

**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 March 31, 2015

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 02458-1634

(Address of Principal Executive Offices) (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 May 5, 2015: 235,011,646.

SENIOR HOUSING PROPERTIES TRUST
FORM 10-Q

March 31, 2015

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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)

	March 31, 2015	December 31, 2014
ASSETS		
Real estate properties:		
Land	\$ 742,763	\$ 683,979
Buildings and improvements	5,975,183	5,554,632
	6,717,946	6,238,611
Less accumulated depreciation	(1,023,843)	(983,850)
	5,694,103	5,254,761
Cash and cash equivalents	77,794	27,594
Restricted cash	7,685	10,544
Deferred financing fees, net	29,649	30,549
Acquired real estate leases and other intangible assets, net	543,776	472,788
Other assets	184,088	172,033
Total assets	<u>\$ 6,537,095</u>	<u>\$ 5,968,269</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Unsecured revolving credit facility	\$ —	\$ 80,000
Unsecured term loan	350,000	350,000
Senior unsecured notes, net of discount	1,743,983	1,743,628
Secured debt and capital leases	625,131	627,076
Accrued interest	31,984	20,046
Assumed real estate lease obligations, net	123,435	122,826
Other liabilities	87,769	72,286
Total liabilities	<u>2,962,302</u>	<u>3,015,862</u>
Commitments and contingencies		
Shareholders' equity:		
Common shares of beneficial interest, \$.01 par value: 300,000,000 shares authorized, 234,996,215 and 203,910,305 shares issued and outstanding at March 31, 2015 and December 31, 2014, respectively	2,350	2,039
Additional paid in capital	4,485,386	3,825,063
Cumulative net income	1,393,410	1,353,622
Cumulative other comprehensive income	4,823	3,329
Cumulative distributions	(2,311,176)	(2,231,646)
Total shareholders' equity	<u>3,574,793</u>	<u>2,952,407</u>
Total liabilities and shareholders' equity	<u>\$ 6,537,095</u>	<u>\$ 5,968,269</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	
	March 31,	
	2015	2014
Revenues:		
Rental income	\$ 145,784	\$ 112,055
Residents fees and services	82,793	79,442
Total revenues	228,577	191,497
Expenses:		
Property operating expenses	85,794	77,802
Depreciation	53,707	38,355
General and administrative	10,574	8,290
Acquisition related costs	1,158	122
Total expenses	151,233	124,569
Operating income	77,344	66,928
Interest and other income	75	105
Interest expense	(35,942)	(28,900)
Loss on extinguishment of debt	(1,409)	—
Income from continuing operations before income tax expense and equity in earnings (losses) of an investee	40,068	38,133
Income tax expense	(110)	(191)
Equity in earnings (losses) of an investee	72	(97)
Income from continuing operations	40,030	37,845
Discontinued operations:		
(Loss) income from discontinued operations	(241)	1,300
Impairment of assets from discontinued operations	—	(721)
Income before gain on sale of properties	39,789	38,424
Gain on sale of properties	—	156
Net income	<u>\$ 39,789</u>	<u>\$ 38,580</u>
Other comprehensive income:		
Change in net unrealized gain (loss) on investments	1,448	(1,921)
Share of comprehensive income of an investee	45	19
Comprehensive income	<u>\$ 41,282</u>	<u>\$ 36,678</u>
Weighted average common shares outstanding (basic)	221,375	188,026
Weighted average common shares outstanding (diluted)	221,397	188,045
Per common share amounts (basic and diluted):		
Income from continuing operations	0.18	0.21
Income (loss) from discontinued operations	—	—
Net income	<u>\$ 0.18</u>	<u>\$ 0.21</u>

See accompanying notes.

SENIOR HOUSING PROPERTIES TRUST
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(amounts in thousands)
(unaudited)

	Three Months Ended March 31,	
	2015	2014
Cash flows from operating activities:		
Net income	\$ 39,789	\$ 38,580
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation	53,707	38,355
Amortization of deferred financing fees and debt discounts	1,650	1,456
Straight line rental income	(3,509)	(1,583)
Amortization of acquired real estate leases and other intangible assets	(1,198)	722
Impairment of assets	—	721
Lease termination fees	(105)	—
Gain on sale of properties	—	(156)
Equity in (earnings) losses of an investee	(72)	97
Change in assets and liabilities:		
Restricted cash	2,860	2,012
Other assets	(7,751)	3,082
Accrued interest	11,938	6,060
Other liabilities	6,828	771
Cash provided by operating activities	<u>104,137</u>	<u>90,117</u>
Cash flows from investing activities:		
Real estate acquisitions and deposits	(509,045)	(50,050)
Real estate improvements	(12,339)	(17,101)
Proceeds from sale of properties	250	2,400
Cash used for investing activities	<u>(521,134)</u>	<u>(64,751)</u>
Cash flows from financing activities:		
Proceeds from issuance of common shares, net	659,750	—
Proceeds from borrowings on revolving credit facility	515,000	90,000
Repayments of borrowings on revolving credit facility	(595,000)	(45,000)
Repayment of other debt	(32,440)	(3,246)
Payment of deferred financing fees	(583)	—
Distributions to shareholders	(79,530)	(73,386)
Cash provided by (used for) financing activities	<u>467,197</u>	<u>(31,632)</u>
Increase (decrease) in cash and cash equivalents	50,200	(6,266)
Cash and cash equivalents at beginning of period	27,594	39,233
Cash and cash equivalents at end of period	<u>\$ 77,794</u>	<u>\$ 32,967</u>
Supplemental cash flow information:		
Interest paid	\$ 22,354	\$ 21,384
Income taxes paid	—	200
Non-cash investing activities:		
Acquisitions funded by assumed debt	(29,955)	—
Non-cash financing activities:		
Assumption of mortgage notes payable	29,955	—
Issuance of common shares	808	438

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, 2014, 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 intercompany transactions and balances with or among 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, discontinued operations, 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.

The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect reported amounts. Actual results could differ from those estimates. Significant estimates in our condensed consolidated financial statements include purchase price allocations, useful lives of fixed assets and impairment of real estate and intangible assets.

Note 2. Recent Accounting Pronouncements

In February 2015, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Update No. 2015-02, Consolidation. Among other things, this update changes how an entity determines the primary beneficiary of a variable interest entity. This update is effective for interim and annual periods beginning after December 15, 2015, with early adoption permitted. The implementation of this update is not expected to cause any significant changes to our condensed consolidated financial statements.

In April 2015, the FASB issued Accounting Standards Update No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, which requires debt issuance costs to be presented in the balance sheet as a direct deduction from the associated debt liability. This update is effective for interim and annual reporting periods beginning after December 15, 2015 and requires retrospective application. The implementation of this update is not expected to cause any material changes to our consolidated financial statements other than the reclassification of debt issuance costs from assets to liabilities on our condensed consolidated balance sheets.

Note 3. Real Estate Properties

At March 31, 2015, we owned 392 properties (419 buildings) located in 39 states and Washington, D.C. We have accounted, or expect to account for, the following acquisitions as business combinations unless otherwise noted.

MOB Acquisitions:

In January 2015, we acquired 23 properties (23 buildings) leased to medical providers, medical related businesses, clinics and biotech laboratory tenants, or MOB's, for approximately \$539,000, including the assumption of approximately \$29,955 of mortgage debt with a weighted average interest rate of 4.73%, and excluding closing costs. These MOB's are located in 12 states and include approximately 2,170,000 square feet of leasable space. We funded this acquisition using cash on hand and borrowings under our revolving credit facility. The 23 properties were purchased

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

from Select Income REIT, or SIR, in connection with the acquisition by SIR of Cole Corporate Income Trust, Inc., or CCIT. See Note 10 for further information regarding this transaction.

MOB Acquisitions since January 1, 2015 :

Date	Location	Number of Properties	Square Feet (000's)	Cash Paid plus Assumed Debt ⁽¹⁾		Buildings and Improvements	Acquired Real Estate		Acquired Real Estate		Premium on Assumed Debt
				Debt	Land		Leases	Obligations	Debt	Debt	
Jan-15	12 States	23	2,170	\$ 539,000	\$ 58,294	\$ 399,582	\$ 85,496	\$ (3,298)	\$ (29,955)	\$ (1,074)	
		23	2,170	\$ 539,000	\$ 58,294	\$ 399,582	\$ 85,496	\$ (3,298)	\$ (29,955)	\$ (1,074)	

(1) These amounts include the cash we paid plus the debt we assumed, if any, as well as other settlement adjustments with respect to the acquisitions, but exclude closing costs. The allocation of the purchase price of our acquisitions shown 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 may change from those used in these condensed consolidated financial statements.

Senior Living Community Acquisitions:

In December 2014, we entered into a purchase agreement to acquire 38 senior living communities with 3,466 living units located in 16 states for \$790,000, excluding closing costs, and including the assumption of approximately \$153,000 of mortgage debt with a weighted average interest rate of 4.77%. These communities include an aggregate of 3,466 living units, comprised of 826 independent living units, 1,860 assisted living units, 744 memory care units and 36 skilled nursing facility units. On May 1, 2015, we completed the acquisition of 37 of these senior living communities with 3,379 living units for approximately \$762,611, excluding closing costs, and we amended the purchase agreement to accommodate a delayed closing of the remaining senior living community with 87 living units. The acquisition of the one remaining senior living community is subject to various conditions; accordingly, we can provide no assurance that we will acquire this community, that the acquisition will not be delayed further or that the terms will not change. Nineteen of the 38 communities, with 2,190 living units, including the one community that we have not yet acquired, are leased to seven senior living operators. The 19 remaining communities, with 1,276 living units, were acquired using taxable real estate investment trust, or REIT, subsidiary, or TRS, structures. Pursuant to pre-existing management agreements, we paid fees of \$975 and terminated the agreements for 14 of the 19 communities, with 881 living units, and entered into management agreements with Five Star Quality Care, Inc., or Five Star, to manage these communities. See Note 10 for further information regarding these management agreements with Five Star. The remaining five communities, with 395 living units, continue to be managed by the current third party senior living operator. As of the date of this filing, the purchase price allocation for this acquisition is pending.

In April 2015, we entered into an agreement to acquire one senior living community with 40 private pay independent living units located in Cumming, GA, for approximately \$9,750, excluding closing costs. We intend to acquire this community using a TRS structure and we expect to enter into a management agreement with Five Star to manage this community. This senior living community is adjacent to another community that we own which is managed by Five Star. This acquisition is subject to various conditions; accordingly, we can provide no assurance that we will purchase this property, that the acquisition and related expected management arrangement with Five Star will not be delayed or that the terms will not change.

Impairment:

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.

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(dollar amounts in thousands, except per share data or as otherwise stated)

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.

Discontinued Operations and Properties Held for Sale:

As of March 31, 2015, we had three senior living communities with 192 living units and one MOB (four buildings) with 323,541 square feet categorized as properties held for sale. The four properties are included in other assets in our condensed consolidated balance sheets and have a net book value (after impairment) of approximately \$3,145 at March 31, 2015. We classify all properties as held for sale in our condensed consolidated balance sheets that meet the applicable criteria for that treatment as set forth in the Property, Plant and Equipment Topic of the *FASB Accounting Standards Codification*, or the Codification.

Results of operations for properties sold or held for sale are included in discontinued operations in our condensed consolidated statements of operations once the criteria for discontinued operations in the Presentation of Financial Statements Topic of the Codification are met. The senior living properties which we are or were offering for sale as of the applicable periods do not meet the criteria for discontinued operations as they are included within combination leases with other properties that we expect to continue leasing. We had one MOB (four buildings) and four MOB (seven buildings), classified in discontinued operations as of March 31, 2015 and 2014, respectively. Summarized income statement information for these MOB that meet the criteria for inclusion in discontinued operations is as follows:

	Three Months Ended	
	March 31,	
	2015	2014
Rental income	\$ 32	\$ 2,294
Property operating expenses	(273)	(994)
(Loss) income from discontinued operations	\$ (241)	\$ 1,300

Dispositions:

In February 2015, we sold one vacant senior living community located in Pennsylvania for a sale price of \$250, excluding closing costs. In April 2015, we sold the remaining held for sale MOB (four buildings) for a sale price of \$1,500, excluding closing costs. Any adjustments to net book value related to this sale will be recognized in the second quarter of 2015 when all of the costs of the sale are known.

Note 4. Unrealized Gain / Loss on Investments

As of March 31, 2015, we owned 250,000 common shares of Equity Commonwealth (formerly known as CommonWealth REIT), or EQC, and 4,235,000 common shares of Five Star which are carried at fair market value in other assets on 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 EQC and Five Star shares as of March 31, 2015 (\$26.55 and \$4.44 per share, respectively) and our weighted average costs at the time we acquired these shares, as adjusted to reflect any share splits or combinations (\$26.00 and \$3.36 per share, respectively).

Note 5. Indebtedness

Our principal debt obligations at March 31, 2015 were: (1) six public issuances of senior unsecured notes, including: (a) \$250,000 principal amount at an annual interest rate of 4.30% due 2016, (b) \$400,000 principal amount at an annual interest rate of 3.25% due 2019, (c) \$200,000 principal amount at an annual interest rate of 6.75% due 2020,

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(d) \$300,000 principal amount at an annual interest rate of 6.75% due 2021, (e) \$250,000 principal amount at an annual interest rate of 4.75% due 2024 and (f) \$350,000 principal amount at an annual interest rate of 5.625% due 2042; (2) our \$350,000 principal amount term loan; and (3) \$ 609,032 aggregate principal amount of mortgages secured by 46 of our properties (48 buildings) with maturity dates from 2015 to 2043. The 46 mortgaged properties (48 buildings) had a carrying value of \$ 776,980 at March 31, 2015 . We also had two properties subject to capital leases totaling \$12,621 at March 31, 2015 ; these two properties had a carrying value of \$18,095 at March 31, 2015 . The capital leases expire in 2026.

