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SENIOR HOUSING PROPERTIES TRUST

Form 8-K

December 26, 2001

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): December 20, 2001

SENIOR HOUSING PROPERTIES TRUST
(Exact name of registrant as specified in charter)

MARYLAND	001-15319	04-3445278
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification Number)
400 CENTRE STREET, NEWTON, MASSACHUSETTS		02458
(Address of principal executive offices)		(Zip code)

Registrant's telephone number, including area code: 617-796-8350

This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including with respect to our pending acquisition of 31 senior living properties from Crestline Capital Corporation and the pending spin-off of our subsidiary, Five Star Quality Care, Inc. Such forward-looking statements are not guarantees and involve risks and uncertainties. Actual results may differ materially from those contained in or implied by the forward-looking statements as a result of various factors. Such factors include, without limitation, that we may not complete the Five Star spin-off on contemplated terms and that we may not acquire the Crestline properties because of Crestline's or our failure to satisfy conditions to the closing. The information contained in our Annual Report on Form 10-K, including information contained in "Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our Current Reports on Form 8-K dated September 21, 2001, October 3, 2001, as amended, November 5, 2001 and December 13, 2001 also identifies important factors that could cause such differences.

Item 5. Other Items

On December 20, 2001, we agreed to sell \$45 million aggregate principal amount of our 8 5/8% Senior Notes due 2012 in a public offering. We expect to issue and deliver these notes on or about December 28, 2001. The price to the public in the offering was 100.625% of the principal amount. We

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intend to use the \$44.4 million of expected net proceeds to partially fund our previously announced planned acquisition of 31 senior living properties and for general business purposes, including other acquisitions.

This report does not constitute an offer to sell or the solicitation of an offer to buy notes, and there shall not be any offer, solicitation of an offer to buy or sale of the notes in any state or other jurisdiction in which such offer, solicitation or sale would be unlawful.

We have previously reported our issuance of \$200 million of our 8-5/8% Senior Notes due 2012 and 14,047,000 common shares of beneficial interest, the pending spin-off of our subsidiary, Five Star Quality Care, Inc., our pending acquisition of 31 properties from Crestline Capital Corporation, and related pending transactions. Additional pro forma financial information with respect to these transactions and our sale of notes is contained in Item 7 of this Report.

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS.

(c) Exhibits

- 1.1 Form of Underwriting Agreement between Senior Housing Properties Trust and UBS Warburg LLC, as underwriter, relating to the sale of \$45 million aggregate principal amount of 8 5/8% Senior Notes due 2012.
- 4.1 Form of Supplemental Indenture No. 2 to Indenture by and between Senior Housing Properties Trust and State Street Bank and Trust Company.

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 hereunto duly authorized.

SENIOR HOUSING PROPERTIES TRUST

By: /s/ John R. Hoadley

Name: John R. Hoadley

Title: Chief Financial Officer

Date: December 26, 2001

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SENIOR HOUSING PROPERTIES TRUST UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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Unaudited Pro Forma Condensed Consolidated Statement of Income for the twelve months ended September 30, 2001.....

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Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements.....

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SENIOR HOUSING PROPERTIES TRUST
INTRODUCTION TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS
PRO FORMA CONSOLIDATED BALANCE SHEET AS OF SEPTEMBER 30, 2001 AND
PRO FORMA CONSOLIDATED STATEMENTS OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2000
AND THE NINE AND TWELVE MONTHS ENDED SEPTEMBER 30, 2001

The following unaudited pro forma consolidated balance sheet gives separate effect to: (1) our issuance of \$45 million of 8 5/8% senior unsecured notes in December 2001, our issuance of \$200 million of 8 5/8% senior unsecured notes in December 2001 and our issuance of 14,047,000 common shares of beneficial interest in October 2001; (2) our pending spin-off of our subsidiary, Five Star Quality Care, Inc. (Five Star), the lease to Five Star of 56 facilities and related transactions described in the notes thereto; and (3) the pending acquisition of 31 properties from Crestline Capital Corporation (Crestline), for \$600 million, the lease of those properties to Five Star and related transactions described in the notes thereto, as though all such transactions had occurred on September 30, 2001.

