
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

FORM 10-Q

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

For the quarterly period ended September 30, 2012

OR

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

Commission File Number 1-15319

SENIOR HOUSING PROPERTIES TRUST

(Exact Name of Registrant as Specified in Its Charter)

Maryland

(State or Other Jurisdiction of Incorporation or
Organization)

04-3445278

(IRS Employer Identification No.)

Two Newton Place, 255 Washington Street, Suite 300, Newton, MA
(Address of Principal Executive Offices)

02458-1634
(Zip Code)

617-796-8350

(Registrant's Telephone Number, Including Area Code)

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check One):

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☐

(Do not check if a smaller reporting company)

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

Number of registrant's common shares outstanding as of October 30, 2012: 176,553,600.

SENIOR HOUSING PROPERTIES TRUST
FORM 10-Q

September 30, 2012

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In this Quarterly Report on Form 10-Q, the terms “the Company”, “we”, “us” and “our” refer to Senior Housing Properties Trust and its consolidated subsidiaries, unless otherwise noted.

PART I. Financial Information
Item 1. Financial Statements.

SENIOR HOUSING PROPERTIES TRUST
CONDENSED CONSOLIDATED BALANCE SHEETS
(amounts in thousands, except share and per share data)
(unaudited)

	September 30, 2012	December 31, 2011
ASSETS		
Real estate properties:		
Land	\$ 604,352	\$ 564,628
Buildings and improvements	4,487,313	4,156,963
	5,091,665	4,721,591
Less accumulated depreciation	719,224	630,261
	4,372,441	4,091,330
Cash and cash equivalents	20,985	23,560
Restricted cash	11,377	7,128
Deferred financing fees, net	30,328	25,434
Acquired real estate leases and other intangible assets, net	106,943	100,235
Loan receivable	—	38,000
Other assets	104,221	97,361
Total assets	<u>\$ 4,646,295</u>	<u>\$ 4,383,048</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Unsecured revolving credit facility	\$ 55,000	\$ —
Senior unsecured notes, net of discount	1,091,732	965,770
Secured debt and capital leases	721,579	861,615
Accrued interest	22,018	22,281
Assumed real estate lease obligations, net	14,304	17,778
Other liabilities	70,851	42,998
Total liabilities	<u>1,975,484</u>	<u>1,910,442</u>
Commitments and contingencies		
Shareholders' equity:		
Common shares of beneficial interest, \$.01 par value: 199,700,000 shares authorized, 176,553,600 and 162,646,046 shares issued and outstanding at September 30, 2012 and December 31, 2011, respectively	1,766	1,626
Additional paid in capital	3,233,262	2,944,212
Cumulative net income	999,185	907,937
Cumulative other comprehensive income	4,675	(3,772)
Cumulative distributions	(1,568,077)	(1,377,397)
Total shareholders' equity	<u>2,670,811</u>	<u>2,472,606</u>
Total liabilities and shareholders' equity	<u>\$ 4,646,295</u>	<u>\$ 4,383,048</u>

See accompanying notes.

SENIOR HOUSING PROPERTIES TRUST

CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(amounts in thousands, except per share data)

(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Revenues:				
Rental income	\$ 116,281	\$ 102,969	\$ 336,772	\$ 301,839
Residents fees and services	42,352	10,731	113,906	11,575
Total revenues	158,633	113,700	450,678	313,414
Expenses:				
Depreciation	35,880	28,824	104,487	82,120
Property operating expenses	47,807	20,153	127,875	41,888
General and administrative	8,352	6,564	24,106	19,513
Acquisition related costs	4,297	2,620	6,814	6,547
Impairment of assets	—	1,028	3,071	1,194
Total expenses	96,336	59,189	266,353	151,262
Operating income	62,297	54,511	184,325	162,152
Interest and other income	248	394	957	870
Interest expense	(30,417)	(24,730)	(87,426)	(70,837)
Loss on early extinguishment of debt	(6,349)	—	(6,349)	(427)
Loss on lease terminations	(104)	—	(104)	—
(Loss) gain on sale of properties	(101)	—	(101)	21,315
Equity in earnings of an investee	115	28	236	111
Income before income tax expense	25,689	30,203	91,538	113,184
Income tax expense	(43)	(207)	(290)	(365)
Net income	25,646	29,996	91,248	112,819
Other comprehensive income:				
Change in net unrealized gain / loss on investments	7,499	(15,735)	8,416	(18,919)
Share of comprehensive income of an investee	35	15	31	58
Comprehensive income	\$ 33,180	\$ 14,276	\$ 99,695	\$ 93,958
Weighted average shares outstanding	174,690	153,385	166,698	145,745
Net income per share	\$ 0.15	\$ 0.20	\$ 0.55	\$ 0.77

See accompanying notes.

SENIOR HOUSING PROPERTIES TRUST

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(amounts in thousands)

(unaudited)

	Nine Months Ended September 30,	
	2012	2011
Cash flows from operating activities:		
Net income	\$ 91,248	\$ 112,819
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation	104,487	82,120
Amortization of deferred financing fees and debt discounts	4,494	3,506
Straight line rental income	(10,248)	(8,376)
Amortization of acquired real estate leases and other intangible assets	746	(574)
Loss on early extinguishment of debt	6,349	427
Impairment of assets	3,071	1,194
Loss on lease terminations	104	—
Loss (gain) on sale of properties	101	(21,315)
Equity in earnings of an investee	(236)	(111)
Change in assets and liabilities:		
Restricted cash	(4,249)	(2,175)
Other assets	13,978	(26,294)
Accrued interest	(263)	940
Other liabilities	29,430	25,682
Cash provided by operating activities	<u>239,012</u>	<u>167,843</u>
Cash flows from investing activities:		
Real estate acquisitions and deposits	(255,769)	(510,416)
Real estate improvements	(29,645)	(25,327)
Loan receivable	—	(80,000)
Principal payments on loan receivable	38,000	32,000
Investment in Five Star Quality Care, Inc.	—	(5,000)
Proceeds from sale of properties	1,041	38,663
Cash used for investing activities	<u>(246,373)</u>	<u>(550,080)</u>
Cash flows from financing activities:		
Proceeds from issuance of common shares, net	287,052	247,499
Proceeds from issuance of unsecured senior notes, net of discount	350,000	247,327
Proceeds from borrowings on revolving credit facility	509,000	590,000
Repayments of borrowings on revolving credit facility	(454,000)	(508,000)
Redemption of senior notes	(225,000)	—
Repayment of other debt	(259,400)	(7,013)
Payment of deferred financing fees	(12,186)	(9,873)
Distributions to shareholders	(190,680)	(161,724)
Cash provided by financing activities	<u>4,786</u>	<u>398,216</u>
(Decrease) increase in cash and cash equivalents	(2,575)	15,979
Cash and cash equivalents at beginning of period	23,560	10,866
Cash and cash equivalents at end of period	<u>\$ 20,985</u>	<u>\$ 26,845</u>

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Supplemental cash flow information:			
Interest paid	\$	83,195	\$ 66,391
Income taxes paid		389	264
Non-cash investing activities:			
Acquisitions funded by assumed debt		(112,153)	(76,931)
Non-cash financing activities:			
Assumption of mortgage notes payable		112,153	76,931
Issuance of common shares		2,138	1,814

See accompanying notes.

SENIOR HOUSING PROPERTIES TRUST
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(dollar amounts in thousands, except per share data or as otherwise stated)

Note 1. Basis of Presentation

The accompanying condensed consolidated financial statements of Senior Housing Properties Trust and its subsidiaries, or we, us, or our, are unaudited. Certain information and disclosures required by U.S. generally accepted accounting principles, or GAAP, for complete financial statements have been condensed or omitted. We believe the disclosures made are adequate to make the information presented not misleading. However, the accompanying condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes contained in our Annual Report on Form 10-K for the year ended December 31, 2011, or our Annual Report. In the opinion of our management, all adjustments, which include only normal recurring adjustments, considered necessary for a fair presentation have been included. All material intercompany transactions and balances among us and our consolidated subsidiaries have been eliminated. Operating results for interim periods are not necessarily indicative of the results that may be expected for the full year. Reclassifications have been made to the prior year's financial statements to conform to the current year's presentation. These reclassifications were made to conform the prior periods' rental income, property operating expenses, general and administrative expenses, interest and other income and impairment of assets to the current classification. These reclassifications had no effect on net income or shareholders' equity.

Note 2. Recent Accounting Pronouncements

In January 2012, we adopted the Financial Accounting Standards Board, or FASB, Accounting Standards Update No. 2011-04, *Amendments to Achieve Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and IFRS*. This update clarified the application of existing fair value measurement requirements. This update also required reporting entities to disclose additional information regarding fair value measurements categorized within Level 3 of the fair value hierarchy. This update was effective for interim and annual reporting periods beginning after December 15, 2011. The implementation of this update did not cause any material changes to the disclosures in, or presentation of, our condensed consolidated financial statements.

In January 2012, we adopted FASB Accounting Standards Update No. 2011-05, *Presentation of Comprehensive Income*. This update eliminated the option to report other comprehensive income and its components in the statement of shareholders' equity. This update was intended to enhance comparability between entities that report under GAAP and to provide a more consistent method of presenting non-owner transactions that affect an entity's equity. This standard was effective for interim and annual reporting periods beginning after December 15, 2011. The implementation of this update did not cause any material changes to our condensed consolidated financial statements.

Note 3. Real Estate Properties

At September 30, 2012, we owned 384 properties located in 40 states and Washington, D.C.

In February 2012, we acquired a senior living community located in Alabama with 92 living units for approximately \$11,300, excluding closing costs. We recorded intangible assets of approximately \$583 related to this acquisition. A subsidiary of Five Star Quality Care, Inc., which, together with its subsidiaries, we refer to in this report as Five Star, manages this community for our account pursuant to a long term management agreement. We funded this acquisition using cash on hand. As of September 30, 2012, we own 30 communities that are managed by Five Star, or the Managed Communities. We use the taxable REIT subsidiary, or TRS, structure authorized by the Real Estate Investment Trust Investment Diversification and Empowerment Act, or RIDEA, for our Managed

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Communities, which we began acquiring in June 2011. The results of operations for the Managed Communities are included in our short and long term residential care communities segment. See Note 11 for further information regarding the arrangements we have with Five Star regarding the lease, operations and management of our senior living communities and see Note 9 for further information regarding our reportable operating segments.

In May 2012, we acquired a senior living community located in South Carolina with 59 assisted living units for approximately \$8,059, excluding closing costs. We recorded intangible assets of approximately \$362 related to this acquisition. Five Star manages this community for our account pursuant to a long term management agreement. We funded this acquisition using cash on hand and by assuming approximately \$4,789 of mortgage debt, which approximated its fair value.

In May 2012, we acquired a property leased to medical providers, medical related businesses, clinics and biotech laboratory tenants, or an MOB, with 28,440 square feet located in Georgia for approximately \$8,600, excluding closing costs. We recorded intangible lease assets and liabilities of \$1,392 and \$10, respectively, related to this acquisition. We funded this acquisition using cash on hand and borrowings under our revolving credit facility.

In May 2012, we acquired another MOB with 111,538 square feet located in Georgia for approximately \$23,100, excluding closing costs. We recorded intangible lease assets of \$6,421 related to this acquisition. We funded this acquisition using cash on hand and borrowings under our revolving credit facility.

In June 2012, we acquired a MOB with 204,429 square feet located in Hawaii for approximately \$70,495, excluding closing costs. We recorded intangible lease assets and liabilities of \$4,306 and \$629, respectively, related to this acquisition. We funded this acquisition using cash on hand, borrowings under our revolving credit facility and by assuming approximately \$52,000 of mortgage debt, which approximated its fair value.

In June 2012, we acquired another MOB with 92,180 square feet located in Maryland for approximately \$18,250, excluding closing costs. We recorded intangible lease assets and liabilities of \$3,570 and \$78, respectively, related to this acquisition. We funded this acquisition using cash on hand and borrowings under our revolving credit facility.

In July 2012, we acquired a senior living community located in South Carolina with 232 living units for approximately \$37,273, excluding closing costs. We recorded intangible assets of approximately \$1,762 related to this acquisition. Five Star manages this community for our TRS pursuant to a long term management agreement. We funded this acquisition using cash on hand and borrowings under our revolving credit facility.

In July 2012, we acquired a MOB with 63,082 square feet located in Texas for approximately \$16,850, excluding closing costs. We recorded intangible lease assets of \$1,973 related to this acquisition. We funded this acquisition using cash on hand.

In July 2012, we acquired another MOB with 52,858 square feet located in Florida for approximately \$7,750, excluding closing costs. We recorded intangible lease assets of \$789 related to this acquisition. We funded this acquisition using cash on hand.

In July 2012, we acquired four senior living communities located in Colorado, Idaho and Washington State with a total of 511 living units for total purchase prices of approximately \$36,500, excluding closing

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costs. We recorded intangible assets of approximately \$1,900 related to this acquisition. We leased these properties to Stellar Senior Living, LLC, or Stellar, for an initial term expiring in 2027 at initial rent of approximately \$2,920 per year. Percentage rent, based on increases in gross revenues at these properties, will commence in 2014. We funded this acquisition using cash on hand, borrowings under our revolving credit facility and by assuming approximately \$6,876 of mortgage debt, which was recorded at a fair value of \$7,488.

In August 2012, we acquired a senior living community located in New York with 310 living units for approximately \$99,000, excluding closing costs. We recorded intangible assets of approximately \$2,726 related to this acquisition. Five Star manages this community for our account pursuant to a long term management agreement. We funded this acquisition using cash on hand, borrowings under our revolving credit facility and by assuming approximately \$31,187 of mortgage debt, which was recorded at a fair value of \$33,934.

In August 2012, we acquired another senior living community located in Missouri with 87 living units for approximately \$11,280, excluding closing costs. We recorded intangible assets of approximately \$330 related to this acquisition. Five Star manages this community for our account pursuant to a long term management agreement. We funded this acquisition using cash on hand, borrowings under our revolving credit facility and by assuming approximately \$5,838 of mortgage debt, which was recorded at a fair value of \$6,530.

In September 2012, we acquired a MOB with 33,600 square feet located in Massachusetts for approximately \$16,400, excluding closing costs. We funded this acquisition using cash on hand and by assuming approximately \$11,462 of mortgage debt, which was recorded at a fair value of \$12,529.

We have previously disclosed an agreement to acquire one MOB, which has not yet closed, for approximately \$15,275, including the assumption of approximately \$9,700 of mortgage debt and excluding closing costs. The MOB is located in Minnesota and includes 76,637 square feet. The closing of this acquisition is contingent upon customary closing conditions; accordingly, we can provide no assurance that we will purchase this property.

In August and October 2012, we entered into four separate agreements to acquire three senior living communities and one MOB for total purchase prices of approximately \$68,300, including the assumption of approximately \$12,300 of mortgage debt and excluding closing costs. The three senior living communities are located in Mississippi, Tennessee and Washington State and include a total of 437 living units and the MOB is located in Tennessee and includes 33,796 square feet. The closings of these acquisitions are contingent upon completion of our diligence and other customary closing conditions; accordingly, we can provide no assurance that we will purchase these properties.

In May 2012, we entered into an operations transfer agreement, or the Operations Transfer Agreement, with Sunrise Senior Living, Inc., or Sunrise, and Five Star related to 10 senior living communities, or the 10 Communities, that we were then leasing to Sunrise. The Operations Transfer Agreement provides that we and Sunrise will accelerate the December 31, 2013 termination date of these Sunrise leases, that we will lease the 10 Communities to our TRS and that Five Star will manage the 10 Communities pursuant to long term management agreements. The Operations Transfer Agreement provides that these transactions will occur when we and Five Star have obtained required regulatory approvals to operate the 10 Communities. In September and October 2012, we and Sunrise terminated Sunrise's leases for three and five of the 10 Communities, respectively, and we entered into management agreements with Five Star with respect to these eight communities. We currently expect the termination of the leases for, and the

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transition of the operations of, the remaining two communities to occur before December 31, 2012. As a result of these lease terminations, we recorded a loss on lease terminations of approximately \$104 during the three and nine months ended September 30, 2012. Also, as a result of the three lease terminations in September 2012, during the three and nine months ended September 30, 2012, we recognized approximately \$350 of percentage rent that is included in rental income in our condensed consolidated statements of income and comprehensive income as the contingencies for recognizing that income were then met. Pursuant to the Operations Transfer Agreement, we paid Sunrise \$1,000 to purchase the inventory and certain improvements owned by Sunrise at these 10 Communities, which were or will be transferred to our TRS. The termination of the leases for those remaining two communities and Five Star's management of those communities on our behalf are subject to conditions, including receipt of regulatory approvals.

In July 2012, we sold one MOB located in Massachusetts with approximately 18,900 square feet for a sale price of approximately \$1,100 and recorded a loss on the sale of this property of approximately \$101. At September 30, 2012, one of our senior living communities located in Pennsylvania is classified as held for sale. This property is included in real estate properties in our condensed consolidated balance sheets and has a net book value of approximately \$850 at both September 30, 2012 and December 31, 2011.

We periodically evaluate our properties for impairments. Impairment indicators may include declining tenant occupancy, weak or declining tenant profitability, cash flow or liquidity, our decision to dispose of an asset before the end of its estimated useful life and legislative, market or industry changes that could permanently reduce the value of a property. If indicators of impairment are present, we evaluate the carrying value of the affected property by comparing it to the expected future undiscounted net cash flows to be generated from that property. If the sum of these expected future net cash flows is less than the carrying value, we reduce the net carrying value of the property to its estimated fair value. During the nine months ended September 30, 2012, we recorded an impairment of assets charge of \$3,071 to reduce the carrying value of one of our properties to its estimated sale price less costs to sell. During the three and nine months ended September 30, 2011, we recorded impairment of assets charges of \$1,028 and \$1,194, respectively, to reduce the carrying value of one and three of our properties, respectively, to their estimated sales prices less costs to sell.

During the three and nine months ended September 30, 2012, pursuant to the terms of our existing leases with Five Star, we purchased \$4,156 and \$18,249, respectively, of improvements made to our properties leased to Five Star, and, as a result, the annual rent payable to us by Five Star increased by approximately \$335 and \$1,472, respectively.

The allocation of the purchase price of certain of our acquisitions described above is based upon preliminary estimates of the fair value of assets acquired and liabilities assumed. Consequently, amounts preliminarily allocated to assets acquired and liabilities assumed could change significantly from those used in these condensed consolidated financial statements.

Note 4. Unrealized Gain / Loss on Investments

As of September 30, 2012, we owned 250,000 common shares of Commonwealth REIT, or CWH, and 4,235,000 common shares of Five Star, which are carried at fair market value in other assets in our condensed consolidated balance sheets. Cumulative other comprehensive income shown in our condensed consolidated balance sheets includes the net unrealized gain or loss on investments determined as the net difference between the value at quoted market prices of our CWH and Five Star shares as of September 30, 2012 (\$14.56 and \$5.11 per share, respectively) and our weighted average costs at the time we

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
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acquired these shares, as adjusted to reflect any share splits or combinations (\$26.00 and \$3.36 per share, respectively).

Note 5. Loan Receivable

In May 2011, we and Five Star entered into a loan agreement, or the Bridge Loan, under which we agreed to lend Five Star up to \$80,000 to fund a portion of Five Star's purchase of a portfolio of six senior living communities. By September 30, 2011, Five Star had completed its acquisition of these communities and had borrowed all \$80,000 of this Bridge Loan. By December 31, 2011, Five Star had repaid \$42,000 of those borrowings. In April 2012, Five Star paid the remaining balance of \$38,000, resulting in the termination of this Bridge Loan. The Bridge Loan was secured by mortgages on three of the senior living communities that Five Star acquired and on four other senior living communities owned by Five Star. The Bridge Loan bore interest at a rate equal to the annual rates of interest applicable to our borrowings under our revolving credit facility, plus 1%. We recognized interest income from this Bridge Loan of \$314 for the nine months ended September 30, 2012 and \$187 and \$245 for the three and nine months ended September 30, 2011, which are included in interest and other income in our condensed consolidated statements of income and comprehensive income.

Note 6. Indebtedness

Our principal debt obligations at September 30, 2012 were: our \$750,000 unsecured revolving credit facility; four public issuances of unsecured senior notes, including: \$250,000 principal amount due 2016 at an annual interest rate of 4.30%, \$200,000 principal amount due 2020 at an annual interest rate of 6.75%, \$300,000 principal amount due 2021 at an annual interest rate of 6.75% and \$350,000 principal amount due 2042 at an annual interest rate of 5.625%; and \$702,636 aggregate principal amount of mortgages secured by 56 of our properties with maturity dates from 2013 to 2043. The 56 mortgaged properties had a carrying value of \$975,116 at September 30, 2012. We also have two properties subject to capital leases totaling \$13,900 at September 30, 2012; these two properties had a carrying value of \$15,667 at September 30, 2012.

In connection with the acquisitions discussed in Note 3 above, during the nine months ended September 30, 2012, we assumed \$112,153 of mortgage debt, which was recorded at an aggregate fair value of \$117,271. These mortgages have a weighted average interest rate of 5.77% and a weighted average maturity of 4.6 years. We recorded the assumed mortgages at their fair value, which exceeded their outstanding principal balances by \$5,118. We determined the fair value of the assumed mortgages using a market approach based upon Level 2 inputs (significant other observable inputs) in the fair value hierarchy.

In January 2012, we repaid all \$225,000 of our 8.625% unsecured senior notes at their maturity date. We funded this repayment using borrowings under our revolving credit facility.

In February 2012, we paid in full a mortgage loan encumbering one of our properties that had a principal balance of approximately \$12,400, an interest rate of 6.03% and a maturity date in March 2012. In April 2012, we paid in full 17 mortgage loans encumbering 17 of our properties that had an aggregate principal balance of \$32,576, weighted average interest rate of 6.95% and maturity dates in June and July 2012. In June 2012, we paid in full a mortgage loan encumbering one of our properties that had a principal balance of approximately \$3,140, an interest rate of 6.07% and a maturity date in September 2012. In October 2012, we paid in full a mortgage loan encumbering one of our properties that had a principal balance of approximately \$4,159, an interest rate of 6.50% and a maturity date in January 2013.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(dollar amounts in thousands, except per share data or as otherwise stated)

In July 2012, we sold \$350,000 of unsecured senior notes. The notes require interest at a fixed rate of 5.625% per annum and are due in 2042. Net proceeds from this sale of the notes, after underwriting discounts, fees and other expenses were approximately \$338,566. Interest on the notes is payable quarterly in arrears. We used a part of the net proceeds of this offering to repay borrowings outstanding under our revolving credit facility and we used the remaining net proceeds from this offering to prepay a part of our Federal National Mortgage Association, or FNMA, secured term loan and for general business purposes, which included funding a part of our recent acquisitions of properties discussed in Note 3 above.

In August 2012, we prepaid approximately \$199,197 of the outstanding principal balance of our FNMA secured term loan that had an interest rate of 6.4% at August 31, 2012 and a maturity date in September 2019, using, among other funds, net proceeds from our July 2012 debt offering. As a result of this prepayment, 11 of the 28 properties securing this loan were released from the related mortgage. Also, as a result of this prepayment, we recorded a loss on early extinguishment of debt of approximately \$6,349 consisting of a debt prepayment premium, legal fees and the write off of unamortized deferred financing fees.

We have a \$750,000 unsecured revolving credit facility that is available for acquisitions, working capital and general business purposes. Our revolving credit facility has a maturity date in June 2015 and, subject to meeting certain conditions and our payment of a fee, we may extend the maturity date for one year to June 2016. In addition, our revolving credit facility includes a feature under which maximum borrowings may be increased to up to \$1,500,000 in certain circumstances. Borrowings under our revolving credit facility bear interest at LIBOR plus a spread of 160 basis points. We also pay a facility fee of 35 basis points per annum on the maximum amount of borrowings available under our revolving credit facility. Both the interest rate spread and the facility fee are subject to adjustment based upon changes to our credit ratings. The weighted average annual interest rate for borrowings under our revolving credit facility was 1.8% for the three and nine months ended September 30, 2012, respectively. As of September 30, 2012, we had \$55,000 outstanding and \$695,000 available under our revolving credit facility.

Note 7. Shareholders' Equity

On February 9, 2012, we paid a \$0.38 per share, or \$61,806, distribution to our common shareholders with respect to our operating results for the quarter ended December 31, 2011. On May 9, 2012, we paid a \$0.38 per share, or \$61,813, distribution to our common shareholders with respect to our operating results for the quarter ended March 31, 2012. On August 24, 2012, we paid a \$0.38 per share, or \$67,061, distribution to our common shareholders with respect to our operating results for the quarter ended June 30, 2012. On October 9, 2012, we declared a quarterly distribution of \$0.39 per share, or \$68,856, to our common shareholders of record on October 22, 2012, with respect to our operating results for the quarter ended September 30, 2012; we expect to pay this distribution on or about November 20, 2012.

On February 10, 2011, we paid a \$0.37 per share, or \$52,486, distribution to our common shareholders with respect to our operating results for the quarter ended December 31, 2010. On May 12, 2011, we paid a \$0.37 per share, or \$52,490, distribution to our common shareholders with respect to our operating results for the quarter ended March 31, 2011. On August 11, 2011, we paid a \$0.37 per share, or \$56,748, distribution to our common shareholders with respect to our operating results for the quarter ended June 30, 2011. On November 11, 2011, we paid a \$0.38 per share, or \$61,805, distribution to our common shareholders with respect to our operating results for the quarter ended September 30, 2011.

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Under the terms of our business management agreement with Reit Management & Research LLC, or RMR, on March 29, 2012, we issued 20,462 common shares in payment of an incentive fee of approximately \$453 for services rendered to us by RMR during 2011.

On May 17, 2012, we granted 2,000 common shares of beneficial interest, par value \$.01 per share, valued at \$20.48 per share, the closing price of our common shares on the New York Stock Exchange, or the NYSE, on that day, to each of our five Trustees.

In July 2012, we issued 13,800,000 common shares in a public offering, raising net proceeds of approximately \$287,052. We used the net proceeds of this offering to repay borrowings outstanding under our revolving credit facility.

On September 14, 2012, pursuant to our 2012 Equity Compensation Plan, we granted an aggregate of 78,492 common shares of beneficial interest, par value \$.01 per share, valued at \$22.62 per share, the closing price of our common shares on the NYSE on that day, to our officers and certain employees of our manager, RMR.

Note 8. Fair Value of Assets and Liabilities

The following table presents certain of our assets and liabilities that are measured at fair value on a recurring and non recurring basis at September 30, 2012 categorized by the level of inputs used in the valuation of each asset or liability.

Description	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Assets held for sale ⁽¹⁾	\$ 850	\$ —	\$ 850
Long-lived assets held and used ⁽²⁾	\$ 1,975	\$ —	\$ 1,975
Investments in available for sale securities ⁽³⁾	\$ 25,281	\$ 25,281	\$ —
Unsecured senior notes ⁽⁴⁾	\$ 1,174,322	\$ 1,174,322	\$ —

⁽¹⁾ Assets held for sale consist of one of our properties that we expect to sell that is reported at fair value. We used offers to purchase the property made by third parties or comparable sales transactions (Level 2 inputs) to determine the fair value of this property. We have previously recorded cumulative impairments of approximately \$5,738 to this property in order to reduce its book value to fair value.

⁽²⁾ Long-lived assets held and used consist of one of our properties. We used broker information and comparable sales transactions (Level 2 inputs) to determine the fair value of this property and recognized an impairment of assets charge of \$3,071 during the nine months ended September 30, 2012 to reduce its carrying value to the amount stated.

⁽³⁾ Our investments in available for sale securities include our 250,000 common shares of CWH and 4,235,000 common shares of Five Star. The fair values of these shares are based on quoted prices at September 30, 2012 in active markets (Level 1 inputs).

⁽⁴⁾ We estimate the fair values of our unsecured senior notes using an average of the bid and ask price of our then outstanding four issuances of senior notes (Level 1 inputs) on or about September 30, 2012. The fair

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values of these senior note obligations exceed their book values of \$1,091,732 by \$82,590 because these notes were trading at a premium to their face amounts.

In addition to the assets and liabilities described in the above table, our additional financial instruments include rents receivable, cash and cash equivalents, restricted cash, secured and unsecured debt and other liabilities. The fair values of these additional financial instruments approximate their carrying values at September 30, 2012 based upon their liquidity, short term maturity, variable rate pricing or our estimate of fair value using discounted cash flow analyses and prevailing interest rates.

Note 9. Segment Reporting

We have three operating segments, of which two are reportable operating segments. The two reportable operating segments are: (i) short term and long term residential care communities that offer dining for residents and (ii) properties where medical related activities occur but where residential overnight stays and dining services are not provided, or MOB. Properties in the short term and long term residential care communities segment include leased and managed independent living communities, assisted living communities, skilled nursing facilities and rehabilitation hospitals. We earn rental income revenues from the tenants that lease and operate our leased communities and we earn fees and services revenues from the residents of our Managed Communities. Five Star began managing our Managed Communities for our account in June 2011. Properties in the MOB segment include those leased to medical providers, medical related businesses, clinics and biotech laboratory tenants. We earn rental income revenues from tenants of our MOB. The “All Other Operations” category in the following table includes amounts related to corporate business activities and the operating results of certain properties that offer fitness, wellness and spa services to members.

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	For the Three Months Ended September 30, 2012			
	Short and Long Term Residential Care Communities	MOBs	All Other Operations	Consolidated
Revenues:				
Rental income	\$ 60,496	\$ 51,346	\$ 4,439	\$ 116,281
Residents fees and services	42,352	—	—	42,352
Total revenues	102,848	51,346	4,439	158,633
Expenses:				
Depreciation	22,470	12,462	948	35,880
Property operating expenses	31,233	16,574	—	47,807
General and administrative	—	—	8,352	8,352
Acquisition related costs	—	—	4,297	4,297
Total expenses	53,703	29,036	13,597	96,336
Operating income (loss)	49,145	22,310	(9,158)	62,297
Interest and other income	—	—	248	248
Interest expense	(11,594)	(1,014)	(17,809)	(30,417)
Loss on early extinguishment of debt	—	—	(6,349)	(6,349)
Loss on lease terminations	(104)	—	—	(104)
Loss on sale of properties	—	(101)	—	(101)
Equity in earnings of an investee	—	—	115	115
Income (loss) before income tax expense	37,447	21,195	(32,953)	25,689
Income tax expense	—	—	(43)	(43)
Net income (loss)	<u>\$ 37,447</u>	<u>\$ 21,195</u>	<u>\$ (32,996)</u>	<u>\$ 25,646</u>
Total assets	<u>\$ 2,604,149</u>	<u>\$ 1,625,180</u>	<u>\$ 416,966</u>	<u>\$ 4,646,295</u>

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	For the Three Months Ended September 30, 2011			
	Short and Long Term Residential Care Communities	MOBs	All Other Operations	Consolidated
Rental income	\$ 58,391	\$ 40,139	\$ 4,439	\$ 102,969
Residents fees and services	10,731	—	—	10,731
Total revenues	69,122	40,139	4,439	113,700
Expenses:				
Depreciation	18,369	9,507	948	28,824
Property operating expenses	8,603	11,550	—	20,153
General and administrative	—	—	6,564	6,564
Acquisition related costs	—	—	2,620	2,620
Impairment of assets	1,028	—	—	1,028
Total expenses	28,000	21,057	10,132	59,189
Operating income (loss)	41,122	19,082	(5,693)	54,511
Interest and other income	—	—	394	394
Interest expense	(11,152)	(254)	(13,324)	(24,730)
Equity in earnings of an investee	—	—	28	28
Income (loss) before income tax expense	29,970	18,828	(18,595)	30,203
Income tax expense	—	—	(207)	(207)
Net income (loss)	\$ 29,970	\$ 18,828	\$ (18,802)	\$ 29,996
Total assets	\$ 2,079,432	\$ 1,465,833	\$ 458,048	\$ 4,003,313

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	For the Nine Months Ended September 30, 2012			
	Short and Long Term Residential Care Communities	MOBs	All Other Operations	Consolidated
Revenues:				
Rental income	\$ 178,964	\$ 144,491	\$ 13,317	\$ 336,772
Residents fees and services	113,906	—	—	113,906
Total revenues	292,870	144,491	13,317	450,678
Expenses:				
Depreciation	64,432	37,211	2,844	104,487
Property operating expenses	82,976	44,899	—	127,875
General and administrative	—	—	24,106	24,106
Acquisition related costs	—	—	6,814	6,814
Impairment of assets	—	3,071	—	3,071
Total expenses	147,408	85,181	33,764	266,353
Operating income (loss)	145,462	59,310	(20,447)	184,325
Interest and other income	—	—	957	957
Interest expense	(37,748)	(1,807)	(47,871)	(87,426)
Loss on early extinguishment of debt	—	—	(6,349)	(6,349)
Loss on lease terminations	(104)	—	—	(104)
Loss on sale of properties	—	(101)	—	(101)
Equity in earnings of an investee	—	—	236	236
Income (loss) before income tax expense	107,610	57,402	(73,474)	91,538
Income tax expense	—	—	(290)	(290)
Net income (loss)	<u>\$ 107,610</u>	<u>\$ 57,402</u>	<u>\$ (73,764)</u>	<u>\$ 91,248</u>
Total assets	<u>\$ 2,604,149</u>	<u>\$ 1,625,180</u>	<u>\$ 416,966</u>	<u>\$ 4,646,295</u>

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	For the Nine Months Ended September 30, 2011			
	Short and Long Term Residential Care Communities	MOBs	All Other Operations	Consolidated
Rental income	\$ 172,686	\$ 115,887	\$ 13,266	\$ 301,839
Residents fees and services	11,575	—	—	11,575
Total revenues	184,261	115,887	13,266	313,414
Expenses:				
Depreciation	52,112	27,164	2,844	82,120
Property operating expenses	9,212	32,676	—	41,888
General and administrative	—	—	19,513	19,513
Acquisition related costs	—	—	6,547	6,547
Impairment of assets	1,028	166	—	1,194
Total expenses	62,352	60,006	28,904	151,262
Operating income (loss)	121,909	55,881	(15,638)	162,152
Interest and other income	—	—	870	870
Interest expense	(31,751)	(686)	(38,400)	(70,837)
Loss on early extinguishment of debt	—	—	(427)	(427)
Gain on sale of properties	21,236	79	—	21,315
Equity in earnings of an investee	—	—	111	111
Income (loss) before income tax expense	111,394	55,274	(53,484)	113,184
Income tax expense	—	—	(365)	(365)
Net income (loss)	\$ 111,394	\$ 55,274	\$ (53,849)	\$ 112,819
Total assets	\$ 2,079,432	\$ 1,465,833	\$ 458,048	\$ 4,003,313

Note 10. Significant Tenant

Five Star is our former subsidiary. Rental income from Five Star represented 39.6% of our annualized rental income and the properties Five Star leases from us represent 42.6% of our investments, at cost, as of September 30, 2012. As of September 30, 2012, Five Star also manages a portfolio of 30 senior living communities for our account. These properties leased and managed by Five Star are included in our short and long term residential care communities segment. The following tables present summary financial information for Five Star for the three and nine months ended September 30, 2012 and 2011, as reported in its Quarterly Report on Form 10-Q for the quarterly period ending September 30, 2012.

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	For the Three Months Ended September 30,	
	2012	2011
Operations		
Total revenues	\$ 332,420	\$ 310,561
Operating income	5,316	4,080
Income from continuing operations	3,405	3,546
Net income (loss)	16,439	(528)

	For the Nine Months Ended September 30,	
	2012	2011
Total revenues	\$ 991,781	\$ 891,152
Operating income	15,317	17,948
Income from continuing operations	9,935	14,750
Net income	21,446	8,800

	2012	2011
Cash Flows		
Cash provided by operating activities	\$ 43,235	\$ 45,957
Net cash (used in) provided by discontinued operations	(8,317)	652
Cash provided by (used in) investing activities	1,912	(126,463)
Cash (used in) provided by financing activities	(50,909)	101,030
Change in cash and cash equivalents	(14,079)	21,176
Cash and cash equivalents at beginning of period	28,374	20,770
Cash and cash equivalents at end of period	14,295	41,946

	As of September 30,	
	2012	2011
Financial Position		
Current assets	\$ 128,465	\$ 154,185
Non-current assets	435,041	394,894
Total indebtedness	71,431	132,995
Current liabilities	157,904	208,195
Non-current liabilities	102,875	113,116
Total shareholders' equity	302,727	227,768

The summary financial information of Five Star is presented to comply with applicable accounting regulations of the Securities and Exchange Commission, or SEC. References in these financial statements to the Quarterly Report on Form 10-Q for Five Star are included to show the source of the information only, and the other information in Five Star's Quarterly Report on Form 10-Q is not incorporated by reference into these financial statements. See Note 11 for further information regarding our leases with Five Star.

Note 11. Related Person Transactions

We have no employees. Personnel and various services we require to operate our business are provided to us by RMR. We have two agreements with RMR to provide management and administrative services

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to us: (1) a business management agreement which relates to business generally and (2) a property management agreement which relates to the property level operations of our MOBs. Under our business management agreement with RMR, we acknowledge that RMR also provides management services to other companies, which include Five Star and CWH. One of our Managing Trustees, Mr. Barry Portnoy, is Chairman, majority owner and an employee of RMR. Our other Managing Trustee, Mr. Adam Portnoy, is the son of Mr. Barry Portnoy, and an owner, President, Chief Executive Officer and a director of RMR. Each of our executive officers is also an officer of RMR, and our President and Chief Operating Officer, Mr. David Hegarty, is a director of RMR. Certain of Five Star's executive officers and CWH's executive officers are officers of RMR. Our Independent Trustees also serve as independent directors or independent trustees of other public companies to which RMR provides management services. Mr. Barry Portnoy serves as a managing director or managing trustee of those companies and Mr. Adam Portnoy serves as a managing trustee of a majority of those companies.

Pursuant to our business management agreement with RMR, we incurred expenses of \$6,745 and \$4,865 for the three months ended September 30, 2012 and 2011, respectively, and \$19,472 and \$15,241 for the nine months ended September 30, 2012 and 2011, respectively. These amounts are included in general and administrative expenses in our condensed consolidated statements of income and comprehensive income. In March 2012, we issued 20,462 common shares to RMR in satisfaction of the incentive fee RMR earned for services provided to us during 2011, in accordance with the terms of the business management agreement. In connection with our property management agreement with RMR, we incurred property management and construction supervision fees of \$1,557 and \$1,111 for the three months ended September 30, 2012 and 2011, respectively, and \$4,328 and \$3,193 for the nine months ended September 30, 2012 and 2011, respectively. These amounts are included in property operating expenses or have been capitalized, as appropriate, in our condensed consolidated financial statements.

Five Star is our former 100% owned subsidiary. In 2001, we distributed substantially all of Five Star's then outstanding shares of common stock to our shareholders. We are Five Star's largest stockholder and, as of the date of this report, we owned 4,235,000 shares of common stock of Five Star, or approximately 8.8% of Five Star's outstanding shares of common stock. Five Star is our largest tenant and manages several senior living communities for us. As of September 30, 2012, we leased 188 senior living communities and two rehabilitation hospitals to Five Star and Five Star managed 30 senior living communities for our account. One of our Managing Trustees, Mr. Barry Portnoy, is also a managing director of Five Star. RMR provides management services to both us and Five Star.

Under Five Star's leases with us, Five Star pays us rent consisting of minimum annual rent amounts plus percentage rent based on increases in gross revenues at certain properties. Five Star's total minimum annual rent payable to us as of September 30, 2012 was \$196,704, excluding percentage rent. We recognized total rental income from Five Star of \$49,148 and \$48,392 for the three months ended September 30, 2012 and 2011, respectively, and \$146,901 and \$141,875 for the nine months ended September 30, 2012 and 2011, respectively. As of September 30, 2012 and December 31, 2011, our rents receivable from Five Star were \$17,620 and \$17,313, respectively, and are included in other assets in our condensed consolidated balance sheets. During the nine months ended September 30, 2012, pursuant to the terms of our leases with Five Star, we purchased \$18,249 of improvements made to properties leased to Five Star, and, as a result, the annual rent payable to us by Five Star increased by approximately \$1,472.

Five Star began managing communities for our account in June 2011 in connection with our acquisition of certain senior living communities at that time. We have since acquired additional communities that are

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being managed by Five Star. Five Star manages our managed communities pursuant to long term management agreements on substantially consistent terms. In connection with these management agreements, we and Five Star have entered into three pooling agreements: two pooling agreements which pool our management agreements for communities that include assisted living units, or the AL Pooling Agreements, and a third pooling agreement, which pools our management agreements for communities consisting only of independent living units, or the IL Pooling Agreement. We entered into the initial AL Pooling Agreement in May 2011 and the second AL Pooling Agreement in October 2012. In connection with entering into the second AL Pooling Agreement, we and Five Star amended and restated the initial AL Pooling Agreement so that it includes only the management agreements for 20 of the communities that include assisted living units that we and Five Star agreed would be managed by Five Star for our account. The second AL Pooling Agreement includes the management agreements for the remaining communities that include assisted living units that Five Star currently manages for our account (other than with respect to the senior living community in New York described below). We entered into the IL Pooling Agreement in August 2012 and that agreement currently includes management agreements for two communities consisting only of independent living units. Each of the AL Pooling Agreements and the IL Pooling Agreement aggregates the determination of fees and expenses of the various communities that are subject to each such pooling agreement, including determinations of our return of our invested capital and Five Star's incentive fees. We incurred management fees of \$1,284 and \$3,431 for the three and nine months ended September 30, 2012, respectively, and \$326 and \$351 for the three and nine months ended September 30, 2011, respectively, with respect to the communities Five Star manages for our account. These amounts are included in property operating expenses in our condensed consolidated statements of income and comprehensive income. We expect that we may enter into additional management arrangements with Five Star for senior living communities that we may acquire in the future on terms similar to those management arrangements we currently have with Five Star, including, as further disclosed in Note 3—Real Estate Properties and below, with respect to two of the communities we currently lease to Sunrise.

In February 2012, we acquired a senior living community in Alabama with 92 living units for approximately \$11,300, excluding closing costs, and in May 2012, we acquired a senior living community with 59 living units in South Carolina for approximately \$8,059, excluding closing costs. We are leasing those communities to our TRSs and they are being managed by Five Star pursuant to long term management agreements, on terms substantially consistent with the terms of our other management agreements with Five Star for communities that include assisted living units. The management agreements for these communities are included in the second AL Pooling Agreement.

In May 2012, we and Five Star entered into the Operations Transfer Agreement with Sunrise. Pursuant to the Operations Transfer Agreement, we and Sunrise agreed to accelerate the December 31, 2013 termination date of 10 of our then 14 leases with Sunrise, which 10 leases relate to the 10 Communities. The Operations Transfer Agreement also contemplates that we will lease the 10 Communities to our TRS and Five Star will operate the 10 Communities as a manager for our account, pursuant to long term management agreements. The Operations Transfer Agreement provides that these transactions will occur when we and Five Star have obtained regulatory approvals to operate the affected 10 Communities. As of the date of this report, we and Sunrise have terminated the leases for eight of the 10 Communities pursuant to the Operations Transfer Agreement, we leased those eight communities to our TRS and we have entered into long term management agreements with Five Star for each of the eight communities, on terms substantially consistent with the terms of our other management agreements with Five Star for communities that include assisted living units. These management agreements for these eight communities are included in the second AL Pooling Agreement. We currently expect that, following the termination of the leases for the remaining two of the 10 Communities, we will lease these

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communities to our TRS, that we will enter into long term management agreements with Five Star, on terms substantially consistent with the terms of our other management agreements with Five Star for communities that include assisted living units, for Five Star to manage those communities on our behalf and that those communities will also be added to our second AL Pooling Agreement.

In July 2012, we acquired a senior living community in South Carolina with 232 living units for approximately \$37,273, excluding closing costs, and entered into a long term management agreement with Five Star to manage this community for our account on terms substantially consistent with the terms of our other management agreements with Five Star for communities that include assisted living units and this management agreement is included in our second AL Pooling Agreement.

In August 2012, we acquired a senior living community in Missouri with 87 living units for approximately \$11,280, excluding closing costs, and entered into a long term management agreement with Five Star to manage this community for our account on terms substantially consistent with the terms of our other management agreement with Five Star for a community consisting only of independent living units. In connection with this acquisition, we entered into the IL Pooling Agreement with Five Star and this management agreement was added to the IL Pooling Agreement.

Also in August 2012, we acquired a senior living community in New York with 310 living units, for approximately \$99,000, excluding closing costs. In connection with our acquisition of this community, we entered into a long term management agreement with Five Star to manage the portion of this community consisting of living units not subject to the requirements of New York healthcare licensing laws for our account on terms substantially consistent with the terms of our other management agreements with Five Star for communities that include assisted living units, except the management fee we pay is equal to 5% of the gross revenues realized at that portion of the community, instead of 3% of gross revenues as is typically provided under our management agreements with Five Star, and there is no incentive fee payable by us under this management agreement. In order to accommodate certain requirements of New York healthcare licensing laws, our TRS subleased the portion of this community that is subject to such requirements to an entity, D&R Yonkers LLC, which is owned by our President and Chief Operating Officer and our Treasurer and Chief Financial Officer. In August 2012, D&R Yonkers LLC entered into a long term management agreement with Five Star to manage this community for its account. Under the sublease agreement, D&R Yonkers LLC is obligated to pay rent only from available revenues generated by the subleased community. Our TRS is obligated to advance any rent shortfalls to D&R Yonkers LLC, and D&R Yonkers LLC is obligated to repay our TRS those amounts our TRS advanced only from available revenues generated by the subleased community. Further, we have entered into an indemnification agreement with the owners of D&R Yonkers LLC, pursuant to which we have agreed to indemnify them for costs, losses and expenses they may sustain by reason of being a member, director or officer of D&R Yonkers LLC or in connection with any costs losses or expenses under our TRS's sublease with D&R Yonkers LLC or the management agreement between D&R Yonkers LLC and Five Star.

As discussed above in Note 5—Loan Receivable, in May 2011, we and Five Star entered into the Bridge Loan, under which we lent to Five Star \$80,000 to fund a portion of Five Star's purchase of six senior living communities. In April 2012, Five Star repaid in full the \$38,000 principal amount then outstanding under the Bridge Loan, resulting in the termination of the Bridge Loan. We recognized interest income from the Bridge Loan of \$0 and \$314 for the three and nine months ended September 30, 2012, respectively, and we recognized interest income of \$187 and \$245 for the three and nine months ended September 30, 2011.

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As discussed above in Note 6—Indebtedness, in August 2012, we prepaid approximately \$199,197 of the outstanding principal balance of our FNMA secured term loan. As a result of this prepayment, 11 of the 28 properties securing that debt were released from the mortgage and, in connection with this release, we entered into amendments to the related master credit agreement and our leases with Five Star so that these 11 properties were removed from the lease that exists to accommodate this FNMA debt and added to our other leases with Five Star.

CWH was formerly our parent. We were spun off to CWH's shareholders in 1999. As of the date of this report, we owned 250,000 common shares of CWH. One of our Managing Trustees, Mr. Barry Portnoy, is a managing trustee of CWH. Our other Managing Trustee, Mr. Adam Portnoy, is a managing trustee and the President of CWH. In addition, one of our Independent Trustees, Mr. Frederick Zeytoonjian, is also an independent trustee of CWH. RMR provides management services to both us and CWH.

As previously reported, CWH previously granted us a right of first refusal to purchase certain of CWH's properties if CWH sought to sell them. Between November 2010 and January 2011, we purchased 27 properties (approximately 2,803,000 square feet of rental space), which were majority leased as MOBs from CWH for total sale prices of \$470,000, excluding closing costs. In September 2011, we acquired from CWH 13 additional properties (approximately 1,310,000 square feet), which were located in eight states and majority leased as MOBs for total sale prices of \$167,000, excluding closing costs. Certain of the properties included in these purchases were subject to the right of first refusal granted to us by CWH referred to above. In connection with our September 2011 purchase of 13 properties from CWH, we and CWH terminated our existing right of first refusal, as we have purchased substantially all of the properties that were subject to that right of first refusal.

We, RMR, Five Star, CWH and four other companies to which RMR provides management services each currently own 12.5% of Affiliates Insurance Company, or AIC, an Indiana insurance company. All of our Trustees, all of the trustees and directors of the other publicly held AIC shareholders and nearly all of the directors of RMR currently serve on the board of directors of AIC. RMR provides management and administrative services to AIC pursuant to a management and administrative services agreement with AIC. Although we own less than 20% of AIC, we use the equity method to account for this investment because we believe that we have significant influence over AIC because all of our Trustees are also directors of AIC. Our investment in AIC had a carrying value of \$5,558 and \$5,291 as of September 30, 2012 and December 31, 2011, respectively. We recognized income of \$115 and \$28 for the three months ended September 30, 2012 and 2011, respectively, and \$236 and \$111 for the nine months ended September 30, 2012 and 2011, respectively, related to this investment. We and the other shareholders of AIC have purchased property insurance providing \$500,000 of coverage pursuant to an insurance program arranged by AIC and with respect to which AIC is a reinsurer of certain coverage amounts. This program was modified and extended in June 2012 for a one year term and we paid a premium, including taxes and fees, of \$4,438 in connection with that renewal, which amount may be adjusted from time to time as we acquire or dispose of properties that are included in this program. We are also currently investigating the possibilities to expand our insurance relationships with AIC to include other types of insurance. We may invest additional amounts in AIC in the future if the expansion of this insurance business requires additional capital, but we are not obligated to do so. By participating in this insurance business with RMR and the other companies to which RMR provides management services, we expect that we may benefit financially by possibly reducing our insurance expenses or by realizing our pro-rata share of any profits of this insurance business.

For further information about these and other such relationships and related person transactions, please see elsewhere in this Quarterly Report on Form 10-Q, including "Management's Discussion and Analysis

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(dollar amounts in thousands, except per share data or as otherwise stated)

of Financial Condition and Results of Operations—Related Person Transactions” in Part I, Item 2 and “Warning Concerning Forward Looking Statements” in Part I, and “Other Information” in Part II, Item 5, and our Annual Report, our Proxy Statement for our 2012 Annual Meeting of Shareholders dated February 21, 2012, or our Proxy Statement, and our other filings with the SEC, including Note 5 to our consolidated financial statements included in our Annual Report, the sections captioned “Business,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Related Person Transactions” and “Warning Concerning Forward Looking Statements” of our Annual Report and the section captioned “Related Person Transactions and Company Review of Such Transactions” and the information regarding our Trustees and executive officers in our Proxy Statement. In addition, please see the section captioned “Risk Factors” of our Annual Report for a description of risks that may arise from these transactions and relationships. Our filings with the SEC, including our Annual Report and our Proxy Statement, are available at the SEC’s website at www.sec.gov. Copies of certain of our agreements with our related parties, including our business management agreement and property management agreement with RMR, our leases, forms of management agreements and related pooling agreements and Bridge Loan with Five Star, our agreements with D&R Yonkers LLC and its owners, various agreements we have with CWH and our shareholders agreement with AIC and its shareholders, are also publicly available as exhibits to our public filings with the SEC and accessible at the SEC’s website.

Note 12. Income Taxes

We have elected to be taxed as a real estate investment trust, or REIT, under the Internal Revenue Code of 1986, as amended, and as such, are generally not subject to federal and most state income taxation on our operating income provided we distribute our taxable income to our shareholders and meet certain organization and operating requirements. We do, however, lease certain managed senior living communities to our wholly owned TRSs that, unlike most of our subsidiaries, file a separate consolidated corporate income tax return and are subject to federal and state income taxes. Our consolidated income tax provision includes the income tax provision related to the operations of our TRSs and certain state income taxes we incur despite our REIT status. During the three and nine months ended September 30, 2012, we recognized current income tax expense of \$43 and \$290, respectively. During the three and nine months ended September 30, 2011, we recognized current income tax expense of \$207 and \$365, respectively.

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

The following discussion should be read in conjunction with our condensed consolidated financial statements and notes thereto included in this Quarterly Report on Form 10-Q and our Annual Report.

PORTFOLIO OVERVIEW

The following tables present an overview of our portfolio (dollars in thousands, except living unit / bed or square foot data):

(As of September 30, 2012)	Number of Properties	Number of Units/Beds or Square Feet	Investment Carrying Value ⁽¹⁾	% of Total Investment	Investment per Unit / Bed or Square Foot ⁽²⁾	Q3 2012 NOI ⁽³⁾	% of Q3 2012 Total NOI
Facility Type							
Independent living ⁽⁴⁾	61	15,044	\$ 1,815,307	35.6%	\$ 120,667	\$ 37,105	33.4%
Assisted living ⁽⁴⁾	149	10,901	1,259,738	24.7%	\$ 115,562	27,541	24.9%
Nursing homes ⁽⁴⁾	48	5,024	207,002	4.1%	\$ 41,203	4,290	3.9%
Rehabilitation hospitals	2	364	73,896	1.5%	\$ 203,011	2,679	2.4%
Wellness centers	10	812,000 sq. ft.	180,017	3.5%	\$ 222	4,439	4.0%
MOBs	114	8,197,000 sq. ft.	1,555,705	30.6%	\$ 190	34,772	31.4%
Total	384		\$ 5,091,665	100.0%		\$ 110,826	100.0%

Tenant / Operator / Managed Properties

Five Star (Lease No. 1) ⁽⁵⁾	91	6,731	\$ 700,546	13.8%	\$ 104,078	\$ 14,642	13.2%
Five Star (Lease No. 2) ⁽⁵⁾	53	7,564	739,552	14.5%	\$ 97,773	17,492	15.8%
Five Star (Lease No. 3) ⁽⁵⁾	17	3,281	346,271	6.8%	\$ 105,538	8,441	7.6%
Five Star (Lease No. 4) ⁽⁵⁾	29	3,335	382,602	7.5%	\$ 114,723	8,572	7.7%
Sunrise / Marriott ⁽⁶⁾	4	1,619	294,653	5.8%	\$ 181,997	7,833	7.1%
Brookdale	18	894	61,122	1.2%	\$ 68,369	1,754	1.6%
6 private companies (combined)	11	1,470	71,350	1.4%	\$ 48,537	1,762	1.6%
TRS Managed ⁽⁷⁾	37	6,439	759,847	14.9%	\$ 118,007	11,119	10.0%
Wellness centers	10	812,000 sq. ft.	180,017	3.5%	\$ 222	4,439	4.0%
Multi-tenant MOBs	114	8,197,000 sq. ft.	1,555,705	30.6%	\$ 190	34,772	31.4%
Total	384		\$ 5,091,665	100%		\$ 110,826	100%

Tenant / Managed Property Operating Statistics ⁽⁸⁾

(As of September 30, 2012)	Rent Coverage		Occupancy	
	2012	2011	2012	2011
Five Star (Lease No. 1) ⁽⁵⁾	1.20x	1.28x	84.3%	85.8%
Five Star (Lease No. 2) ⁽⁵⁾	1.23x	1.32x	82.0%	81.5%
Five Star (Lease No. 3) ⁽⁵⁾	1.68x	1.78x	89.3%	90.6%
Five Star (Lease No. 4) ⁽⁵⁾	1.20x	1.15x	86.1%	83.2%
Sunrise / Marriott ⁽⁶⁾	1.90x	1.97x	93.1%	92.9%
Brookdale	2.27x	2.24x	93.6%	92.1%
6 private companies (combined)	2.86x	2.52x	83.6%	83.8%
TRS Managed ⁽⁷⁾	NA	NA	87.2%	86.8%
Wellness centers	2.17x	2.16x	100.0%	100.0%
Multi-tenant MOBs ⁽⁹⁾	NA	NA	93.9%	96.4%

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- (1) Amounts are before depreciation, but after impairment write downs, if any.
 - (2) Represents investment carrying value divided by the number of living units, beds or leased square feet at September 30, 2012.
 - (3) Net operating income, or NOI, is defined and calculated by reportable segment and reconciled to net income below in this Item 2.
 - (4) Senior living properties are categorized by the type of living units or beds which constitute a majority of the living units or beds at the property.
 - (5) In August 2012, we realigned our leases with Five Star as a result of our prepayment of approximately \$199,197 of the outstanding principal balance of our FNMA secured term loan and the release of 11 of the 28 properties securing this loan from the related mortgage. The data presented above reflects this realignment.
 - (6) Marriott International, Inc. guarantees the lessee's obligations under these leases. In December 2011, Sunrise extended the leases to December 31, 2018 for these senior living communities. Rent coverage and occupancy includes data for the four senior living communities whose leases were extended to December 31, 2018.
 - (7) These 37 senior living communities, including 27 communities that we acquired since June 2011 and the 10 Communities leased to Sunrise, of which three were transferred to our TRS in September 2012, are leased to our TRSs and managed by Five Star for our account. In May 2012, we entered an agreement with Sunrise for early terminations of leases for 10 Communities that were leased to Sunrise through December 31, 2013; in September 2012, the leases for three senior living communities were terminated and, in October 2012, the leases for five additional of these senior living communities were terminated, and the operations of these eight senior living communities were transferred to our TRS and Five Star management. We currently expect the termination of the leases for, and the transition of the operations of, the remaining two of these senior living communities to occur before December 31, 2012. Number of Properties and Number of Units / Beds or Square Feet above are presented as if all of these 10 lease terminations occurred during the reporting period.
 - (8) Operating data for TRS managed properties are presented for the 12 month period ended or, if shorter, from the date of acquisitions through September 30, 2012 and operating data for multi-tenant MOBs are presented as of September 30, 2012 and 2011; operating data for other properties and tenants are presented based upon the operating results provided by our tenants for the 12 months ended June 30, 2012 and 2011, or the most recent prior period for which tenant operating results are available to us. Rent coverage is calculated as operating cash flow from our tenants' operations of our properties, before subordinated charges, divided by minimum rents payable to us. We have not independently verified our tenants' operating data. The table excludes data for periods prior to our ownership of some of these properties.
 - (9) Our MOB leases include both triple-net leases where, in addition to paying fixed rents, the tenants assume the obligation to operate and maintain the properties at their expense, and some net and modified gross leases where we are responsible to operate and maintain the properties and we charge tenants for some or all of the property operating costs. A small percentage of our MOB leases are so-called "full-service" leases where we receive fixed rent from our tenants and no reimbursement for our property operating costs.

The following tables set forth information regarding our lease expirations as of September 30, 2012 (dollars in thousands):

Year	Annualized Rental Income ⁽¹⁾⁽²⁾				Percent of Total Annualized Rental Income Expiring	Cumulative Percentage of Annualized Rental Income Expiring
	Short and Long Term Residential Care Communities ⁽²⁾	MOBs	Wellness Centers	Total		
2012	\$ —	\$ 5,105	\$ —	\$ 5,105	1.1%	1.1%
2013	—	18,610	—	18,610	4.1%	5.2%
2014	—	23,077	—	23,077	5.1%	10.3%
2015	3,034	19,504	—	22,538	5.0%	15.3%
2016	—	18,252	—	18,252	4.1%	19.4%
2017	43,705	22,617	—	66,322	14.8%	34.2%
2018	14,465	13,811	—	28,276	6.3%	40.5%
2019	599	27,744	—	28,343	6.3%	46.8%
2020	—	10,224	—	10,224	2.3%	49.1%
Thereafter	171,113	39,652	17,536	228,301	50.9%	100.0%
Total	<u>\$ 232,916</u>	<u>\$ 198,596</u>	<u>\$ 17,536</u>	<u>\$ 449,048</u>	<u>100.0%</u>	

Average remaining lease term for all properties (weighted by annualized rental income): 9.0 years

- (1) Annualized rental income is rents pursuant to existing leases as of September 30, 2012, including estimated percentage rents, straight line rent adjustments, estimated recurring expense reimbursements for certain net and modified gross leases and excluding lease value amortization at certain of our MOBs and wellness centers.
- (2) Excludes rent received from our TRSs. If the NOI from our TRSs (three months ended September 30, 2012, annualized) were included in the foregoing table, the percent of total annualized rental income expiring would be: 2012 – 1.0%; 2013 – 3.7%; 2014 – 4.5%; 2015 – 4.4%; 2016 – 3.6%; 2017 – 13.0%; 2018 – 5.6%; 2019 – 5.6%; 2020 – 2.0%; and thereafter – 56.6%.

Year	Number of Tenants				Percent of Total Number of Tenancies Expiring	Cumulative Percentage of Number of Tenancies Expiring
	Short and Long Term Residential Care Communities ⁽¹⁾	MOBs	Wellness Centers	Total		
2012	—	44	—	44	8.0%	8.0%
2013	—	81	—	81	14.7%	22.7%
2014	—	95	—	95	17.2%	39.9%
2015	3	77	—	80	14.5%	54.4%
2016	—	63	—	63	11.4%	65.8%
2017	2	64	—	66	12.0%	77.8%
2018	1	36	—	37	6.7%	84.5%
2019	1	27	—	28	5.1%	89.6%
2020	—	17	—	17	3.1%	92.7%
Thereafter	5	34	2	41	7.3%	100.0%
Total	12	538	2	552	100.0%	

⁽¹⁾ Excludes our TRSs as tenants.

Year	Number of Living Units / Beds or Square Feet with Leases Expiring							
	Living Units / Beds ⁽¹⁾			Square Feet				
	Short and Long Term Residential Care Communities (Units / Beds)	Percent of Total Living Units / Beds Expiring	Cumulative Percentage of Living Units / Beds Expiring	MOBs (Square Feet)	Wellness Centers (Square Feet)	Total Square Feet	Percent of Total Square Feet Expiring	Cumulative Percent of Total Square Feet Expiring
2012	—	0.0%	0.0%	163,044	—	163,044	1.9%	1.9%
2013	—	0.0%	0.0%	812,012	—	812,012	9.5%	11.4%
2014	—	0.0%	0.0%	1,033,743	—	1,033,743	12.1%	23.5%
2015	423	1.7%	1.7%	812,192	—	812,192	9.5%	33.0%
2016	—	0.0%	1.7%	837,516	—	837,516	9.8%	42.8%
2017	4,229	17.0%	18.7%	968,953	—	968,953	11.4%	54.2%
2018	1,619	6.5%	25.2%	370,851	—	370,851	4.4%	58.6%
2019	175	0.7%	25.9%	888,741	—	888,741	10.4%	69.0%
2020	—	0.0%	25.9%	476,966	—	476,966	5.7%	74.7%
Thereafter	18,448	74.1%	100.0%	1,337,107	812,000	2,149,107	25.3%	100.0%
Total	24,894	100.0%		7,701,125	812,000	8,513,125	100.0%	

(1) Excludes 6,439 living units leased to our TRSs, which for these purposes, includes 2,472 living units from the 10 Communities leased to Sunrise and that we and Sunrise agreed to terminate the leases for. The leases for three of those communities had been terminated as of September 30, 2012. If the number of living units included in our TRS leases were included in the foregoing table, the percent of total living units / beds expiring would be: 2012, 2013, 2014 – 0.0%; 2015 – 1.4%; 2016 – 0.0%; 2017 – 13.5%; 2018 – 5.2%; 2019 – 0.6%; 2020 – 0.0%; and thereafter – 79.3%.

During the three months ended September 30, 2012, we entered into MOB lease renewals for 285,000 square feet and new leases for 32,000 square feet, at weighted average rental rates that were 2.8% above rents previously charged for the same space. These leases have average net rent of \$16.47 per square foot. Average lease terms for leases entered into during the third quarter of 2012 were 4.2 years. Commitments for tenant improvement, leasing commission costs and concessions for leases we entered into during the third quarter of 2012 totaled \$1.4 million, or \$4.54 per square foot on average (approximately \$1.08 per square foot per year of the lease term).

RESULTS OF OPERATIONS (dollars and square feet in thousands, unless otherwise noted)

We have three operating segments, of which two are reportable operating segments. The two reportable operating segments are: (i) short term and long term residential care communities that offer dining for residents and (ii) MOBs. Properties in the short term and long term residential care communities segment include leased and managed independent living communities, assisted living communities, skilled nursing facilities and rehabilitation hospitals. We earn rental income revenues from the tenants that lease and operate our leased communities and we earn fees and services revenues from the residents of our Managed Communities. Five Star began managing our Managed Communities for our account in June 2011. Properties in the MOB segment include those leased to medical providers, medical related businesses, clinics and biotech laboratory tenants. We earn rental income revenues from tenants of our MOBs. The “All Other Operations” category in the following table includes amounts related to corporate business activities and the operating results of certain properties that offer fitness, wellness and spa services to members.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Revenues:				
Short term and long term residential care communities	\$ 102,848	\$ 69,122	\$ 292,870	\$ 184,261
MOBs	51,346	40,139	144,491	115,887
All other operations	4,439	4,439	13,317	13,266
Total revenues	<u>\$ 158,633</u>	<u>\$ 113,700</u>	<u>\$ 450,678</u>	<u>\$ 313,414</u>
Net income:				
Short term and long term residential care communities	\$ 37,447	\$ 29,970	\$ 107,610	\$ 111,394
MOBs	21,195	18,828	57,402	55,274
All other operations	(32,996)	(18,802)	(73,764)	(53,849)
Net income	<u>\$ 25,646</u>	<u>\$ 29,996</u>	<u>\$ 91,248</u>	<u>\$ 112,819</u>

The following sections analyze and discuss the results of operations of each of our segments for the periods presented.

Three Months Ended September 30, 2012 Compared to Three Months Ended September 30, 2011 (dollars in thousands):

Short and long term residential care communities :

	All Properties		Comparable Properties ⁽¹⁾	
	As of and for the Three Months Ended September 30,		As of and for the Three Months Ended September 30,	
	2012	2011	2012	2011
Total properties	260	242	238	238
# of units / beds	31,333	28,069	27,596	27,596
Occupancy:				
Leased communities ⁽²⁾	85.4%	85.4%	85.4%	85.4%
TRS managed communities ⁽³⁾	87.0%	85.7%	86.5%	83.3%
Rent coverage ⁽²⁾	1.40x	1.46x	1.41x	1.46x
Rental income ⁽²⁾	\$ 60,496	\$ 58,391	\$ 58,086	\$ 56,540
Residents fees and services ⁽³⁾	\$ 42,352	\$ 10,731	\$ 8,632	\$ 8,167

⁽¹⁾ Consists of short and long term residential care communities we have owned continuously since July 1, 2011.