We have a \$750,000 unsecured revolving credit facility that is available for general business purposes, including acquisitions. The maturity date of our revolving credit facility is January 15, 2018 and, subject to the payment of an extension fee and meeting certain other conditions, we have an option to further extend the stated maturity date by an additional one year to January 15, 2019. The revolving credit facility agreement provides that we can borrow, repay and reborrow funds available under the revolving credit facility agreement until maturity, and no principal repayment is due until maturity. The revolving credit facility agreement includes a feature under which maximum borrowings under the facility may be increased to up to \$1,500,000 in certain circumstances. The interest rate paid on borrowings under the revolving credit facility agreement is LIBOR plus a premium of 130 basis points, and the facility fee is 30 basis points per annum on the total amount of lending commitments. Both the interest rate premium and the facility fee are subject to adjustment based upon changes to our credit ratings. As of March 31, 2015 , the interest rate payable on borrowings under our revolving credit facility was 1.47 % , and the weighted average interest rate for borrowings under our revolving credit facility was 1.54 % and 1.42% for the three months ended March 31, 2015 and 2014 , respectively . As of March 31, 2015 , we had no amounts outstanding and \$750,000 available for borrowing by us, and as of May 5 , 2015, we had \$ 550,000 outstanding and \$ 200,000 available for borrowing by us under our revolving credit facility .

In 2014, we entered into a term loan agreement pursuant to which we obtained a \$350,000 unsecured term loan. Our term loan matures on January 15, 2020, and is prepayable without penalty at any time. In addition, our term loan includes a feature under which maximum borrowings may be increased to up to \$700,000 in certain circumstances. Our term loan bears interest at a rate of LIBOR plus a premium of 140 basis points that is subject to adjustment based upon changes to our credit ratings. As of March 31, 2015 , the interest rate payable for amounts outstanding under our term loan was 1.57 % . The weighted average annual interest rate for amounts outstanding on our term loan was 1.59 % for the three months ended March 31, 2015 .

Our revolving credit facility and term loan agreements provide for the acceleration of payment of all amounts outstanding upon the occurrence and continuation of certain events of default, including a change of control of us, which includes Reit Management & Research LLC, or RMR, ceasing to act as our business manager and property manager.

In December 2014 , we entered an agreement to acquire the 38 senior living communities discussed in Note 3 above . Simultaneous with entering this agreement, we received a bridge loan commitment for \$700,000 . In February 2015, we terminated the bridge loan commitment and we recognized a loss of \$1,409 on extinguishment of debt in the first quarter of 2015 in connection with that termination . We acquired 37 of these 38 senior living communities in May 2015 and financed the acquisition using cash on hand, borrowings under our revolving credit facility and the assumption of approximately \$139,181 of mortgage debt with a weighted average interest rate of 4.59 % .

Our public debt indenture and its related supplements and our credit facility and term loan agreements contain a number of financial and other covenants, including covenants that restrict our ability to incur indebtedness or to make distributions under certain circumstances and require us to maintain financial ratios. We believe we were in compliance with the terms and conditions of our public debt indenture and its supplements and our credit facility and term loan agreements at March 31, 2015.

In connection with two of the properties acquired in January 2015, discussed in Note 3 above, we assumed \$ 29,955 of mortgage debt, which we recorded at their aggregate fair value of \$ 31,029 . These two assumed mortgage notes have a

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

contractual weighted average interest rate of 4.73 % and mature in July 2016 and October 2022. We determined the fair value of the assumed mortgage notes using a market approach based upon Level 3 inputs (significant other unobservable inputs) in the fair value hierarchy.

In February 2015, we repaid a mortgage note that encumbered one of our properties that had a principal balance of \$ 29,227 and an interest rate of 6.02 %.

In April 2015, we prepaid a mortgage note that encumbered one of our properties that had a principal balance of \$ 6,274 and an interest rate of 5.81 %.

Note 6. Shareholders' Equity

In February 2015, we issued 31,050,000 common shares in a public offering, raising net proceeds of approximately \$659,750 after underwriting discounts and expenses. We used the net proceeds from this offering to repay borrowings outstanding under our revolving credit facility and for general business purposes.

On February 24, 2015, we paid a distribution to common shareholders of \$0.39 per share, or approximately \$ 79,530, that was declared on January 12, 2015 and was payable to shareholders of record on January 23, 2015.

On April 13, 2015, we declared a distribution payable to common shareholders of record on April 24, 2015, of \$0.39 per share, or approximately \$ 91,655. We expect to pay this distribution on or about May 21, 2015 using cash on hand and borrowings under our revolving credit facility.

During the three months ended March 31, 2015 and the period from April 1, 2015 to May 5, 2015, we issued 36,610 and 15,431, respectively, of our common shares to RMR as part of the business management fee payable by us under our business management agreement. See Note 10 for further information regarding this agreement.

Note 7. 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 March 31, 2015 categorized by the level of inputs used in the valuation of each asset or liability.

		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
Description	Total	(Level 1)	(Level 2)	(Level 3)
Assets held for sale ⁽¹⁾	\$ 3,145	\$ —	\$ —	\$ 3,145
Investments in available for sale securities ⁽²⁾	\$ 25,441	\$ 25,441	\$ —	\$ —

(1) Assets held for sale consist of four of our properties (seven buildings) that we expect to sell or have sold subsequent to March 31, 2015 that are reported at fair value less estimated costs to sell. We used offers to purchase these properties made by third parties or comparable sales transactions (Level 3 inputs) to determine the fair values of these properties. We have recorded cumulative impairments of approximately \$ 11,365 to these properties in order to reduce their book value to fair value.

(2) Our investments in available for sale securities include our 250,000 common shares of EQC and 4,235,000 common shares of Five Star. The fair values of these shares are based upon quoted prices at March 31, 2015 in active markets (Level 1 inputs).

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

We estimate the fair values of our senior unsecured notes using an average of the bid and ask price of our outstanding six issuances of senior notes (Level 1 inputs) on or about March 31, 2015 . The fair values of these senior note obligations exceed their aggregate book values of \$1,743, 98 3 by \$ 107,931 because these notes were trading at premiums to their face amounts.

We estimate the fair values of our secured debt by using discounted cash flow analyses and currently prevailing market terms as of the measurement date (Level 3 inputs). The fair value of our secured debt exceeds its book value of \$ 609,032 by \$6 6,837 because current market interest rates are lower than the market interest rates at the time we assumed the secured debt . Because Level 3 inputs are unobservable, our estimated fair value may differ materially from the actual fair value.

In addition to the assets and liabilities described in the above table and our senior unsecured notes and secured debt , our additional financial instruments include rents receivable, cash and cash equivalents, restricted cash and other unsecured debt. The fair values of these additional financial instruments approximate their carrying values at March 31, 2015 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 8. Segment Reporting

We have four operating segments, of which three are separately reportable operating segments: (i) triple net senior living communities that we lease to operators who provide short term and long term residential care and dining services for residents, (ii) managed senior living communities that provide short term and long term residential care and dining services for residents and (iii) MOB. Our triple net and managed senior living communities include independent living communities , assisted living communities and skilled nursing facilities, or SNFs. Properties in the MOB segment include medical office, clinic and biotech laboratory buildings. The “All Other” category in the following table includes amounts

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

related to corporate business activities and the operating results of certain properties that offer fitness, wellness and spa services to members.

	For the Three Months Ended March 31, 2015				
	Triple Net Leased Senior Living Communities	Managed Senior Living Communities	MOBs	All Other Operations	Consolidated
Revenues:					
Rental income	\$ 55,251	\$ —	\$ 86,001	\$ 4,532	\$ 145,784
Residents fees and services	—	82,793	—	—	82,793
Total revenues	55,251	82,793	86,001	4,532	228,577
Expenses:					
Property operating expenses	—	62,403	23,391	—	85,794
Depreciation	15,125	8,460	29,174	948	53,707
General and administrative	—	—	—	10,574	10,574
Acquisition related costs	—	—	—	1,158	1,158
Total expenses	15,125	70,863	52,565	12,680	151,233
Operating income (loss)	40,126	11,930	33,436	(8,148)	77,344
Interest and other income	—	—	—	75	75
Interest expense	(5,985)	(2,019)	(1,768)	(26,170)	(35,942)
Loss on extinguishment of debt	—	—	—	(1,409)	(1,409)
Income (loss) before income tax expense and equity in earnings of an investee	34,141	9,911	31,668	(35,652)	40,068
Income tax expense	—	—	—	(110)	(110)
Equity in earnings of an investee	—	—	—	72	72
Income (loss) from continuing operations	34,141	9,911	31,668	(35,690)	40,030
Discontinued operations:					
Loss from discontinued operations	—	—	(241)	—	(241)
Net income (loss)	34,141	9,911	31,427	(35,690)	39,789
Total assets	\$ 1,767,189	\$ 967,751	\$ 3,451,814	\$ 350,341	\$ 6,537,095

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

	For the Three Months Ended March 31, 2014				
	Triple Net				
	Leased	Managed			
	Senior Living Communities	Senior Living Communities	MOBs	All Other Operations	Consolidated
Revenues:					
Rental income	\$ 54,890	\$ —	\$ 52,763	\$ 4,402	\$ 112,055
Residents fees and services	—	79,442	—	—	79,442
Total revenues	54,890	79,442	52,763	4,402	191,497
Expenses:					
Property operating expenses	—	60,788	17,014	—	77,802
Depreciation	15,637	8,155	13,615	948	38,355
General and administrative	—	—	—	8,290	8,290
Acquisition related costs	—	—	—	122	122
Total expenses	15,637	68,943	30,629	9,360	124,569
Operating income (loss)	39,253	10,499	22,134	(4,958)	66,928
Interest and other income	—	—	—	105	105
Interest expense	(6,388)	(2,988)	(1,337)	(18,187)	(28,900)
Loss on extinguishment of debt	—	—	—	—	—
Income (loss) before income tax expense and equity in earnings of an investee	32,865	7,511	20,797	(23,040)	38,133
Income tax expense	—	—	—	(191)	(191)
Equity in earnings of an investee	—	—	—	(97)	(97)
Income (loss) from continuing operations	32,865	7,511	20,797	(23,328)	37,845
Discontinued operations:					
Income from discontinued operations	—	—	1,300	—	1,300
Impairment of assets from discontinued operations	—	—	(721)	—	(721)
Income (loss) before gain on sale of properties	32,865	7,511	21,376	(23,328)	38,424
Gain on sale of properties	156	—	—	—	156
Net income (loss)	\$ 33,021	\$ 7,511	\$ 21,376	\$ (23,328)	\$ 38,580
Total assets	\$ 1,843,510	\$ 949,468	\$ 1,717,000	\$ 268,689	\$ 4,778,667

Note 9. Significant Tenant

Five Star is our former subsidiary. Rental income from Five Star represented 32.7% of our rental income for the three months ended March 31, 2015, and the properties Five Star leases from us represented 31.8% of our investments, at cost, as of March 31, 2015. As of March 31, 2015, Five Star also managed 46 senior living communities for our account. See Note 10 for further information relating to our leases and management arrangements with Five Star.

Note 10. Related Person Transactions

We have relationships and historical and continuing transactions with Five Star, RMR and others affiliated with them, including other companies to which RMR provides management services and which have trustees, directors and officers who are also trustees, directors or officers of us or RMR. For further information about these and other such relationships and certain other related person transactions, please refer to our Annual Report.

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(dollar amounts in thousands, except per share data or as otherwise stated)

Five Star : As of March 31, 2015, we leased 180 senior living communities to Five Star. Five Star's total minimum annual rent payable to us as of March 31, 2015, was \$ 191,007 , excluding percentage rent. We recognized total rental income from Five Star of \$47,691 and \$47,506 for the three months ended March 31, 2015 and 2014, respectively. As of March 31, 2015 and December 31, 2014, our rents receivable from Five Star were \$ 15,893 and \$17,310 , respectively, and those amounts are included in other assets in our condensed consolidated balance sheets. In April 2015 and 2014, we received estimated percentage rent payments from Five Star of \$ 1,456 and \$1,416 for the three months ended March 31, 2015 and 2014, respectively. We determine actual percentage rent due under our Five Star leases annually and recognize any resulting amount as rental income at year end when all contingencies are met. During the three months ended March 31, 2015 and 2014, pursuant to the terms of our leases with Five Star, we purchased \$4,550 and \$8,614 , respectively, 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 \$367 and \$689 , respectively.

In February 2015, we and Five Star sold a vacant assisted living community located in Pennsylvania with 120 units for a sale price of \$250; and, as a result of this sale, Five Star's annual minimum rent payable to us decreased by \$23 in accordance with the terms of the applicable lease.

As of March 31, 2015, Five Star managed 46 senior living communities for our account. Pursuant to our management agreements with Five Star, we incurred management fees of \$ 2,523 and \$2,425 for the three months ended March 31, 2015 and 2014, respectively, with respect to the communities Five Star manages. These amounts are included in property operating expenses in our condensed consolidated statements of income and comprehensive income.

In connection with our acquisition of 37 senior living communities in May 2015 described in Note 3, we terminated the pre-existing management agreements for 14 of these communities, with 881 living units, and entered into management agreements with Five Star to manage these communities for our account.

In April 2015, we entered into an agreement to acquire one senior living community with 40 private pay independent living units located in Cumming, GA, for approximately \$9,750 , excluding closing costs. We intend to acquire this community using a TRS structure and we expect to enter into a management agreement with Five Star to manage this community. This senior living community is adjacent to another community that we own which is managed by Five Star. This acquisition is subject to various conditions; accordingly, we can provide no assurance that we will purchase this property, that the acquisition and related expected management arrangement with Five Star will not be delayed or that the terms will not change.

