32,476	\$ 40,478	\$ (8,
=====			

Comparison of the three months ended June 30, 2007 to the three months ended June 30, 2006

Revenues

Total revenues increased by \$6.7 million to \$32.3 million for the second quarter ended June 30, 2007, as compared to \$25.6 million for the quarter ended June 30, 2006. The increase was primarily a result of:

- o An increase to rental revenue of approximately \$5.3 million arising from the acquisition of the five 2006 Target REITs by merger on April 30, 2006, a property in Georgia in June 2006, a property in Colorado in December 2006 and to a lesser extent, a property in Maryland in June 2007.
- o An increase in loan interest income of approximately \$1.1 million, which was principally a result of interest income from a larger loan balance during the second quarter of 2007 as compared to 2006 for the mortgage loan on the property in syndication. The impact of this increase was slightly greater as a result of higher interest rates charged for the second quarter of 2007 compared to 2006.
- o A \$0.3 million net increase in transaction (loan commitment) fees, which was principally a result of the increase in gross syndication proceeds in the quarter compared to the same period in 2006.

21

Expenses

Total expenses were \$22.1 million for the three months ended June 30, 2007, an increase of \$5.9 million compared to the three months ended June 30, 2006. The increase was primarily a result of:

- o The increase in real estate operating expenses and real estate taxes and insurance of approximately \$2.7 million, and depreciation of \$2.1 million were primarily a result of real estate acquisitions and mergers discussed above.
- o An increase in interest expense of approximately \$1.1 million resulting from a higher average loan balance outstanding for syndications in process during the three months ended June 30, 2007 compared to the three months ended June 30, 2006, which was slightly greater as a result of higher interest rates in the 2007 period than the 2006 period.

Edgar Filing: FRANKLIN STREET PROPERTIES CORP /MA/ - Form 10-Q

- o Selling, general and administrative expenses, which increased insignificantly by \$46,000 to \$2.0 million for the three months ended June 30, 2007 compared to same period in 2006. We had 39 employees as of June 30, 2007 at our headquarters in Wakefield compared to 40 employees as of June 30, 2006.

These increases were partially offset by:

- o A decrease in commission expense of \$55,000, which was a result of greater rebates issued on syndication fee income during the three months ended June 30, 2007 compared to the same period in 2006. Rebates are offered to larger investors in syndication transactions.

Interest income

Interest income decreased to \$0.2 million during the three months ended June 30, 2007, which was primarily a result of a lower average balance of cash. This was offset by slightly higher interest rates earned on balances of cash, cash equivalents and other investments compared to the three months ended June 30, 2006. The lower average balances during the three months ended June 30, 2007 were primarily a result of a \$30 million repayment on our line of credit made on April 4, 2007 and a \$21.9 million distribution paid to our shareholders in May 2007; and were partially offset by asset sale proceeds received on June 21, 2007 and on June 27, 2007 from the sale of two properties discussed above.

Equity in earnings (deficit) of non-consolidated REITs

Equity in earnings (deficit) from non-consolidated REITs decreased approximately \$0.3 million to a deficit of \$0.1 million, which was principally a result of a loss attributed to us from the syndication in process during the second quarter of 2007, as compared to income of \$0.2 million for the second quarter of 2006.

Taxes on income

Taxes on income increased \$27,000 in the second quarter of 2007 compared to the second quarter of 2006. The increase was primarily due to greater taxable income from the investment banking and investment services business in the 2007 period compared to 2006. During the second quarter in each of 2007 and 2006 we had an effective tax rate of 40.3%. We expect an effective tax rate of approximately 40.3% for our taxable REIT subsidiary in the future.

Income from continuing operations

The resulting income from continuing operations for the second quarter of 2007 increased \$0.3 million to \$10.3 million from \$10.0 million in the second quarter of 2006 for the reasons discussed above.