⁽²⁾ Excludes rents and occupancy, as applicable, from our Managed Communities. All tenant operating data presented are based upon the operating results provided by our tenants for the 12 months ended June 30, 2012 and 2011, or the most recent prior period for which tenant operating results are available to us. Rent coverage is calculated as operating cash flow from our triple-net lease tenants' operations of our properties, before subordinated charges, divided by triple-net lease minimum rents payable to us. We have not independently

verified our tenants' operating data. The table excludes data for periods prior to our ownership of some of these properties.

- (3) Represents the average occupancy and total residents fees and services, as applicable, for our 27 Managed Communities that we have acquired since June 2011 and for three of the 10 Communities leased to Sunrise that we and Sunrise agreed to terminate the leases and which were terminated before September 30, 2012.

Short and long term residential care communities, all properties :

	Three Months Ended September 30,			
	2012	2011	Change	% Change
Rental income	\$ 60,496	\$ 58,391	\$ 2,105	3.6%
Residents fees and services ⁽¹⁾	42,352	10,731	31,621	294.7%
Property operating expenses ⁽¹⁾	(31,233)	(8,603)	(22,630)	(263.0%)
Net operating income (NOI)	71,615	60,519	11,096	18.3%
Depreciation expense	(22,470)	(18,369)	(4,101)	(22.3%)
Impairment of assets	—	(1,028)	1,028	(100.0%)
Operating income	49,145	41,122	8,023	19.5%
Interest expense	(11,594)	(11,152)	(442)	(4.0%)
Loss on lease terminations	(104)	—	(104)	—
Net income	<u>\$ 37,447</u>	<u>\$ 29,970</u>	<u>\$ 7,477</u>	<u>24.9%</u>

- (1) Includes data for our Managed Communities that were then being managed by Five Star at or during the periods presented.

Rental income. Rental income increased because of rents from our acquisition of four communities during the third quarter of 2012 for approximately \$36,500 which are leased by a private tenant, one community during the third quarter of 2011 for approximately \$10,235 which is leased by Five Star and our purchase of approximately \$36,200 of improvements made to our properties which are leased by Five Star since July 1, 2011. Rental income includes non-cash straight line rent adjustments totaling approximately \$1,168 and \$499 for the three months ended September 30, 2012 and 2011, respectively, and percentage rent as a result of the September 2012 lease terminations of three senior living communities formerly leased to Sunrise of approximately \$350. Rental income increased year over year on a comparable property basis primarily as a result of the improvement purchases from Five Star at certain of the 228 communities we have owned continuously since July 1, 2011.

Residents fees and services. Residents fees and services are the revenues earned at our 27 Managed Communities that we acquired for approximately \$723,327 since June 2011 and the revenues earned at the three senior living communities that were formerly leased to Sunrise and transferred to our TRS in September 2012. Residents fees and services increased year over year on a comparable property basis because of increases in occupancy and average daily rates charged to residents on the 10 communities we have owned continuously since July 1, 2011. We recognize these revenues as services are provided.

Property operating expenses. Property operating expenses include expenses incurred at our 27 Managed Communities, which are leased to our TRSs and which we acquired since June 2011, and expenses incurred at the three senior living communities that were formerly leased to Sunrise and transferred to our TRS in September 2012. The beginning of our Managed Communities operations in June 2011 is the primary cause for the increase in property operating expenses year over year for the period. Property operating expenses consist of management fees, real estate taxes, utility expense, salaries and benefits of property level personnel, repairs and maintenance expense, cleaning expense and other direct costs of operating properties.

Net operating income. NOI increased because of the changes in rental income, residents fees and services and property operating expenses described above. The reconciliation of NOI to net income for our short and long term residential care communities segment is shown in the table above. Our definition of NOI and our consolidated reconciliation of NOI to net income are included below in “Non-GAAP Financial Measures”.

Depreciation expense. Depreciation expense increased as a result of our acquisition of 22 communities since July 1, 2011 and our purchase of improvements made to our properties which are leased by Five Star since July 1, 2011.

Impairment of assets. During the three months ended September 30, 2011, we recorded an impairment of assets charge of \$1,028 related to one property to reduce the carrying value of this property to its estimated sale price less costs to sell.

Interest expense. Interest expense for our short and long term residential care communities arises from mortgage debt secured by certain of these properties. The increase in interest expense is the result of the assumption of \$155,968 of mortgage debt in connection with certain of our 2011 acquisitions occurring in the third and fourth quarter of that year, and the assumption of \$48,691 of mortgage debt in connection with certain of our 2012 acquisitions occurring in the second and third quarter, partially offset by the repayment of one mortgage loan in February 2012 that had a principal balance of approximately \$12,400 and an interest rate of 6.03%, the repayment of 17 mortgage loans in the second quarter of 2012 that had a total principal balance of \$33,381 and a weighted average interest rate of 6.89%, the prepayment of \$199,197 of our FNMA secured term loan in August 2012 that had an interest rate of 6.4%, as well as the regularly scheduled amortization of our mortgage debt.

Loss on lease terminations. Loss on lease terminations is a result of our May 2012 agreement with Sunrise for early terminations of leases for 10 Communities; in September 2012, the leases for three senior living communities were terminated and in October 2012, the leases for five additional senior living communities were terminated, resulting in a loss on lease terminations of approximately \$104.

MOBs:

	All Properties		Comparable Properties ⁽¹⁾	
	As of and for the Three Months Ended September 30,		As of and for the Three Months Ended September 30,	
	2012	2011	2012	2011
Total properties	114	105	90	90
Total square feet ⁽²⁾	8,197	7,490	6,129	6,129
Occupancy ⁽³⁾	93.9%	96.4%	93.1%	96.7%
Rental income	\$ 51,346	\$ 40,139	\$ 39,287	\$ 39,947
Property operating expenses	\$ 16,574	\$ 11,550	\$ 11,308	\$ 11,500

(1) Consists of MOBs we have owned continuously since July 1, 2011.

(2) Prior periods exclude space remeasurements made during the periods presented.

(3) MOB occupancy includes (i) space being fitted out for occupancy pursuant to existing leases and (ii) space which is leased, but is not occupied or is being offered for sublease by tenants.

MOBs, all properties:

	Three Months Ended September 30,			
	2012	2011	Change	% Change
Rental income	\$ 51,346	\$ 40,139	\$ 11,207	27.9%
Property operating expenses	(16,574)	(11,550)	(5,024)	(43.5%)
Net operating income (NOI)	34,772	28,589	6,183	21.6%
Depreciation expense	(12,462)	(9,507)	(2,955)	(31.1%)
Operating income	22,310	19,082	3,228	16.9%
Interest expense	(1,014)	(254)	(760)	(299.2%)
Loss on sale of properties	(101)	—	(101)	—
Net income	\$ 21,195	\$ 18,828	\$ 2,367	12.6%

Rental income. Rental income increased because of rents from 24 MOBs we acquired for approximately \$366,070 since July 1, 2011, partially offset by the sale of one MOB for approximately \$1,100 in July 2012. Rental income includes non-cash straight line rent adjustments totaling \$2,653 and \$1,788 and amortization of approximately \$(970) and \$148 of acquired real estate leases and obligations for the three months ended September 30, 2012 and 2011, respectively.

Property operating expenses. Property operating expenses consist of property management fees, real estate taxes, utility expense, salaries and benefit costs of property level personnel, repairs and maintenance expense, cleaning expense and other direct costs of operating properties. Property operating expenses increased because of our MOB acquisitions since July 1, 2011, partially offset by the sale of one MOB in July 2012.

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Net operating income. NOI increased because of the changes in rental income and property operating expenses described above. The reconciliation of NOI to net income for our MOB segment is shown in the table above. Our definition of NOI and our consolidated reconciliation of NOI to net income are included below in “Non-GAAP Financial Measures”.

Depreciation expense. Depreciation expense increased because of our MOB acquisitions since July 1, 2011, partially offset by the sale of one MOB in July 2012.

Interest expense. Interest expense for our MOBs arises from mortgage debt secured by certain of these properties. The change in interest expense is the result of our assumption of \$13,300 of mortgage debt in connection with our acquisition of two MOBs in July and November 2011 and our assumption of \$63,462 of mortgage debt in connection with our acquisition of two MOBs in June and September 2012, partially offset by the repayment of one mortgage loan in April 2012 that had a principal balance of approximately \$2,330 and an interest rate of 6.73% and the regularly scheduled amortization of our mortgage debt.

Loss on sale of properties. Loss on sale of properties is a result of the sale of one MOB in July 2012.

MOBs, comparable properties (MOBs we have owned continuously since July 1, 2011):

	Three Months Ended September 30,			
	2012	2011	Change	% Change
Rental income	\$ 39,287	\$ 39,947	\$ (660)	(1.7%)
Property operating expenses	(11,308)	(11,500)	192	1.7%
Net operating income (NOI)	27,979	28,447	(468)	(1.6%)
Depreciation expense	(9,227)	(9,472)	245	2.6%
Operating income	18,752	18,975	(223)	(1.2%)
Interest expense	(169)	(213)	44	20.7%
Net income	\$ 18,583	\$ 18,762	\$ (179)	(1.0%)

Rental income. Rental income decreased as a result of a reduction in same store occupancy from 96.7% at September 30, 2011 to 93.1% at September 30, 2012, mainly caused by one MOB that became vacant in February 2012. Rental income includes non-cash straight line rent adjustments totaling \$1,785 and \$1,782 and amortization of approximately \$(79) and \$150 of acquired real estate leases and obligations for the three months ended September 30, 2012 and 2011, respectively.

Property operating expenses. Property operating expenses consist of property management fees, real estate taxes, utility expense, salaries and benefit costs of property level personnel, repairs and maintenance expense, cleaning expense and other direct costs of operating properties. Property operating expenses decreased principally because of a decrease in utility expenses, partially offset by higher real estate taxes.

Net operating income. NOI decreased because of the changes in rental income and property operating expenses described above. The reconciliation of NOI to net income for our MOB segment for comparable properties is

shown in the table above. Our definition of NOI and our consolidated reconciliation of NOI to net income are included below in “Non-GAAP Financial Measures”.

Depreciation expense. Depreciation expense decreased primarily because of a reduction in amortization of above and below market lease adjustments that we amortize over the respective lease terms, partially offset by an increase in the amortization of leasing costs.

Interest expense. Interest expense for our MOBs arises from mortgage debt secured by certain of these properties. The change in interest expense is the result of the repayment of one mortgage loan in April 2012 that had a principal balance of approximately \$2,330 and an interest rate of 6.73% and the regularly scheduled amortization of our mortgage debt.

All other operations : ⁽¹⁾

	Three Months Ended September 30,			
	2012	2011	Change	% Change
Rental income	\$ 4,439	\$ 4,439	\$ —	—
Expenses:				
Depreciation	948	948	—	—
General and administrative	8,352	6,564	1,788	27.2%
Acquisition related costs	4,297	2,620	1,677	64.0%
Total expenses	13,597	10,132	3,465	34.2%
Operating loss	(9,158)	(5,693)	(3,465)	(60.9%)
Interest and other income	248	394	(146)	(37.1%)
Interest expense	(17,809)	(13,324)	(4,485)	(33.7%)
Loss on early extinguishment of debt	(6,349)	—	(6,349)	—
Equity in earnings of an investee	115	28	87	310.7%
Loss before income tax expense	(32,953)	(18,595)	(14,358)	(77.2%)
Income tax expense	(43)	(207)	164	79.2%
Net loss	\$ (32,996)	\$ (18,802)	\$ (14,194)	(75.5%)

⁽¹⁾ All other operations includes our wellness center operations that we do not consider a significant, separately reportable segment of our business and corporate business activities, and our operating expenses that are not attributable to a specific reportable segment.

Rental income. Rental income includes non-cash straight line rent adjustments totaling approximately \$365 and amortization of approximately \$55 of acquired real estate leases and obligations in both the three months ended September 30, 2012 and 2011.

Depreciation expense. Depreciation expense remained consistent as there were no wellness center acquisitions nor capital improvement funding for the three months ended September 30, 2012 and 2011 and we generally depreciate our long lived wellness center assets on a straight line basis.

General and administrative expense. General and administrative expenses consist of fees pursuant to our business management agreement with RMR, equity compensation expense, legal and accounting fees and other costs relating to our status as a publicly traded company. General and administrative expenses increased principally as a result of acquisitions of senior living communities and MOB's for approximately \$1,021,611 since July 1, 2011, partially offset by the sale of one MOB in July 2012 for approximately \$1,100.

Acquisition related costs. Acquisition related costs represent legal and due diligence costs incurred in connection with our acquisition activity during the three months ended September 30, 2012 and 2011. Acquisition related costs increased as a result of licensing and other regulatory costs related to the senior living communities leased to Sunrise that have been and are being transferred to our TRS, offset by lower senior living and MOB acquisition activity during the three months ended September 30, 2012 than the prior year period.

Interest and other income. The decrease in interest and other income is primarily due to the elimination of interest received from our Bridge Loan with Five Star that was repaid in April 2012. Interest and other income also includes interest on our investable cash and dividend income related to the 250,000 common shares of CWH that we own.

Interest expense. Interest expense increased because of our issuance of \$300,000 of unsecured senior notes with an interest rate of 6.75% in December 2011, our issuance of \$350,000 of unsecured senior notes with an interest rate of 5.625% in July 2012 and greater amounts outstanding under our revolving credit facility, partially offset by reduced interest expense because of the redemption in January 2012 of all \$225,000 of our 8.625% unsecured senior notes. Our weighted average balance outstanding and interest rate under our revolving credit facility was \$74,293 and 1.8%, and \$17,272 and 1.8%, for the three months ended September 30, 2012 and 2011, respectively.

Loss on early extinguishment of debt. In August 2012, we prepaid approximately \$199,197 of the outstanding principal balance of our FNMA secured term loan. As a result of this prepayment, we recorded a loss on early extinguishment of debt of \$6,349 consisting of a debt prepayment premium, legal fees and the write off of unamortized deferred financing fees.

Equity in earnings of an investee. Equity in earnings of an investee represents our proportionate share of earnings from AIC.

Nine Months Ended September 30, 2012 Compared to Nine Months Ended September 30, 2011 (dollars in thousands):

Short and long term residential care communities:

	All Properties		Comparable Properties ⁽¹⁾	
	As of and for the Nine Months Ended September 30,		As of and for the Nine Months Ended September 30,	
	2012	2011	2012	2011
Total properties	260	242	223	223
# of units / beds	31,333	28,069	26,176	26,176
Occupancy:				
Leased communities ⁽²⁾	85.4%	85.4%	85.2%	85.5%
TRS managed communities ⁽³⁾	87.2%	86.8%	NA	NA
Rent coverage ⁽²⁾	1.40x	1.46x	1.42x	1.47x
Rental income ⁽²⁾	\$ 178,964	\$ 172,686	\$ 172,746	\$ 169,444
Residents fees and services ⁽³⁾	\$ 113,906	\$ 11,575	NA	NA

⁽¹⁾ Consists of short and long term residential care communities we have owned continuously since January 1, 2011.

⁽²⁾ Excludes rents and occupancy, as applicable, from our Managed Communities. All tenant operating data presented are based upon the operating results provided by our tenants for the 12 months ended June 30, 2012 and 2011, or the most recent prior period for which tenant operating results are available to us. Rent coverage is calculated as operating cash flow from our triple-net lease tenants' operations of our properties, before subordinated charges, divided by triple-net lease minimum rents payable to us. We have not independently verified our tenants' operating data. The table excludes data for periods prior to our ownership of some of these properties.

⁽³⁾ Represents the average occupancy and total residents fees and services, as applicable, for our 27 Managed Communities that we have acquired since June 2011 and for three of the 10 Communities leased to Sunrise that we and Sunrise agreed to terminate the leases and which were terminated before September 30, 2012.

Short and long term residential care communities, all properties :

	Nine Months Ended September 30,			
	2012	2011	Change	% Change
Rental income	\$ 178,964	\$ 172,686	\$ 6,278	3.6%
Residents fees and services ⁽¹⁾	113,906	11,575	102,331	884.1%
Property operating expenses ⁽¹⁾	(82,976)	(9,212)	(73,764)	(800.7%)
Net operating income (NOI)	209,894	175,049	34,845	19.9%
Depreciation expense	(64,432)	(52,112)	(12,320)	(23.6%)
Impairment of assets	—	(1,028)	1,028	100.0%
Operating income	145,462	121,909	23,553	19.3%
Interest expense	(37,748)	(31,751)	(5,997)	(18.9%)
Loss on lease terminations	(104)	—	(104)	—
Gain on sale of properties	—	21,236	(21,236)	—
Net income	\$ 107,610	\$ 111,394	\$ (3,784)	(3.4%)

⁽¹⁾ Includes data for our Managed Communities that were then being managed by Five Star at or during the periods presented.

Rental income. Rental income increased because of rents from our acquisition of four communities during the third quarter of 2012 for approximately \$36,500 which are leased by a privately owned tenant, five communities during the second quarter of 2011 for approximately \$89,600 which are leased by Five Star and one community during the third quarter of 2011 for approximately \$10,235 which is leased by Five Star and our purchase of approximately \$51,520 of improvements made to our properties which are leased by Five Star since January 1, 2011, partially offset by a reduction in rental income resulting from the sale of five properties during the second quarter of 2011 for approximately \$38,625. Rental income includes non-cash straight line rent adjustments totaling approximately \$2,849 and \$1,515 for the nine months ended September 30, 2012 and 2011, respectively, and percentage rent as a result of the September 2012 lease terminations of three senior living communities formerly leased to Sunrise of approximately \$350. Rental income increased year over year on a comparable property basis primarily as a result of the improvement purchases from Five Star at certain of the 223 communities we have owned continuously since January 1, 2011.

Residents fees and services. Residents fees and services are the revenues earned at our 27 Managed Communities that we acquired for approximately \$723,327 since June 2011 and the revenues earned at the three senior living communities that were formerly leased to Sunrise and transferred to our TRS in September 2012. We recognize these revenues as services are provided.

Property operating expenses. Property operating expenses include expenses incurred at our 27 Managed Communities, which are leased to our TRSs and which we acquired since June 2011, and expenses incurred at the three senior living communities that were formerly leased to Sunrise and transferred to our TRS in September 2012. The beginning of our Managed Communities operations in June 2011 is the primary cause for the increase in property operating expenses year over year for the period. Property operating expenses consist of

management fees, real estate taxes, utility expense, salaries and benefits of property level personnel, repairs and maintenance expense, cleaning expense and other direct costs of operating properties.

Net operating income. NOI increased because of the changes in rental income, residents fees and services and property operating expenses described above. The reconciliation of NOI to net income for our short and long term residential care communities segment is shown in the table above. Our definition of NOI and our consolidated reconciliation of NOI to net income are included below in “Non-GAAP Financial Measures”.

Depreciation expense. Depreciation expense increased as a result of our acquisition of 37 communities since January 1, 2011 and our purchase of improvements made to our properties which are leased by Five Star since January 1, 2011, partially offset by the sale of five properties during the second quarter of 2011.

Interest expense. Interest expense for our short and long term residential care communities arises from mortgage debt secured by certain of these properties. The increase in interest expense is the result of the assumption of \$204,030 of mortgage debt in connection with certain of our 2011 acquisitions occurring in the second, third and fourth quarter of that year, and the assumption of \$48,961 of mortgage debt in connection with certain of our 2012 acquisitions occurring in the second and third quarter, partially offset by the repayment of one mortgage loan in February 2012 that had a principal balance of approximately \$12,400 and an interest rate of 6.03%, the repayment of 17 mortgage loans in the second quarter of 2012 that had a total principal balance of approximately \$33,381 and a weighted average interest rate of 6.89%, the prepayment of \$199,197 of our FNMA secured term loan in August 2012 that had an interest rate of 6.4%, as well as the regularly scheduled amortization of our mortgage debt.

Loss on lease terminations. Loss on lease terminations is a result of our May 2012 agreement with Sunrise for early terminations of leases for 10 Communities; in September 2012, the leases for three senior living communities were terminated and in October 2012, the leases for five additional senior living communities were terminated resulting in a loss on lease terminations of approximately \$104.

Gain on sale of properties. Gain on sale of properties is a result of the sale of five senior living communities during the second quarter of 2011.

MOBs:

	All Properties		Comparable Properties ⁽¹⁾	
	As of and for the Nine Months Ended September 30,		As of and for the Nine Months Ended September 30,	
	2012	2011	2012	2011
Total properties	114	105	79	79
Total square feet ⁽²⁾	8,197	7,490	5,131	5,131
Occupancy ⁽³⁾	93.9%	96.4%	92.6%	97.1%
Rental income	\$ 144,491	\$ 115,887	\$ 105,045	\$ 105,150
Property operating expenses	\$ 44,899	\$ 32,676	\$ 28,842	\$ 28,883

⁽¹⁾ Consists of MOBs we have owned continuously since January 1, 2011.

⁽²⁾ Prior periods exclude space remeasurements made during the periods presented.

⁽³⁾ MOB occupancy includes (i) space being fitted out for occupancy pursuant to existing leases and (ii) space which is leased, but is not occupied or is being offered for sublease by tenants.

MOBs, all properties:

	Nine Months Ended September 30,			
	2012	2011	Change	% Change
Rental income	\$ 144,491	\$ 115,887	\$ 28,604	24.7%
Property operating expenses	(44,899)	(32,676)	(12,223)	(37.4%)
Net operating income (NOI)	99,592	83,211	16,381	19.7%
Depreciation expense	(37,211)	(27,164)	(10,047)	(37.0%)
Impairment of assets	(3,071)	(166)	(2,905)	(1750.0%)
Operating income	59,310	55,881	3,429	6.1%
Interest expense	(1,807)	(686)	(1,121)	(163.4%)
(Loss) gain on sale of properties	(101)	79	(180)	(227.8%)
Net income	\$ 57,402	\$ 55,274	\$ 2,128	3.8%

Rental income. Rental income increased because of rents from 35 MOBs we acquired for approximately \$497,840 since January 1, 2011, partially offset by the sale of two MOBs for approximately \$835 during the second quarter of 2011 and the sale of one MOB for approximately \$1,100 in July 2012. Rental income includes non-cash straight line rent adjustments totaling \$6,305 and \$5,767 and amortization of approximately \$(911) and \$408 of acquired real estate leases and obligations for the nine months ended September 30, 2012 and 2011, respectively.

Property operating expenses. Property operating expenses consist of property management fees, real estate taxes, utility expense, salaries and benefit costs of property level personnel, repairs and maintenance expense, cleaning expense and other direct costs of operating properties. Property operating expenses increased because of our MOB acquisitions since January 1, 2011, partially offset by the sale of two MOBs during the second quarter of 2011 and the sale of one MOB in July 2012.

Net operating income. NOI increased because of the changes in rental income and property operating expenses described above. The reconciliation of NOI to net income for our MOB segment is shown in the table above. Our definition of NOI and our consolidated reconciliation of NOI to net income are included below in “Non-GAAP Financial Measures”.

Depreciation expense. Depreciation expense increased because of our MOB acquisitions since January 1, 2011, partially offset by the sale of two MOBs during the second quarter of 2011 and the sale of one MOB in July 2012.

Impairment of assets. During the nine months ended September 30, 2012, we recorded an impairment of assets charge of \$3,071 related to one property to reduce the carrying value of this property to its estimated fair value. During the nine months ended September 30, 2011, we recorded an impairment of assets charge of \$166 related to two properties to reduce the carrying value of these properties to their estimated sales prices less costs to sell.

Interest expense. Interest expense for our MOBs arises from mortgage debt secured by certain of these properties. The change in interest expense is the result of our assumption of \$13,300 of mortgage debt in connection with our acquisition of two MOBs in July and November 2011 and our assumption of \$63,462 of

mortgage debt in connection with our acquisition of two MOBs in June and September 2012, partially offset by the repayment of one mortgage loan in April 2012 that had a principal balance of approximately \$2,330 and an interest rate of 6.73% and the regularly scheduled amortization of our mortgage debt.

(Loss) gain on sale of properties. In July 2012, we sold one MOB and recorded a loss on sale of properties of approximately \$101. During the second quarter of 2011, we sold two MOBs and recognized a gain on sale of properties of approximately \$79.

MOBs, comparable properties (MOBs we have owned continuously since January 1, 2011):

	Nine Months Ended September 30,			
	2012	2011	Change	% Change
Rental income	\$ 105,045	\$ 105,150	\$ (105)	(0.1%)
Property operating expenses	(28,842)	(28,883)	41	0.1%
Net operating income (NOI)	76,203	76,267	(64)	(0.1%)
Depreciation expense	(26,248)	(24,471)	(1,777)	(7.3%)
Operating income	49,955	51,796	(1,841)	(3.6%)
Interest expense	(558)	(645)	87	13.5%
Net income	\$ 49,397	\$ 51,151	\$ (1,754)	(3.4%)

Rental income. Rental income decreased as a result of a reduction in same store occupancy from 97.1% at September 30, 2011 to 92.6% at September 30, 2012, mainly caused by one MOB that became vacant in February 2012. Rental income includes non-cash straight line rent adjustments totaling \$3,940 and \$5,132 and amortization of approximately \$1,636 and \$692 of acquired real estate leases and obligations for the nine months ended September 30, 2012 and 2011, respectively.

Property operating expenses. Property operating expenses consist of property management fees, real estate taxes, utility expense, salaries and benefit costs of property level personnel, repairs and maintenance expense, cleaning expense and other direct costs of operating properties. Property operating expenses decreased mainly because of decreases in utility expenses during the nine months ended September 30, 2012.

Net operating income. NOI decreased because of the changes in rental income and property operating expenses described above. The reconciliation of NOI to net income for our MOB segment for comparable properties is shown in the table above. Our definition of NOI and our consolidated reconciliation of NOI to net income are included below in “Non-GAAP Financial Measures”.

Depreciation expense. Depreciation expense increased primarily because of improvements we made on certain of these properties since January 1, 2011, the amortization of leasing costs and an increase in amortization of above and below market lease adjustments that we amortize over the respective lease terms.

Interest expense. Interest expense for our MOBs arises from mortgage debt secured by certain of these properties. The change in interest expense is the result of the repayment of one mortgage loan in April 2012 that had a principal balance of approximately \$2,330 and an interest rate of 6.73% and the regularly scheduled amortization of our mortgage debt.

All other operations: ⁽¹⁾

	Nine Months Ended September 30,			
	2012	2011	Change	% Change
Rental income	\$ 13,317	\$ 13,266	\$ 51	0.4%
Expenses:				
Depreciation	2,844	2,844	—	—
General and administrative	24,106	19,513	4,593	23.5%
Acquisition related costs	6,814	6,547	267	4.1%
Total expenses	33,764	28,904	4,860	16.8%
Operating loss	(20,447)	(15,638)	(4,809)	(30.8%)
Interest and other income	957	870	87	10.0%
Interest expense	(47,871)	(38,400)	(9,471)	(24.7%)
Loss on early extinguishment of debt	(6,349)	(427)	(5,922)	(1386.9%)
Equity in earnings of an investee	236	111	125	112.6%
Loss before income tax expense	(73,474)	(53,484)	(19,990)	(37.4%)
Income tax expense	(290)	(365)	75	20.5%
Net loss	\$ (73,764)	\$ (53,849)	\$ (19,915)	(37.0%)

(1) All other operations includes our wellness center operations that we do not consider a significant, separately reportable segment of our business and corporate business activities, and our operating expenses that are not attributable to a specific reportable segment.

Rental income. Rental income for our wellness centers increased because of scheduled consumer price index based rent increases since January 1, 2011 at certain of our wellness centers. Rental income includes non-cash straight line rent adjustments totaling approximately \$1,094 and amortization of approximately \$165 of acquired real estate leases and obligations in both the nine months ended September 30, 2012 and 2011.

Depreciation expense. Depreciation expense remained consistent as there were no wellness center acquisitions nor capital improvement funding for the nine months ended September 30, 2012 and 2011 and we generally depreciate our long lived wellness center assets on a straight line basis.

General and administrative expense. General and administrative expenses consist of fees pursuant to our business management agreement with RMR, equity compensation expense, legal and accounting fees and other costs relating to our status as a publicly traded company. General and administrative expenses increased principally as a result of acquisitions of senior living communities and MOB's for approximately \$1,357,475 since January 1, 2011, partially offset by the sale of seven properties during the second quarter of 2011 for approximately \$39,460 and the sale of one MOB in July 2012 for approximately \$1,100.

Acquisition related costs. Acquisition related costs represent legal and due diligence costs incurred in connection with our acquisition activity during the nine months ended September 30, 2012 and 2011.

Acquisition related costs increased as a result of licensing and other regulatory costs related to the senior living communities leased to Sunrise that have been and are being transferred to our TRS, offset by lower senior living and MOB acquisition activity during the nine months ended September 30, 2012 than the prior year period.

Interest and other income. The increase in interest and other income is primarily due to interest received from our Bridge Loan with Five Star during the nine months ended September 30, 2012. Interest and other income also includes interest on our investable cash and dividend income related to the 250,000 common shares of CWH that we own.

Interest expense. Interest expense increased because of our issuance of \$250,000 of unsecured senior notes with an interest rate of 4.30% in January 2011, our issuance of \$300,000 of unsecured senior notes with an interest rate of 6.75% in December 2011, our issuance of \$350,000 of unsecured senior notes with an interest rate of 5.625% in July 2012 and greater amounts outstanding under our revolving credit facility at slightly higher weighted average interest rates, partially offset by reduced interest expense because of the redemption in January 2012 of all \$225,000 of our 8.625% unsecured senior notes. Our weighted average balance outstanding and interest rate under our revolving credit facility was \$189,642 and 1.8%, and \$35,339 and 1.3%, for the nine months ended September 30, 2012 and 2011, respectively.

Loss on early extinguishment of debt. In August 2012, we prepaid approximately \$199,197 of the outstanding principal balance of our FNMA secured term loan. As a result of this prepayment, we recorded a loss on early extinguishment of debt of \$6,349 consisting of a debt prepayment premium, legal fees and the write off of unamortized deferred financing fees. In June 2011, we entered into a new \$750,000 unsecured revolving credit facility that replaced our previous \$550,000 unsecured revolving credit facility. As a result of this refinancing, we recorded a loss on early extinguishment of debt of \$427 consisting of the write off of unamortized deferred financing fees.

Equity in earnings of an investee. Equity in earnings of an investee represents our proportionate share of earnings from AIC.

Non-GAAP Financial Measures (dollars in thousands, except per share amounts)

Set forth below are our calculations of our funds from operations, or FFO, Normalized FFO and NOI for the three and nine months ended September 30, 2012 and 2011. We believe that this data may facilitate an understanding of our historical operating results. These measures should be considered in conjunction with net income, operating income and cash flow from operating activities as presented in our condensed consolidated statements of income and comprehensive income and condensed consolidated statements of cash flows. These measures do not represent cash generated by operating activities in accordance with GAAP and should not be considered as alternatives to net income, operating income or cash flow from operating activities determined in accordance with GAAP, or as indicators of our financial performance or liquidity, nor are these measures necessarily indicative of sufficient cash flow to fund all of our needs. Other REITs and real estate companies may calculate FFO, Normalized FFO or NOI differently than us.

Funds From Operations and Normalized Funds From Operations

We calculate FFO and Normalized FFO as shown below. FFO is calculated on the basis defined by the National Association of Real Estate Investment Trusts, or NAREIT, which is net income, calculated in accordance with GAAP, excluding any gain or loss on sale of properties and impairment of assets, plus real estate depreciation and amortization. Our calculation of Normalized FFO differs from NAREIT's definition of FFO because we include estimated percentage rent in the period to which it relates to rather than when it is recognized as income in accordance with GAAP and exclude acquisition related costs, loss on early extinguishment of debt and loss on lease terminations, if any. We consider FFO and Normalized FFO to be appropriate measures of performance for a REIT, along with net income, operating income and cash flow from operating, investing and financing activities. We believe that FFO and Normalized FFO provide useful information to investors because by excluding the effects of certain historical amounts, such as depreciation expense, FFO and Normalized FFO can facilitate a comparison of our operating performance between periods. FFO and Normalized FFO are among the factors considered by our Board of Trustees when determining the amount of distributions to shareholders. Other factors include, but are not limited to, requirements to maintain our status as a REIT, limitations in our revolving credit facility and public debt covenants, the availability of equity and debt capital to us, our expectation of our future capital requirements and operating performance and our current and expected needs and availability of cash to pay our obligations.

Our calculations of FFO and Normalized FFO for the three and nine months ended September 30, 2012 and 2011 and reconciliations of FFO and Normalized FFO to net income, the most directly comparable financial measure under GAAP reported in our condensed consolidated financial statements, appear in the following table.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Net income ⁽¹⁾	\$ 25,646	\$ 29,996	\$ 91,248	\$ 112,819
Depreciation expense	35,880	28,824	104,487	82,120
Loss (gain) on sale of properties ⁽²⁾	101	—	101	(21,315)
Impairment of assets	—	1,028	3,071	1,194
FFO	61,627	59,848	198,907	174,818
Acquisition related costs	4,297	2,620	6,814	6,547
Loss on early extinguishment of debt ⁽³⁾	6,349	—	6,349	427
Loss on lease terminations ⁽⁴⁾	104	—	104	—
Percentage rent adjustment ⁽¹⁾⁽⁵⁾	2,400	2,900	8,200	8,300
Normalized FFO	\$ 74,777	\$ 65,368	\$ 220,374	\$ 190,092
Weighted average shares outstanding	174,690	153,385	166,698	145,745
FFO per share	\$ 0.35	\$ 0.39	\$ 1.19	\$ 1.20
Normalized FFO per share	\$ 0.43	\$ 0.43	\$ 1.32	\$ 1.30
Net income per share	\$ 0.15	\$ 0.20	\$ 0.55	\$ 0.77
Distributions declared per share	\$ 0.39	\$ 0.38	\$ 1.15	\$ 1.12

- (1) Net income for the three and nine months ended September 30, 2012 includes \$350 of percentage rent as a result of the September 2012 lease terminations of three senior living communities formerly leased to Sunrise.
- (2) In July 2012, we sold one MOB for approximately \$1,100 and recognized a loss on sale of approximately \$101. During the second quarter of 2011, we sold seven properties for total sales prices of approximately \$39,460 and recognized a gain on sale of approximately \$21,315.
- (3) In August 2012, we prepaid approximately \$199,197 of the outstanding principal balance of our FNMA secured term loan. As a result of this prepayment, we recorded a loss on early extinguishment of debt of \$6,349 consisting of a debt prepayment premium, legal fees and the write off of unamortized deferred financing fees.
- (4) In May 2012, we entered an agreement with Sunrise for early terminations of leases for 10 Communities which were previously scheduled to terminate on December 31, 2013; in September 2012, the leases for three senior living communities were terminated and in October 2012, the leases for five additional senior living communities were terminated resulting in a loss on lease terminations of approximately \$104. We currently expect the termination of the leases for, and the transition of the operations of, the remaining two senior living communities to occur before December 31, 2012.
- (5) In calculating net income in accordance with GAAP, we recognize percentage rental income received for the first, second and third quarters in the fourth quarter, which is when all contingencies are met and the income is earned. Although we defer recognition of this revenue until the fourth quarter for purposes of calculating net income, we include these estimated amounts in our calculation of Normalized FFO for each quarter of the year. The fourth quarter Normalized FFO calculation excludes the amounts recognized during the first three quarters.

Property Net Operating Income (NOI)

We calculate NOI as shown below. We define NOI as income from real estate less our property operating expenses. We consider NOI to be an appropriate supplemental measure to net income because it may help both investors and management to understand the operations of our properties. We use NOI internally to evaluate individual and company wide property level performance and we believe NOI provides useful information to investors regarding our results of operations because it reflects only those income and expense items that are incurred at the property level and may facilitate comparisons of our operating performance between periods. The calculation of NOI excludes depreciation and amortization, acquisition related costs, and general and administrative expenses from the calculation of net income in order to provide results that are more closely related to our properties’ results of operations.

The calculation of NOI by reportable segment is included above in this Item 2. The following table includes the reconciliation of NOI to net income, the most directly comparable financial measure under GAAP reported in our condensed consolidated financial statements, for the three and nine months ended September 30, 2012 and 2011.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Reconciliation of NOI to Net Income:				
Short and long term residential care communities NOI ⁽¹⁾	\$ 71,615	\$ 60,519	\$ 209,894	\$ 175,049
MOB NOI	34,772	28,589	99,592	83,211
All other operations NOI	4,439	4,439	13,317	13,266
Total NOI	110,826	93,547	322,803	271,526
Depreciation expense	(35,880)	(28,824)	(104,487)	(82,120)
General and administrative expense	(8,352)	(6,564)	(24,106)	(19,513)
Acquisition related costs	(4,297)	(2,620)	(6,814)	(6,547)
Impairment of assets	—	(1,028)	(3,071)	(1,194)
Operating income	62,297	54,511	184,325	162,152
Interest and other income	248	394	957	870
Interest expense	(30,417)	(24,730)	(87,426)	(70,837)
Loss on early extinguishment of debt ⁽²⁾	(6,349)	—	(6,349)	(427)
Loss on lease terminations ⁽³⁾	(104)	—	(104)	—
(Loss) gain on sale of properties ⁽⁴⁾	(101)	—	(101)	21,315
Equity in earnings of an investee	115	28	236	111
Income before income tax expense	25,689	30,203	91,538	113,184
Income tax expense	(43)	(207)	(290)	(365)
Net income	\$ 25,646	\$ 29,996	\$ 91,248	\$ 112,819

⁽¹⁾ Short and long term residential care communities NOI for the three and nine months ended September 30, 2012 includes \$350 of percentage rent as a result of the September 2012 lease terminations of three senior living communities formerly leased to Sunrise.

⁽²⁾ In August 2012, we prepaid approximately \$199,197 of the outstanding principal balance of our FNMA secured term loan. As a result of this prepayment, we recorded a loss on early extinguishment of debt of \$6,349 consisting of a debt prepayment premium, legal fees and the write off of unamortized deferred financing fees.

⁽³⁾ In May 2012, we entered an agreement with Sunrise for early terminations of leases for 10 Communities which were previously scheduled to terminate on December 31, 2013; in September 2012, the leases for three senior living communities were terminated and in October 2012, the leases for five additional senior living communities were terminated resulting in a loss on lease terminations of approximately \$104. We currently expect the termination of the leases for, and the transition of the operations of, the remaining two senior living communities to occur before December 31, 2012.

⁽⁴⁾ In July 2012, we sold one MOB for approximately \$1,100 and recognized a loss on sale of approximately \$101. During the second quarter of 2011, we sold seven properties for total sales prices of approximately \$39,460 and recognized a gain on sale of approximately \$21,315.

LIQUIDITY AND CAPITAL RESOURCES

Rental income revenues and residents fees and services revenues from our leased and managed properties and borrowings under our revolving credit facility are our principal sources of funds to pay operating expenses, debt service and distributions to shareholders. We believe that our operating cash flow will be sufficient to meet our operating expenses and debt service and pay distributions on our shares for the next 12 months and for the foreseeable future thereafter. Our future cash flows from operating activities will depend primarily upon our ability to:

- maintain or improve the occupancy of, and the current rental rates at, our properties;
- control operating cost increases at our properties; and
- purchase additional properties which produce cash flows in excess of our cost of acquisition capital and property operating expenses.

Our Operating Liquidity and Resources

We generally receive minimum rents monthly or quarterly from our tenants, we receive percentage rents from our residential community tenants monthly, quarterly or annually and we receive residents fees and services revenues, net of expenses, from our Managed Communities monthly. During the nine months ended September 30, 2012 and 2011, we generated \$239.0 million and \$167.8 million, respectively, of cash from operations. The increase in our cash from operations over the prior year primarily resulted from our property acquisitions, as further described below.

Our Investment and Financing Liquidity and Resources

At September 30, 2012, we had \$21.0 million of cash and cash equivalents and \$695.0 million available under our unsecured revolving credit facility. We expect to use cash balances, borrowings under our revolving credit facility and net proceeds of offerings of equity or debt securities to fund future working capital requirements, property acquisitions and expenditures related to the repair, maintenance or renovation of our properties.

In order to fund acquisitions and to accommodate cash needs that may result from timing differences between our receipts of rents and our need or desire to pay operating expenses and distributions to our shareholders, we maintain a \$750.0 million revolving credit facility with a group of institutional lenders. The maturity date of this facility is June 24, 2015 and we have an option, subject to certain conditions and our payment of a fee, to extend the facility for one year. This revolving credit facility also includes a feature under which maximum borrowings may be increased up to \$1.5 billion in certain circumstances. Borrowings under our revolving credit facility are unsecured. We may borrow, repay and reborrow funds under the credit facility until maturity, and no principal repayment is due until maturity. Borrowings under the revolving credit facility bear interest at LIBOR plus a spread that is subject to adjustment based upon changes to our credit ratings. As of September 30, 2012, the interest rate payable on borrowings under our revolving credit facility was 1.79% and we had \$55.0 million outstanding and \$695.0 million available under our revolving credit facility. There have been recent governmental inquiries regarding the setting of LIBOR, which may result in changes to that process that could have the general effect of increasing LIBOR. Increases in LIBOR would increase the amount of interest we pay under our revolving credit facility.

When significant amounts are outstanding under our revolving credit facility or as the maturity dates of our revolving credit facility and term debts approach, we intend to explore alternatives for the repayment of

amounts due. Such alternatives may include incurring additional debt and issuing new equity securities. We currently have an effective shelf registration statement that allows us to issue public securities on an expedited basis, but it does not assure that there will be buyers for such securities.

In January 2012, we repaid all \$225.0 million of our 8.625% unsecured senior notes at their maturity date. We funded this repayment using borrowings under our revolving credit facility. In February 2012, we paid in full a mortgage loan encumbering one of our properties that had a principal balance of approximately \$12.4 million, an interest rate of 6.03% and a maturity date in March 2012. In April 2012, we paid in full 17 mortgage loans encumbering 17 of our properties that had an aggregate principal balance of \$32.6 million, weighted average interest rate of 6.95% and maturity dates in June and July 2012. In June 2012, we paid in full a mortgage loan encumbering one of our properties that had a principal balance of approximately \$3.1 million, an interest rate of 6.07% and a maturity date in September 2012. In October 2012, we paid in full a mortgage loan encumbering one of our properties that had a principal balance of approximately \$4.2 million, an interest rate of 6.50% and a maturity date in January 2013.

During the nine months ended September 30, 2012, we acquired 16 properties located in 13 states for total purchase prices of approximately \$364.9 million, excluding closing costs. Our weighted average capitalization rate for these acquisitions was 7.9% based on estimated annual NOI. Capitalization rate is the ratio of the estimated annual GAAP revenues less property operating expenses, if any, to the purchase price on the date of acquisition. For more information about these acquisitions, see Note 3 to our Condensed Consolidated Financial Statements (unaudited) appearing in Item 1 above.

We have previously disclosed an agreement to acquire one MOB, which has not yet closed, for approximately \$15.3 million, including the assumption of approximately \$9.7 million of mortgage debt and excluding closing costs. The MOB is located in Minnesota and includes 76,637 square feet. The closing of this acquisition is contingent upon customary closing conditions; accordingly, we can provide no assurance that we will purchase this property.

In August and October 2012, we entered into four separate agreements to acquire three senior living communities and one MOB for total purchase prices of approximately \$68.3 million, including the assumption of approximately \$12.3 million of mortgage debt and excluding closing costs. The three senior living communities are located in Mississippi, Tennessee and Washington State and include a total of 437 living units and the MOB is located in Tennessee and includes 33,796 square feet. The closings of these acquisitions are contingent upon completion of our diligence and other customary closing conditions; accordingly, we can provide no assurance that we will purchase these properties.

In May 2012, we entered into the Operations Transfer Agreement with Sunrise and Five Star related to 10 Communities that we were then leasing to Sunrise. The Operations Transfer Agreement provides that we and Sunrise will accelerate the December 31, 2013 termination date of these Sunrise leases, that we will lease the 10 Communities to our TRS and that Five Star will manage the 10 Communities pursuant to long term management agreements. In September and October 2012, we and Sunrise terminated Sunrise's leases for three and five of the 10 Communities, respectively, and we entered into management agreements with Five Star with respect to these eight communities. We currently expect the termination of the leases for, and the transition of the operations of, the remaining two communities to occur before December 31, 2012. Pursuant to the Operations Transfer Agreement, we paid Sunrise \$1.0 million to purchase the inventory and certain improvements owned by Sunrise at these 10 Communities. The termination of the leases for those remaining two communities and Five Star's management of those communities on our behalf are subject to conditions, including receipt of regulatory approvals, and may not occur.

In July 2012, we sold one MOB located in Massachusetts with approximately 18,900 square feet for a sale price of approximately \$1.1 million.

In May 2011, we and Five Star entered into the Bridge Loan under which we agreed to lend Five Star up to \$80.0 million to fund a portion of Five Star's purchase of a portfolio of six senior living communities. In April 2012, Five Star repaid the then remaining \$38.0 million and this Bridge Loan was terminated.

During the three and nine months ended September 30, 2012, pursuant to the terms of our existing leases with Five Star, we purchased \$4.2 million and \$18.2 million, respectively, of improvements made to our properties leased to Five Star, and, as a result, the annual rent payable to us by Five Star increased by approximately \$335,000 and \$1.5 million, respectively. We used cash on hand and borrowings under our revolving credit facility to fund these purchases.

During the three and nine months ended September 30, 2012 and 2011, cash expenditures made and capitalized for leasing costs, building improvements and Managed Communities capital expenditures were as follows (dollars in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
MOB leasing capital ⁽¹⁾	\$ 1,049	\$ 1,553	\$ 4,373	\$ 5,761
MOB building improvements ⁽²⁾	1,270	418	3,125	872
Managed Communities capital improvements ⁽³⁾	2,675	383	6,000	621
Total capital expenditures	<u>\$ 4,994</u>	<u>\$ 2,354</u>	<u>\$ 13,498</u>	<u>\$ 7,254</u>

⁽¹⁾ MOB leasing capital includes tenant improvements and leasing costs.

⁽²⁾ MOB building improvements generally include: (i) construction costs and expenditures to replace obsolete building components that extend the useful life of existing assets, and (ii) non-recurring expenditures or expenditures that we believe increase the value of our existing properties.

⁽³⁾ Includes capital improvements to the senior living communities that we owned as of September 30, 2012, and which we have acquired since June 2011, and the three senior living communities that were formerly leased to Sunrise and that were leased to our TRS in September 2012.

During the three months ended September 30, 2012 commitments made for expenditures, such as tenant improvements and leasing costs in connection with leasing space, were as follows (dollars and square feet in thousands, except per square foot amounts):

	New Leases	Renewals	Total
Square feet leased during the quarter	32	285	317
Total leasing costs and concession commitments ⁽¹⁾	\$ 762	\$ 677	\$ 1,439
Total leasing costs and concession commitments per square foot ⁽¹⁾	\$ 23.81	\$ 2.38	\$ 4.54
Weighted average lease term (years) ⁽²⁾	5.4	4.0	4.2
Total leasing costs and concession commitments per square foot per year ⁽¹⁾	\$ 4.41	\$ 0.59	\$ 1.08

⁽¹⁾ Includes commitments made for leasing expenditures and concessions, such as tenant improvements, leasing commissions, tenant reimbursements and free rent.

- (2) Weighted based on annualized rental income pursuant to existing leases as of September 30, 2012, including straight line rent adjustments, estimated recurring expense reimbursements and excluding lease value amortization.

In July 2012, we issued 13,800,000 common shares in a public offering, raising net proceeds of approximately \$287.1 million. We used the net proceeds of this offering to repay borrowings outstanding under our revolving credit facility.

In July 2012, we sold \$350.0 million of unsecured senior notes. The notes require interest at a fixed rate of 5.625% per annum and are due in 2042. Net proceeds from this sale of the notes, after underwriting discounts, fees and other expenses, were approximately \$338.6 million. Interest on the notes is payable quarterly in arrears. We used a part of the net proceeds of this offering to repay borrowings under our revolving credit facility and we used the remaining net proceeds to prepay a part of our FNMA secured term loan and for general business purposes, which included funding a part of our recent acquisitions of properties described above.

In August 2012, we prepaid approximately \$199.2 million of the outstanding principal balance of our FNMA secured term loan that had an interest rate of 6.4% at August 31, 2012 and a maturity date in September 2019, using, among other funds, net proceeds from our July 2012 debt offering described above. As a result of this prepayment, 11 of the 28 properties securing this loan were released from the related mortgage.

We believe we will have access to various types of financings, including equity or debt offerings, to fund our future acquisitions and to pay our debts and other obligations as they become due. Our ability to complete and the costs of our future debt transactions are expected to depend primarily upon market conditions and our credit ratings. We have no control over market conditions. Our credit ratings depend upon evaluations by credit rating agencies of our business practices and plans and, in particular, whether we appear to have the ability to maintain our earnings and service our debt funding obligations, to space our debt maturities and to balance our use of equity and debt capital so that our financial performance and leverage ratios afford us flexibility to withstand any reasonably anticipatable adverse changes. We intend to conduct our business activities in a manner which will continue to afford us reasonable access to capital for investment and financing activities. However, there can be no assurance that we will be able to complete any equity or debt offerings or that our cost of any future public or private financings will not increase.

On October 9, 2012, we declared a quarterly distribution of \$0.39 per common share, or \$68.9 million, to our common shareholders of record on October 22, 2012 for the quarter ended September 30, 2012. This distribution will be paid to shareholders on or about November 20, 2012, using cash on hand and borrowings under our revolving credit facility, if necessary.

Off Balance Sheet Arrangements

As of September 30, 2012, we had no off balance sheet arrangements that have had or that we expect would be reasonably likely to have a future material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Debt Covenants

Our principal debt obligations at September 30, 2012 were: \$55.0 million outstanding under our \$750.0 million unsecured revolving credit facility; four public issuances of unsecured senior notes including: \$250.0 million due 2016 at an annual interest rate of 4.30%, \$200.0 million due 2020 at an annual interest rate of 6.75%, \$300.0 million due 2021 at an annual interest rate of 6.75% and \$350.0 million due 2042 at an annual

interest rate of 5.625%; and \$702.6 million of mortgages secured by 56 of our properties with maturity dates from 2013 to 2043. We also have two properties encumbered by capital leases totaling \$13.9 million at September 30, 2012. Our unsecured senior notes are governed by an indenture. The indenture for our unsecured senior notes and related supplements and our revolving credit facility contain a number of covenants which restrict our ability to incur debts, including debts secured by mortgages on our properties in excess of calculated amounts, require us to maintain a minimum net worth, restrict our ability to make distributions under certain circumstances and generally require us to maintain certain other financial ratios. As of September 30, 2012, we believe we were in compliance with all of the covenants under our indenture and related supplements, our revolving credit facility and our other debt obligations.

None of our indenture and related supplements, our revolving credit facility or our other debt obligations contain provisions for acceleration which could be triggered by our debt ratings. However, in certain circumstances, our revolving credit facility uses our senior debt rating to determine the fees and the interest rate payable by us.

Our public debt indenture and related supplements contain cross default provisions, which are generally triggered upon default of any of our other debts of at least \$10.0 million or, with respect to certain notes under such indenture and supplements, higher amounts. Similarly, our revolving credit facility contains a cross default provision to any other debts of \$25.0 million or more that are recourse debts and to any other debts of \$75.0 million or more that are non-recourse debts. Termination of our business management and property management agreements with RMR would cause a default under our revolving credit facility, if not approved by a majority of our lenders.

Related Person Transactions

We have relationships and historical and continuing transactions with our Trustees, our executive officers, RMR, Five Star, CWH and AIC and other companies to which RMR provides management services and others affiliated with or related to them. For example, we have no employees and personnel and various services we require to operate our business are provided to us by RMR pursuant to management agreements; and RMR is owned by our Managing Trustees. Also, as a further example, we have or had relationships with other companies to which RMR provides management services and which have trustees, directors or officers who are also trustees, directors or officers of ours or RMR, including: Five Star, which is our former subsidiary, our largest tenant and a manager of certain of our senior living communities, and we are Five Star's largest stockholder; D&R Yonkers LLC, which is owned by our executive officers and to which our TRS subleases a portion of a senior living community we own in order to accommodate certain requirements of New York healthcare licensing laws; CWH, which was our former parent and with which we have engaged in transactions from time to time, including our acquiring MOBs from CWH; we, RMR, Five Star, CWH and four other companies to which RMR provides management services each currently own approximately 12.5% of AIC, and we and the other shareholders of AIC have property insurance in place providing \$500.0 million of coverage pursuant to an insurance program arranged by AIC and with respect to which AIC is a reinsurer of certain coverage amounts. For further information about these and other such relationships and related person transactions, please see Note 11 to our condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q, which is incorporated herein by reference. In addition, for more information about these transactions and relationships, please see elsewhere in this Quarterly Report on Form 10-Q, including "Warning Concerning Forward Looking Statements" in Part I, and "Other Information" in Part II, Item 5, and our Annual Report, our Proxy Statement and our other filings with the SEC, including Note 5 to our consolidated financial statements included in our Annual Report, the sections captioned "Business," "Management's Discussion and Analysis of Financial Condition and Results of Operations—Related Person Transactions" and "Warning Concerning Forward Looking Statements" of our Annual Report and the section captioned "Related Person Transactions and Company Review of Such Transactions" and the information regarding our Trustees

and executive officers in our Proxy Statement. In addition, please see the section captioned “Risk Factors” of our Annual Report for a description of risks that may arise from these transactions and relationships. Our filings with the SEC, including our Annual Report and our Proxy Statement, are available at the SEC’s website at www.sec.gov. Copies of certain of our agreements with our related parties, including our business management agreement and property management agreement with RMR, our leases, forms of management agreements and related pooling agreements and Bridge Loan with Five Star, our agreements with D&R Yonkers LLC and its owners, various agreements we have with CWH and our shareholders agreement with AIC and its shareholders, are also publicly available as exhibits to our public filings with the SEC and accessible at the SEC’s website.

We believe that our agreements with RMR, Five Star, D&R Yonkers LLC and its owners, CWH and AIC are on commercially reasonable terms. We also believe that our relationships with RMR, Five Star, CWH and AIC and their affiliated and related persons and entities benefit us and, in fact, provide us with competitive advantages in operating and growing our business.

Impact of Government Reimbursement

As of September 30, 2012, approximately 94% of our NOI was generated from properties where a majority of the NOI is derived from private resources, and the remaining 6% of our NOI was generated from properties where a majority of the NOI was derived from Medicare and Medicaid reimbursements. We and our tenants operate facilities in many states and participate in many federal and state health care payment programs, including the federal Medicare and state Medicaid programs for services in skilled nursing facilities, hospitals and other similar facilities, state Medicaid programs for services in assisted living communities and other federal and state health care payment programs. Because of the current federal budget deficit and other federal spending priorities and continued difficult state fiscal conditions, there have been numerous recent legislative and regulatory actions or proposed actions with respect to federal Medicare rates and state Medicaid rates and federal payments to states for Medicaid programs. Examples of these, and other information regarding such programs, are discussed under the caption, “Business — Government Regulation and Reimbursement” in our Annual Report and under the caption “Impact of Government Reimbursement” in our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2012 and June 30, 2012. The Centers for Medicare and Medicaid Services, or CMS, has issued updated Medicare prospective payment rates for skilled nursing facilities, or SNFs, and inpatient rehabilitation facilities, or IRFs, effective October 1, 2012, which CMS estimates will result in a net increase of approximately 1.8% in aggregate Medicare payments for SNFs and 2.1% in aggregate Medicare payments for IRFs in federal fiscal year 2013. In June 2012, the U.S. Supreme Court upheld two major provisions of the Patient Protection and Affordable Care Act, or PPACA, which is discussed under the caption “Business—Government Regulation and Reimbursement” in our Annual Report. These two provisions are the individual mandate, which requires most Americans to maintain health insurance or to pay a penalty, and the Medicaid expansion, which requires states to expand their Medicaid programs by 2014 to cover all individuals under the age of 65 with incomes not exceeding 133% of the federal poverty line. In upholding the Medicaid expansion, the Supreme Court found that it violated the U.S. Constitution as drafted, but remedied the violation by modifying the expansion to preclude the Secretary of the U.S. Department of Health and Human Services from withholding existing federal Medicaid funds from states that fail to comply with the Medicaid expansion, instead allowing the Secretary only to deny new Medicaid expansion funding. As a result of the Court’s ruling, some states may choose not to participate in the Medicaid expansion or may delay their participation. We are unable to predict the impact of these or other recent legislative and regulatory actions or proposed actions with respect to state Medicaid rates and federal Medicare rates and federal payments to states for Medicaid programs on us or our tenants. The changes implemented or to be implemented as a result of such actions could result in the failure of Medicare, Medicaid or private payment rates to cover our or our tenants’ costs of providing required services to residents, in reductions in payments or other circumstances that could have a material adverse effect on the ability of some of our tenants to pay rent to us, the profitability of certain of our communities which are leased to our TRSs and the values of our properties.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are exposed to risks associated with market changes in interest rates. We manage our exposure to this market risk by monitoring available financing alternatives. Our strategy to manage exposure to changes in interest rates has not materially changed since December 31, 2011. Other than as described below, we do not foresee any significant changes in our exposure to fluctuations in interest rates or in how we manage this exposure in the near future.

At September 30, 2012, our outstanding fixed rate debt included the following (dollars in thousands):

Debt	Principal Balance ⁽¹⁾	Annual Interest Rate ⁽¹⁾	Annual Interest Expense	Maturity	Interest Payments Due
Unsecured senior notes	\$ 350,000	5.625%	\$ 19,688	2042	Quarterly
Unsecured senior notes	300,000	6.75%	20,250	2021	Semi-Annually
Unsecured senior notes	250,000	4.30%	10,750	2016	Semi-Annually
Unsecured senior notes	200,000	6.75%	13,500	2020	Semi-Annually
Mortgages	297,367	6.71%	19,953	2019	Monthly
Mortgages	91,253	5.924%	5,406	2016	Monthly
Mortgages	52,000	5.64%	2,933	2016	Monthly
Mortgages	46,993	6.54%	3,073	2017	Monthly
Mortgages	37,091	5.83%	2,162	2014	Monthly
Mortgages	31,129	6.015%	1,872	2015	Monthly
Mortgages	13,824	6.91%	955	2013	Monthly
Mortgages	13,118	5.66%	742	2015	Monthly
Mortgages	12,578	6.25%	786	2016	Monthly
Mortgages	11,647	6.365%	741	2015	Monthly
Mortgages	11,462	6.15%	705	2017	Monthly
Mortgages	10,656	6.11%	651	2013	Monthly
Mortgages	9,527	5.95%	567	2038	Monthly
Mortgages	6,844	5.81%	398	2015	Monthly
Mortgages	6,503	5.97%	388	2016	Monthly
Mortgages	5,832	5.86%	342	2017	Monthly
Mortgages	5,145	5.65%	291	2015	Monthly
Mortgages	4,765	4.375%	208	2043	Monthly
Mortgages	4,619	5.81%	268	2015	Monthly
Mortgages ⁽²⁾	4,159	6.50%	270	2013	Monthly
Mortgages	3,556	6.25%	222	2033	Monthly
Mortgages	3,334	7.31%	244	2022	Monthly
Mortgages	2,896	5.88%	170	2015	Monthly
Mortgages	1,638	7.85%	129	2022	Monthly
Bonds	14,700	5.875%	864	2027	Semi-Annually
	<u>\$ 1,802,636</u>		<u>\$ 108,528</u>		

⁽¹⁾ The principal balances and interest rates are the amounts stated in the contracts. In accordance with GAAP, our carrying values and recorded interest expense may be different because of market conditions at the time we assumed certain of these debts.

⁽²⁾ In October 2012 we repaid this debt.

No principal payments are due under our unsecured notes or bonds until maturity. Our mortgages require principal and interest payments through maturity pursuant to amortization schedules. Because these debts bear interest at a fixed rate, changes in market interest rates during the term of these debts will not affect

our operating results. However, if these debts are refinanced at interest rates which are 10% higher or lower than shown above, our annual interest cost would increase or decrease by approximately \$10.9 million.

Changes in market interest rates do affect the fair value of our fixed rate debt obligations; increases in market interest rates decrease the fair value of our fixed rate debt, while decreases in market interest rates increase the fair value of our fixed rate debt. Based on the balances outstanding at September 30, 2012, and discounted cash flow analysis through the maturity date of our fixed rate debt obligations, a hypothetical immediate 10% change in interest rates would change the fair value of those obligations by approximately \$71.5 million.

Our unsecured senior notes and mortgages generally contain provisions that allow us to make repayments at par plus premiums which are generally designed to preserve stated yields to the debt holders. Also, as we have previously done, we occasionally have the opportunity to purchase our outstanding debt by open market purchases. These prepayment rights and purchases may afford us the opportunity to mitigate the risks arising from changes in interest rates.

Our unsecured revolving credit facility bears interest at floating rates and matures in June 2015. As of September 30, 2012, we had \$55.0 million outstanding and \$695.0 million available under our revolving credit facility. We may make repayments and drawings under our revolving credit facility at any time without penalty. We borrow in U.S. dollars and borrowings under our revolving credit facility bear interest at LIBOR plus a spread that is subject to adjustment based upon changes to our credit ratings. Accordingly, we are vulnerable to changes in U.S. dollar based short term rates, specifically LIBOR. In addition, we are vulnerable to increases in credit spreads due to market conditions. Generally, a change in interest rates would not affect the value of our floating rate debt but would affect our operating results. The following table presents the impact a 10% change in interest rates would have on our annual floating rate interest expense at September 30, 2012 (dollars in thousands):

Impact of Changes in Interest Rates			
	Interest Rate	Outstanding Debt	Total Interest Expense Per Year
At September 30, 2012	1.79%	\$ 55,000	\$ 985
10% reduction	1.61%	\$ 55,000	\$ 886
10% increase	1.97%	\$ 55,000	\$ 1,083

The following table presents the impact a 10% change in interest rates would have on our annual floating rate interest expense at September 30, 2012 if we had fully drawn our revolving credit facility (dollars in thousands):

Impact of Changes in Interest Rates			
	Interest Rate	Outstanding Debt	Total Interest Expense Per Year
At September 30, 2012	1.79%	\$ 750,000	\$ 13,425
10% reduction	1.61%	\$ 750,000	\$ 12,083
10% increase	1.97%	\$ 750,000	\$ 14,768

The foregoing tables show the impact of an immediate change in floating interest rates. If interest rates were to change gradually over time, the impact would be spread over time. Our exposure to fluctuations in floating interest rates will increase or decrease in the future with increases or decreases in the outstanding amount under our revolving credit facility or other floating rate debt.

In 2009, we closed the FNMA secured term loan financing for approximately \$512.9 million. A part of this loan is at a fixed rate and a part was at a floating rate. In August 2012, we prepaid approximately \$199.2 million of the outstanding principal balance of our FNMA secured term loan, including all of the floating rate part of this loan, and paid a prepayment premium on such amount prepaid. As of September 30, 2012, our FNMA secured term loan has an outstanding principal balance of approximately \$297.4 million, bears interest at a fixed rate and matures in September 2019. We have the option to prepay the remaining outstanding principal balance of our FNMA obligation in order to mitigate the risks of refinancing or for other reasons. This loan may be prepaid during the first 96 months of the loan term subject to our paying a standard make whole premium and thereafter for 1% of the amount of principal being prepaid which is reduced to zero in the last six months of this ten year loan.

Item 4. Controls and Procedures.

As of the end of the period covered by this report, our management carried out an evaluation, under the supervision and with the participation of our Managing Trustees, President and Chief Operating Officer and Treasurer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures pursuant to the Securities Exchange Act of 1934, as amended, Rules 13a-15 and 15d-15. Based upon that evaluation, our Managing Trustees, President and Chief Operating Officer and Treasurer and Chief Financial Officer concluded that our disclosure controls and procedures are effective.

There have been no changes in our internal control over financial reporting during the quarter ended September 30, 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

WARNING CONCERNING FORWARD LOOKING STATEMENTS

THIS QUARTERLY REPORT ON FORM 10-Q CONTAINS STATEMENTS THAT CONSTITUTE FORWARD LOOKING STATEMENTS WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 AND OTHER SECURITIES LAWS. ALSO, WHENEVER WE USE WORDS SUCH AS “BELIEVE”, “EXPECT”, “ANTICIPATE”, “INTEND”, “PLAN”, “ESTIMATE” OR SIMILAR EXPRESSIONS, WE ARE MAKING FORWARD LOOKING STATEMENTS. THESE FORWARD LOOKING STATEMENTS ARE BASED UPON OUR PRESENT INTENT, BELIEFS OR EXPECTATIONS, BUT FORWARD LOOKING STATEMENTS ARE NOT GUARANTEED TO OCCUR AND MAY NOT OCCUR. FORWARD LOOKING STATEMENTS IN THIS REPORT RELATE TO VARIOUS ASPECTS OF OUR BUSINESS, INCLUDING :

- OUR ACQUISITIONS AND SALES OF PROPERTIES,
- OUR ABILITY TO RAISE EQUITY OR DEBT CAPITAL,
- OUR ABILITY TO PAY INTEREST ON AND PRINCIPAL OF OUR DEBT,
- OUR ABILITY TO PAY DISTRIBUTIONS TO OUR SHAREHOLDERS AND THE AMOUNT OF SUCH DISTRIBUTIONS,
- OUR ABILITY TO RETAIN OUR EXISTING TENANTS, ATTRACT NEW TENANTS AND MAINTAIN OR INCREASE CURRENT RENTAL RATES,
- OUR POLICIES AND PLANS REGARDING INVESTMENTS AND FINANCINGS,
- THE FUTURE AVAILABILITY OF BORROWINGS UNDER OUR REVOLVING CREDIT FACILITY,
- OUR TAX STATUS AS A REIT,
- OUR BELIEF THAT FIVE STAR, OUR FORMER SUBSIDIARY, WHICH IS OUR LARGEST TENANT AND WHICH MANAGES CERTAIN COMMUNITIES FOR OUR ACCOUNT, HAS ADEQUATE FINANCIAL RESOURCES AND LIQUIDITY TO MEET ITS OBLIGATIONS TO US AND TO MANAGE OUR MANAGED COMMUNITIES SUCCESSFULLY,
- OUR EXPECTATION THAT WE WILL BENEFIT FINANCIALLY BY PARTICIPATING IN AIC WITH RMR AND COMPANIES TO WHICH RMR PROVIDES MANAGEMENT SERVICES, AND
- OTHER MATTERS.