Pursuant to the sublease agreement between one of our TRSs and D&R Yonkers LLC, D&R Yonkers LLC paid to us \$752 and \$730 in rent for the three months ended March 31, 2015 and 2014, respectively. D&R Yonkers LLC is owned by our officers in order to accommodate certain state licensing requirements. Five Star manages the senior living community to which the sublease agreement relates.

RMR: Pursuant to our business management agreement with RMR, we recognized business management fees of \$ 8,869 and \$6,682 for the three months ended March 31, 2015 and 2014, respectively. The business management fees we recognized for the 2014 and 2015 periods are included in general and administrative expenses in our condensed consolidated financial statements. In accordance with the terms of our business management agreement, we issued 39,467 of our common shares to RMR for the three months ended March 31, 2015, as payment for a portion of the base business management fee we recognized for that period.

Pursuant to our property management agreement with RMR, the aggregate property management and construction supervision fees we recognized were \$ 2,438 and \$1,638 for the three months ended March 31, 2015 and 2014, respectively. These amounts are included in property operating expenses or have been capitalized, as appropriate, in our condensed consolidated financial statements.

SENIOR HOUSING PROPERTIES TRUST
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(dollar amounts in thousands, except per share data or as otherwise stated)

SIR: On January 29, 2015, we acquired from SIR, entities owning 23 MOBs that SIR acquired when its subsidiary merged with CCIT .

Our purchase price for these 23 MOBs was approximately \$539,000 , including the assumption of approximately \$ 29 , 955 of mortgage debt. These 23 MOBs contain approximately 2, 170 ,000 square feet and are located in 12 states. As of March 31, 2015, \$8,993 of amounts due from related persons included in other assets in our condensed consolidated balance sheet represented amounts owed to us from SIR related to working capital activity for the 23 MOBs as of the sale date. This amount was paid to us in April 2015.

AIC: As of March 31, 2015, our investment in Affiliates Insurance Company, or AIC, an Indiana insurance company, had a carrying value of \$ 6,944 , which amount is included in other assets on our condensed consolidated balance sheet. We recognized income (loss) of \$ 72 and (\$ 97) related to our investment in AIC for the three months ended March 31, 2015 and 2014, respectively.

Note 11. Income Taxes

We have elected to be taxed as a 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 federal 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 months ended March 31 , 2015 and 2014 , we recognized income tax expense of \$110 and \$ 191 , respectively.

Note 12. Weighted Average Per Common Share Amounts

We calculate basic earnings per common share by dividing net income by the weighted average number of common shares outstanding during the period. We calculate diluted earnings per common share by using the more dilutive of the two class method or the treasury stock method. Unvested share awards and other potentially dilutive common shares, including contingently issuable common shares under our business management agreement with RMR, if any, and the related impact on earnings, are considered when calculating diluted earnings per share. The following table provides a reconciliation of the weighted average number of common shares used in the calculation of basic and diluted earnings per share (in thousands):

	<u>Three Months Ended March 31,</u>	
	<u>2015</u>	<u>2014</u>
Weighted average common shares for basic earnings per share	221,375	188,026
Effect of dilutive securities: unvested share awards	22	19
Weighted average common shares for diluted earnings per share	<u>221,397</u>	<u>188,045</u>

Note 13. Pro Forma Information

During the three months ended March 31 , 2015 , we acquired 23 properties for an aggregate purchase price of \$ 539,000 , excluding closing costs , and including the assumption of \$29,955 of mortgage debt with a weighted average interest rate of 4.73% . We recognized rental income and property operating expenses from this acquisition of \$7,046 and \$1,094 , respectively, for the three months ended March 31, 2015. In February 2015 , we sold 31,050 ,000 of our common shares in a public offering raising net proceeds of approximately \$ 659,750 after underwriting discounts and expenses .

During 2014, we purchased two senior living communities and two MOBs (three buildings) for \$1,204,393 , excluding closing costs . We also assumed \$15,630 of mortgage debt at a weighted average interest rate of 6.28% related to one of

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

our 2014 acquisitions. In April 2014, we issued 15,525,000 common shares in a public offering, raising net proceeds of approximately \$322,807 after underwriting discounts and expenses. Also in April 2014, we sold \$400,000 of 3.25% senior unsecured notes due 2019 and \$250,000 of 4.75% senior unsecured notes due 2024, raising net proceeds of approximately \$644,889 after underwriting discounts and expenses. In May 2014, we entered into a \$350,000 term loan agreement, which bears interest at a rate of LIBOR plus a premium of 140 basis points.

The following table presents our pro forma results of operations for the three months ended March 31, 2015 and 2014 as if the acquisition of the 37 senior living communities described in Note 3 and the 2015 acquisition and financing activities described in the two preceding paragraphs had occurred on January 1, 2014, and the 2014 acquisition and financing activities described in the two paragraphs above had occurred on January 1, 2013. This pro forma data is not necessarily indicative of what our actual results of operations would have been for the periods presented, nor does it represent the results of operations for any future period. Differences could result from numerous factors, including future changes in our portfolio of investments, changes in interest rates, changes in our capital structure, changes in property level operating expenses, changes in property level revenues, including rents expected to be received on our existing leases or leases we may enter into during and after 2015, and for other reasons.

	Three Months Ended	
	March 31,	March 31,
	2015	2014
Total revenues	\$ 254,851	\$ 254,301
Net income	\$ 45,628	\$ 36,065
Net income per share	\$ 0.19	\$ 0.15

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 with our Annual Report. We are a REIT organized under Maryland law. At March 31, 2015, we owned 392 properties (419 buildings) located in 39 states and Washington, D.C., including four properties (seven buildings) classified as held for sale. Of the properties classified as held for sale, one property (four buildings) is included in discontinued operations at March 31, 2015. On that date, the undepreciated carrying value of our properties, net of impairment losses, was \$6.7 billion, excluding properties classified as held for sale. As of March 31, 2015, 97% of our net operating income, or NOI, came from properties where a majority of the charges are paid from our residents' and tenants' private resources.

PORTFOLIO OVERVIEW ⁽¹⁾

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

(As of March 31, 2015)	Number of Properties	Number of Units/Beds or Square Feet	Investment Carrying Value ⁽²⁾	% of Total Investment	Investment per Unit / Bed or Square Foot ⁽³⁾	Q1 2015 NOI ⁽⁴⁾	% of Q1 2015 NOI
Facility Type							
Independent living ⁽⁵⁾	63	15,362	\$ 1,958,906	29.2 %	\$ 127,516	\$ 41,630	29.2 %
Assisted living ⁽⁵⁾	153	11,306	1,370,516	20.4 %	121,220	29,431	20.6 %
Nursing homes ⁽⁵⁾	44	4,638	201,010	3.0 %	43,340	4,475	3.1 %
Subtotal senior living communities	260	31,306	3,530,432	52.6 %	112,772	75,536	52.9 %
MOBs	121	11,312,444 sq. ft.	3,008,777	44.7 %	266	62,606	43.9 %
Wellness centers	10	812,000 sq. ft.	180,017	2.7 %	222	4,532	3.2 %
Total	391		\$ 6,719,226	100.0 %		\$142,674	100.0 %
Tenant / Operator / Managed Properties							
Five Star (Lease No. 1)	85	6,223	691,795	10.3 %	\$ 111,167	14,532	10.2 %
Five Star (Lease No. 2)	49	7,044	693,447	10.4 %	98,445	15,728	11.0 %
Five Star (Lease No. 3)	17	3,281	355,330	5.3 %	108,299	8,597	6.0 %
Five Star (Lease No. 4)	29	3,335	390,775	5.8 %	117,174	8,728	6.1 %
Subtotal Five Star	180	19,883	2,131,347	31.8 %	107,194	47,585	33.3 %
Sunrise / Marriott ⁽⁶⁾	4	1,619	126,326	1.9 %	78,027	3,131	2.2 %
Brookdale	18	894	61,122	0.9 %	68,369	1,764	1.2 %
6 private senior living companies (combined)	12	1,620	96,419	1.4 %	59,518	2,666	1.9 %
Subtotal triple net leased senior living communities	214	24,016	2,415,214	36.0 %	100,567	55,146	38.6 %
Managed senior living communities ⁽⁷⁾	46	7,290	1,115,218	16.6 %	152,979	20,390	14.3 %
Subtotal senior living communities	260	31,306	3,530,432	52.6 %	112,772	75,536	52.9 %
MOBs	121	11,312,444 sq. ft.	3,008,777	44.7 %	266	62,606	43.9 %
Wellness centers	10	812,000 sq. ft.	180,017	2.7 %	222	4,532	3.2 %
Total	391		\$ 6,719,226	100.0 %		\$142,674	100.0 %

	<u>Rent Coverage</u>		<u>Occupancy</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Five Star (Lease No. 1)	1.14x	1.22x	84.8 %	84.7 %
Five Star (Lease No. 2)	1.10x	1.15x	82.2 %	81.8 %
Five Star (Lease No. 3)	1.54x	1.63x	86.6 %	87.8 %
Five Star (Lease No. 4)	1.20x	1.18x	87.7 %	86.4 %
Subtotal Five Star	1.21x	1.26x	84.7 %	84.5 %
Sunrise / Marriott ⁽⁶⁾	1.98x	1.91x	92.5 %	92.3 %
Brookdale	2.56x	2.51x	94.4 %	95.1 %
6 private senior living companies (combined)	1.93x	1.94x	85.2 %	85.1 %
Subtotal triple net leased senior living communities	1.35x	1.38x	85.6 %	85.4 %
Managed senior living communities ⁽⁷⁾	NA	NA	88.5 %	87.4 %
Subtotal senior living communities	1.35x	1.38x	86.2 %	85.8 %
MOBs	NA	NA	96.2 %	95.0 %
Wellness centers	2.00x	2.18x	100.0 %	100.0 %
Total	1.39x	1.44x		

(1) Excludes properties classified in discontinued operations.

(2) Amounts are before depreciation, but after impairment write downs, if any. Amounts include carrying values as of March 31, 2015 for senior living communities classified as held for sale in the amount of \$ 1,280 which is included in Other Assets on our condensed consolidated balance sheets.

(3) Represents investment carrying value divided by the number of living units, beds or square feet at March 31, 2015, as applicable.

(4) NOI is defined and calculated by reportable segment and reconciled to net income below in this Item 2.

(5) Senior living properties are categorized by the type of living units or beds which constitute the largest number of the living units or beds at the property.

(6) Marriott International, Inc. guarantees the lessee's obligations under these leases.

(7) These 46 managed senior living communities are managed by Five Star. The occupancy for the twelve month period ended, or, if shorter, from the date of acquisitions through March 31, 2015 was 88.3 %.

(8) Operating data for MOBs are presented as of March 31, 2015 and 2014; operating data for other properties, tenants and managers are presented based upon the operating results provided by our tenants and managers for the 12 months ended December 31, 2014 and 2013, 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, if any, divided by 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.

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The following tables set forth information regarding our lease expirations as of March 31, 2015 (dollars in thousands):

Year	Annualized Rental Income ^{(1) (2)}				Percent of	Cumulative
					Total	Percentage of
	Triple Net Leased				Annualized	Annualized
	Senior Living		Wellness		Rental Income	Rental Income
	Communities	MOBs	Centers	Total	Expiring	Expiring
2015	\$ 937	\$ 14,171	\$ —	\$ 15,108	2.5 %	2.5 %
2016	—	23,827	—	23,827	4.0 %	6.5 %
2017	—	29,049	—	29,049	4.9 %	11.4 %
2018	14,666	29,372	—	44,038	7.4 %	18.8 %
2019	591	39,720	—	40,311	6.8 %	25.6 %
2020	—	23,033	—	23,033	3.9 %	29.5 %
2021	1,424	6,928	—	8,352	1.4 %	30.9 %
2022	—	10,041	—	10,041	1.7 %	32.6 %
2023	—	8,191	—	8,191	1.4 %	34.0 %
Thereafter	213,598	163,241	18,057	394,896	66.0 %	100.0 %
Total	\$ 231,216	\$ 347,573	\$ 18,057	\$ 596,846	100.0 %	

Average remaining lease term for all senior living community, MOB and wellness center properties (weighted by annualized rental income): 9.5 years

- (1) Annualized rental income is rents pursuant to existing leases as of March 31, 2015, 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. Excludes properties classified in discontinued operations.
- (2) Excludes rent received from our managed senior living communities leased to our TRSs. If the NOI from our TRSs (three months ended March 31, 2015, annualized) were included in the foregoing table, the percent of total annualized rental income expiring would be: 2015 — 2.2%; 2016 — 3.5%; 2017 — 4.3%; 2018 — 6.5%; 2019 — 5.9%; 2020 — 3.4%; 2021 — 1.2%; 2022 — 1.5%; 2023 — 1.2% and thereafter — 70.3%. In addition, if our leases to our TRSs were included, the average remaining lease term for all properties (weighted by annualized rental income) would be 10.4 years.

Year	Number of Tenants ⁽¹⁾				Percent of	Cumulative
	Senior Living Communities ⁽²⁾	MOBs	Wellness Centers	Total	Total	Percentage of
					Tenancies Expiring	Number of Tenancies Expiring
2015	1	122	—	123	18.7 %	18.7 %
2016	—	88	—	88	13.4 %	32.1 %
2017	—	109	—	109	16.6 %	48.7 %
2018	1	85	—	86	13.1 %	61.8 %
2019	1	72	—	73	11.1 %	72.9 %
2020	—	43	—	43	6.5 %	79.4 %
2021	1	22	—	23	3.5 %	82.9 %
2022	—	25	—	25	3.8 %	86.7 %
2023	—	12	—	12	1.8 %	88.5 %
Thereafter	8	65	2	75	11.5 %	100.0 %
Total	12	643	2	657	100.0 %	

(1) Excludes properties classified in discontinued operations.