The following unaudited pro forma consolidated statements of income give separate effect to: (1) our sale of four properties in October 2000, financing transactions completed after January 1, 2000, our issuance of \$45 million of 8 5/8% senior unsecured notes in December 2001, our issuance of \$200 million of 8 5/8% senior unsecured notes in December 2001 and certain other transactions described in the notes thereto; (2) our pending Five Star spin-off, the lease to Five Star of 56 properties and related transactions as described in the notes thereto; and (3) the pending acquisition of 31 properties from Crestline, the lease of those properties to Five Star and related transactions described in the notes hereto, as though all such transactions occurred at the beginning of the period presented.

The pro forma information is based in part upon (1) our historical financial statements filed on our Form 10-Q for the quarter ended September 30, 2001 and our Form 10-K for the year ended December 31, 2000; (2) the financial statements of CSL Group, Inc. and Subsidiaries as Partitioned For Sale to SNH/CSL Properties Trust filed with our Forms 8-K dated September 21, 2001 and October 3, 2001; and (3) the financial statements of our acquired businesses filed on Form 8-K dated January 30, 2001, as amended, and this pro forma information should be read in conjunction with all of these financial statements and notes thereto. In the opinion of management, all adjustments necessary to reflect the effects of the transactions discussed above have been reflected in the pro forma information.

The following unaudited pro forma financial data is not necessarily indicative of what our actual financial position or results of operations would have been as of the date or for the period indicated, nor does it purport to represent our financial position or results of operations for future periods.

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SENIOR HOUSING PROPERTIES TRUST

Unaudited Pro Forma Condensed Consolidated Balance Sheet
September 30, 2001
(DOLLARS IN THOUSANDS)

	Historical	Financing Adjustments	Subtotal	Pending Spin-off Adjustments	Subtotal
	-----	-----	-----	-----	-----
ASSETS					
Real estate, net.....	\$476,437	\$--	\$476,437	\$ (3,040) (D)	\$473,397
Cash and cash equivalents.....	8,084	379,098 (A)	387,182	(28,286) (E)	358,896
Accounts receivable, net.....	39,133		39,133	(34,511) (F)	4,622
Other assets.....	37,994	5,144 (B)	43,138	(4,548) (G)	38,590
	-----	-----	-----	-----	-----
	\$561,648	\$384,242	\$945,890	\$ (70,385)	\$875,505
	=====	=====	=====	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY					
Revolving credit facility.....	\$31,000	\$ (31,000) (A)	\$--	\$--	\$--
Unsecured senior debt, net of discount.....	--	243,607 (B)	243,607		243,607
Other debt.....	9,100		9,100		9,100
Prepaid and deferred rents.....	9,475		9,475		9,475
Security deposits.....	1,520		1,520		1,520
Accounts payable and accrued expenses of facilities' operations.....	16,113		16,113	(16,113) (H)	--
Other liabilities.....	7,185		7,185	(4,272) (I)	2,913
	-----	-----	-----	-----	-----
Total liabilities.....	74,393	212,607	287,000	(20,385)	266,615
Trust preferred securities.....	27,394		27,394		27,394
Shareholders' equity...	459,861	171,635 (C)	631,496	(50,000) (J)	581,496
	-----	-----	-----	-----	-----
	\$561,648	\$384,242	\$945,890	\$ (70,385)	\$875,505
	=====	=====	=====	=====	=====

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SENIOR HOUSING PROPERTIES TRUST

Unaudited Pro Forma Condensed Consolidated Statement of Income
For The Year Ended December 31, 2000
(amounts in thousands, except per share amounts)