OUR ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THOSE CONTAINED IN OR IMPLIED BY OUR FORWARD LOOKING STATEMENTS AS A RESULT OF VARIOUS FACTORS. FACTORS THAT COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR FORWARD LOOKING STATEMENTS AND UPON OUR BUSINESS, RESULTS OF OPERATIONS, FINANCIAL CONDITION, FFO, NORMALIZED FFO, NOI, CASH AVAILABLE FOR DISTRIBUTION, CASH FLOWS, LIQUIDITY AND PROSPECTS INCLUDE, BUT ARE NOT LIMITED TO:

- THE IMPACT OF CHANGES IN THE ECONOMY AND THE CAPITAL MARKETS ON US AND OUR TENANTS,

- THE IMPACT OF THE PPACA AND OTHER RECENTLY ENACTED, ADOPTED OR PROPOSED LEGISLATION OR REGULATIONS ON US AND ON OUR TENANTS AND THEIR ABILITY TO PAY OUR RENTS,
- ACTUAL AND POTENTIAL CONFLICTS OF INTEREST WITH OUR MANAGING TRUSTEES, FIVE STAR, CWH, RMR, AIC AND THEIR RELATED PERSONS AND ENTITIES,
- COMPLIANCE WITH, AND CHANGES TO, FEDERAL, STATE AND LOCAL LAWS AND REGULATIONS, ACCOUNTING RULES, TAX RATES AND SIMILAR MATTERS,
- LIMITATIONS IMPOSED ON OUR BUSINESS AND OUR ABILITY TO SATISFY COMPLEX RULES IN ORDER FOR US TO QUALIFY AS A REIT FOR U.S. FEDERAL INCOME TAX PURPOSES,
- COMPETITION WITHIN THE HEALTHCARE AND REAL ESTATE INDUSTRIES, AND
- ACTS OF TERRORISM, OUTBREAKS OF SO CALLED PANDEMICS OR OTHER MANMADE OR NATURAL DISASTERS BEYOND OUR CONTROL.

FOR EXAMPLE:

- FIVE STAR IS OUR LARGEST TENANT AND MANAGES SEVERAL OF OUR SENIOR LIVING COMMUNITIES FOR OUR ACCOUNT AND FIVE STAR MAY EXPERIENCE FINANCIAL DIFFICULTIES AS A RESULT OF A NUMBER OF FACTORS, INCLUDING, BUT NOT LIMITED TO:
 - CHANGES IN MEDICARE AND MEDICAID PAYMENTS, INCLUDING THOSE THAT MAY RESULT FROM PPACA AND OTHER RECENTLY ENACTED OR PROPOSED LEGISLATION OR REGULATIONS, WHICH COULD RESULT IN REDUCED RATES OR A FAILURE OF SUCH RATES TO COVER FIVE STAR'S COSTS,
 - CHANGES IN REGULATIONS AFFECTING FIVE STAR'S OPERATIONS,
 - CHANGES IN THE ECONOMY GENERALLY OR GOVERNMENTAL POLICIES WHICH REDUCE THE DEMAND FOR THE SERVICES FIVE STAR OFFERS,
 - INCREASES IN INSURANCE AND TORT LIABILITY COSTS, AND
 - INEFFECTIVE INTEGRATION OF NEW ACQUISITIONS,
- IF FIVE STAR'S OPERATIONS BECOME UNPROFITABLE, FIVE STAR MAY BECOME UNABLE TO PAY OUR RENTS AND WE MAY NOT RECEIVE OUR EXPECTED RETURN ON OUR INVESTED CAPITAL OR ADDITIONAL AMOUNTS FROM OUR SENIOR LIVING COMMUNITIES THAT ARE MANAGED BY FIVE STAR,
- OUR OTHER TENANTS MAY EXPERIENCE LOSSES AND BECOME UNABLE TO PAY OUR RENTS,
- CONTINUED AVAILABILITY OF BORROWINGS UNDER OUR REVOLVING CREDIT FACILITY IS SUBJECT TO OUR SATISFYING CERTAIN FINANCIAL COVENANTS AND MEETING OTHER CUSTOMARY CONDITIONS,

- ACTUAL COSTS UNDER OUR REVOLVING CREDIT FACILITY WILL BE HIGHER THAN LIBOR PLUS A SPREAD BECAUSE OF OTHER FEES AND EXPENSES ASSOCIATED WITH OUR REVOLVING CREDIT FACILITY,
- INCREASING THE MAXIMUM BORROWINGS UNDER OUR REVOLVING CREDIT FACILITY IS SUBJECT TO OBTAINING ADDITIONAL COMMITMENTS FROM LENDERS, WHICH MAY NOT OCCUR,
- OUR PENDING ACQUISITIONS OF SENIOR LIVING COMMUNITIES AND MOBS, AND CERTAIN RELATED MANAGEMENT ARRANGEMENTS, ARE CONTINGENT UPON VARIOUS CONDITIONS, INCLUDING IN SOME CASES, COMPLETION OF DILIGENCE AND / OR REGULATORY, LENDER OR OTHER THIRD PARTY APPROVALS. ACCORDINGLY, SOME OR ALL OF THESE PURCHASES, AND ANY RELATED MANAGEMENT ARRANGEMENTS, MAY BE DELAYED OR MAY NOT OCCUR,
- THIS QUARTERLY REPORT ON FORM 10-Q STATES THAT WE EXPECT THE REMAINING TWO SUNRISE LEASE TERMINATIONS, THE TRS LEASES AND THE FIVE STAR MANAGEMENT AGREEMENTS REGARDING THE REMAINING TWO COMMUNITIES TO BE COMPLETED BEFORE DECEMBER 31, 2012. THESE TWO COMMUNITIES ARE OWNED BY US FREE AND CLEAR OF MORTGAGE DEBTS AND NO LENDER APPROVALS WILL BE REQUIRED FOR THE LEASE TERMINATIONS, THE TRS LEASES OR THE NEW MANAGEMENT AGREEMENTS. HOWEVER, THE TRANSFERS OF OPERATING CONTROL OF THESE REMAINING TWO COMMUNITIES ARE SUBJECT TO REGULATORY APPROVALS IN THE STATES WHERE THESE COMMUNITIES ARE LOCATED AS WELL AS SOME APPROVALS FROM CERTAIN THIRD PARTY PAYORS FOR RESIDENT SERVICES. WE CANNOT CONTROL THE RESULTS OR TIMING OF THESE APPROVAL PROCESSES. ACCORDINGLY, THESE APPROVALS MAY BE DELAYED OR MAY NOT OCCUR AND THE CANCELLATION OF THE REMAINING TWO SUNRISE LEASES AND TRANSFER OF OPERATIONS TO OUR TRS MAY BE DELAYED OR MAY NOT OCCUR,
- THIS QUARTERLY REPORT ON FORM 10-Q STATES THAT WE HAVE ONE PROPERTY CLASSIFIED AS HELD FOR SALE. WE MAY NOT BE ABLE TO SELL THIS PROPERTY ON TERMS ACCEPTABLE TO US OR OTHERWISE,
- WE MAY BE UNABLE TO REPAY OUR DEBT OBLIGATIONS WHEN THEY BECOME DUE,
- OUR ABILITY TO MAKE FUTURE DISTRIBUTIONS DEPENDS UPON A NUMBER OF FACTORS, INCLUDING OUR FUTURE EARNINGS. WE MAY BE UNABLE TO MAINTAIN OUR CURRENT RATE OF DISTRIBUTIONS ON OUR SHARES AND FUTURE DISTRIBUTIONS MAY BE SUSPENDED OR PAID AT A LESSER RATE THAN THE DISTRIBUTIONS WE NOW PAY,
- OUR ABILITY TO GROW OUR BUSINESS AND INCREASE OUR DISTRIBUTIONS DEPENDS IN LARGE PART UPON OUR ABILITY TO BUY PROPERTIES AND ARRANGE FOR THEIR PROFITABLE OPERATION OR LEASE THEM FOR RENTS THAT EXCEED OUR CAPITAL COSTS. WE MAY BE UNABLE TO IDENTIFY PROPERTIES THAT WE WANT TO ACQUIRE OR TO NEGOTIATE ACCEPTABLE PURCHASE PRICES, ACQUISITION FINANCING, MANAGEMENT CONTRACTS OR LEASE TERMS FOR NEW PROPERTIES,
- SOME OF OUR TENANTS MAY NOT RENEW EXPIRING LEASES, AND WE MAY BE UNABLE TO LOCATE NEW TENANTS TO MAINTAIN THE HISTORICAL OCCUPANCY RATES OF, OR RENTS FROM, OUR PROPERTIES,

- RENTS THAT WE CAN CHARGE AT OUR PROPERTIES MAY DECLINE BECAUSE OF CHANGING MARKET CONDITIONS OR OTHERWISE, AND
- THIS QUARTERLY REPORT ON FORM 10-Q STATES THAT WE BELIEVE THAT OUR CONTINUING RELATIONSHIPS WITH FIVE STAR, CWH, RMR, AIC, D&R YONKERS LLC AND THEIR AFFILIATED AND RELATED PERSONS AND ENTITIES MAY BENEFIT US AND PROVIDE US WITH ADVANTAGES IN OPERATING AND GROWING OUR BUSINESS. IN FACT, THE ADVANTAGES WE BELIEVE WE MAY REALIZE FROM THESE RELATIONSHIPS MAY NOT MATERIALIZE.

THESE RESULTS COULD OCCUR DUE TO MANY DIFFERENT CIRCUMSTANCES, SOME OF WHICH ARE BEYOND OUR CONTROL, SUCH AS CHANGED MEDICARE AND MEDICAID RATES, NEW LEGISLATION AFFECTING OUR BUSINESS OR THE BUSINESSES OF OUR TENANTS, NATURAL DISASTERS OR CHANGES IN OUR TENANTS' REVENUES OR COSTS, OR CHANGES IN CAPITAL MARKETS OR THE ECONOMY GENERALLY.

THE INFORMATION CONTAINED ELSEWHERE IN THIS QUARTERLY REPORT ON FORM 10-Q OR IN OUR ANNUAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2011 AS FILED WITH THE SEC, INCLUDING UNDER THE CAPTION "RISK FACTORS", OR INCORPORATED THEREIN IDENTIFIES OTHER IMPORTANT FACTORS THAT COULD CAUSE DIFFERENCES FROM OUR FORWARD LOOKING STATEMENTS. OUR FILINGS WITH THE SEC ARE AVAILABLE AT THE SEC'S WEBSITE AT WWW.SEC.GOV.

YOU SHOULD NOT PLACE UNDUE RELIANCE UPON OUR FORWARD LOOKING STATEMENTS.

EXCEPT AS REQUIRED BY LAW, WE DO NOT INTEND TO UPDATE OR CHANGE ANY FORWARD LOOKING STATEMENTS AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR OTHERWISE.

STATEMENT CONCERNING LIMITED LIABILITY

THE AMENDED AND RESTATED DECLARATION OF TRUST ESTABLISHING SENIOR HOUSING PROPERTIES TRUST, DATED SEPTEMBER 20, 1999, AS AMENDED AND SUPPLEMENTED, AS FILED WITH THE STATE DEPARTMENT OF ASSESSMENTS AND TAXATION OF MARYLAND, PROVIDES THAT NO TRUSTEE, OFFICER, SHAREHOLDER, EMPLOYEE OR AGENT OF SENIOR HOUSING PROPERTIES TRUST SHALL BE HELD TO ANY PERSONAL LIABILITY, JOINTLY OR SEVERALLY, FOR ANY OBLIGATION OF, OR CLAIM AGAINST, SENIOR HOUSING PROPERTIES TRUST. ALL PERSONS DEALING WITH SENIOR HOUSING PROPERTIES TRUST IN ANY WAY SHALL LOOK ONLY TO THE ASSETS OF SENIOR HOUSING PROPERTIES TRUST FOR THE PAYMENT OF ANY SUM OR THE PERFORMANCE OF ANY OBLIGATION.

PART II. Other Information

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

On September 14, 2012, pursuant to our 2012 Equity Compensation Plan, we granted an aggregate of 78,492 common shares of beneficial interest, par value \$.01 per share, valued at \$22.62 per share, the closing price of our common shares on the NYSE on that day, to our officers and certain employees of our manager, RMR. We made these grants pursuant to an exemption from registration contained in Section 4(a)(2) of the Securities Act of 1933, as amended.

Item 5. Other Information.

As discussed elsewhere in this Quarterly Report on Form 10-Q, in May 2011, we and Five Star entered into an AL Pooling Agreement which pools our management agreements with Five Star for communities that include assisted living units. On October 30, 2012, we and Five Star entered into an amendment and restatement of the initial AL Pooling Agreement so that it includes only the management agreements for 20 of the communities that include assisted living units that we and Five Star agreed Five Star would manage for our account. Also on October 30, 2012, we and Five Star entered into a second AL Pooling Agreement which pools our management agreements with Five Star for the remaining communities that include assisted living units that Five Star currently manages for our account (other than with respect to the senior living community in New York described in Note 11 to our Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report).

The terms of the second AL Pooling Agreement are substantially similar to the terms of the amended and restated initial AL Pooling Agreement. Descriptions of the first AL Pooling Agreement appear in Note 5 to our Consolidated Financial Statements included in our Annual Report and in the sections of our Annual Report captioned “Business,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Portfolio Overview” and “—Related Person Transactions,” which descriptions are hereby incorporated by reference.

For more information about the AL Pooling Agreements and the management agreements pooled under the AL Pooling Agreements, please see the descriptions of those agreements elsewhere in this Quarterly Report on Form 10-Q, including Note 11 to our Condensed Consolidated Financial Statements included in Part I, Item 1 and “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Portfolio Overview” and “—Related Person Transactions” in Part I, Item 2, and in our Annual Report, including the sections of the Annual Report referred to in the preceding paragraph.

The foregoing descriptions of the AL Pooling Agreements and the management agreements pooled under the AL Pooling Agreements are not complete and are subject to and qualified in their entirety by reference to the copy of the first AL Pooling Agreement filed as Exhibit 10.2 to our Current Report on Form 8-K dated May 13, 2011, or our May 2011 Current Report, the copy of the related representative form of accession agreement filed as Exhibit 10.4 to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2012, the copies of the initial AL Pooling Agreement, as amended and restated, and the second AL Pooling Agreement filed as Exhibits 10.2 and 10.3, respectively, to this Quarterly Report on Form 10-Q, and the copy of the representative form of management agreement for assisted living communities filed as Exhibit 10.1 to our May 2011 Current Report, each of which is incorporated herein by reference.

The terms of the initial AL Pooling Agreement, as amended and restated, and the second AL Pooling Agreement were approved by our Independent Trustees and Board of Trustees and by the independent directors and board of directors of Five Star.

For more information about our relationships and transactions with Five Star, RMR and other companies to which RMR provides management services and others affiliated with or related to them, please see Part I of this Quarterly Report on Form 10-Q, including Note 11 to our Condensed Consolidated Financial Statements and “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Related Person Transactions”.

Item 6. Exhibits.

- 3.1 Composite Copy of Amended and Restated Declaration of Trust, dated September 20, 1999, as amended to date. (*Filed herewith*)
- 3.3 Articles Supplementary dated May 11, 2000. (Incorporated by reference to the Company’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2000.)
- 3.4 Articles Supplementary dated March 10, 2004. (Incorporated by reference to the Company’s Registration Statement on Form 8-A dated March 18, 2004.)
- 3.5 Certificate of Correction dated March 29, 2004. (Incorporated by reference to the Company’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2004.)
- 3.6 Amended and Restated Bylaws of the Company, adopted February 14, 2012. (Incorporated by reference to the Company’s Current Report on Form 8-K dated June 29, 2012.)
- 4.1 Form of Common Share Certificate. (Incorporated by reference to the Company’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2008.)
- 4.2 Indenture, dated as of December 20, 2001, between the Company and State Street Bank and Trust Company. (Incorporated by reference to the Company’s Registration Statement on Form S-3, File No. 333-76588.)
- 4.3 Supplemental Indenture No. 4, dated as of April 9, 2010, between the Company and U.S. Bank National Association, relating to 6.75% Senior Notes due 2020, including form thereof. (Incorporated by reference to the Company’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2010.)
- 4.4 Supplemental Indenture No. 5, dated as of January 13, 2011, between the Company and U.S. Bank National Association, relating to 4.30% Senior Notes due 2016, including form thereof. (Incorporated by reference to the Company’s Annual Report on Form 10-K for the year ended December 31, 2010.)
- 4.5 Supplemental Indenture No. 6, dated as of December 8, 2011, between the Company and U.S. Bank National Association, relating to 6.75% Senior Notes due 2021, including form thereof. (Incorporated by reference to the Company’s Annual Report on Form 10-K for the year ended December 31, 2011.)
- 4.6 Supplemental Indenture No. 7, dated as of July 20, 2012, between the Company and U.S. Bank National Association, relating to 5.625% Senior Notes due 2042, including form thereof. (Incorporated by reference to the Company’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2012.)

- 4.7 Rights Agreement, dated as of March 10, 2004, between the Company and EquiServe Trust Company, N.A. (Incorporated by reference to the Company's Current Report on Form 8-K dated March 10, 2004.)
- 4.8 Appointment of Successor Rights Agent, dated as of December 13, 2004, between the Company and Wells Fargo Bank, National Association. (Incorporated by reference to the Company's Current Report on Form 8-K dated December 13, 2004.)
- 10.1 Form of Restricted Share Agreement. (*Filed herewith*)
- 10.2 Amended and Restated Pooling Agreement No. 1, dated October 30, 2012, between FVE Managers, Inc. and certain subsidiaries of Senior Housing Properties Trust, amending the Pooling Agreement, dated as of May 12, 2011, between such parties. (*Filed herewith*)
- 10.3 Pooling Agreement No. 2, dated October 30, 2012, between FVE Managers, Inc. and certain subsidiaries of Senior Housing Properties Trust. (*Filed herewith*)
- 10.4 Amendment No. 2 to Master Credit Facility Agreement, dated as of August 31, 2012, among SNH FM Financing LLC, Citibank, N.A. and Fannie Mae, and acknowledged and agreed to by SNH FM Financing Trust, Ellicott City Land I, LLC and Senior Housing Properties Trust. (*Filed herewith*)
- 10.5 Eighth Amendment to Amended and Restated Master Lease Agreement (Lease No. 1), dated as of August 31, 2012, among certain subsidiaries of Senior Housing Properties Trust, as Landlord, and Five Star Quality Care Trust, as Tenant. (*Filed herewith*)
- 10.6 Fifth Amendment to Amended and Restated Master Lease Agreement (Lease No. 2), dated as of August 31, 2012, among certain subsidiaries of Senior Housing Properties Trust, as Landlord, and certain subsidiaries of Five Star Quality Care, Inc., as Tenant. (*Filed herewith*)
- 10.7 Fourth Amendment to Amended and Restated Master Lease Agreement (Lease No. 4), dated as of August 31, 2012, among certain subsidiaries of Senior Housing Properties Trust, as Landlord, and certain subsidiaries of Five Star Quality Care, Inc., as Tenant. (*Filed herewith*)
- 10.8 Partial Termination of and Amendment No. 2 to Amended and Restated Master Lease Agreement, dated as of August 31, 2012, among SNH FM Financing LLC, SNH FM Financing Trust and Ellicott City Land I, LLC, as Landlord, and FVE FM Financing, Inc., as Tenant. (*Filed herewith*)
- 12.1 Computation of Ratios of Earnings to Fixed Charges. (*Filed herewith*)
- 31.1 Rule 13a-14(a) Certification. (*Filed herewith*)
- 31.2 Rule 13a-14(a) Certification. (*Filed herewith*)
- 31.3 Rule 13a-14(a) Certification. (*Filed herewith*)
- 31.4 Rule 13a-14(a) Certification. (*Filed herewith*)
- 32.1 Section 1350 Certification. (*Furnished herewith*)

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- 99.1 Pooling Agreement, dated August 31, 2012, between FVE IL Managers, Inc. and certain subsidiaries of Senior Housing Properties Trust. (*Filed herewith*)
- 99.2 Sublease Agreement, dated as of August 31, 2012, between SNH Yonkers Tenant Inc., as sublessor, and D&R Yonkers LLC, as subtenant. (*Filed herewith*)
- 99.3 Management Agreement, dated as of August 31, 2012, between FVE Managers, Inc., as Manager, and D&R Yonkers LLC, as Licensee. (*Filed herewith*)
- 99.4 Representative Form of Indemnification Agreement relating to D&R Yonkers LLC. (*Filed herewith*)
- 101.1 The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2012 formatted in XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Income and Comprehensive Income, (iii) the Condensed Consolidated Statements of Cash Flows, and (iv) related notes to these financial statements, tagged as blocks of text and in detail. (*Filed herewith*)

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.

SENIOR HOUSING PROPERTIES TRUST

By: /s/ David J. Hegarty
David J. Hegarty
President and Chief Operating Officer

Dated: October 30, 2012

By: /s/ Richard A. Doyle
Richard A. Doyle
Treasurer and Chief Financial Officer
(principal financial and accounting officer)

Dated: October 30, 2012

SENIOR HOUSING PROPERTIES TRUST

Articles of Amendment and Restatement

September 20, 1999
 As Amended February 13, 2002
 and Amended January 21, 2004
 and Amended February 7, 2007
 and Amended June 1, 2007
 and Amended December 12, 2007
 and Amended February 21, 2008
 and Amended June 3, 2008
 and Amended June 28, 2011
 and Amended July 10, 2012

SENIOR HOUSING PROPERTIES TRUST**ARTICLES OF AMENDMENT AND RESTATEMENT**

FIRST: Senior Housing Properties Trust, a Maryland real estate investment trust (the “Trust”) formed under Title 8 of the Corporations and Associations Article of the Annotated Code of Maryland (as amended and in effect from time to time, and including any successor title thereto, “Title 8”), desires to amend and restate its Declaration of Trust as currently in effect and as hereinafter amended. All references in the Declaration of Trust to specific sections of Title 8 shall include applicable successor provisions.

SECOND: The following provisions are all the provisions of the Declaration of Trust currently in effect and as hereinafter amended:

ARTICLE I**FORMATION**

The Trust is a real estate investment trust within the meaning of Title 8. It is also intended that the Trust shall carry on a business as a “qualified REIT subsidiary” as described in the REIT provisions of the Code (as defined in Article VII below), for so long as it is wholly owned by HRPT Properties Trust and thereafter shall qualify and carry on business as a “real estate investment trust” as described therein. The Trust shall not be deemed to be a general partnership, limited partnership, joint venture, joint stock company or a corporation, but nothing herein shall preclude the Trust from being treated for tax purposes as an association under the Code; nor shall the Trustees or shareholders or any of them for any purpose be, nor be deemed to be, nor be treated in any way whatsoever as, liable or responsible hereunder as partners or joint venturers.

ARTICLE II**NAME**

The name of the Trust is:

Senior Housing Properties Trust

Under circumstances in which the Board of Trustees of the Trust (the “Board of Trustees” or “Board”) determines that the use of the name of the Trust is not practicable, the Trust may use any other designation or name for the Trust. To the extent permitted by Maryland law, the Board of Trustees may amend the Declaration of Trust to change the name of the Trust without any action by the shareholders.

ARTICLE III

PURPOSES AND POWERS

Section 3.1 Purposes. The purposes for which the Trust is formed are to invest in and to acquire, hold, manage, administer, control and dispose of property and interests in property, including, without limitation or obligation, engaging in business as a real estate investment trust under the Code.

Section 3.2 Powers. The Trust shall have all of the powers granted to real estate investment trusts by Title 8 and all other powers set forth in the Declaration of Trust which are not inconsistent with law and are appropriate to promote and attain the purposes set forth in the Declaration of Trust.

ARTICLE IV

RESIDENT AGENT

The name of the resident agent of the Trust in the State of Maryland is James J. Hanks, Jr., whose post office address is c/o Ballard Spahr Andrews & Ingersoll, LLP, 300 East Lombard Street, Baltimore, Maryland 21202. The resident agent is a citizen of and resides in the State of Maryland. The Trust may change such resident agent from time to time as the Board of Trustees shall determine. The Trust may have such offices or places of business within or outside the State of Maryland as the Board of Trustees may from time to time determine.

ARTICLE V

BOARD OF TRUSTEES

Section 5.1 Powers. Subject to any express limitations contained in the Declaration of Trust or in the Bylaws, (a) the business and affairs of the Trust shall be managed under the direction of the Board of Trustees and (b) the Board shall have full, exclusive and absolute power, control and authority over any and all property of the Trust. The Board may take any action as in its sole judgment and discretion is necessary or appropriate to conduct the business and affairs of the Trust. The Declaration of Trust shall be construed with the presumption in favor of the grant of power and authority to the Board. Any construction of the Declaration of Trust or determination made in good faith by the Board concerning its powers and authority hereunder shall be conclusive. The enumeration and definition of particular powers of the Trustees included in the Declaration of Trust or in the Bylaws shall in no way be construed or deemed by inference or otherwise in any manner to exclude or limit the powers conferred upon the Board or the Trustees under the general laws of the State of Maryland or any other applicable laws.

The Board, without any action by the shareholders of the Trust, shall have and may exercise, on behalf of the Trust, without limitation, the power to terminate the status of the Trust as a real estate investment trust under the Code; to determine that compliance with any restriction or limitations on ownership and transfers of shares of the Trust’s beneficial interest set forth in Article VII of the Declaration of Trust is no longer required in order for the Trust to qualify as a real estate investment trust; to adopt, amend and repeal Bylaws not

inconsistent with law or this Declaration of Trust; to elect officers in the manner prescribed in the Bylaws; to solicit proxies from holders of shares of beneficial interest of the Trust; and to do any other acts and deliver any other documents necessary or appropriate to the foregoing powers.

Section 5.2 Number and Classification.

Section 5.2.1 The number of trustees of the Trust (hereinafter the “Trustees”) initially shall be two (2). On the first date on which the Trust shall have more than one shareholder of record, the number of the Trustees shall automatically and without further action by the Board of Trustees increase to five (5), which number may thereafter be increased or decreased pursuant to the Bylaws of the Trust; provided, however, that no such increase or decrease shall result in the Trust having fewer than three (3) or more than seven (7) Trustees. Any vacancies in the Board of Trustees shall be filled by a majority of the Trustees then in office, except that a majority of the entire Board of Trustees must fill a vacancy resulting from an increase in the number of Trustees.

Section 5.2.2 On the first date on which the Trust shall have more than one shareholder of record, the Board of Trustees shall be classified into three groups: Group I, Group II and Group III. The number of Trustees in each group shall be determined by the Board in accordance with the Bylaws; provided that the number of Trustees in any one group shall not exceed the number of Trustees in any other group by more than one. The Trustees in Group I shall serve for a term ending at the first annual meeting of shareholders following the end of the Trust’s fiscal year ending December 31, 1999, each Trustee in Group II shall serve for a term ending at the following annual meeting of shareholders and the Trustee in Group III shall serve for a term ending at the second following annual meeting of shareholders. After the respective terms of the groups indicated, each such group of Trustees shall be elected for successive terms ending at the annual meeting of shareholders held during the third year after election.

Section 5.2.3 The names and business addresses of the initial Trustees who shall serve as Trustees are as follows:

Name	Address
Gerard M. Martin	c/o Reit Management & Research, Inc. 400 Centre Street Newton, Massachusetts 02458
Barry M. Portnoy	c/o Reit Management & Research, Inc. 400 Centre Street Newton, Massachusetts 02458

Section 5.2.4 The Trustees may fill any vacancy, whether resulting from an increase in the number of Trustees or otherwise, on the Board in the manner provided in the Bylaws. It shall not be necessary to list in the Declaration of Trust the names and addresses of any Trustees hereinafter elected. No reduction in the number of Trustees shall have the effect of removing any Trustee from office prior to the expiration of his or her term. Subject to the provisions of Section 5.3 each Trustee shall hold office until the election and qualification of his or her successor. There shall be no cumulative voting in the election of Trustees.

Section 5.3 Resignation or Removal. Any Trustee may resign by written notice to the Board, effective upon execution and delivery to the Trust of such written notice or upon any future date specified in the notice. A Trustee may be removed at any time with or without cause, at a meeting of the shareholders, by the

affirmative vote of the holders of not less than two-thirds (2/3) of the Shares (as defined in Section 6.1 below) then outstanding and entitled to vote generally in the election of Trustees. A Trustee judged incompetent or for whom a guardian or conservator has been appointed shall be deemed to have resigned as of the date of such adjudication or appointment.

ARTICLE VI

SHARES OF BENEFICIAL INTEREST

Section 6.1 Authorized Shares. The beneficial interest of the Trust shall be divided into shares of beneficial interest (the “Shares”). The Trust has authority to issue 200,000,000 Shares, consisting of 199,700,000 common shares of beneficial interest, \$.01 par value per share (“Common Shares”), and 300,000 Junior Participating Preferred Shares, \$.01 par value per share. If shares of one class are classified or reclassified into shares of another class of shares pursuant to this Article VI, the number of authorized shares of the former class shall be automatically decreased and the number of shares of the latter class shall be automatically increased, in each case by the number of shares so classified or reclassified, so that the aggregate number of shares of beneficial interest of all classes that the Trust has authority to issue shall not be more than the total number of shares of beneficial interest set forth in the second sentence of this paragraph. The Board of Trustees, without any action by the shareholders of the Trust, may amend the Declaration of Trust from time to time to increase or decrease the aggregate number of Shares or the number of Shares of any class or series, including preferred shares of beneficial interest (“Preferred Shares”), that the Trust has authority to issue.

Section 6.2 Common Shares. Subject to the provisions of Article VII, each Common Share shall entitle the holder thereof to one vote on each matter upon which holders of Common Shares are entitled to vote. The Board of Trustees may reclassify any unissued Common Shares from time to time in one or more classes or series of Shares.

Section 6.3 Preferred Shares. The Board of Trustees may classify any unissued Preferred Shares and reclassify any previously classified but unissued Preferred Shares of any series from time to time, in one or more series of Shares.

Section 6.4 Classified or Reclassified Shares. Prior to issuance of classified or reclassified Shares of any class or series, the Board of Trustees by resolution shall (a) designate that class or series; (b) specify the number of Shares to be included in the class or series; (c) set, subject to the provisions of Article VII, the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms and conditions of redemption for each class or series; and (d) cause the Trust to file articles supplementary with the State Department of Assessments and Taxation of Maryland (the “SDAT”). Any of the terms of any class or series of Shares set pursuant to clause (c) of this Section 6.4 may be made dependent upon facts ascertainable outside the Declaration of Trust (including the occurrence of any event, determination or action by the Trust or any other person or body) and may vary among holders thereof, provided that the manner in which such facts or variations shall operate upon the terms of such class or series of Shares is clearly and expressly set forth in the articles supplementary filed with the SDAT.

Section 6.5 Authorization by Board of Share Issuance. The Board of Trustees may authorize the issuance from time to time of Shares of any class or series, whether now or hereafter authorized, or securities or rights convertible into Shares of any class or series, whether now or hereafter authorized, for such consideration (whether in cash, property, past or future services, obligation for future payment or otherwise) as the Board of Trustees may deem advisable (or without consideration), subject to such restrictions or limitations, if any, as may be set forth in this Declaration of Trust or the Bylaws of the Trust.

Section 6.6 Dividends and Distributions. The Board of Trustees may from time to time authorize and declare to shareholders such dividends or distributions, in cash or other assets of the Trust or in securities of the Trust or from any other source as the Board of Trustees in its discretion shall determine. Shareholders shall have no right to any dividend or distribution unless and until authorized and declared by the Board. The exercise of the powers and rights of the Board of Trustees pursuant to this Section 6.6 shall be subject to the provisions of any class or series of Shares at the time outstanding.

Section 6.7 General Nature of Shares. All Shares shall be personal property entitling the shareholders only to those rights provided in the Declaration of Trust. The shareholders shall have no interest in the property of the Trust and shall have no right to compel any partition, division, dividend or distribution of the Trust or of the property of the Trust. The death of a shareholder shall not terminate the Trust or affect its continuity nor give his or her legal representative any rights whatsoever, whether against or in respect of other shareholders, the Trustees or the trust estate or otherwise, except the sole right to demand and, subject to the provisions of the Declaration of Trust, the Bylaws and any requirements of law, to receive a new certificate for Shares registered in the name of such legal representative, in exchange for the certificate held by such shareholder. The Trust is entitled to treat as shareholders only those persons in whose names Shares are registered as holders of Shares on the beneficial interest ledger of the Trust.

Section 6.8 Fractional Shares. The Trust may, without the consent or approval of any shareholder, issue fractional Shares, eliminate a fraction of a Share by rounding up or down to a full Share, arrange for the disposition of a fraction of a Share by the person entitled to it or pay cash for the fair value of a fraction of a Share.

Section 6.9 Declaration and Bylaws. All shareholders are subject to the provisions of the Declaration of Trust and the Bylaws of the Trust.

Section 6.10 Divisions and Combinations of Shares. Subject to an express provision to the contrary in the terms of any class or series of beneficial interest hereafter authorized, the Board of Trustees shall have the power to divide or combine the outstanding shares of any class or series of beneficial interest, without a vote of shareholders.

ARTICLE VII

RESTRICTION ON TRANSFER AND OWNERSHIP OF SHARES

Section 7.1 Definitions. For the purpose of this Article VII, the following terms shall have the following meanings:

Affiliate. The term “Affiliate” shall mean, with respect to any Person, another Person controlled by, controlling or under common control with such Person.

Aggregate Share Ownership Limit. The term “Aggregate Share Ownership Limit” shall mean 9.8 percent in value or in number of the aggregate of the outstanding Equity Shares. The value of the outstanding Equity Shares shall be determined by the Board of Trustees in good faith, which determination shall be conclusive for all purposes hereof.

Beneficial Ownership. The term “Beneficial Ownership” shall mean ownership of Equity Shares by a Person, whether the interest in Equity Shares is held directly or indirectly (including by a nominee), and shall include, but not be limited to, interests that would be treated as owned through the application of Section 544 of the Code, as modified by Section 856(h)(1)(B) of the Code. The terms “Beneficial Owner,” “Beneficially Owns” and “Beneficially Owned” shall have the correlative meanings.

Business Day. The term “Business Day” shall mean any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which banking institutions in New York City are authorized or required by law, regulation or executive order to close.

Charitable Beneficiary. The term “Charitable Beneficiary” shall mean one or more beneficiaries of the Charitable Trust as determined pursuant to Section 7.3.6, provided that each such organization must be described in Section 501(c)(3) of the Code and contributions to each such organization must be eligible for deduction under each of Sections 170(b)(1)(A), 2055 and 2522 of the Code. If the Code shall cease to define a charitable organization, “Charitable Beneficiary” shall mean an entity organized to do work for charitable purposes and not for profit.

Charitable Trust. The term “Charitable Trust” shall mean any trust provided for in Section 7.3.1.

Code. The term “Code” shall mean the Internal Revenue Code of 1986, as amended from time to time. All references to specific sections of the Code shall include applicable successor provisions.

Common Share Ownership Limit. The term “Common Share Ownership Limit” shall mean 9.8 percent (in value or in number of shares, whichever is more restrictive) of the aggregate outstanding Common Shares. The number and value of outstanding Common Shares shall be determined by the Board of Trustees in good faith, which determination shall be conclusive for all purposes.

Constructive Ownership. The term “Constructive Ownership” shall mean ownership of Equity Shares by a Person, whether the interest in Equity Shares is held directly or indirectly (including by a nominee), and shall include, but not be limited to, interests that would be treated as owned through the application of Section 318(a) of the Code, as modified by Section 856(d)(5) of the Code. The terms “Constructive Owner,” “Constructively Owns” and “Constructively Owned” shall have the correlative meanings.

Declaration of Trust. The term “Declaration of Trust” shall mean these Articles of Amendment and Restatement as accepted for record by the SDAT, and any amendments thereto.

Equity Shares. The term “Equity Shares” shall mean Shares of all classes or series, including, without limitation, Common Shares and Preferred Shares.

Excepted Holder. The term “Excepted Holder” shall mean a shareholder of the Trust for whom an Excepted Holder Limit is created by this Article VII or by the Board of Trustees pursuant to Section 7.2.7.

Excepted Holder Limit. The term “Excepted Holder Limit” shall mean, provided that the affected Excepted Holder agrees to comply with the requirements established by the Board of Trustees pursuant to Section 7.2.7, and subject to adjustment pursuant to Section 7.2.8, the percentage limit established by the Board of Trustees pursuant to Section 7.2.7.

HRPT. The term “HRPT” shall mean HRPT Properties Trust, a Maryland real estate investment trust, or any successor thereto by merger or consolidation, or any transferee of all or substantially all of its assets.

Initial Date. The term “Initial Date” shall mean the date upon which these Articles of Amendment and Restatement containing this Article VII is accepted for record by the SDAT.

Market Price. The term “Market Price” on any date shall mean, with respect to any class or series of outstanding Equity Shares, the Closing Price for such Equity Shares on such date. The “Closing Price” on any date shall mean the last sale price for such Equity Shares, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, for such Equity Shares, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to

trading on the NYSE or, if such Equity Shares are not listed or admitted to trading on the NYSE, as reported on the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which such Equity Shares are listed or admitted to trading or, if such Equity Shares are not listed or admitted to trading on any national securities exchange, the last quoted price, or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by the National Association of Securities Dealers, Inc. Automated Quotation System or, if such system is no longer in use, the principal other automated quotation system that may then be in use or, if such Equity Shares are not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in such Equity Shares selected by the Board of Trustees or, in the event that no trading price is available for such Equity Shares, the fair market value of Equity Shares, as determined in good faith by the Board of Trustees.

NYSE. The term “NYSE” shall mean the New York Stock Exchange.

Person. The term “Person” shall mean an individual, corporation, partnership, estate, trust (including, but not limited to, a trust qualified under Sections 401(a) or 501(c)(17) of the Code), a portion of a trust permanently set aside for or to be used exclusively for the purposes described in Section 642(c) of the Code, association, private foundation within the meaning of Section 509(a) of the Code, joint stock company or other entity and also includes a group as that term is used for purposes of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended, and a group to which an Excepted Holder Limit applies.

Prohibited Owner. The term “Prohibited Owner” shall mean, with respect to any purported Transfer, any Person who, but for the provisions of Section 7.2.1, would Beneficially Own or Constructively Own Equity Shares, and if appropriate in the context, shall also mean any Person who would have been the record owner of Equity Shares that the Prohibited Owner would have so owned.

REIT. The term “REIT” shall mean a real estate investment trust within the meaning of Section 856 of the Code.

Restriction Termination Date. The term “Restriction Termination Date” shall mean the first day after the Initial Date on which the Board of Trustees determines that it is no longer in the best interests of the Trust for the restrictions and limitations on Beneficial Ownership, Constructive Ownership and Transfers of Equity Shares set forth herein to apply.

RMR. The term “RMR” shall mean REIT Management & Research, Inc., the Trust’s investment advisor, or any successor investment advisor to the Trust.

SDAT. The term “SDAT” shall mean the State Department of Assessments and Taxation of Maryland.

Transfer. The term “Transfer” shall mean any issuance, sale, transfer, gift, assignment, devise or other disposition, as well as any other event that causes any Person to acquire Beneficial Ownership or Constructive Ownership, or any agreement to take any such actions or cause any such events, of Equity Shares or the right to vote or receive dividends on Equity Shares, including (a) the granting or exercise of any option (or any disposition of any option), (b) any disposition of any securities or rights convertible into or exchangeable for Equity Shares or any interest in Equity Shares or any exercise of any such conversion or exchange right and (c) Transfers of interests in other entities that result in changes in Beneficial or Constructive Ownership of Equity Shares; in each case, whether voluntary or involuntary, whether owned of record, Constructively Owned or Beneficially Owned and whether by operation of law or otherwise. The terms “Transferring” and “Transferred” shall have the correlative meanings.

Trustee. The term “Trustee” shall mean the Person unaffiliated with the Trust and a Prohibited Owner, that is appointed by the Trust to serve as trustee of the Charitable Trust.

Section 7.2 Equity Shares.

Section 7.2.1 Ownership Limitations. During the period commencing on the Initial Date and prior to the Restriction Termination Date:

(a) Basic Restrictions.

(i) (1) No Person, other than an Excepted Holder and other than HRPT, RMR and their affiliates, shall Beneficially Own or Constructively Own Equity Shares in excess of the Aggregate Share Ownership Limit, (2) no Person, other than an Excepted Holder and other than HRPT, RMR and their affiliates, shall Beneficially Own or Constructively Own Common Shares in excess of the Common Share Ownership Limit and (3) no Excepted Holder shall Beneficially Own or Constructively Own Equity Shares in excess of the Excepted Holder Limit for such Excepted Holder.

(ii) No Person shall Beneficially or Constructively Own Equity Shares to the extent that such Beneficial or Constructive Ownership of Equity Shares would result in the Trust being “closely held” within the meaning of Section 856(h) of the Code (without regard to whether the ownership interest is held during the last half of a taxable year), or otherwise failing to qualify as a REIT (including, but not limited to, Beneficial or Constructive Ownership that would result in the Trust owning (actually or Constructively) an interest in a tenant that is described in Section 856(d)(2)(B) of the Code if the income derived by the Trust from such tenant would cause the Trust to fail to satisfy any of the gross income requirements of Section 856(c) of the Code).

(iii) Subject to Section 7.4, notwithstanding any other provisions contained herein, any Transfer of Equity Shares (whether or not such Transfer is the result of a transaction entered into through the facilities of the NYSE or any other national securities exchange or automated inter-dealer quotation system) that, if effective, would result in Equity Shares being beneficially owned by less than 100 Persons (determined under the principles of Section 856(a)(5) of the Code) shall be void ab initio, and the intended transferee shall acquire no rights in such Equity Shares.

(b) Transfer in Trust. If any Transfer of Equity Shares occurs which, if effective, would result in any Person Beneficially Owning or Constructively Owning Equity Shares in violation of Section 7.2.1(a)(i) or (ii),

(i) then that number of Equity Shares the Beneficial or Constructive Ownership of which otherwise would cause such Person to violate Section 7.2.1(a)(i) or (ii) (rounded up to the nearest whole share) shall be automatically transferred to a Charitable Trust for the benefit of a Charitable Beneficiary, as described in Section 7.3, effective as of the close of business on the Business Day prior to the date of such Transfer, and such Person shall acquire no rights in such Equity Shares; or

(ii) if the transfer to the Charitable Trust described in clause (i) of this sentence would not be effective for any reason to prevent the violation of Section 7.2.1(a)(i) or (ii), then the Transfer of that number of Equity Shares that otherwise would cause any Person to violate Section 7.2.2 or (ii) shall be void ab initio, and the intended transferee shall acquire no rights in such Equity Shares.

Section 7.2.2 Remedies for Breach. If the Board of Trustees or any duly authorized committee thereof shall at any time determine in good faith that a Transfer or other event has taken place that results in a violation of Section 7.2.1 or that a Person intends to acquire or has attempted to acquire Beneficial or

Constructive Ownership of any Equity Shares in violation of Section 7.2.1 (whether or not such violation is intended), the Board of Trustees or a committee thereof shall take such action as it deems advisable to refuse to give effect to or to prevent such Transfer or other event, including, without limitation, causing the Trust to redeem Equity Shares, refusing to give effect to such Transfer on the books of the Trust or instituting proceedings to enjoin such Transfer or other event; provided, however, that any Transfers or attempted Transfers or other events in violation of Section 7.2.1 shall automatically result in the transfer to the Charitable Trust described above, and, where applicable, such Transfer (or other event) shall be void ab initio as provided above irrespective of any action (or non-action) by the Board of Trustees or a committee thereof.

Section 7.2.3 Notice of Restricted Transfer. Any Person who acquires or attempts or intends to acquire Beneficial Ownership or Constructive Ownership of Equity Shares that will or may violate Section 7.2.1(a), or any Person who would have owned Equity Shares that resulted in a transfer to the Charitable Trust pursuant to the provisions of Section 7.2.1(b), shall immediately give written notice to the Trust of such event, or in the case of such a proposed or attempted transaction, give at least 15 days prior written notice, and shall provide to the Trust such other information as the Trust may request in order to determine the effect, if any, of such Transfer.

Section 7.2.4 Owners Required To Provide Information. From the Initial Date and prior to the Restriction Termination Date:

(a) every owner of more than five percent (or such lower percentage as required by the Code or the Treasury Regulations promulgated thereunder) of the outstanding Equity Shares, within 30 days after the end of each taxable year, shall give written notice to the Trust stating the name and address of such owner, the number of Equity Shares and other Equity Shares Beneficially Owned and a description of the manner in which such shares are held. Each such owner shall provide to the Trust such additional information as the Trust may request in order to determine the effect, if any, of such Beneficial Ownership on the Trust's status as a REIT and to ensure compliance with the Aggregate Share Ownership Limit.

(b) each Person who is a Beneficial or Constructive Owner of Equity Shares and each Person (including the shareholder of record) who is holding Equity Shares for a Beneficial or Constructive Owner shall provide to the Trust such information as the Trust may request, in good faith, in order to determine the Trust's status as a REIT and to comply with requirements of any taxing authority or governmental authority or to determine such compliance.

Section 7.2.5 Remedies Not Limited. Subject to Section 5.1 of the Declaration of Trust, nothing contained in this Section 7.2 shall limit the authority of the Board of Trustees to take such other action as it deems necessary or advisable to protect the Trust and the interests of its shareholders in preserving the Trust's status as a REIT.

Section 7.2.6 Ambiguity. In the case of an ambiguity in the application of any of the provisions of this Section 7.2, Section 7.3 or any definition contained in Section 7.1, the Board of Trustees shall have the power to determine the application of the provisions of this Section 7.2 or Section 7.3 with respect to any situation based on the facts known to it. In the event Section 7.2 or 7.3 requires an action by the Board of Trustees and the Declaration of Trust fails to provide specific guidance with respect to such action, the Board of Trustees shall have the power to determine the action to be taken so long as such action is not contrary to the provisions of Sections 7.1, 7.2 or 7.3.

Section 7.2.7 Exceptions.

(a) Subject to Section 7.2.1(a)(ii), the Board of Trustees, in its sole discretion, may exempt a Person from the Aggregate Share Ownership Limit and the Common Share Ownership Limit, as the case may be, and may (but is not required to) establish or increase an Excepted Holder Limit for such Person if:

(i) the Board of Trustees obtains such representations and undertakings from such Person as are reasonably necessary to ascertain that no individual's Beneficial or Constructive Ownership of such Equity Shares will violate Section 7.2.1(a)(ii);

(ii) such Person does not and represents that it will not own, actually or Constructively, an interest in a tenant of the Trust (or a tenant of any entity owned or controlled by the Trust) that would cause the Trust to own, actually or Constructively, more than a 9.9% interest (as set forth in Section 856(d)(2)(B) of the Code) in such tenant and the Board of Trustees obtains such representations and undertakings from such Person as are reasonably necessary to ascertain this fact (for this purpose, a tenant from whom the Trust (or an entity owned or controlled by the Trust) derives (and is expected to continue to derive) a sufficiently small amount of revenue such that, in the opinion of the Board of Trustees, rent from such tenant would not adversely affect the Trust's ability to qualify as a REIT, shall not be treated as a tenant of the Trust); and

(iii) such Person agrees that any violation or attempted violation of such representations or undertakings (or other action which is contrary to the restrictions contained in Sections 7.2.1 through 7.2.6) will result in such Equity Shares being automatically transferred to a Charitable Trust in accordance with Sections 7.2.1(b) and 7.3.

(b) Prior to granting any exception pursuant to Section 7.2.7(a), the Board of Trustees may require a ruling from the Internal Revenue Service, or an opinion of counsel, in either case in form and substance satisfactory to the Board of Trustees in its sole discretion, as it may deem necessary or advisable in order to determine or ensure the Trust's status as a REIT. Notwithstanding the receipt of any ruling or opinion, the Board of Trustees may impose such conditions or restrictions as it deems appropriate in connection with granting such exception.

(c) In determining whether to grant any exemption pursuant to Section 7.2.7(a), the Board of Trustees may consider, among other factors, (i) the general reputation and moral character of the person requesting an exemption, (ii) whether ownership of shares would be direct or through ownership attribution, (iii) whether the person's ownership of shares would adversely affect the Trust's ability to acquire additional properties or engage in other business and (iv) whether granting an exemption for the person requesting an exemption would adversely affect any of the Trust's existing contractual arrangements.

(d) Subject to Section 7.2.1(a)(ii), an underwriter which participates in a public offering or a private placement of Equity Shares (or securities convertible into or exchangeable for Equity Shares) may Beneficially Own or Constructively Own Equity Shares (or securities convertible into or exchangeable for Equity Shares) in excess of the Aggregate Share Ownership Limit, the Common Share Ownership Limit or both such limits, but only to the extent necessary to facilitate such public offering or private placement.

(e) The Board of Trustees may only reduce the Excepted Holder Limit for an Excepted Holder: (1) with the written consent of such Excepted Holder at any time, or (2) pursuant to the terms and conditions of the agreements and undertakings entered into with such Excepted Holder in connection with the establishment of the Excepted Holder Limit for that Excepted Holder. No Excepted Holder Limit shall be reduced to a percentage that is less than the Common Share Ownership Limit for an Excepted Holder without the written consent of such Excepted Holder.

Section 7.2.8 Increase in Aggregate Share Ownership and Common Share Ownership Limits. The Board of Trustees may from time to time increase the Common Share Ownership Limit and the Aggregate Share Ownership Limit.

Section 7.2.9 Legend. Each certificate for Equity Shares shall bear substantially the following legend:

The shares evidenced by this certificate are subject to restrictions on Beneficial and Constructive Ownership and Transfer for the purpose, among others, of the Trust's maintenance of its status as a Real Estate Investment Trust (a "REIT") under the Internal Revenue Code of 1986, as amended (the "Code"). Subject to certain further restrictions and except as expressly provided in the Trust's Declaration of Trust, (i) no Person may Beneficially or Constructively Own Common Shares of the Trust in excess of 9.8 percent (in value or number of shares) of the outstanding Common Shares of the Trust unless such Person is an Excepted Holder (in which case the Excepted Holder Limit shall be applicable); (ii) no Person may Beneficially or Constructively Own Equity Shares of the Trust in excess of 9.8 percent of the value of the total outstanding Equity Shares of the Trust, unless such Person is an Excepted Holder (in which case the Excepted Holder Limit shall be applicable); (iii) no Person may Beneficially or Constructively Own Equity Shares that would result in the Trust being "closely held" under Section 856(h) of the Code or otherwise cause the Trust to fail to qualify as a REIT; and (iv) no Person may Transfer Equity Shares if such Transfer would result in Equity Shares of the Trust being owned by fewer than 100 Persons. Any Person who Beneficially or Constructively Owns or attempts to Beneficially or Constructively Own Equity Shares which cause or will cause a Person to Beneficially or Constructively Own Equity Shares in excess or in violation of the above limitations must immediately notify the Trust. If any of the restrictions on transfer or ownership are violated, the Equity Shares represented hereby will be automatically transferred to a Trustee of a Charitable Trust for the benefit of one or more Charitable Beneficiaries. In addition, upon the occurrence of certain events, attempted Transfers in violation of the restrictions described above may be void ab initio. All capitalized terms in this legend have the meanings defined in the Trust's Declaration of Trust, as the same may be amended from time to time, a copy of which, including the restrictions on transfer and ownership, will be furnished to each holder of Equity Shares of the Trust on request and without charge.

Instead of the foregoing legend, the certificate may state that the Trust will furnish a full statement about certain restrictions on transferability to a shareholder on request and without charge.

Section 7.3 Transfer of Equity Shares in Trust.

Section 7.3.1 Ownership in Trust. Upon any purported Transfer or other event described in Section 7.2.1(b) that would result in a transfer of Equity Shares to a Charitable Trust, such Equity Shares shall be deemed to have been transferred to the Trustee as trustee of a Charitable Trust for the exclusive benefit of one or more Charitable Beneficiaries. Such transfer to the Trustee shall be deemed to be effective as of the close of business on the Business Day prior to the purported Transfer or other event that results in the transfer to the Charitable Trust pursuant to Section 7.2.1(b). The Trustee shall be appointed by the Trust and shall be a Person unaffiliated with the Trust and any Prohibited Owner. Each Charitable Beneficiary shall be designated by the Trust as provided in Section 7.3.6.

Section 7.3.2 Status of Shares Held by the Trustee. Equity Shares held by the Trustee shall be issued and outstanding Equity Shares of the Trust. The Prohibited Owner shall have no rights in the shares held by the Trustee. The Prohibited Owner shall not benefit economically from ownership of any shares held in trust

by the Trustee, shall have no rights to dividends or other distributions and shall not possess any rights to vote or other rights attributable to the shares held in the Charitable Trust.

Section 7.3.3 Dividend and Voting Rights. The Trustee shall have all voting rights and rights to dividends or other distributions with respect to Equity Shares held in the Charitable Trust, which rights shall be exercised for the exclusive benefit of the Charitable Beneficiary. Any dividend or other distribution paid prior to the discovery by the Trust that Equity Shares have been transferred to the Trustee shall be paid with respect to such Equity Shares to the Trustee upon demand and any dividend or other distribution authorized but unpaid shall be paid when due to the Trustee. Any dividends or distributions so paid over to the Trustee shall be held in trust for the Charitable Beneficiary. The Prohibited Owner shall have no voting rights with respect to shares held in the Charitable Trust and, subject to Maryland law, effective as of the date that Equity Shares have been transferred to the Trustee, the Trustee shall have the authority (at the Trustee's sole discretion) (i) to rescind as void any vote cast by a Prohibited Owner prior to the discovery by the Trust that Equity Shares have been transferred to the Trustee and (ii) to recast such vote in accordance with the desires of the Trustee acting for the benefit of the Charitable Beneficiary; provided, however, that if the Trust has already taken irreversible trust action, then the Trustee shall not have the authority to rescind and recast such vote. Notwithstanding the provisions of this Article VII, until the Trust has received notification that Equity Shares have been transferred into a Charitable Trust, the Trust shall be entitled to rely on its share transfer and other shareholder records for purposes of preparing lists of shareholders entitled to vote at meetings, determining the validity and authority of proxies and otherwise conducting votes of shareholders.

Section 7.3.4 Sale of Shares by Trustee. Within 20 days of receiving notice from the Trust that Equity Shares have been transferred to the Charitable Trust, the Trustee of the Charitable Trust shall sell the shares held in the Charitable Trust to a person, designated by the Trustee, whose ownership of the shares will not violate the ownership limitations set forth in Section 7.2.1(a). Upon such sale, the interest of the Charitable Beneficiary in the shares sold shall terminate and the Trustee shall distribute the net proceeds of the sale to the Prohibited Owner and to the Charitable Beneficiary as provided in this Section 7.3.4. The Prohibited Owner shall receive the lesser of (1) the price paid by the Prohibited Owner for the shares or, if the Prohibited Owner did not give value for the shares in connection with the event causing the shares to be held in the Charitable Trust (e.g., in the case of a gift, devise or other such transaction), the Market Price of the shares on the day of the event causing the shares to be held in the Charitable Trust and (2) the price per share received by the Trustee from the sale or other disposition of the shares held in the Charitable Trust. Any net sales proceeds in excess of the amount payable to the Prohibited Owner shall be immediately paid to the Charitable Beneficiary. If, prior to the discovery by the Trust that Equity Shares have been transferred to the Trustee, such shares are sold by a Prohibited Owner, then (i) such shares shall be deemed to have been sold on behalf of the Charitable Trust and (ii) to the extent that the Prohibited Owner received an amount for such shares that exceeds the amount that such Prohibited Owner was entitled to receive pursuant to this Section 7.3.4, such excess shall be paid to the Trustee upon demand.

Section 7.3.5 Purchase Right in Shares Transferred to the Trustee. Equity Shares transferred to the Trustee shall be deemed to have been offered for sale to the Trust, or its designee, at a price per share equal to the lesser of (i) the price per share in the transaction that resulted in such transfer to the Charitable Trust (or, in the case of a devise or gift, the Market Price at the time of such devise or gift) and (ii) the Market Price on the date the Trust, or its designee, accepts such offer. The Trust shall have the right to accept such offer until the Trustee has sold the shares held in the Charitable Trust pursuant to Section 7.3.4. Upon such a sale to the Trust, the interest of the Charitable Beneficiary in the shares sold shall terminate and the Trustee shall distribute the net proceeds of the sale to the Prohibited Owner.

Section 7.3.6 Designation of Charitable Beneficiaries. By written notice to the Trustee, the Trust shall designate one or more nonprofit organizations to be the Charitable Beneficiary of the interest in the

Charitable Trust such that Equity Shares held in the Charitable Trust would not violate the restrictions set forth in Section 7.2.1(a) in the hands of such Charitable Beneficiary.

Section 7.4 NYSE Transactions. Nothing in this Article VII shall preclude the settlement of any transaction entered into through the facilities of the NYSE or any other national securities exchange or automated inter-dealer quotation system. The fact that the settlement of any transaction occurs shall not negate the effect of any other provision of this Article VII and any transferee in such a transaction shall be subject to all of the provisions and limitations set forth in this Article VII.

Section 7.5 Enforcement. The Trust is authorized specifically to seek equitable relief, including injunctive relief, to enforce the provisions of this Article VII.

Section 7.6 Non-Waiver. No delay or failure on the part of the Trust or the Board of Trustees in exercising any right hereunder shall operate as a waiver of any right of the Trust or the Board of Trustees, as the case may be, except to the extent specifically waived in writing.

ARTICLE VIII

SHAREHOLDERS

Section 8.1 Meetings. There shall be an annual meeting of the shareholders, to be held on proper notice at such time (after the delivery of the annual report) and convenient location as shall be determined by or in the manner prescribed in the Bylaws, for the election of the Trustees, if required, and for the transaction of any other business within the powers of the Trust. Except as otherwise provided in the Declaration of Trust, special meetings of shareholders may be called in the manner provided in the Bylaws. Shareholders meetings, including the annual meeting and any special meetings, may be called only by the Board of Trustees. If there are no Trustees, the officers of the Trust shall promptly call a special meeting of the shareholders entitled to vote for the election of successor Trustees. Any meeting may be adjourned and reconvened as the Trustees determine or as provided in the Bylaws.

Section 8.2 Voting Rights. Subject to the provisions of any class or series of Shares then outstanding, the shareholders shall be entitled to vote only on the following matters: (a) election of Trustees as provided in Section 5.2 and the removal of Trustees as provided in Section 5.3; (b) amendment of the Declaration of Trust as provided in Article X; (c) termination of the Trust as provided in Section 12.2; (d) merger or consolidation of the Trust to the extent required by Title 8, or the sale or disposition of substantially all of the Trust Property, as provided in Article XI; and (e) such other matters with respect to which the Board of Trustees has adopted a resolution declaring that a proposed action is advisable and directing that the matter be submitted to the shareholders for approval or ratification. Except with respect to the foregoing matters, no action taken by the shareholders at any meeting shall in any way bind the Board of Trustees.

Section 8.3 Preemptive and Appraisal Rights. Except as may be provided by the Board of Trustees in setting the terms of classified or reclassified Shares pursuant to Section 6.4, or as may otherwise be provided by contract, no holder of Shares shall, as such holder, (a) have any preemptive right to purchase or subscribe for any additional Shares of the Trust or any other security of the Trust which it may issue or sell or (b) have any right to require the Trust to pay him the fair value of his Shares in an appraisal or similar proceeding.

Section 8.4 Extraordinary Actions. Except as specifically provided in Section 5.3 (relating to removal of Trustees) and subject to Section 8.5, notwithstanding any provision of law permitting or requiring any action to be taken or authorized by the affirmative vote of the holders of a greater number of votes, any such action shall be effective and valid if taken or approved by (i) the affirmative vote of holders of Shares entitled to cast a majority of all the votes entitled to be cast on the matter, or (ii) if Maryland law hereafter

permits the effectiveness of a vote described in this clause (ii), the affirmative vote of a majority of the votes cast on the matter.

Section 8.5 Board Approval . The submission of any action to the shareholders for their consideration shall first be approved or advised by the Board of Trustees, and the shareholders shall not otherwise be entitled to act thereon.

Section 8.6 Action By Shareholders Without a Meeting . To the extent, if any, permitted by the Bylaws of the Trust, any action required or permitted to be taken by the shareholders may be taken without a meeting by the written consent of the shareholders entitled to cast a sufficient number of votes to approve the matter as required by statute, the Declaration of Trust or the Bylaws of the Trust, as the case may be.

Section 8.7 Indemnification of the Trust . Each shareholder will indemnify and hold harmless the Trust from and against all costs, expenses, penalties, fines and other amounts, including, without limitation, attorneys' and other professional fees, whether third party or internal, arising from such shareholder's violation of any provision of this Declaration of Trust or the Bylaws, including, without limitation, Article VII, and shall pay such sums to the Trust upon demand, together with interest on such amounts, which interest will accrue at the lesser of 15% per annum and the maximum amount permitted by law, from the date such costs or the like are incurred until the receipt of repayment by the Trust. Nothing in this Section shall create or increase the liability of any shareholders, trustees, officers, employees or agents of the Trust for actions taken on behalf of the Trust.

ARTICLE IX

LIABILITY LIMITATION, INDEMNIFICATION AND TRANSACTIONS WITH THE TRUST

Section 9.1 Limitation of Shareholder Liability . No shareholder shall be liable for any debt, claim, demand, judgment or obligation of any kind of, against or with respect to the Trust by reason of his being a shareholder, nor shall any shareholder be subject to any personal liability whatsoever, in tort, contract or otherwise, to any person in connection with the property or the affairs of the Trust by reason of his being a shareholder.

Section 9.2 Limitation of Trustee and Officer Liability . To the maximum extent that Maryland law in effect from time to time permits limitation of the liability of trustees and officers of a real estate investment trust, no current or former Trustee or officer of the Trust shall be liable to the Trust or to any shareholder for money damages. Neither the amendment nor repeal of this Section 9.2, nor the adoption or amendment of any other provision of the Declaration of Trust inconsistent with this Section 9.2, shall apply to or affect in any respect the applicability of the preceding sentence with respect to any act or failure to act which occurred prior to such amendment, repeal or adoption. In the absence of any Maryland statute limiting the liability of trustees and officers of a Maryland real estate investment trust for money damages in a suit by or on behalf of the Trust or by any shareholder, or arising by reason of his or her action on behalf of the Trust, no Trustee or officer of the Trust shall be liable to the Trust or to any shareholder for money damages except to the extent that (a) the Trustee or officer actually received an improper benefit or profit in money, property or services, for the amount of the benefit or profit in money, property or services actually received, or (b) a judgment or other final adjudication adverse to the Trustee or officer is entered in a proceeding based on a finding in the proceeding that the Trustee's or officer's action or failure to act was the result of active and deliberate dishonesty and was material to the cause of action adjudicated in the proceeding.

Section 9.3 Express Exculpatory Clauses and Instruments . Any written instrument creating an obligation of the Trust shall, to the extent practicable, include a reference to this Declaration and provide that

neither the shareholders nor the Trustees nor any officers, employees or agents (including the Trust's advisor, the "Advisor") of the Trust shall be liable thereunder and that all persons shall look solely to the trust estate for the payment of any claim thereunder or for the performance thereof; however, the omission of such provision from any such instrument shall not render the shareholders, any Trustee, or any officer, employee or agent (including the Advisor) of the Trust liable, nor shall the shareholders, any Trustee or any officer, employee or agent (including the Advisor) of the Trust be liable to anyone for such omission.

Section 9.4 Indemnification. The Trust shall, to the maximum extent permitted by Maryland law in effect from time to time, indemnify, and pay or reimburse reasonable expenses in advance of final disposition of a proceeding to, (a) any individual who is a present or former shareholder, Trustee or officer of the Trust or (b) any individual who, while a Trustee of the Trust and at the request of the Trust, serves or has served as a trustee, director, officer, partner, employee or agent of another real estate investment trust, corporation, partnership, joint venture, trust, employee benefit plan or any other enterprise from and against any claim or liability to which such person may become subject or which such person may incur by reason of his status as a present or former shareholder, Trustee or officer of the Trust. The Trust shall have the power, with the approval of its Board of Trustees, to provide such indemnification and advancement of expenses to a person who served a predecessor of the Trust in any of the capacities described in (a) or (b) above and to any employee or agent of the Trust or a predecessor of the Trust.

Section 9.5 Transactions Between the Trust and its Trustees, Officers, Employees and Agents. (a) Subject to any express restrictions adopted by the Trustees in the Bylaws or by resolution, the Trust may enter into any contract or transaction of any kind, whether or not any of its Trustees, officers, employees or agents has a financial interest in such transaction, with any person, including any Trustee, officer, employee or agent of the Trust or any person affiliated with a Trustee, officer, employee or agent of the Trust or in which a Trustee, officer, employee or agent of the Trust has a material financial interest.