(2) Excludes our managed senior living communities leased to our TRSs as tenants.

Number of Living Units / Beds or Square Feet with Leases Expiring ⁽¹⁾								
Year	Living Units / Beds ⁽²⁾			Square Feet				
	Triple Net Leased Senior Living 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
2015	140	0.6 %	0.6 %	426,814	—	426,814	3.6 %	3.6 %
2016	—	— %	0.6 %	978,301	—	978,301	8.4 %	12.0 %
2017	—	— %	0.6 %	1,055,990	—	1,055,990	9.0 %	21.0 %
2018	1,619	6.7 %	7.3 %	960,044	—	960,044	8.2 %	29.2 %
2019	175	0.7 %	8.0 %	1,303,774	—	1,303,774	11.1 %	40.3 %
2020	—	— %	8.0 %	1,072,124	—	1,072,124	9.2 %	49.5 %
2021	361	1.5 %	9.5 %	251,768	—	251,768	2.2 %	51.7 %
2022	—	— %	9.5 %	441,762	—	441,762	3.8 %	55.5 %
2023	—	— %	9.5 %	642,223	—	642,223	5.5 %	61.0 %
Thereafter	21,721	90.5 %	100.0 %	3,752,062	812,000	4,564,062	39.0 %	100.0 %
Total	24,016	100.0 %		10,884,862	812,000	11,696,862	100.0 %	

(1) Excludes properties classified in discontinued operations.

(2) Excludes 7,290 living units from our managed senior living communities leased to our TRSs. 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: 2015 — 0.4 %, 2016 — 0.0 %; 2017 — 0.0%; 2018 — 5.2 %; 2019 — 0.6 %; 2020 — 0.0%; 2021 — 1.2 %; 2022 — 0.0 %; 2023 — 0.0% and thereafter — 92.6 %.

During the three months ended March 31, 2015, we entered into MOB lease renewals for 349,000 square feet and new leases for 30,000 square feet. The weighted average annual rental rate for leases entered into during the quarter was \$ 20.47 per square foot, and these rental rates were, on a weighted average basis, 8.8% above previous rents charged for the same space. Average lease terms for leases entered into during the first quarter of 2015 were 3.9 years based on square footage. Commitments for tenant improvement, leasing commission costs and concessions for leases we entered into during the first quarter of 2015 totaled \$ 4.6 million, or \$ 12.11 per square foot on average (approximately \$ 3.07 per square foot per year of the lease term).

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

We have four operating segments, of which three are separately reportable operating segments: (i) triple net senior living communities that provide short term and long term residential care and dining services for residents, (ii) managed senior living communities that provide short term and long term residential care and dining services for

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residents and (iii) MOBs. The “All Other” category 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 March 31,	
	2015	2014
Revenues:		
Triple net leased senior living communities	\$ 55,251	\$ 54,890
Managed senior living communities	82,793	79,442
MOBs	86,001	52,763
All other operations	4,532	4,402
Total revenues	<u>\$ 228,577</u>	<u>\$ 191,497</u>
Net income:		
Triple net leased senior living communities	\$ 34,141	\$ 33,021
Managed senior living communities	9,911	7,511
MOBs	31,427	21,376
All other operations	(35,690)	(23,328)
Net income	<u>\$ 39,789</u>	<u>\$ 38,580</u>

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

Three Months Ended March 31, 2015 Compared to Three Months Ended March 31, 2014 (dollars in thousands):

Unless otherwise indicated, references in this section to changes or comparisons of results, income or expenses refer to comparisons of the first quarter 2015 results against the comparable 2014 period.

Triple net leased senior living communities :

	All Properties		Comparable Properties ⁽¹⁾	
	As of and for the Three Months Ended March 31,		As of and for the Three Months Ended March 31,	
	2015	2014	2015	2014
Total properties	214	220	214	214
# of units / beds	24,016	24,539	24,016	24,016
Tenant operating data ⁽²⁾				
Occupancy	85.3 %	84.8 %	85.6 %	85.4 %
Rent coverage	1.33x	1.36x	1.35x	1.38x

(1) Consists of triple net leased senior living communities we have owned continuously since January 1, 2014.

(2) All tenant operating data presented are based upon the operating results provided by our tenants for the 12 months ended December 31, 2014 and 2013 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, if any, 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.

	Three Months Ended March 31,			
	2015	2014	Change	% Change
Rental income	\$ 55,251	\$ 54,890	\$ 361	0.7 %
Net operating income (NOI)	55,251	54,890	361	0.7 %
Depreciation expense	(15,125)	(15,637)	512	3.3 %
Operating income	40,126	39,253	873	2.2 %
Interest expense	(5,985)	(6,388)	403	6.3 %
Gain on sale of properties	—	156	(156)	(100.0)%
Net income	\$ 34,141	\$ 33,021	\$ 1,120	3.4 %

Except as noted below under “Rental income”, we have not included a discussion and analysis of the results of our comparable properties data for the triple net leased senior living communities segment as we believe that a comparison of the results for our comparable properties for our triple net leased senior living communities segment is generally consistent from quarter to quarter and a separate, comparable properties comparison is not meaningful.

Rental income. Rental income increased primarily due to increased rents resulting from our purchase of approximately \$30,354 of improvements made to our properties that are leased by Five Star since January 1, 2014, partially offset by the sale of seven senior living communities since January 1, 2014. Rental income increased year over year on a comparable property basis by \$ 747, primarily as a result of our improvement purchases at certain of the 214 communities we have owned continuously since January 1, 2014 and the resulting increased rent, pursuant to the terms of the leases.

Net operating income. NOI increased because of the changes in rental income described above. We do not incur property operating expenses at our triple net leased senior living communities, as these expenses are paid by our tenants. Accordingly, rental income is the same as NOI. The reconciliation of NOI to net income for our triple net leased senior living communities segment is shown in the table above. Our definition of NOI and our reconciliation of consolidated NOI to net income are included below under the heading “Non-GAAP Financial Measures”.

Depreciation expense. Depreciation expense recognized in this segment decreased as a result of the sale of seven senior living communities since January 1, 2014. This decrease was partially offset by our purchase of improvements made to our properties that are leased by Five Star since January 1, 2014.

Interest expense. Interest expense for our triple net leased senior living communities arises from mortgage debt secured by certain of these properties. The decrease in interest expense is the result of the October 2014 prepayment of a \$14,700 loan incurred in connection with certain revenue bonds that had an interest rate of 5.875%, and the October 2014 prepayment of one mortgage note with a principal balance of \$11,926 and an interest rate of 6.25%, as well as the regularly scheduled amortization of our mortgage debt.

Gain on sale of properties. Gain on sale of properties is a result of the sale of one senior living community in January 2014.

	<u>All Properties</u>		<u>Comparable Properties ⁽¹⁾</u>	
	<u>As of and for the Three Months</u>		<u>As of and for the Three Months</u>	
	<u>Ended March 31,</u>		<u>Ended March 31,</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Total properties	46	44	44	44
# of units / beds	7,290	7,063	7,063	7,063
Occupancy:	88.0 %	88.8 %	87.9 %	88.8 %
Average monthly rate	\$ 4,300	\$ 4,228	\$ 4,305	\$ 4,228

(1) Consists of managed senior living communities we have owned continuously since January 1 , 2014 .

Managed senior living communities, all properties :

	<u>Three Months Ended March 31,</u>			
	<u>2015</u>	<u>2014</u>	<u>Change</u>	<u>% Change</u>
Residents fees and services	\$ 82,793	\$ 79,442	\$ 3,351	4.2 %
Property operating expenses	(62,403)	(60,788)	(1,615)	(2.7)%
Net operating income (NOI)	20,390	18,654	1,736	9.3 %
Depreciation expense	(8,460)	(8,155)	(305)	(3.7)%
Operating income	11,930	10,499	1,431	13.6 %
Interest expense	(2,019)	(2,988)	969	32.4 %
Net income	\$ 9,911	\$ 7,511	\$ 2,400	32.0 %

Residents fees and services. Residents fees and services are the revenues earned at our managed senior living communities. We recognize these revenues as services are provided. The increase in residents fees and services primarily relates to the acquisition of two managed senior living communities in December 2014 as well as an increase in average monthly rate in the first quarter of 2015.

Property operating expenses. Property operating expenses include expenses incurred at our managed senior living communities and they consist of management fees, real estate taxes, utility expense , insurance , salaries and benefits of property level personnel, repairs and maintenance expense, cleaning expense and other direct costs of these operating properties. The increase in property operating expenses primarily relates to the acquisition of two managed senior living communities in December 2014 .

Net operating income. NOI increased because of the changes in residents fees and services and property operating expenses described above. The reconciliation of NOI to net income for our managed senior living communities segment is shown in the table above. Our definition of NOI and our reconciliation of consolidated NOI to net income are included below under the heading “Non-GAAP Financial Measures”.

Depreciation expense. Depreciation expense includes the depreciation of owned property and equipment as well as the amortization expense of in-place resident agreements assumed upon the acquisition of a community. Depreciation expense increased primarily as a result of the acquisition of two managed senior living communities in December 2014 . This increase was slightly offset by a decrease in amortization expense noted above as the result of a number of resident agreement s being fully amortized in 2014.

Interest Expense. Interest expense for our managed senior living communities arises from mortgage debt secured by certain of these properties. Interest expense decreased as a result of the repayment of t hree loans in June and December 2014 that had a total principal balance of \$ 47,115 and a weighted average interest rate of 6.0 %, the repayment of a loan

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in February 2015 that had a principal balance of \$29,227 and an interest rate of 6.0%, as well as regularly scheduled amortization of our mortgage debt.

Managed senior living communities, comparable properties (managed senior living communities we have owned continuously since January 1, 2014):

	Three Months Ended March 31,			
	2015	2014	Change	% Change
Residents fees and services	\$ 80,186	\$ 79,442	\$ 744	0.9 %
Property operating expenses	(60,608)	(60,788)	180	0.3 %
Net operating income (NOI)	19,578	18,654	924	5.0 %
Depreciation expense	(7,927)	(8,155)	228	2.8 %
Operating income	11,651	10,499	1,152	11.0 %
Interest expense	(2,019)	(2,988)	969	32.4 %
Net income	\$ 9,632	\$ 7,511	\$2,121	28.2 %

Residents fees and services. We recognize residents fees and services as services are provided. Our residents fees and services increased year over year on a comparable property basis primarily because of an increase in the average daily rate at the 44 communities we have owned continuously since January 1, 2014.

Property operating expenses. Property operating expenses consist of management fees, real estate taxes, utility expense, insurance, 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 slight decreases in utility expenses, real estate taxes and other direct costs of operating properties.

Net operating income. The increase in NOI reflects the net changes in residents fees and services less the property operating expenses described above. The reconciliation of NOI to net income for our managed senior living communities segment, 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 includes the depreciation of owned property and equipment as well as the amortization expense of in-place resident agreements assumed upon the acquisition of a community. A number of these resident agreements were fully amortized in 2014, resulting in a decrease in depreciation expense in the first quarter of 2015. This decrease was partially offset by an increase in depreciation expense resulting from our purchase of improvements at these properties.

Interest expense. Interest expense for our managed senior living communities arises from mortgage debt secured by certain of these properties. Interest expense decreased as a result of the repayment of three loans in June and December 2014 that had a total principal balance of \$47,115 and a weighted average interest rate of 6.0%, the repayment of a loan in February 2015 that had a principal balance of \$29,227 and an interest rate of 6.0%, as well as regularly scheduled amortization of our mortgage debt.

MOBs:

	<u>All Properties ⁽¹⁾</u>		<u>Comparable Properties ⁽¹⁾⁽²⁾</u>	
	<u>As of and for the Three Months</u>		<u>As of and for the Three Months</u>	
	<u>Ended March 31,</u>		<u>Ended March 31,</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Total properties	121	96	96	96
Total buildings	145	119	119	119
Total square feet ⁽³⁾	11,312	7,882	7,882	7,882
Occupancy ⁽⁴⁾	96.2 %	95.0 %	94.6 %	95.0 %

(1) Excludes properties classified in discontinued operations.

(2) Consists of MOBs we have owned continuously since January 1, 2014.

(3) Prior periods exclude space remeasurements made subsequent to those periods.

(4) MOB occupancy includes (1) space being fitted out for occupancy pursuant to existing leases and (2) space which is leased, but is not occupied or is being offered for sublease by tenants.

MOBs, all properties:

	<u>Three Months Ended March 31,</u>			
	<u>2015</u>	<u>2014</u>	<u>Change</u>	<u>% Change</u>
Rental income	\$ 86,001	\$ 52,763	\$ 33,238	63.0 %
Property operating expenses	(23,391)	(17,014)	(6,377)	(37.5)%
Net operating income (NOI)	62,610	35,749	26,861	75.1 %
Depreciation / amortization expense	(29,174)	(13,615)	(15,559)	(114.3)%
Operating income	33,436	22,134	11,302	51.1 %
Interest expense	(1,768)	(1,337)	(431)	(32.2)%
Income from continuing operations	31,668	20,797	10,871	52.3 %
Discontinued operations:				
(Loss) income from discontinued operations	(241)	1,300	(1,541)	(118.5)%
Impairment of assets from discontinued operations	—	(721)	721	100.0 %
Net income	<u>\$ 31,427</u>	<u>\$ 21,376</u>	<u>\$ 10,051</u>	<u>47.0 %</u>

Rental income. Rental income increased primarily because of rents from 25 MOBs (26 buildings) we acquired for approximately \$1,695,963 since January 1, 2014. Rental income includes non-cash straight line rent adjustments totaling \$3,319 and \$1,478 and net amortization of approximately \$1,143 and \$(777) of above and below market lease adjustments for the three months ended March 31, 2015 and 2014, 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 primarily because of our MOB acquisitions since January 1, 2014.