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	Historical -----	Financing and Other Adjustments -----	Subtotal -----	Pending Spin-off Adjustments -----	Subtot -----
REVENUES:					
Rental income.....	\$64,377	\$ (9,366) (P) (585) (Q)	\$54,426	\$ (1,227) (W)	\$53,1
Other real estate income...	2,520		2,520	(2,520) (X)	
Interest and other income..	1,520	400 (R)	1,920	(695) (Y)	1,2
FF&E reserve income.....	--		--		
Gain on foreclosures and lease terminations.....	7,105	(7,105) (S)	--		
Total revenues.....	75,522	(16,656)	58,866	(4,442)	54,4
EXPENSES:					
Interest.....	15,366	7,275 (T)	22,641	--	22,6
Distributions on trust preferred securities....	--	2,811 (U)	2,811		2,8
Depreciation.....	20,140	(1,936) (P) (37) (Q)	18,167	(619) (Z)	17,5
General and administrative. --Recurring.....	5,475	(424) (P) (56) (Q)	4,995		4,9
-- Related to foreclosures and lease terminations..	3,519	(3,519) (S)	--		
Total expenses.....	44,500	4,114	48,614	(619)	47,9
Income before gain on sale of properties.....	\$31,022	\$ (20,770)	\$10,252	\$ (3,823)	\$ 6,4
Weighted average shares outstanding.....	25,958	17,464 (V)	43,422		43,4
Basic and diluted earnings per share:					
Net income.....	\$1.20		\$0.24		\$0.

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SENIOR HOUSING PROPERTIES TRUST

Unaudited Pro Forma Condensed Consolidated Statement of Income
For Nine Months Ended September 30, 2001
(amounts in thousands, except per share amounts)
(unaudited)

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	Historical	Financing and Other Adjustments	Subtotal	Pending Spin-off Adjustments	Subtotal
	-----	-----	-----	-----	-----
REVENUES:					
Rental income.....	\$33,302	\$--	\$33,302	\$5,250 (W)	\$38,5
Facilities' operations.....	170,681		170,681	(170,681) (X)	
Interest and other income...	897		897		8
FF&E reserve income.....	--	--	--		
	-----	-----	-----	-----	-----
Total revenues.....	204,880		204,880	(165,431)	39,4
EXPENSES:					
Interest.....	4,900	11,965 (T)	16,865		16,8
Distributions on trust preferred securities.....	749	1,359 (U)	2,108		2,1
Depreciation.....	14,537		14,537	(1,098) (Z)	13,4
Facilities' operations.....	166,230		166,230	(166,230) (X)	
General and administrative..					
--Recurring.....	3,189		3,189		3,1
--Related to foreclosures and lease terminations.....	4,167	(4,167) (S)	--		
	-----	-----	-----	-----	-----
Total expenses.....	193,772	9,157	202,929	(167,328)	35,6
	-----	-----	-----	-----	-----
Net income.....	\$11,108	\$ (9,157)	\$1,951	\$1,897	\$3,8
	=====	=====	=====	=====	=====
Weighted average shares outstanding.....	27,049	16,373 (V)	43,422		43,4
	=====	=====	=====		=====
Basic and diluted earnings per share:					
Net income.....	\$0.41		\$0.04		\$0.
	=====		=====		=====

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Senior Housing Properties Trust

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME

For Twelve Months Ended September 30, 2001
(amounts in thousands, except per share amounts)

(unaudited)

Financings

Pending

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	Historical	and Other Adjustments	Subtotal	Spin-off Adjustments	Subtotal
Revenues:					
Rental income.....	\$47,799	\$ (1,050) (P)	\$46,749	\$7,000 (W)	\$53,749
Facilities' operations...	170,681		170,681	(170,681) (X)	--
Other real estate income.....	1,292		1,292	(1,292) (X)	
Interest and other income.....	1,088		1,088		1,088
FF&E reserve income.....	--		--		--
Gain on foreclosures and lease terminations.....	7,105	(7,105) (S)	--		--
Total revenues.....	227,965	(8,155)	219,810	(164,973)	54,837
Expenses:					
Interest.....	7,671	14,861 (T)	22,532		22,532
Distributions on trust preferred securities...	749	2,062 (U)	2,811		2,811
Depreciation.....	19,298	(194) (P)	19,104	(1,253) (Z)	17,851
Facilities' operations...	166,230		166,230	(166,230) (X)	--
General and administrative --Recurring.....	4,273	(43) (P)	4,230		4,230
--Related to foreclosures and lease terminations.....	6,816	(6,816) (S)	--		--
Total expenses.....	205,037	9,870	214,907	(167,483)	47,424
Income before gain on sale of properties.....	\$22,928	\$ (18,025)	\$4,903	\$2,510	\$ 7,413
Weighted average shares outstanding.....	26,766	16,656 (V)	43,422		43,422
Basic and diluted earnings per share: Income before gain on sale of properties.....	\$0.86		\$0.11		\$0.17