(b) To the extent permitted by Maryland law, a contract or other transaction between the Trust and any Trustee or between the Trust and RMR or any other corporation, trust, firm, or other entity in which any Trustee is a director or trustee or has a material financial interest shall not be void or voidable if:

(i) The fact of the common directorship, trusteeship or interest is disclosed or known to:

(A) The Board of Trustees or a proper committee thereof, and the Board of Trustees or such Committee authorizes, approves or ratifies the contract or transaction by the affirmative vote of a majority of disinterested Trustees, even if the disinterested Trustees constitute less than a quorum; or

(B) The shareholders entitled to vote, and the contract or transaction is authorized, approved, or ratified by a majority of the votes cast by the shareholders entitled to vote other than the votes of shares owned of record or beneficially by the interested trustee, corporation, trust, firm or other entity; or

(C) The contract or transaction is fair and reasonable to the Trust.

(ii) Common or interested trustees or the shares owned by them or by an interested corporation, trust, firm or other entity may be counted in determining the presence of a quorum at a meeting of the Board of Trustees or a committee thereof or at a meeting of the shareholders, as the case may be, at which the contract or transaction is authorized, approved or ratified.

(c) The failure of a contract or other transaction between the Trust and any Trustee or between the Trust and RMR or any other corporation, trust, firm, or other entity in which any Trustee is a director or trustee or has a material financial interest to satisfy the criteria set forth in Section 9.5(b) shall not create any presumption that such contract or other transaction is void, voidable or otherwise invalid, and any such contract or other transaction shall be valid to the fullest extent permitted by Maryland law. To the fullest extent permitted by Maryland law, (i) the fixing by the Board of Trustees of compensation for a Trustee (whether as a Trustee or in any other capacity) and (ii) Section 9.4 of this Declaration of Trust or any provision of the Bylaws or any contract or transaction requiring or permitting indemnification (including advancing of expenses) in accordance with terms and procedures not materially less favorable to the Trust than those described in Section 2-418 (or any successor section thereto) of the Maryland General Corporation Law (as in effect at the time such provision was adopted or such contract or transaction was entered into or as it may thereafter be in effect) shall be deemed to have satisfied the criteria set forth in Section 9.5(b).

Section 9.6 Right of Trustees, Officers, Employees and Agents to Own Shares or Other Property and to Engage in Other Business. Subject to any restrictions which may be adopted by the Trustees in the Bylaws or otherwise: Any Trustee or officer, employee or agent of the Trust may acquire, own, hold and dispose of Shares in the Trust, for his or her individual account, and may exercise all rights of a shareholder to the same extent and in the same manner as if he or she were not a Trustee or officer, employee or agent of the Trust. Any Trustee or officer, employee or agent of the Trust may, in his or her personal capacity or in the capacity of trustee, officer, director, stockholder, partner, member, advisor or employee of any Person or otherwise, have business interests and engage in business activities similar to or in addition to those relating to the Trust, which interests and activities may be similar to and competitive with those of the Trust and may include the acquisition, syndication, holding, management, development, operation or disposition, for his own account, or for the account of such Person or others, of interests in mortgages, interests in real property, or interests in Persons engaged in the real estate business. Each Trustee, officer, employee and agent of the Trust shall be free of any obligation to present to the Trust any investment opportunity which comes to him or her in any capacity other than solely as Trustee, officer, employee or agent of the Trust even if such opportunity is of a character which, if presented to the Trust, could be taken by the Trust. Any Trustee or officer, employee or agent of the Trust may be interested as trustee, officer, director, stockholder, partner, member, advisor or employee of, or otherwise have a direct or indirect interest in, any Person who may be engaged to render advice or services to the Trust, and may receive compensation from such Person as well as compensation as Trustee, officer, employee or agent or otherwise hereunder. None of these activities shall be deemed to conflict with his or her duties and powers as Trustee or officer, employee or agent of the Trust.

Section 9.7 Persons Dealing with Trustees, Officers, Employees or Agents. Any act of the Trustees or of the officers, employees or agents of the Trust purporting to be done in their capacity as such, shall, as to any Persons dealing with such Trustees, officers, employees or agents, be conclusively deemed to be within the purposes of this Trust and within the powers of such Trustees or officers, employees or agents. No Person dealing with the Board or any of the Trustees or with the officers, employees or agents of the Trust shall be bound to see to the application of any funds or property passing into their hands or control. The receipt of the Board or any of the Trustees, or of authorized officers, employees or agents of the Trust, for moneys or other consideration, shall be binding upon the Trust.

Section 9.8 Reliance. The Trustees and the officers, employees and agents of the Trust may consult with counsel and the advice or opinion of such counsel shall be full and complete personal protection to all the Trustees and the officers, employees and agents of the Trust in respect of any action taken or suffered by them in good faith and in reliance on or in accordance with such advice or opinion. In discharging their duties, Trustees or officers, employees or agents of the Trust, when acting in good faith, may rely upon financial statements of the Trust represented to them to fairly present the financial position or results of operations of the

Trust by the chief financial officer of the Trust or the officer of the Trust having charge of its books of account, or stated in a written report by an independent certified public accountant fairly to present the financial position or results of operations of the Trust. The Trustees and the officers, employees and agents of the Trust may rely, and shall be personally protected in acting, upon any instrument or other document believed by them to be genuine.

ARTICLE X

AMENDMENTS

Section 10.1 General. The Trust reserves the right from time to time to make any amendment to the Declaration of Trust, now or hereafter authorized by law, including any amendment altering the terms or contract rights, as expressly set forth in the Declaration of Trust, of any Shares, except that the provisions governing the personal liability of the shareholders, Trustees and of the officers, employees and agents of the Trust and the prohibition of assessments upon shareholders may not be amended in any respect that could increase the personal liability of such shareholders, Trustees or officers, employees and agents of the Trust. All rights and powers conferred by the Declaration of Trust on shareholders, Trustees and officers are granted subject to this reservation. An amendment to the Declaration of Trust (a) shall be signed and acknowledged by at least a majority of the Trustees, or an officer duly authorized by at least a majority of the Trustees, (b) shall be filed for record as provided in Section 13.5 and (c) shall become effective as of the later of the time the SDAT accepts the amendment for record or the time established in the amendment, not to exceed thirty (30) days after the amendment is accepted for record. All references to the Declaration of Trust shall include all amendments thereto.

Section 10.2 By Trustees. The Trustees may amend this Declaration of Trust from time to time, in the manner provided by Title 8, without any action by the shareholders, to qualify as a real estate investment trust under the Code or under Title 8 and as otherwise provided in Section 8-501(e) of Title 8 and the Declaration of Trust. If permitted by Maryland law as in effect from time to time, the Trustees may amend this Declaration of Trust from time to time in any other respect, in accordance with such law, without any action by the shareholders.

Section 10.3 By Shareholders. Except as otherwise provided in Section 10.2 and subject to the following sentence, any amendment to this Declaration of Trust must first be advised by the Board of Trustees and then shall be valid only if approved by (i) the affirmative vote of a majority of all the votes entitled to be cast on the matter or (ii) if Maryland law hereafter permits the effectiveness of a vote described in this clause (ii), the affirmative vote of a majority of the votes cast on the matter. Any amendment to Section 5.2.2 or 5.3 or to this sentence of the Declaration of Trust shall be valid only if approved by the Board of Trustees and then by the affirmative vote of two-thirds (2/3) of all votes entitled to be cast on the matter.

ARTICLE XI

MERGER, CONSOLIDATION OR SALE OF TRUST PROPERTY

Subject to the provisions of any class or series of Shares at the time outstanding, the Trust may (a) merge with or into another entity, (b) consolidate with one or more other entities into a new entity or (c) sell, lease, exchange or otherwise transfer all or substantially all of the trust property. Any such action must first be approved by the Board of Trustees and, after notice to all shareholders entitled to vote on the matter, by (i) the affirmative vote of a majority of all the votes entitled to be cast on the matter or (ii) if Maryland law hereafter permits the effectiveness of a vote described in this clause (ii), the affirmative vote of a majority of the votes cast on the matter

ARTICLE XII

DURATION AND TERMINATION OF TRUST

Section 12.1 Duration. The Trust shall continue perpetually unless terminated pursuant to Section 12.2.

Section 12.2 Termination.

(a) Subject to the provisions of any class or series of Shares at the time outstanding, after approval by a majority of the entire Board of Trustees, the Trust may be terminated at any meeting of shareholders by (i) the affirmative vote of a majority of all the votes entitled to be cast on the matter or (ii) or if hereafter expressly authorized by Title 8, the affirmative vote of a majority of the votes cast on the matter. Upon the termination of the Trust:

(i) The Trust shall carry on no business except for the purpose of winding up its affairs.

(ii) The Trustees shall proceed to wind up the affairs of the Trust and all of the powers of the Trustees under the Declaration of Trust shall continue, including the powers to fulfill or discharge the Trust's contracts, collect its assets, sell, convey, assign, exchange, transfer or otherwise dispose of all or any part of the remaining property of the Trust to one or more persons at public or private sale for consideration which may consist in whole or in part of cash, securities or other property of any kind, discharge or pay its liabilities and do all other acts appropriate to liquidate its business.

(iii) After paying or adequately providing for the payment of all liabilities, and upon receipt of such releases, indemnities and agreements as they deem necessary for their protection, the Trust may distribute the remaining property of the Trust among the shareholders so that after payment in full or the setting apart for payment of such preferential amounts, if any, to which the holders of any Shares at the time outstanding shall be entitled, the remaining property of the Trust shall, subject to any participating or similar rights of Shares at the time outstanding, be distributed ratably among the holders of Common Shares at the time outstanding.

(b) After termination of the Trust, the liquidation of its business and the distribution to the shareholders as herein provided, a majority of the Trustees shall execute and file with the Trust's records a document certifying that the Trust has been duly terminated and the Trustees shall be discharged from all liabilities and duties hereunder, and the rights and interests of all shareholders shall cease.

ARTICLE XIII

MISCELLANEOUS

Section 13.1 Governing Law. The Declaration of Trust is executed and delivered with reference to the laws of the State of Maryland, and the rights of all parties and the validity, construction and effect of every provision hereof shall be subject to and construed according to the laws of the State of Maryland.

Section 13.2 Reliance by Third Parties. Any certificate shall be final and conclusive as to any person dealing with the Trust if executed by the Secretary or an Assistant Secretary of the Trust or a Trustee, and if certifying to: (a) the number or identity of Trustees, officers of the Trust or shareholders; (b) the due authorization of the execution of any document; (c) the action or vote taken, and the existence of a quorum, at a meeting of the Board of Trustees or shareholders; (d) a copy of the Declaration of Trust or of the Bylaws as a

true and complete copy as then in force; (e) an amendment to the Declaration of Trust; (f) the termination of the Trust; or (g) the existence of any fact relating to the affairs of the Trust. No purchaser, lender, transfer agent or other person shall be bound to make any inquiry concerning the validity of any transaction purporting to be made by the Trust on its behalf or by any officer, employee or agent of the Trust.

Section 13.3 Severability.

(a) The provisions of the Declaration of Trust are severable, and if the Board of Trustees shall determine, with the advice of counsel, that any one or more of such provisions (the "Conflicting Provisions") are in conflict with the Code, Title 8 or other applicable federal or state laws, the Conflicting Provisions, to the extent of the conflict, shall be deemed never to have constituted a part of the Declaration of Trust, even without any amendment of the Declaration of Trust pursuant to Article X and without affecting or impairing any of the remaining provisions of the Declaration of Trust or rendering invalid or improper any action taken or omitted (including but not limited to the election of Trustees) prior to such determination. No Trustee shall be liable for making or failing to make such a determination. In the event of any such determination by the Board of Trustees, the Board shall amend the Declaration of Trust in the manner provided in Section 10.2.

(b) If any provision of the Declaration of Trust shall be held invalid or unenforceable in any jurisdiction, such holding shall apply only to the extent of any such invalidity or unenforceability and shall not in any manner affect, impair or render invalid or unenforceable such provision in any other jurisdiction or any other provision of the Declaration of Trust in any jurisdiction.

Section 13.4 Construction. In the Declaration of Trust, unless the context otherwise requires, words used in the singular or in the plural include both the plural and singular and words denoting any gender include all genders. The title and headings of different parts are inserted for convenience and shall not affect the meaning, construction or effect of the Declaration of Trust. In defining or interpreting the powers and duties of the Trust and its Trustees and officers, reference may be made by the Trustees or officers, to the extent appropriate and not inconsistent with the Code or Title 8, to Titles 1 through 3 of the Corporations and Associations Article of the Annotated Code of Maryland. In furtherance and not in limitation of the foregoing, in accordance with the provisions of Title 3, Subtitles 6 and 7, of the Corporations and Associations Article of the Annotated Code of Maryland, the Trust shall be included within the definition of "corporation" for purposes of such provisions.

Section 13.5 Recordation. The Declaration of Trust and any amendment hereto shall be filed for record with the SDAT and may also be filed or recorded in such other places as the Trustees deem appropriate, but failure to file for record the Declaration of Trust or any amendment hereto in any office other than in the State of Maryland shall not affect or impair the validity or effectiveness of the Declaration of Trust or any amendment hereto. A restated Declaration of Trust shall, upon filing, be conclusive evidence of all amendments contained therein and may thereafter be referred to in lieu of the original Declaration of Trust and the various amendments thereto.

THIRD: The amendment to and restatement of the Declaration of Trust of the Trust as hereinabove set forth have been duly advised by the Board of Trustees and approved by the shareholders of the Trust as required by law.

FOURTH: The total number of shares of beneficial interest which the Trust has authority to issue has not been amended by this amendment and restatement.

SENIOR HOUSING PROPERTIES TRUST

RESTRICTED SHARE AGREEMENT

This Restricted Share Agreement (this “Agreement”) is made as of «DATE», «YEAR», between «NAME» (the “Recipient”) and Senior Housing Properties Trust (the “Company”).

In consideration of the mutual promises and covenants contained in this Agreement, and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Grant of Shares. Subject to the terms and conditions hereinafter set forth and the terms and conditions of the Senior Housing Properties Trust 2012 Equity Compensation Plan, as it may be amended from time to time (the “Plan”), the Company hereby grants to the Recipient, effective as of the date of this Agreement, «SNH» of its common shares of beneficial interest, par value \$.01 per share. The shares so granted are hereinafter referred to as the “Shares,” which term shall also include any shares of the Company issued to the Recipient by virtue of his or her ownership of the Shares, by share dividend, share split, recapitalization or otherwise.

2. Vesting; Repurchase of Shares.

(a) The Shares shall vest one-fifth as of the date hereof and a further one-fifth on «DATE» of each of the next four calendar years commencing on «DATE», «YEAR». Any Shares not vested as of any date are herein referred to as “Unvested Shares.”

(b) At the option of the Company, in the event the Recipient ceases to render significant services, whether as an employee or otherwise, to (i) the Company, (ii) the entity which is the manager or shared services provider to the Company or an entity controlled by, under common control with or controlling such entity (collectively, the “Manager”), or (iii) an affiliate of the Company (which shall be deemed for such purpose to include any other entity to which the Manager is the manager or shared services provider), all or any portion of the Unvested Shares shall be forfeited by the Recipient as of the date the Recipient ceases to render such services. The Company may exercise such option by delivering or mailing to the Recipient (or his or her estate), at any time after the Recipient has ceased to render such services, a written notice of exercise of such option. Such notice shall specify the number of Unvested Shares to be forfeited.

3. Legends. Share certificates, if any, evidencing the Shares shall prominently bear legends in substantially the following terms:

“THE SHARES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “ACT”). SUCH SHARES MAY NOT BE SOLD, TRANSFERRED OR ASSIGNED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT FOR THE SHARES UNDER THE ACT OR AN OPINION OF THE TRUST’S COUNSEL THAT REGISTRATION IS NOT REQUIRED UNDER THE ACT.

THE SHARES EVIDENCED BY THIS CERTIFICATE WERE ISSUED PURSUANT TO AN EQUITY COMPENSATION PLAN MAINTAINED BY THE TRUST. THESE SHARES MAY BE SUBJECT TO TRANSFER AND/OR VESTING RESTRICTIONS, AND UNVESTED SHARES ARE SUBJECT TO REPURCHASE RIGHTS AND FORFEITURE CONDITIONS CONTAINED IN THE PLAN, THE RELATED GRANT OF SHARES OR AN AGREEMENT BETWEEN THE TRUST AND THE INITIAL HOLDER OF THESE SHARES. A COPY OF APPLICABLE RESTRICTIONS, REPURCHASE RIGHTS AND FORFEITURE CONDITIONS WILL BE FURNISHED TO THE HOLDER OF THIS CERTIFICATE WITHOUT CHARGE UPON REQUEST TO THE SECRETARY OF THE TRUST."

In the event that the Shares are not evidenced by share certificates, the share books and records of the Company shall contain a notation in substantially the following terms:

"THE SHARES COVERED BY THIS STATEMENT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"). SUCH SHARES MAY NOT BE SOLD, TRANSFERRED OR ASSIGNED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT FOR THE SHARES UNDER THE ACT OR AN OPINION OF THE TRUST'S COUNSEL THAT REGISTRATION IS NOT REQUIRED UNDER THE ACT.

THE SHARES COVERED BY THIS STATEMENT WERE ISSUED PURSUANT TO AN EQUITY COMPENSATION PLAN MAINTAINED BY THE TRUST. THESE SHARES MAY BE SUBJECT TO TRANSFER AND/OR VESTING RESTRICTIONS, AND UNVESTED SHARES ARE SUBJECT TO REPURCHASE RIGHTS AND FORFEITURE CONDITIONS CONTAINED IN THE PLAN, THE RELATED GRANT OF SHARES OR AN AGREEMENT BETWEEN THE TRUST AND THE INITIAL HOLDER OF THESE SHARES. A COPY OF APPLICABLE RESTRICTIONS, REPURCHASE RIGHTS AND FORFEITURE CONDITIONS WILL BE FURNISHED TO THE HOLDER OF THE SHARES COVERED BY THIS STATEMENT WITHOUT CHARGE UPON REQUEST TO THE SECRETARY OF THE TRUST."

Certificates evidencing Shares and Shares not evidenced by certificates shall also bear or contain, as applicable, legends and notations as may be required by the Plan or the Company's declaration of trust, any applicable supplement thereto or bylaws, each as in effect from time to time, or as the Company may otherwise determine appropriate.

4. Tax Withholding. To the extent required by law, the Company shall withhold or cause to be withheld income and other taxes incurred by the Recipient by reason of a grant of Shares, and the Recipient agrees that he or she shall upon request of the Company pay to the Company an amount sufficient to satisfy its tax withholding obligations from time to time (including as Shares become vested) as the Company may request.

5. Miscellaneous.

(a) Amendments. Neither this Agreement nor any provision hereof may be changed or modified except by an agreement in writing executed by the Recipient and the Company; provided, however, that any change or modification that does not adversely affect the rights hereunder of the Recipient, as they may exist immediately prior to the effective date of such change or modification, may be adopted by the Company without an agreement in writing executed by the Recipient, and the Company shall give the Recipient written notice of such change or modification reasonably promptly following the adoption of such change or modification.

(b) Binding Effect of the Agreement. This Agreement shall inure to the benefit of, and be binding upon, the Company, the Recipient and their respective estates, heirs, executors, transferees, successors, assigns and legal representatives.

(c) Provisions Separable. In the event that any of the terms of this Agreement shall be or become or is declared to be illegal or unenforceable by any court or other authority of competent jurisdiction, such terms shall be null and void and shall be deemed deleted from this Agreement, and all the remaining terms of this Agreement shall remain in full force and effect.

(d) Notices. Any notice in connection with this Agreement shall be deemed to have been properly delivered if it is in writing and is delivered by hand or by facsimile or sent by registered certified mail, postage prepaid, to the party addressed as follows, unless another address has been substituted by notice so given:

To the Recipient: To the Recipient's address as set forth on the signature page hereof.

To the Company: Senior Housing Properties Trust
Two Newton Place
255 Washington Street
Newton, MA 02458
Attn : Secretary

(e) Construction. The headings and subheadings of this Agreement have been inserted for convenience only, and shall not affect the construction of the provisions hereof. All references to sections of this Agreement shall be deemed to refer as well to all subsections which form a part of such section.

(f) Employment Agreement. This Agreement shall not be construed as an agreement by the Company, the Manager or any affiliate of the Company or the Manager to employ the Recipient, nor is the Company, the Manager or any affiliate of the Company or the Manager obligated to continue employing the Recipient by reason of this Agreement or the grant of Shares to the Recipient hereunder.

(g) Applicable Law. This Agreement shall be construed and enforced in accordance with the laws of The Commonwealth of Massachusetts.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement, or caused this Agreement to be executed under seal, as of the date first above written.

SENIOR HOUSING PROPERTIES TRUST

By: _____
Title:

RECIPIENT:

«NAME»
«ADDRESS»
«CITY» , «ST» «ZIP»

AMENDED AND RESTATED POOLING AGREEMENT No. 1

THIS AMENDED AND RESTATED POOLING AGREEMENT No. 1 (this "Agreement") is made as of October 30, 2012, by and among FVE Managers, Inc. ("Manager") and the parties listed on Schedule A (each a "TRS" and collectively, "TRSES").

RECITALS:

Each TRS has entered into a Management Agreement with Manager (each a "Management Agreement" and collectively, the "Management Agreements") with respect to certain real estate and personal property which is licensed as an assisted living facility and/or a skilled nursing facility (each a "Facility" and collectively, the "Facilities").

Manager and the TRSES are parties to a Pooling Agreement dated as of May 12, 2011 (the "Original Agreement").

Under the Original Agreement, working capital of each of the Facilities and all revenues from operation of each of the Facilities are pooled for purposes of paying operating expenses of the Facilities, fees and other amounts due to Manager and the TRSES under the Management Agreements.

Manager and the TRSES have determined that the number of Facilities subject to a single pooling agreement should be limited and desire to amend and restate the Original Agreement to remove the Facilities listed on Schedule B to this Agreement, and upon such removal, each of SNH SE Daniel Island Tenant LLC and SNH SG Tenant LLC shall be deemed to have withdrawn as parties.

NOW, THEREFORE, the parties agree as follows:

**ARTICLE I
DEFINED TERMS**

1.01. Definitions. Capitalized terms used, but not otherwise defined in this Agreement shall have the meanings given to such terms in the Management Agreements. The following capitalized terms as used in this Agreement shall have the meanings set forth below:

"Additional Facility" is defined in Section 7.01.

"Additional Management Agreement" is defined in Section 7.01.

"Additional TRS" is defined in Section 7.01.

"Aggregate Annual Statement" means the Aggregate Monthly Statement for the month of December in each year.

"Aggregate Base Fee" means an amount equal to 3% of the Aggregate Gross Revenues.

"Aggregate Facility Expenses" means the sum of Facility Expenses of the Facilities.

“Aggregate Gross Revenues” means the sum of Gross Revenues of the Facilities.

“Aggregate Incentive Fee” means an amount that is equal to thirty-five percent (35%) of Aggregate Net Operating Income remaining after payment of the Aggregate TRS Priority Return.

“Aggregate Invested Capital” means the sum of the Invested Capital for each of the Facilities, including each Additional Facility.

“Aggregate Monthly Statement” is defined in Section 4.01(a).

“Aggregate Net Operating Income” means an amount equal to Aggregate Gross Revenues less Aggregate Facility Expenses.

“Aggregate TRS Priority Return” means an annual amount equal to eight percent of Aggregate Invested Capital.

“Aggregate TRS Residual Payment” means an amount equal to 65% of the Aggregate Net Operating Income after payment of the Aggregate TRS Priority Return.

“Agreement” is defined in the Preamble.

“Facility” and “Facilities” is defined in the Recitals and as of close of business on the date of this Agreement, the Facilities subject to this Agreement are those listed on Schedule C.

“Management Agreement” and “Management Agreements” is defined in the Recitals and as of close of business on the date of this Agreement, the Management Agreements for the Facilities subject to this Agreement are those listed on Schedule D.

“Manager” is defined in the Preamble.

“Manager Shortfall Advance” is defined in Section 5.01.

“Non-Economic Facilities” is defined in Section 5.02.

“Priority Return Shortfall” is defined in Section 5.01.

“TRS” is defined in the Preamble.

ARTICLE II GENERAL

2.01. Removal of Facilities. Effective as of the close of business on the date of this Agreement, the Facilities listed on Schedule B shall be removed from, and no longer subject to, this Agreement.

2.02. General. The parties agree that so long as a Facility is subject to this Agreement, all Working Capital and all Gross Revenues of such Facility shall be pooled pursuant to this Agreement and disbursed to pay all Aggregate Facility Expenses, fees and other amounts due

Manager and TRSes (not including amounts due pursuant to Section 15.05 of the Management Agreements) with respect to the Facilities and that the corresponding provisions of each Management Agreement shall be superseded as provided in Section 3.03. The parties further agree that if Manager gives a notice of non-renewal of the Term with respect to any Facility, it shall be deemed to be a notice of non-renewal of the Term with respect to all the Facilities.

**ARTICLE III
PRIORITIES FOR
DISTRIBUTION OF AGGREGATE GROSS REVENUES**

3.01. Priorities for Distribution of Aggregate Gross Revenues. Aggregate Gross Revenues shall be distributed in the following order of priority:

- (1) First, to pay Aggregate Facility Expenses (which shall not include the Aggregate Base Fee).
- (2) Second, to Manager to pay the Aggregate Base Fee and any interest that may have accrued pursuant to Section

3.02.

(3) Third, to TRS in an amount equal to the Aggregate TRS Priority Return and any interest that may have accrued pursuant to Section 3.02.

(4) Fourth, to Manager to reimburse it for payment of any Manager Shortfall Advance, plus applicable interest calculated at the Interest Rate.

(5) Fifth, to Manager, in an amount equal to the Aggregate Incentive Fee.

(6) Sixth, to TRS, in an amount equal to the Aggregate TRS Residual Payment.

3.02. Timing of Payments. Payment of the Aggregate Facility Expenses, excluding the Aggregate Base Fee, shall be made in the ordinary course of business. The Aggregate Base Fee and accrued interest, if any, shall be paid on the first Business Day of each calendar month, in advance, based upon Manager's then estimate of the prior month's Aggregate Gross Revenues. The Aggregate TRS Priority Return and accrued interest, if any, shall be paid on the first Business Day of each calendar month, in advance in approximately equal monthly installments, based upon Aggregate Invested Capital most recently reported to Manager by TRS. The Aggregate Base Fee and Aggregate TRS's Priority Return shall be subject to adjustment by increasing or decreasing the payment due in the following month based upon Aggregate Gross Revenues reflected in the Aggregate Monthly Financial Statements and increases or decreases in Aggregate Invested Capital reported to Manager by TRS, as the case may be. If any installment of the Aggregate Base Fee or the Aggregate TRS Priority Return is not paid when due, it shall accrue and bear interest at the Interest Rate. The Aggregate Incentive Fee and Aggregate TRS Residual Payment shall be paid on the last Business Day of the calendar month following the month to which such Aggregate Incentive Fee and Aggregate TRS Residual Payment relate, in arrears, and shall be based upon the Aggregate Monthly Statements. Additional adjustments to all payments will be made on an annual basis based upon the Aggregate Monthly Statements for the full calendar year and any audits conducted pursuant to Section 6.03 of the Management

Agreements. The Aggregate TRS Priority Return and Aggregate TRS Residual Payment shall be allocated among TRSes as the TRSes shall determine in their sole discretion and Manager shall have no responsibility or liability in connection therewith.

3.03. Relationship with Management Agreements. For as long as this Agreement is in effect with respect to a Facility, the provisions of Section 3.01 and 3.02 shall supersede Sections 5.01 and 5.02 of the Management Agreement then in effect with the applicable Facility.

ARTICLE IV FINANCIAL STATEMENTS

Manager shall prepare and deliver the following financial statements to the TRSes:

(a) not later than ten Business Days after the end of each calendar month, a consolidated balance sheet and related statement of income and expense of all of the Facilities for such calendar month and for the then current calendar year to date, certified by Manager's Controller on a monthly basis and by Manager's Chief Financial Officer on a quarterly basis as being true and correct to the best of his/her knowledge ("Aggregate Monthly Statement").

(b) Manager shall also prepare and deliver such other statements or reports as any TRS may, from time to time, reasonably request.

The financial statements delivered pursuant to this Article IV are in addition to any financial statements required to be prepared and delivered pursuant to the Management Agreements.

ARTICLE V SHORTFALL; NON-ECONOMIC FACILITIES

5.01. Shortfall. If in each of three consecutive calendar years the Aggregate TRS Priority Return (together with any accrued interest) has not been paid in full (a "Priority Return Shortfall"), by notice given after December 31, 2017, within sixty (60) days after receipt of the Aggregate Annual Statement for such third year, the TRSes may terminate all, but not less than all, of the Management Agreements. Prior to exercising the right to terminate, TRSes shall give Manager notice and if within ten (10) days thereafter, Manager funds the Priority Return Shortfall (a "Manager Shortfall Advance"), TRSes shall not exercise the right to terminate, provided Manager may not exercise its right to fund the Priority Return Shortfall more frequently than once every four (4) years. Manager may recover any amounts paid by it as a Manager Shortfall Advance as provided in Section 3.01, provided that amounts not recovered during the four (4) calendar years following the year in which payment of a Manager Shortfall Advance was made shall be deemed waived and shall not be payable in any subsequent year.

5.02. Non-Economic Facilities. If the Gross Revenues of any Facility are insufficient to pay all Facility Expenses and the Base Fee of such Facility in full during each of two (2) consecutive calendar years, Manager shall, upon thirty (30) days notice to the relevant TRS, be entitled to designate such Facility a "Non-Economic Facility." Notwithstanding the foregoing, Manager shall not be entitled without the Owner's consent to designate Facilities for which the

Invested Capital in the aggregate would exceed twenty percent (20%) of Aggregate Invested Capital and further provided for purposes of this Section 5.02 only, Aggregate Invested Capital shall be determined without giving effect to the termination of the Management Agreement of a Non-Economic Facility and without reduction for proceeds from the sale, or deemed sale, of any Non-Economic Facility. Manager may request an increase in the foregoing twenty percent (20%) threshold at any time, which Owner may accept or reject in its sole discretion.

Manager shall market a Facility designated as a Non-Economic Facility for sale and any costs incurred by the Manager in connection with such marketing activities and the sale of such Facility shall be paid out of the net proceeds of such sale. The relevant TRS and Owner shall cooperate with Manager in compiling any relevant information, preparing marketing materials and otherwise in connection with the sale of a Non-Economic Facility.

5.03. Sale Process. If a Non-Economic Facility is marketed for sale in accordance with Section 5.02 and Manager receives an offer therefor which it wishes to accept on behalf of the TRS and Owner, Manager shall give the relevant TRS prompt notice thereof, which notice shall include a copy of the offer and any other information reasonably requested by such TRS. If the relevant TRS, on behalf of the relevant Owner, shall fail to accept or reject such offer within seven (7) Business Days after receipt of such notice and other information from Manager, such offer shall be deemed to be accepted. If the offer is rejected by the relevant TRS on behalf of the relevant Owner and, if the Manager elects to continue marketing the Facility by providing written notice to the relevant TRS within seven (7) days of such rejection and the Manager does not obtain another offer within ninety (90) days that is accepted by the relevant TRS, the Non-Economic Facility shall be deemed to have been sold to the relevant TRS on the date, at the price and on the other terms contained in the offer. If a Non-Economic Facility is sold to a third party or deemed to have been sold to the relevant Owner pursuant to such offer, effective as of the date of sale or deemed sale: (i) the Management Agreement shall terminate with respect to such Non-Economic Facility; (ii) the Aggregate Invested Capital shall be reduced by an amount equal to the net proceeds of sale after reduction for the costs and expenses of the relevant TRS, relevant Owner and/or Manager (or, in the case of a deemed sale, the net proceeds of sale determined by reference to such offer, after reduction for any amounts actually expended and any amounts which would reasonably have been expected to have been expended if the sale had been consummated, by the relevant TRS, relevant Owner and/or Manager). If the reduction of Aggregate Invested Capital is less than the Invested Capital of the Non-Economic Facility sold or deemed sold, the difference shall be proportionately reallocated to the Invested Capital of the remaining Facilities.

ARTICLE VI ACCOUNTS

All Working Capital and all Gross Revenues of each of the Facilities may be pooled and deposited in one or more bank accounts in the name(s) of the TRSes designated by Manager, which accounts may, except as required by any Mortgage and related loan documentation or applicable law, be commingled accounts containing other funds owned by or managed by Manager. Manager shall be authorized to access the accounts without the approval of TRSes, subject to any limitation on the maximum amount of any check, if any, established between Manager and TRSes as part of the Annual Operating Budgets. One or more TRSes shall be a

signatory on all accounts maintained with respect to the Facility, and TRSes shall have the right to require that one or more TRS's signature be required on all checks/withdrawals after the occurrence of an Event of Default by Manager under this Agreement. The TRSes shall provide such instructions to the applicable bank(s) as are necessary to permit Manager to implement the Manager's rights and obligations under this Agreement. The failure of any TRS to provide such instructions shall relieve Manager of its obligations hereunder until such time as such failure is cured.

ARTICLE VII ADDITION AND REMOVAL OF FACILITIES

7.01. Addition of Facilities. At any time and from time to time, Manager and any TRS or any Affiliate of TRS (an "Additional TRS") which enters into a management agreement with Manager (an "Additional Management Agreement") for the operation of an additional assisted living facility or skilled nursing facility (an "Additional Facility"), the Additional TRS may become a party to this Agreement by signing an accession agreement confirming the applicability of this Agreement to such Additional Facility. If an Additional Facility is made subject to this Agreement other than on the first day of a calendar month, the parties shall include such prorated amounts of the Gross Revenues and Facility Expenses (and other amounts as may be necessary) applicable to the Additional Facility for such calendar month, as mutually agreed in their reasonable judgment, in the calculation of Aggregate Gross Revenues and Aggregate Facility Expenses (and other amounts as may be necessary) for the calendar month in which the Additional Facility became subject to this Agreement and shall make any other prorations, adjustments, allocations and changes required. Additionally, any amounts held as Working Capital or for Capital Replacements at the Additional Facility, if any, shall be held by Manager under this Agreement.

7.02. Removal of Facilities. From and after the date of termination of any Management Agreement, the Facility managed thereunder shall no longer be subject to this Agreement. If the termination occurs on a day other than the last day of a calendar month, the parties shall exclude such prorated amounts of the Gross Revenues and Facility Expenses (and other amounts as may be necessary) applicable to such Facility for such calendar month, as mutually agreed in their reasonable judgment, in the calculation of Aggregate Gross Revenues and Aggregate Facility Expenses (and other amounts as may be necessary) for the calendar month in which the termination occurred. Additionally, the relevant TRS and Manager, both acting reasonably, shall mutually agree to the portion of the Working Capital and Aggregate Gross Revenues and any amounts being held by Manager for Capital Replacements allocable to the Facility being removed from this Agreement and the amount of the Working Capital, Aggregate Gross Revenues and amounts being held by Manager for Capital Replacements, if any, so allocated shall be remitted to the relevant TRS and the relevant TRS and Manager shall make any other prorations, adjustments, allocations and changes required.

ARTICLE VIII TERM AND TERMINATION

8.01. Term. This Agreement shall continue and remain in effect indefinitely unless terminated pursuant to Section 8.02.

8.02. Termination. This Agreement may be terminated as follows:

- (a) By the mutual consent of Manager and TRSes which are parties to the Agreement.
- (b) Automatically, if all Management Agreements terminate or expire for any reason.
- (c) By Manager, if any or all TRSes do not cure a material breach of this Agreement by any TRS or Owner within thirty (30) days of written notice of such breach from Manager and if such breach is not cured, it shall be an Event of Default under the Management Agreements.
- (d) By TRSes, if Manager does not cure a material breach of this Agreement by Manager within thirty (30) days of written notice of such breach from any TRS.

8.03. Effect of Termination. Upon the termination of this Agreement, except as otherwise provided in Section 12.02(i) or 14.04 of the Management Agreements, Manager shall be compensated for its services only through the date of termination and all amounts remaining in any accounts maintained by Manager pursuant to Article VI, after payment of such amounts as may be due to Manager hereunder, shall be distributed to TRSes. Notwithstanding the foregoing, upon the termination of any single Management Agreement, pooled funds shall be allocated as described in Section 7.02.

8.04. Survival. The following Sections of this Agreement shall survive the termination of this Agreement: 8.03 and Article IX.

ARTICLE IX MISCELLANEOUS PROVISIONS

9.01. Notices. All notices, demands, consents, approvals, and requests given by any party to another party hereunder shall be in writing and shall be deemed to have been duly given when delivered in person, upon confirmation of receipt when transmitted by facsimile transmission, or on the next business day if transmitted by nationally recognized overnight courier, to the parties at the following addresses:

To TRS :

c/o SNH SE Tenant TRS, Inc.
Two Newton Place
225 Washington Street
Newton, Massachusetts 02458
Attn: David J. Hegarty
Telephone: (617) 796-8104
Facsimile: (617) 796-8349

To Manager :

FVE Managers, Inc.
400 Centre Street
Newton, Massachusetts 02458
Attn: Bruce J. Mackey
Telephone: (617) 796-8214
Facsimile: (617) 796-8243

9.02. Applicable Law; Arbitration. This Agreement shall be interpreted, construed, applied and enforced in accordance with the laws of the Commonwealth of Massachusetts, with regard to its "choice of law" rules. Any "Dispute" (as such term is defined in the Management Agreements) under this Agreement shall be resolved through final and binding arbitration conducted in accordance with the procedures and with the effect of, arbitration as provided for in the Management Agreements.

9.03. Severability. If any term or provision of this Agreement or the application thereof in any circumstance is held invalid, illegal or unenforceable in any respect for any reason, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions hereof shall not be in any way impaired, unless the provisions held invalid, illegal or unenforceable shall substantially impair the benefits of the remaining provisions hereof.

9.04. Gender and Number. Whenever the context of this Agreement requires, the gender of all words herein shall include the masculine, feminine, and neuter, and the number of all words herein shall include the singular and plural.

9.05. Headings and Interpretation. The descriptive headings in this Agreement are for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement. References to "Section" in this Agreement shall be a reference to a Section of this Agreement unless otherwise indicated. Whenever the words "include", "includes" or "including" are used in this Agreement they shall be deemed to be followed by "without limitation." The words "hereof," "herein," "hereby," and "hereunder, when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision unless otherwise indicated. The word "or" shall not be exclusive. This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting.

9.06. Confidentiality of Information. Any information exchanged between the Manager and each TRS pursuant to the terms and conditions of this Agreement shall be subject to Sections 17.06 or 17.07 of the Management Agreement and the Business Associate Agreement entered into between the Manager and each TRS.

9.07. Assignment. Neither Manager nor any TRS may assign its rights and obligations under this Agreement to any other Person without the prior written consent of the other parties.

9.08. Entire Agreement; Construction; Amendment. With respect to the subject matter hereof, this Agreement supersedes all previous contracts and understandings between the parties and constitutes the entire Agreement between the parties with respect to the subject matter

hereof. Accordingly, in the event of any conflict between the provisions of this Agreement and the Management Agreements, the provisions of this Agreement shall control, and the provisions of the Management Agreements are deemed amended and modified, in each case as required to give effect to the intent of the parties in this Agreement. All other terms and conditions of the Management Agreements shall remain in full force and effect; provided that, to the extent that compliance with this Agreement shall cause a default, breach or other violation of the Management Agreement by one party, the other party waives any right of termination, indemnity, arbitration or otherwise under the Management Agreement related to that specific default, breach or other violations, to the extent caused by compliance with this Agreement. This Agreement may not be modified, altered or amended in any manner except by an amendment in writing, duly executed by the parties hereto.

9.09. Third Party Beneficiaries. The terms and conditions of this Agreement shall inure to the benefit of, and be binding upon, the respective successors, heirs, legal representatives or permitted assigns of each of the parties hereto and except for Owners, which are intended third party beneficiaries, no Person other than the parties hereto and their successors and permitted assigns is intended to be a beneficiary of this Agreement.

[Signatures begin on the following page.]

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement with the intention of creating an instrument under seal.

FVE Managers, Inc.

By: /s/ Bruce J. Mackey Jr.
Bruce J. Mackey Jr.
President

SNH SE Tenant TRS, Inc.

By: /s/ Richard A. Doyle
Richard A. Doyle
President

SNH SE Burlington Tenant LLC

By: /s/ Richard A. Doyle
Richard A. Doyle
President

SNH SE Kings Mtn Tenant LLC

By: /s/ Richard A. Doyle
Richard A. Doyle
President

SNH SE Mooresville Tenant LLC

By: /s/ Richard A. Doyle
Richard A. Doyle
President

SNH SE Ashley River Tenant LLC

By: /s/ Richard A. Doyle
Richard A. Doyle
President

SNH SE N. Myrtle Beach Tenant LLC

By: /s/ Richard A. Doyle
Richard A. Doyle
President

SNH SE Barrington Boynton Tenant LLC

By: /s/ Richard A. Doyle
Richard A. Doyle
President

SNH SE Holly Hill Tenant LLC

By: /s/ Richard A. Doyle
Richard A. Doyle
President

SNH SE Habersham Savannah Tenant LLC

By: /s/ Richard A. Doyle
Richard A. Doyle
President

SNH CALI Tenant LLC

By: /s/ Richard A. Doyle
Richard A. Doyle
President

SNH BRFL Tenant LLC

By: /s/ Richard A. Doyle
Richard A. Doyle
President

SNH CCMD Tenant LLC

By: /s/ Richard A. Doyle
Richard A. Doyle
President

SNH PLFL LLC

By: /s/ Richard A. Doyle
Richard A. Doyle
President

SNH Teaneck Tenant LLC

By: /s/ Richard A. Doyle
Richard A. Doyle
President

SNH SE Daniel Island Tenant LLC

By: /s/ Richard A. Doyle
Richard A. Doyle
President

SNH SE SG Tenant LLC

By: /s/ Richard A. Doyle
Richard A. Doyle
President

Schedule A

TRSeS

SNH SE Tenant TRS, Inc.

SNH SE Burlington Tenant LLC

SNH SE Kings Mtn Tenant LLC

SNH SE Mooresville Tenant LLC

SNH SE Ashley River Tenant LLC

SNH SE N. Myrtle Beach Tenant LLC

SNH SE Barrington Boynton Tenant LLC

SNH SE Holly Hill Tenant LLC

SNH SE Habersham Savannah Tenant LLC

SNH CALI Tenant LLC

SNH BRFL Tenant LLC

SNH CCMD Tenant LLC

SNH PLFL Tenant LLC

SNH Teaneck Tenant LLC

SNH SE Daniel Island Tenant LLC

SNH SE SG Tenant LLC

Schedule B

Removed Facilities

Cooper Hall and Savannah Grace, Mt. Pleasant, SC

Summit Place of Daniel Island, Charleston, SC

Five Star Premier Residence of Pompano Beach, Pompano Beach, FL

The Terrace at Priceville, Priceville, AL

Stratford Court of Palm Harbor, Palm Harbor, FL

The Gardens of Scottsdale, Scottsdale, AZ

The Gardens of Bellaire, Bellaire, TX

The Gardens of Sun City, Sun City, AZ

The Gardens of Port St. Lucie, Port St. Lucie, FL

The Gardens of Virginia Beach, Virginia Beach, VA

The Horizon Club, Deerfield Beach, FL

Calusa Harbour, Fort Myers, FL

Schedule C

Facilities

Palms of Lake Spivey, Jonesboro, GA

Seasons at Southpoint, Durham, NC

Summit Place of South Park, Charlotte, NC

Summit Place of Beaufort, Beaufort, SC

Seasons by Riviera, Ormond Beach, FL and Riviera, Holly Hill, FL

Lexington Manor, Port Charlotte, FL

Home Place of Burlington, Burlington, NC

Summit Place of Kings Mountain, Kings Mountain, NC

Summit Place of Mooresville, Mooresville, NC

Ashley River Plantation, Charleston, SC

Summit Place of N. Myrtle Beach, Little River, SC

Barrington Terrace at Boynton Beach, Boynton Beach, FL

Habersham House, Savannah, GA

Tiffany Court, Walnut Creek, CA

Five Star Premier Residences of Boca Raton, Boca Raton, FL

Five Star Premier Residences of Chevy Chase, Chevy Chase, MD

Five Star Premier Residences of Plantation, Plantation, FL

Five Star Premier Residences of Teaneck, Teaneck, NJ

Five Star Premier Residences of Hollywood, Hollywood, FL

Five Star Premier Residences of Reno, Reno, NV

Schedule D

Management Agreements

Management Agreement dated May 12, 2011 between FVE Managers, Inc. and SNH SE Tenant TRS, Inc. (Palms of Lake Spivey)

Management Agreement dated May 12, 2011 between FVE Managers, Inc. and SNH SE Tenant TRS, Inc. (Seasons at Southpoint)

Management Agreement dated May 12, 2011 between FVE Managers, Inc. and SNH SE Tenant TRS, Inc. (Summit Place of South Park)

Management Agreement dated May 12, 2011 between FVE Managers, Inc. and SNH SE Tenant TRS, Inc. (Summit Place of Beaufort)

Management Agreement dated May 12, 2011 between FVE Managers, Inc. and SNH SE Tenant TRS, Inc. (Seasons by Riviera)

Management Agreement dated May 12, 2011 between FVE Managers, Inc. and SNH SE Tenant TRS, Inc. (Lexington Manor)

Management Agreement dated May 12, 2011 between FVE Managers, Inc. and SNH SE Burlington Tenant LLC (Home Place of Burlington)

Management Agreement dated May 12, 2011 between FVE Managers, Inc. and SNH SE Kings Mtn Tenant LLC (Summit Place of Kings Mountain)

Management Agreement dated May 12, 2011 between FVE Managers, Inc. and SNH SE Mooresville Tenant LLC (Summit Place of Mooresville)

Management Agreement dated May 12, 2011 between FVE Managers, Inc. and SNH SE Ashley River Tenant LLC (Ashley River Plantation)

Management Agreement dated May 12, 2011 between FVE Managers, Inc. and SNH SE N. Myrtle Beach Tenant LLC (Summit Place of North Myrtle Beach)

Management Agreement dated May 12, 2011 between FVE Managers, Inc. and SNH SE Barrington Boynton Tenant LLC (Barrington Terrace at Boynton Beach)

Management Agreement dated May 12, 2011 between FVE Managers, Inc. and SNH SE Holly Hill Tenant LLC (Riviera)

Management Agreement dated May 12, 2011 between FVE Managers, Inc. and SNH SE Habersham Savannah Tenant LLC (Habersham House)

Management Agreement dated December 1, 2011 between FVE Managers, Inc. and SNH CALI Tenant LLC (Tiffany Court)

Management Agreement dated December 15, 2011 between FVE Managers, Inc. and SNH BRFL Tenant LLC (Five Star Premier Residences of Boca Raton)

Management Agreement dated December 15, 2011 between FVE Managers, Inc. and SNH CCMD Tenant LLC (Five Star Premier Residences of Chevy Chase)

Management Agreement dated December 15, 2011 between FVE Managers, Inc. and SNH PLFL Tenant LLC (Five Star Premier Residences of Plantation)

Management Agreement dated December 15, 2011 between FVE Managers, Inc. and SNH Teaneck Tenant LLC (Five Star Premier Residences of Teaneck)

Management Agreement dated December 15, 2011 between FVE Managers, Inc. and SNH SE Tenant TRS, Inc. (Five Star Premier Residences of Hollywood)

Management Agreement dated December 15, 2011 between FVE Managers, Inc. and SNH SE Tenant TRS, Inc. (Five Star Premier Residences of Reno)

POOLING AGREEMENT No. 2

THIS POOLING AGREEMENT No. 2 (this “Agreement”) is made as of October 30, 2012, by and among FVE Managers, Inc. (“Manager”) and the parties listed on Schedule A (each a “TRS” and collectively, “TRSES”).

RECITALS:

Each TRS has entered into a Management Agreement with Manager (each a “Management Agreement” and collectively, the “Management Agreements”) with respect to the real estate and personal property described in Schedule B opposite such Tenant’s name which is licensed as an assisted living facility and/or a skilled nursing facility (each a “Facility” and collectively, the “Facilities”), which Management Agreements are listed on Schedule C.

The parties desire that working capital of each of the Facilities and all revenues from operation of each of the Facilities be pooled for purposes of paying operating expenses of the Facilities, fees and other amounts due to Manager and TRSES.

NOW, THEREFORE, the parties agree as follows:

**ARTICLE I
DEFINED TERMS**

1.01. Definitions. Capitalized terms used, but not otherwise defined in this Agreement shall have the meanings given to such terms in the Management Agreements. The following capitalized terms as used in this Agreement shall have the meanings set forth below:

“Additional Facility” is defined in Section 7.01.

“Additional Management Agreement” is defined in Section 7.01.

“Additional TRS” is defined in Section 7.01.

“Aggregate Annual Statement” means the Aggregate Monthly Statement for the month of December in each year.

“Aggregate Base Fee” means an amount equal to 3% of the Aggregate Gross Revenues.

“Aggregate Facility Expenses” means the sum of Facility Expenses of the Facilities.

“Aggregate Gross Revenues” means the sum of Gross Revenues of the Facilities.

“Aggregate Incentive Fee” means an amount that is equal to thirty-five percent (35%) of Aggregate Net Operating Income remaining after payment of the Aggregate TRS Priority Return.

“Aggregate Invested Capital” means the sum of the Invested Capital for each of the Facilities, including each Additional Facility.

“Aggregate Monthly Statement” is defined in Section 4.01(a).

“Aggregate Net Operating Income” means an amount equal to Aggregate Gross Revenues less Aggregate Facility Expenses.

“Aggregate TRS Priority Return” means an annual amount equal to eight percent of Aggregate Invested Capital.

“Aggregate TRS Residual Payment” means an amount equal to 65% of the Aggregate Net Operating Income after payment of the Aggregate TRS Priority Return.

“Agreement” is defined in the Preamble.

“Facility” and “Facilities” is defined in the Recitals.

“Management Agreement” and “Management Agreements” is defined in the Recitals.

“Manager” is defined in the Preamble.

“Manager Shortfall Advance” is defined in Section 5.01.

“Non-Economic Facilities” is defined in Section 5.02.

“Priority Return Shortfall” is defined in Section 5.01.

“TRS” is defined in the Preamble.

ARTICLE II GENERAL

The parties agree that so long as a Facility is subject to this Agreement, all Working Capital and all Gross Revenues of such Facility shall be pooled pursuant to this Agreement and disbursed to pay all Aggregate Facility Expenses, fees and other amounts due Manager and TRSes (not including amounts due pursuant to Section 15.05 of the Management Agreements) with respect to the Facilities and that the corresponding provisions of each Management Agreement shall be superseded as provided in Section 3.03. The parties further agree that if Manager gives a notice of non-renewal of the Term with respect to any Facility, it shall be deemed to be a notice of non-renewal of the Term with respect to all the Facilities.

ARTICLE III PRIORITIES FOR DISTRIBUTION OF AGGREGATE GROSS REVENUES

3.01. Priorities for Distribution of Aggregate Gross Revenues. Aggregate Gross Revenues shall be distributed in the following order of priority:

- (1) First, to pay Aggregate Facility Expenses (which shall not include the Aggregate Base Fee).

- Section 3.02.
- (2) Second, to Manager to pay the Aggregate Base Fee and any interest that may have accrued pursuant to Section 3.02.
 - (3) Third, to TRS in an amount equal to the Aggregate TRS Priority Return and any interest that may have accrued pursuant to Section 3.02.
 - (4) Fourth, to Manager to reimburse it for payment of any Manager Shortfall Advance, plus applicable interest calculated at the Interest Rate.
 - (5) Fifth, to Manager, in an amount equal to the Aggregate Incentive Fee.
 - (6) Sixth, to TRS, in an amount equal to the Aggregate TRS Residual Payment.

3.02. Timing of Payments. Payment of the Aggregate Facility Expenses, excluding the Aggregate Base Fee, shall be made in the ordinary course of business. The Aggregate Base Fee and accrued interest, if any, shall be paid on the first Business Day of each calendar month, in advance, based upon Manager's then estimate of the prior month's Aggregate Gross Revenues. The Aggregate TRS Priority Return and accrued interest, if any, shall be paid on the first Business Day of each calendar month, in advance in approximately equal monthly installments, based upon Aggregate Invested Capital most recently reported to Manager by TRS. The Aggregate Base Fee and Aggregate TRS's Priority Return shall be subject to adjustment by increasing or decreasing the payment due in the following month based upon Aggregate Gross Revenues reflected in the Aggregate Monthly Financial Statements and increases or decreases in Aggregate Invested Capital reported to Manager by TRS, as the case may be. If any installment of the Aggregate Base Fee or the Aggregate TRS Priority Return is not paid when due, it shall accrue and bear interest at the Interest Rate. The Aggregate Incentive Fee and Aggregate TRS Residual Payment shall be paid on the last Business Day of the calendar month following the month to which such Aggregate Incentive Fee and Aggregate TRS Residual Payment relate, in arrears, and shall be based upon the Aggregate Monthly Statements. Additional adjustments to all payments will be made on an annual basis based upon the Aggregate Monthly Statements for the full calendar year and any audits conducted pursuant to Section 6.03 of the Management Agreements. The Aggregate TRS Priority Return and Aggregate TRS Residual Payment shall be allocated among TRSes as the TRSes shall determine in their sole discretion and Manager shall have no responsibility or liability in connection therewith.

3.03. Relationship with Management Agreements. For as long as this Agreement is in effect with respect to a Facility, the provisions of Section 3.01 and 3.02 shall supersede Sections 5.01 and 5.02 of the Management Agreement then in effect with the applicable Facility.

ARTICLE IV FINANCIAL STATEMENTS

Manager shall prepare and deliver the following financial statements to the TRSes:

- (a) not later than ten Business Days after the end of each calendar month, a consolidated balance sheet and related statement of income and expense of all of the Facilities for such calendar month and for the then current calendar year to date, certified

by Manager's Controller on a monthly basis and by Manager's Chief Financial Officer on a quarterly basis as being true and correct to the best of his/her knowledge ("Aggregate Monthly Statement").

(b) Manager shall also prepare and deliver such other statements or reports as any TRS may, from time to time, reasonably request.

The financial statements delivered pursuant to this Article IV are in addition to any financial statements required to be prepared and delivered pursuant to the Management Agreements.

ARTICLE V SHORTFALL; NON-ECONOMIC FACILITIES

5.01. Shortfall. If in each of three consecutive calendar years the Aggregate TRS Priority Return (together with any accrued interest) has not been paid in full (a "Priority Return Shortfall"), by notice given after December 31 of the fifth calendar year following the year in which the last Facility or Additional Facility became subject to this Agreement, within sixty (60) days after receipt of the Aggregate Annual Statement for such third year, the TRSes may terminate all, but not less than all, of the Management Agreements. Prior to exercising the right to terminate, TRSes shall give Manager notice and if within ten (10) days thereafter, Manager funds the Priority Return Shortfall (a "Manager Shortfall Advance"), TRSes shall not exercise the right to terminate, provided Manager may not exercise its right to fund the Priority Return Shortfall more frequently than once every four (4) years. Manager may recover any amounts paid by it as a Manager Shortfall Advance as provided in Section 3.01, provided that amounts not recovered during the four (4) calendar years following the year in which payment of a Manager Shortfall Advance was made shall be deemed waived and shall not be payable in any subsequent year.

5.02. Non-Economic Facilities. If the Gross Revenues of any Facility are insufficient to pay all Facility Expenses and the Base Fee of such Facility in full during each of two (2) consecutive calendar years, Manager shall, upon thirty (30) days notice to the relevant TRS, be entitled to designate such Facility a "Non-Economic Facility." Notwithstanding the foregoing, Manager shall not be entitled without the Owner's consent to designate Facilities for which the Invested Capital in the aggregate would exceed twenty percent (20%) of Aggregate Invested Capital and further provided for purposes of this Section 5.02 only, Aggregate Invested Capital shall be determined without giving effect to the termination of the Management Agreement of a Non-Economic Facility and without reduction for proceeds from the sale, or deemed sale, of any Non-Economic Facility. Manager may request an increase in the foregoing twenty percent (20%) threshold at any time, which Owner may accept or reject in its sole discretion.

Manager shall market a Facility designated as a Non-Economic Facility for sale and any costs incurred by the Manager in connection with such marketing activities and the sale of such Facility shall be paid out of the net proceeds of such sale. The relevant TRS and Owner shall cooperate with Manager in compiling any relevant information, preparing marketing materials and otherwise in connection with the sale of a Non-Economic Facility.

5.03. Sale Process. If a Non-Economic Facility is marketed for sale in accordance with Section 5.02 and Manager receives an offer therefor which it wishes to accept on behalf of the

TRS and Owner, Manager shall give the relevant TRS prompt notice thereof, which notice shall include a copy of the offer and any other information reasonably requested by such TRS. If the relevant TRS, on behalf of the relevant Owner, shall fail to accept or reject such offer within seven (7) Business Days after receipt of such notice and other information from Manager, such offer shall be deemed to be accepted. If the offer is rejected by the relevant TRS on behalf of the relevant Owner and, if the Manager elects to continue marketing the Facility by providing written notice to the relevant TRS within seven (7) days of such rejection and the Manager does not obtain another offer within ninety (90) days that is accepted by the relevant TRS, the Non-Economic Facility shall be deemed to have been sold to the relevant TRS on the date, at the price and on the other terms contained in the offer. If a Non-Economic Facility is sold to a third party or deemed to have been sold to the relevant Owner pursuant to such offer, effective as of the date of sale or deemed sale: (i) the Management Agreement shall terminate with respect to such Non-Economic Facility; (ii) the Aggregate Invested Capital shall be reduced by an amount equal to the net proceeds of sale after reduction for the costs and expenses of the relevant TRS, relevant Owner and/or Manager (or, in the case of a deemed sale, the net proceeds of sale determined by reference to such offer, after reduction for any amounts actually expended and any amounts which would reasonably have been expected to have been expended if the sale had been consummated, by the relevant TRS, relevant Owner and/or Manager). If the reduction of Aggregate Invested Capital is less than the Invested Capital of the Non-Economic Facility sold or deemed sold, the difference shall be proportionately reallocated to the Invested Capital of the remaining Facilities.

ARTICLE VI ACCOUNTS

All Working Capital and all Gross Revenues of each of the Facilities may be pooled and deposited in one or more bank accounts in the name(s) of the TRSes designated by Manager, which accounts may, except as required by any Mortgage and related loan documentation or applicable law, be commingled accounts containing other funds owned by or managed by Manager. Manager shall be authorized to access the accounts without the approval of TRSes, subject to any limitation on the maximum amount of any check, if any, established between Manager and TRSes as part of the Annual Operating Budgets. One or more TRSes shall be a signatory on all accounts maintained with respect to the Facility, and TRSes shall have the right to require that one or more TRS's signature be required on all checks/withdrawals after the occurrence of an Event of Default by Manager under this Agreement. The TRSes shall provide such instructions to the applicable bank(s) as are necessary to permit Manager to implement the Manager's rights and obligations under this Agreement. The failure of any TRS to provide such instructions shall relieve Manager of its obligations hereunder until such time as such failure is cured.

ARTICLE VII ADDITION AND REMOVAL OF FACILITIES

7.01. Addition of Facilities. At any time and from time to time, Manager and any TRS or any Affiliate of TRS (an "Additional TRS") which enters into a management agreement with Manager (an "Additional Management Agreement") for the operation of an additional assisted living facility or skilled nursing facility (an "Additional Facility"), the Additional TRS may

become a party to this Agreement by signing an accession agreement confirming the applicability of this Agreement to such Additional Facility. If an Additional Facility is made subject to this Agreement other than on the first day of a calendar month, the parties shall include such prorated amounts of the Gross Revenues and Facility Expenses (and other amounts as may be necessary) applicable to the Additional Facility for such calendar month, as mutually agreed in their reasonable judgment, in the calculation of Aggregate Gross Revenues and Aggregate Facility Expenses (and other amounts as may be necessary) for the calendar month in which the Additional Facility became subject to this Agreement and shall make any other prorations, adjustments, allocations and changes required. Additionally, any amounts held as Working Capital or for Capital Replacements at the Additional Facility, if any, shall be held by Manager under this Agreement.

7.02. Removal of Facilities. From and after the date of termination of any Management Agreement, the Facility managed thereunder shall no longer be subject to this Agreement. If the termination occurs on a day other than the last day of a calendar month, the parties shall exclude such prorated amounts of the Gross Revenues and Facility Expenses (and other amounts as may be necessary) applicable to such Facility for such calendar month, as mutually agreed in their reasonable judgment, in the calculation of Aggregate Gross Revenues and Aggregate Facility Expenses (and other amounts as may be necessary) for the calendar month in which the termination occurred. Additionally, the relevant TRS and Manager, both acting reasonably, shall mutually agree to the portion of the Working Capital and Aggregate Gross Revenues and any amounts being held by Manager for Capital Replacements allocable to the Facility being removed from this Agreement and the amount of the Working Capital, Aggregate Gross Revenues and amounts being held by Manager for Capital Replacements, if any, so allocated shall be remitted to the relevant TRS and the relevant TRS and Manager shall make any other prorations, adjustments, allocations and changes required.

ARTICLE VIII TERM AND TERMINATION

8.01. Term. This Agreement shall continue and remain in effect indefinitely unless terminated pursuant to Section 8.02.

8.02. Termination. This Agreement may be terminated as follows:

- (a) By the mutual consent of Manager and TRSes which are parties to the Agreement.
- (b) Automatically, if all Management Agreements terminate or expire for any reason.
- (c) By Manager, if any or all TRSes do not cure a material breach of this Agreement by any TRS or Owner within thirty (30) days of written notice of such breach from Manager and if such breach is not cured, it shall be an Event of Default under the Management Agreements.
- (d) By TRSes, if Manager does not cure a material breach of this Agreement by Manager within thirty (30) days of written notice of such breach from any TRS.

8.03. Effect of Termination. Upon the termination of this Agreement, except as otherwise provided in Section 12.02(i) or 14.04 of the Management Agreements, Manager shall be compensated for its services only through the date of termination and all amounts remaining in any accounts maintained by Manager pursuant to Article VI, after payment of such amounts as may be due to Manager hereunder, shall be distributed to TRSes. Notwithstanding the foregoing, upon the termination of any single Management Agreement, pooled funds shall be allocated as described in Section 7.02.

8.04. Survival. The following Sections of this Agreement shall survive the termination of this Agreement: 8.03 and Article IX.

ARTICLE IX MISCELLANEOUS PROVISIONS

9.01. Notices. All notices, demands, consents, approvals, and requests given by any party to another party hereunder shall be in writing and shall be deemed to have been duly given when delivered in person, upon confirmation of receipt when transmitted by facsimile transmission, or on the next business day if transmitted by nationally recognized overnight courier, to the parties at the following addresses:

To TRS :

c/o SNH SE Tenant TRS, Inc.
Two Newton Place
225 Washington Street
Newton, Massachusetts 02458
Attn: David J. Hegarty
Telephone: (617) 796-8104
Facsimile: (617) 796-8349

To Manager :

FVE Managers, Inc.
400 Centre Street
Newton, Massachusetts 02458
Attn: Bruce J. Mackey
Telephone: (617) 796-8214
Facsimile: (617) 796-8243

9.02. Applicable Law; Arbitration. This Agreement shall be interpreted, construed, applied and enforced in accordance with the laws of the Commonwealth of Massachusetts, with regard to its "choice of law" rules. Any "Dispute" (as such term is defined in the Management Agreements) under this Agreement shall be resolved through final and binding arbitration conducted in accordance with the procedures and with the effect of, arbitration as provided for in the Management Agreements.

9.03. Severability. If any term or provision of this Agreement or the application thereof in any circumstance is held invalid, illegal or unenforceable in any respect for any reason, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions hereof shall not be in any way impaired, unless the provisions held invalid, illegal or unenforceable shall substantially impair the benefits of the remaining provisions hereof.

9.04. Gender and Number. Whenever the context of this Agreement requires, the gender of all words herein shall include the masculine, feminine, and neuter, and the number of all words herein shall include the singular and plural.

9.05. Headings and Interpretation. The descriptive headings in this Agreement are for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement. References to "Section" in this Agreement shall be a reference to a Section of this Agreement unless otherwise indicated. Whenever the words "include", "includes" or "including" are used in this Agreement they shall be deemed to be followed by "without limitation." The words "hereof," "herein," "hereby," and "hereunder, when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision unless otherwise indicated. The word "or" shall not be exclusive. This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting.

9.06. Confidentiality of Information. Any information exchanged between the Manager and each TRS pursuant to the terms and conditions of this Agreement shall be subject to Sections 17.06 or 17.07 of the Management Agreement and the Business Associate Agreement entered into between the Manager and each TRS.

9.07. Assignment. Neither Manager nor any TRS may assign its rights and obligations under this Agreement to any other Person without the prior written consent of the other parties.

9.08. Entire Agreement; Construction; Amendment. With respect to the subject matter hereof, this Agreement supersedes all previous contracts and understandings between the parties and constitutes the entire Agreement between the parties with respect to the subject matter hereof. Accordingly, in the event of any conflict between the provisions of this Agreement and the Management Agreements, the provisions of this Agreement shall control, and the provisions of the Management Agreements are deemed amended and modified, in each case as required to give effect to the intent of the parties in this Agreement. All other terms and conditions of the Management Agreements shall remain in full force and effect; provided that, to the extent that compliance with this Agreement shall cause a default, breach or other violation of the Management Agreement by one party, the other party waives any right of termination, indemnity, arbitration or otherwise under the Management Agreement related to that specific default, breach or other violations, to the extent caused by compliance with this Agreement. This Agreement may not be modified, altered or amended in any manner except by an amendment in writing, duly executed by the parties hereto.

9.09. Third Party Beneficiaries. The terms and conditions of this Agreement shall inure to the benefit of, and be binding upon, the respective successors, heirs, legal representatives or

permitted assigns of each of the parties hereto and except for Owners, which are intended third party beneficiaries, no Person other than the parties hereto and their successors and permitted assigns is intended to be a beneficiary of this Agreement.

[Signatures begin on the following page.]

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement with the intention of creating an instrument under seal.

FVE Managers, Inc.