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 reconciliation of consolidated NOI to net income are included below under the heading “Non-GAAP Financial Measures”.

Depreciation / amortization expense. Depreciation / amortization expense increased primarily because of our MOB acquisitions since January 1, 2014.

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Interest expense. Interest expense for our MOB s arises from mortgage debt secured by certain of these properties. The increase in interest expense is the result of our assumption of \$ 45,585 of mortgage debt in connection with our acquisition of three MOB s (three buildings) since J anuary 1, 201 4 with a weighted average interest rate of 5.3 %, partially offset by the regularly scheduled amortization of our mortgage debt.

(Loss) i ncome from discontinued operations. Loss from discontinued operations for the three months ended March 31, 2015 relates to the one MOB (four buildings) which was majority vacant during the period classified as held for sale as of March 31 , 201 5 . The loss also resulted from the decline in offsetting income primarily due to the sale of t hree MOB s (t hree buildings) during the second and third quarter s of 2014 .

Impairment of assets from discontinued operations. During the three months ended March 31 , 2014, we recorded impairment of assets charges of \$ 721 to reduce the carrying value of two of our MOB s (five buildings) to their estimated sales prices .

MOBs, comparable properties (MOBs we have owned continuously since J anuary 1, 201 4) ⁽¹⁾:

	Three Months Ended March 31,			
	2015	2014	Change	% Change
Rental income	\$ 52,065	\$ 52,763	\$(698)	(1.3)%
Property operating expenses	(17,152)	(17,014)	(138)	(0.8)%
Net operating income (NOI)	34,913	35,749	(836)	(2.3)%
Depreciation / amortization expense	(13,604)	(13,615)	11	0.1 %
Operating income	21,309	22,134	(825)	(3.7)%
Interest expense	(1,321)	(1,337)	16	1.2 %
Net income	\$ 19,988	\$ 20,797	\$(809)	(3.9)%

(1) Excludes properties classified in discontinued operations.

Rental income. Rental income decreased as a result of a reduction in same store occupancy from 95.0% at March 31, 2014 to 94.6% at March 31, 2015, as well as several lease renewals at lower rental rates. Rental income includes non-cash straight line rent adjustments totaling \$ 1,120 and \$1, 478 and net amortization of approximately \$(829) and \$(777) of above and below market lease adjustments for the three months ended March 31 , 201 5 and 201 4 , 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 costs increased principally because of increases in salaries and benefits, landscaping (which includes snow removal), real estate taxes and other direct costs of operating properties . These expenses were partially offset by a decrease in utilities, resulting from a decrease in heating oil costs in the first quarter of 2015 compared to the first quarter of 2014.

Net operating income. NOI reflects the net 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 reconciliation of consolidated NOI to net income are included below under the heading “Non-GAAP Financial Measures”.

Depreciation / amortization expense. Depreciation / amortization expense slightly decreased primarily because of a reduction in amortization of acquired in place real estate leases that we amortize over the respective lease terms, partially offset by an increase in the amortization of leasing costs and depreciation expense on fixed assets .

Interest expense. Interest expense for our MOB s arises from mortgage debt secured by certain of these properties. The slight decrease in interest expense is the result of the regularly scheduled amortization of our mortgage debt.

All other operations : ⁽¹⁾

	Three Months Ended March 31,			
	2015	2014	Change	% Change
Rental income	\$ 4,532	\$ 4,402	\$ 130	3.0 %
Expenses:				
Depreciation	(948)	(948)	—	—
General and administrative	(10,574)	(8,290)	(2,284)	(27.6)%
Acquisition related costs	(1,158)	(122)	(1,036)	(849.2)%
Total expenses	(12,680)	(9,360)	(3,320)	(35.5)%
Operating loss	(8,148)	(4,958)	(3,190)	(64.3)%
Interest and other income	75	105	(30)	(28.6)%
Interest expense	(26,170)	(18,187)	(7,983)	(43.9)%
Loss on extinguishment of debt	(1,409)	—	(1,409)	100.0 %
Loss before income tax expense and equity in earnings of an investee	(35,652)	(23,040)	(12,612)	(54.7)%
Income tax expense	(110)	(191)	81	42.4 %
Equity in earnings (losses) of an investee	72	(97)	169	174.2 %
Net loss	<u>\$(35,690)</u>	<u>\$(23,328)</u>	<u>\$(12,362)</u>	<u>(53.0)%</u>

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

Rental income. Rental income increased due to scheduled rent increases at certain of our wellness centers. Rental income includes non-cash straight line rent adjustments totaling approximately \$138 in both the three months ended March 31, 2015 and 2014. Rental income also includes net amortization of approximately \$55 of acquired real estate leases and obligations in both the three months ended March 31, 2015 and 2014.

Depreciation expense. Depreciation expense remained consistent as we did not make any wellness center acquisitions or other capital improvements in this segment for the three months ended March 31, 2015 and 2014 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 and expenses of our trustees, fees paid to RMR under our business management agreement, equity compensation expense, legal and accounting fees and other costs relating to our status as a publicly owned company. General and administrative expenses increased principally as a result of property acquisitions made since April 1, 2014.

Acquisition related costs. Acquisition related costs represent legal and due diligence costs incurred in connection with our acquisition activity during the three months ended March 31, 2015 and 2014. Acquisition related costs increased as a result of our acquisition of 23 MOBs in January 2015.

Interest and other income. The decrease in interest and other income is primarily a result of less dividend income from our shares of EQC.

Interest expense. Interest expense increased due to our issuance of \$400,000 of 3.25% senior unsecured notes and \$250,000 of 4.75% senior unsecured notes in April 2014 as well as our May 2014 term loan borrowing of \$350,000 at LIBOR plus 140 basis points.

Loss on extinguishment of debt. In December 2014, we entered an agreement to acquire 38 senior living communities. Simultaneous with entering this agreement, we received a bridge loan commitment for \$700,000. In February 2015, we terminated the bridge loan commitment and recognized a loss of \$1,409 on extinguishment of debt in the first quarter of 2015 .

Equity in earnings (losses) 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)

We provide below calculations of our funds from operations, or FFO, Normalized FFO and NOI for the three months ended March 31 , 2015 and 2014 . 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 we do.

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 real estate assets, plus real estate depreciation and amortization, as well as certain other adjustments currently not applicable to us. Our calculation of Normalized FFO differs from NAREIT's definition of FFO because we include estimated percentage rent in the period to which we estimate that it relates rather than when it is recognized as income in accordance with GAAP , include estimated business management incentive fees, if any, only in the fourth quarter versus the quarter they are recognized as expense in accordance with GAAP and exclude acquisition related costs, gain or loss on early extinguishment of debt, gain or loss on lease terminations and loss on impairment of intangible assets, if any. We consider FFO and Normalized FFO to be appropriate measures of operating performance for a REIT, along with net income, operating income and cash flow from operating 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 may facilitate a comparison of our operating performance between periods and with other REITs. FFO and Normalized FFO are among the factors considered by our Board of Trustees when determining the amount of distributions to our shareholders. Other factors include, but are not limited to, requirements to maintain our status as a REIT, limitations in our revolving credit facility agreement, term loan agreement and public debt covenants, the availability of debt and equity capital, our expectation of our future capital requirements and operating performance, and our expected needs and availability of cash to pay our obligations.

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Our calculations of FFO and Normalized FFO for the three months ended March 31, 2015 and 2014 and reconciliations of net income, the most directly comparable financial measure under GAAP reported in our condensed consolidated financial statements, to FFO and Normalized FFO appear in the following table.

	Three Months Ended	
	March 31,	
	2015	2014
Net income	\$ 39,789	\$ 38,580
Depreciation expense from continuing operations	53,707	38,355
Gain on sale of properties	—	(156)
Impairment of assets from discontinued operations	—	721
FFO	93,496	77,500
Acquisition related costs from continuing operations	1,158	122
Loss on extinguishment of debt	1,409	—
Percentage rent adjustment ⁽¹⁾	2,500	2,500
Normalized FFO	\$ 98,563	\$ 80,122
Weighted average shares outstanding (basic)	221,375	188,026
Weighted average shares outstanding (diluted)	221,397	188,045
FFO per share (basic and diluted)	\$ 0.42	\$ 0.41
Normalized FFO per share (basic and diluted)	\$ 0.45	\$ 0.43
Net income per share (basic and diluted)	\$ 0.18	\$ 0.21
Distributions declared per share	\$ 0.39	\$ 0.39

(1) 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 included during the first three quarters.

Property Net Operating Income (NOI)

The calculation of NOI excludes certain components of net income in order to provide results that are more closely related to our properties' results of operations. We calculate NOI as shown below. We define NOI as income from our real estate less our property operating expenses. NOI excludes amortization of capitalized tenant improvement costs and leasing commissions. 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 that 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 and with other REITs.

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The calculation of NOI by reportable segment is included above in this Item 2. The following table includes the reconciliation of our consolidated NOI to net income, the most directly comparable financial measure under GAAP reported in our condensed consolidated financial statements, for the three months ended March 31, 2015 and 2014.

	Three Months Ended	
	March 31,	
	2015	2014
<u>Reconciliation of NOI to Net Income:</u>		
Triple net leased communities NOI	\$ 55,251	\$ 54,890
Managed communities NOI	20,390	18,654
MOB NOI	62,610	35,749
All other operations NOI	4,532	4,402
Total NOI	142,783	113,695
Depreciation expense	(53,707)	(38,355)
General and administrative expense	(10,574)	(8,290)
Acquisition related costs	(1,158)	(122)
Operating income	77,344	66,928
Interest and other income	75	105
Interest expense	(35,942)	(28,900)
Loss on extinguishment of debt	(1,409)	—
Income before income tax expense and equity in earnings of an investee	40,068	38,133
Income tax expense	(110)	(191)
Equity in earnings of an investee	72	(97)
Income from continuing operations	40,030	37,845
(Loss) income from discontinued operations	(241)	1,300
Impairment of assets from discontinued operations	—	(721)
Income before gain on sale of assets	39,789	38,424
Gain on sale of assets	—	156
Net income	\$ 39,789	\$ 38,580

LIQUIDITY AND CAPITAL RESOURCES

Rental income revenues and residents fees and services revenues from our leased and managed properties 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 rent rates at, our properties;
- control operating cost increases; 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 senior living community tenants monthly, quarterly or annually and we receive residents fees and services revenues, net of expenses, from our managed senior living communities monthly. Our changes in cash flows for the three months ended March 31, 2015 compared to the three months ended March 31, 2014 were as follows: (i) cash provided by operating activities increased from \$ 90.1 million in 2014 to \$ 104.1 million in 2015; (ii) cash used for investing activities increased from \$ 64.8 million in 2014 to \$ 521.1 million in 2015; and (iii) cash flows from financing activities increased

from \$ 31.6 million of cash used in financing activities in 201 4 to \$ 467 . 2 million of cash provided by financing activities in 201 5 .

The increase in cash provided by operating activities for the three months ended March 31, 2015 compared to the prior year was due primarily to increased operating cash flow from our acquisitions after April 1, 2014. The increase in cash used in investing activities for the three months ended March 31, 2015 compared to the prior year was due primarily to our acquisition of 23 MOBs (23 buildings) in January 201 5 for an aggregate purchase price of \$ 539.0 m illi on, excluding acquisition costs and including mortgage debt assumed of \$30.0 million. We did not acquire any properties in the first quarter of 2014, and our cash used for investing activities was primarily a \$50.0 million deposit related to one MOB (two buildings) that we acquired in May 2014. The increase in cash provided by financing activities for the three months ended March 31, 2015 compared to the prior year was due primarily to our public equity offering in February 201 5 to fund the acquisition of 23 MOBs (23 buildings) described above .

Our Investment and Financing Liquidity and Resources

As of March 31 , 201 5 , we had \$ 77 .8 million of cash and cash equivalents and \$750.0 million available to borrow under our revolving credit facility. We expect to use cash balances, borrowings under our revolving credit facility, net proceeds from offerings of equity or debt securities , cash flow from our operations and possible assumption of mortgage debt on acquired properties to fund our operations, debt repayments, distributions, future property acquisitions, expenditures related to the repair, maintenance or renovation of our properties and other general business purposes. We believe such amounts will be sufficient to fund these activities for the next 12 months and the foreseeable future thereafter.

In order to fund acquisitions and to meet cash needs that may result from timing differences between our receipts of rents and our desire or need to make distributions or pay operating or capital expenses, we maintain a \$750.0 million unsecured revolving credit facility with a group of institutional lenders. The maturity date of our revolving credit facility is January 15, 2018 and, subject to the payment of an extension fee and meeting certain other conditions, we have an option to extend the stated maturity date of our revolving credit facility by one year to January 15, 2019. In addition, the credit agreement governing our revolving credit facility includes a feature under which the maximum borrowing availability under the facility may be increased to up to \$1.5 billion in certain circumstances. Borrowings under our revolving credit facility bear interest at LIBOR plus a premium, which was 130 basis points as of March 31, 201 5 . We also pay a facility fee of 30 basis points per annum on the total amount of lending commitments under our revolving credit facility. Both the interest rate premium and the facility fee are subject to adjustment based upon changes to our credit ratings. We can borrow, repay and reborrow funds available under our revolving credit facility until maturity, and no principal repayment is due until maturity. As of March 31, 201 5 , the interest rate payable on borrowings under our revolving credit facility was 1.4 7 % . As of March 31, 2015 and May 5 , 2015, we had no amounts and \$ 550 . 0 million outstanding under our revolving credit facility , respectively . We may also assume outstanding mortgage debt in connection with our acquisitions of properties or place new mortgages on properties we own.