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SENIOR HOUSING PROPERTIES TRUST CONDENSED CONSOLIDATED BALANCE SHEET ADJUSTMENTS (DOLLARS IN THOUSANDS)

- A. Represents the net proceeds from our issuance of common shares in October 2001, a portion of which was used to reduce our revolving credit facility to zero, (2) our issuance of \$200 million of 8 5/8% senior unsecured notes due 2012 and (3) our issuance of \$45 million of 8 5/8% senior unsecured notes due 2012:

Net proceeds from issuance of senior unsecured notes (see Note B).....

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Net proceeds from issuance of common shares (see Note C).....	
Total net proceeds applied to credit facility.....	
Net cash available.....	

- B. Represents (1) our issuance of \$200 million of 8 5/8% senior unsecured notes due 2012 and (2) our issuance of \$45 million of 8 5/8% senior unsecured notes due 2012. The underwriters' commission and other issuance costs constitute other assets to be amortized over the term of the notes:

Gross proceeds.....	\$200,000	\$45
Add (Less): premium (discount).....	(1,674)	
Adjusted gross proceeds.....	198,326	45
Underwriters' commission and other issuance costs.....	(4,250)	
Net proceeds.....	\$194,076	\$44

- C. Represents our issuance of common shares in October 2001. A portion of the net proceeds was used to reduce our revolving credit facility to zero (see Note A). The remaining net proceeds are held as cash and cash equivalents:

Total common shares issued.....	14,047,000
Price per common share.....	x \$12.90
Gross proceeds.....	\$181,206
Underwriters' discount and other issuance costs.....	(9,571)
Net proceeds from issuance of common shares.....	\$171,635

- D. Represents the real estate and related personal property owned by Five Star at the time of the spin-off.

- E. Represents cash which will be contributed by us to Five Star as part of its capitalization immediately prior to the spin-off, as follows:

Net equity to be contributed.....	\$50,000
Real estate and related personal property (See Note D).....	(3,040)
Accounts receivable (See Note F).....	(34,511)
Prepaid expenses (See Note G).....	(4,548)
Accounts payable and accrued expenses (See Note H).....	16,113
Other liabilities (See Note I).....	4,272

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Net cash and cash equivalents.....	\$28,286
	=====

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- F. Represents patient accounts receivable arising from 56 nursing home operations which will belong to Five Star at the time of the spin-off.
- G. Represents primarily prepaid expenses associated with 56 nursing home operations which will belong to Five Star at the time of the spin-off.
- H. Represents accounts payable and accrued expenses associated with 56 nursing home operations which will belong to Five Star at the time of the spin-off.
- I. Represents other liabilities associated with the 56 nursing home operations which will be liabilities of Five Star at the time of the spin-off.
- J. Represents the net equity (assets in excess of liabilities, see Notes D through I) which will be contributed by us to Five Star at the time of the spin-off.
- K. The purchase of properties from Crestline will be reported using the purchase method of accounting. Estimated closing costs and contractual adjustments are estimated at \$2,733, net. When these properties are leased to Five Star, Five Star will assume the operating accounts receivable and operating accounts payable and accrued operating expenses and we will make a payment to Five Star of the amount of these operating liabilities in excess of these operating assets, estimated to be \$3,573. Accordingly, using the data as of the end of Crestline's 2001 third fiscal quarter (September 7, 2001), amounts allocated to fixed assets are as follows:

Contract purchase price.....	\$600,00
Estimated closing costs and adjustments, net.....	2,73
Estimated payment to Five Star at lease commencement.....	3,57

Subtotal.....	606,30
Monetary assets assumed from Crestline (see Note M).....	(7,76
Monetary liabilities assumed from Crestline other than funded debt (see Note O)	1,54

Total fixed assets.....	\$600,08
	=====

- L. Represents estimated cash used to complete the purchase from Crestline, as follows:

Adjusted contract price, closing costs and payments to Five Star (See Note K)	
Assumed Crestline debt, including capital leases (See Note N).....	