By: /s/ Bruce J. Mackey Jr.
Bruce J. Mackey Jr.
President

SNH SE Tenant TRS, Inc.

By: /s/ Richard A. Doyle
Richard A. Doyle
President

SNH SE Daniel Island Tenant LLC

By: /s/ Richard A. Doyle
Richard A. Doyle
President

SNH SE SG Tenant LLC

By: /s/ Richard A. Doyle
Richard A. Doyle
President

Schedule A

TRSeS

SNH SE Tenant TRS, Inc.

SNH SE Daniel Island Tenant LLC

SNH SE SG Tenant LLC

Schedule B

Facilities

Five Star Premier Residences of Pompano Beach, Pompano Beach, FL

The Terrace at Priceville, Priceville, AL

Summit Place of Daniel Island, Charleston, SC

Savannah Grace and Cooper Hall, Mt. Pleasant SC

The Gardens at Sun City, Sun City, AZ

The Gardens at Scottsdale, Scottsdale, AZ

The Gardens at Virginia Beach, Virginia Beach, VA

The Gardens at Bellaire, Bellaire, TX

The Horizon Club, Deerfield Beach, Deerfield, FL

Calusa Harbour, Fort Myers, FL

Stratford Court of Palm Harbor, Palm Harbor, FL

The Gardens of Port St. Lucie, Port St. Lucie, FL

Schedule C

Management Agreements

Management Agreement dated December 15, 2011 between FVE Managers, Inc. and SNH SE Tenant TRS, Inc. (Five Star Premier Residences of Pompano Beach)

Management Agreement dated February 1, 2012 between FVE Managers, Inc. and SNH SE Tenant TRS, Inc. (The Terrace at Priceville)

Management Agreement dated May 29, 2012, 2012 between FVE Managers, Inc. and SNH SE Daniel Island Tenant LLC (Summit Place of Daniel Island)

Management Agreement dated July 1, 2012, 2012 between FVE Managers, Inc. and SNH SE SG Tenant LLC (Cooper Hall and Savannah Grace)

Management Agreement dated September 1, 2012 between FVE Managers, Inc. and SNH SE Tenant TRS, Inc. (The Gardens of Sun City)

Management Agreement dated September 1, 2012 between FVE Managers, Inc. and SNH SE Tenant TRS, Inc. (The Gardens of Scottsdale)

Management Agreement dated September 1, 2012 between FVE Managers, Inc. and SNH SE Tenant TRS, Inc. (The Gardens of Virginia Beach)

Management Agreement dated October 1, 2012 between FVE Managers, Inc. and SNH SE Tenant TRS, Inc. (The Gardens of Bellaire)

Management Agreement dated October 1, 2012 between FVE Managers, Inc. and SNH SE Tenant TRS, Inc. (The Horizon Club)

Management Agreement dated October 1, 2012 between FVE Managers, Inc. and SNH SE Tenant TRS, Inc. (Calusa Harbour)

Management Agreement dated October 1, 2012 between FVE Managers, Inc. and SNH SE Tenant TRS, Inc. (Stratford Court of Palm Harbor)

Management Agreement dated October 1, 2012 between FVE Managers, Inc. and SNH SE Tenant TRS, Inc. (The Gardens of Port St. Lucie)

AMENDMENT NO. 2 TO MASTER CREDIT FACILITY AGREEMENT

THIS AMENDMENT NO. 2 TO MASTER CREDIT FACILITY AGREEMENT (this “**Amendment**”) is made as of August 31, 2012 by and among (i) SNH FM FINANCING LLC, a Delaware limited liability company (“**Borrower**”); (ii) CITIBANK, N.A., a national banking association (“**Lender**”); and (iii) FANNIE MAE, a corporation duly organized and existing under the Federal National Mortgage Association Charter Act, as amended, 12 U.S.C. § 1716, et seq., and duly organized and existing under the laws of the United States (together with its successors and assigns, “**Fannie Mae**”).

RECITALS

A. Borrower and Lender are parties to that certain Master Credit Facility Agreement dated as of August 4, 2009, as modified by that certain Amendment No. 1 to Master Credit Facility Agreement dated as of February 1, 2010 (as the same may be further amended, restated, modified or supplemented from time to time, the “**Master Agreement**”).

B. Pursuant to the Master Agreement, Lender provided term loans in the aggregate principal amount of \$512,934,000 to Borrower, comprised of a \$205,174,000 Variable Loan, and a \$307,760,000 Fixed Loan.

C. Immediately after the execution of the Master Agreement, the Lender’s interests under the Master Agreement were assigned by the Lender to Fannie Mae pursuant to that certain Assignment of Master Credit Facility Agreement and Other Loan Documents dated as of August 4, 2009.

D. Borrower has asked Fannie Mae and Lender to consent to the release (the “**Release**”) of certain Mortgaged Properties set forth on Annex A attached hereto (the “**Released Mortgaged Properties**”) from the Master Agreement.

E. In connection with the Release, Borrower is making a payment to Lender in the amount of \$199,197,750.15 with \$198,434,287.52 to be applied to the Variable Loan and \$763,462.63 to be applied to the Fixed Loan, so that as of the date hereof, the principal amount Outstanding on the Variable Loan is zero and the principal amount Outstanding on the Fixed Loan is \$297,630,802.15.

F. Borrower, Lender and Fannie Mae desire to amend the Master Agreement to account for the Release.

G. Fannie Mae, Lender and Borrower intend these Recitals to be a material part of this Amendment.

NOW, THEREFORE, the parties hereto, in consideration of the mutual promises and agreements set forth herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby conclusively acknowledged, hereby agree as follows:

Section 1. Capitalized Terms. All capitalized terms used in this Amendment which are not specifically defined herein shall have the respective meanings set forth in the Master Agreement.

Section 2. Amendments.

A. Fannie Mae and Lender hereby consent to the Release of the Released Mortgaged Properties so that from and after the date hereof, the Mortgaged Properties will be as set forth in Annex B attached hereto.

B. **Schedule I; Minimum Rent Payments** . Schedule I of the Master Agreement is hereby deleted and replaced in its entirety by Schedule I attached hereto.

Section 3. Operating Lease. Pursuant to Section 8.21 of the Master Agreement, Fannie Mae and Lender hereby consent to the Partial Termination of and Amendment No. 2 to Amended and Restated Master Lease in the form annexed hereto as Annex C.

Section 4. Expansion Documents. The following agreements are hereby terminated and of no further force or effect:

A. That certain Expansion and Security Agreement dated as of October 7, 2009 by and among Borrower, SNH FM Financing Trust and Fannie Mae relating to the Released Mortgage Property known as HeartFields at Easton;

B. That certain Expansion Guaranty by Senior Housing Properties Trust (“ Guarantor ”) for the benefit of Fannie Mae dated as of October 7, 2009 relating to the Released Mortgage Property known as HeartFields at Easton;

C. That certain Expansion and Security Agreement dated as of December 15, 2010 by and between Borrower and Fannie Mae relating to the Released Mortgaged Property known as Gables at Winchester; and

D. That certain Expansion Guaranty by Guarantor for the benefit of Fannie Mae dated as of December 15, 2010 relating to the Released Mortgaged Property known as Gables at Winchester.

Section 5 . Fees. Borrower hereby absolutely and unconditionally agrees to pay, or cause to be paid, to Lender and Fannie Mae the amount of any fees, costs, charges or expenses, including attorneys’ fees and disbursements, incurred by Lender and Fannie Mae in connection with this Amendment.

Section 6. Full Force and Effect. Except as expressly modified hereby, the Master Agreement and all of the terms, conditions, covenants, agreements and provisions thereof remain in full force and effect and are hereby ratified and affirmed.

Section 7. Counterparts. This Amendment may be executed in counterparts by the parties hereto, and each such counterpart shall be considered an original and all such counterparts shall constitute one and the same instrument.

Section 8 . **Representations and Warranties**. Borrower represents and warrants to Fannie Mae and Lender as follows:

(a) Borrower has the requisite power and authority to execute and deliver this Amendment.

(b) The execution, delivery and performance of this Amendment has been duly authorized by all necessary action and proceedings by or on behalf of Borrower, and no further approvals or filings of any kind, including any approval of or filing with any Governmental Authority, are required by or on behalf of Borrower as a condition to the valid execution, delivery and performance by Borrower of this Amendment.

(c) This Amendment has been duly authorized, executed and delivered by Borrower and constitutes the legal, valid and binding obligations of Borrower, enforceable against Borrower in accordance with its terms.

(d) All representations and warranties set forth in the Master Certificate of Borrower are true and correct in all material respects as of the date hereof.

(e) There exists no Event of Default or Potential Event of Default under the Master Agreement or any of the Loan Documents as of the date hereof.

Section 9. **Governing Law**. The provisions of Section 15.06 of the Master Agreement (entitled “Choice of Law; Consent to Jurisdiction; Waiver of Jury Trial”) are hereby incorporated into this Amendment by this reference to the fullest extent as if the text of such Section were set forth in its entirety herein.

[The remainder of this page has been intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the day and year first above written.

BORROWER :

SNH FM FINANCING LLC , a Delaware limited liability company

By: /s/ David J. Hegarty

Name: David J. Hegarty

Title: President

[Signatures continue on following page.]

ACKNOWLEDGED AND AGREED TO BY IDOT GUARANTORS:

SNH FM FINANCING TRUST , a Maryland real estate investment trust

By: /s/ David J. Hegarty

Name: David J. Hegarty

Title: President

ELLCOTT CITY LAND I, LLC , a Delaware limited liability company

By: /s/ David J. Hegarty

Name: David J. Hegarty

Title: President

[Signatures continue on following page.]

ACKNOWLEDGED AND AGREED TO BY KEY PRINCIPAL GUARANTOR:

SENIOR HOUSING PROPERTIES TRUST , a Maryland real
estate investment trust

By: /s/ David J. Hegarty

Name: David J. Hegarty

Title: President

[Signatures continue on following page.]

LENDER :

CITIBANK, N.A. , a national banking association

By: /s/ Kathy Millhouse
Name: Kathy Millhouse
Title: Vice President

[Signatures continue on following page.]

FANNIE MAE

By: /s/ Michael W. Dick

Name: Michael W. Dick

Title: Assistant Vice President

ANNEX A

Released Mortgaged Properties

PROPERTY NAME	ADDRESS
Desert Harbor	13840 North Desert Harbor Drive, Peoria, AZ 85381
Tucson	2500 North Rosemont Blvd., Tucson, AZ 85712
Remington Club I & II	16925 and 16916 Hierba Drive, San Diego, CA 92128
Park Summit	8500 Royal Palm Blvd., Coral Springs, FL 33065
Savannah Square	One Savannah Square Drive, Savannah, GA 31406
Aspenwood	14400 Homecrest Road, Silver Springs, MD 20906
Gables at Winchester	299 Cambridge Street, Winchester, MA 01890
Memorial Woods	777 North Post Oak Road, Houston, TX 77024
Bellgrade	2800 Polo Parkway, Midlothian, VA 23113
HeartFields at Easton	700 Port Street, Easton, MD 21601

ANNEX B

Remaining Mortgaged Properties

PROPERTY NAME	ADDRESS
Rio Las Palmas	877 East March Lane, Stockton, CA 95207
Foulk Manor North	1212 Foulk Road, Wilmington, DE 19803
Coral Oaks	900 West Lake Road, Palm Harbor, FL 34684
Forum at the Crossing	8505 Woodfield Crossing Blvd., Indianapolis, IN 46240
Overland Park	3501 West 95th Street, Overland Park, KS 66206
Brookside	200 Brookside Drive, Louisville, KY 40243
Ellicott City	3004 North Ridge Road, Ellicott City, MD 21043
Severna Park	715 Benfield Road, Severna Park, MD 21146
Montebello	10500 Academy Road, Albuquerque, NM 87111
Cary	1050 Crescent Green Drive, Cary, NC 27511
Knightsbridge	4590 and 4625 Knightsbridge Blvd., Columbus, OH 43214
Lincoln Heights	311 West Nottingham Road, San Antonio, TX 78209
Woodlands	5055 W Panther Creek Drive, Woodlands, TX 77381
Charlottesville	491 Crestwood Drive, Charlottesville, VA 22903
Frederickburg	20 HeartFields Lane, Fredericksburg, VA 22405
Newport News	655 Denbigh Boulevard, Newport News, VA 23608
Northshore	10803 North Port Washington Road, Mequon, WI 53092

ANNEX C

Amendment No. 2 to Amended and Restated Master Lease

C-1

**PARTIAL TERMINATION OF AND AMENDMENT NO. 2 TO
AMENDED AND RESTATED MASTER LEASE AGREEMENT**

THIS PARTIAL TERMINATION OF AND AMENDMENT NO. 2 TO AMENDED AND RESTATED MASTER LEASE AGREEMENT (this “Amendment”) is made as of August 31, 2012 by and among SNH FM FINANCING LLC, a Delaware limited liability company, SNH FM FINANCING TRUST, a Maryland real estate investment trust, and ELLICOTT CITY LAND I, LLC, a Delaware limited liability company, collectively as landlord (“Landlord”), and FVE FM FINANCING, INC., a Maryland corporation, as tenant (“Tenant”).

WITNESSETH:

WHEREAS, pursuant to the terms of that certain Amended and Restated Master Lease Agreement, dated as of August 4, 2009, as amended by that certain Amendment No. 1 to Amended and Restated Master Lease Agreement (as so amended, the “Lease”), Landlord leases to Tenant, and Tenant leases from Landlord, the Leased Property (this and other capitalized terms used but not otherwise defined herein having the meanings given such terms in the Lease), all as more particularly described in the Lease; and

WHEREAS, as of the date hereof, Landlord is conveying to its affiliate certain of the Leased Property known as and located at (i) Forum at Desert Harbor, 13840 North Desert Harbor Drive, Peoria, Arizona, more particularly described on Exhibit A-1 to the Lease; (ii) Forum at Tucson, 2500 North Rosemont Blvd., Tucson, Arizona, more particularly described on Exhibit A-2 to the Lease; (iii) The Remington Club I and II, 16925 and 16916 Hierba Drive, San Diego, California, more particularly described on Exhibit A-3 to the Lease; (iv) Park Summit at Coral Springs, 8500 Royal Palm Blvd., Coral Springs, Florida, more particularly described on Exhibit A-6 to the Lease; (v) Savannah Square, One Savannah Square Drive, Savannah, Georgia, more particularly described on Exhibit A-8 to the Lease; (vi) Gables at Winchester, 299 Cambridge Street, Winchester, Massachusetts, more particularly described on Exhibit A-12 to the Lease; (vii) HeartFields at Easton, 700 Port Street, Easton, Maryland, more particularly described on Exhibit A-13 to the Lease; (viii) Aspenwood, 14400 Homecrest Road, Silver Spring, Maryland, more particularly described on Exhibit A-16 to the Lease; (ix) Forum at Memorial Woods, 777 North Post Oak Road, Houston, Texas, more particularly described on Exhibit A-20 to the Lease; and (x) Morningside of Bellgrade, 2800 Polo Parkway, Midlothian, Virginia, more particularly described on Exhibit A-25 to the Lease (collectively, the “Terminated Properties”); and

WHEREAS, in connection with the conveyance of the Terminated Properties, Landlord and Tenant wish to amend the Lease to terminate the Lease with respect to the Terminated Properties;

NOW, THEREFORE, in consideration of the mutual covenants herein contained and other good and valuable consideration, the mutual receipt and legal sufficiency of which are hereby acknowledged, Landlord and Tenant hereby agree that, effective as of the date hereof, the Lease is hereby amended as follows:

1. Partial Termination of Lease. The Lease is terminated with respect to the Terminated Properties and neither Landlord nor Tenant shall have any further rights or liabilities

thereunder with respect to the Terminated Properties from and after the date hereof, except for those rights and liabilities which by their terms survive the termination of the Lease.

2. Definition of Minimum Rent. The defined term “Minimum Rent” set forth in Section 1.67 of the Lease is deleted in its entirety and replaced with the following:

“ **Minimum Rent** ” shall mean the sum of Thirty-Three Million, Six Hundred Seventy-Nine Thousand, Seven Hundred Sixteen and 55/100 Dollars (\$33,679,716.55) per annum.

3. Schedule 1. Schedule 1 to the Lease is deleted in its entirety and replaced with Schedule 1 attached hereto.

4. Exhibit A. Exhibit A to the Lease is amended by deleting the text of Exhibits A-1, A-2, A-3, A-6, A-8, A-12, A-13, A-16, A-20 and A-25 attached thereto in their entirety and replacing them with “Intentionally Deleted.”

5. Ratification. As amended hereby, the Lease is ratified and confirmed.

**[Remainder of page intentionally left blank;
signature pages follow]**

IN WITNESS WHEREOF , the parties have executed this Amendment as a sealed instrument as of the date above first written.

LANDLORD:

SNH FM FINANCING LLC

By: /s/ David J. Hegarty

David J. Hegarty

President

SNH FM FINANCING TRUST

By: /s/ David J. Hegarty

David J. Hegarty

President

ELLCOTT CITY LAND I, LLC

By: /s/ David J. Hegarty

David J. Hegarty

President

TENANT:

FVE FM FINANCING, INC.

By: /s/ Bruce J. Mackey Jr.
Bruce J. Mackey Jr.
President

SCHEDULE 1**PROPERTY-SPECIFIC INFORMATION**

Exhibit	Property Address	Base Gross Revenues (Calendar Year)	Base Gross Revenues (Dollar Amount)	Commencement Date	Interest Rate
A-1	Intentionally Deleted	N/A	N/A	N/A	N/A
A-2	Intentionally Deleted	N/A	N/A	N/A	N/A
A-3	Intentionally Deleted	N/A	N/A	N/A	N/A
A-4	Rio Las Palmas 877 East March Lane Stockton, CA 95207	2005	\$ 4,204,464	09/30/2003	10%
A-5	Foulk Manor North 1212 Foulk Road Wilmington, DE 19803	2005	\$ 7,666,221	01/11/2002	10%
A-6	Intentionally Deleted	N/A	N/A	N/A	N/A
A-7	Coral Oaks 900 West Lake Road Palm Harbor, FL 34684	2005	\$ 9,051,220	01/11/2002	10%
A-8	Intentionally Deleted	N/A	N/A	N/A	N/A
A-9	Forum at the Crossing 8505 Woodfield Crossing Blvd. Indianapolis, IN 46240	2005	\$ 11,973,559	01/11/2002	10%
A-10	Forum at Overland Park 3501 West 95th Street Overland Park, KS 66206	2005	\$ 9,674,467	01/11/2002	10%
A-11	Forum at Brookside 200 Brookside Drive Louisville, KY 40243	2005	\$ 12,831,113	01/11/2002	10%
A-12	Intentionally Deleted	N/A	N/A	N/A	N/A
A-13	Intentionally Deleted	N/A	N/A	N/A	N/A
A-14	Heartlands at Ellicott City 3004 North Ridge Road Ellicott City, MD 21043	2005	\$ 7,872,811	03/01/2004	10%
A-15	Heartlands at Severna Park 715 Benfield Road Severna Park, MD 21146	2005	\$ 3,521,926	10/25/2002	10%
A-16	Intentionally Deleted	N/A	N/A	N/A	N/A

Exhibit	Property Address	Base Gross Revenues (Calendar Year)	Base Gross Revenues (Dollar Amount)	Commencement Date	Interest Rate
A-17	HeartFields at Cary 1050 Crescent Green Drive Cary, NC 27511	2005	\$ 3,092,311	10/25/2002	10%
A-18	Montebello 10500 Academy Road Albuquerque, NM 87111	2005	\$ 10,739,724	01/11/2002	10%
A-19	Forum at Knightsbridge 4590 and 4625 Knightsbridge Blvd. Columbus, OH 43214	2005	\$ 15,290,522	01/07/2002	10%
A-20	Intentionally Deleted	N/A	N/A	N/A	N/A
A-21	Forum at Lincoln Heights 311 West Nottingham Road San Antonio, TX 78209	2005	\$ 12,559,927	01/11/2002	10%
A-22	Forum at Woodlands 5055 W Panther Creek Drive The Woodlands, TX 77381	2005	\$ 13,072,902	01/11/2002	10%
A-23	Morningside of Charlottesville 491 Crestwood Drive Charlottesville, VA 22903	2006	\$ 3,016,125	11/19/2004	9%
A-24	HeartFields at Fredericksburg 20 HeartFields Lane Fredericksburg, VA 22405	2005	\$ 3,654,848	10/25/2002	10%
A-25	Intentionally Deleted	N/A	N/A	N/A	N/A
A-26	Morningside of Newport News 655 Denbigh Boulevard Newport News, VA 23608	2006	\$ 3,226,806	11/19/2004	9%
A-27	Meadowmere - Northshore Assisted Living 10803 North Port Washington Road Mequon, WI 53092	2009	N/A	01/04/2008	8%

SCHEDULE I**Minimum Rent Payments**

Facility Name	Address	Annual Rent
Rio Las Palmas	877 East March Lane, Stockton, CA 95207	\$ 1,661,696.51
Foulk Manor North	1212 Foulk Road, Wilmington, DE 19803	\$ 937,623.64
Coral Oaks	900 West Lake Road, Palm Harbor, FL 34684	\$ 2,792,032.53
Forum at the Crossing	8505 Woodfield Crossing Blvd., Indianapolis, IN 46240	\$ 2,168,373.36
Overland Park	3501 West 95th Street, Overland Park, KS 66206	\$ 2,056,810.61
Brookside	200 Brookside Drive, Louisville, KY 40243	\$ 2,951,968.50
Ellicott City	3004 North Ridge Road, Ellicott City, MD 21043	\$ 3,004,253.10
Severna Park	715 Benfield Road, Severna Park, MD 21146	\$ 1,137,224.52
Montebello	10500 Academy Road, Albuquerque, NM 87111	\$ 3,099,167.99
Cary	1050 Crescent Green Drive, Cary, NC 27511	\$ 660,584.81
Knightsbridge	4590 and 4625 Knightsbridge Blvd., Columbus, OH 43214	\$ 3,672,918.36
Lincoln Heights	311 West Nottingham Road, San Antonio, TX 78209	\$ 3,416,946.99
Woodlands	5055 W Panther Creek Drive, Woodlands, TX 77381	\$ 2,920,729.79
Charlottesville	491 Crestwood Drive, Charlottesville, VA 22903	\$ 809,579.17
Frederickburg	20 HeartFields Lane, Fredericksburg, VA 22405	\$ 920,480.87
Newport News	655 Denbigh Boulevard, Newport News, VA 23608	\$ 705,186.70
Northshore	10803 North Port Washington Road, Mequon, WI 53092	\$ 764,139.09
TOTAL:		<u><u>\$ 33,679,716.55</u></u>

Schedule I-1

EIGHTH AMENDMENT TO
AMENDED AND RESTATED MASTER LEASE AGREEMENT
(LEASE NO. 1)

THIS EIGHTH AMENDMENT TO AMENDED AND RESTATED MASTER LEASE AGREEMENT (LEASE NO. 1) (this “Amendment”) is made and entered into as of August 31, 2012 by and among each of the parties identified on the signature pages hereof as a landlord (collectively, “Landlord”) and FIVE STAR QUALITY CARE TRUST, a Maryland business trust (“Tenant”).

WITNESSETH:

WHEREAS, pursuant to the terms of that certain Amended and Restated Master Lease Agreement (Lease No. 1), dated as of August 4, 2009, as amended by that certain Partial Termination of and First Amendment to Amended and Restated Master Lease Agreement (Lease No. 1), dated as of October 1, 2009, that certain Second Amendment to Amended and Restated Master Lease Agreement (Lease No. 1), dated as of November 17, 2009, that certain Third Amendment to Amended and Restated Master Lease Agreement (Lease No. 1), dated as of December 10, 2009, that certain Partial Termination of and Fourth Amendment to Amended and Restated Master Lease Agreement (Lease No. 1), dated as of August 1, 2010, that certain Fifth Amendment to Amended and Restated Master Lease Agreement (Lease No. 1), dated as of May 1, 2011, that certain Partial Termination of and Sixth Amendment to Amended and Restated Master Lease Agreement (Lease No. 1), dated as of June 1, 2011 and that certain Seventh Amendment to Amended and Restated Master Lease Agreement (Lease No. 1), dated as of June 20, 2011 (as so amended, “Amended Lease No. 1”), Landlord leases to Tenant, and Tenant leases from Landlord, the Leased Property (this and other capitalized terms used but not otherwise defined herein having the meanings given such terms in Amended Lease No. 1), all as more particularly described in Amended Lease No. 1; and

WHEREAS, simultaneously herewith, SNH/LTA Properties Trust (“SNH/LTA”) has acquired the real property and related improvements comprising: (i) the senior living facility known as Aspenwood and located at 14400 Homecrest Road, Silver Spring, MD 20906, as more particularly described on Exhibit A-64 attached hereto (the “Aspenwood Property”); and (ii) the senior living facility known as HeartFields at Easton and located at 700 Port Street, Easton, MD 21601, as more particularly described on Exhibit A-65 attached hereto (the “Easton Property”); and

WHEREAS, SNH/LTA wishes to lease the Aspenwood Property and the Easton Property to Tenant and Tenant wishes to lease the Aspenwood Property and the Easton Property from SNH/LTA; and

WHEREAS, SNH/LTA and the other entities comprising Landlord, and Tenant, wish to amend Amended Lease No. 1 to include the Aspenwood Property and the Easton Property;

NOW, THEREFORE, in consideration of the mutual covenants herein contained and other good and valuable consideration, the mutual receipt and legal sufficiency of which are hereby acknowledged, Landlord and Tenant hereby agree that, effective as of the date hereof, Amended Lease No. 1 is hereby amended as follows:

1. Definition of Minimum Rent. The defined term “Minimum Rent” set forth in Section 1.68 of Amended Lease No. 1 is deleted in its entirety and replaced with the following:

“**Minimum Rent**” shall mean the sum of Fifty-Eight Million, Five Hundred Forty-Seven Thousand, Two Hundred Twenty-One and 50/100 Dollars (\$58,547,221.50) per annum.

2. Leased Property. Section 2.1 of Amended Lease No. 1 is hereby amended by deleting subsection (a) therefrom in its entirety and replacing it with the following:

(a) those certain tracts, pieces and parcels of land as more particularly described on Exhibits A-1 through A-65 attached hereto and made a part hereof (the “Land”);

3. Arbitration. Article 22 of Amended Lease No. 1 is deleted in its entirety and replaced with the following:

ARTICLE 22

ARBITRATION

(a) Any disputes, claims or controversies between or among the parties hereto (i) arising out of or relating to this Agreement, or (ii) brought by or on behalf of any shareholder of the parties hereto (which, for purposes of this Article 22, shall mean any shareholder of record or any beneficial owner of shares of the parties hereto, or any former shareholder of record or beneficial owner of shares of the parties hereto), either on his, her or its own behalf, on behalf of the parties hereto or on behalf of any series or class of shares of the parties hereto or shareholders of the parties hereto against the parties hereto or any trustee, director, officer, manager (including Reit Management & Research LLC or its successor), agent or employee of the parties hereto, including disputes, claims or controversies relating to the meaning, interpretation, effect, validity, performance or enforcement of this Agreement, including this arbitration agreement, the declaration of trust, limited liability company agreement, partnership agreement or analogous governing instruments, as applicable, of the parties hereto, or the bylaws of the parties hereto (all of which are referred to as “Disputes”), or relating in any way to such a Dispute or Disputes, shall on the demand of any party to such Dispute be resolved through binding and final arbitration in accordance with the Commercial Arbitration Rules (the “Rules”) of the American Arbitration Association (“AAA”) then in effect, except as those Rules may be modified in this Article 22. For the avoidance of doubt, and not as a limitation, Disputes are intended to include derivative actions against trustees, directors, officers or managers of the parties hereto and class actions by a shareholder against those individuals or entities and the parties hereto. For the avoidance of doubt, a Dispute shall include a Dispute made derivatively on behalf of one party against another party.

(b) There shall be three arbitrators. If there are only two parties to the Dispute (with, for purposes of this Article 22, any and all parties involved in the Dispute and owned by the same ultimate parent entity treated as one party), each party shall select one arbitrator within 15 days after receipt by respondent of a copy of the demand for arbitration. Such arbitrators may be affiliated or interested persons of such parties. If either party fails to timely select an arbitrator,

the other party to the Dispute shall select the second arbitrator who shall be neutral and impartial and shall not be affiliated with or an interested person of either party. If there are more than two parties to the Dispute, all claimants, on the one hand, and all respondents, on the other hand, shall each select, by the vote of a majority of the claimants or the respondents, as the case may be, one arbitrator. Such arbitrators may be affiliated or interested persons of the claimants or the respondents, as the case may be. If either all claimants or all respondents fail to timely select an arbitrator then such arbitrator (who shall be neutral, impartial and unaffiliated with any party) shall be appointed by the AAA. The two arbitrators so appointed shall jointly appoint the third and presiding arbitrator (who shall be neutral, impartial and unaffiliated with any party) within 15 days of the appointment of the second arbitrator. If the third arbitrator has not been appointed within the time limit specified herein, then the AAA shall provide a list of proposed arbitrators in accordance with the Rules, and the arbitrator shall be appointed by the AAA in accordance with a listing, striking and ranking procedure, with each party having a limited number of strikes, excluding strikes for cause.

(c) The place of arbitration shall be Boston, Massachusetts unless otherwise agreed by the parties.

(d) There shall be only limited documentary discovery of documents directly related to the issues in dispute, as may be ordered by the arbitrators.

(e) In rendering an award or decision (the “Award”), the arbitrators shall be required to follow the laws of the Commonwealth of Massachusetts. Any arbitration proceedings or Award rendered hereunder and the validity, effect and interpretation of this arbitration agreement shall be governed by the Federal Arbitration Act, 9 U.S.C. §1 et seq. The Award shall be in writing and may, but shall not be required to, briefly state the findings of fact and conclusions of law on which it is based.

(f) Except to the extent expressly provided by Article 22 or as otherwise agreed by the parties, each party involved in a Dispute shall bear its own costs and expenses (including attorneys’ fees), and the arbitrators shall not render an award that would include shifting of any such costs or expenses (including attorneys’ fees) or, in a derivative case or class action, award any portion of Assignor’s or Assignee’s award to the claimant or the claimant’s attorneys. Except to the extent otherwise agreed by the parties, each party (or, if there are more than two parties to the Dispute, all claimants, on the one hand, and all respondents, on the other hand, respectively) shall bear the costs and expenses of its (or their) selected arbitrator and the parties (or, if there are more than two parties to the Dispute, all claimants, on the one hand, and all respondents, on the other hand) shall equally bear the costs and expenses of the third appointed arbitrator.

(g) An Award shall be final and binding upon the parties thereto and shall be the sole and exclusive remedy between such parties relating to the Dispute, including any claims, counterclaims, issues or accounting presented to the arbitrators. Judgment upon the Award may be entered in any court having jurisdiction. To the fullest extent permitted by law, no application or appeal to any court of competent jurisdiction may be made in connection with any question of law arising in the course of arbitration or with respect to any award made except for actions relating to enforcement of this agreement to arbitrate or any arbitral award issued hereunder and

except for actions seeking interim or other provisional relief in aid of arbitration proceedings in any court of competent jurisdiction.

(h) Any monetary award shall be made and payable in U.S. dollars free of any tax, deduction or offset. Each party against which the Award assesses a monetary obligation shall pay that obligation on or before the 30th day following the date of the Award or such other date as the Award may provide.

(i) This Article 22 is intended to benefit and be enforceable by the shareholders, trustees, directors, officers, managers (including Reit Management & Research LLC or its successor), agents or employees of any party and the parties and shall be binding on the shareholders of any party and the parties, as applicable, and shall be in addition to, and not in substitution for, any other rights to indemnification or contribution that such individuals or entities may have by contract or otherwise.

4. Schedule 1. Schedule 1 to Amended Lease No. 1 is deleted in its entirety and replaced with Schedule 1 attached hereto.

5. Exhibit A. Exhibit A to Amended Lease No. 1 is amended by adding Exhibit A-64 and Exhibit A-65 attached hereto immediately following Exhibit A-63 to Amended Lease No. 1.

6. Ratification. As amended hereby, Amended Lease No. 1 is hereby ratified and confirmed.

[Remainder of page intentionally left blank; signature pages follow]

IN WITNESS WHEREOF , the parties have executed this Amendment as a sealed instrument as of the date above first written.

LANDLORD:

SNH SOMERFORD PROPERTIES TRUST

By: /s/ David J. Hegarty

David J. Hegarty

President

SPTMNR PROPERTIES TRUST

By: /s/ David J. Hegarty

David J. Hegarty

President

SNH/LTA PROPERTIES TRUST

By: /s/ David J. Hegarty

David J. Hegarty

President

SPTIHS PROPERTIES TRUST

By: /s/ David J. Hegarty

David J. Hegarty

President

SNH CHS PROPERTIES TRUST

By: /s/ David J. Hegarty

David J. Hegarty

President

SNH/LTA PROPERTIES GA LLC

By: /s/ David J. Hegarty

David J. Hegarty

President

TENANT:

FIVE STAR QUALITY CARE TRUST

By: /s/ Bruce J. Mackey Jr.

Bruce J. Mackey Jr.
President

SCHEDULE 1**PROPERTY-SPECIFIC INFORMATION**

Exhibit	Property Address	Base Gross Revenues (Calendar Year)	Base Gross Revenues (Dollar Amount)	Commencement Date	Interest Rate
A-1	La Mesa Healthcare Center 2470 South Arizona Avenue Yuma, AZ 85364	2005	\$ 6,333,157	12/31/2001	10%
A-2	SunQuest Village of Yuma 265 East 24 th Street Yuma, AZ 85364	2005	\$ 543,595	12/31/2001	10%
A-3	Somerford Place - Encinitas 1350 South El Camino Real Encinitas, CA 92024	2009	N/A	03/31/2008	8%
A-4	Somerford Place - Fresno 6075 North Marks Avenue Fresno, CA 93711	2009	N/A	03/31/2008	8%
A-5	Lancaster Healthcare Center 1642 West Avenue J Lancaster, CA 93534	2005	\$ 6,698,648	12/31/2001	10%
A-6	Somerford Place — Redlands 1319 Brookside Avenue Redlands, CA 92373	2009	N/A	03/31/2008	8%
A-7	Somerford Place - Roseville 110 Sterling Court Roseville, CA 95661	2009	N/A	03/31/2008	8%
A-8	Leisure Pointe 1371 Parkside Drive San Bernardino, CA 92404	2007	\$ 1,936,220	09/01/2006	8.25%
A-9	Van Nuys Health Care Center 6835 Hazeltine Street Van Nuys, CA 91405	2005	\$ 3,626,353	12/31/2001	10%
A-10	Mantey Heights Rehabilitation & Care Center 2825 Patterson Road Grand Junction, CO 81506	2005	\$ 5,564,949	12/31/2001	10%
A-11	Cherrelyn Healthcare Center 5555 South Elati Street Littleton, CO 80120	2005	\$ 12,574,200	12/31/2001	10%
A-12	Somerford House and Somerford Place — Newark I & II 501 South Harmony Road and 4175 Ogletown Road Newark, DE 19713	2009	N/A	03/31/2008	8%
A-13	Tuscany Villa Of Naples (aka Buena Vida) 8901 Tamiami Trail East Naples, FL 34113	2008	\$ 2,157,675	09/01/2006	8.25%
A-14	Intentionally Deleted.	N/A	N/A	N/A	N/A
A-15	Morningside of Columbus 7100 South Stadium Drive Columbus, GA 31909	2006	\$ 1,381,462	11/19/2004	9%
A-16	Morningside of Dalton 2470 Dug Gap Road Dalton, GA 30720	2006	\$ 1,196,357	11/19/2004	9%
A-17	Morningside of Evans 353 North Belair Road Evans, GA 30809	2006	\$ 1,433,421	11/19/2004	9%

Exhibit	Property Address	Base Gross Revenues (Calendar Year)	Base Gross Revenues (Dollar Amount)	Commencement Date	Interest Rate
A-18	Vacant Land Adjacent to Morningside of Macon 6191 Peake Road Macon, GA 31220	2006	N/A	11/19/2004	9%
A-19	Intentionally Deleted.	N/A	N/A	N/A	N/A
A-20	Union Park Health Services 2401 East 8 th Street Des Moines, IA 50316	2005	\$ 4,404,678	12/31/2001	10%
A-21	Park Place 114 East Green Street Glenwood, IA 51534	2005	\$ 8,109,512	12/31/2001	10%
A-22	Prairie Ridge Care & Rehabilitation 608 Prairie Street Mediapolis, IA 52637	2005	\$ 3,234,505	12/31/2001	10%
A-23	Ashwood Place 102 Leonardwood Frankfort, KY 40601	2007	\$ 1,769,726	09/01/2006	8.25%
A-24	Somerford Place - Annapolis 2717 Riva Road Annapolis, MD 21401	2009	N/A	03/31/2008	8%
A-25	Somerford Place - Columbia 8220 Snowden River Parkway Columbia, MD 21045	2009	N/A	03/31/2008	8%
A-26	Somerford Place - Frederick 2100 Whittier Drive Frederick, MD 21702	2009	N/A	03/31/2008	8%
A-27	Somerford Place - Hagerstown 10114 & 10116 Sharpsburg Pike Hagerstown, MD 21740	2009	N/A	03/31/2008	8%
A-28	The Wellstead of Rogers 20500 and 20600 South Diamond Lake Road Rogers, MN 55374	2009	N/A	03/01/2008	8%
A-29	Arbor View Healthcare & Rehabilitation (aka Beverly Manor) 1317 North 36th St St. Joseph, MO 64506	2005	\$ 4,339,882	12/31/2001	10%
A-30	Hermitage Gardens of Oxford 1488 Belk Boulevard Oxford, MS 38655	2007	\$ 1,816,315	10/01/2006	8.25%
A-31	Hermitage Gardens of Southaven 108 Clarington Drive Southaven, MS 38671	2007	\$ 1,527,068	10/01/2006	8.25%
A-32	Ashland Care Center 1700 Furnace Street Ashland, NE 68003	2005	\$ 4,513,891	12/31/2001	10%
A-33	Blue Hill Care Center 414 North Wilson Street Blue Hill, NE 68930	2005	\$ 2,284,065	12/31/2001	10%
A-34	Central City Care Center 2720 South 17 th Avenue Central City, NE 68462	2005	\$ 2,005,732	12/31/2001	10%
A-35	Intentionally deleted.	N/A	N/A	N/A	N/A
A-36	Gretna Community Living Center 700 South Highway 6 Gretna, NE 68028	2005	\$ 3,380,356	12/31/2001	10%

Exhibit	Property Address	Base Gross Revenues (Calendar Year)	Base Gross Revenues (Dollar Amount)	Commencement Date	Interest Rate
A-37	Sutherland Care Center 333 Maple Street Sutherland, NE 69165	2005	\$ 2,537,340	12/31/2001	10%
A-38	Waverly Care Center 11041 North 137 th Street Waverly, NE 68462	2005	\$ 3,066,135	12/31/2001	10%
A-39	Intentionally deleted.	N/A	N/A	N/A	N/A
A-40	Ridgepointe 5301 Brownsville Road Pittsburgh, PA 15236	2006	\$ 1,944,499	10/31/2005	9%
A-41	Mount Vernon of South Park 1400 Riggs Road South Park, PA 15129	2006	\$ 2,718,057	10/31/2005	9%
A-42	Morningside of Gallatin 1085 Hartsville Pike Gallatin, TN 37066	2006	\$ 1,343,801	11/19/2004	9%
A-43	Walking Horse Meadows 207 Uffelman Drive Clarksville, TN 37043	2007	\$ 1,471,410	01/01/2007	8.25%
A-44	Morningside of Belmont 1710 Magnolia Boulevard Nashville, TN 37212	2006	\$ 3,131,648	06/03/2005	9%
A-45	Dominion Village at Chesapeake 2856 Forehand Drive Chesapeake, VA 23323	2005	\$ 1,416,951	05/30/2003	10%
A-46	Dominion Village at Williamsburg 4132 Longhill Road Williamsburg, VA 23188	2005	\$ 1,692,753	05/30/2003	10%
A-47	Heartfields at Richmond 500 North Allen Avenue Richmond, VA 23220	2005	\$ 1,917,765	10/25/2002	10%
A-48	Brookfield Rehabilitation and Specialty Care (aka Woodland Healthcare Center) 18741 West Bluemound Road Brookfield, WI 53045	2005	\$ 13,028,846	12/31/2001	10%
A-49	Meadowmere - Southport Assisted Living 8350 and 8351 Sheridan Road Kenosha, WI 53143	2009	N/A	01/04/2008	8%
A-50	Meadowmere - Madison Assisted Living 5601 Burke Road Madison, WI 53718	2009	N/A	01/04/2008	8%
A-51	Sunny Hill Health Care Center 4325 Nakoma Road Madison, WI 53711	2005	\$ 3,237,633	12/31/2001	10%
A-52	Mitchell Manor Senior Living 5301 West Lincoln Avenue West Allis, WI 53219	2009	N/A	01/04/2008	8%
A-53	Laramie Care Center 503 South 18 th Street Laramie, WY 82070	2005	\$ 4,473,949	12/31/2001	10%

Exhibit	Property Address	Base Gross Revenues (Calendar Year)	Base Gross Revenues (Dollar Amount)	Commencement Date	Interest Rate
A-54	Haven in Highland Creek 5920 McChesney Drive Charlotte, NC 28269	2010	N/A	11/17/2009	8.75%
	Laurels in Highland Creek 6101 Clark Creek Parkway Charlotte, NC 28269				
A-55	Haven in the Village at Carolina Place 13150 Dorman Road Pineville, NC 28134	2010	N/A	11/17/2009	8.75%
	Laurels in the Village at Carolina Place 13180 Dorman Road Pineville, NC 28134				
A-56	Haven in the Summit 3 Summit Terrace Columbia, SC 29229	2010	N/A	11/17/2009	8.75%
A-57	Haven in the Village at Chanticleer 355 Berkman's Lane Greenville, SC 29605	2010	N/A	11/17/2009	8.75%
A-58	Haven in the Texas Hill Country 747 Alpine Drive Kerrville, TX 78028	2010	N/A	11/17/2009	8.75%
A-59	Haven in Stone Oak 511 Knights Cross Drive San Antonio, TX 78258	2010	N/A	11/17/2009	8.75%
	Laurels in Stone Oak 575 Knights Cross Drive San Antonio, TX 78258				
A-60	Eastside Gardens 2078 Scenic Highway North Snellville, GA 30078	2010	N/A	12/10/2009	8.75%
A-61	Crimson Pointe 7130 Crimson Ridge Drive Rockford, IL 61107	2012	N/A	05/01/2011	8%
A-62	Talbot Park 6311 Granby Street Norfolk, VA 23305	2012	N/A	06/20/2011	7.5%
A-63	The Landing at Parkwood Village 1720 Parkwood Boulevard Wilson, NC 27893	2012	N/A	06/20/2011	7.5%
A-64	Aspenwood 14400 Homecrest Road Silver Spring, MD 20906	2005	\$ 4,470,354	10/25/2002	10%
A-65	HeartFields at Easton 700 Port Street Easton, MD 21601	2005	\$ 2,545,887	10/25/2002	10%

Exhibit A-64

**Aspenwood
14400 Homecrest Road
Silver Spring, MD 20906**

(See attached copy.)

Aspenwood
14400 Homecrest Road
Silver Springs, MD 20906

Legal Description

All that property situate in Montgomery County, Maryland, and described as follows:

Lot numbered Twenty-seven (27) Resubdivision of Lots Thirteen (13), Fourteen (14), Fifteen (15) and Parts of 1 and 2 in the subdivision known as BEL PRE FARMS, per Plat Book 148 at Plat 36918 and recorded among the Land Records of Montgomery County, Maryland.

Exhibit A-65

**HeartFields at Easton
700 Port Street
Easton, MD 21601**

(See attached copy.)

HeartFields at Easton
700 Port Street
Easton, MD 21601

Legal Description

All that property situate in Talbot County, Maryland, and described as follows:

All that property containing 3.025 acres of land more or less, more particularly designated as Lot 4 on a plat entitled "FINAL SUBDIVISION PLAT OF LOT 1 OF LONDONDERRY IN THE TOWN OF EASTON FIRST ELECTION DISTRICT, TALBOT COUNTY, MARYLAND", dated November, 1998 and prepared by McCrane, Inc., said plat was recorded among the Plat Records of Talbot County in Plat MAS No. 4/9366.

TOGETHER with benefits in Cross Easement Agreement in Liber 931 folio 001.

TOGETHER WITH a 60 foot wide right-of-way to be used in common with others legal entitled thereto, for purposes of ingress and egress to and from Port Street as shown on a plat entitled "PLAT SHOWING LONDONDERRY" IN THE TOWN OF EASTON, TALBOT COUNTY, MARYLAND, prepared by Rauch, Walls and Sans, Inc. dated April 1992 and recorded among the Plat Records of Talbot County, Maryland, in Liber PC 2 folio 50CC.

**FIFTH AMENDMENT TO
AMENDED AND RESTATED MASTER LEASE AGREEMENT
(LEASE NO. 2)**

THIS FIFTH AMENDMENT TO AMENDED AND RESTATED MASTER LEASE AGREEMENT (LEASE NO. 2) (this “Amendment”) is made and entered into as of August 31, 2012, by and among each of the parties identified on the signature pages hereof as a landlord (collectively, “Landlord”) and each of the parties identified on the signature pages hereof as a tenant (jointly and severally, “Tenant”).

WITNESSETH:

WHEREAS, pursuant to the terms of that certain Amended and Restated Master Lease Agreement (Lease No. 2), dated as of August 4, 2009, as amended by that certain Partial Termination of and First Amendment to Amended and Restated Master Lease Agreement (Lease No. 2), dated as of November 1, 2009, that certain Partial Termination of and Second Amendment to Amended and Restated Master Lease Agreement (Lease No. 2), dated as of August 1, 2010, that certain Third Amendment to Amended and Restated Master Lease Agreement (Lease No. 2), dated as of June 20, 2011, and that certain Fourth Amendment to Amended and Restated Master Lease Agreement (Lease No. 2), dated as of July 22, 2011 (as so amended, “Amended Lease No. 2”), Landlord leases to Tenant, and Tenant leases from Landlord, the Leased Property (this and other capitalized terms used but not otherwise defined herein having the meanings given such terms in Amended Lease No. 2), all as more particularly described in Amended Lease No. 2; and

WHEREAS, simultaneously herewith, SNH/LTA Properties Trust (“SNH/LTA”) has acquired certain senior living facilities known as: (i) Forum at Desert Harbor, located at 13840 North Desert Harbor Drive, Peoria, AZ 85381, as more particularly described on Exhibit A-53 attached hereto (“Desert Harbor”); (ii) Forum at Tucson, located at 2500 North Rosemont Blvd., Tucson, AZ 85712, as more particularly described on Exhibit A-54 attached hereto (“Tucson”); (iii) Park Summit at Coral Springs, located at 8500 Royal Palm Blvd., Coral Springs, FL 33065, as more particularly described on Exhibit A-55 attached hereto (“Coral Springs”); (iv) Gables at Winchester, located at 299 Cambridge Street, Winchester, MA 01890, as more particularly described on Exhibit A-56 attached hereto (“Winchester”); and (v) Forum at Memorial Woods, located at 777 North Post Oak Road, Houston, TX 77024, as more particularly described on Exhibit A-57 attached hereto (“Memorial Woods”) and together with Desert Harbor, Tucson, Coral Springs and Winchester, the “Acquired Properties”); and

WHEREAS, SNH/LTA wishes to lease the Acquired Properties to Five Star Quality Care Trust (“FSQC Trust”) and FSQC Trust wishes to lease the Acquired Properties from SNH/LTA; and

WHEREAS, SNH/LTA and the other entities comprising Landlord, and FSQC Trust and the other entities comprising Tenant, wish to amend Amended Lease No. 2 to include the Acquired Properties;

NOW, THEREFORE, in consideration of the mutual covenants herein contained and other good and valuable consideration, the mutual receipt and legal sufficiency of which are

hereby acknowledged, Landlord and Tenant hereby agree that, effective from and after the date hereof, Amended Lease No. 2 is hereby amended as follows:

1. Definition of Minimum Rent. The defined term “Minimum Rent” set forth in Section 1.67 of Amended Lease No. 2 is deleted in its entirety and replaced with the following:

“ **Minimum Rent** ” shall mean the sum of Sixty-Nine Million Eight Hundred Ninety Thousand Two Hundred Sixty and 00/100 Dollars (\$69,890,260.00) per annum.

2. Leased Property. Section 2.1 of Amended Lease No. 2 is amended by deleting subsection (a) therefrom in its entirety and replacing it with the following:

(a) those certain tracts, pieces and parcels of land as more particularly described on Exhibits A-1 through A-57 attached hereto and made a part hereof (the “ Land ”);

3. Arbitration. Article 22 of Amended Lease No. 1 is deleted in its entirety and replaced with the following:

ARTICLE 22

ARBITRATION

(a) Any disputes, claims or controversies between or among the parties hereto (i) arising out of or relating to this Agreement, or (ii) brought by or on behalf of any shareholder of the parties hereto (which, for purposes of this Article 22, shall mean any shareholder of record or any beneficial owner of shares of the parties hereto, or any former shareholder of record or beneficial owner of shares of the parties hereto), either on his, her or its own behalf, on behalf of the parties hereto or on behalf of any series or class of shares of the parties hereto or shareholders of the parties hereto against the parties hereto or any trustee, director, officer, manager (including Reit Management & Research LLC or its successor), agent or employee of the parties hereto, including disputes, claims or controversies relating to the meaning, interpretation, effect, validity, performance or enforcement of this Agreement, including this arbitration agreement, the declaration of trust, limited liability company agreement, partnership agreement or analogous governing instruments, as applicable, of the parties hereto, or the bylaws of the parties hereto (all of which are referred to as “ Disputes ”), or relating in any way to such a Dispute or Disputes, shall on the demand of any party to such Dispute be resolved through binding and final arbitration in accordance with the Commercial Arbitration Rules (the “ Rules ”) of the American Arbitration Association (“ AAA ”) then in effect, except as those Rules may be modified in this Article 22. For the avoidance of doubt, and not as a limitation, Disputes are intended to include derivative actions against trustees, directors, officers or managers of the parties hereto and class actions by a shareholder against those individuals or entities and the parties hereto. For the avoidance of doubt, a Dispute shall include a Dispute made derivatively on behalf of one party against another party.

(b) There shall be three arbitrators. If there are only two parties to the Dispute (with, for purposes of this Article 22, any and all parties involved in the Dispute and owned by the same ultimate parent entity treated as one party), each party shall select one arbitrator within 15 days after receipt by respondent of a copy of the demand for arbitration. Such arbitrators may be affiliated or interested persons of such parties. If either party fails to timely select an arbitrator, the other party to the Dispute shall select the second arbitrator who shall be neutral and impartial and shall not be affiliated with or an interested person of either party. If there are more than two parties to the Dispute, all claimants, on the one hand, and all respondents, on the other hand, shall each select, by the vote of a majority of the claimants or the respondents, as the case may be, one arbitrator. Such arbitrators may be affiliated or interested persons of the claimants or the respondents, as the case may be. If either all claimants or all respondents fail to timely select an arbitrator then such arbitrator (who shall be neutral, impartial and unaffiliated with any party) shall be appointed by the AAA. The two arbitrators so appointed shall jointly appoint the third and presiding arbitrator (who shall be neutral, impartial and unaffiliated with any party) within 15 days of the appointment of the second arbitrator. If the third arbitrator has not been appointed within the time limit specified herein, then the AAA shall provide a list of proposed arbitrators in accordance with the Rules, and the arbitrator shall be appointed by the AAA in accordance with a listing, striking and ranking procedure, with each party having a limited number of strikes, excluding strikes for cause.

(c) The place of arbitration shall be Boston, Massachusetts unless otherwise agreed by the parties.

(d) There shall be only limited documentary discovery of documents directly related to the issues in dispute, as may be ordered by the arbitrators.

(e) In rendering an award or decision (the “Award”), the arbitrators shall be required to follow the laws of the Commonwealth of Massachusetts. Any arbitration proceedings or Award rendered hereunder and the validity, effect and interpretation of this arbitration agreement shall be governed by the Federal Arbitration Act, 9 U.S.C. §1 et seq. The Award shall be in writing and may, but shall not be required to, briefly state the findings of fact and conclusions of law on which it is based.

(f) Except to the extent expressly provided by Article 22 or as otherwise agreed by the parties, each party involved in a Dispute shall bear its own costs and expenses (including attorneys’ fees), and the arbitrators shall not render an award that would include shifting of any such costs or expenses (including attorneys’ fees) or, in a derivative case or class action, award any portion of Assignor’s or Assignee’s award to the claimant or the claimant’s attorneys. Except to the extent otherwise agreed by the parties, each party (or, if there are more than two parties to the Dispute, all claimants, on the one hand, and all respondents, on the other hand, respectively) shall bear the costs and expenses of its (or their) selected arbitrator and the parties (or, if there are more than two parties to the Dispute, all claimants, on the one hand, and all respondents, on the other hand) shall equally bear the costs and expenses of the third appointed arbitrator.

(g) An Award shall be final and binding upon the parties thereto and shall be the sole and exclusive remedy between such parties relating to the Dispute, including any claims,

counterclaims, issues or accounting presented to the arbitrators. Judgment upon the Award may be entered in any court having jurisdiction. To the fullest extent permitted by law, no application or appeal to any court of competent jurisdiction may be made in connection with any question of law arising in the course of arbitration or with respect to any award made except for actions relating to enforcement of this agreement to arbitrate or any arbitral award issued hereunder and except for actions seeking interim or other provisional relief in aid of arbitration proceedings in any court of competent jurisdiction.

(h) Any monetary award shall be made and payable in U.S. dollars free of any tax, deduction or offset. Each party against which the Award assesses a monetary obligation shall pay that obligation on or before the 30th day following the date of the Award or such other date as the Award may provide.

(i) This Article 22 is intended to benefit and be enforceable by the shareholders, trustees, directors, officers, managers (including Reit Management & Research LLC or its successor), agents or employees of any party and the parties and shall be binding on the shareholders of any party and the parties, as applicable, and shall be in addition to, and not in substitution for, any other rights to indemnification or contribution that such individuals or entities may have by contract or otherwise.

4. Schedule 1. Schedule 1 to Amended Lease No. 2 is deleted in its entirety and replaced with Schedule 1 attached hereto.

5. Exhibit A. Exhibit A to Amended Lease No. 2 is amended by adding Exhibits A-53 through A-57, attached hereto, immediately following Exhibit A-52 to Amended Lease No. 2.

6. Ratification. As amended hereby, Amended Lease No. 2 is hereby ratified and confirmed.

[Remainder of page intentionally left blank; signature pages follow]

IN WITNESS WHEREOF , the parties have executed this Amendment as a sealed instrument as of the date above first written.

LANDLORD:

SPTIHS PROPERTIES TRUST

By: /s/ David J. Hegarty
David J. Hegarty
President

SPTMNR PROPERTIES TRUST

By: /s/ David J. Hegarty
David J. Hegarty
President

SNH/LTA PROPERTIES GA LLC

By: /s/ David J. Hegarty
David J. Hegarty
President

SNH/LTA PROPERTIES TRUST

By: /s/ David J. Hegarty
David J. Hegarty
President

O.F.C. CORPORATION

By: /s/ David J. Hegarty
David J. Hegarty
President

SNH CHS PROPERTIES TRUST

By: /s/ David J. Hegarty
David J. Hegarty
President

CCC OF KENTUCKY TRUST

By: /s/ David J. Hegarty
David J. Hegarty
President

LEISURE PARK VENTURE LIMITED PARTNERSHIP

By: CCC Leisure Park Corporation,
its General Partner

By: /s/ David J. Hegarty

David J. Hegarty
President

CCDE SENIOR LIVING LLC

By: /s/ David J. Hegarty

David J. Hegarty
President

CCOP SENIOR LIVING LLC

By: /s/ David J. Hegarty

David J. Hegarty
President

CCC PUEBLO NORTE TRUST

By: /s/ David J. Hegarty

David J. Hegarty
President

CCC RETIREMENT COMMUNITIES II, L.P.

By: Crestline Ventures LLC,
its General Partner

By: /s/ David J. Hegarty

David J. Hegarty
President

CCC INVESTMENTS I, L.L.C.

By: /s/ David J. Hegarty

David J. Hegarty
President

CCC FINANCING I TRUST

By: /s/ David J. Hegarty

David J. Hegarty
President

CCC FINANCING LIMITED, L.P.

By: CCC Retirement Trust,
its General Partner

By: /s/ David J. Hegarty

David J. Hegarty
President

SNH SOMERFORD PROPERTIES TRUST

By: /s/ David J. Hegarty

David J. Hegarty
President

HRES1 PROPERTIES TRUST

By: /s/ David J. Hegarty

David J. Hegarty
President

TENANT:

FIVE STAR QUALITY CARE TRUST

By: /s/ Bruce J. Mackey Jr.
Bruce J. Mackey Jr.
President

FS TENANT HOLDING COMPANY TRUST

By: /s/ Bruce J. Mackey Jr.
Bruce J. Mackey Jr.
President

FS COMMONWEALTH LLC

By: /s/ Bruce J. Mackey Jr.
Bruce J. Mackey Jr.
President

FS PATRIOT LLC

By: /s/ Bruce J. Mackey Jr.
Bruce J. Mackey Jr.
President

SCHEDULE 1**PROPERTY-SPECIFIC INFORMATION**

Exhibit	Property Address	Base Gross Revenues (Calendar Year)	Base Gross Revenues (Dollar Amount)	Commencement Date	Interest Rate
A-1	Ashton Gables in Riverchase 2184 Parkway Lake Drive Birmingham, AL 35244	2009	N/A	08/01/2008	8%
A-2	Lakeview Estates 2634 Valleydale Road Birmingham, AL 35244	2009	N/A	08/01/2008	8%
A-3	Forum at Pueblo Norte 7090 East Mescal Street Scottsdale, AZ 85254	2005	\$ 11,470,312	01/11/2002	10%
A-4	La Salette Health and Rehabilitation Center 537 East Fulton Street Stockton, CA 95204	2005	\$ 7,726,002	12/31/2001	10%
A-5	Thousand Oaks Health Care Center 93 West Avenida de Los Arboles Thousand Oaks, CA 91360	2005	\$ 8,087,430	12/31/2001	10%
A-6	Skyline Ridge Nursing & Rehabilitation Center 515 Fairview Avenue Canon City, CO 81212	2005	\$ 4,104,100	12/31/2001	10%
A-7	Springs Village Care Center 110 West Van Buren Street Colorado Springs, CO 80907	2005	\$ 4,799,252	12/31/2001	10%
A-8	Willow Tree Care Center 2050 South Main Street Delta, CO 81416	2005	\$ 4,310,982	12/31/2001	10%
A-9	Cedars Healthcare Center 1599 Ingalls Street Lakewood, CO 80214	2005	\$ 6,964,007	12/31/2001	10%
A-10	Millcroft 255 Possum Park Road Newark, DE 19711	2005	\$ 11,410,121	01/11/2002	10%
A-11	Forwood Manor 1912 Marsh Road Wilmington, DE 19810	2005	\$ 13,446,434	01/11/2002	10%
A-12	Foulk Manor South 407 Foulk Road Wilmington, DE 19803	2005	\$ 4,430,251	01/11/2002	10%
A-13	Shipley Manor 2723 Shipley Road Wilmington, DE 19810	2005	\$ 9,333,057	01/11/2002	10%
A-14	Forum at Deer Creek 3001 Deer Creek Country Club Blvd. Deerfield Beach, FL 33442	2005	\$ 12,323,581	01/11/2002	10%
A-15	Springwood Court 12780 Kenwood Lane Fort Myers, FL 33907	2005	\$ 2,577,612	01/11/2002	10%
A-16	Fountainview 111 Executive Center Drive West Palm Beach, FL 33401	2005	\$ 7,920,202	01/11/2002	10%

Exhibit	Property Address	Base Gross Revenues (Calendar Year)	Base Gross Revenues (Dollar Amount)	Commencement Date	Interest Rate
A-17	Morningside of Athens 1291 Cedar Shoals Drive Athens, GA 30605	2006	\$ 1,560,026	11/19/2004	9%
A-18	Marsh View Senior Living 7410 Skidaway Road Savannah, GA 31406	2007	\$ 2,108,378	11/01/2006	8.25%
A-19	Pacific Place 20937 Kane Avenue Pacific Junction, IA 51561	2005	\$ 848,447	12/31/2001	10%
A-20	West Bridge Care & Rehabilitation 1015 West Summit Street Winterset, IA 50273	2005	\$ 3,157,928	12/31/2001	10%
A-21	Meadowood Retirement Community 2455 Tamarack Trail Bloomington, IN 47408	2009	N/A	11/01/2008	8%
A-22	Woodhaven Care Center 510 West 7 th Street Ellinwood, KS 67526	2005	\$ 2,704,674	12/31/2001	10%
A-23	Lafayette at Country Place 690 Mason Headley Road Lexington, KY 40504	2005	\$ 4,928,052	01/11/2002	10%
A-24	Lexington Country Place 700 Mason Headley Road Lexington, KY 40504	2005	\$ 8,893,947	01/11/2002	10%
A-25	Braintree Rehabilitation Hospital 250 Pond Street Braintree, MA 02184	N/A	N/A	10/01/2006	9%
A-26	New England Rehabilitation Hospital 2 Rehabilitation Way Woburn, MA 01801	N/A	N/A	10/01/2006	9%
A-27	HeartFields at Bowie 7600 Laurel Bowie Road Bowie, MD 20715	2005	\$ 2,436,102	10/25/2002	10%
A-28	HeartFields at Frederick 1820 Latham Drive Frederick, MD 21701	2005	\$ 2,173,971	10/25/2002	10%
A-29	Intentionally deleted.	N/A	N/A	N/A	N/A
A-30	Intentionally deleted.	N/A	N/A	N/A	N/A
A-31	Morys Haven 1112 15 th Street Columbus, NE 68601	2005	\$ 2,440,714	12/31/2001	10%
A-32	Intentionally deleted.	N/A	N/A	N/A	N/A
A-33	Wedgewood Care Center 800 Stoeger Drive Grand Island, NE 68803	2005	\$ 4,000,565	12/31/2001	10%
A-34	Intentionally deleted.	N/A	N/A	N/A	N/A
A-35	Crestview Healthcare Center 1100 West First Street Milford, NE 68405	2005	\$ 2,284,407	12/31/2001	10%
A-36	Utica Community Care Center 1350 Centennial Avenue Utica, NE 68456	2005	\$ 1,950,325	12/31/2001	10%
A-37	Leisure Park 1400 Route 70 Lakewood, NJ 08701	2005	\$ 14,273,446	01/07/2002	10%

Exhibit	Property Address	Base Gross Revenues (Calendar Year)	Base Gross Revenues (Dollar Amount)	Commencement Date	Interest Rate
A-38	Franciscan Manor 71 Darlington Road Patterson Township Beaver Falls, PA 15010	2006	\$ 4,151,818	10/31/2005	9%
A-39	Mount Vernon of Elizabeth 145 Broadlawn Drive Elizabeth, PA 15037	2006	\$ 2,332,574	10/31/2005	9%
A-40	Overlook Green 5250 Meadowgreen Drive Whitehall, PA 15236	2006	\$ 3,878,300	10/31/2005	9%
A-41	Myrtle Beach Manor 9547 Highway 17 North Myrtle Beach, SC 29572	2005	\$ 6,138,714	01/11/2002	10%
A-42	Morningside of Anderson 1304 McLees Road Anderson, SC 29621	2006	\$ 1,381,775	11/19/2004	9%
A-43	Heritage Place at Boerne 120 Crosspoint Drive Boerne, TX 78006	2009	N/A	02/07/2008	8%
A-44	Forum at Park Lane 7831 Park Lane Dallas, TX 75225	2005	\$ 13,620,931	01/11/2002	10%
A-45	Heritage Place at Fredericksburg 96 Frederick Road Fredericksburg, TX 78624	2009	N/A	02/07/2008	8%
A-46	Greentree Health & Rehabilitation Center 70 Greentree Road Clintonville, WI 54929	2005	\$ 3,038,761	12/31/2001	10%
A-47	Pine Manor Health Care Center Village of Embarrass 1625 East Main Street Clintonville, WI 54929	2005	\$ 4,337,113	12/31/2001	10%
A-48	ManorPointe - Oak Creek Independent Senior Apartments and Meadowmere - Mitchell Manor - Oak Creek 700 East Stonegate Drive and 701 East Puetz Road Oak Creek, WI 53154	2009	N/A	01/04/2008	8%
A-49	River Hills West Healthcare Center 321 Riverside Drive Pewaukee, WI 53072	2005	\$ 9,211,765	12/31/2001	10%
A-50	The Virginia Health & Rehabilitation Center 1451 Cleveland Avenue Waukesha, WI 53186	2005	\$ 6,128,045	12/31/2001	10%
A-51	1005 Elysian Place Chesapeake, Virginia	2012	N/A	06/20/2011	7.5%
A-52	Palms at St. Lucie West 501 N.W. Cashmere Boulevard Port St. Lucie, Florida	2012	N/A	07/22/2011	7.5%
A-53	Forum at Desert Harbor 13840 North Desert Harbor Drive Peoria, AZ 85381	2005	\$ 9,830,918	01/11/2002	10.0%
A-54	Forum at Tucson 2500 North Rosemont Blvd. Tucson, AZ 85712	2005	\$ 13,258,998	01/11/2002	10.0%

Exhibit	Property Address	Base Gross Revenues (Calendar Year)	Base Gross Revenues (Dollar Amount)	Commencement Date	Interest Rate
A-55	Park Summit at Coral Springs 8500 Royal Palm Blvd. Coral Springs, FL 33065	2005	\$ 11,229,677	01/11/2002	10.0%
A-56	Gables at Winchester 299 Cambridge Street Winchester, MA 01890	2005	\$ 6,937,852	01/11/2002	10.0%
A-57	Forum at Memorial Woods 777 North Post Oak Road Houston, TX 77024	2005	\$ 19,734,400	01/11/2002	10.0%

EXHIBIT A-53

**Forum at Desert Harbor
13840 North Desert Harbor Drive
Peoria, AZ 85381**

LEGAL DESCRIPTION

Legal Description

PARCEL NO. 5:

THAT PORTION OF THE SOUTHWEST QUARTER OF SECTION 10, TOWNSHIP 3 NORTH,
RANGE 1 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, MARICOPA
COUNTY, ARIZONA, DESCRIBED AS FOLLOWS:

COMMENCING AT THE SOUTHWEST CORNER OF SAID SECTION 10, AS SHOWN ON THE
MAP OF DEDICATION FOR DESERT HARBOR RECORDED IN BOOK 288 OF MAPS, PAGE 28,
RECORDS OF MARICOPA COUNTY, ARIZONA;

THENCE NORTH 00 DEGREES 22 MINUTES 22 SECONDS EAST ALONG THE WEST LINE OF
SAID SECTION, 1528.14 FEET;

THENCE SOUTH 89 DEGREES 37 MINUTES 38 SECONDS EAST 1028.13 FEET TO A POINT ON
THE NORTHERLY BOUNDARY OF DESERT HARBOR PARCEL 12, MARKING THE
SOUTHWESTERLY CORNER OF DESERT HARBOR PARCEL 11 TO A POINT ON CURVE AND
THE POINT OF BEGINNING;

THENCE NORTHEASTERLY ALONG SAID CURVE TO THE LEFT HAVING A RADIUS OF
125.00 FEET, A CENTRAL ANGLE OF 15 DEGREES 42 MINUTES 25 SECONDS, A CHORD
BEARING OF NORTH 33 DEGREES 09 MINUTES 07 SECONDS EAST, AN ARC DISTANCE OF
34.27 FEET TO A POINT OF TANGENCY OF SAID CURVE;

THENCE NORTH 25 DEGREES 17 MINUTES 54 SECONDS EAST, 62.04 FEET TO THE POINT OF
CURVATURE OF A CURVE;

THENCE ALONG SAID CURVE TO THE RIGHT HAVING A RADIUS OF 370.00 FEET, A
CENTRAL ANGLE OF 17 DEGREES 38 MINUTES 43 SECONDS, AN ARC DISTANCE OF 113.95
FEET TO A POINT OF TANGENCY OF SAID CURVE;

THENCE NORTH 42 DEGREES 56 MINUTES 37 SECONDS EAST, 119.84 FEET TO THE POINT
OF CURVATURE OF A CURVE;

THENCE ALONG SAID CURVE TO THE LEFT HAVING A RADIUS OF 400.00 FEET, A
CENTRAL ANGLE OF 11 DEGREES 32 MINUTES 28 SECONDS, AN ARC DISTANCE OF 80.57
FEET TO A POINT OF TANGENCY OF SAID CURVE;

Legal Description

THENCE NORTH 31 DEGREES 24 MINUTES 09 SECONDS EAST, 124.99 FEET TO THE POINT OF CURVATURE OF A CURVE;

THENCE ALONG SAID CURVE TO THE RIGHT HAVING A RADIUS OF 700.00 FEET, A CENTRAL ANGLE OF 28 DEGREES 11 MINUTES 46 SECONDS, AN ARC DISTANCE OF 344.48 FEET;

THENCE NORTH 59 DEGREES 35 MINUTES 55 SECONDS EAST, 282.62 FEET TO THE POINT OF CURVATURE OF A CURVE;

THENCE ALONG SAID CURVE TO THE LEFT HAVING A RADIUS OF 350.00 FEET, A CENTRAL ANGLE OF 07 DEGREES 51 MINUTES 49 SECONDS, AN ARC DISTANCE OF 48.04 FEET;

THENCE SOUTH 41 DEGREES 19 MINUTES 44 SECONDS EAST, 347.10 FEET TO A POINT ON A CURVE;

THENCE SOUTHWESTERLY ALONG SAID CURVE TO THE LEFT HAVING A RADIUS OF 4192.00 FEET, A CENTRAL ANGLE OF 01 DEGREES 37 MINUTES 51 SECONDS, A CHORD BEARING OF SOUTH 47 DEGREES 51 MINUTES 21 SECONDS WEST, AN ARC DISTANCE OF 119.32 FEET TO A POINT OF REVERSE CURVATURE;

THENCE ALONG A CURVE TO THE RIGHT HAVING A RADIUS OF 20.00 FEET, A CENTRAL ANGLE OF 88 DEGREES 22 MINUTES 03 SECONDS, A CHORD BEARING OF NORTH 88 DEGREES 46 MINUTES 34 SECONDS WEST, AN ARC DISTANCE OF 30.85 FEET;

THENCE SOUTH 47 DEGREES 14 MINUTES 37 SECONDS WEST, 50.03 FEET TO A POINT ON A CURVE;

THENCE SOUTHEASTERLY ALONG SAID CURVE TO THE RIGHT HAVING A RADIUS OF 20.00 FEET, A CENTRAL ANGLE OF 90 DEGREES 24 MINUTES 29 SECONDS, A CHORD BEARING OF SOUTH 00 DEGREES 36 MINUTES 42 SECONDS WEST, AN ARC DISTANCE OF 31.56 FEET TO A POINT OF REVERSE CURVATURE;

THENCE ALONG SAID CURVE TO THE LEFT HAVING A RADIUS OF 4192.00 FEET, A CENTRAL ANGLE OF 01 DEGREES 26 MINUTES 37 SECONDS, A CHORD BEARING OF SOUTH 45 DEGREES 05 MINUTES 38 SECONDS WEST, AN ARC DISTANCE OF 105.61 FEET TO A POINT OF TANGENCY OF SAID CURVE;

THENCE SOUTH 44 DEGREES 22 MINUTES 20 SECONDS WEST, 641.24 FEET TO A POINT OF CURVATURE OF A CURVE;

THENCE ALONG SAID CURVE TO THE LEFT HAVING A RADIUS OF 2692.00 FEET, A CENTRAL ANGLE OF 00 DEGREES 01 MINUTES 21 SECONDS, AN ARC DISTANCE OF 1.05 FEET TO A POINT OF REVERSE CURVATURE;

Legal Description

THENCE ALONG A CURVE TO THE RIGHT HAVING A RADIUS OF 20.00 FEET, A CENTRAL ANGLE OF 89 DEGREES 02 MINUTES 57 SECONDS, A CHORD BEARING OF SOUTH 88 DEGREES 52 MINUTES 28 SECONDS WEST, AN ARC DISTANCE OF 31.08 FEET;

THENCE SOUTH 43 DEGREES 23 MINUTES 56 SECONDS WEST, 50.00 FEET TO A POINT ON A CURVE;

THENCE SOUTHEASTERLY ALONG SAID CURVE TO THE RIGHT HAVING A RADIUS OF 20.00 FEET, A CENTRAL ANGLE OF 89 DEGREES 02 MINUTES 57 SECONDS, A CHORD BEARING OF SOUTH 02 DEGREES 04 MINUTES 36 SECONDS EAST, AN ARC DISTANCE OF 31.08 FEET TO A POINT OF REVERSE CURVATURE;

THENCE SOUTHWESTERLY ALONG A CURVE TO THE LEFT HAVING A RADIUS OF 2692.00 FEET, A CENTRAL ANGLE OF 01 DEGREES 56 MINUTES 19 SECONDS, A CHORD BEARING OF SOUTH 41 DEGREES 28 MINUTES 45 SECONDS WEST, AN ARC DISTANCE OF 91.08 FEET;

THENCE NORTH 49 DEGREES 29 MINUTES 25 SECONDS WEST, 343.33 FEET TO THE POINT OF BEGINNING.