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 February 2015, we repaid a mortgage note for approximately \$29.2 million that had a maturity date in March 2015 with an interest rate of 6.02% encumbering one of our properties. In April 2015, we prepaid a mortgage note for approximately \$6.3 million that had a maturity date in October 2015 with an interest rate of 5.81%.

In January 2015, we acquired 23 MOBs (23 buildings), for approximately \$539.0 million, including the assumption of approximately \$30.0 million of mortgage debt with a weighted average interest rate of 4.73%. The MOBs contain approximately 2.2 million square feet and are located in 12 states. The 23 properties were purchased from SIR in connection with the acquisition by SIR of CCIT. We used borrowings under our revolving credit facility to fund the cash payment of this acquisition.

In December 2014, we entered into a purchase agreement to acquire 38 senior living communities with 3,466 living units located in 16 states for \$790.0 million, excluding closing costs. In May 2015, we completed the acquisition of 37 of these senior living communities with 3,379 living units for \$762.6 million, and we amended the purchase agreement to accommodate a delayed closing of the one remaining senior living community with 87 living units. We financed this acquisition using cash on hand, borrowings under our revolving credit facility and by assuming approximately \$139.2 million of mortgage debt with a weighted average interest rate of 4.59%. The acquisition of the remaining senior living community is expected to close by year end 2015, but this acquisition is subject to various conditions; accordingly, we can provide no assurance that we will acquire this community, that the acquisition will not be delayed further or that the terms will not change.

In April 2015, we entered into an agreement to acquire one senior living community with 40 private pay independent living units located in Cumming, GA, for approximately \$9.8 million, excluding closing costs. We intend to finance this acquisition using cash on hand and borrowings under our revolving credit facility. This acquisition is subject to various conditions; accordingly, we can provide no assurance that we will purchase this property, that the acquisition will not be delayed or that the terms will not change.

In February 2015, we sold one vacant senior living community located in Pennsylvania with 120 assisted living units for approximately \$250,000, excluding closing costs. In April 2015, we sold one MOB (four buildings) located in New Mexico for \$1.5 million, excluding closing costs.

During the three months ended March 31, 2015, pursuant to the terms of our existing leases with Five Star, we purchased \$4.6 million of improvements to our properties leased to Five Star, and, as a result, the annual rent payable to us by Five Star increased by approximately \$0.4 million. We used cash on hand to fund these purchases.

During the three months ended March 31, 2015 and 2014, amounts capitalized for leasing costs and building improvements at our MOB's and our capital expenditures at our managed senior living communities were as follows (dollars in thousands):

	Three Months Ended	
	March 31,	
	2015	2014
MOB tenant improvements ⁽¹⁾⁽²⁾	\$ 1,348	\$ 1,807
MOB leasing costs ⁽¹⁾⁽³⁾	1,069	684
MOB building improvements ⁽¹⁾⁽⁴⁾	487	1,172
Managed senior living communities capital improvements	2,162	2,432
Development, redevelopment and other activities ⁽⁵⁾	5,526	2,423
Total capital expenditures	<u>\$ 10,592</u>	<u>\$ 8,518</u>

(1) Excludes expenditures at properties classified in discontinued operations.

(2) MOB tenant improvements generally include capital expenditures to improve tenants' space or amounts paid directly to tenants to improve their space.

(3) MOB leasing costs generally include leasing related costs, such as brokerage commissions and other tenant inducements.

(4) MOB building improvements generally include expenditures to replace obsolete building components and expenditures that extend the useful life of existing assets.

(5) Development, redevelopment and other activities generally include (1) major capital expenditures that are identified at the time of a property acquisition and incurred within a short period after acquiring the property; and (2) major capital expenditure projects that reposition a property or result in new sources of revenue.

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During the three months ended March 31, 2015, commitments made for expenditures in connection with leasing space in our MOBs, such as tenant improvements and leasing costs were as follows (dollars and square feet in thousands, except per square foot amounts):

	New		Total
	Leases	Renewals	
Square feet leased during the quarter	30	349	379
Total leasing costs and concession commitments ⁽¹⁾	\$ 775	\$ 3,814	\$4,589
Total leasing costs and concession commitments per square foot ⁽¹⁾	\$25.63	\$ 10.94	\$12.11
Weighted average lease term (years) ⁽²⁾	6.1	3.7	3.9
Total leasing costs and concession commitments per square foot per year ⁽¹⁾	\$ 4.17	\$ 2.97	\$ 3.07

(1) Includes commitments made for leasing expenditures and concessions, such as tenant improvements, leasing commissions, tenant reimbursements and free rent. Excludes expenditures at properties classified in discontinued operations.

(2) Weighted based on annualized rental income pursuant to existing leases as of March 31, 2015, including straight line rent adjustments and estimated recurring expense reimbursements and excluding lease value amortization.

We funded the foregoing capital expenditures and we expect to fund the foregoing capital commitments at our MOBs using cash on hand and borrowings under our revolving credit facility.

In February 2015, we issued 31,050,000 common shares in a public offering, raising net proceeds of approximately \$660.0 million, before expenses. We used the net proceeds from this offering to repay borrowings outstanding under our revolving credit facility and for general business purposes.

On January 12, 2015, we declared a quarterly distribution of \$0.39 per common share, or \$79.5 million, to our common shareholders of record on January 23, 2015 for the quarter ended December 31, 2014. This distribution was paid to shareholders on February 24, 2015 using cash on hand and borrowings under our revolving credit facility.

On April 13, 2015, we declared a quarterly distribution of \$0.39 per common share, or \$91.7 million, to our common shareholders of record on April 24, 2015, for the quarter ended March 31, 2015. We expect to pay this distribution on or about May 21, 2015 using cash on hand and borrowings under our revolving credit facility.

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 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.

Off Balance Sheet Arrangements

As of March 31, 2015, 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, expenses, results of operations, liquidity, capital expenditures or capital resources.

Debt Covenants

Our principal debt obligations at March 31, 2015 were: (1) six public issuances of senior unsecured notes, including: (a) \$250.0 million principal amount at an annual interest rate of 4.30% due 2016, (b) \$400.0 million principal amount at an

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annual interest rate of 3.25% due 2019, (c) \$200.0 million principal amount at an annual interest rate of 6.75% due 2020, (d) \$300.0 million principal amount at an annual interest rate of 6.75% due 2021, (e) \$250.0 million principal amount at an annual interest rate of 4.75% due 2024 and (f) \$350.0 million principal amount at an annual interest rate of 5.625% due 2042; (2) our \$350.0 million principal amount term loan; and (3) \$609.0 million aggregate principal amount of mortgages secured by 46 of our properties (48 buildings) with maturity dates from 2015 to 2043. We also have two properties encumbered by capital leases totaling \$12.6 million at March 31, 2015. The capital leases expire in 2026. We had no amounts outstanding under our unsecured revolving credit facility as of March 31, 2015. Our credit agreement for our unsecured revolving credit facility and our unsecured term loan provides for acceleration of payment of all amounts outstanding upon the occurrence and continuation of certain events of default, such as a change of control of us, which includes RMR ceasing to act as our business manager and property manager. Our senior unsecured notes are governed by an indenture. This indenture and its supplements and our revolving credit facility and term loan agreements 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, restrict our ability to make distributions under certain circumstances and generally require us to maintain certain other financial ratios. As of March 31, 2015, we believe we were in compliance with all of the covenants under our indenture and its supplements, our revolving credit facility and term loan agreements and our other debt obligations.

Neither our senior unsecured notes indenture and its supplements, nor our credit facility and term loan agreements, contain provisions for acceleration which could be triggered by our debt ratings. However, under our credit agreement and term loan agreements our senior unsecured debt ratings are used to determine the fees and interest rates we pay. Accordingly, if our debt ratings are downgraded by certain credit rating agencies, our interest expense and related costs under our credit facility and term loan agreements would increase.

Our senior unsecured notes indenture and its supplements contain cross default provisions to any other debts of more than \$20.0 million. Similarly, our revolving credit facility and term loan agreements have cross default provisions to other indebtedness that is recourse of \$25.0 million or more and indebtedness that is non-recourse of \$75.0 million or more.

Related Person Transactions

We have relationships and historical and continuing transactions with Five Star, RMR and others affiliated with them, including other companies to which RMR provides management services and which have trustees, directors and officers who are also trustees, directors or officers of us or RMR. For further information about these and other such relationships and related person transactions, please see Note 10 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, our Annual Report, our definitive Proxy Statement for our 2015 Annual Meeting of Shareholders and our other filings with the Securities and Exchange Commission, or SEC. In addition, please see the section captioned "Risk Factors" of our Annual Report for a description of risks that may arise as a result of these related person transactions and relationships. Our filings with the SEC are available at the SEC's website at www.sec.gov. Copies of certain of our agreements with these related parties are publicly available as exhibits to our public filings with the SEC and accessible at the SEC's website, www.sec.gov.

We believe that our agreements with related persons are on commercially reasonable terms. We also believe that our relationships with our related persons and their affiliated and related persons and entities benefit us and, in fact, provide us with competitive advantages in operating and growing our business. We may engage in additional transactions with related persons, including Five Star and businesses to which RMR or its affiliates provide management services.

Financial information about Five Star may be found on the website of the SEC by entering Five Star's name at <http://www.sec.gov/edgar/searchedgar/companysearch.html>. Reference to Five Star's financial information on this external website is presented to comply with applicable accounting guidance of the SEC. Except for such financial information contained therein as is included herein under such guidance, Five Star's public filings and other information located in external websites are not incorporated by reference into this Quarterly Report on Form 10-Q.

As of March 31, 2015, approximately 97% of our NOI was generated from properties where a majority of the NOI is derived from our tenants' and residents' private resources, and the remaining 3% of our NOI was generated from properties where a majority of the NOI was derived from Medicare and Medicaid payments. Nonetheless, we own and our tenants and managers operate facilities in many states that participate in federal and state healthcare payment programs, including the federal Medicare and state Medicaid programs for services in SNFs and other similar facilities, state Medicaid programs for services in certain assisted living communities, and other federal and state healthcare payment programs. Because of the current and projected federal budget deficit and other federal spending priorities and challenging 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 provided below as well as under the caption "Business—Government Regulation and Reimbursement" in our Annual Report.

The Centers for Medicare and Medicaid Services, or CMS, updates prospective payment system rates each year. CMS issued updated Medicare prospective payment system rates for SNFs effective October 1, 2013, which CMS estimated would result in a net increase of approximately 1.3% in aggregate Medicare payments for SNFs, or approximately \$470 million, in federal fiscal year 2014. CMS issued updated Medicare prospective payment rates for SNFs for federal fiscal year 2015, which went into effect on October 1, 2014. As part of this rule, CMS is applying a net increase of 2.0% to Medicare payment rates for SNFs, which takes into account a 2.5% market basket increase for inflation reduced by a 0.5% productivity adjustment and will result in an aggregate increase of approximately \$750 million in payments to SNFs in federal fiscal year 2015.

On April 15, 2015, CMS released its proposed rule for the Medicare prospective payment system for SNFs for federal fiscal year 2016, which would take effect on October 1, 2015. As part of this rule, CMS proposes to apply a net increase of 1.4% to Medicare payment rates for SNFs, which takes into account a 2.6% market basket increase reduced by a 0.6% forecast error and a 0.6% productivity adjustment and would result in an aggregate increase of approximately \$500 million in payments to SNFs in federal fiscal year 2016. As discussed in our Annual Report, Medicare rates have also been subject to reductions since April 2014 due to sequestration. The Medicare Access and CHIP Reauthorization Act of 2015, or MACRA, discussed below, limits the market basket increase for SNFs to 1.0% in federal fiscal year 2018.

As part of its rule for federal fiscal year 2016, CMS proposes to amend the Medicare and Medicaid conditions of participation to require SNFs to submit staffing information based on payroll and other verifiable data to CMS. CMS also proposes to establish a SNF quality reporting program, as required by the Improving Medicare Post-Acute Transformation Act of 2014, or the IMPACT Act. Starting in federal fiscal year 2018, CMS will reduce annual payment updates by 2% for SNFs that fail to submit required quality data. In addition, CMS proposes a 30-day all-cause all-condition hospital readmission measure for SNFs, to be adopted as part of a new value-based purchasing program that will provide incentive payments to SNFs for quality and efficiency beginning in federal fiscal year 2019, as required by the Protecting Access to Medicare Act of 2014, or PAMA.

Our tenants' and our and our managers' Medicare Part B outpatient therapy revenue rates are tied to the Medicare Physician Fee Schedule, or MPFS. On April 14, 2015, Congress passed MACRA, which extended the outpatient therapy cap exceptions process from March 31, 2015 until January 1, 2018, further postponing the implementation of strict limits on Medicare payments for outpatient therapies. MACRA also repealed the Sustainable Growth Rate, or SGR, formula for calculating updates to MPFS rates, which would have led to a 21.2% rate reduction effective April 1, 2015, and replaced the SGR formula with a different reimbursement methodology.

We are unable to predict the overall impact on us of these or other recent legislative and regulatory actions or proposed actions with respect to federal Medicare payment systems and rates.