Discontinued operations and gain on sale of assets

During 2006, we sold six properties and classified one property in Greenville, South Carolina as held for sale, which was sold on January 31, 2007. During 2007, we completed the sale of the property in Greenville, South Carolina, sold two additional properties and reached an agreement to sell a property in Westford, Massachusetts. Accordingly, each of the nine properties sold and the property held for sale are reported as discontinued operations on our financial statements for the relevant periods presented. Income from discontinued operations was \$0.6 million for the three months ended June 30, 2007 and was \$2.4 million for the three months ended June 30, 2006.

Edgar Filing: FRANKLIN STREET PROPERTIES CORP /MA/ - Form 10-Q

For the three months ended June 30, 2007 we reported \$21.6 million as gain on sale of assets and for the three months ended June 30, 2006 we reported \$28.1 million as gain on sale of assets.

The Company will continue to evaluate its portfolio, and from time-to-time may decide to dispose of other properties.

Net Income

Net income for the three months ended June 30, 2007 decreased \$8.0 million to \$32.5 million compared to \$40.5 million for the three months ended June 30, 2006, for the reasons discussed above.

23

The following table compares our income statement for the six months ended June 30, 2007 and 2006:

(in thousands)

	Six months ended June 30,		
	2007	2006	Change
Revenue:			
Rental	\$ 48,606	\$ 37,815	\$ 10,791
Related party revenue:			
Syndication fees	6,403	5,426	977
Transaction fees	6,842	5,408	1,434
Management fees and interest income from loans	3,679	869	2,810
Other	47	22	25
Total revenue	65,577	49,540	16,037
Expenses:			
Real estate operating expenses	12,076	7,903	4,173
Real estate taxes and insurance	8,327	5,199	3,128
Depreciation and amortization	14,172	9,197	4,975
Selling, general and administrative	3,888	3,758	130
Commissions	3,313	2,832	481
Interest	4,298	1,140	3,158
Total expenses	46,074	30,029	16,045
Income before interest income, equity in earnings in non-consolidated REITs and taxes on income	19,503	19,511	(8)
Interest income	1,213	1,345	(132)
Equity in earnings (deficit) in non-consolidated REITs	(758)	236	(1,004)
Income before taxes on income	19,958	21,092	(1,134)
Taxes on income	613	404	209
Income from continuing operations	19,345	20,688	(1,343)

Edgar Filing: FRANKLIN STREET PROPERTIES CORP /MA/ - Form 10-Q

Income from discontinued operations	1,273	4,820	(3,
Income before gain on sale of properties	20,618	25,508	(4,
Gain on sale of assets	21,590	28,108	(6,
Net income	\$ 42,208	\$ 53,616	\$(11,

Comparison of the six months ended June 30, 2007 to the six months ended June 30, 2006

Revenues

Total revenues increased by \$16.0 million to \$65.6 million for the six months ended June 30, 2007, as compared to \$49.6 million for the six months ended June 30, 2006. The increase was primarily a result of:

- o An increase to rental revenue of approximately \$10.8 million from real estate arising from the acquisitions of a property in Texas during February 2006, the five 2006 Target REITs by merger on April 30, 2006, a property in Georgia in June 2006, a property in Colorado in December 2006 and, to a lesser extent, a property in Maryland in June 2007 net of a \$4.8 million decrease in termination fee income during the first half of 2007 compared to the same period in 2006.
- o An increase in management fees and interest income from loans of approximately \$2.8 million, which was principally a result of interest income from a larger loan balance during the first half of 2007 as compared to the same period in 2006 for the mortgage loan on the property in syndication. The impact of this increase was slightly greater as a result of higher interest rates charged for the first half of 2007 compared to 2006.
- o A \$2.4 million increase in syndication and transaction (loan commitment) fees, which was principally a result of the increase in gross syndication proceeds for the six month period in 2007 compared to the same period in 2006.