Legal Description

PARCEL NO. 4:

THAT PORTION OF THE SOUTHWEST QUARTER OF SECTION 10, TOWNSHIP 3 NORTH, RANGE 1 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, MARICOPA COUNTY, ARIZONA, DESCRIBED AS FOLLOWS:

COMMENCING AT THE SOUTHWEST CORNER OF SAID SECTION 10, AS SHOWN ON THE MAP OF DEDICATION FOR DESERT HARBOR RECORDED IN BOOK 288 OF MAPS, PAGE 28, RECORDS OF MARICOPA COUNTY, ARIZONA;

THENCE NORTH 00 DEGREES 22 MINUTES 22 SECONDS EAST ALONG THE WEST LINE OF SAID SECTION, 1528.14 FEET;

THENCE SOUTH 89 DEGREES 37 MINUTES 38 SECONDS EAST 1028.13 FEET TO A POINT ON THE NORTHERLY BOUNDARY OF DESERT HARBOR PARCEL 12, MARKING THE SOUTHWESTERLY CORNER OF DESERT HARBOR PARCEL 11 AND THE POINT OF BEGINNING;

THENCE SOUTH 49 DEGREES 29 MINUTES 25 SECONDS EAST ALONG THE BOUNDARY LINE COMMON TO PARCELS 11 AND 12, A DISTANCE OF 343.33 FEET TO A POINT ON A CURVE ON THE NORTHWESTERLY RIGHT OF WAY LINE OF DESERT HARBOR DRIVE FROM WHICH THE CENTER OF SAID CURVE BEARS SOUTH 49 DEGREES 29 MINUTES 25 SECONDS EAST 2692.00 FEET;

THENCE SOUTHWESTERLY ALONG SAID RIGHT OF WAY LINE AND ALONG THE ARC OF SAID CURVE THROUGH A CENTRAL ANGLE OF 02 DEGREES 35 MINUTES 22 SECONDS, AN ARC DISTANCE OF 121.66 FEET;

THENCE NORTH 49 DEGREES 29 MINUTES 25 SECONDS WEST 322.75 FEET;

THENCE NORTH 09 DEGREES 53 MINUTES 29 SECONDS WEST, 67.50 FEET TO A POINT ON A CURVE ON THE NORTHERLY BOUNDARY LINE OF PARCEL 12, FROM WHICH THE CENTER OF SAID CURVE BEARS NORTH 09 DEGREES 53 MINUTES 29 SECONDS WEST, 125.00 FEET;

THENCE EASTERLY ALONG SAID NORTHERLY BOUNDARY LINE AND ALONG THE ARC OF SAID CURVE TO THE LEFT THROUGH A CENTRAL ANGLE OF 39 DEGREES 06 MINUTES 12 SECONDS, AN ARC DISTANCE OF 85.31 FEET TO THE POINT OF BEGINNING.

EXHIBIT A-54

**Forum at Tucson
2500 North Rosemont Blvd.
Tucson, AZ 85712**

LEGAL DESCRIPTION

Legal Description

PARCEL NO. 1:

A PART OF SECTION 35, TOWNSHIP 13 SOUTH, RANGE 14 EAST, GILA AND SALT RIVER BASE AND MERIDIAN, PIMA COUNTY, ARIZONA, DESCRIBED AS FOLLOWS:

COMMENCING AT THE SOUTHWEST CORNER OF THE SOUTHEAST ONE-QUARTER OF SAID SECTION 35:

THENCE NORTH 00 DEGREES 46 MINUTES 25 SECONDS EAST ALONG THE WEST LINE OF THE SAID SOUTHEAST ONE-QUARTER A DISTANCE OF 658.31 FEET TO THE POINT OF BEGINNING ON THE SOUTH LINE OF THE NORTHEAST ONE-QUARTER OF THE SOUTHEAST ONE-QUARTER OF THE SOUTHWEST ONE-QUARTER OF SAID SECTION;

THENCE NORTH 89 DEGREES 57 MINUTES 17 SECONDS WEST ALONG THE SAID SOUTH LINE A DISTANCE OF 316.07 FEET TO THE EAST LINE OF THE ARCADIA WASH, AS DESCRIBED IN INSTRUMENT RECORDED IN DOCKET 8094 AT PAGE 1968;

THENCE NORTH 06 DEGREES 17 MINUTES 38 SECONDS EAST, MEASURED, (NORTH 06 DEGREES 18 MINUTES 08 SECONDS WEST, RECORD) ALONG THE SAID EAST LINE, A DISTANCE OF 750.42 FEET TO A POINT OF CURVATURE OF A TANGENT CURVE CONCAVE TO THE EAST;

THENCE NORTHERLY ALONG THE EAST LINE AND ALONG THE ARC OF SAID CURVE, TO THE RIGHT, HAVING A RADIUS OF 997.29 FEET AND A CENTRAL ANGLE OF 001 DEGREES 56 MINUTES 49 SECONDS FOR AN ARC DISTANCE OF 33.89 FEET TO A NON-TANGENT LINE;

THENCE SOUTH 89 DEGREES 56 MINUTES 14 SECONDS EAST, 543.28 FEET, MEASURED;

THENCE SOUTH 00 DEGREES 42 MINUTES 24 SECONDS WEST MEASURED, (SOUTH 00 DEGREES 46 MINUTES 25 SECONDS WEST, RECORD) ALONG THE WEST LINE OF THE LAND SURVEYED AND SHOWN IN BOOK 6 OF RECORD OF SURVEY AT PAGE 28, A DISTANCE OF 431.42 FEET MEASURED, (427.88 FEET RECORD), TO THE SOUTH LINE OF THE LAND SURVEYED AND SHOWN IN BOOK 5 OF RECORD OF SURVEY AT PAGE 28;

THENCE NORTH 89 DEGREES 57 MINUTES 22 SECONDS EAST, MEASURED, (SOUTH 89 DEGREES 56 MINUTES 14 SECONDS EAST, RECORD), ALONG THE SOUTH LINE, A DISTANCE OF 275.42 FEET MEASURED, (274.12 FEET RECORD) TO THE WEST LINE OF THE INGRESS-EGRESS EASEMENT DESCRIBED IN INSTRUMENT RECORDED IN DOCKET 943 AT PAGE 128;

Legal Description

THENCE SOUTH 00 DEGREES 04 MINUTES 04 SECONDS WEST ALONG THE SAID WEST LINE A DISTANCE OF 326.89 FEET MEASURED, (329.92 FEET RECORD) TO A LINE 680.00 FEET NORTH OF AND PARALLEL WITH THE SOUTH LINE OF THE SAID SOUTHEAST QUARTER;

THENCE NORTH 89 DEGREES 56 MINUTES 14 SECONDS WEST ALONG THE SAID PARALLEL LINE A DISTANCE OF 553.18 FEET TO A LINE 30.00 FEET EAST OF AND PARALLEL WITH THE WEST LINE OF SAID SOUTHEAST ONE-QUARTER;

THENCE SOUTH 00 DEGREES 46 MINUTES 25 SECONDS WEST ALONG THE SAID PARALLEL LINE A DISTANCE OF 21.73 FEET TO THE NORTH LINE OF THE SOUTHWEST ONE-QUARTER OF THE SOUTHWEST ONE-QUARTER OF THE SAID SOUTHEAST ONE-QUARTER;

THENCE NORTH 89 DEGREES 57 MINUTES 40 SECONDS WEST, MEASURED, (NORTH 89 DEGREES 57 MINUTES 56 SECONDS WEST, RECORD) ALONG THE SAID NORTH LINE A DISTANCE OF 30.00 FEET TO THE POINT OF BEGINNING.

PARCEL NO. 2:

AN OFFSITE SEWER EASEMENT AS SET FORTH IN EASEMENT AGREEMENT RECORDED IN DOCKET 8296, PAGE 780 AND DESCRIBED AS FOLLOWS, RECORDS OF PIMA COUNTY, ARIZONA;

STRIPS OF LAND AS A SEWER EASEMENT IN THE SOUTH ONE HALF OF SECTION 35, TOWNSHIP 13 SOUTH, RANGE 14 EAST, GILA AND SALT RIVER BASE AND MERIDIAN, PIMA COUNTY, ARIZONA, SAID STRIP BEING 20.00 FEET WIDE, THE CENTERLINE OF WHICH IS DESCRIBED AS FOLLOWS:

COMMENCING AT THE SOUTH QUARTER CORNER OF SAID SECTION;

THENCE NORTH 00 DEGREES 46 MINUTES 55 SECONDS EAST ALONG THE NORTH-SOUTH QUARTER SECTION LINE OF A DISTANCE OF 1310.78 FEET;

THENCE SOUTH 89 DEGREES 13 MINUTES 05 SECONDS EAST A DISTANCE OF 304.97 FEET TO THE POINT OF BEGINNING OF SAID EASEMENT;

THENCE SOUTH 89 DEGREES 55 MINUTES 45 SECONDS EAST A DISTANCE OF 218.34 FEET;

THENCE NORTH 69 DEGREES 35 MINUTES 59 SECONDS EAST A DISTANCE OF 42.89 FEET;

THENCE NORTH 01 DEGREES 50 MINUTES 58 SECONDS WEST A DISTANCE OF 299.65 FEET;

THENCE NORTH 01 DEGREES 19 MINUTES 52 SECONDS WEST A DISTANCE OF 300.00 FEET;

THENCE NORTH 01 DEGREES 19 MINUTES 52 SECONDS WEST A DISTANCE OF 133.27 FEET;

Legal Description

THENCE NORTH 51 DEGREES 24 MINUTES 51 SECONDS EAST, A DISTANCE OF 61.44 FEET TO THE POINT OF TERMINUS OF SAID EASEMENT;

THE SIDELINES OF SAID EASEMENT TO BE EXTENDED OR SHORTENED TO MEET AT ANGLE POINTS AND 90 FOOT RIGHT OF WAY OF ALAMO WASH AS RECORDED IN DOCKET 2000 AT PAGE 518 OF RECORDS, AND TO INTERSECT WITH THE BOUNDARY OF SUBDIVISION WHICH BEARS NORTH 00 DEGREES 46 MINUTES 55 SECONDS EAST.

PARCEL NO. 3:

NON-EXCLUSIVE RECIPROCAL EASEMENTS FOR UTILITIES AS CONTAINED IN RECIPROCAL EASEMENT AGREEMENT DATED FEBRUARY 22, 1984, RECORDED FEBRUARY 22, 1984 IN DOCKET 7224, PAGE 929 AND AS AMENDED BY DOCKET 7930 PAGE 892.

EXHIBIT A-55

**Park Summit at Coral Springs
8500 Royal Palm Blvd.
Coral Springs, FL 33065**

LEGAL DESCRIPTION

Legal Description

That portion of the West 3/4 of the South 1/8 of the West 1/2 of the East 1/2 of Section 22, Township 48 South, Range 41 East, lying South of the South right-of-way line of Royal Palm Boulevard, and North of the North right-of-way of the Sunshine Drainage District Canal "L" as shown on the Plat of "FOREST HILLS SOUTH", according to the plat thereof, as recorded in Plat Book 73, Page 50, Public Records of Broward County, Florida.

Also described as all that land of the Plat of "PARK SUMMIT" as shown on the Plat as recorded in Plat Book 115, Page 17, Public Records of Broward County, Florida.

TOGETHER WITH:

Easement(s) for the benefit of Parcel 1 as created by Grant of Parking Easement dated December 15, 1992 and filed May 5, 1993, in Official Records Book 20635, Page 207 for the purposes described in said easement, over, under and across the land described as follows:

A portion of the West three-quarters (W 3/4) of the South one-eighth (S 1/8) of the West one-half (W 1/2) of the East one-half (E 1/2) of Section 22, Township 48 South, Range 41 East, lying North of the North right-of-way line of Royal Palm Boulevard as shown on the Plat of "FOREST HILLS SOUTH", according to the plat thereof as recorded in Plat Book 73, Page 50, Public Records of Broward County, Florida being more particularly described as follows:

COMMENCING at the South one-quarter (S 1/4) corner of said Section 22; thence North 01 degree 06 minutes 55 second West along the West line of the Southeast one-quarter (SE 1/4) of said Section 22, a distance of 549.09 feet to the North right-of-way line of Royal Palm Boulevard as recorded in Official Records Book 3459, Page 652 of said Public Records and being the POINT OF BEGINNING (P.O.B.); thence continue North 01 degree 06 minutes 55 seconds West along the said West line of the Southeast one-quarter (SE 1/4) of said Section 22, a distance of 110.66 feet to the Southwest corner of Lot 3, Block H of said "FOREST HILLS SOUTH"; thence South 89 degrees 37 minutes 42 seconds East along the Southerly boundary of Lots 3, 4, 5 and a portion of Lot 6, Block H of said "FOREST HILLS SOUTH" a distance of 378.07 feet; thence South 11 degrees 38 minutes 32 seconds West, a distance of 118.88 feet intersecting a non-tangent curve on the Northerly right-of-way line of said Royal Palm Boulevard having a radius of 3115.97 feet, and a central angle of 03 degrees 34 minutes 02 seconds and to said intersection a radial line bears North 03 degrees 55 minutes 33 seconds East; thence Westerly along said curve and along said Northerly right-of-way line of said Royal Palm Boulevard, a distance of 194.00 feet to a point of tangency; thence North 89 degrees 38 minutes 29 seconds West continuing along said Northerly right-of-way line of said Royal Palm Boulevard, a distance of 158.08 feet to the POINT OF BEGINNING.

EXHIBIT A-56

**Gables at Winchester
299 Cambridge Street
Winchester, MA 01890**

LEGAL DESCRIPTION

A parcel of land with the buildings thereon located partly in the Town of Winchester and partly in the City of Woburn in Middlesex County, Massachusetts shown on a plan entitled "Plan of Land in Winchester, MA (Middlesex County) and Woburn, MA (Middlesex County)" dated December 17, 1987, by Beals and Thomas, Inc. which plan is recorded as Plan No. 63 of 1989 at Book 19598, Page 580, and bounded and described, according to said plan, as follows:

NORTHWESTERLY: by land now or formerly of Ralph H. Bonnell, Jr., and Bruce J. Bonnell, in three distances, two hundred eighty-two and 08/100 (282.08) feet, two hundred seven and 80/100 (207.80) feet, and thirty-seven and 23/100 (37.23) feet, respectively;

NORTHWESTERLY: also by land now or formerly of Jessie A. Gustin, one hundred twenty-nine and 80/100 (129.80) feet;

NORTHEASTERLY: by land now or formerly of the City of Woburn, two hundred eighty-eight and 99/100 (288.99) feet;

NORTHWESTERLY: again by said land now or formerly of City of Woburn, two hundred fifteen and 0/100 (215.00) feet;

NORTHEASTERLY: by land now or formerly of Alfred G. and Elsie M. Nelson, in two distances, sixty-five and 84/100 (65.84) feet and two hundred seventy-four and 16/100 (276.14) feet, respectively;

SOUTHEASTERLY: by land now or formerly of Thomas V. and Anna P. Foley, one hundred forty-two and 30/100 (142.30) feet;

NORTHEASTERLY: again by land now or formerly of Thomas V. and Anna P. Foley, two hundred eighty-nine and 57/100 (289.57) feet;

SOUTHERLY: by Pond Street, in two distances, three hundred sixty-two and 71/100 (362.71) feet and one hundred sixty-eight and 28/100 (168.28) feet, respectively;

EASTERLY: by land now or formerly of William H. and Margaret Moore, ninety-three and 24/100 (93.24) feet;

SOUTHERLY: again by land now or formerly of William H. and Margaret Moore, one hundred thirty-seven and 80/100 (137.80) feet;

EASTERLY: by land now or formerly of Gregory C. Eaton and Terri Halperin, thirty and 87/100 (30.87) feet;

SOUTHERLY: again, by land now or formerly of Gregory C. Eaton and Terri Halperin, one hundred forty-nine and 40/100 (149.40) feet;

SOUTHERLY: by land now or formerly of Michael P. and Kathleen P. Kennedy, sixty-nine and 04/100 (69.04) feet;

SOUTHERLY: by land now or formerly of Leslie J. Herzog, Jr., ninety and 73/100 (90.73);

SOUTHERLY: by land now or formerly of Maro A. Baghdoyan, one hundred twenty-one and 56/100 (121.58) feet;

WESTERLY and by Cambridge Street, in two distances, one hundred twenty-SOUTHWESTERLY: eight and 32/100 (128.32) feet and tow hundred fifty and 82/100 (250.82) feet.

Containing 13.708 acres, more or less, according to said plan.

EXHIBIT A-57

**Forum at Memorial Woods
777 North Post Oak Road
Houston, TX 77024**

LEGAL DESCRIPTION

Legal Description

Forum at Memorial Woods Tract VI:

5.6764 acres of land, more or less out of POST OAK JOINT VENTURE, a Replat of POST OAK JOINT VENTURE, according to the plat thereof filed at Volume 344, Page 28, of the Harris County Map Records and being more particularly described by metes and bounds as follows:

All that remaining 5.6764 acres of land out of the 5.6883 acres of land out of Post Oak Joint Venture, a Replat of Post Oak Joint Venture according to the plat thereof filed at Volume 344, Page 28, of the Harris County Map Records, and being more particularly described by metes and bounds as follows:

Beginning at a set 5/8" iron rod with cap in the west right-of-way line of North Post Oak Road (120' wide) marking the southeast corner of said 5.6883 acre tract: Thence S 87° 33' 55" W - 673.56' along the north line of that certain 3.1791 acres called Parcel I described in a deed dated 03-20-1979, from Lafayette, Ltd. to The Count Group, filed in the Official Public Records of Real Property of Harris County, Texas at Clerk's File No.G-015108, Film Code No.123-89-1492, to a set 5/8" iron rod with cap for corner;

THENCE N 02°34' 11" W- 194.33' with the west line of Pine Wood Estates according to the plat thereof filed at Volume 35, Page 11, of the Harris County Map Records, to a set 5/8" iron rod with cap for corner,

THENCE N 87°25'41"E - 192.82' with the south line of Memorial Woods Unrestricted Reserve, according to the plat thereof filed at Volume 256, Page 99, of the Harris County Map Records to a found 1/2" iron pipe for corner;

THENCE 02° 05' 36" W - 243.65' with the east line of said Memorial Woods Unrestricted Reserve, to a found 1" iron pipe for corner;

THENCE N 87°09'41" E - 432.01' with the south line of Memorial Woods Plaza, Block Two, Unrestricted Reserve "B", according to the plat thereof filed at Volume 198, Page 113, of the Harris County Map Records to a set 5/8" iron rod with cap for corner,

Legal Description

THENCE S 43°38'06" E -58.80' with the southeasterly right-of-way line of Interstate Highway 10, being the southeasterly line of a 0.012 acre tract of land described in a Donation Deed dated June 06, 1989, from Post Oak Joint Venture to The State of Texas, filed in the Official Public Records of Real Property of Harris County, Texas at Clerk File No. M-407792 Film Code No. I62-69-0545, to set 5/8" iron rod with cap for corner;

THENCE S 23°12'48" E - 18.74' continuing with the said southeasterly right-of-way line of Interstate Highway 10 and said 0.012 acre tract to a set 5/8" iron rod with cap for corner;

THENCE S 02°47'31" E -379.72 with said west right-of-way line of North Post Oak Road to the POINT OF BEGINNING and containing (247,264 square feet) 5.6764 acres of land more or less.

Together with easement rights recorded under Clerk's File No. M-00-7204, Deed Records, Harris County, Texas.

**FOURTH AMENDMENT TO
AMENDED AND RESTATED MASTER LEASE AGREEMENT
(LEASE NO. 4)**

THIS FOURTH AMENDMENT TO AMENDED AND RESTATED MASTER LEASE AGREEMENT (LEASE NO. 4) (this “Amendment”) is made and entered into as of August 31, 2012 by and among each of the parties identified on the signature pages hereof as a landlord (collectively, “Landlord”) and each of the parties identified on the signature pages hereof as a tenant (jointly and severally, “Tenant”).

WITNESSETH:

WHEREAS, pursuant to the terms of that certain Amended and Restated Master Lease Agreement (Lease No. 4), dated as of August 4, 2009, as amended by that certain First Amendment to Amended and Restated Master Lease Agreement (Lease No. 4), dated as of October 1, 2009, that certain Partial Termination of and Second Amendment to Amended and Restated Master Lease Agreement (Lease No. 4), dated as of May 1, 2011, and that certain Third Amendment to Amended and Restated Master Lease Agreement (Lease No. 4), dated as of June 20, 2011 (as so amended, “Amended Lease No. 4”), Landlord leases to Tenant, and Tenant leases from Landlord, the Leased Property (this and other capitalized terms used but not otherwise defined herein having the meanings given such terms in Amended Lease No. 4), all as more particularly described in Amended Lease No. 4; and

WHEREAS, simultaneously herewith, SNH/LTA Properties GA LLC (“SNH/LTA GA”) has acquired the real property and related improvements comprising the senior living facility known as Savannah Square and located at One Savannah Square Drive, Savannah, GA 31406, as more particularly described on Exhibit A-29 attached hereto (the “Savannah Square Property”) and SNH/LTA Properties Trust (“SNH/LTA Trust”) has acquired the real property and related improvements comprising: (i) the senior living facility known as Remington Club I & II, and located at 16925 and 16916 Hierba Drive, San Diego, CA 92128, as more particularly described on Exhibit A-28 attached hereto (the “Remington Property”); and (ii) the senior living facility known as Morningside of Bellgrade and located at 2800 Polo Parkway, Midlothian, VA 23113, as more particularly described on Exhibit A-30 attached hereto (the “Bellgrade Property”) and together with the Savannah Square Property and the Remington Property, the “Acquired Properties”); and

WHEREAS, SNH/LTA GA wishes to lease the Savannah Square Property to Five Star Quality Care Trust (“FSQC Trust”) and FSQC Trust wishes to lease the Savannah Square Property from SNH/LTA GA; and

WHEREAS, SNH/LTA Trust wishes to lease the Remington Property and the Bellgrade Property to FSQC Trust and FSQC Trust wishes to lease the Remington Property and the Bellgrade Property from SNH/LTA Trust; and

WHEREAS, SNH/LTA GA, SNH/LTA Trust and the other entities comprising Landlord, and FSQC Trust and the other entities comprising Tenant, wish to amend Amended Lease No. 4 to include the Acquired Properties;

NOW, THEREFORE, in consideration of the mutual covenants herein contained and other good and valuable consideration, the mutual receipt and legal sufficiency of which are hereby acknowledged, Landlord and Tenant hereby agree that, effective as of the date hereof, Amended Lease No. 4 is hereby amended as follows:

1. Definition of Minimum Rent. The defined term “Minimum Rent” set forth in Section 1.68 of Amended Lease No. 4 is deleted in its entirety and replaced with the following:

“ **Minimum Rent** ” shall mean the sum of Thirty-Four Million Two Hundred Fifty-Four Thousand Two Hundred Sixty Nine and 56/100 Dollars (\$34,254,269.56) per annum.

2. Leased Property. Section 2.1 of Amended Lease No. 4 is amended by deleting subsection (a) therefrom in its entirety and replacing it with the following:

(a) those certain tracts, pieces and parcels of land as more particularly described on Exhibits A-1 through A-30 attached hereto and made a part hereof (the “ Land ”);

3. Arbitration. Article 22 of Amended Lease No. 1 is deleted in its entirety and replaced with the following:

ARTICLE 22

ARBITRATION

(a) Any disputes, claims or controversies between or among the parties hereto (i) arising out of or relating to this Agreement, or (ii) brought by or on behalf of any shareholder of the parties hereto (which, for purposes of this Article 22, shall mean any shareholder of record or any beneficial owner of shares of the parties hereto, or any former shareholder of record or beneficial owner of shares of the parties hereto), either on his, her or its own behalf, on behalf of the parties hereto or on behalf of any series or class of shares of the parties hereto or shareholders of the parties hereto against the parties hereto or any trustee, director, officer, manager (including Reit Management & Research LLC or its successor), agent or employee of the parties hereto, including disputes, claims or controversies relating to the meaning, interpretation, effect, validity, performance or enforcement of this Agreement, including this arbitration agreement, the declaration of trust, limited liability company agreement, partnership agreement or analogous governing instruments, as applicable, of the parties hereto, or the bylaws of the parties hereto (all of which are referred to as “ Disputes ”), or relating in any way to such a Dispute or Disputes, shall on the demand of any party to such Dispute be resolved through binding and final arbitration in accordance with the Commercial Arbitration Rules (the “ Rules ”) of the American Arbitration Association (“ AAA ”) then in effect, except as those Rules may be modified in this Article 22. For the avoidance of doubt, and not as a limitation, Disputes are intended to include derivative actions against trustees, directors, officers or managers of the parties hereto and class actions by a shareholder against those individuals or entities and the parties hereto. For the

avoidance of doubt, a Dispute shall include a Dispute made derivatively on behalf of one party against another party.

(b) There shall be three arbitrators. If there are only two parties to the Dispute (with, for purposes of this Article 22, any and all parties involved in the Dispute and owned by the same ultimate parent entity treated as one party), each party shall select one arbitrator within 15 days after receipt by respondent of a copy of the demand for arbitration. Such arbitrators may be affiliated or interested persons of such parties. If either party fails to timely select an arbitrator, the other party to the Dispute shall select the second arbitrator who shall be neutral and impartial and shall not be affiliated with or an interested person of either party. If there are more than two parties to the Dispute, all claimants, on the one hand, and all respondents, on the other hand, shall each select, by the vote of a majority of the claimants or the respondents, as the case may be, one arbitrator. Such arbitrators may be affiliated or interested persons of the claimants or the respondents, as the case may be. If either all claimants or all respondents fail to timely select an arbitrator then such arbitrator (who shall be neutral, impartial and unaffiliated with any party) shall be appointed by the AAA. The two arbitrators so appointed shall jointly appoint the third and presiding arbitrator (who shall be neutral, impartial and unaffiliated with any party) within 15 days of the appointment of the second arbitrator. If the third arbitrator has not been appointed within the time limit specified herein, then the AAA shall provide a list of proposed arbitrators in accordance with the Rules, and the arbitrator shall be appointed by the AAA in accordance with a listing, striking and ranking procedure, with each party having a limited number of strikes, excluding strikes for cause.

(c) The place of arbitration shall be Boston, Massachusetts unless otherwise agreed by the parties.

(d) There shall be only limited documentary discovery of documents directly related to the issues in dispute, as may be ordered by the arbitrators.

(e) In rendering an award or decision (the “Award”), the arbitrators shall be required to follow the laws of the Commonwealth of Massachusetts. Any arbitration proceedings or Award rendered hereunder and the validity, effect and interpretation of this arbitration agreement shall be governed by the Federal Arbitration Act, 9 U.S.C. §1 et seq. The Award shall be in writing and may, but shall not be required to, briefly state the findings of fact and conclusions of law on which it is based.

(f) Except to the extent expressly provided by Article 22 or as otherwise agreed by the parties, each party involved in a Dispute shall bear its own costs and expenses (including attorneys’ fees), and the arbitrators shall not render an award that would include shifting of any such costs or expenses (including attorneys’ fees) or, in a derivative case or class action, award any portion of Assignor’s or Assignee’s award to the claimant or the claimant’s attorneys. Except to the extent otherwise agreed by the parties, each party (or, if there are more than two parties to the Dispute, all claimants, on the one hand, and all respondents, on the other hand, respectively) shall bear the costs and expenses of its (or their) selected arbitrator and the parties (or, if there are more than two parties to the Dispute, all claimants, on the one hand, and all respondents, on the other hand) shall equally bear the costs and expenses of the third appointed arbitrator.

(g) An Award shall be final and binding upon the parties thereto and shall be the sole and exclusive remedy between such parties relating to the Dispute, including any claims, counterclaims, issues or accounting presented to the arbitrators. Judgment upon the Award may be entered in any court having jurisdiction. To the fullest extent permitted by law, no application or appeal to any court of competent jurisdiction may be made in connection with any question of law arising in the course of arbitration or with respect to any award made except for actions relating to enforcement of this agreement to arbitrate or any arbitral award issued hereunder and except for actions seeking interim or other provisional relief in aid of arbitration proceedings in any court of competent jurisdiction.

(h) Any monetary award shall be made and payable in U.S. dollars free of any tax, deduction or offset. Each party against which the Award assesses a monetary obligation shall pay that obligation on or before the 30th day following the date of the Award or such other date as the Award may provide.

(i) This Article 22 is intended to benefit and be enforceable by the shareholders, trustees, directors, officers, managers (including Reit Management & Research LLC or its successor), agents or employees of any party and the parties and shall be binding on the shareholders of any party and the parties, as applicable, and shall be in addition to, and not in substitution for, any other rights to indemnification or contribution that such individuals or entities may have by contract or otherwise.

4. Schedule 1. Schedule 1 to Amended Lease No. 4 is deleted in its entirety and replaced with Schedule 1 attached hereto.

5. Exhibit A. Exhibit A to Amended Lease No. 4 is amended by adding Exhibits A-28 through A-30 attached hereto immediately following Exhibit A-27 to Amended Lease No. 4.

6. Ratification. As amended hereby, Amended Lease No. 4 is hereby ratified and confirmed.

[Remainder of page intentionally left blank; signature pages follow]

IN WITNESS WHEREOF , the parties have executed this Amendment as a sealed instrument as of the date above first written.

LANDLORD:

SNH SOMERFORD PROPERTIES TRUST

By: /s/ David J. Hegarty

David J. Hegarty
President

SNH NS PROPERTIES TRUST

By: /s/ David J. Hegarty

David J. Hegarty
President

SNH/LTA PROPERTIES TRUST

By: /s/ David J. Hegarty

David J. Hegarty
President

SPTIHS PROPERTIES TRUST

By: /s/ David J. Hegarty

David J. Hegarty
President

SNH CHS PROPERTIES TRUST

By: /s/ David J. Hegarty

David J. Hegarty
President

SNH/LTA PROPERTIES GA LLC

By: /s/ David J. Hegarty

David J. Hegarty
President

CCOP SENIOR LIVING LLC

By: /s/ David J. Hegarty

David J. Hegarty
President

TENANT:

FIVE STAR QUALITY CARE TRUST

By: /s/ Bruce J. Mackey Jr.

Bruce J. Mackey Jr.
President

**FIVE STAR QUALITY CARE -
NS TENANT, LLC**

By: /s/ Bruce J. Mackey Jr.

Bruce J. Mackey Jr.
President

FS TENANT HOLDING COMPANY TRUST

By: /s/ Bruce J. Mackey Jr.

Bruce J. Mackey Jr.
President

SCHEDULE 1**PROPERTY-SPECIFIC INFORMATION**

Exhibit	Property Address	Base Gross Revenues (Calendar Year)	Base Gross Revenues (Dollar Amount)	Commencement Date	Interest Rate
A-1	Somerford Place - Stockton 3530 Deer Park Drive Stockton, CA 95219	2009	N/A	03/31/2008	8%
A-2	La Villa Grande Care Center 2501 Little Bookcliff Drive Grand Junction, CO 81501	2005	\$ 5,205,189	12/31/2001	10%
A-3	Court at Palm-Aire 2701 North Course Drive Pompano Beach, FL 33069	2007	\$ 12,992,201	09/01/2006	8.25%
A-4	Intentionally Deleted	N/A	N/A	N/A	N/A
A-5	Intentionally Deleted	N/A	N/A	N/A	N/A
A-6	Northlake Gardens 1300 Montreal Road Tucker, GA 30084	2006	\$ 2,240,421	06/03/2005	9%
A-7	Westridge Quality Care & Rehabilitation 600 Manor Drive Clarinda, IA 51632	2005	\$ 2,933,641	12/31/2001	10%
A-8	Brenden Gardens 900 Southwind Road Springfield, IL 62703	2007	\$ 1,802,414	09/01/2006	8.25%
A-9	Overland Park Place 6555 West 75 th Street Overland Park, KS 66204	2005	\$ 2,539,735	10/25/2002	10%
A-10	Morningside of Mayfield 1517 West Broadway Mayfield, KY 42066	2006	\$ 1,197,256	11/19/2004	9%
A-11	The Neighborhood of Somerset 100 Neighborly Drive Somerset, KY 42503	2007	\$ 1,893,629	11/05/2006	8.25%
A-12	Centennial Park Retirement Village 510 Centennial Circle North Platte, NE 69101	2009	N/A	02/17/2008	8%
A-13	Westgate Assisted Living 3030 South 80th Street Omaha, NE 68124	2006	\$ 2,210,173	06/03/2005	9%
A-14	NewSeasons at Cherry Hill 490 Cooper Landing Road Cherry Hill, NJ 08002 *	N/A	N/A	12/29/2003	10%
A-15	NewSeasons at Mount Arlington 2 Hillside Drive Mount Arlington, NJ 07856 *	N/A	N/A	12/29/2003	10%
A-16	NewSeasons at New Britain 800 Manor Drive Chalfont, PA 18914 *	N/A	N/A	12/29/2003	10%
A-17	NewSeasons at Clarks Summit 950 Morgan Highway Clarks Summit, PA 18411 *	N/A	N/A	12/29/2003	10%
A-18	NewSeasons at Exton 600 North Pottstown Pike Exton, PA 19341 *	N/A	N/A	12/29/2003	10%

Exhibit	Property Address	Base Gross Revenues (Calendar Year)	Base Gross Revenues (Dollar Amount)	Commencement Date	Interest Rate
A-19	NewSeasons at Glen Mills (Concordville) 242 Baltimore Pike Glen Mills, PA 19342 *	N/A	N/A	12/29/2003	10%
A-20	NewSeasons at Tiffany Court 700 Northampton Street Kingston, PA 18704 *	N/A	N/A	12/29/2003	10%
A-21	Morningside of Greenwood 116 Enterprise Court Greenwood, SC 29649	2006	\$ 1,322,836	06/03/2005	9%
A-22	Montevista at Coronado 1575 Belvidere Street El Paso, TX 79912	2005	\$ 8,149,609	01/11/2002	10%
A-23	Dominion Village at Poquoson 531 Wythe Creek Road Poquoson, VA 23662	2005	\$ 1,359,832	5/30/2003	10%
A-24	Morningside in the West End 3000 Skipwith Road Richmond, VA 23294	2006	\$ 3,792,363	11/19/2004	9%
A-25	Worland Healthcare & Rehabilitation Center 1901 Howell Avenue Worland, WY 82401	2005	\$ 3,756,035	12/31/2001	10%
A-26	Brandon Woods at Alvamar 1501 Inverness Drive Lawrence, KS 66047	2010	N/A	10/01/2009	8.75%
A-27	McCarthy Court II 1325 McCarthy Boulevard New Bern, North Carolina	2012	N/A	06/20/2011	7.5%
A-28	Remington Club I & II 16925 and 16916 Hierba Drive San Diego, CA 92128	2005	\$ 20,853,252	01/11/2002	10.0%
A-29	Savannah Square One Savannah Square Drive Savannah, GA 31406	2007	\$ 6,931,887	10/01/2006	9.0%
A-30	Morningside of Bellgrade 2800 Polo Parkway Midlothian, VA 23113	2006	\$ 4,992,156	11/19/2004	9.0%

“ * ” indicates New Seasons Property

EXHIBIT A-28

**Remington Club I & II
16925 and 16916 Hierba Drive
San Diego, CA 92128**

(See attached copy.)

The Remington Club I
16925 Hierba Drive
The Remington Club II
16916 Hierba Drive
San Diego, CA 92128

LEGAL DESCRIPTION

"REMINGTON I"

PARCEL 1:

Lot 32 of Bernardo Town Center Unit No. 8, in the City of San Diego, County of San Diego, State of California, according to Map thereof No. 8803, filed in the Office of the County Recorder of San Diego County, February 15, 1978.

PARCEL 2:

An easement for access purposes over that portion of Bernardo Town Center Unit No. 3, in the City of San Diego, County of San Diego, State of California, according to Map thereof No. 7376, filed in the Office of the County Recorder of San Diego County described as follows:

Beginning at the most Easterly corner of said Bernardo Town Center Unit No. 3; thence Southwesterly along the boundary of said Bernardo Town Center Unit No. 3, South $63^{\circ}01'44''$ West 49.23 feet to an intersection with a 209.21 foot radius curve, concave Southwesterly, a radial to said intersection bears North $63^{\circ}01'44''$ East; thence leaving said boundary Northwesterly along said 209.21 foot radius curve through a central angle of $13^{\circ}41'36''$ an arc length of 50.00 feet; thence radial to said 209.21 foot radius curve North $49^{\circ}20'08''$ East 30.00 feet to an intersection with a 239.21 foot radius curve, concave Southwesterly, concentric to said 209.21 foot radius curve, and also being the Northeasterly boundary of said Bernardo Town Center Unit No. 3; thence Southeasterly along said boundary and 239.21 foot radius curve through a central angle of $9^{\circ}16'10''$ an arc length of 38.70 feet to the beginning of a tangent 20.00 foot radius curve, concave Northeasterly; thence continuing Southeasterly along said boundary and 20.00 foot radius curve through a central angle of $85^{\circ}34'29''$ an arc length of 29.87 feet to the Point of Beginning.

PARCEL 3:

Together with a non-exclusive easement for ingress and egress and maintenance thereof pursuant to Restatement of Declaration of Restrictions and Architectural Control recorded February 10, 1976 as File No. 76-040172 of

Official Records, as amended by amendments thereto recorded June 3, 1976 as File No. 76-170427; October 30, 1978 as File No. 78-468490; and February 18, 1982 as File No. 82-044651, all of Official Records, on, over, and under those certain portions of (I) Lots 9 and 10 of Bernardo Town Center Unit No. 2, according to Map thereof No. 7270, filed in the Office of the County Recorder of San Diego county, on May 2, 1972; (II) Lot 11 of Bernardo Town Center Unit No. 3, according to Map thereof No. 7376, filed in the Office of the County Recorder of San Diego County on July 21, 1972; and (III) Parcel 3 of Parcel Map No. 2054, filed in the Office of the County Recorder of San Diego County, California, and as corrected in a Certificate of Correction recorded August 15, 1974 as File No. 74-221934 of Official Records, all as described as follows:

PARCEL B – Within Lot 9 Bernardo Town Center Unit No. 2 Map No. 7270:

That portion of Lot 9, Bernardo Town Center Unit No. 2, in the City of San Diego, County of San Diego, State of California, according to Map thereof No. 7270, filed in the Office of the County Recorder of San Diego County, described as follows:

Beginning at the Northwestern corner of Lot 7 of said Bernardo Town Center Unit No. 2, said corner is on the Southerly line of Rancho Bernardo Road, 102.00 feet wide; thence along the Westerly line of said Lot 7 South 00°00'15" East 318.00 feet to a corner of said Lot 7, said corner is on the Northerly boundary of the aforementioned Lot 9, said corner is the True Point of Beginning; thence along the boundary of said Lot 9 the following courses and distances, North 89°59'45" East 70.00 feet to a point on the arc of a tangent 322.00 foot radius curve, concave Southerly; thence Easterly along the arc of said curve through a central angle of 70°52'10" an arc length of 398.28 feet; thence tangent to said curve South 19°08'05" East 87.61 feet to a point on the arc of tangent 298.00 foot radius curve, concave Westerly; thence Southerly along the arc of said curve through a central angle of 23°09'21" an arc length of 120.43 feet; thence tangent to said curve South 04°01'16" West 82.70 feet; thence South 12°05'44" West 117.64 feet; thence North 67°41'11" West 28.00 feet to a point on the arc of a 299.00 foot radius curve, concave Northwesterly and having a radial which bears South 67°41'11" East to said point; thence Northeasterly along the arc of said curve through a central angle of 2°31'19" an arc length of 13.16 feet; thence leaving said boundary of Lot 9 and continuing Northeasterly along the arc of said curve through a central angle of 15°46'14" an arc length of 82.30 feet; thence tangent to said curve North 04°01'16" East 96.54 feet to a point on the arc of a tangent 270.00 foot radius curve, concave Westerly; thence Northerly along the arc of said curve through a central angle of 23°09'21" an arc length of 109.12 feet; thence tangent to said curve North 19°08'05" West 87.61 feet to a point on the arc of a tangent 294.00 foot radius curve, concave Southeasterly; thence Northwesterly along the arc of said curve through a central angle of 70°52'10" an arc length of 363.65 feet; thence tangent to said curve South 89°59'45" West

70.00 feet to a point on the boundary of the aforementioned Lot 9; thence along said boundary North 00°00'15" West 28.00 feet to the True Point of Beginning.

Parcel C – Within Lot 10 Bernardo Town Center Unit No. 2 Map No. 7270

That portion of Lot 10, Bernardo Town Center Unit No. 2 in the City of San Diego, County of San Diego, State of California, according to Map thereof No. 7270 filed in the Office of the County Recorder of San Diego County, described as follows:

Beginning at the Northwestern corner of Lot 7 of said Bernardo Town Center Unit No. 2, said corner is on the Southerly line of Rancho Bernardo Road, 51.00 feet from centerline; thence along the Westerly line of said Lot 7, South 00°00'15" East 318.00 feet to a corner of said Lot 7, said corner is on the boundary of Lot 10 of said Bernardo Industrial Park Unit No. 2, said corner is the True Point of Beginning; thence along said boundary of Lot 10 South 00°00'15" East 28.00 feet; thence leaving said boundary South 29°59'45" West 15.00 feet to a point on the arc of a tangent 225.00 foot radius curve, concave Southeasterly; thence Southwesterly along the arc of said curve through a central angle of 75°35'47" an arc length of 296.87 feet; thence tangent to said curve South 14°23'58" West 107.62 feet to a point on the boundary of Lot 9 of said Bernardo Town Center Unit No. 2; thence along the boundary of said Lot 9, South 14°23'58" West 256.25 feet; thence leaving the boundary of said Lot 9 South 14°23'58" West 27.46 feet to the most Easterly corner of Bernardo Plaza Drive as shown on the aforementioned Bernardo Town Center Unit No. 2; thence along the boundary of said Bernardo Plaza Drive North 75°36'02" West 28.00 feet; thence leaving said boundary North 14°23'58" East 391.33 feet to a point on the arc of a tangent 253.00 foot radius curve, concave Southeasterly; thence Northeasterly along the arc of said curve through a central angle of 75°35'47" an arc length of 333.81 feet; thence tangent to said curve North 89°59'45" East 15.00 feet to the True Point of Beginning.

PARCEL D – Within Lot 11 Bernardo Town Center Unit No. 3 Map No., 7376 and Parcel 3 of Parcel Map 2054

Parcel 1:

A strip of land being 28.00 feet in width, lying 14.00 feet on each side of the following described centerline:

Beginning at the most Northerly corner of said Lot 11, said point being a point on the Southerly right of way line of Bernardo Plaza Court; thence South 76°33'01" East 24.00 feet to the True Point of Beginning; thence South 14°22'29" West 256.39 feet to the beginning of a tangent 164.00 foot radius curve, concave Northwesterly; thence Southwesterly along the arc of said curve through a central angle of 23°01'22" a distance of 65.90 feet; thence South 38°08'11" West

164.96 feet to the beginning of a tangent 192.00 foot radius curve, concave southeasterly; thence Southwesterly along the arc of said curve through a central angle of $21^{\circ}04'24''$ a distance of 70.62 feet; thence South $17^{\circ}03'47''$ West 42.50 feet to a point hereinafter referred to as Point "A"; thence continuing South $17^{\circ}03'47''$ West 39.00 feet to a point hereinafter referred to as Point "B"; thence continuing South $17^{\circ}03'47''$ West 42.50 feet to the beginning of a tangent 248.00 foot radius curve, concave Northeasterly; thence South and Southeasterly along the arc of said curve through a central angle of $72^{\circ}08'27''$ a distance of 312.26 feet; thence South $26^{\circ}30'00''$ West 231.92 feet to a point hereinafter referred to as Point "C"; thence South $63^{\circ}30'00''$ East 337.67 feet to a point hereinafter referred to as Point "D"; thence North $26^{\circ}30'00''$ East 372.97 feet to the beginning of a tangent 585.67 foot radius curve, concave Southeasterly; thence Northeasterly along the arc of said curve through a central angle of $22^{\circ}32'33''$ a distance of 230.43 feet; thence North $16^{\circ}30'00''$ East 175.58 feet; thence North $11^{\circ}00'00''$ East 71.48 feet to a Point of Terminus. The sidelines of said strip of land are to be prolonged or shortened so as to terminate at the Northerly and Northeasterly line of said Lot 11.

Parcel 2:

Beginning at Point "A" as described in Parcel 1; thence North $72^{\circ}56'13''$ West 135.05 feet to a Point of Terminus.

Parcel 3:

Beginning at Point "B" as described in Parcel 1; thence North $72^{\circ}56'13''$ West 135.05 feet to a Point of Terminus.

The sidelines of said strips of land are to be prolonged or shortened so as to terminate on the Southwesterly sideline of Parcel 1 and the Westerly line of Lot 11 of said Map 7376.

Parcel 4:

Beginning at Point "C" as described in Parcel 1, thence South $26^{\circ}30'00''$ West 104.50 feet to a Point of Terminus.

Parcel 5:

Beginning at Point "D" as described in Parcel 1; thence South $26^{\circ}30'00''$ West 104.50 feet to a Point of Terminus.

The sidelines of said strips of land are to be prolonged or shortened so as to terminate on the Southerly sideline of Parcel 1 and the Southerly line of Parcel 3 of said Parcel 2054.

Parcel A:

Parcels 1, 2, and 3 of Parcel Map No. 6740, being a division of Lot 7 of Bernardo Town Center Unit No. 2, in the City of San Diego, County of San Diego, State of California according to Map thereof No. 7270, filed in the Office of the County Recorder of San Diego County, May 2, 1972.

Parcel B:

A non-exclusive easement for ingress and egress and maintenance thereof pursuant to Restatement of Declaration of Restrictions and Architectural Control recorded February 10, 1976 as File No. 1976-040172 of Official Records, as amended by amendments thereto recorded June 3, 1976 as File No. 1976-170427, October 30, 1978 as File No. 1978-468490 and February 18, 1982 as File No. 1982-044651, all of Official Records, on, over and under those certain portions of (I) Lots 9 and 10 of Bernardo Town Center Unit No. 2, according to Map thereof No. 7270 filed in the Office of the County Recorder of San Diego county, California, on May 2, 1972, (II) Lot 11 of Bernardo Town Center Unit No. 3, according to Map thereof No. 7376, filed in the Office of the County Recorder of San Diego County, California on July 21, 1972 and (III) Parcel 3 of Parcel Map No. 2054 filed in the Office of the County Recorder of San Diego County, California, and as corrected in a Certificate of Correction recorded August 15, 1974 as File No. 1974-221934 of Official Records, and (IV) Lot 32 of Bernardo Town Center Unit No. 8, according to Map thereof No. 8803 filed in the Office of the County Recorder of San Diego county, California on February 15, 1978, all as described as follows:

Parcel A- Within Lot 32 Bernardo Town Center Unit No. 8 (Map No. 8803)

That portion of Rancho San Bernardo, in the City of San Diego, County of San Diego, State of California, according to Map thereof recorded in Book 2, Page 462 of Patents in the County of San Diego State of California; also that portion of Lot 11, Bernardo Town Center Unit No. 3, according to Map thereof No. 7376, filed in the Office of the County Recorder of San Diego County on July 21, 1972 and more particularly described as follows:

Beginning at the Southeasterly corner of Lot 3, Bernardo Town Center Unit No. 1, according to Map thereof No. 7077, filed in the Office of the County Recorder of San Diego County on October 7, 1971; thence along the Easterly line of Bernardo Town Center Unit No. 1, North 14°22'29" East 255.69 feet; thence South 76°33'01" East along the Southerly line of Bernardo Plaza Drive according to Bernardo Town Center Unit No. 2, per Map No. 7270 on File in the Office of the County Recorder of San Diego County, 10.03 feet to the True Point of Beginning; thence continuing South 76°33'01" East 17.97 feet; thence along the

Southerly line of said Bernardo Plaza Drive South $63^{\circ}46'09''$ East 10.25 feet; thence South $14^{\circ}22'42''$ West 252.24 feet to a point on the arc of a tangent 178.00 foot radius curve, concave Northwesterly; thence Southwesterly along the arc of said curve through a central angle of $23^{\circ}45'29''$ for a distance of 73.81 feet; thence tangent to said curve South $38^{\circ}08'11''$ West 164.96 feet to a point on the arc of a tangent 178.00 foot radius curve, concave Southeasterly; thence Southwesterly along the arc of said curve through a central angle of $21^{\circ}04'24''$ for a distance of 65.47 feet; thence tangent to said curve South $17^{\circ}03'47''$ West 124.00 feet to a point on the arc of a tangent 234.00 foot radius curve, concave Northeasterly; thence Southerly, Easterly, and Northerly along the arc of said curve through a central angle of $160^{\circ}18'12''$ for a distance of 654.69 feet; thence tangent to said curve North $36^{\circ}45'35''$ East 253.44 feet to a point on the arc of a tangent 574.00 foot radius curve, concave Northwesterly; thence Northeasterly along the arc of said curve through a central angle of $15^{\circ}20'30''$ for a distance of 153.70 feet to a Point of Intersection with the boundary of Lot 11 of the aforementioned Bernardo Town Center Unit No. 3, a radial line to said Point of Intersection bears South $68^{\circ}34'55''$ East; thence continuing Northeasterly along the arc of said 574.00 foot radius curve and on the Easterly line of said Lot 11 through a central angle of $3^{\circ}43'27''$ for a distance of 37.31 feet; thence tangent to said curve North $17^{\circ}41'38''$ East 207.55 feet to a point on the arc of a tangent 286.00 foot radius curve, concave Southeasterly; thence Northeasterly on the arc of said curve through a central angle of $6^{\circ}02'42''$ for a distance of 30.17 feet to the Southeasterly corner of Lot 10 of the aforementioned Bernardo Town Center Unit No. 2, a radial line to said point bears North $66^{\circ}15'40''$ West; thence continuing Northeasterly on the arc of said 286.00 foot radius curve along the Southeasterly line of said Lot 10 through a central angle of $27^{\circ}16'56''$ for a distance of 136.18 feet; thence tangent to said curve North $51^{\circ}01'16''$ East 110.00 feet to a point on the arc of a tangent 299.00 foot radius curve, concave Northwesterly; thence Northeasterly along the arc of said curve through a central angle of $28^{\circ}42'27''$ for a distance of 149.81 feet to a corner of Lot 9 of the aforementioned Bernardo Town Center Unit No. 2, a radial line to said corner bears South $67^{\circ}41'11''$ East; thence along the Southerly line of said Lot 9 South $67^{\circ}41'11''$ East 28.00 feet to a point on the arc of a 327.00 foot radius curve, concave Northwesterly and having a radial which bears South $67^{\circ}41'11''$ East to said point; thence leaving said Southerly boundary of Lot 9 Southwesterly along the arc of said curve through a central angle of $28^{\circ}42'27''$ for a distance of 163.84 feet; thence tangent to said curve South $51^{\circ}01'16''$ West 110.00 feet to a point on the arc of a tangent 258.00 foot radius curve, concave Southeasterly; thence Southwesterly along the arc of said curve through a central angle of $33^{\circ}19'38''$ for a distance of 150.07 feet; thence tangent to said curve South $17^{\circ}41'38''$ West 207.55 feet to a point on the arc of a tangent 602.00 foot radius curve, concave Northwesterly; thence Southwesterly along the arc of said curve through a central angle of $3^{\circ}43'27''$ for a distance of 39.13 feet to a corner of the aforementioned Lot 11, Bernardo Town Center Unit No. 3, a radial line to said corner bears South $68^{\circ}34'55''$ East; thence along the boundary of said Lot 11 and

continuing Southwesterly along the arc of said 602.00 foot radius curve through a central angle of $15^{\circ}20'30''$ for a distance of 161.19 feet; thence South $36^{\circ}45'35''$ West 253.44 feet to a point on the arc of a tangent 262.00 foot radius curve, concave Northwesterly; thence Southwesterly along the arc of said curve through a central angle of $56^{\circ}12'11''$ for a distance of 257.00 feet to a Point of Intersection with the Southerly line of said Lot 11 Bernardo Town Center Unit No. 3; thence continuing Westerly and Northerly along the arc of said 262.00 foot radius curve and the Southerly line of said Lot 11 through a central angle of $104^{\circ}06'01''$ for a distance of 476.03 feet to a Point of Reverse Curvature with a 20.00 radius curve, concave Southwesterly, a radial line from said Point of Reverse Curvature bears North $72^{\circ}56'13''$ West; thence Northerly and Northwesterly along the arc of said 20.00 foot radius curve through a central angle of $90^{\circ}00'00''$ for a distance of 31.42 feet; thence tangent to said curve North $72^{\circ}56'13''$ West 81.22 feet to a point on the arc of a tangent 20.00 radius curve, concave Southeasterly; thence Westerly and Southwesterly on the arc of said curve through a central angle of $89^{\circ}38'50''$ for a distance of 31.29 feet to a Point of Cusp with a tangent curve having a radius of 10051.00 feet, concave Westerly, a radial line to said Point of Cusp bears South $72^{\circ}35'03''$ East, said curve being the Easterly line of Bernardo Center Drive 51.00 feet from the centerline per Deed recorded May 15, 1964 as File No. 1964-88235, Series 5, Book 1964 in the Office of the County Recorder of San Diego County; thence Northeasterly along the arc of said 10051.00 foot radius curve, through a central angle of $0^{\circ}42'20''$ for a distance of 123.77 feet to a Point of Cusp with a tangent curve having a radius of 20.00 feet, concave Northeasterly, a radial line to said Point of Cusp bears South $73^{\circ}17'23''$ East; thence leaving said Easterly line of Bernardo Center Drive Southeasterly along the arc of said 20.00 foot radius curve through a central angle of $89^{\circ}38'50''$ for a distance of 31.29 feet; thence tangent to said curve South $72^{\circ}56'13''$ East 81.22 feet to a point on the arc of a tangent 20.00 foot radius curve, concave Northwesterly; thence Easterly and Northeasterly along the arc of said curve through a central angle of $90^{\circ}00'00''$ for a distance of 31.42 feet to a Point of Reverse Curvature with a curve having a radius of 206.00 feet, concave Southeasterly, a radial line through said Point of Reverse Curvature bears North $72^{\circ}56'13''$ West; thence Northeasterly along the arc of said 206.00 foot radius curve through a central angle of $21^{\circ}04'24''$ for a distance of 75.77 feet; thence tangent to said curve North $38^{\circ}08'11''$ East 164.96 feet to a point on the arc of a tangent 150.00 foot radius curve, concave Northwesterly; thence Northeasterly along the arc of said curve through a central angle of $23^{\circ}01'22''$ for a distance of 60.27 feet to an angle in the boundary of said Lot 11; thence leaving said boundary of Lot 11 and continuing along the arc of said curve through a central angle of $0^{\circ}44'07''$ for a distance of 1.93 feet; thence tangent to said curve North $14^{\circ}22'42''$ East 254.05 feet to the True Point of Beginning.

Excepting therefrom any portion thereof lying within Bernardo Town Center Unit No. 3, Map No. 7376.

Parcel B – Within Lot 9 Bernardo Town Center Unit No. 2 Map No. 7270

That portion of Lot 9, Bernardo Town Center Unit No. 2, in the City of San Diego, County of San Diego, State of California, according to Map thereof No 7270 filed in the Office of the County Recorder of San Diego County, described as follows:

Beginning at the Northwestern corner of Lot 7 of said Bernardo Town Center Unit No. 2, said corner is on the Southerly line of Rancho Bernardo Road, 102.00 feet wide; thence along the Westerly line of said Lot 7 South $00^{\circ}00'15''$ East 318.00 feet to a corner of said Lot 7, said corner is on the Northerly boundary of the aforementioned Lot 9, said corner is the True Point of Beginning; thence along the Boundary of said Lot 9, the following courses and distances: North $89^{\circ}59'45''$ East 70.00 feet to a point on the arc of a tangent 322.00 foot radius curve, concave Southerly; thence Easterly along the arc of said curve through a central angle of $70^{\circ}52'10''$ an arc length of 398.28 feet; thence tangent to said curve South $19^{\circ}08'05''$ East 87.61 feet to a point on the arc of a tangent 298.00 foot radius curve, concave Westerly; thence Southerly along the arc of said curve through a central angle of $23^{\circ}09'21''$ an arc length of 120.43 feet; thence tangent to said curve, South $04^{\circ}01'16''$ West 82.70 feet; thence South $12^{\circ}05'44''$ West 117.64 feet; thence North $67^{\circ}41'11''$ West 28.00 feet to a point on the arc of a 299.00 foot radius curve, concave Northwesternly and having a radial which bears South $67^{\circ}41'11''$ East to said point; thence Northeasterly along the arc of said curve through a central angle of $2^{\circ}31'19''$ an arc length of 13.16 feet; thence leaving said boundary of Lot 9 and continuing Northeasterly along the arc of said curve through a central angle of $15^{\circ}46'14''$ an arc length of 82.30 feet; thence tangent to said curve North $04^{\circ}01'16''$ East 96.54 feet to a point on the arc of a tangent 270.00 foot radius curve, concave Westerly; thence Northerly along the arc of said curve through a central angle of $23^{\circ}09'21''$ an arc length of 109.12 feet; thence tangent to said curve North $19^{\circ}08'05''$ West 87.61 feet to a point on the arc of a tangent 294.00 foot radius curve, concave Southeasterly; thence Northwesternly along the arc of said curve through a central angle of $70^{\circ}52'10''$ an arc length of 363.65 feet; thence tangent to said curve South $89^{\circ}59'45''$ West 70.00 feet to a point on the boundary of the aforementioned Lot 9; thence along said Boundary North $00^{\circ}00'15''$ West 28.00 feet to the True Point of Beginning.