Under the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act, or collectively, the ACA, the federal government will pay for 100% of a state's Medicaid expansion costs for the first three years (2014-2016) and gradually reduce its subsidy to 90% for 2020 and future years. As of April 29, 2015, 17 states have elected not to broaden Medicaid eligibility under the ACA at this time, and four remain undecided;

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those states choosing not to participate in Medicaid expansion are forgoing the federal funds that would otherwise be available for that purpose. In addition, although Medicaid is exempt from the sequestration process noted above, some of the states in which our senior living communities operate either have not raised Medicaid rates by amounts sufficient to offset increasing costs or have frozen or reduced, or are expected to freeze or reduce, Medicaid rates. We are unable to predict the impact on us of these or other recent legislative and regulatory actions or proposed actions with respect to state Medicaid rates and payments to states for Medicaid programs.

The ACA also includes various provisions affecting Medicare and Medicaid providers, including expanded public disclosure requirements for SNFs and other providers, enforcement reforms, and increased funding for Medicare and Medicaid program integrity control initiatives. We are unable to predict the impact on us, our tenants and our managers of the insurance reforms, payment reforms, and healthcare delivery systems reforms contained in and to be developed pursuant to the ACA. Expanded insurance availability may provide more paying customers to us, our tenants and managers. If the changes implemented under the ACA result in reduced payments for services that our tenants or our managers provide or the failure of Medicare, Medicaid or insurance payment rates to cover our or our tenants' costs, including the rents and management fees paid to us, our future financial results could be adversely and materially affected.

In addition, on November 7, 2014, the U.S. Supreme Court agreed to hear a lawsuit challenging the legality of an Internal Revenue Service regulation that allows eligible individuals in all states to receive subsidies for health insurance under the ACA, even in states that have not established their own health exchanges. Such subsidies have provided certain eligible taxpayers with the ability to purchase or maintain health insurance. We are unable to predict the outcome of that challenge or its impact on our business.

We cannot estimate the type and magnitude of the potential regulatory changes discussed above, but they may be material to and adversely affect the ability of our tenants to pay us rent, the profitability of our managed senior living communities and the values of our properties. The changes implemented or to be implemented 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 our tenants to pay rent to us, the profitability of our managed senior living communities 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, 2014. Other than as described below, we do not currently foresee any significant changes in our exposure to fluctuations in interest rates or in how we manage this exposure in the near future.

At March 31, 2015, our outstanding fixed rate debt included the following (dollars in thousands) ⁽¹⁾:

Debt	Principal Balance ⁽²⁾	Annual Interest Rate ⁽²⁾	Annual Interest Expense	Maturity	Interest Payments Due
Senior unsecured notes	\$ 400,000	3.25 %	\$ 13,000	2019	Semi-Annually
Senior unsecured notes	350,000	5.63 %	19,705	2042	Quarterly
Senior unsecured notes	300,000	6.75 %	20,250	2021	Semi-Annually
Senior unsecured notes	250,000	4.30 %	10,750	2016	Semi-Annually
Senior unsecured notes	250,000	4.75 %	11,875	2024	Semi-Annually
Senior unsecured notes	200,000	6.75 %	13,500	2020	Semi-Annually
Mortgage	287,385	6.71 %	19,284	2019	Monthly
Mortgages	84,347	5.924 %	4,997	2016	Monthly
Mortgages	52,000	5.64 %	2,933	2016	Monthly
Mortgages	44,409	6.54 %	2,904	2017	Monthly
Mortgage	18,000	4.65 %	837	2016	Monthly
Mortgage	15,198	6.28 %	954	2022	Monthly
Mortgages	12,401	5.66 %	702	2015	Monthly
Mortgage	12,134	6.25 %	758	2016	Monthly
Mortgage	11,925	4.85 %	578	2022	Monthly
Mortgage	11,009	6.15 %	677	2017	Monthly
Mortgage	9,164	5.95 %	545	2038	Monthly
Mortgage	9,133	6.73 %	615	2018	Monthly
Mortgage ⁽³⁾	6,294	5.81 %	366	2015	Monthly
Mortgage	6,210	5.97 %	371	2016	Monthly
Mortgage	5,599	5.86 %	328	2017	Monthly
Mortgage	4,885	5.65 %	276	2015	Monthly
Mortgage	4,574	4.38 %	200	2043	Monthly
Mortgage	4,377	5.81 %	254	2015	Monthly
Mortgage	3,323	6.25 %	208	2033	Monthly
Mortgage	2,649	7.31 %	194	2022	Monthly
Mortgage	2,707	5.88 %	159	2015	Monthly
Mortgage	1,309	7.85 %	103	2022	Monthly
	<u>\$ 2,359,032</u>		<u>\$ 127,323</u>		

(1) We assumed secured fixed rate debt of \$139.2 million with a weighted average interest rate of 4.59% encumbering 16 properties in connection with our acquisition of 37 senior living communities in May 2015. As these debt assumptions occurred after March 31, 2015, they are not reflected in the above table.

(2) The principal balances and interest rates are the amounts stated in the applicable contracts. In accordance with GAAP, our carrying values and recorded interest expense may differ from these amounts because of market conditions at the time we assumed these debts. This table does not include obligations under capital leases.

(3) We repaid this debt in April 2015.

No principal repayments are due under our unsecured notes or bonds until maturity. Our mortgage debt requires 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 interest obligations. If these debts were refinanced at interest rates which are 100 basis points higher or lower than shown above, our annual interest cost would increase or decrease by approximately \$23.6 million.

Changes in market interest rates would 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 March 31, 2015, and discounted cash flow

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analyses through the respective maturity dates and assuming no other changes in factors that may affect the fair value of our fixed rate debt obligations, a hypothetical immediate 100 basis point change in interest rates would change the fair value of those obligations by approximately \$20.6 million.

Our senior unsecured notes and some of our mortgages contain provisions that allow us to make repayments earlier than the stated maturity date. In some cases, we are not allowed to make early repayment prior to a cutoff date and we are generally allowed to make prepayments only at a premium equal to a make whole amount, as defined, which is generally designed to preserve a stated yield to the noteholder. In the past, we have repurchased and retired some of our outstanding debts and we may do so again in the future. These prepayment rights and our ability to repurchase and retire outstanding debt may afford us opportunities to mitigate the risk of refinancing our debts at maturity at higher rates by refinancing prior to maturity.

At March 31, 2015, our current floating rate debt obligations consisted of our \$750.0 million unsecured revolving credit facility, under which we had no outstanding borrowings, and our \$350.0 million unsecured term loan. Our revolving credit facility matures in January 2018, and, subject to our meeting certain conditions, including our payment of an extension fee, we have the option to extend the stated maturity date by one year to January 2019. No principal repayments are required under our revolving credit facility prior to maturity, and repayments may be made, and redrawn subject to conditions, at any time without penalty. Our term loan matures on January 15, 2020, and is prepayable without penalty at any time. In addition, our term loan includes a feature under which maximum borrowings may be increased to up to \$700.0 million in certain circumstances.

Borrowings under our revolving credit facility and term loan are in U.S. dollars and bear interest at LIBOR plus premiums that are 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, upon renewal or refinancing of our revolving credit facility or our term loan, we are vulnerable to increases in interest rate premiums due to market conditions or our perceived credit characteristics. 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 100 basis point increase in interest rates would have on our annual floating rate interest expense as of March 31, 2015 (dollars in thousands):

	Impact of Changes in Interest Rates			Annual Earnings per Share Impact
	Interest Rate	Outstanding Debt	Total Interest Expense Per Year	
At March 31, 2015	1.57 %	\$ 350,000	\$ 5,495	\$ 0.02
100 basis point increase	2.57 %	\$ 350,000	\$ 8,995	\$ 0.04

(1) Based on weighted average number of shares outstanding (basic and diluted) for the three months ended March 31, 2015.

The following table presents the impact a 100 basis point increase in interest rates would have on our annual floating rate interest expense as of March 31, 2015 if we were fully drawn on our revolving credit facility and our term loan remained outstanding (dollars in thousands):

	Impact of Changes in Interest Rates			Annual Earnings per Share Impact
	Interest Rate	Outstanding Debt	Total Interest Expense Per Year	
At March 31, 2015	1.50 %	\$1,100,000	\$ 16,500	\$ 0.07
100 basis point increase	2.50 %	\$1,100,000	\$ 27,500	\$ 0.12

(1) Weighted based on the respective interest rates and outstanding borrowings under our credit agreement (assuming fully drawn) and term loan as of March 31, 2015.

(2) Based on weighted average number of shares outstanding (basic and diluted) for the three months ended March 31, 2015.

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The foregoing tables show the impact of an immediate increase 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 of our borrowings under our revolving credit facility or other floating rate debt.

Although we have no present plans to do so, we may in the future enter into hedge agreements from time to time to mitigate our exposure to changes in interest rates.

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 March 31, 2015 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 COMPETE FOR ACQUISITIONS AND TENANCIES EFFECTIVELY,
- OUR ABILITY TO RAISE EQUITY OR DEBT CAPITAL,
- 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,
- THE CREDIT QUALITIES OF OUR TENANTS,
- OUR POLICIES AND PLANS REGARDING INVESTMENTS AND FINANCINGS,
- THE FUTURE AVAILABILITY OF BORROWINGS UNDER OUR REVOLVING CREDIT FACILITY,
- OUR ABILITY TO PAY INTEREST ON AND PRINCIPAL OF OUR DEBT,
- OUR TAX STATUS AS A REIT,
- OUR BELIEF THAT FIVE STAR, OUR FORMER SUBSIDIARY, WHICH IS OUR LARGEST TENANT AND WHICH MANAGES CERTAIN OF OUR SENIOR LIVING COMMUNITIES FOR OUR ACCOUNT, HAS ADEQUATE FINANCIAL RESOURCES AND LIQUIDITY TO MEET ITS OBLIGATIONS TO US AND TO MANAGE OUR SENIOR LIVING COMMUNITIES SUCCESSFULLY, 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 BASIS NOI, 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 AND MANAGERS ,

- THE IMPACT OF THE ACA AND OTHER EXISTING OR PROPOSED LEGISLATION OR REGULATIONS ON US, ON OUR TENANTS AND MANAGERS AND ON THEIR ABILITY TO PAY OUR RENTS AND RETURNS,
- ACTUAL AND POTENTIAL CONFLICTS OF INTEREST WITH OUR MANAGING TRUSTEES, FIVE STAR, RMR, AIC, D&R YONKERS LLC , SIR AND THEIR RELATED PERSONS AND ENTITIES,
- COMPLIANCE WITH, AND CHANGES TO, FEDERAL, STATE AND LOCAL LAWS AND REGULATIONS, ACCOUNTING RULES, TAX LAWS 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 CERTAIN 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:
 - MATERIAL WEAKNESSES IN ITS INTERNAL CONTROLS ,
 - CHANGES IN MEDICARE AND MEDICAID PAYMENTS, INCLUDING THOSE THAT MAY RESULT FROM THE ACA AND EXISTING 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 AND OTHER COSTS,
 - INEFFECTIVE INTEGRATION OF NEW ACQUISITIONS AND LEASED AND MANAGED COMMUNITIES , AND
 - INSUFFICIENT ACCESS TO CAPITAL AND FINANCING ,
- 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 ABILITY TO MAKE FUTURE DISTRIBUTIONS AND TO MAKE PAYMENTS OF PRINCIPAL AND INTEREST ON OUR NOTES OR OUR OTHER INDEBTEDNESS DEPENDS UPON A NUMBER OF FACTORS, INCLUDING OUR FUTURE EARNINGS, THE CAPITAL COSTS WE

INCUR TO LEASE AND OPERATE OUR PROPERTIES AND OUR WORKING CAPITAL REQUIREMENTS. WE MAY BE UNABLE TO MAINTAIN OUR CURRENT RATE OF DISTRIBUTIONS ON OUR COMMON SHARES AND FUTURE DISTRIBUTIONS MAY BE REDUCED OR ELIMINATED,

- 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, LESS PROPERTY OPERATING EXPENSES, 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,
- OUR 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 CREDIT FACILITY CONDITIONS,
- ACTUAL COSTS UNDER OUR REVOLVING CREDIT FACILITY OR OTHER FLOATING RATE CREDIT FACILITIES WILL BE HIGHER THAN LIBOR PLUS A PREMIUM BECAUSE OF OTHER FEES AND EXPENSES ASSOCIATED WITH SUCH FACILITIES ,
- THE MAXIMUM BORROWING AVAILABILITY UNDER OUR REVOLVING CREDIT FACILITY AND TERM LOAN MAY BE INCREASED TO UP TO \$2.2 BILLION ON A COMBINED BASIS IN CERTAIN CIRCUMSTANCES. HOWEVER, INCREASING THE MAXIMUM BORROWING AVAILABILITY UNDER OUR REVOLVING CREDIT FACILITY AND TERM LOAN IS SUBJECT TO OUR OBTAINING ADDITIONAL COMMITMENTS FROM LENDERS, WHICH MAY NOT OCCUR,
- WE HAVE THE OPTION TO EXTEND THE MATURITY DATE OF OUR REVOLVING CREDIT FACILITY UPON PAYMENT OF A FEE AND MEETING CERTAIN OTHER CONDITIONS. HOWEVER, THE APPLICABLE CONDITIONS MAY NOT BE MET,
- THE MARGINS USED TO DETERMINE THE INTEREST RATE PAYABLE ON OUR REVOLVING CREDIT FACILITY AND TERM LOAN AND THE FACILITY FEE PAYABLE ON OUR REVOLVING CREDIT FACILITY ARE BASED ON OUR CREDIT RATINGS. FUTURE CHANGES IN OUR CREDIT RATINGS MAY CAUSE THE INTEREST AND FEES WE PAY TO CHANGE,
- CONTINGENCIES IN OUR ACQUISITION AND SALE AGREEMENTS MAY NOT BE SATISFIED AND OUR PENDING SALES OR ACQUISITIONS AND ANY RELATED MANAGEMENT AGREEMENTS MAY NOT OCCUR, MAY BE DELAYED OR THE TERMS OF SUCH TRANSACTIONS MAY CHANGE,
- IN MAY 2015, WE ACQUIRED 37 SENIOR LIVING COMMUNITIES. THE CLOSING OF AN ADDITIONAL SENIOR LIVING COMMUNITY RELATED TO THIS TRANSACTION WAS DELAYED. THE ACQUISITION OF THE REMAINING SENIOR LIVING COMMUNITY IS EXPECTED TO CLOSE BY YEAR END 2015, BUT THIS ACQUISITION IS SUBJECT TO CLOSING CONDITIONS. THESE CONDITIONS MAY NOT BE SATISFIED AND THE ACQUISITION MAY BE DELAYED FURTHER OR THE TERMS MAY CHANGE ,
- WE HAVE AGREED TO ACQUIRE ONE SENIOR LIVING COMMUNITY THAT IS PENDING . THIS TRANSACTION IS SUBJECT TO CLOSING CONDITIONS. THESE CONDITIONS MAY NOT BE SATISFIED AND THE ACQUISITION AND THE RELATED EXPECTED MANAGEMENT