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Borrowings under our revolving bank credit facility (See Note N).....
 Deposit applied (See Note M).....
 Net cash used.....

- M. Amounts allocated to other assets represent cash deposits in restricted accounts for use: (1) servicing future interest payments on assumed mortgage debt; (2) real estate tax escrows; and (3) cash escrow accounts for capital expenditures at the facilities. The assets received in the Crestline transaction are offset by a deposit currently in escrow that will be applied to the purchase price when the Crestline transaction is closed:

Assets received.....	\$7,769
Deposit to be applied.....	(7,500)

Net adjustment to other assets.....	\$269
	=====

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- N. To finance the acquisition from Crestline, we expect to assume certain existing Crestline debts and to draw \$7,000 under our revolving bank credit facility, as follows:

Assumed Crestline debt, including capital leases...	\$233,386
Borrowings under our revolving credit facility.....	7,000

- O. Other liabilities primarily represent accrued interest related to the assumed Crestline debt.

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CONDENSED CONSOLIDATED STATEMENT OF INCOME ADJUSTMENTS (DOLLARS IN THOUSANDS)

- P. Represents elimination of rental income, depreciation expense and general and administrative expense related to four facilities we sold in October 2000.
- Q. Represents elimination of rental and interest income, depreciation expense and general and administrative expense related to the period prior to transfer to a former tenant of five facilities and transfer to a former borrower of one mortgage as part of foreclosure settlements, net of impact from one facility transferred to us as part of a foreclosure settlement and leased to a new tenant.
- R. Represents annualized dividend income on common shares of HRPT

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Properties Trust conveyed to us as part of a foreclosure settlement.

- S. Represents the elimination of the gain on foreclosure and lease terminations and the related general and administrative expenses because they are not expected to recur.
- T. Common equity issuances during the pro forma periods produced net proceeds sufficient to repay our outstanding revolving credit facility balance in full on a pro forma basis. This adjustment represents the elimination of historical interest expense on our revolving credit facility and an adjustment for interest on the \$9.1 million of mortgages payable, which we obtained in July 2001, and on the total \$245 million of 8 5/8% senior unsecured notes due 2012 issued in December 2001, as follows:

	Year Ended December 31, 2000 ----	Nine Months Ended September 2001 ----
Elimination of interest expense on revolving bank credit facility.....	\$ (15,366)	\$ (4,79
Adjustment for interest on mortgages payable.....	857	41
Adjustment for interest on the 8 5/8% senior unsecured notes.....	21,784	16,33
	-----	-----
	\$7,275	\$11,96
	=====	=====

The mortgages require interest to be paid based on prime less a discount. The interest expense adjustment was calculated as follows:

YEAR ENDED DECEMBER 31, 2000	Mortgages -----	Un Seni -----
Debt balance.....	\$9,100	
Average rate for period.....	x 8.2%	
	-----	----
Interest expense.....	\$ 746	
Plus amortization of discount, net and deferred financing fees.....	111	
	-----	----
Total adjustment.....	\$ 857	
	=====	=====

NINE MONTHS ENDED SEPTEMBER 30, 2001	Mortgages -----
--------------------------------------	--------------------

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Debt balance.....	\$9,100	
Average rate for period.....	x 6.5%	
	-----	---
Interest expense.....	\$ 444	
Plus amortization of discount, net and deferred financing fees.....	83	
	-----	---
Total expense.....	527	
Less amount included in historical results ...	(108)	
	-----	---
Net adjustment.....	\$ 419	=====

TWELVE MONTHS ENDED SEPTEMBER 30, 2001

Mortgages

Debt balance.....	\$9,100	
Average rate for period.....	x 7%	
	-----	---
Interest expense.....	\$ 637	
Plus amortization of discount, net and deferred financing fees.....	111	
	-----	---
Total expense.....	748	
Less amount included in historical results ...	(108)	
	-----	---
Net adjustment.....	\$ 640	=====