Parcel C – Within Lot 10 Bernardo Town Center Unit No. 2 Map No. 7270

That portion of Lot 10, Bernardo Town Center Unit No. 2, in the City of San Diego, County of San Diego, State of California, according to Map thereof No. 7270 filed in the Office of the County Recorder of San Diego County, described as follows:

Beginning at the Northwestern corner of Lot 7 of said Bernardo Town Center Unit No. 2, said corner is on the Southerly line of Rancho Bernardo Road, 51.00 feet from the centerline; thence along the Westerly line of said Lot 7, south

00°00'15" East 318.00 feet to a corner of said Lot 7, said corner is on the Boundary of Lot 10 of said Bernardo Industrial Park Unit No. 2, said corner is the True Point of Beginning; thence along said Boundary of Lot 10, South 00°00'15" East 28.00 feet; thence leaving said Boundary, South 29°59'45" West 15.00 feet to a point on the arc of a tangent 225.00 foot radius curve, concave Southeasterly; thence Southwesterly along the arc of said curve through a central angle of 75°35'47" an arc length of 296.87 feet; thence tangent to said curve South 14°23'58" West 107.62 feet to a point on the Boundary of Lot 9 of said Bernardo Town Center Unit No. 2; thence along the Boundary of said Lot 9, South 14°23'58" West 256.25 feet; thence leaving the boundary of said Lot 9, South 14°23'58" West 27.46 feet to the most Easterly corner of Bernardo Plaza Drive as shown on the aforementioned Bernardo Town Center Unit No. 2; thence along the Boundary of said Bernardo Plaza Drive North 75°36'02" West 28.00 feet; thence leaving said Boundary, North 14°23'58" East 391.33 feet to a point on the arc of a tangent 253.00 foot radius curve, concave Southeasterly; thence Northeasterly along the arc of said curve through a central angle of 75°35'47" an arc length of 333.81 feet; thence tangent to said curve North 89°59'45" East 15.00 feet to the True Point of Beginning.

Parcel D: - Within Lot 11 Bernardo Town Center Unit No. 3, Map No. 7376 and Parcel 3 of Parcel Map No. 2054

Parcel 1:

A strip of land being 28.00 feet in width, lying 14.00 feet on each side of the following described centerline:

Beginning at the most Northerly corner of said Lot 11, said point being on the Southerly right of way of Bernardo Plaza Court; thence South 76°33'01" East 24.00 feet to the True Point of Beginning; thence south 14°22'29" West 256.39 feet to the beginning of a tangent 164.00 feet to the beginning of a tangent 164.00 foot radius curve, concave Northwesterly; thence Southwesterly along the arc of said curve through a central angle of 23°01'22" a distance of 65.90 feet; thence South 38°08'11" West 164.96 feet to the beginning of a tangent 192.00 foot radius curve, concave Southeasterly; thence Southwesterly along the arc of said curve through a central angle of 2°1'04'24" a distance of 70.62 feet; thence South 17°03'47" West 42.50 feet to a point hereinafter referred to as Point "A"; thence continuing South 17°3'47" West 39.00 feet to a point hereinafter referred to as Point "B"; thence continuing South 17°03'47" West 42.50 feet to the beginning of a tangent 248.00 foot radius curve, concave Northeasterly; thence South and Southeasterly along the arc of said curve through a central angle of 72°08'27" a distance of 312.26 feet; thence South 26°30'00" West 231.92 feet to a point hereinafter referred to as Point "C"; thence South 63°30'00" East 337.67 feet to a point hereinafter referred to as Point "D"; thence North 26°30'00" East 372.97 feet to the beginning of a tangent 585.67 foot radius curve Southeasterly;

thence Northeasterly along the arc of said curve through a central angle of $22^{\circ}32'33''$ a distance of 230.43 feet; thence North $16^{\circ}30'00''$ East 175.58 feet; thence North $11^{\circ}00'00''$ East 71.48 feet to a Point of terminus. The sidelines of said strip of land are to be prolonged or shortened so as to terminate at the Northerly and Northeasterly line of said Lot 11.

Parcel 2:

Beginning at Point "A" as described in Parcel 1; thence North $72^{\circ}56'13''$ West 135.05 feet to a Point of Terminus.

Parcel 3:

Beginning at Point "B" as described in Parcel 1; thence North $72^{\circ}56'13''$ West 135.05 feet to a point of terminus.

The sidelines of said strips of land are to be prolonged or shortened so as to terminate on the Southwesterly sideline of Parcel 1 and the Westerly line of Lot 11 of said Map 7376.

Parcel 4:

Beginning at Point "C" as described in Parcel 1; thence South $26^{\circ}30'00''$ West 104.50 feet to a point of terminus.

Parcel 5:

Beginning at Point "D" as described in Parcel 1; thence South $26^{\circ}30'00''$ West 104.50 feet to a point of terminus.

The sidelines of said strips of land are to be prolonged or shortened so as to terminate on the Southerly sideline of Parcel 1 and the Southerly line of Parcel 3 of said Parcel 2054.

EXHIBIT A-29

**Savannah Square
One Savannah Square Drive
Savannah, GA 31406**

(See attached copy.)

Legal Description

All that certain lot, tract or parcel of land situate, lying and being in a portion of Savannah Square Subdivision, formerly a portion of Parcel "B", Morekis Tract; the Western 135 feet of Lot 1 of the Dillon Tract; a portion of the Munnerlyn Lots, 6th G.M. District, Savannah, Chatham County, Georgia and being more particularly described as follows:

Commencing at the intersection of the southern right-of-way of Montgomery Cross Road and the western intersection of Abercorn Street Extention; thence, along the southern right-of-way of Montgomery Cross Road a distance of approximately 1500 feet to a point, the POINT OF BEGINNING; thence, departing said right-of-way South 19 degrees 25 minutes 31 seconds West a distance of 431.51 feet to an iron rod; thence South 19 degrees 34 minutes 49 seconds West a distance of 405.75 feet to an iron rod; thence South 34 degrees 07 minutes 51 seconds West a distance of 137.72 feet to an iron rod; thence South 63 degrees 32 minutes 51 seconds East a distance of 323.05 feet to an iron rod; thence South 16 degrees 05 minutes 10 seconds West a distance of 1120.59 feet to a point; thence North 77 degrees 17 minutes 31 seconds West a distance of 185.19 feet to a point; thence North 67 degrees 47 minutes 00 seconds West a distance of 437.64 feet to a concrete monument; thence North 15 degrees 57 minutes 13 seconds East a distance of 673.26 feet to a concrete monument; thence North 34 degrees 18 minutes 47 seconds East a distance of 656.65 feet to a concrete monument; thence North 19 degrees 34 minutes 49 seconds East a distance of 397.91 feet to a concrete monument; thence North 19 degrees 25 minutes 31 seconds East a distance of 426.56 feet to a point on the Western right-of-way of Montgomery Cross Road; thence along said right-of-way of Montgomery Cross Road South 75 degrees 12 minutes 36 seconds East a distance of 60.20 feet to a point, the POINT OF BEGINNING.

Said parcel contains 741,327.99 square feet (17.02 acres)

The parcel as a whole is bounded as follows: On the West by the lands now or formerly owned by Woodrow W. Dyches, Et al and P.L. Jenkins and Honey Ridge Plantation, Phases 1 and 2, lands now or formerly of Woodrow W. Dyches, and the Dillon Tract, on the North by Montgomery Cross Road, and on the East by lands now or formerly owned by JACO Savannah Realty, Inc., JACO Management, Inc., Merry Lands Holdings, LLC and Housing Authority of Savannah, and on the South by lands now or formerly of Leeds Gate Subdivision, Phase 2.

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BOOK

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PAGE

EXHIBIT A-30

**Morningside of Bellgrade
2800 Polo Parkway
Midlothian, VA 23113**

(See attached copy.)

Morningside of Bellgrade
2800 Polo Parkway
Midlothian, VA 23113

Legal Description

TRACT 1:

All that certain lot, piece or parcel of land with the improvements thereon and the appurtenances thereto belonging, lying and being in Midlothian District, Chesterfield County, Virginia, containing 5.060 acres, more or less, the metes and bounds of which are described as follows:

Beginning at an iron pin set on the North right-of-way margin of Polo Parkway, point being 543.75 feet east of Robious Crossing Drive, said point being the True Point of Beginning; thence run North 05° 03' 23" East for a distance of 549.88 feet to an iron pin found; thence run South 84° 56' 37" East for a distance of 536.23 feet to an iron pin found; thence run South 00° 14' 13" West for a distance of 292.13 feet to an iron pin found on the North right-of-way margin of Polo Parkway and the PT of a curve to the left having a radius of 978.61 feet and an arc distance of 347.95 feet; thence run along said curve to the left and along the North right-of-way margin of Polo Parkway a chord bearing of south 74° 43' 22" West and a chord distance of 346.12 feet to an iron pin set; thence run South 64° 33' 00" West along said right-of-way margin for a distance of 249.14 feet to an iron pin and the PT of a curve to the left having a radius of 619.90 feet and an arc distance of 24.70 feet; thence run along said curve to the left and along said right-of-way margin a chord bearing of South 65° 53' 28" West and a chord distance of 24.70 feet to a point and back to the True Point of Beginning.

TRACT 2:

An easement over and across the Common Area, Common Improvements for use, enjoyment, irrigation, and drainage along with a right to cross over any Common Area, Common Site Area, Common Improvements, or Site for the purpose of making repairs or improvements and an easement for the accommodation of encroachments on all Site, Common Site Area and/or Common Area adjoining Parcel 1, and other additional easements as are necessary to effectuate the purpose of the Protective Covenants as granted and /or purported to be granted in Bellgrade Protective Covenants dated September 25, 1990, by Bellgrade Development Company, L.P., a Virginia limited partnership and Occidental Development Ltd., filed of record September 28, 1990 in Deed Book 2114, page 1600, in the Clerk's Office, Circuit Court, Chesterfield County, Virginia.

Being the same property conveyed to SNH FM FINANCING LLC, a Delaware limited liability company by Special Warranty Deed from SNH/LTA PROPERTIES TRUST, a Maryland real estate investment trust, dated July 20, 2009 and effective as of August 4, 2009, recorded on August 6, 2009, in the Clerk's Office, Circuit Court, Chesterfield County, Virginia, in Deed Book 8821, page 970.

**PARTIAL TERMINATION OF AND AMENDMENT NO. 2 TO
AMENDED AND RESTATED MASTER LEASE AGREEMENT**

THIS PARTIAL TERMINATION OF AND AMENDMENT NO. 2 TO AMENDED AND RESTATED MASTER LEASE AGREEMENT (this “Amendment”) is made as of August 31, 2012 by and among SNH FM FINANCING LLC, a Delaware limited liability company, SNH FM FINANCING TRUST, a Maryland real estate investment trust, and ELLICOTT CITY LAND I, LLC, a Delaware limited liability company, collectively as landlord (“Landlord”), and FVE FM FINANCING, INC., a Maryland corporation, as tenant (“Tenant”).

WITNESSETH:

WHEREAS, pursuant to the terms of that certain Amended and Restated Master Lease Agreement, dated as of August 4, 2009, as amended by that certain Amendment No. 1 to Amended and Restated Master Lease Agreement (as so amended, the “Lease”), Landlord leases to Tenant, and Tenant leases from Landlord, the Leased Property (this and other capitalized terms used but not otherwise defined herein having the meanings given such terms in the Lease), all as more particularly described in the Lease; and

WHEREAS, as of the date hereof, Landlord is conveying to its affiliate certain of the Leased Property known as and located at (i) Forum at Desert Harbor, 13840 North Desert Harbor Drive, Peoria, Arizona, more particularly described on Exhibit A-1 to the Lease; (ii) Forum at Tucson, 2500 North Rosemont Blvd., Tucson, Arizona, more particularly described on Exhibit A-2 to the Lease; (iii) The Remington Club I and II, 16925 and 16916 Hierba Drive, San Diego, California, more particularly described on Exhibit A-3 to the Lease; (iv) Park Summit at Coral Springs, 8500 Royal Palm Blvd., Coral Springs, Florida, more particularly described on Exhibit A-6 to the Lease; (v) Savannah Square, One Savannah Square Drive, Savannah, Georgia, more particularly described on Exhibit A-8 to the Lease; (vi) Gables at Winchester, 299 Cambridge Street, Winchester, Massachusetts, more particularly described on Exhibit A-12 to the Lease; (vii) HeartFields at Easton, 700 Port Street, Easton, Maryland, more particularly described on Exhibit A-13 to the Lease; (viii) Aspenwood, 14400 Homecrest Road, Silver Spring, Maryland, more particularly described on Exhibit A-16 to the Lease; (ix) Forum at Memorial Woods, 777 North Post Oak Road, Houston, Texas, more particularly described on Exhibit A-20 to the Lease; and (x) Morningside of Bellgrade, 2800 Polo Parkway, Midlothian, Virginia, more particularly described on Exhibit A-25 to the Lease (collectively, the “Terminated Properties”); and

WHEREAS, in connection with the conveyance of the Terminated Properties, Landlord and Tenant wish to amend the Lease to terminate the Lease with respect to the Terminated Properties;

NOW, THEREFORE, in consideration of the mutual covenants herein contained and other good and valuable consideration, the mutual receipt and legal sufficiency of which are hereby acknowledged, Landlord and Tenant hereby agree that, effective as of the date hereof, the Lease is hereby amended as follows:

1. Partial Termination of Lease. The Lease is terminated with respect to the Terminated Properties and neither Landlord nor Tenant shall have any further rights or liabilities
-

thereunder with respect to the Terminated Properties from and after the date hereof, except for those rights and liabilities which by their terms survive the termination of the Lease.

2. Definition of Minimum Rent. The defined term “Minimum Rent” set forth in Section 1.67 of the Lease is deleted in its entirety and replaced with the following:

“ **Minimum Rent** ” shall mean the sum of Thirty-Three Million, Six Hundred Seventy-Nine Thousand, Seven Hundred Sixteen and 55/100 Dollars (\$33,679,716.55) per annum.

3. Schedule 1. Schedule 1 to the Lease is deleted in its entirety and replaced with Schedule 1 attached hereto.

4. Exhibit A. Exhibit A to the Lease is amended by deleting the text of Exhibits A-1, A-2, A-3, A-6, A-8, A-12, A-13, A-16, A-20 and A-25 attached thereto in their entirety and replacing them with “Intentionally Deleted.”

5. Ratification. As amended hereby, the Lease is ratified and confirmed.

**[Remainder of page intentionally left blank;
signature pages follow]**

IN WITNESS WHEREOF , the parties have executed this Amendment as a sealed instrument as of the date above first written.

LANDLORD:

SNH FM FINANCING LLC

By: /s/ David J. Hegarty

David J. Hegarty

President

SNH FM FINANCING TRUST

By: /s/ David J. Hegarty

David J. Hegarty

President

ELLCOTT CITY LAND I, LLC

By: /s/ David J. Hegarty

David J. Hegarty

President

TENANT:

FVE FM FINANCING, INC.

By: /s/ Bruce J. Mackey Jr.
Bruce J. Mackey Jr.
President

SCHEDULE 1**PROPERTY-SPECIFIC INFORMATION**

Exhibit	Property Address	Base Gross Revenues (Calendar Year)	Base Gross Revenues (Dollar Amount)	Commencement Date	Interest Rate
A-1	Intentionally Deleted	N/A	N/A	N/A	N/A
A-2	Intentionally Deleted	N/A	N/A	N/A	N/A
A-3	Intentionally Deleted	N/A	N/A	N/A	N/A
A-4	Rio Las Palmas 877 East March Lane Stockton, CA 95207	2005	\$ 4,204,464	09/30/2003	10%
A-5	Foulk Manor North 1212 Foulk Road Wilmington, DE 19803	2005	\$ 7,666,221	01/11/2002	10%
A-6	Intentionally Deleted	N/A	N/A	N/A	N/A
A-7	Coral Oaks 900 West Lake Road Palm Harbor, FL 34684	2005	\$ 9,051,220	01/11/2002	10%
A-8	Intentionally Deleted	N/A	N/A	N/A	N/A
A-9	Forum at the Crossing 8505 Woodfield Crossing Blvd. Indianapolis, IN 46240	2005	\$ 11,973,559	01/11/2002	10%
A-10	Forum at Overland Park 3501 West 95th Street Overland Park, KS 66206	2005	\$ 9,674,467	01/11/2002	10%
A-11	Forum at Brookside 200 Brookside Drive Louisville, KY 40243	2005	\$ 12,831,113	01/11/2002	10%
A-12	Intentionally Deleted	N/A	N/A	N/A	N/A
A-13	Intentionally Deleted	N/A	N/A	N/A	N/A
A-14	Heartlands at Ellicott City 3004 North Ridge Road Ellicott City, MD 21043	2005	\$ 7,872,811	03/01/2004	10%
A-15	Heartlands at Severna Park 715 Benfield Road Severna Park, MD 21146	2005	\$ 3,521,926	10/25/2002	10%
A-16	Intentionally Deleted	N/A	N/A	N/A	N/A

Exhibit	Property Address	Base Gross Revenues (Calendar Year)	Base Gross Revenues (Dollar Amount)	Commencement Date	Interest Rate
A-17	HeartFields at Cary 1050 Crescent Green Drive Cary, NC 27511	2005	\$ 3,092,311	10/25/2002	10%
A-18	Montebello 10500 Academy Road Albuquerque, NM 87111	2005	\$ 10,739,724	01/11/2002	10%
A-19	Forum at Knightsbridge 4590 and 4625 Knightsbridge Blvd. Columbus, OH 43214	2005	\$ 15,290,522	01/07/2002	10%
A-20	Intentionally Deleted	N/A	N/A	N/A	N/A
A-21	Forum at Lincoln Heights 311 West Nottingham Road San Antonio, TX 78209	2005	\$ 12,559,927	01/11/2002	10%
A-22	Forum at Woodlands 5055 W Panther Creek Drive The Woodlands, TX 77381	2005	\$ 13,072,902	01/11/2002	10%
A-23	Morningside of Charlottesville 491 Crestwood Drive Charlottesville, VA 22903	2006	\$ 3,016,125	11/19/2004	9%
A-24	HeartFields at Fredericksburg 20 HeartFields Lane Fredericksburg, VA 22405	2005	\$ 3,654,848	10/25/2002	10%
A-25	Intentionally Deleted	N/A	N/A	N/A	N/A
A-26	Morningside of Newport News 655 Denbigh Boulevard Newport News, VA 23608	2006	\$ 3,226,806	11/19/2004	9%
A-27	Meadowmere - Northshore Assisted Living 10803 North Port Washington Road Mequon, WI 53092	2009	N/A	01/04/2008	8%

Senior Housing Properties Trust
Computation of Ratios of Earnings to Fixed Charges
(dollars in thousands)

	<u>Nine Months Ended September 30,</u>	<u>Year Ended December 31,</u>				
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Earnings:						
Income before income tax expense	\$ 91,248	\$ 151,731	\$ 116,785	\$ 110,027	\$ 106,744	\$ 85,303
Fixed charges	87,426	98,262	80,017	56,404	40,154	37,755
Adjusted earnings	\$ 178,674	\$ 249,993	\$ 196,802	\$ 166,431	\$ 146,898	\$ 123,058
Fixed charges:						
Interest expense	\$ 87,426	\$ 98,262	\$ 80,017	\$ 56,404	\$ 40,154	\$ 37,755
Ratio of earnings to fixed charges	2.0x	2.5x	2.5x	2.9x	3.7x	3.3x

CERTIFICATION PURSUANT TO EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a)

I, Barry M. Portnoy, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Senior Housing Properties Trust;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 30, 2012

/s/ Barry M. Portnoy

Barry M. Portnoy
Managing Trustee

CERTIFICATION PURSUANT TO EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a)

I, Adam D. Portnoy, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Senior Housing Properties Trust;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 30, 2012

/s/ Adam D. Portnoy

Adam D. Portnoy
Managing Trustee

CERTIFICATION PURSUANT TO EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a)

I, David J. Hegarty, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Senior Housing Properties Trust;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 30, 2012

/s/ David J. Hegarty

David J. Hegarty

President and Chief Operating Officer

CERTIFICATION PURSUANT TO EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a)

I, Richard A. Doyle, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Senior Housing Properties Trust;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 1. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 2. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 3. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 4. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 1. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 2. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 30, 2012

/s/ Richard A. Doyle

Richard A. Doyle

Treasurer and Chief Financial Officer

CERTIFICATION PURSUANT TO 18 U.S.C. SEC. 1350

In connection with the filing by Senior Housing Properties Trust (the “Company”) of the Quarterly Report on Form 10-Q for the period ended September 30, 2012 (the “Report”), each of the undersigned hereby certifies, to the best of his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Barry M. Portnoy

Barry M. Portnoy
Managing Trustee

/s/ David J. Hegarty

David J. Hegarty
President and Chief Operating Officer

/s/ Adam D. Portnoy

Adam D. Portnoy
Managing Trustee

/s/ Richard A. Doyle

Richard A. Doyle
Treasurer and Chief Financial Officer

Date: October 30, 2012

POOLING AGREEMENT

THIS POOLING AGREEMENT (this “Agreement”) is made as of August 31, 2012, by and among FVE IL Managers, Inc. (“Manager”) and the parties listed on Schedule A (each an “Owner” and collectively, “Owners”).

RECITALS:

Each Owner has entered into a Management Agreement with Manager (each a “Management Agreement” and collectively, the “Management Agreements”) with respect to the real estate and personal property described in Schedule B opposite such Owner’s name which is operated as an independent living community (each a “Community” and collectively, the “Communities”), which Management Agreements are listed on Schedule C.

The parties desire that working capital of each of the Communities and all revenues from operation of each of the Communities be pooled for purposes of paying operating expenses of the Communities, fees and other amounts due to Manager and Owners.

NOW, THEREFORE, the parties agree as follows:

ARTICLE I DEFINED TERMS

1.01. Definitions. Capitalized terms used, but not otherwise defined in this Agreement shall have the meanings given to such terms in the Management Agreements. The following capitalized terms as used in this Agreement shall have the meanings set forth below:

“Additional Community” is defined in Section 7.01.

“Additional Management Agreement” is defined in Section 7.01.

“Additional Owner” is defined in Section 7.01.

“Aggregate Annual Statement” means the Aggregate Monthly Statement for the month of December in each year.

“Aggregate Base Fee” means an amount equal to 3% of the Aggregate Gross Revenues.

“Aggregate Community Expenses” means the sum of Community Expenses of the Communities.

“Aggregate Gross Revenues” means the sum of Gross Revenues of the Communities.

“Aggregate Incentive Fee” means an amount that is equal to thirty-five percent (35%) of Aggregate Net Operating Income remaining after payment of the Aggregate Owner Priority Return.

“Aggregate Invested Capital” means the sum of the Invested Capital for each of the Communities, including each Additional Community.

“Aggregate Monthly Statement” is defined in Article IV.

“Aggregate Net Operating Income” means an amount equal to Aggregate Gross Revenues less Aggregate Community Expenses.

“Aggregate Owner Priority Return” means an annual amount equal to eight percent of Aggregate Invested Capital.

“Aggregate Owner Residual Payment” means an amount equal to 65% of the Aggregate Net Operating Income after payment of the Aggregate Owner Priority Return.

“Agreement” is defined in the Preamble.

“Community” and “Communities” is defined in the Recitals.

“Management Agreement” and “Management Agreements” is defined in the Recitals.

“Manager” is defined in the Preamble.

“Manager Shortfall Advance” is defined in Section 5.01.

“Non-Economic Communities” is defined in Section 5.02.

“Owner” is defined in the Preamble.

“Priority Return Shortfall” is defined in Section 5.01.

ARTICLE II GENERAL

The parties agree that so long as a Community is subject to this Agreement, all Working Capital and all Gross Revenues of such Community shall be pooled pursuant to this Agreement and disbursed to pay all Aggregate Community Expenses, fees and other amounts due Manager and Owners (not including amounts due pursuant to Section 15.05 of the Management Agreements) with respect to the Communities and that the corresponding provisions of each Management Agreement shall be superseded as provided in Section 3.03. The parties further agree that if Manager gives a notice of non-renewal of the Term with respect to any Community, it shall be deemed to be a notice of non-renewal of the Term with respect to all the Communities.

ARTICLE III PRIORITIES FOR DISTRIBUTION OF AGGREGATE GROSS REVENUES

3.01. Priorities for Distribution of Aggregate Gross Revenues. Aggregate Gross Revenues shall be distributed in the following order of priority:

- (1) First, to pay Aggregate Community Expenses (which shall not include the Aggregate Base Fee).
- (2) Second, to Manager to pay the Aggregate Base Fee and any interest that may have accrued pursuant to Section 3.02.
- (3) Third, to Owners in an amount equal to the Aggregate Owner Priority Return and any interest that may have accrued pursuant to Section 3.02.
- (4) Fourth, to Manager to reimburse it for payment of any Manager Shortfall Advance, plus applicable interest calculated at the Interest Rate.
- (5) Fifth, to Manager, in an amount equal to the Aggregate Incentive Fee.
- (6) Sixth, to Owners, in an amount equal to the Aggregate Owner Residual Payment.

3.02. Timing of Payments. Payment of the Aggregate Community Expenses, excluding the Aggregate Base Fee, shall be made in the ordinary course of business. The Aggregate Base Fee and accrued interest, if any, shall be paid on the first Business Day of each calendar month, in advance, based upon Manager's then estimate of the prior month's Aggregate Gross Revenues. The Aggregate Owner Priority Return and accrued interest, if any, shall be paid on the first Business Day of each calendar month, in advance in approximately equal monthly installments, based upon Aggregate Invested Capital most recently reported to Manager by Owner. The Aggregate Base Fee and Aggregate Owner Priority Return shall be subject to adjustment by increasing or decreasing the payment due in the following month based upon Aggregate Gross Revenues reflected in the Aggregate Monthly Financial Statements and increases or decreases in Aggregate Invested Capital reported to Manager by Owners, as the case may be. If any installment of the Aggregate Base Fee or the Aggregate Owner Priority Return is not paid when due, it shall accrue and bear interest at the Interest Rate. The Aggregate Incentive Fee and Aggregate Owner Residual Payment shall be paid on the last Business Day of the calendar month following the month to which such Aggregate Incentive Fee and Aggregate Owner Residual Payment relate, in arrears, and shall be based upon the Aggregate Monthly Statements. Additional adjustments to all payments will be made on an annual basis based upon the Aggregate Monthly Statements for the full calendar year and any audits conducted pursuant to Section 6.03 of the Management Agreements. The Aggregate Owner Priority Return and Aggregate Owner Residual Payment shall be allocated among the Owners as the Owners shall determine in their sole discretion and Manager shall have no responsibility or liability in connection therewith.

3.03. Relationship with Management Agreements. For as long as this Agreement is in effect with respect to a Community, the provisions of Section 3.01 and 3.02 shall supersede Sections 5.01 and 5.02 of the Management Agreement then in effect with the applicable Community.

**ARTICLE IV
FINANCIAL STATEMENTS**

Manager shall prepare and deliver the following financial statements to the Owners:

(a) not later than ten Business Days after the end of each calendar month, a consolidated balance sheet and related statement of income and expense of all of the Communities for such calendar month and for the then current calendar year to date, certified by Manager's Controller on a monthly basis and by Manager's Chief Financial Officer on a quarterly basis as being true and correct to the best of his/her knowledge ("Aggregate Monthly Statement").

(b) Manager shall also prepare and deliver such other statements or reports as any Owner may, from time to time, reasonably request.

The financial statements delivered pursuant to this Article IV are in addition to any financial statements required to be prepared and delivered pursuant to the Management Agreements.

**ARTICLE V
SHORTFALL; NON-ECONOMIC COMMUNITIES**

5.01. Shortfall. After December 31, 2018, if in each of three consecutive calendar years the Aggregate Owner Priority Return (together with any accrued interest) has not been paid in full (a "Priority Return Shortfall"), by notice given within sixty (60) days after receipt of the Aggregate Annual Statement for such third year, the Owners may terminate all, but not less than all, of the Management Agreements. Prior to exercising the right to terminate, Owners shall give Manager notice and if within ten (10) days thereafter, Manager funds the Priority Return Shortfall (a "Manager Shortfall Advance"), Owners shall not exercise the right to terminate, provided Manager may not exercise its right to fund the Priority Return Shortfall more frequently than once every four (4) years. Manager may recover any amounts paid by it as a Manager Shortfall Advance as provided in Section 3.01, provided that amounts not recovered during the four (4) calendar years following the year in which payment of a Manager Shortfall Advance was made shall be deemed waived and shall not be payable in any subsequent year.

5.02. Non-Economic Communities. If the Gross Revenues of any Community are insufficient to pay all Community Expenses and the Base Fee of such Community in full during each of two (2) consecutive calendar years, Manager shall, upon thirty (30) days notice to the relevant Owner, be entitled to designate such Community a "Non-Economic Community." Notwithstanding the foregoing, Manager shall not be entitled without the Owner's consent to designate Communities for which the Invested Capital in the aggregate would exceed twenty percent (20%) of Aggregate Invested Capital and further provided for purposes of this Section 5.02 only, Aggregate Invested Capital shall be determined without giving effect to the termination of the Management Agreement of a Non-Economic Community and without reduction for proceeds from the sale, or deemed sale, of any Non-Economic Community. Manager may request an increase in the foregoing twenty percent (20%) threshold at any time, which Owner may accept or reject in its sole discretion.

Manager shall market a Community designated as a Non-Economic Community for sale and any costs incurred by the Manager in connection with such marketing activities and the sale of such Community shall be paid out of the net proceeds of such sale. The relevant Owner and Owner shall cooperate with Manager in compiling any relevant information, preparing marketing materials and otherwise in connection with the sale of a Non-Economic Community.

5.03. Sale Process. If a Non-Economic Community is marketed for sale in accordance with Section 5.02 and Manager receives an offer therefor which it wishes to accept on behalf of Owner, Manager shall give the relevant Owner prompt notice thereof, which notice shall include a copy of the offer and any other information reasonably requested by such Owner. If the relevant Owner shall fail to accept or reject such offer within seven (7) Business Days after receipt of such notice and other information from Manager, such offer shall be deemed to be accepted. If the offer is rejected by the relevant Owner and, if the Manager elects to continue marketing the Community by providing written notice to the relevant Owner within seven (7) days of such rejection and the Manager does not obtain another offer within ninety (90) days that is accepted by the relevant Owner, the Non-Economic Community shall be deemed to have been sold to the relevant Owner on the date, at the price and on the other terms contained in the offer. If a Non-Economic Community is sold to a third party or deemed to have been sold to the relevant Owner pursuant to such offer, effective as of the date of sale or deemed sale: (i) the Management Agreement shall terminate with respect to such Non-Economic Community; (ii) the Aggregate Invested Capital shall be reduced by an amount equal to the net proceeds of sale after reduction for the costs and expenses of the relevant Owner and/or Manager (or, in the case of a deemed sale, the net proceeds of sale determined by reference to such offer, after reduction for any amounts actually expended and any amounts which would reasonably have been expected to have been expended if the sale had been consummated, by the relevant Owner and/or Manager). If the reduction of Aggregate Invested Capital is less than the Invested Capital of the Non-Economic Community sold or deemed sold, the difference shall be proportionately reallocated to the Invested Capital of the remaining Communities.

ARTICLE VI ACCOUNTS

All Working Capital and all Gross Revenues of each of the Communities may be pooled and deposited in one or more bank accounts in the name(s) of the Owners designated by Manager, which accounts may, except as required by any Mortgage and related loan documentation or applicable law, be commingled accounts containing other funds owned by or managed by Manager. Manager shall be authorized to access the accounts without the approval of Owners, subject to any limitation on the maximum amount of any check, if any, established between Manager and Owners as part of the Annual Operating Budgets. One or more Owners shall be a signatory on all accounts maintained with respect to the Community, and Owners shall have the right to require that one or more Owner's signature be required on all checks/withdrawals after the occurrence of an Event of Default by Manager under this Agreement. Owners shall provide such instructions to the applicable bank (s) as are necessary to permit Manager to implement the Manager's rights and obligations under this Agreement. The failure of any Owner to provide such instructions shall relieve Manager of its obligations hereunder until such time as such failure is cured.

ARTICLE VII
ADDITION AND REMOVAL OF COMMUNITIES

7.01. Addition of Communities. At any time and from time to time, Manager and any Owner or any Affiliate of Owners (an “Additional Owner”) which enters into a management agreement with Manager (an “Additional Management Agreement”) for the operation of an additional independent living community (an “Additional Community”), the Additional Owner may become a party to this Agreement by signing an accession agreement confirming the applicability of this Agreement to such Additional Community. If an Additional Community is made subject to this Agreement other than on the first day of a calendar month, the parties shall include such prorated amounts of the Gross Revenues and Community Expenses (and other amounts as may be necessary) applicable to the Additional Community for such calendar month, as mutually agreed in their reasonable judgment, in the calculation of Aggregate Gross Revenues and Aggregate Community Expenses (and other amounts as may be necessary) for the calendar month in which the Additional Community became subject to this Agreement and shall make any other prorations, adjustments, allocations and changes required. Additionally, any amounts held as Working Capital or for Capital Replacements at the Additional Community, if any, shall be held by Manager under this Agreement.

7.02. Removal of Communities. From and after the date of termination of any Management Agreement, the Community managed thereunder shall no longer be subject to this Agreement. If the termination occurs on a day other than the last day of a calendar month, the parties shall exclude such prorated amounts of the Gross Revenues and Community Expenses (and other amounts as may be necessary) applicable to such Community for such calendar month, as mutually agreed in their reasonable judgment, in the calculation of Aggregate Gross Revenues and Aggregate Community Expenses (and other amounts as may be necessary) for the calendar month in which the termination occurred. Additionally, the relevant Owner and Manager, both acting reasonably, shall mutually agree to the portion of the Working Capital and Aggregate Gross Revenues and any amounts being held by Manager for Capital Replacements allocable to the Community being removed from this Agreement and the amount of the Working Capital, Aggregate Gross Revenues and amounts being held by Manager for Capital Replacements, if any, so allocated shall be remitted to the relevant Owner and the relevant Owner and Manager shall make any other prorations, adjustments, allocations and changes required.

ARTICLE VIII
TERM AND TERMINATION

8.01. Term. This Agreement shall continue and remain in effect indefinitely unless terminated pursuant to Section 8.02.

8.02. Termination. This Agreement may be terminated as follows:

- (a) By the mutual consent of Manager and Owners which are parties to the Agreement.
- (b) Automatically, if all Management Agreements terminate or expire for any

reason.

(c) By Manager, if any or all Owners do not cure a material breach of this Agreement by any Owner or Owner within thirty (30) days of written notice of such breach from Manager and if such breach is not cured, it shall be an Event of Default under the Management Agreements.

(d) By Owners, if Manager does not cure a material breach of this Agreement by Manager within thirty (30) days of written notice of such breach from any Owner.

8.03. Effect of Termination. Upon the termination of this Agreement, except as otherwise provided in Section 12.02(i) or 14.04 of the Management Agreements, Manager shall be compensated for its services only through the date of termination and all amounts remaining in any accounts maintained by Manager pursuant to Article VI, after payment of such amounts as may be due to Manager hereunder, shall be distributed to Owners. Notwithstanding the foregoing, upon the termination of any single Management Agreement, pooled funds shall be allocated as described in Section 7.02.

8.04. Survival. The following Sections of this Agreement shall survive the termination of this Agreement: 8.03 and Article IX.

ARTICLE IX MISCELLANEOUS PROVISIONS

9.01. Notices. All notices, demands, consents, approvals, and requests given by any party to another party hereunder shall be in writing and shall be deemed to have been duly given when delivered in person, upon confirmation of receipt when transmitted by facsimile transmission, or on the next business day if transmitted by nationally recognized overnight courier, to the parties at the following addresses:

To Owners :

c/o SNH IL Properties Trust
Two Newton Place
225 Washington Street
Newton, Massachusetts 02458
Attn: David J. Hegarty
Telephone: (617) 796-8104
Facsimile: (617) 796-8349

To Manager :

FVE IL Managers, Inc.
400 Centre Street
Newton, Massachusetts 02458
Attn: Bruce J. Mackey
Telephone: (617) 796-8214
Facsimile: (617) 796-8243

9.02. Applicable Law; Arbitration. This Agreement shall be interpreted, construed, applied and enforced in accordance with the laws of the Commonwealth of Massachusetts, with regard to its “choice of law” rules. Any “Dispute” (as such term is defined in the Management Agreements) under this Agreement shall be resolved through final and binding arbitration conducted in accordance with the procedures and with the effect of, arbitration as provided for in the Management Agreements.

9.03. Severability. If any term or provision of this Agreement or the application thereof in any circumstance is held invalid, illegal or unenforceable in any respect for any reason, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions hereof shall not be in any way impaired, unless the provisions held invalid, illegal or unenforceable shall substantially impair the benefits of the remaining provisions hereof.

9.04. Gender and Number. Whenever the context of this Agreement requires, the gender of all words herein shall include the masculine, feminine, and neuter, and the number of all words herein shall include the singular and plural.

9.05. Headings and Interpretation. The descriptive headings in this Agreement are for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement. References to “Section” in this Agreement shall be a reference to a Section of this Agreement unless otherwise indicated. Whenever the words “include”, “includes” or “including” are used in this Agreement they shall be deemed to be followed by “without limitation.” The words “hereof,” “herein,” “hereby,” and “hereunder, when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision unless otherwise indicated. The word “or” shall not be exclusive. This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting.

9.06. Confidentiality of Information. Any information exchanged between the Manager and each Owner pursuant to the terms and conditions of this Agreement shall be subject to Section 17.06 of the Management Agreement then in effect for the applicable Community.

9.07. Assignment. Neither Manager nor any Owner may assign its rights and obligations under this Agreement to any other Person without the prior written consent of the other parties.

9.08. Entire Agreement; Construction; Amendment. With respect to the subject matter hereof, this Agreement supersedes all previous contracts and understandings between the parties and constitutes the entire Agreement between the parties with respect to the subject matter hereof. Accordingly, in the event of any conflict between the provisions of this Agreement and the Management Agreements, the provisions of this Agreement shall control, and the provisions of the Management Agreements are deemed amended and modified, in each case as required to give effect to the intent of the parties in this Agreement. All other terms and conditions of the Management Agreements shall remain in full force and effect; provided that, to the extent that compliance with this Agreement shall cause a default, breach or other violation of the Management Agreement by one party, the other party waives any right of termination,

indemnity, arbitration or otherwise under the Management Agreement related to that specific default, breach or other violations, to the extent caused by compliance with this Agreement. This Agreement may not be modified, altered or amended in any manner except by an amendment in writing, duly executed by the parties hereto.

9.09. Third Party Beneficiaries. The terms and conditions of this Agreement shall inure to the benefit of, and be binding upon, the respective successors, heirs, legal representatives or permitted assigns of each of the parties hereto and no Person other than the parties hereto and their successors and permitted assigns is intended to be a beneficiary of this Agreement.

[Signatures begin on the following page.]

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement with the intention of creating an instrument under seal.

FVE IL MANAGERS, INC.

By: /s/ Bruce J. Mackey Jr.
Bruce J. Mackey Jr.
President

SNH IL PROPERTIES TRUST

By: /s/ David J. Hegarty
David J. Hegarty
President

SNH IL JOPLIN INC.

By: /s/ David J. Hegarty
David J. Hegarty
President

Schedule A

Owners

SNH IL Properties Trust

SNH IL Joplin Inc.

Schedule B

Communities

SNH IL Properties Trust

5455 La Sierra Drive, Dallas, Texas 75231

SNH IL Joplin Inc.

3828 College View Drive, Joplin, Missouri 64801

Schedule C

Management Agreements

Management Agreement dated December 15, 2011 between FVE IL Managers, Inc. and SNH IL Properties Trust

Management Agreement dated August 31, 2012 between FVE IL Managers, Inc. and SNH IL Joplin Inc.

SUBLEASE AGREEMENT

THIS SUBLEASE AGREEMENT (this “Sublease”) is made and entered into as of August 31, 2012 by and between **SNH YONKERS TENANT INC.**, a Maryland corporation, as sublandlord (“Sublandlord”), and **D&R YONKERS LLC**, a Delaware limited liability company, as subtenant (“Subtenant”).

WITNESSETH:

WHEREAS, SNH Yonkers Properties Trust, as landlord (“Landlord”), and Sublandlord, as tenant, are parties to that certain Lease Agreement, dated as of the date hereof (as the same may be amended from time to time, the “Lease”), pursuant to which Landlord leases to Sublandlord, and Sublandlord leases from Landlord, that certain building having an address at 537 Riverdale Avenue, Yonkers, New York (the “Building”), which Building is located on the land as more particularly described on Exhibit A attached hereto;

WHEREAS, Sublandlord wishes to sublease to Subtenant and Subtenant wishes to sublease from Sublandlord the rentable areas on floors two (2) through and including floor five (5) of the Building (the “Subleased Premises”) on the terms and conditions hereinafter provided; and

WHEREAS, simultaneously herewith, Subtenant and FVE Managers, Inc. (“Manager”) are entering into a Management Agreement (as the same may be amended from time to time, the “Management Agreement”) pursuant to which Subtenant appoints Manager as manager of the Adult Home and Enriched Housing Programs (as such terms are defined in the New York Social Services Law) operated at the Subleased Premises and Manager accepts such appointment, and as manager of the Assisted Living, Enhanced Assisted Living and Special Needs Assisted Living Residences (as such terms are defined in the New York Public Health Law) to be operated at the Subleased Premises upon receipt of all necessary approvals and Manager accepts such appointment;

NOW, THEREFORE, in consideration of the mutual covenants herein contained and other good and valuable consideration, the mutual receipt and legal sufficiency of which are hereby acknowledged, Sublandlord and Subtenant hereby agree as follows:

1. Capitalized Terms. Capitalized terms used and not otherwise defined in this Sublease shall have the meanings given such terms in the Lease.
 2. Sublease. Upon and subject to the terms and conditions hereinafter set forth, Sublandlord hereby subleases the Subleased Premises to Subtenant, and Subtenant hereby subleases the Subleased Premises from Sublandlord. Subtenant shall also have the right to use the common areas of the Building that service the Subleased Premises on a non-exclusive basis.
 3. Term. The initial term of this Agreement shall commence on the date hereof and shall expire on December 31, 2031, unless sooner terminated as provided in this Sublease, which initial term will be automatically extended for two (2) consecutive periods of fifteen (15) years
-

each, unless notice of non-renewal is given by Subtenant at least twenty-four (24) months prior to the end of the then-current term. All of the terms, covenants and provisions of this Sublease applicable immediately prior to the expiration of the then current term shall apply to each extended term, except that Subtenant shall have no further right to extend the term of this Sublease beyond the expiration of the extended terms.

4. Rent. Subtenant shall pay to Sublandlord, in lawful money of the United States of America which shall be legal tender for the payment of public and private debts, without offset, abatement, demand or deduction, fixed annual rent in the amount of Two Million Eight Hundred Thirty-Five Thousand and 00/100s Dollars (\$2,835,000.00) (“Sublease Rent”), in equal monthly installments in advance on the first Business Day of each calendar month during the Sublease Term. Commencing on the first (1st) anniversary of the date of this Sublease, and on each successive anniversary of such date thereafter, the Sublease Rent shall be increased to an annual amount equal to the greater of (a) the then-fair market rent for the Subleased Premises as reasonably agreed upon by Sublandlord and Subtenant and (b) one hundred three percent (103%) of the Sublease Rent in effect immediately prior to the applicable anniversary. Notwithstanding the foregoing, Sublandlord acknowledges that its right to receive Sublease Rent during any month is subject and subordinate to the availability of sufficient revenues and receipts collected by Subtenant or Manager in respect of the Subleased Premises from whatever source and of whatever character during such period (the “Subleased Premises Revenues”) for such month to permit the payment of Sublease Rent. If there are insufficient Subleased Premises Revenues to pay Sublease Rent, Sublandlord will advance (without interest) the amount of the shortfall, and all such advanced amounts shall be due and payable and shall be repaid in the next succeeding month(s) in which there is excess Subleased Premises Revenue after the payment of Sublease Rent for such month until all such advanced amounts are paid in full. Upon any termination of this Sublease for any reason, Subtenant shall be released from any obligation to pay such advanced amounts.

5. Use. Subtenant shall use and occupy the Subleased Premises solely for purposes of operating Adult Home and Enriched Housing Programs at the Subleased Premises as approved by the New York State Department of Health (“DOH”) as of August 24, 2012 and for the purposes of operating Assisted Living, Enhanced Assisted Living and Special Needs Assisted Living Residences as described in Subtenant’s applications to establish such residences at the Subleased Premises upon receipt of all necessary approvals from DOH.

6. Subtenant’s Authority. Sublandlord and Subtenant agree that, from and after the approval by DOH, notwithstanding any language to the contrary in this Sublease, Subtenant shall retain full operational and fiscal authority for the operation of the Adult Home and Enriched Housing Programs operated at the Subleased Premises and the Assisted Living, Enhanced Assisted Living and Special Needs Assisted Living Residences to be operated at the Subleased Premises; and Sublandlord shall take no action that will impair Subtenant’s access to Subleased Premises Revenues or any bank account or accounts established by Manager in the name of and on behalf of Subtenant as the vehicle for the payment of Sublease Rent.

7. Sublandlord’s Obligations. Sublandlord shall comply with all of the terms and conditions of the Lease applicable to the Subleased Premises at Sublandlord’s sole cost and expense. In furtherance of the foregoing, Sublandlord shall pay for all real estate taxes, utilities, insurance

premiums, and other operating costs and expenses with respect to the Building (including, without limitation, the Subleased Premises) at Sublandlord's sole cost and expense. In addition, Sublandlord shall advance to Subtenant amounts equal to Working Capital (as defined in the Management Agreement) required to be advanced by Subtenant to Manager as contemplated by the Management Agreement upon request of Subtenant.

8. Risk of Loss. As between Sublandlord and Subtenant, all risk of loss related to damage to the Building or the Subleased Premises caused by casualty or Condemnation shall be borne by Sublandlord and Sublandlord shall be entitled to any insurance proceeds or condemnation award payable in connection with any such casualty or Condemnation.

9. No Assignment or Subletting. Subtenant shall not assign or sublease, directly or indirectly, the Subleased Premises without the prior consent of Sublandlord which may be withheld in Sublandlord's sole and absolute discretion; provided, however, that the foregoing shall not be deemed to prohibit Subtenant from permitting patients or residents to occupy the Subleased Property in the ordinary course of Subtenant's business at the Subleased Property. Without limiting the foregoing, any transfer of any membership or other equity interests in Subtenant shall constitute an assignment requiring Sublandlord's consent hereunder, and following any transfer of any membership or other equity interests in Subtenant without Sublandlord's consent, Sublandlord shall have the right, in its sole and absolute discretion, to terminate this Sublease by notice given to Subtenant.

10. Management Agreement. Sublandlord consents to the Management Agreement; provided, however, Subtenant shall not amend or modify the Management Agreement or enter into any new management agreement with respect to the Subleased Premises without Landlord's prior written consent, which consent shall not be unreasonably withheld, delayed or conditioned. Subtenant shall not agree to any change in the Manager, to any termination of the Management Agreement, or to permit any Affiliated Person of Manager to assign or transfer its rights under the Management Agreement without the prior written approval of Sublandlord in each instance, which approval shall not be unreasonably withheld, delayed or conditioned.

11. No Amendment to Bylaws. Subtenant shall not amend or modify Subtenant's limited liability company operating agreement or bylaws in any respect without Sublandlord's prior written consent, which consent shall not be unreasonably withheld, delayed or conditioned.

12. Notice to the Department of Health.

(a) Notice from Sublandlord. Notwithstanding anything in this Sublease to the contrary, Sublandlord acknowledges that any right to re-enter the Subleased Premises does not confer upon it the authority to operate an adult care facility, as defined in the New York Social Services Law, at the Subleased Premises and agrees that it will give the New York State Department of Health, Division of Home and Community Based Care, 161 Delaware Avenue, Delmar, New York 12054-1393, notification by certified mail of its intent to re-enter the Subleased Premises or to initiate dispossession proceedings or that this Sublease is due to expire, at least thirty (30) days prior to the date on which Sublandlord intends to exercise its right to re-entry or to initiate such proceedings or at least sixty (60) days before expiration of this Sublease.

(b) Notice from Subtenant. Upon receipt of any notice from Sublandlord of its intent to exercise its right of re-entry or upon the service of process and dispossession proceedings and sixty (60) days prior to the expiration of this Sublease, Subtenant agrees to immediately notify DOH by certified mail of the receipt of such notice or service of such notice or that the Sublease is about to expire, and shall further notify DOH of its anticipated response to said notice.

(c) Additional Regulations. Each party further agrees to comply with all additional regulations of DOH or any other agency having regulatory control over either party.

(d) Copies of Notices. A copy of all such notices shall also be sent to the applicable DOH regional office, Attn: Area Administrator, New York State Department of Health, Regional Office, Attn: Adult Homes Unit, 90 Church Street, 15th Floor, New York, New York 10017-2919.

13. Arbitration. Any Dispute hereunder shall be resolved by arbitration in accordance with the procedures set forth in Article 19 of the Lease.

14. Subordination to Lease. Sublandlord and Subtenant acknowledge and agree that this Sublease shall be subject and subordinate to the Lease and to matters to which the Lease is subject or subordinate, and this Sublease shall terminate upon the expiration or earlier termination of the Lease.

15. Notices. All notices, demands, consents, approvals, and requests given by either party to the other hereunder shall be in writing and shall be deemed to have been duly given when delivered in person, upon confirmation of receipt when transmitted by facsimile transmission, or on the next Business Day if transmitted by nationally recognized overnight courier, to the parties at the following addresses:

To Sublandlord: SNH Yonkers Tenant Inc.
c/o Senior Housing Properties Trust
Two Newton Place
255 Washington Street, Suite 300
Newton, Massachusetts 02458
Attn: President
Facsimile: (617) 796-8349

To Subtenant: D&R Yonkers LLC
Two Newton Place
255 Washington Street, Suite 300
Newton, Massachusetts 02458
Attn: David J. Hegarty
Richard Doyle
Facsimile: (617) 796-8349

or to such other United States address and to the attention of such other person as either party may from time to time designate in writing. Notices properly given as described above shall be effective upon receipt.

16. Miscellaneous.

(a) Governing Law. This Sublease shall be interpreted, construed, applied and enforced in accordance with the laws of the State of New York.

(b) Successors and Assigns. All the terms and provisions of this Sublease shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

(c) Headings. The headings in this Sublease are for convenience of reference only and shall not limit or otherwise affect the terms hereof.

(d) Counterparts. This Sublease may be executed in separate counterparts, each of which shall be considered an original, and all of which, when taken together, shall constitute one and the same instrument.

(e) Entire Agreement. This Sublease (including the Exhibits hereto), and the other documents and instruments specifically provided for or recited herein and therein contain the entire understanding between the parties concerning the subject matter hereof and thereof, and except as expressly provided for herein or therein, supersede all prior understandings and agreements whether oral or written, between them with respect to the subject matter hereof and thereof.

(f) Amendment. Neither this Sublease nor any provision hereof may be changed, waived, discharged or terminated except as otherwise provided herein or by an instrument in writing signed by Sublandlord and Subtenant.

IN WITNESS WHEREOF, Sublandlord and Subtenant have caused this Sublease to be duly executed as a sealed instrument as of the date first set forth above.

SUBLANDLORD:

SNH YONKERS TENANT INC.,
a Maryland corporation

By: /s/ Richard A. Doyle

Name: Richard A. Doyle

Its: President and Treasurer

SUBTENANT:

D&R YONKERS LLC,
a Delaware limited liability company

By: /s/ David J. Hegarty

Name: David J. Hegarty

Its: President and Secretary

[Signature Page to Sublease]

EXHIBIT A

LEGAL DESCRIPTION

**537 Riverdale Avenue
Yonkers, New York**

(See attached copy.)

ALL THAT CERTAIN PLOT, PIECE OR PARCEL OF LAND SITUATE, LYING AND BEING PARTLY IN THE CITY OF YONKERS, COUNTY OF WESTCHESTER AND STATE OF NEW YORK AND PARTLY IN THE BOROUGH OF BRONX,
COUNTY OF BRONX, CITY AND STATE OF NEW YORK, BOUNDED AND DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE WESTERLY SIDE OF RIVERDALE AVENUE DISTANT 1053.12 FEET
NORTHERLY
FROM THE INTERSECTION FORMED BY THE NORTHERLY SIDE OF WEST 261ST STREET AND THE WESTERLY
SIDE OF RIVERDALE AVENUE;

RUNNING THENCE SOUTH $71^{\circ} 41' 30''$ WEST 238.86 FEET TO A POINT;

THENCE SOUTH $80^{\circ} 32' 10''$ WEST 203.00 FEET TO A POINT DISTANT 83.66 FEET FROM THE SOUTHERLY
SIDE
OF DEPEYSTER STREET;

THENCE NORTH $13^{\circ} 55' 53''$ WEST 272.00 FEET TO A POINT;

THENCE NORTH $69^{\circ} 36' 30''$ EAST 220.00 FEET TO A POINT;

THENCE NORTH $68^{\circ} 51' 40''$ EAST 184.33 FEET TO THE WESTERLY SIDE OF RIVERDALE AVENUE; AND

THENCE ALONG THE WESTERLY SIDE OF RIVERDALE AVENUE THE FOLLOWING TWO COURSES AND
DISTANCES;

SOUTH $21^{\circ} 20' 21''$ EAST, 286.27 FEET;

SOUTH $17^{\circ} 37' 02''$ EAST, 33.65 FEET TO THE POINT OR PLACE OF BEGINNING.

MANAGEMENT AGREEMENT
FOR
FIVE STAR PREMIER RESIDENCES IN YONKERS
AUGUST 31, 2012

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MANAGEMENT AGREEMENT

THIS MANAGEMENT AGREEMENT ("Agreement") is entered into as of August 31, 2012, by and between FVE Managers, Inc., a Maryland corporation ("Manager"), and D&R Yonkers LLC, a Delaware limited liability company ("Licensee").

RECITALS:

WHEREAS, Licensee is the sublessee and licensee of floors 2 through 5 (the "Licensed Facility") of the community known as Five Star Premier Residences in Yonkers and located in Yonkers, New York, as further described in Exhibit A, attached hereto; and

WHEREAS, Licensee wishes to appoint Manager as manager of the Licensed Facility and Manager desires to accept such appointment and manage the Licensed Facility;

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE I DEFINITIONS

The following terms shall have the following meanings when used in this Agreement:

Section 1.01. "Accountants" means Ernst & Young LLP, or such other firm of independent certified public accountants as may be approved by Licensee and Manager.

Section 1.02. "Adverse Regulatory Event" is defined in Section 8.02(b).

Section 1.03. "Affiliate" means with respect to any Person, (i) any Person who directly or indirectly through one or more intermediaries controls, is controlled by or is under common control with a Person or (ii) any Person of which a Person is the beneficial owner of a twenty-five percent (25%) or greater interest or (iii) any Person who acquires all or substantially all of the assets of a Person. A Person shall be deemed to control another Person if such Person, directly or indirectly, has the power to direct the management, operations or business of such Person. The term "beneficial owner" for this and other definitions, having the meaning given such term in Rule 13d-3 under the Securities Exchange Act of 1934, as amended.

Section 1.04. "Agreement" means this Management Agreement between Licensee and Manager, and any amendments hereto.

Section 1.05. "Approved Budget" is defined in Section 7.01.

Section 1.06. "Bankruptcy" means, with reference to either party:

(a) the filing by a party of a voluntary petition in bankruptcy or insolvency or a petition for reorganization under any bankruptcy law, or the admission by a party that it is unable to pay its debts as they become due, or the institution of any proceeding by a party for its dissolution;

(b) the consent by a party to an involuntary petition in bankruptcy or the party's failure to vacate, within ninety (90) days from the date of entry thereof, any order approving an involuntary petition with respect to such party; or

(c) the entering of an order, judgment or decree by any court of competent jurisdiction, on the application of a creditor, adjudicating a party as bankrupt or insolvent or approving a petition seeking reorganization or appointing a receiver, trustee, or liquidator of all or a substantial part of a party's assets, and such order, judgment or decree's continuing unstayed and in effect for an aggregate of sixty (60) days (whether or not consecutive) in any 12 month period.

Section 1.07. "Business Day" means any day other than a Saturday, Sunday or other day on which commercial banks in the Commonwealth of Massachusetts are authorized to close.

Section 1.08. "Capital Replacements" means replacements and renewals of FF&E at the Licensed Facility and such repairs, maintenance, alterations, improvements, renewals and replacements to the Licensed Facility building and its mechanical systems which are classified as capital expenditures under GAAP.

Section 1.09. "Change in Control" means (a) the acquisition by any Person, or two or more Persons acting in concert, of beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission) of 9.8% or more, or rights, options or warrants to acquire 9.8% or more, of the outstanding shares of voting stock or other voting interests of Manager or Licensee, as the case may be (either, a "Relevant Person") or of any direct or indirect parent of a Relevant Person ("Parent"), or the power to direct the management and policies of a Relevant Person or Parent, directly or indirectly, (b) the merger or consolidation of a Relevant Person or Parent with and into any Person or the merger or consolidation of any Person with and into a Relevant Person or any Parent (other than the merger or consolidation of any Person into a Relevant Person or Parent that does not result in a Change in Control of a Relevant Person or Parent under clauses (a), (c), (d), (e) or (f) of this definition), (c) any one or more sales, conveyances, dividends or distributions to any Person of all or any material portion of the assets (including capital stock or other equity interests) or business of a Relevant Person or Parent, whether or not otherwise a Change in Control, (d) the cessation, for any reason, of the individuals who at the beginning of any twenty-four (24) consecutive month period (commencing on the date hereof) constituted the board of directors of a Relevant Person or any Parent (together with any new directors whose election by such board or whose nomination for election by the shareholders of a Relevant Person or any Parent was approved by a vote of a majority of the directors then still in office who were either directors at the beginning of any such period or whose election or nomination for election was previously so approved, but excluding any individual whose initial nomination for, or assumption of, office as a member of such board of directors occurs as a result of an actual or threatened solicitation of proxies or consents for the election or removal of one or more directors by any Person other than a solicitation for the election of one or more directors by or on behalf of the board of directors) to constitute a majority of the board of directors of a Relevant Person or any Parent then in office, or (e) the adoption of any proposal (other than a precatory proposal) by a Relevant Person or any Parent not approved by vote of a majority of the directors of a Relevant Person or any Parent, as the case may be, in office immediately prior to the making of such proposal, or (f) the election to

the board of directors of a Relevant Person or any Parent of any individual not nominated or appointed by vote of a majority of the directors of a Relevant Person or any Parent in office immediately prior to the nomination or appointment of such individual.

Section 1.10. “Code” means the Internal Revenue Code of 1986, as amended.

Section 1.11. “Condemnation” means a taking by Governmental Authority in an eminent domain, condemnation, compulsory acquisition or similar proceeding for any public or quasi-public use or purpose.

Section 1.12. “Discount Rate” means the yield reported as of 10:00 A.M. on the Business Day prior to the date of termination of this Agreement on the display designated as “Page PX1” (or such other display as may replace Page PX1 on Bloomberg Financial Markets (“Bloomberg”) or, if Page PX1 (or its successor screen on Bloomberg) is unavailable, the Telerate Access Service screen which corresponds most closely to Page PX1) for the most recently issued actively traded U.S. Treasury securities having a maturity equal to the number of years between the date of termination and the scheduled expiration date of the Term (including any extension of the Term, but not in excess of twenty (20) years in any event), plus 300 basis points, or if such yields shall not be reported as of such time or the yields reported as of such time shall not be ascertainable (including by way of interpolation), the Treasury Constant Maturity Series Yields reported for the latest day for which such yields shall have been so reported as of the Business Day prior to the date of termination of this Agreement in Federal Reserve Statistical Release H.15 (519) (or any comparable successor publication) for actively traded U.S. Treasury securities having the same maturity, plus 300 basis points. If necessary, U.S. Treasury bill quotations shall be converted to bond equivalent yields in accordance with accepted financial practice and interpolating linearly between reported yields.

Section 1.13. “DOH” means the New York State Department of Health.

Section 1.14. “Event of Default” is defined in Section 14.01, as to Manager, and in Section 14.02, as to Licensee.

Section 1.15. “FF&E” means furniture, fixtures, furnishings, soft goods, case goods, vehicles, systems and equipment.

Section 1.16. “GAAP” means generally accepted accounting principles as adopted by the American Institute of Certified Public Accountants.

Section 1.17. “Governmental Authority” means any United States federal, state or local government or political subdivision thereof, or any court, administrative agency or commission or other quasi-governmental authority or instrumentality or any subdivision thereof.

Section 1.18. “Gross Revenues” means all revenues derived from operating the Licensed Facility, determined in accordance with GAAP, including: income (from both cash and credit transactions, net of any fee therefor and net of any contractual allowances granted to third party payors) from community fees, monthly occupancy fees, health care fees, third party reimbursement or payments and any and all other fees and payments received from or on behalf

of Residents; income from food and beverage and catering sales; income from vending machines, and proceeds, if any, from business interruption insurance and all other revenues from the operation of the Licensed Facility; provided that, Gross Revenues shall not include: (i) gratuities to employees at the Licensed Facility, (ii) federal, state or municipal excise, sales or use taxes or similar taxes imposed at the point of sale and collected directly from Residents or guests of the Licensed Facility or included as part of the sales price of any goods or services, (iii) proceeds from the sale of FF&E and any other capital asset, (iv) interest received or accrued with respect to the monies in any accounts referred to in Section 5.04, (v) proceeds of any financing or refinancing of the Licensed Facility, (vi) proceeds of any insurance policy (except business interruption insurance) or condemnation or other taking, (vii) any cash refunds, rebates or discounts to Residents of the Licensed Facility, cash discounts and credits of a similar nature, given, paid or returned in the course of obtaining Gross Revenues or components thereof to the extent not reflected in contractual allowances, (viii) proceeds from any sale of the Licensed Facility or any other capital transaction, (ix) Resident funds on deposit or security deposits until such time and to the extent as the same are applied to current fees due for services rendered, (x) awards of damages, settlement proceeds and other payments received by Licensee in respect of any litigation other than litigation to collect fees due for services rendered at the Licensed Facility and (xi) payments under any policy of title insurance. Any community fees or deposits that are refunded to a Resident shall be deducted from Gross Revenues during the month in which such refunds are made, if previously included in Gross Revenues.

Section 1.19. “Home Office Personnel” is defined in Section 4.03.

Section 1.20. “Household Replacements” means supply items including linen, china, glassware, silver, uniforms, and similar items.

Section 1.21. “Impositions” means all levies, assessments and similar charges, including: all water, sewer or similar fees, rents, rates, charges, excises or levies, vault license fees or rentals; license and regulatory approval fees; inspection fees and other authorization fees and other governmental charges of any kind or nature whatsoever (and all interest and penalties thereon), which at any time during or in respect of the Term may be assessed, levied, confirmed or imposed on the Licensed Facility, Licensee or Manager with respect to the Licensed Facility or the operation thereof, or otherwise in respect of or be a lien upon the Licensed Facility (including, on any of the inventories or Household Replacements now or hereafter located therein). Impositions shall not include (i) any income or franchise taxes payable by Licensee or Manager or (ii) any franchise, corporate, capital levy or transfer tax imposed on Licensee or Manager.

Section 1.22. “Intellectual Property” means (i) all software developed and owned by Manager or an Affiliate of Manager; and (ii) all written manuals, instructions, policies, procedures and directives issued by Manager to its employees at the Licensed Facility regarding the procedures and techniques to be used in operation of the Licensed Facility.

Section 1.23. “Interest Rate” means an annual rate of 8%, but not higher than the highest rate permitted by law.

Section 1.24. “Landlord” means SNH Yonkers Tenant Inc.

Section 1.25. “Legal Requirements” means any permit, license, certificate, law, code, rule, ordinance, regulation or order of any Governmental Authority, Board of Fire Underwriters or any body similar to any of the foregoing having jurisdiction over the business or operation of the Licensed Facility or the matters which are the subject of this Agreement, including any Resident care or health care, building, zoning or use laws, ordinances, regulations or orders, environmental protection laws and fire department rules.

Section 1.26. “Licensed Facility” is defined in the recitals to this Agreement.

Section 1.27. “Licensed Facility Expenses” means all costs and expenses related to the maintenance, operation, repair, renovation, replacement and staffing of the Licensed Facility that are normally charged as operating expense under GAAP, including: (a) costs of inventory and supplies (including Household Replacements) used in the operation of the Licensed Facility; (b) amounts payable to third parties or expenses otherwise incurred with respect to the marketing, advertising, leasing, use, repair or maintenance of the Licensed Facility and any expense incurred in order to obtain or maintain any operating permits, licenses, approvals or certifications, including any licensing or registration fees and expenses associated therewith; (c) amounts payable to third parties for billing and collections of amounts due for goods and services provided to patients and Residents, including for the collection of delinquent rentals and other costs required in connection with the enforcement of any lease or resident agreement; (d) amounts payable to third parties under service contracts; (e) amounts payable to third parties for auditing (including any audits that may be required pursuant to Section 6.02), tax preparation, accounting and risk management services and legal fees; (f) all Personnel Costs for all personnel employed, and independent contractors who provide services, at the Licensed Facility or whose services are entirely allocable to the Licensed Facility (or a pro rata share of such Personnel Costs in the case of services provided by a regional business manager or a Shared Employee (defined below)); (g) costs of all utilities serving the Licensed Facility; (h) costs of insurance premiums for insurance at the Licensed Facility; (i) the Management Fee payable to Manager; (j) costs incurred by Manager for electronic data processing equipment, systems, software or services used at the Licensed Facility; (k) all Impositions and all related costs (subject to the requirements of Section 5.05); (l) all expenses, including settlement payments, penalties, fines, repayments, consultant or legal fees and any other costs incurred, related to audits, investigations, inquiries or reviews of the Licensed Facility, Licensee, Landlord or Owner by a Governmental Authority, accreditation body or a contractor of a Governmental Authority; (m) any other recoupments, repayments, adjustments, reconciliations or other payments made or returned to Residents or third party payors of the Licensed Facility and any related consultant and legal fees; (n) costs payable to prevent, cure or correct any violation of Legal Requirements with respect to the Licensed Facility, Licensee, Landlord or Owner; and (o) costs incurred to litigate, negotiate and/or settle any civil claim, action or litigation, including any amounts payable pursuant to a settlement, judgment or damages award and related legal fees.