24

Expenses

Total expenses were \$46.1 million for the six months ended June 30, 2007, or an increase of \$16.0 million compared to the six months ended June 30, 2006. The increase was primarily a result of:

- o The increase in real estate operating expenses, real estate taxes and insurance of \$7.3 million, and depreciation of \$5.0 million were primarily a result of the acquisitions and mergers in our real estate segment discussed above.
- o An increase in interest expense of \$3.1 million resulting from a higher average loan balance outstanding for syndications in process during the six months ended June 30, 2007 compared to the six months ended June 30, 2006, and was also slightly greater as a result of higher interest rates in the 2007 period than the 2006 period.
- o Selling, general and administrative expenses, which increased insignificantly by \$0.1 million for the six months ended June 30, 2007 compared to same period in 2006. We had 39 employees as of June 30, 2007 at our headquarters in Wakefield compared to 40 employees as of June 30, 2006.

Edgar Filing: FRANKLIN STREET PROPERTIES CORP /MA/ - Form 10-Q

- o An increase in commission expense of \$0.5 million, which was principally a result of the increase in gross syndication proceeds for the six month period in 2007 compared to the same period in 2006.

Interest income

Interest income decreased to \$0.1 million during the six months ended June 30, 2007, which was primarily a result of a lower average balance of cash, which was offset by slightly higher interest rates earned on balances of cash, cash equivalents and other investments compared to the six months ended June 30, 2006. The lower average balances during the six months ended June 30, 2007 were primarily a result of the use of cash to finance a portion of a syndication in process and a \$21.9 million distribution paid in February and May 2007; and were partially offset by asset sale proceeds received on June 21, 2007 and June 27, 2007.

Equity in earnings (deficit) of non-consolidated REITs

Equity in earnings (deficit) from non-consolidated REITs decreased approximately \$1.0 million to a deficit of \$0.8 million, which was principally a result of a loss attributed to us from the syndication in process during 2007, as compared to income during the first half of 2006 of \$0.2 million.

Taxes on income

Taxes on income increased \$0.2 million for the six months ended June 30, 2007 compared to the same period of 2006. The increase was primarily due to greater taxable income from the investment banking and investment services business in the 2007 period compared to 2006. During both periods in 2007 and 2006 we had an effective tax rate of 40.3%. We expect an effective tax rate of approximately 40.3% for our taxable REIT subsidiary in the future.

Income from continuing operations

The resulting income from continuing operations for the six months ended June 30, 2007 decreased \$1.3 million to \$19.3 million compared the six months ended June 30, 2006 for the reasons discussed above.

Discontinued operations and gain on sale of assets

During 2006, we sold six properties and classified one property in Greenville, South Carolina as held for sale, which was sold on January 31, 2007. During 2007, we completed the sale of the property in Greenville, South Carolina, sold two additional properties and reached an agreement to sell a property in Westford, Massachusetts. Accordingly, each of the nine properties sold and the property held for sale are reported as discontinued operations on our financial statements for the relevant periods presented. Income from discontinued operations was \$1.3 million for the six months ended June 30, 2007 and was \$4.8 million for the six months ended June 30, 2006.

25

For the six months ended June 30, 2007 we reported \$21.6 million as gain on sale of assets and for the six months ended June 30, 2006 we reported \$28.1 million as gain on sale of assets, which are summarized below.

(dollars in thousands)

Edgar Filing: FRANKLIN STREET PROPERTIES CORP /MA/ - Form 10-Q

Property Address -----	City/ State -----	Property Type ----	Date of Sale ----
2007			
33 & 37 Villa Road	Greenville, SC	Office	January 5, 2007
11680 Great Oaks Way	Alpharetta, GA	Office	June 21, 2007
17030 Goldentop Road	San Diego, CA	Office	June 27, 2007
Settlement of escrows on prior property sales			

Net Sales Proceeds and Gain
on sales of real estate

2006

22400 Westheimer Parkway	Katy, TX	Apartment	May 24, 2006
4995 Patrick Henry Drive	Santa Clara, CA	Office	May 31, 2006
12902 Federal Systems Park Dr	Fairfax, VA	Office	May 31, 2006

Net Sales Proceeds and Gain
on sales of real estate

The Company will continue to evaluate its portfolio, and from time-to-time may decide to dispose of other properties.