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- U. During June and July 2001, we issued trust preferred securities. This adjustment represents distributions on trust preferred securities as follows:

	Year Ended December 31, 2000	Nine Mo September
	-----	-----
Gross amount of trust preferred securities.....	\$27,394	
Distribution rate (10.125% per annum).....	x 10.125%	x
	-----	---
Total pro forma distributions for the period....	\$ 2,774	

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Add: amortization of related deferred issuance costs.....	37	-----	-----
Distributions for period.....	2,811		
Less: amount included in historical results.....	--	-----	-----
Net adjustment.....	\$ 2,811	=====	=====

- V. Represents the impact of the common equity issuance described in Note C and our July 2001 common equity issuance of 3,445,000 shares on our weighted average common shares outstanding during the periods shown.
- W. Represents minimum rent expected to be paid by Five Star for our 56 nursing home properties, net of rent received from former tenants prior to foreclosure. Additional rent equal to 3% of Five Star's revenues at these properties in excess of 2003 revenues is due us beginning in 2004.

	Year Ended December 31, 2000	Nine Month September
Minimum rent for 56 facilities currently owned by us to be leased to Five Star.....	\$ 7,000	
Less rent received from former tenants prior to foreclosure.....	(8,227)	
Net adjustment.....	\$(1,227)	

- X. Represents elimination, for any period subsequent to December 31, 2000, of facilities' operating revenues and expenses, and for any period prior to December 31, 2000, of other real estate income. These amounts were derived from the operations of facilities that were conducted for our own account. The facilities will be leased by Five Star subsequent to the spin-off and no longer operated for our account.
- Y. Represents elimination of interest income received from a former mortgagee prior to foreclosure.
- Z. Represents the elimination of historical depreciation expense related to the properties to be transferred to Five Star (see Note D).
- AA. Represents minimum rent expected to be paid by Five Star for the 31 properties which we expect to acquire in the pending acquisition. Additional rent equal to 5% of revenues at these properties in excess of 2002 revenues is due beginning in 2003.
- BB. In addition to the minimum rent and additional rent described in Note W and Note AA, our lease with Five Star and the Marriott management agreements for the 31 properties to be acquired from Crestline will require Five Star to deposit a percentage of gross revenues from these properties into an FF&E reserve for capital expenditures at the 31 properties which we expect to acquire in the pending Crestline transaction. The FF&E reserve accounts and

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improvements and other items purchased with those funds will belong to us. Accordingly, the periodic deposits will be reported as additional rental income to us under GAAP.

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- CC. To complete the purchase from Crestline, we will assume debts as described in Note N above. These debts bear interest at various rates, including some at floating rates based on LIBOR. The applicable interest rates during the pro forma periods, assuming LIBOR equals its monthly average during the periods presented, were as follows:

	Year Ended December 31, 2000 ----	Nine E Sept
Assumed term debt including capitalized leases, fixed rates.....	9.4%	
Assumed term debt, floating rates.....	9.2%	
Revolving bank credit facility, floating rate....	8.4%	

Some of the debt we will assume in the Crestline transaction requires both interest and principal payments. The weighted average outstanding balance for the obligations described above are as follows:

	Year Ended December 31, 2000 ----	Nine En Septem 20 --
Assumed term debt including capitalized leases, fixed rates.....	\$142,370	\$
Assumed term debt, floating rates.....	92,370	
Revolving bank credit facility, floating rate.....	5,646	
Total.....	\$240,386 =====	\$ =====

On a pro forma basis, the combination of the average interest rates and the average debt balances set forth above produce interest expense as follows:

Year Ended December 31, 2000	Nine E Sept 2
---------------------------------	------------------------

Assumed term debt including capitalized leases, fixed rates.....	\$13,383
Assumed term debt, floating rates.....	8,498
Revolving bank credit facility, floating rate.....	474
Total.....	\$22,355

As outlined above, a portion of the debt we expect to incur as part of the acquisition of properties from Crestline will be at floating rates. A 1/8 percentage point increase in interest rates would produce pro forma interest expense which is \$178 higher per annum.

- DD. Represents the impact of the purchase of the 31 properties from Crestline on depreciation expense and general and administrative expense.