If any Licensed Facility Expenses (e.g., advertising, information technology, reporting and other systems for the operation of the Licensed Facility and personnel training), but not including Personnel Costs, are shared with other senior housing facilities managed or operated by Manager or its Affiliates (the “Shared Expenses”), whether owned by Licensee or its Affiliates or other parties, Manager shall identify such Shared Expenses in the Annual

Operations Budget and the basis for allocation. In addition, Manager may allocate as a Licensed Facility Expense a pro rata share of the Personnel Costs Manager incurs with respect to any employee or independent contractor, including for Home Office Personnel to the extent allowed by Section 4.03, who provides services at the Licensed Facility and at other senior housing facilities managed or operated by Manager (a "Shared Employee") in accordance with an allocation formula approved by Licensee, which approval shall not be unreasonably withheld, conditioned or delayed.

Licensed Facility Expenses shall not include, unless otherwise approved by Licensee: costs for Home Office Personnel (except as allowed by Section 4.03), costs for Manager's in-house accounting and reporting systems, software or services to the extent used exclusively at Manager's home office, other home office and corporate level expenses and travel expenses of personnel assigned to work exclusively at the Licensed Facility, except for such Licensed Facility related travel expenses as are generally reimbursed or paid pursuant to the Licensed Facility's policies and procedures.

Section 1.28. "Licensee" is defined in the initial paragraph to this Agreement.

Section 1.29. "Management Fee" is defined in Section 3.01.

Section 1.30. "Manager" is defined in the initial paragraph of this Agreement.

Section 1.31. "Mortgage" means any mortgage or deed of trust recorded against the Licensed Facility.

Section 1.32. "Owner" means SNH Yonkers Properties Trust, the owner of the real estate on which the Licensed Facility is located.

Section 1.33. "Person" means any natural person, corporation, limited liability company, trust, joint venture, partnership, Governmental Authority or other entity.

Section 1.34. "Personnel Costs" means total cash compensation, costs of training programs, hiring expenses, severance payments, payroll taxes, workers' compensation, travel expenses, incentive programs (e.g., workers' compensation and risk management related incentive programs) and employee fringe benefits payable to such personnel.

Section 1.35. "Proprietary Marks" means all trademarks, trade names, symbols, logos, slogans, designs, insignia, emblems, devices and service marks which are used by Manager to identify the Licensed Facility, whether they are now or hereafter owned by Manager or any of its Affiliates, and whether or not they are registered under the laws of the United States.

Section 1.36. "Residents" means the individuals residing at the Licensed Facility.

Section 1.37. "State" means the state in which the Licensed Facility is located and any regulatory agencies within the State with overview authority or other authority over the Licensed Facility, and any other state that asserts regulatory authority over the Licensed Facility or with respect to its Residents, to the extent thereof.

Section 1.38. “Term” is defined in Section 12.01.

Section 1.39. “Termination Fee” means, if this Agreement is terminated under Section 12.02(i) or 14.04, an amount equal to the present value of the payments that would have been made to Manager between the date of termination and the scheduled expiration date of the Term (including any extension of the Term, but not for a period in excess of twenty (20) years in any event) as Management Fees if this Agreement had not been terminated, calculated based upon the average of the Management Fees earned in each of the three (3) calendar years ended prior to the Termination Date, discounted at an annual rate equal to the Discount Rate.

Section 1.40. “Unsuitable for Use” means, as a result of damage, destruction or partial Condemnation, the Licensed Facility cannot be reasonably expected to be restored to its prior condition within nine (9) months and/or, in the good faith judgment of Manager, after restoration or partial Condemnation the Licensed Facility cannot be operated on a commercially practicable basis.

Section 1.41. “Working Capital” means funds used in the day-to-day operation of the Licensed Facility.

ARTICLE II APPOINTMENT OF MANAGER

Section 2.01. Appointment of Manager. Effective on the date hereof, subject to the terms and conditions of this Agreement, Licensee hereby appoints Manager as the sole and exclusive Manager for the daily management of the Licensed Facility. Manager accepts such appointment and further agrees to:

- (a) perform the duties of Manager under this Agreement in compliance with this Agreement, including Section 4.06;
- (b) (i) supervise and direct the management of the operations of the Licensed Facility in a financially sound, cost-effective and efficient manner; and (ii) establish and maintain programs to promote the most effective utilization of the Licensed Facility’s services and maximize occupancy and Gross Revenues;
- (c) provide quality services to Residents in a manner complying with all Legal Requirements and the form of resident agreement in use at the Licensed Facility;
- (d) establish appropriate marketing programs;
- (e) maintain well trained, quality staff, in sufficient number, at the Licensed Facility;
- (f) institute (i) a sound financial accounting system for the Licensed Facility, (ii) adequate internal fiscal controls through proper budgeting, accountant procedures and timely financial performance and (iii) sound billing and collection procedures and methods; and

(g) diligently monitor and assure physical plant maintenance and housekeeping consistent with a first class adult home, enriched housing program and assisted living residence with certifications as an enhanced assisted living residence and special needs assisted living residence.

ARTICLE III
PAYMENTS TO MANAGER; WORKING CAPITAL; CAPITAL REPLACEMENTS; INSUFFICIENT FUNDS

Section 3.01. Management Fees. As compensation for the services to be rendered by Manager under this Agreement, Manager shall receive a management fee ("Management Fee") during the Term equal to three percent (3%) of the Gross Revenues of the Licensed Facility. No amount paid hereunder is intended to be, nor shall it be construed to be, an inducement or payment for referral of patients by either party or any of its Affiliates to the other party or any of its Affiliates. The compensation being paid constitutes the fair market value of the services being provided in light of the costs being incurred and the time, energy, training, expertise and skills required therefor, and is consistent with amounts that would result from arm's-length negotiations between unrelated parties.

Section 3.02. Working Capital. Upon execution of this Agreement, Licensee will advance to Manager, as Working Capital, an amount equal to \$1,500, multiplied by the number of units at the Licensed Facility. Manager may, from time to time, request Licensee to fund additional amounts as Working Capital to pay Licensed Facility Expenses and if the parties do not agree on such additional amounts, the matter shall be referred to arbitration.

Section 3.03. Capital Replacements. The cost of all Capital Replacements in an Approved Budget shall be funded by Licensee. Funding will be made by Licensee from time to time, after receipt by Licensee of such information from Manager regarding the acquisition, initiation or implementation of any Capital Replacements and the progress and performance thereof as Licensee may reasonably require.

Section 3.04. Insufficient Funds. If at any time available Working Capital is insufficient to pay Licensed Facility Expenses and Licensee has not timely funded additional amounts for such purpose or Licensee has not timely funded Capital Replacements, Manager shall have no obligation to advance its own funds therefor and is relieved of any obligation to pay Licensed Facility Expenses or the cost of Capital Replacements to such extent. If Manager does advance its own funds, at such time as Licensee advances funds to reimburse Manager, whether by agreement or pursuant to an Award, Licensee shall pay Manager interest on such amounts at the Interest Rate from the date of Manager's advance of funds to the date of reimbursement. If the Award includes interest, Licensee shall be entitled to offset such interest against its obligation under this Section 3.04.

ARTICLE IV
MANAGEMENT SERVICES

Section 4.01. Authority of Manager and Management Services. Subject to the terms of this Agreement, Manager shall have discretion and control in all matters relating to the day-to-

day management of the operations of the Licensed Facility. Such discretion and control shall include the authority to negotiate and execute contracts its own name, in the name of and on behalf of Licensee and/or the Licensed Facility, in each case, subject to the terms of this Agreement. Manager shall manage all aspects of the Licensed Facility in accordance with the terms of this Agreement, and shall have responsibility and commensurate authority for all such activities. Without limiting the generality of the foregoing, in addition to any other services set forth in this Agreement, Manager shall, consistent with the Approved Budget and the terms of this Agreement:

(a) enter into all contracts, leases and agreements required in the ordinary course of business for the supply, maintenance of and provision of services to the Licensed Facility (including food procurement, building services (including cleaning, trash removal, snow plowing, landscaping, carpet cleaning and pest control), utilities and licenses and concessions for commercial space in the Licensed Facility); provided that, (i) unless specifically set forth in the Approved Budget, Manager shall obtain the written consent of Licensee before entering into any contract, lease or agreement not terminable on ninety (90) days notice without payment of premium or penalty, which consent shall not be unreasonably withheld, conditioned or delayed and (ii) notwithstanding any provision in this Agreement to the contrary, Licensee shall retain at all times independent approval authority over any Licensed Facility contracts for home care or clinical services;

(b) purchase such inventories, provisions, food, supplies, Household Replacements and other expendable items as are necessary to manage the operations of the Licensed Facility in the manner required pursuant to this Agreement;

(c) provide care to Residents in compliance with the resident agreements in use at the Licensed Facility and set all Resident fees and charges including those for accommodation, food services and care services;

(d) in its own name and on behalf of and, with the consent of Licensee, in the name of Licensee, which consent shall not be unreasonably withheld, conditioned or delayed, to institute and/or defend, as the case may be, any and all legal actions or proceedings relating to the management of the Licensed Facility, subject to Section 15.07;

(e) prepare a marketing plan and direct all the marketing efforts; and

(f) oversee, manage and direct all day-to-day operations.

Section 4.02. Hiring and Training of Staff. Manager shall have in its employ or under contract at all times a sufficient number of capable employees or independent contractors meeting all Legal Requirements, to enable it to properly, adequately, safely and economically manage, operate, maintain and account for the Licensed Facility. All matters pertaining to the retention, employment, supervision, compensation, training, promotion and discharge of such employees or independent contractors are the responsibility of Manager, provided however, that notwithstanding any provision herein to the contrary, Licensee shall retain at all times direct, independent authority to determine whether any personnel may begin working or may be allowed to continue to work in the Licensed Facility. All such individuals shall be employees or

independent contractors of Manager. Manager shall comply with all applicable Legal Requirements having to do with employers including, worker's compensation, unemployment insurance, hours of labor, wages, working conditions and withholding of taxes from employee wages.

Section 4.03. Manager's Home Office Personnel. Manager may, in its discretion, provide its services under this Agreement through its Home Office Personnel, provided that the Personnel Costs for such Home Office Personnel shall not be a Licensed Facility Expense unless agreed to in advance by Licensee. Manager shall further make its Home Office Personnel available for consultation and advice related to the Licensed Facility without charge other than its Management Fee. If Licensee requests a type, form or level of service from Manager's Home Office Personnel of a nature that would otherwise be a Licensed Facility Expense, Manager shall provide such services by Home Office Personnel for an additional cost to be agreed to in advance by Manager and Licensee, which shall be a Licensed Facility Expense. The term "Home Office Personnel" shall include Manager's home office staff with experience in areas such as accounting, budgeting, finance, legal, human resources, construction, development, marketing, food service and purchasing, among other areas.

Section 4.04. Resident Agreements. Manager shall submit any forms of resident agreements or other occupancy agreements used in conjunction with the Licensed Facility for Licensee's approval and, as applicable, DOH approval, before they are used. Each Residency Agreement and any disclosures made in connection therewith must include the name of Licensee. Manager shall act as an authorized representative of Licensee in executing resident agreements and occupancy agreements, but Manager shall not enter into such agreements for a duration of more than one year without the prior consent of Licensee, which consent shall not be unreasonably withheld, conditioned or delayed.

Section 4.05. Contracts with Affiliates. Except for those Affiliates listed on Schedule 4.05, Manager shall not engage or pay any compensation to any Affiliate of Manager for the provision of services in connection with this Agreement unless (a) such party is fully qualified and experienced to provide the required services, (b) both the scope of services and the compensation payable to such Affiliate for the services are consistent with then current market standards or comparable arm's-length transactions, and (c) Manager discloses such engagement to Licensee as a transaction with an Affiliate of Manager.

Section 4.06. Legal Requirements.

(a) Notwithstanding anything in this Agreement to the contrary, (i) Manager shall provide services under this Agreement subject to Licensee's retained authority and responsibility; (ii) any powers not specifically granted to Manager in or pursuant to this Agreement remain with Licensee; (iii) Licensee remains responsible at all times for ensuring that any services provided pursuant to this Agreement comply with all Legal Requirements and in no way lessened by the terms and conditions of this Agreement; and (iv) Licensee retains independent authority for the adoption and enforcement of policies affecting the delivery of services to Residents.

(b) Subject to Section 4.06(c), Manager shall obtain and maintain on behalf of and in the name of the Licensed Facility and/or Licensee (as applicable) all permits, licenses and certificates required by any Governmental Authority for the use, operation by Licensee or management by Manager of the Licensed Facility as a licensed adult home, enriched housing program, assisted living residence with certifications as an enhanced assisted living residence and special needs assisted living residence in the State.

(c) Licensee agrees: (i) to sign promptly all applications for permits, licenses, and certificates necessary for the use, operation by Licensee and management by Manager of the Licensed Facility required by any Governmental Authority and all cost reports and other submissions for reimbursement or other payments related to the goods and services furnished to patients and Residents at the Licensed Facility and (ii) to provide promptly such information and perform such acts as are required in order for Manager to complete any such application and/or obtain and/or maintain any such permits, licenses, or certificates and/or prepare, complete and/or file any such cost reports or other submissions for payments related to the goods and services furnished to patients and Residents at the Licensed Facility. Notwithstanding any provision in this Agreement to the contrary, Licensee shall at all times retain independent approval authority over any certificate of need or other regulatory application filed by or on behalf of the Licensed Facility.

(d) Manager shall cause all things to be done in and about the Licensed Facility as may be reasonably necessary to comply with all Legal Requirements respecting the use, operation and management of the Licensed Facility. Manager shall keep its corporate organization in good standing in the State and shall maintain all corporate permits and licenses required by the State.

(e) If either party receives any written notice, report or other correspondence from a Governmental Authority which asserts a deficiency relating to the operation or management of the Licensed Facility or otherwise relates to the actual or threatened suspension, revocation, or any other action adverse to any permit, license or certificate required or necessary to use, operate, manage or maintain the Licensed Facility, such party shall give the other party prompt notice thereof and not later than three (3) Business Days after receipt. Manager shall provide all information required by DOH and cooperate with DOH in carrying out inspection and enforcement activities.

ARTICLE V COLLECTIONS AND PAYMENTS

Section 5.01. Collection and Priorities for Distribution of Gross Revenues. Manager shall collect all Gross Revenues and shall apply the Gross Revenues in the following order of priority:

First, to pay all Licensed Facility Expenses (excluding the Management Fee),

Second, to pay Manager all accrued but unpaid Management Fee,

Third, to pay the balance to Licensee.

Section 5.02. Timing of Payments. Payment of the Licensed Facility Expenses, excluding the Management Fee, shall be made in the ordinary course of business to the extent of available Gross Revenues and Working Capital. The Management Fee shall be paid on the first Business Day of each calendar month, in advance, based upon the Manager's then estimate of the prior month's Gross Revenues. The Management Fee shall be subject to adjustment by increasing or decreasing the payment due in the following month based upon the Gross Revenues reflected in the monthly financial statements for the month just ended. If any installment of the Management Fee is not paid when due, it shall accrue interest at the Interest Rate. Additional adjustments to all payments will be made on an annual basis based upon the financial statements for the full calendar year and any audits conducted pursuant to Section 6.03.

Section 5.03. Credits and Collections. Manager shall adopt credit and collection policies and procedures. Manager shall institute monthly billing by the Licensed Facility and take all steps necessary to collect accounts and monies owed to the Licensed Facility, which may include the institution of legal proceedings.

Section 5.04. Depositories for Funds. Manager shall maintain one or more accounts in the name of Licensee in one or more banks selected by Manager and approved by Licensee and may deposit therein all Gross Revenues and other funds collected or received by Manager and due to Licensee. Manager shall be authorized to access the accounts without the approval of Licensee, subject to any limitation on the maximum amount of any check, if any, established between Manager and Licensee as part of the Annual Operating Budget. Licensee shall be a signatory on all accounts maintained with respect to the Licensed Facility, and Licensee shall have the right to require that Licensee's signature be required on all checks/withdrawals after the occurrence of an Event of Default by Manager under this Agreement. Licensee shall provide such instructions to the applicable bank(s) as are necessary to permit Manager to implement the Manager's rights and obligations under this Agreement provided, the failure of Licensee to provide such instructions shall relieve Manager of its obligations hereunder until such time as such failure is cured. Notwithstanding any provision herein to the contrary, beneficial and legal control of any accounts relating to the operation of the Licensed Facility shall remain with Licensee at all times.

Section 5.05. Impositions. All Impositions which accrue during the Term (or are properly allocable to such Term under GAAP) shall be paid by Manager before any fine, penalty or interest is added thereto or lien placed upon the Licensed Facility or this Agreement, unless payment thereof is stayed. Licensee shall within five (5) Business Days after the receipt of any invoice, bill, assessment, notice or other correspondence relating to any Imposition, furnish Manager with a copy thereof. Either Licensee or Manager may initiate proceedings to contest any Imposition (in which case each party agrees to sign the required applications and otherwise cooperate with the other party in expediting the matter). Unless part of an Approved Budget, incurrence of all costs by Manager of any negotiations or proceedings with respect to any such contest shall be subject to Licensee's prior consent, which shall not be unreasonably withheld, conditioned or delayed. Nothing in this Agreement is intended to modify the respective responsibility that the parties would otherwise have to pay such Impositions as may be due and payable.

ARTICLE VI
ACCOUNTING; FINANCIAL STATEMENTS; AUDIT

Section 6.01. Accounting. Manager shall establish and administer accounting procedures and controls and systems for the development, preparation and safekeeping of records and books of accounting relating to the business and financial affairs of the Licensed Facility, including payroll, accounts receivable and accounts payable. Notwithstanding any provision in this Agreement to the contrary, Manager's control over the books and records with respect to the Licensed Facility shall at all times be subject to Licensee's independent control over the same.

Section 6.02. Financial Statements and Reports. Not later than ten Business Days after the end of each calendar month, Manager shall prepare and deliver to Licensee a balance sheet and related statement of income and expense for such calendar month and for the then current calendar year to date, certified by Manager's Controller on a monthly basis and by Manager's Chief Financial Officer on a quarterly basis as being true and correct to the best of his/her knowledge, with a comparison to the Approved Budget.

The monthly financial statements shall be in such format as Licensee may reasonably require. Manager shall provide such other financial statements as Licensee may from time to time reasonably request. In addition, at the request of Licensee, any or all of the financial statements shall be audited by the Accountants as soon as practicable after such request.

Upon request, Manager shall also provide Licensee with information relating to the Licensed Facility, Manager and its Affiliates that (i) may be required in order for Licensee or its Affiliates to prepare financial statements and to comply with any applicable tax and securities laws and regulations, (ii) may be required for Licensee or any of its Affiliates to prepare federal, state, provincial or local tax returns or (iii) is of the type that Manager customarily prepares for other owners of facilities it manages, and such other or special reports as Manager may from time to time determine are necessary or as Licensee may reasonably request.

Section 6.03. Audit Rights.

(a) Licensee and its representatives shall have the right at all reasonable times during usual business hours to audit, examine, and make copies of books of account (including copying any records contained in electronic media) maintained by Manager with respect to the Licensed Facility, which audit or examination may cover any time period during the Term at Licensee's discretion. Such right may be exercised through any agent or employee designated by Licensee or by an independent public accountant designated by Licensee.

(b) Manager and its representatives shall have the right at all reasonable times during usual business hours to audit, examine, and make copies of books of account (including copying any records contained in electronic media) maintained by Licensee with respect to the Invested Capital and Capital Requirements, which audit or examination may cover any time period during the Term at Manager's discretion. Such right may be exercised through any agent or employee designated by Manager or by an independent public accountant designated by Manager.

ARTICLE VII
ANNUAL OPERATING BUDGET

Section 7.01. Annual Operating Budget. Manager shall, on or before December 20 in each calendar year during the Term, deliver to Licensee for Licensee's approval, an annual operating budget for the Licensed Facility for the next calendar year (the "Annual Operating Budget") which shall include separate line items for Capital Replacements and set forth an estimate, on a monthly basis, of Gross Revenues and Licensed Facility Expenses, together with an explanation of anticipated changes to Resident charges, payroll rates and positions, non-wage cost increases, the proposed methodology and formula employed by Manager in allocating shared Licensed Facility Expenses, and all other factors differing from the then current calendar year. The Annual Operating Budget shall be accompanied by a narrative description of operating objectives and assumptions. If Licensee does not approve an Annual Operating Budget or any portion thereof, it shall do so, to the extent practicable, on a line item basis. Manager and Licensee shall cooperate to resolve disputed items, provided if the Annual Operating Budget is not approved by Licensee within thirty (30) days of Licensee's receipt, Manager shall operate under the expired Annual Operating Budget until a new Annual Operating Budget is approved, provided that line items for Impositions, insurance premiums and utilities shall be the amounts actually incurred for such items. If agreement on the Annual Operating Budget cannot be reached within forty-five (45) days of Licensee's receipt (which time may be extended upon mutual agreement of the parties), the matter shall be resolved by arbitration. The Annual Operating Budget as approved by Licensee, or as resolved by arbitration, will be the "Approved Budget" for the applicable calendar year. Manager will obtain Licensee's prior approval for any expenditure which will, or is reasonably expected to, result in a variance of 5% or more of any Approved Budget. Notwithstanding any provision in this Agreement to the contrary, Licensee shall retain independent approval of all operating and capital budgets and Manager's authority to make expenditures and to incur obligations on behalf of the Licensed Facility shall be at all times subject to and limited by Licensee's independent authority over the same.

ARTICLE VIII
TAX MATTERS; REIT QUALIFICATION

Section 8.01. Tax Matters. Manager shall use commercially reasonable efforts to manage the Licensed Facility in a manner to best assure that Licensee and the Licensed Facility receive all benefits of applicable tax exemptions and/or credits available thereto from any Governmental Authority. Manager will prepare or cause to be prepared all tax returns required in the operation of the Licensed Facility, which include payroll, sales and use tax returns, personal property tax returns and business, professional and occupational license tax returns. Manager shall timely file or cause to be filed such returns as required by the State; provided that, Licensee shall promptly provide all relevant information to Manager upon request, and any late fees or penalties resulting from delays caused by Licensee shall be borne by Licensee. Manager shall not be responsible for the preparation of Licensee's federal or state income tax returns, provided Manager shall cooperate fully with Licensee as may be necessary to enable Licensee to file such federal or state income tax returns, including by preparing data reasonably requested by Licensee and submitting it to Licensee as soon as reasonably practicable following such request.

Section 8.02. Adverse Regulatory Event.

(a) In the event of an Adverse Regulatory Event arising from or in connection with this Agreement, Licensee and Manager shall work together in good faith to amend this Agreement to eliminate the impact of such Adverse Regulatory Event; provided, however, Manager shall have no obligation to materially reduce its rights or materially increase its obligations under this Agreement, all taken as a whole, or to bear any out-of-pocket costs or expenses under this Section 8.02. Manager shall not be liable if any such amendment, once operative, fails to have the desired result of eliminating the impact of an Adverse Regulatory Event.

(b) For purposes of this Agreement, the term “Adverse Regulatory Event” means any time that a new law, statute, ordinance, code, rule, regulation or an administrative or judicial ruling imposes, or could impose in Landlord’s or Licensee’s reasonable opinion, any material threat to Senior Housing Properties Trust’s status as a “real estate investment trust” under the Code or to the treatment of amounts paid to Owner as “rents from real property” under Section 856(d) of the Code.

(c) Licensee shall promptly inform Manager of any Adverse Regulatory Event of which it is aware and which it believes likely to impair compliance with respect to Section 856(d) of the Code.

ARTICLE IX
FINANCING; INSPECTION

Section 9.01. Financing of the Licensed Facility. Manager shall cooperate with Owner, Landlord and Licensee in connection with any financing by Owner of the Licensed Facility.

Section 9.02. Licensee’s Right To Inspect. Licensee or its employees, representatives, lenders or agents shall have access to the Licensed Facility and the files, books, accounts, and records of Manager related to the Licensed Facility at any and all reasonable times during usual business hours for the purpose of inspection or showing the Licensed Facility to prospective purchasers, investors, Residents or mortgagees.

ARTICLE X
REPAIRS AND MAINTENANCE

Section 10.01. Repairs, Maintenance and Capital Replacements. Manager shall maintain the Licensed Facility in good, orderly, clean and safe repair and condition consistent with a first class adult home, enriched housing program and assisted living residence with certifications as an enhanced assisted living residence and special needs assisted living residence and in conformity with Legal Requirements. Manager shall make such routine and preventive maintenance, repairs and minor alterations, the cost of which can be expensed under GAAP, as it, from time to time, deems necessary for such purposes, consistent with the Approved Budget. The cost of such maintenance, repairs and alterations shall be paid from Gross Revenues. Manager shall make such Capital Replacements as are contemplated by the Approved Budget and funded by Licensee. The cost of such Capital Replacements shall be funded by Licensee.

Section 10.02. Emergency Repairs. If either party has actual knowledge of, or receives a written order or notice from a Governmental Authority, pertaining to a violation or potential violation of any Legal Requirement relating to the physical condition of the Licensed Facility or the continued safe operation of the Licensed Facility, such party shall give the other party prompt notice thereof and not later than three (3) Business Days after obtaining such knowledge or in the case of an order or notice from a Governmental Authority, receipt. Manager shall recommend appropriate remedial action to Licensee and subject to Licensee's consent (which shall not be unreasonably withheld, conditioned or delayed), take such remedial action, provided Manager shall be authorized to take appropriate remedial action consisting of repairs or maintenance to the Licensed Facility without receiving Licensee's prior consent: (a) in an emergency threatening the safety of such Licensed Facility or its Residents, invitees or employees or imminent material physical damage to the Licensed Facility, or (b) if the continuation of the given condition will subject Manager and/or Licensee to regulatory, civil, or criminal liability or result in the suspension or revocation of a material permit, license or certificate. Any disagreement regarding the necessity of taking such remedial action and/or the funding of the cost thereof that is not resolved by the parties within ten (10) Business Days shall be resolved by arbitration.

Section 10.03. Liens. Manager shall use commercially reasonable efforts to prevent any liens from being filed against the Licensed Facility which arise from any maintenance, repairs, alterations, improvements, renewals or replacements in or to the Licensed Facility. Manager shall not file any lien against the Licensed Facility.

Section 10.04. Ownership. All repairs, replacements, alterations and additions shall be the property of Owner, Landlord or Licensee, as may be provided in the lease of the Licensed Facility and the other real property of which the Licensed Facility is a part from Owner to Landlord and the sublease of the Licensed Facility from Landlord to Licensee.

Section 10.05. Casualty or Condemnation. If, during the Term, the Licensed Facility is (a) totally destroyed by fire or other casualty or there is a Condemnation or (b) partially destroyed by fire or other casualty or there is a partial Condemnation and as a result the Licensed Facility is Unsuitable for Use, either Manager or Licensee may terminate this Agreement by sixty (60) days written notice to the other and Licensee and/or Landlord shall be entitled to retain the insurance proceeds or Condemnation award, as the case may be.

If, as a result of partial destruction or partial Condemnation, the Licensed Facility is not rendered Unsuitable for Use, Licensee shall (or shall cause the Landlord to) make the insurance proceeds or award received by Licensee and/or Landlord available to Manager as necessary to repair or restore the destroyed or untaken portion of the Licensed Facility to the same condition as existed previously, provided Manager shall have the right to discontinue operating all or a portion of the Licensed Facility pending completion of the repairs or restoration as necessary to comply with Legal Requirements or for the safe and orderly operation of the Licensed Facility.

If the cost of repair or restoration is less than the insurance proceeds or award received by Licensee and/or Landlord, Licensee shall (or shall cause the Landlord to) make available the funds necessary to permit the Licensed Facility or the untaken portion to be repaired and restored. If the cost of the repair or restoration exceeds the amount of insurance proceeds or award, Manager shall give notice to Licensee and Landlord setting forth in reasonable detail the

nature of such deficiency, and Licensee and Landlord shall promptly advise Manager whether Licensee and/or Landlord will fund the deficiency. If neither Licensee nor Landlord elect to fund the deficiency, Manager may terminate this Agreement by notice to Licensee.

Any obligation of Licensee and/or Landlord to make funds available to Manager to repair or restore the Licensed Facility is subject to the requirements of any Mortgage.

Notwithstanding any provisions of this Section 10.05 to the contrary, if partial destruction or a partial Condemnation occurs during the last twelve (12) months of the Term (including any renewal) and if full repair and restoration would not reasonably be expected to be completed prior to the date that is nine (9) months prior to the end of the Term (including any renewal), the provisions of this Section 10.05 shall apply as if the Licensed Facility had been rendered Unsuitable for Use.

ARTICLE XI INSURANCE

Section 11.01. General Insurance Requirements. Manager shall, at all times during the Term, keep (or cause to be kept) the Licensed Facility and all property located therein or thereon, insured against the risks and in such amounts as is against such risks and in such amounts as Licensee shall reasonably require and as may be commercially reasonable. Any disputes regarding such matters not resolved by the parties within ten (10) Business Days (which period may be extended upon mutual agreement of the parties) shall be resolved by arbitration.

Section 11.02. Waiver of Subrogation. Licensee and Manager agree that (insofar as and to the extent that such agreement may be effective without invalidating or making it impossible to secure insurance coverage from responsible insurance companies doing business in the State) with respect to any property loss which is covered by insurance then being carried by Licensee or Manager, the party carrying such insurance and suffering said loss releases the others of and from any and all claims with respect to such loss; and they further agree that their respective insurance companies (and, if Licensee or Manager shall self insure in accordance with the terms hereof, Licensee or Manager, as the case may be) shall have no right of subrogation against the other on account thereof, even though extra premium may result therefrom. If any extra premium is payable by Manager as a result of this provision, Licensee shall not be liable for reimbursement to Manager for such extra premium.

Section 11.03. Risk Management. Manager shall be responsible for the provision of risk management oversight at the Licensed Facility.

ARTICLE XII TERM AND TERMINATION

Section 12.01. Term. The Term of this Agreement shall begin on the date hereof and end on August 31, 2017 ("Term"). The Parties may extend the Term for nine (9) consecutive periods of five (5) years each, each renewal subject to prior written approval by DOH. Upon sixty (60) days notice given at any time during the final twenty-four (24) months of the then current Term, if Manager has given notice of non-renewal, Licensee may terminate this Agreement.

Section 12.02. Early Termination. Without limiting either party's rights under Article XIV:

(i) Licensee may terminate this Agreement without cause at any time after January 15, 2016, upon sixty (60) days notice to Manager given within thirty (30) days prior to or after an annual anniversary of this Agreement. Upon termination under this Section 12.02(i) by Licensee, Licensee shall pay Manager the Termination Fee, within sixty (60) days of the effective date of termination, as liquidated damages and in lieu of any other remedy of Manager at law or in equity.

(ii) Manager may terminate this Agreement upon sixty (60) days notice to Licensee given within thirty (30) days following a Change in Control of Licensee. Upon termination under this Section 12.01(ii) Manager shall be compensated as provided in Section 13.01, but the termination shall otherwise be without recourse to Licensee.

(iii) This Agreement shall terminate immediately upon notice from DOH that the Licensed Facility has provided a severe and persistent substandard level of care as demonstrated by noncompliance with any Legal Requirement.

ARTICLE XIII TRANSITION ON TERMINATION

Section 13.01. Termination. Upon any termination of this Agreement, except as otherwise provided in Section 12.02(i) or 14.04, Manager shall be compensated for its services only through the date of termination and all amounts remaining in any accounts maintained by Manager pursuant to Section 5.04, after payment of such amounts as may be due to Manager hereunder, shall be distributed to Licensee. In the event of any termination, both parties shall fully cooperate with one another to ensure a smooth transition of management. Upon termination, Manager will deliver to Licensee the following:

(i) a final accounting, reflecting the balance of income and expenses of the Licensed Facility as of the date of termination, to be delivered as soon as reasonably possible but not later than sixty (60) days after such termination,

(ii) after payment of any amounts as may be due to Manager hereunder, any balance of monies of Licensee or Resident deposits, or both, held by Manager with respect to the Licensed Facility, to be delivered as soon as reasonably possible, but not later than sixty (60) days after such termination,

(iii) all records, contracts, leases, resident agreements, tenant correspondence, files, receipts for deposits, unpaid bills and other papers, documents or computer disks or information which pertain in any way to the Licensed Facility to be delivered as soon as reasonably possible, but not later than sixty (60) days after such termination, and

(iv) Manager shall cooperate reasonably in all respects to achieve a transfer of any license and/or certificate (or to obtain a new license and/or certificate, if necessary) required in connection with the operation or management of the Licensed Facility, but shall not be required to incur any monetary expenditures in connection therewith (unless Licensee agrees to reimburse Manager therefor).

ARTICLE XIV DEFAULTS

Section 14.01. Default by Manager. An Event of Default with respect to Manager shall occur in the event of any of the following:

- (a) the Bankruptcy of the Manager,
- (b) the gross negligence or willful misconduct of Manager with respect to its duties and obligations under this Agreement,
- (c) the permit(s), license(s) or certificate(s) required for use, operation or management of the Licensed Facility are at any time suspended, terminated or revoked and not reinstated within the applicable appeal period, if any, for any reason due solely to the acts or omissions of Manager,
- (d) Manager's failure to keep, observe or perform any material covenant, agreement, term or provision of this Agreement to be kept, observed or performed by Manager, which failure shall continue (i) for a period of five (5) Business Days after Manager receives notice from Licensee in case of monetary defaults or (ii) for a period of twenty (20) Business Days after Manager receives notice from Licensee in the case of non-monetary defaults, in each case, specifying the default; provided, however, that if such non-monetary default cannot be cured within such twenty (20) Business Day period, then Manager shall be entitled to such additional time as shall be reasonable, provided the default is curable and Manager has promptly proceeded to commence cure of such default within said period, and thereafter diligently prosecutes the cure to completion; provided, however, that in no event shall such additional time exceed ninety (90) days,
- (e) a Change in Control of Manager to which Licensee does not consent,
- (f) a default by Manager or any Affiliate of Manager under any other agreement between Manager or an Affiliate of Manager and Licensee or an Affiliate of Licensee, which continues beyond any applicable notice and cure period.

Section 14.02. Default by Licensee. An Event of Default with respect to Licensee shall occur in the event of any of the following:

- (a) the Bankruptcy of Licensee,
- (b) the gross negligence or willful misconduct of Licensee with respect to its obligations under this Agreement,

(c) the permit(s), license(s) or certificate(s) required for use, operation or management of the Licensed Facility are at any time suspended, terminated or revoked and not reinstated within the applicable appeal period, if any, for any reason due solely to the acts or omissions of Licensee or one of its Affiliates,

(d) Licensee shall fail to (i) timely fund Working Capital or to fund Capital Replacements pursuant to an Approved Budget and such failure shall continue for a period of ten (10) Business Days after notice thereof by Manager or (ii) keep, observe or perform any other material covenant, agreement, term or provision of this Agreement to be kept, observed or performed by Licensee and such failure shall continue (x) for a period of five (5) Business Days after Licensee receives notice from Manager in case of monetary defaults or (y) for a period of twenty (20) Business Days after Licensee receives notice from Manager in the case of non-monetary defaults, in each case specifying the default; provided, however, if such default cannot be cured within such twenty (20) Business Day period, then Licensee shall be entitled to such additional time as shall be reasonable, provided the default is curable, Licensee has promptly proceeded to commence cure of such non-monetary default within said period, and thereafter diligently prosecutes the cure to completion; provided, however, that in no event shall such additional time to cure non-monetary defaults exceed ninety (90) days.

Section 14.03. Remedies of Licensee. Upon the occurrence of an Event of Default by Manager, Licensee may terminate this Agreement immediately upon notice and shall be entitled to exercise any other rights at law or in equity.

Section 14.04. Remedies of Manager. Upon the occurrence of an Event of Default by Licensee described in Section 14.02, Manager may terminate this Agreement on thirty (30) days notice and Licensee shall pay Manager the Termination Fee within thirty (30) days of the effective date of termination, as liquidated damages and in lieu of any other remedy of Manager at law or in equity, as well as any accrued but unpaid fees owed to Manager pursuant to Section 5.01.

Section 14.05. No Waiver of Default. The failure by Licensee or Manager to insist upon the strict performance of any one of the terms or conditions of this Agreement or to exercise any right, remedy or election herein contained or permitted by law shall not constitute or be construed as a waiver or relinquishment for the future of such term, condition, right, remedy or election, but the same shall continue and remain in full force and effect. All rights and remedies that Licensee or Manager may have at law, in equity or otherwise for any breach of any term or condition of this Agreement shall be distinct, separate and cumulative rights and remedies and no one of them, whether or not exercised by Licensee or Manager, shall be deemed to be in exclusion of any right or remedy of Licensee or Manager.

ARTICLE XV GOVERNING LAW, ARBITRATION, LIABILITY OF MANAGER AND INDEMNITY

Section 15.01. Governing Law, Etc. This Agreement shall be interpreted, construed, applied and enforced in accordance with the laws of the State of New York applicable to contracts between residents of New York which are to be performed entirely within New York, regardless of (i) where this Agreement is executed or delivered; or (ii) where any payment or

other performance required by this Agreement is made or required to be made; or (iii) where any breach of any provision of this Agreement occurs, or any cause of action otherwise accrues; or (iv) where any action or other proceeding is instituted or pending; or (v) the nationality, citizenship, domicile, principal place of business, or jurisdiction of organization or domestication of any party; or (vi) whether the laws of the forum jurisdiction otherwise would apply the laws of a jurisdiction other than New York; or (vii) any combination of the foregoing.

Section 15.02. Arbitration.

(a) Any disputes, claims or controversies between the parties (i) arising out of or relating to this Agreement, or (ii) brought by or on behalf of any shareholder of any party or a direct or indirect parent of a party (which, for purposes of this Section 15.02, shall mean any shareholder of record or any beneficial owner of shares of any party, or any former shareholder of record or beneficial owner of shares of any party), either on his, her or its own behalf, on behalf of any party or on behalf of any series or class of shares of any party or shareholders of any party against any party or any member, trustee, officer, manager (including Reit Management & Research LLC or its successor), agent or employee of any party, including disputes, claims or controversies relating to the meaning, interpretation, effect, validity, performance or enforcement of this Agreement, including this arbitration provision, or the declarations of trust, limited liability company agreements or bylaws of any party hereto (all of which are referred to as “Disputes”), or relating in any way to such a Dispute or Disputes shall, on the demand of any party to such Dispute be resolved through binding and final arbitration in accordance with the Commercial Arbitration Rules (the “Rules”) of the American Arbitration Association (“AAA”) then in effect, except as those Rules may be modified in this Section 15.02. For the avoidance of doubt, and not as a limitation, Disputes are intended to include derivative actions against trustees, officers or managers of any party and class actions by a shareholder against those individuals or entities and any party. For the avoidance of doubt, a Dispute shall include a Dispute made derivatively on behalf of one party against another party. For purposes of this Article XV, the term “party” shall include any direct or indirect parent of a party.

(b) There shall be three arbitrators. If there are only two parties to the Dispute, each party shall select one arbitrator within fifteen (15) days after receipt of a demand for arbitration. Such arbitrators may be affiliated or interested persons of such parties. If there are more than two parties to the Dispute, all claimants, on the one hand, and all respondents, on the other hand, shall each select, by the vote of a majority of the claimants or the respondents, as the case may be, one arbitrator within fifteen (15) days after receipt of a demand for arbitration. Such arbitrators may be affiliated or interested persons of the claimants or the respondents, as the case may be. If either a claimant (or all claimants) or a respondent (or all respondents) fail to timely select an arbitrator then the party (or parties) who has selected an arbitrator may request the AAA to provide a list of three proposed arbitrators in accordance with the Rules (each of whom shall be neutral, impartial and unaffiliated with any party) and the party (or parties) that failed to timely appoint an arbitrator shall have ten (10) days from the date the AAA provides such list to select one of the three arbitrators proposed by AAA. If such party (or parties) fail to select such arbitrator by such time, the party (or parties) who have appointed the first arbitrator shall then have ten (10) days to select one of the three arbitrators proposed by AAA to be the second arbitrator; and, if he/they should fail to select such arbitrator by such time, the AAA shall

select, within fifteen (15) days thereafter, one of the three arbitrators it had proposed as the second arbitrator. The two arbitrators so appointed shall jointly appoint the third and presiding arbitrator (who shall be neutral, impartial and unaffiliated with any party) within fifteen (15) days of the appointment of the second arbitrator. If the third arbitrator has not been appointed within the time limit specified herein, then the AAA shall provide a list of proposed arbitrators in accordance with the Rules, and the arbitrator shall be appointed by the AAA in accordance with a listing, striking and ranking procedure, with each party having a limited number of strikes, excluding strikes for cause.

(c) The place of arbitration shall be Boston, Massachusetts unless otherwise agreed by the parties.

(d) There shall be only limited documentary discovery of documents directly related to the issues in dispute, as may be ordered by the arbitrators.

(e) In rendering an award or decision (the "Award"), the arbitrators shall be required to follow the laws of the State of New York. Any arbitration proceedings or Award rendered hereunder and the validity, effect and interpretation of this arbitration agreement shall be governed by the Federal Arbitration Act, 9 U.S.C. §1 et seq. The Award shall be in writing and may, but shall not be required to, briefly state the findings of fact and conclusions of law on which it is based.

(f) Except to the extent expressly provided by this Agreement or as otherwise agreed by the parties, each party involved in a Dispute shall bear its own costs and expenses (including attorneys' fees), and the arbitrators shall not render an award that would include shifting of any such costs or expenses (including attorneys' fees) or, in a derivative case or class action, award any portion of a party's award to the claimant or the claimant's attorneys. Each party (or, if there are more than two parties to the Dispute, all claimants, on the one hand, and all respondents, on the other hand, respectively) shall bear the costs and expenses of its (or their) selected arbitrator and the parties (or, if there are more than two parties to the Dispute, all claimants, on the one hand, and all respondents, on the other hand) shall equally bear the costs and expenses of the third appointed arbitrator.

(g) An Award shall be final and binding upon the parties thereto and shall be the sole and exclusive remedy between such parties relating to the Dispute, including any claims, counterclaims, issues or accounting presented to the arbitrators. Judgment upon the Award may be entered in any court having jurisdiction. To the fullest extent permitted by law, no application or appeal to any court of competent jurisdiction may be made in connection with any question of law arising in the course of arbitration or with respect to any award made except for actions relating to enforcement of this agreement to arbitrate or any arbitral award issued hereunder and except for actions seeking interim or other provisional relief in aid of arbitration proceedings in any court of competent jurisdiction.

(h) Any monetary award shall be made and payable in U.S. dollars free of any tax, deduction or offset. Each party against which the Award assesses a monetary obligation shall pay that obligation on or before the 30th day following the date of the Award or such other date as the Award may provide.

(i) This Section 15.02 is intended to benefit and be enforceable by the shareholders, members, direct and indirect parents, trustees, directors, officers, managers (including Reit Management & Research LLC or its successor), agents or employees of any party and the parties and shall be binding on the shareholders of any party and the parties, as applicable, and shall be in addition to, and not in substitution for, any other rights to indemnification or contribution that such individuals or entities may have by contract or otherwise.

Section 15.03. Consent to Jurisdiction and Forum. This Section 15.03 is subject to, and shall not in any way limit the application of, Section 15.02; in case of any conflict between this Section 15.03 and Section 15.02, Section 15.02 shall govern. Notwithstanding anything to the contrary in Section 15.02, the exclusive jurisdiction and venue in any action brought by any party hereto pursuant to this Agreement shall lie in any federal or state court located in Boston, Massachusetts. By execution and delivery of this Agreement, each party hereto irrevocably submits to the jurisdiction of such courts for itself and in respect of its property with respect to such action. The parties irrevocably agree that venue would be proper in such court, and hereby waive any objection that such court is an improper or inconvenient forum for the resolution of such action. The parties further agree and consent to the service of any process required by any such court by delivery of a copy thereof in accordance with Section 17.01 and that any such delivery shall constitute valid and lawful service of process against it, without necessity for service by any other means provided by statute or rule of court.

Section 15.04. Standard of Care. Manager shall discharge its duties in good faith, and agrees to exercise, with respect to all services provided by Manager under this Agreement, a standard of care, skill, prudence and diligence under the circumstances then existing as is consistent with the prevailing practices of institutional property managers that manage properties comparable to the Licensed Facility in the same market and in no event with less care, skill, prudence or diligence as Manager would customarily utilize in the conduct of its business, and as is necessary to comply with all Legal Requirements.

Section 15.05. Indemnity. In any action, proceeding or claim brought or asserted by a third party, Manager will defend, indemnify and hold Licensee (and any of its Affiliates, their respective directors, trustees, officers, shareholders, employees and agents) harmless from and against any claims, losses, expenses, costs, suits, actions, proceedings, demands or liabilities that are asserted against, or sustained or incurred by them because of Manager's breach of any material term of this Agreement, or arising from Manager's failure to act or not act in accordance with Licensee's reasonable instructions or gross negligence, fraud, or willful misconduct, except to the extent caused by Licensee's breach of any material term of this Agreement, gross negligence, fraud or willful misconduct. Licensee will defend, indemnify, and hold Manager (and any of its Affiliates, their respective directors, trustees, officers, shareholders, employees and agents) harmless, from and against any and all claims, expenses, costs, suits, actions, proceedings, demands, or liabilities that are asserted against, or sustained or incurred by them in connection with the performance of Manager's duties under this Agreement or otherwise while acting within the scope of the agency established by the parties to this Agreement and in accordance with Section 15.04, or in the case of an action, proceeding or claim brought or asserted by a third party against any of them as a result of Licensee's breach of any material term

of this Agreement, violation of Legal Requirements, instructions to Manager to act or not act with respect to the relevant matter or gross negligence, fraud or willful misconduct, except to the extent caused by Manager's breach of any material term of this Agreement, failure to act or not act in accordance with Licensee's reasonable instructions, gross negligence, fraud or willful misconduct. The scope of the foregoing indemnities includes any and all costs and expenses properly incurred in connection with any proceedings to defend any indemnified claim, or to enforce the indemnity, or both. Recovery upon an indemnity contained in this Agreement shall be reduced dollar-for-dollar by any applicable insurance collected by the indemnified party with respect to the claims covered by such indemnity. The parties obligations under this Section shall survive the Termination.

Section 15.06. Limitation of Liability. To the maximum extent permitted by applicable law, no shareholder, member, officer, director, trustee, employee or agent of any party to this Agreement (and of any Affiliate of such party that is not a party to this Agreement) shall have any personal liability with respect to the liabilities or obligations of such party under this Agreement or any document executed by such party pursuant to this Agreement.

Section 15.07. Licensee's Independent Authority of Settlements. Notwithstanding any provision in this Agreement to the contrary, Licensee shall retain independent approval of settlements of administrative proceedings or litigation to which it is a party.

ARTICLE XVI PROPRIETARY MARKS; INTELLECTUAL PROPERTY

Section 16.01. Proprietary Marks. During the Term of this Agreement, each Licensed Facility shall be known as a "Five Star Senior Living" community, with such additional identification as may be necessary and agreed to by Licensee and Manager to provide local identification or to comply with local licensing or consumer protection laws.

Section 16.02. Ownership of Proprietary Marks. The Proprietary Marks shall in all events remain the exclusive property of Manager, and except as expressly set forth in this Agreement, nothing contained herein shall confer on Licensee the right to use the Proprietary Marks. Except as provided below in this section, upon termination, any use of or right to use the Proprietary Marks by Licensee shall cease forthwith, and Licensee shall promptly remove, at Manager's expense, from the Licensed Facility any signs or similar items that contain the Proprietary Marks. Upon termination, Licensee shall have the right to use any inventory or Household Replacement items marked with the Proprietary Marks exclusively in connection with the Licensed Facility until they are consumed.

Section 16.03. Intellectual Property. All Intellectual Property shall at all times be proprietary to Manager or its Affiliates, and shall be the exclusive property of Manager or its Affiliates. During the Term, Manager shall be entitled to take all reasonable steps to ensure that the Intellectual Property remains confidential. Upon termination, all Intellectual Property shall be removed from the Licensed Facility by Manager, without compensation to Licensee.

ARTICLE XVII
MISCELLANEOUS PROVISIONS

Section 17.01. Notices. All notices, demands, consents, approvals, and requests given by either party to the other hereunder shall be in writing and shall be deemed to have been duly given when delivered in person, upon confirmation of receipt when transmitted by facsimile transmission, or on the next business day if transmitted by nationally recognized overnight courier, to the parties at the following addresses:

To Licensee:

D&R Yonkers LLC
Two Newton Place
255 Washington Street, Suite 300
Newton, Massachusetts 02458
Attn: David J. Hegarty
Richard Doyle
Facsimile: (617) 796-8349

To Manager:

FVE Managers, Inc.
400 Centre Street
Newton, Massachusetts 02458
Attn: Bruce J. Mackey Jr.
Facsimile: (617) 796-8243

or to such other address and to the attention of such other person as either party may from time to time designate in writing. Notices properly given as described above shall be effective upon receipt.

Section 17.02. Severability. If any term or provision of this Agreement or the application thereof in any circumstance is held invalid, illegal or unenforceable in any respect for any reason, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions hereof shall not be in any way impaired, unless the provisions held invalid, illegal or unenforceable shall substantially impair the benefits of the remaining provisions hereof.

Section 17.03. Gender and Number. Whenever the context of this Agreement requires, the gender of all words herein shall include the masculine, feminine, and neuter, and the number of all words herein shall include the singular and plural.

Section 17.04. Headings and Interpretation. The descriptive headings in this Agreement are for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement. References to "Section" in this Agreement shall be a reference to a Section of this Agreement unless otherwise indicated. Whenever the words "include," "includes" or "including" are used in this Agreement they shall be deemed to be followed by "without limitation." The words "hereof," "herein," "hereby" and "hereunder," when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision unless

otherwise indicated. The word “or” shall not be exclusive. This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting.

Section 17.05. Estoppel Certificates. Each party to this Agreement shall at any time and from time to time, upon not less than thirty (30) day’s prior notice from the other party, execute, acknowledge and deliver to such other party, or to any third party specified by such other party, a statement in writing: (i) certifying that this Agreement is unmodified and in full force and effect (or if there have been modifications, that the same, as modified, is in full force and effect and stating the modifications); (ii) stating whether or not to the best knowledge of the certifying party: (x) there is a continuing Default by the non-certifying party in the performance or observation of any covenant, agreement or condition contained in this Agreement; or (y) there shall have occurred any event which, with the giving of Notice or the passage of time or both, would become such a Default, and, if so, specifying such Default or occurrence of which the certifying party may have knowledge; and (iii) stating such other information as the non-certifying party may reasonably request. Such statement shall be binding upon the certifying party and may be relied upon by the non-certifying party and/or such third party specified by the non-certifying party as aforesaid. The obligations set forth in this Section 17.05 shall survive Termination (that is, each party shall, on request, within the time period described above, execute and deliver to the non-certifying party and to any such third party a statement certifying that this Agreement has been terminated).

Section 17.06. Confidentiality of Business Information. Manager and Licensee agree to keep confidential and not to use or to disclose to others, any of their respective secrets or confidential or proprietary information, customer lists, or trade secrets, or any matter or items relating to this Agreement, the management of the Licensed Facility or their association with each other except (a) to their respective Affiliates, which may in turn disclose to any holder of a Mortgage, any prospective lender, purchaser or prospective purchaser of the Licensed Facility, (b) to any rating agencies, lenders, stock analysts, accountants, lawyers and other like professionals, (c) as expressly consented to in writing by the other party, (d) as required by law or the rules of any national securities exchange or automated quotation system to which Licensee or Manager, or any Affiliate of either, is or becomes subject, or (e) as required by law or the applicable regulators with respect to any initial, renewal or other required application for licensure, Medicare or Medicaid participation or other approval or certification of the Licensed Facility.

Section 17.07. Confidentiality of Patient Information. The parties shall only use or disclose patient information, including Protected Health Information (as such term is defined by the Standards for Privacy of Individually Identifiable Health Information, 45 C.F.R. Part 160 and Subparts A and E of Part 164, as promulgated from time to time by the Department of Health and Human Services (the “Privacy Standards”)), in compliance with the Privacy Standards and other applicable law. The parties shall further reasonably safeguard the confidentiality, integrity and availability of patient information, including Protected Health Information, as required by applicable law, including the Privacy Standards and the Security Standards (45 C.F.R. Part 160 and Subparts A and E of Part 164). In the event that patient information (including Protected Health Information) is disclosed by a party or its agents to the other party, its employees,

contractors, subcontractors or agents, such other party agrees to take reasonable steps to maintain, and to require its employees, contractors, subcontractors and agents receiving such information to maintain, the privacy and confidentiality of such information consistent with applicable law. In connection with the Manager's services hereunder, the parties shall enter into a Business Associate Agreement in a form acceptable to both parties.

Section 17.08. Assignment. Licensee may assign this Agreement to any Affiliate (but only as such term is defined in Section 1.03 (i) or (iii)) of Licensee without Manager's consent. Manager shall not assign or transfer its interest in this Agreement without the prior written consent of Licensee which may be withheld in Licensee's sole and absolute discretion. If Licensee consents to an assignment of this Agreement by Manager, no further assignment shall be made without the express consent in writing of Licensee. Any assignment of this Agreement pursuant to this Section 17.08 shall be subject to prior written approval by DOH.

Section 17.09. Entire Agreement/Amendment. With respect to the subject matter hereof, this Agreement supersedes all previous contracts and understandings between the parties and constitutes the sole and entire Agreement between the parties with respect to the subject matter hereof for the purpose of managing the day-to-day activities of the Licensed Facility. This Agreement may not be modified, altered or amended in any manner except by an amendment in writing, duly executed by the parties hereto. Any amendment shall be subject to prior written consent of DOH.

Section 17.10. Third Party Beneficiaries. The terms and conditions of this Agreement shall inure to the benefit of, and be binding upon, the respective successors, heirs, legal representatives or permitted assigns of each of the parties hereto and except for Owner and Landlord, which are intended third party beneficiaries, and as otherwise provided in Section 15.05, no Person other than the parties hereto and their successors and permitted assigns is intended to be a beneficiary of this Agreement.

Section 17.11. Survival. The following provisions shall survive termination or expiration of this Agreement: Sections 11.02, 12.02, 13.01, 14.03, 14.04 and 14.05, Article XV and Article XVII.

Section 17.12. Relationship Between the Parties. The relationship between Licensee and Manager pursuant to this Agreement shall not be one of general agency, but shall be that of an independent contractor relationship, provided with respect to those specific and limited circumstances in which (a) Manager is holding funds for the account of Licensee or (b) Manager is required or authorized to act as authorized representative for Licensee with respect to agreements with Residents, filings with and applications to governmental bodies or pursuant to licenses or Legal Requirements, the relationship between Licensee and Manager shall be that of trustee and authorized representative (with limited agency), respectively. Neither this Agreement nor any agreements, instruments, documents or transactions contemplated hereby shall in any respect be interpreted, deemed or construed as making Licensee a partner or joint venturer with Manager or as creating any similar relationship or entity, and each party agrees that it will not make any contrary assertion, contention, claim or counterclaim in any action, suit or other legal proceeding involving the other.

[Signatures on the following page]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed under seal by their duly authorized officers, all as of the day and year first above written.

Manager:

FVE Managers, Inc.

By: /s/ Bruce J. Mackey Jr.

Name: Bruce J. Mackey Jr.

Title: President

Licensee:

D&R Yonkers LLC

By: /s/ David J. Hegarty

Name: David J. Hegarty

Title: President and Secretary

CONSENTED TO AND ACKNOWLEDGED BY:

Landlord:

SNH Yonkers Tenant Inc.

By: /s/ Richard A. Doyle

Name: Richard A. Doyle

Title: President and Treasurer

[Signature Page to Management Agreement]

Schedule 4.05

Five Star Rehabilitation and Wellness Services, LLC

FSQ Pharmacy Holdings, LLC

Senior Living Insurance Company

Affiliates Insurance Company

Reit Management & Research LLC

Exhibit A

Floors 2-5 of the community located at 537 Riverdale Avenue, Yonkers, New York 10705.

INDEMNIFICATION AGREEMENT

THIS INDEMNIFICATION AGREEMENT (this "Agreement") is made and entered August 31, 2012 (the "Effective Date"), by and between Senior Housing Properties Trust, a Maryland real estate investment trust ("SNH"), and David J. Hegarty ("Indemnatee").

WHEREAS Indemnatee has agreed to be member, a director and an officer of D&R Yonkers LLC (the "Company") which is of direct, material benefit to SNH; and

WHEREAS, as an inducement to Indemnatee to be a member, director and officer of the Company, SNH has agreed to indemnify Indemnatee against any costs, losses and damages incurred by Indemnatee by reason of his being a member, director or officer of the Company, including in connection with any claims, suits or proceedings, and to advance expenses incurred by Indemnatee;

NOW, THEREFORE, in consideration of the premises and the covenants contained herein, the Company and Indemnatee do hereby covenant and agree as follows:

Section 1. Indemnification. SNH shall indemnify Indemnatee as provided in this Agreement and otherwise, to the fullest extent permitted by law, against all costs, losses and expenses sustained or incurred by Indemnatee as member, director or officer of the Company, including, but not limited to, in connection with any threatened or pending action, suit, arbitration, investigation or any other proceeding, whether civil, criminal or administrative, including on appeal, to which Indemnatee is a party or is threatened to be made a party or a witness by reason of his being a member, director or officer of the Company and/or in connection with any costs, losses or expenses under the sublease between the Company and SNH Yonkers Tenant Inc. and/or the management agreement between the Company and FVE Managers, Inc., each dated August 31, 2012, and as amended.

Section 2. Advance of Expenses. SNH shall advance all expenses incurred by or on behalf of Indemnatee in connection with any matter which may give rise to indemnification hereunder within ten days after the receipt by SNH of a statement or statements from Indemnatee requesting such advance or advances from time to time, whether prior to or after final disposition of such matter. To the extent that expenses advanced to Indemnatee do not relate to a specific claim, issue or matter, such expenses shall be allocated on a reasonable and proportionate basis.

Section 3. Defense. SNH shall have the right to defend Indemnatee in any action, suit, arbitration, investigation or any other proceeding which may give rise to indemnification hereunder. SNH shall not, without the prior written consent of Indemnatee, which shall not be unreasonably withheld or delayed, consent to the entry of any judgment against Indemnatee or enter into any settlement or compromise which (i) includes an admission of fault of Indemnatee or (ii) does not include, as an unconditional term thereof, the full release of Indemnatee from all liability in respect thereof, which release shall be in form and substance reasonably satisfactory to Indemnatee.

Section 4. Non-Exclusivity; Survival of Rights.

(a) The rights of indemnification and advance of expenses as provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnatee may at any time be entitled under applicable law, the Limited Liability Company Operating Agreement or Bylaws of the Company, or otherwise. No amendment, alteration or repeal of this Agreement or of any provision hereof shall limit or restrict any right of Indemnatee under this Agreement in respect of any action taken or omitted by such Indemnatee as a member, director or officer of the Company prior to such amendment, alteration or repeal.

(b) In the event of any payment under this Agreement, SNH shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnatee, who shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable SNH to bring suit to enforce such rights.

(c) SNH shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable hereunder if and to the extent that Indemnatee has otherwise actually received such payment under any insurance policy, contract, agreement or otherwise.

Section 5. Severability. If any provision or provisions of this Agreement shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (a) the validity, legality and enforceability of the remaining provisions of this Agreement (including, without limitation, each portion of any section of this Agreement containing any such provision held to be invalid, illegal or unenforceable that is not itself invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby; and (b) to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of any section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested thereby.

Section 6. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original but all of which together shall constitute one and the same Agreement. One such counterpart signed by the party against whom enforceability is sought shall be sufficient to evidence the existence of this Agreement.

Section 7. Headings. The headings of the paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof.

Section 8. Modification and Waiver. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

Section 9. Notices. Any notice, report or other communication required or permitted to be given hereunder shall be in writing unless some other method of giving such notice, report or

other communication is accepted by the party to whom it is given, and shall be given by being delivered at the following addresses to the parties hereto:

- (a) If to Indemnitee, to: The address set forth on the signature page hereto.
- (b) If to SNH to:

Senior Housing Properties Trust
Two Newton Place
255 Washington Street, Suite 300
Newton, Massachusetts 02458
Attn: Secretary

or to such other address as may have been furnished to Indemnitee by SNH or to SNH by Indemnitee, as the case may be.

Section 10. Governing Law. The parties agree that this Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Maryland, without regard to its conflicts of laws rules.

Section 11. Arbitration.

(a) Any disputes, claims or controversies between the parties arising out of or relating to this Agreement, or, in the case of SNH, brought by or on behalf of any shareholder of SNH (which for purposes of this Section 11, shall mean any shareholder of record or any beneficial owner of shares of SNH, or any former shareholder of record or beneficial owner of shares), either on his, her or its own behalf, on behalf of SNH or on behalf of any series of shares of SNH or shareholders of SNH against the either party or, in the case of SNH, against any member, trustee, officer, manager (including Reit Management Research LLC or its successor), agent or employee of SNH, including disputes, claims or controversies relating to the meaning, interpretation, effect, validity, performance or enforcement of this Agreement, including this arbitration provision, or the declaration of trust, or bylaws of SNH (all of which are referred to as "Disputes"), or relating in any way to such a Dispute or Disputes shall, on the demand of any party to such Dispute be resolved through binding and final arbitration in accordance with the Commercial Arbitration Rules (the "Rules") of the American Arbitration Association ("AAA") then in effect, except as those Rules may be modified in this Section 11. For the avoidance of doubt, and not as a limitation, Disputes are intended to include derivative actions against trustees, officers or managers of SNH and class actions by a shareholder against those individuals.

(b) There shall be three (3) arbitrators. If there are only two (2) parties to the Dispute, each party shall select one arbitrator within fifteen (15) days after receipt by respondent of a copy of the demand for arbitration. Such arbitrators may be affiliated or interested persons of such parties. If either party fails to timely select an arbitrator, the other party to the Dispute shall select the second arbitrator who shall be neutral and impartial and shall not be affiliated with or an interested person of either party. If there are more than two (2) parties to the Dispute, all claimants, on the one hand, and all respondents, on the other hand, shall each select, by the vote of a majority of the claimants or the respondents, as the case may be, one arbitrator. Such

arbitrators may be affiliated or interested persons of the claimants or the respondents, as the case may be. If either all claimants or all respondents fail to timely select an arbitrator then such arbitrator (who shall be neutral, impartial and unaffiliated with any party) shall be appointed by the AAA. The two (2) arbitrators so appointed shall jointly appoint the third and presiding arbitrator (who shall be neutral, impartial and unaffiliated with any party) within fifteen (15) days of the appointment of the second arbitrator. If the third arbitrator has not been appointed within the time limit specified herein, then the AAA shall provide a list of proposed arbitrators in accordance with the Rules, and the arbitrator shall be appointed by the AAA in accordance with a listing, striking and ranking procedure, with each party having a limited number of strikes, excluding strikes for cause.

(c) The place of arbitration shall be Boston, Massachusetts unless otherwise agreed by the parties.

(d) There shall be only limited documentary discovery of documents directly related to the issues in dispute, as may be ordered by the arbitrators.

(e) In rendering an award or decision (the "Award"), the arbitrators shall be required to follow the laws of the State of Maryland. Any arbitration proceedings or Award rendered hereunder and the validity, effect and interpretation of this arbitration agreement shall be governed by the Federal Arbitration Act, 9 U.S.C. §1 et seq. The Award shall be in writing and may, but shall not be required to, briefly state the findings of fact and conclusions of law on which it is based.

(f) Except to the extent expressly provided by this Agreement or as otherwise agreed by the parties, each party involved in a Dispute shall bear its own costs and expenses (including attorneys' fees), and provided that the arbitrators shall not render an award that would include shifting of any such costs or expenses (including attorneys' fees) or, in a derivative case or class action, award any portion of a party's award to the claimant or the claimant's attorneys. Each party (or, if there are more than two parties to the Dispute, all claimants, on the one hand, and all respondents, on the other hand, respectively) shall bear the costs and expenses of its (or their) selected arbitrator and the parties (or, if there are more than two parties to the Dispute, all claimants, on the one hand, and all respondents, on the other hand) shall equally bear the costs and expenses of the third appointed arbitrator.

(g) An Award shall be final and binding upon the parties thereto and shall be the sole and exclusive remedy between such parties relating to the Dispute, including any claims, counterclaims, issues or accounting presented to the arbitrators. Judgment upon the Award may be entered in any court having jurisdiction. To the fullest extent permitted by law, no application or appeal to any court of competent jurisdiction may be made in connection with any question of law arising in the course of arbitration or with respect to any award made except for actions relating to enforcement of this agreement to arbitrate or any arbitral award issued hereunder and except for actions seeking interim or other provisional relief in aid of arbitration proceedings in any court of competent jurisdiction.

(h) Any monetary award shall be made and payable in U.S. dollars free of any tax, deduction or offset. Each party against which the Award assesses a monetary obligation

shall pay that obligation on or before the 30th day following the date of the Award or such other date as the Award may provide.

(i) This Section 11 is intended to benefit and be enforceable by the shareholders, trustees, officers, managers (including Reit Management & Research LLC or its successor) agents or employees of SNH and shall be in addition to, and not in substitution for, any other rights to indemnification or contribution that such individuals or entities may have by contract or otherwise.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

ATTEST: SENIOR HOUSING PROPERTIES TRUST

/s/ Camille Balletto

By: /s/ Jennifer B. Clark (SEAL)
Name: Jennifer B. Clark
Title: Secretary

WITNESS: INDEMNITEE

/s/ Judith A. Crowley

/s/ David J. Hegarty
Name: David J. Hegarty
Address:

Schedule to Exhibit 99.4

Richard A. Doyle is a party to an Indemnification Agreement with the Company, which is substantially identical in all material respects to the representative Indemnification Agreement filed herewith and is dated as of the same date. This Indemnification Agreement is omitted pursuant to Instruction 2 to Item 601 of Regulation S-K.