Net Income

Net income for the six months ended June 30, 2007 decreased \$11.4 million to \$42.2 million compared to \$53.6 million for the six months ended June 30, 2006, for the reasons discussed above.

Liquidity and Capital Resources

Cash and cash equivalents were \$107.6 million and \$70.0 million at June 30, 2007 and December 31, 2006, respectively. This increase of \$37.6 million is attributable to \$32.4 million provided by operating activities, less \$70.6 million used for investing activities, plus \$75.9 million provided by financing activities. Management believes that existing cash, cash anticipated to be generated internally by operations, cash anticipated to be generated by fees and commissions from the sale of preferred stock in future Sponsored REITs and our line of credit will be sufficient to meet working capital requirements and anticipated capital expenditures and improvements 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 \$32.4 million is primarily attributable to net income of \$42.2 million, less gains on sales of properties of \$21.6 million, plus the add-back of \$16.2 million of non-cash

Edgar Filing: FRANKLIN STREET PROPERTIES CORP /MA/ - Form 10-Q

activity, \$0.7 million of distributions from non-consolidated REITs and \$1.2 million from decreases in prepaid and receivable balances. These increases in operating cash were partially offset by decreases in accrued expenses and compensation of \$3.8 million and an increase of \$2.6 million in payments made for deferred leasing commissions.

26

Investing Activities

Our cash used for investing activities of \$70.6 million is primarily attributable to our investment in assets held for syndication of \$74.4 million, the purchase of a property in Baltimore for \$62.8 million and additions to real estate investments and office equipment of approximately \$13.3 million, which were partially offset by proceeds received on the sale of properties of \$74.8 million and the redemption of a certificate of deposit of \$5.1 million.

Financing Activities

Our cash provided by financing activities of \$75.9 million is primarily attributable to net proceeds from our line of credit of \$119.8 million used to purchase assets held for syndication, which were partially offset by distributions to shareholders of \$43.9 million.

Line of Credit

We have a revolving line of credit agreement (the "Loan Agreement") with a group of banks providing for borrowings at the Company's election of up to \$150,000,000. Borrowings under the Loan Agreement bear interest at either the bank's prime rate (8.25% at June 30, 2007) or a rate equal to LIBOR plus 125 basis points (6.57% at June 30, 2007). The balance outstanding was \$119,750,000 at June 30, 2007, and there was no balance outstanding at December 31, 2006. We are in compliance with all bank covenants required by the Loan Agreement.

Contingencies

We are subject to various legal proceedings and claims that arise in the ordinary course of its 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 June 30, 2007 there was one asset held for syndication, consisting of the office property owned by FSP 303 East Wacker Drive Corp. and as of December 31, 2006 there were no assets held for syndication.

Assets Held for Sale

During 2006 an agreement was reached to sell a commercial property in Greenville, South Carolina at a loss, which was sold on January 31, 2007. During 2007 we sold two properties at gains and reached an agreement to sell a commercial property in Westford, Massachusetts at a gain, which was sold on July 16, 2007. Accordingly, as of December 31, 2006 the properties sold in 2007 are classified as held for sale on the balance sheet, and as of June 30, 2007 the Westford property is classified as held for sale on the balance sheet.

Related Party Transactions

Edgar Filing: FRANKLIN STREET PROPERTIES CORP /MA/ - Form 10-Q

During the six months ended June 30, 2007, we completed the syndication of FSP 50 South Tenth Street Corp. and began the syndication of FSP 303 East Wacker Drive Corp. We did not enter into any other significant transactions with related parties during the six months ended June 30, 2007. For a discussion of transactions between us and related parties during 2006, see Footnote No. 5 "Related Party Transactions" to the Consolidated Financial Statements of the Company's Annual Report on Form 10-K for the year ended December 31, 2006.

Other Considerations

We generally pay the ordinary annual operating expenses of our properties from the rental revenue generated by the properties. For the six months ended June 30, 2007, the rental income exceeded the expenses for each individual property, with the exception of a property located in Westford, Massachusetts, which was sold on July 16, 2007, a property located in Federal Way, Washington and a property located in San Jose, California. For the three months ended June 30, 2006 the rental income exceeded the expenses for each individual property, with the exception of the property located in Westford, Massachusetts.

- o The single tenant lease at the property located in Westford, Massachusetts, expired October 31, 2004. During the three months ended June 30, 2007 we reached an agreement to sell this property, which closed on July 16, 2007 at a gain. The property had operating expenses of \$101,000 and \$61,000 for the three months ended June 30, 2007 and 2006, respectively and \$187,000 and \$135,000 for the six months ended June 30, 2007 and 2006, respectively.

27

- o The single tenant lease at the property located in Federal Way, Washington, expired September 14, 2006. We have signed a lease for approximately 8% of the space, from which we had rental income of \$19,000 during the three months ended June 30, 2007. We expect that the property will not produce revenue to cover its expenses in the third quarter of 2007. The property had operating expenses of \$151,000 and \$290,000 for the three and six months ended June 30, 2007.
- o The single tenant lease at the property located in San Jose, California, expired December 31, 2006. There is one tenant in the building occupying 19% of the rentable square feet of the property, from which we had rental income of \$113,000 and \$213,000 during the three and six months ended June 30, 2007. The property had operating expenses of \$114,000 and \$239,000 for the three and six months ended June 30, 2007. We are repositioning the property and have not re-let the remaining space and do not expect to add tenants until the repositioning work is complete. As a result, we do not believe the property will produce revenue to cover its expenses in the third quarter of 2007.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We were not a party to any derivative financial instruments at or during the six months ended June 30, 2007.

We borrow from time-to-time on our line of credit. These borrowings bear interest at the bank's base rate (8.25% at June 30, 2007) or at LIBOR plus 125 basis points (6.57% at June 30, 2007), as elected by us when requesting funds. As of June 30, 2007, \$119,750,000 was outstanding under the line of credit consisting of one borrowing at the LIBOR plus 125 basis point rate. We have used

Edgar Filing: FRANKLIN STREET PROPERTIES CORP /MA/ - Form 10-Q

funds drawn on our line of credit for the purpose of making interim mortgage loans to Sponsored REITs and for interim financing of acquisitions. Generally interim mortgage loans bear interest at the same variable rate payable by us under our line of credit. We therefore believe that we have mitigated our interest rate risk with respect to our borrowings for interim mortgage loans. Historically we have satisfied obligations arising from interim financing of acquisitions through cash or sale of properties in our portfolio, so we believe that we can mitigate interest rate risk with respect to borrowings for interim financing of acquisitions as well.

Item 4. Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2007. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of June 30, 2007, our chief executive officer and chief financial officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting

No change in our internal control over financial reporting occurred during the quarter ended June 30, 2007 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

28

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 have been no material changes from the risk factors previously disclosed in Part I, Item 1A, "Risk Factors," in our Annual Report on Form 10-K for the year ended December 31, 2006.

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

Edgar Filing: FRANKLIN STREET PROPERTIES CORP /MA/ - Form 10-Q

The following table provides information about purchases by Franklin Street Properties Corp. during the quarter ended June 30, 2007 of equity securities that are registered by the Company pursuant to Section 12 of the Exchange Act:

ISSUER PURCHASES OF EQUITY SECURITIES

Period	(a)		(b)	(c)	
	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)	
04/01/07-04/30/07	0		N/A	0	
05/01/07-05/31/07	0		N/A	0	
06/01/07-06/30/07	0		N/A	0	
Total:	0		N/A	0	

- (1) Our Articles of Incorporation provide that we will use our best efforts to redeem shares of our common stock from stockholders who request such redemption. Any FSP Corp. stockholder wishing to have shares redeemed must make such a request no later than July 1 of any year for a redemption that would be effective the following January 1. This obligation is subject to significant conditions. However, as our common stock is currently listed for trading on the American Stock Exchange, 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. The stock repurchase authorization expires at the earlier of (i) November 1, 2007 or (ii) a determination by the Board of Directors of FSP Corp. to discontinue repurchases.

Item 3. Defaults Upon Senior Securities

None.

29

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

On May 11, 2007, the Company held its 2007 Annual Meeting of Stockholders (the "2007 Annual Meeting"). The 2007 Annual Meeting was called for the following

Edgar Filing: FRANKLIN STREET PROPERTIES CORP /MA/ - Form 10-Q

purposes: (1) to elect two Class I directors to serve until the 2010 annual meeting and (2) to transact such other business as may properly come before the meeting or any adjournment thereof.

The following table sets forth the names of the directors elected at the 2007 Annual Meeting for new three-year terms and the number of votes cast for and withheld from each director:

Directors	For	Withheld
Dennis J. McGillicuddy	60,094,409	581,182
Janet Prier Notopoulos	57,038,146	3,637,445

The names of each of the other directors whose terms of office continued after the 2007 Annual Meeting are as follows: John N. Burke, Barbara J. Fournier, Barry Silverstein, George J. Carter and Georgia Murray.

Item 5. Other Information

None.

Item 6. Exhibits

See Exhibit Index attached hereto, which is incorporated herein by reference.

SIGNATURES

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

FRANKLIN STREET PROPERTIES CORP.

Date	Signature	Title
Date: July 31, 2007	/s/ George J. Carter ----- George J. Carter	Chief Executive Officer and Director (Principal Executive Officer)
Date: July 31, 2007	/s/ John G. Demeritt ----- John G. Demeritt	Chief Financial Officer (Principal Financial Officer)

EXHIBIT INDEX

- 2.1 Agreement and Plan of Merger by and among the Company, Blue Lagoon Acquisition Corp., Innsbrook Acquisition Corp., Willow Bend Acquisition Corp., 380 Interlocken Acquisition Corp., Eldridge Green Acquisition Corp., FSP Blue Lagoon Drive Corp., FSP Innsbrook Corp., FSP Willow Bend Office Center Corp., FSP 380 Interlocken Corp. and FSP Eldridge Green Corp., dated as of March 15, 2006 (1)

Edgar Filing: FRANKLIN STREET PROPERTIES CORP /MA/ - Form 10-Q

- 2.2 Agreement of Sale and Purchase, dated May 19, 2006, by and between One Overton Park LLC and FSP One Overton Park LLC (2)
- 3.1 Articles of Incorporation (3)
- 3.2 Amended and Restated By-Laws (4)
- 31.1 Certification of the President and Chief Executive Officer of the Registrant pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of the Chief Financial Officer of the Registrant pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of the President and Chief Executive Officer of the Registrant 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 the Chief Financial Officer of the Registrant pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

- (1) Filed as Exhibit 2.1 to the Company's Current Report on Form 8-K dated March 15, 2006 (File No. 001-32470) as filed on March 16, 2006 and incorporated herein by reference.
- (2) Filed as Exhibit 2.1 to the Company's Current Report on Form 8-K dated June 27, 2006 (File No. 001-32470) as filed on June 28, 2006 and incorporated herein by reference.
- (3) Filed as Exhibit 3.1 to the Company's Registration Statement on Form 8-A (File No. 001-32470) as filed on April 5, 2005 and incorporated herein by reference.
- (4) Filed as Exhibit 3.1 to the Company's Current Report on Form 8-K dated May 12, 2006 (File No. 001-32470) as filed on May 15, 2006 and incorporated herein by reference.