ARRANGEMENT WITH FIVE STAR MAY NOT OCCUR, MAY BE DELAYED OR THE TERMS MAY CHANGE,

- WE MAY BE UNABLE TO REPAY OUR DEBT OBLIGATIONS WHEN THEY BECOME DUE,
- SOME OF OUR TENANTS MAY NOT RENEW EXPIRING LEASES, AND WE MAY BE UNABLE TO LOCATE NEW TENANTS TO MAINTAIN OR INCREASE 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,
- WE MAY ENTER INTO ADDITIONAL MANAGEMENT AGREEMENTS OR POOLING AGREEMENTS WITH FIVE STAR FOR FIVE STAR TO MANAGE ADDITIONAL SENIOR LIVING COMMUNITIES THAT WE ACQUIRE OR THAT WE CURRENTLY OWN. HOWEVER, THERE CAN BE NO ASSURANCE THAT WE AND FIVE STAR WILL ENTER INTO ANY ADDITIONAL MANAGEMENT AGREEMENTS OR POOLING AGREEMENTS,
- AS OF MARCH 31, 2015, APPROXIMATELY 97 % OF OUR NOI WAS GENERATED FROM PROPERTIES WHERE A MAJORITY OF THE NOI IS DERIVED FROM OUR TENANTS' AND RESIDENTS' PRIVATE RESOURCES. THIS MAY IMPLY THAT WE WILL MAINTAIN OR INCREASE THE PERCENTAGE OF OUR NOI GENERATED FROM PRIVATE RESOURCES AT OUR SENIOR LIVING COMMUNITIES. HOWEVER, RESIDENTS' AND PATIENTS' ABILITY TO FUND CHARGES WITH PRIVATE RESOURCES MAY BECOME MORE LIMITED IN THE FUTURE AND WE MAY BE REQUIRED OR MAY ELECT FOR BUSINESS REASONS TO ACCEPT OR PURSUE REVENUES FROM GOVERNMENT PAY SOURCES, WHICH COULD RESULT IN AN INCREASED PART OF OUR NOI BEING GENERATED FROM GOVERNMENT PAYMENTS,
- WE CURRENTLY HAVE THREE PROPERTIES (THREE BUILDINGS) CLASSIFIED AS HELD FOR SALE. WE MAY NOT BE ABLE TO SELL THESE PROPERTIES ON TERMS ACCEPTABLE TO US OR OTHERWISE, AND THE SALE OF ANY OR ALL OF THESE PROPERTIES MAY NOT OCCUR, AND
- WE BELIEVE THAT OUR RELATIONSHIPS WITH OUR RELATED PARTIES, INCLUDING FIVE STAR, RMR, AIC, D&R YONKERS LLC , SIR AND OTHERS AFFILIATED WITH THEM BENEFIT US AND PROVIDE US WITH COMPETITIVE 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 OR REGULATIONS AFFECTING OUR BUSINESS OR THE BUSINESSES OF OUR TENANTS OR MANAGERS, CHANGES IN OUR TENANTS' OR MANAGERS' REVENUES OR COSTS, CHANGES IN OUR TENANTS' OR MANAGERS' FINANCIAL CONDITIONS, ACTS OF TERRORISM, NATURAL DISASTERS OR CHANGES IN CAPITAL MARKETS OR THE ECONOMY GENERALLY .

THE INFORMATION CONTAINED ELSEWHERE IN THIS QUARTERLY REPORT ON FORM 10-Q AND IN OUR ANNUAL REPORT OR IN OUR FILINGS WITH THE SEC, INCLUDING UNDER THE CAPTION "RISK FACTORS", OR INCORPORATED HEREIN OR THEREIN, IDENTIFIES OTHER IMPORTANT FACTORS THAT COULD CAUSE DIFFERENCES FROM OUR FORWARD LOOKING STATEMENTS. OUR FILINGS WITH THE SEC ARE AVAILABLE ON 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 January 8, February 6 and March 8, 2015, we issued 1,257, 12,689 and 11,347 of our common shares, respectively, to RMR as payment of a portion of the management fee due to RMR pursuant to our business management agreement with RMR. We issued these shares 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 previously disclosed, on December 22, 2014, we entered into a Purchase and Sale Agreement and Joint Escrow Instructions, or the Purchase Agreement, with CNL Lifestyle Properties, Inc. and certain of its subsidiaries, to acquire 38 senior living communities located in 16 states for an aggregate purchase price of approximately \$790.0 million, including assumed debt but excluding closing costs. These communities include an aggregate of 3,466 living units, comprised of 826 independent living units, 1,860 assisted living units, 744 memory care units and 36 skilled nursing facility units. On May 1, 2015, we completed the acquisition of 37 of these senior living communities with 3,379 living units for \$762.6 million, and we amended the Purchase Agreement to accommodate a delayed closing of the remaining one senior living community with 87 living units. The acquisition of the remaining senior living community is expected to close before year end 2015, but this acquisition is subject to various conditions; accordingly, we can provide no assurance that we will acquire this community, that the acquisition will not be delayed further or that the terms will not change. The foregoing description of the Purchase Agreement, as amended, is not complete and is qualified in its entirety by reference to the full text of the Purchase Agreement, which was previously filed as Exhibit 2.1 to our Current Report on Form 8-K dated December 22, 2014, and to the First Amendment to the Purchase Agreement, which is filed as Exhibit 2.1 to this Quarterly Report on Form 10-Q, each of which is incorporated by reference herein.

We financed this acquisition with cash on hand, by assuming approximately \$139.2 million of mortgage debt with a weighted average interest rate of 4.59% and by applying approximately \$550.0 million drawn under our \$750.0 million unsecured revolving credit facility on April 30, 2015. Our revolving credit facility matures on January 15, 2018, subject to an option to extend the stated maturity date by one year, and the interest rate payable on borrowings under our revolving credit facility is LIBOR plus a premium of 130 basis points, which was 1.48% as of the date of the drawing. See Note 5 to our condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for further information regarding the terms of our revolving credit facility.

Nineteen of these 38 communities, including the one community that we have not yet acquired, are leased to seven senior living operators. The 19 remaining communities were acquired using TRS structures. Five of these 19 communities will continue to be managed by the current third party senior living operator. Pursuant to pre-existing management agreements, we paid fees of \$975,500 and terminated the agreements for the remaining 14 of these 19 communities and we entered into management agreements with Five Star to manage these 14 communities. A representative form of these management agreements is filed as Exhibit 99.1 to this Quarterly Report on Form 10-Q and is incorporated by reference herein. For further information regarding our relationship and historical and continuing transactions with Five Star, please see Note 10 to our condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q, which information is incorporated herein by reference, as well as our Annual Report, our definitive Proxy Statement for our 2015 Annual Meeting of Shareholders and our other filings with the SEC.

Any required financial statements or pro forma information in connection with the acquisition reported in this Item 5 will be filed with the SEC within the time period prescribed by Item 9.01(a)(4) of Form 8-K.

Item 6. Exhibits.

- 2.1 First Amendment to Purchase and Sale Agreement and Joint Escrow Instructions, dated as of May 1, 2015, among CNL Lifestyle Properties, Inc. and certain of its subsidiaries identified therein, as Sellers, and the Company, as Purchaser. (Filed herewith.)
- 3.1 Composite Copy of Amended and Restated Declaration of Trust, dated September 20, 1999, as amended to date. (Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 2014.)
- 3.2 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, File Number 001-15319.)
- 3.3 Articles Supplementary, dated April 17, 2014. (Incorporated by reference to the Company's Current Report on Form 8-K dated April 17, 2014.)
- 3.4 Amended and Restated Bylaws of the Company, adopted April 10, 2014. (Incorporated by reference to the Company's Current Report on Form 8-K dated April 10, 2014.)
- 4.1 Form of Common Share Certificate. (Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2014.)
- 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, related to 5.625% Senior Notes due 2042, including form thereof. (Incorporated by reference to the Company's Registration Statement on Form 8-A dated July 20, 2012.)
- 4.7 Supplemental Indenture No. 8, dated as of April 28, 2014, between the Company and U.S. Bank National Association, related to 3.25% Senior Notes due 2019, including form thereof. (Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2014.)
- 4.8 Supplemental Indenture No. 9, dated as of April 28, 2014, between the Company and U.S. Bank National Association, related to 4.75% Senior Notes due 2024, including form thereof. (Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2014.)
- 10.1 Partial Termination of and Thirteenth Amendment to Amended and Restated Master Lease Agreement (Lease No. 1), dated as of February 17, 2015, among certain subsidiaries of the Company, as Landlord, and Five Star Quality Care Trust, as Tenant. (Filed herewith.)

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- 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.)
- 99.1 Representative form of Management Agreement, dated March 30, 2015, between certain subsidiaries of the Company and FVE Managers, Inc. (Filed herewith.)
- 101.1 The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2015 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: May 6, 2015

By: /s/ Richard A. Doyle

Richard A. Doyle

Treasurer and Chief Financial Officer

(principal financial and accounting officer)

Dated: May 6, 2015

**FIRST AMENDMENT TO PURCHASE AND SALE AGREEMENT
AND JOINT ESCROW INSTRUCTIONS**

This First Amendment to Purchase and Sale Agreement and Joint Escrow Instructions (this “ **Amendment** ”) is made and entered into as of the 1st day of May, 2015 (the “ **Effective Date** ”) by and among:

The following sellers (each, a “ **Seller** ” and jointly and severally, the “ **Sellers** ”), on the one hand:

CLN Lifestyle Properties, Inc., a Maryland corporation,

CLP Springfield MO Owner, LLC, a Delaware limited liability company,

CLP Chesterfield MO Owner, LLC, a Delaware limited liability company,

CLP Branson MO Owner, LLC, a Delaware limited liability company,

CLP Nevada MO Owner, LLC, a Delaware limited liability company,

CLP Springdale AR Owner, LLC, a Delaware limited liability company,

CLP Jonesboro AR Owner, LLC, a Delaware limited liability company,

CLP Fayetteville AR Owner, LLC, a Delaware limited liability company,

CLP TCV Owner, LLC, a Delaware limited liability company,

CLP Washington IL Owner, LLC, a Delaware limited liability company,

CLP Pekin IL Owner, LLC, a Delaware limited liability company,

CLP Sterling IL Owner, LLC, a Delaware limited liability company,

CLP Carmel IN Continuing Care Owner, LLC, a Delaware limited liability company,

CLP Denver CO Continuing Care Owner, LLC, a Delaware limited liability company,

CLP Alpharetta GA Owner, LLC, a Delaware limited liability company,

CLP Stockbridge GA Owner, LLC, a Delaware limited liability company,

CLP Fayetteville GA Owner, LLC, a Delaware limited liability company,

CLP Gainesville GA Owner, LLC, a Delaware limited liability company,

CLP Moline IL Assisted Living Owner, LLC, a Delaware limited liability company,

CLP Moline IL Memory Care Owner, LLC, a Delaware limited liability company,

CLP Carson City NV Owner, LLC, a Delaware limited liability company,

CLP Godfrey IL Owner, LLC, a Delaware limited liability company,

CLP Laurel Creek GA Owner, LLC, a Delaware limited liability company,
CLP Pioneer Village Senior Living, LLC, a Delaware limited liability company,
CLP Bozeman MT Senior Living, LLC, a Delaware limited liability company,
CLP Chateau Vestavia AL Senior Living, LLC, a Delaware limited liability company,
CLP Santa Clarita CA Senior Living, LLC, a Delaware limited liability company,
CLP Peoria AZ Senior Living, LLC, a Delaware limited liability company,
CLP Sun City Center FL Senior Living, LLC, a Delaware limited liability company,
CLP Portland OR Senior Living, LLC, a Delaware limited liability company,
CLP Cranston RI Senior Living, LLC, a Delaware limited liability company,
CLP Bakersfield CA Senior Living, LLC, a Delaware limited liability company,
CLP Wilmington NC Senior Living, LLC, a Delaware limited liability company,
CLP Modesto CA Senior Living, LLC, a Delaware limited liability company,
CLP Northridge CA Senior Living, LLC, a Delaware limited liability company,
CLP La Conner WA Senior Living, LLC, a Delaware limited liability company,
CLP Everett WA Senior Living, LLC, a Delaware limited liability company,
CLP Cumming GA Senior Living Owner, LLC, a Delaware limited liability company,
CLP Hoschton GA Senior Living Owner, LLC, a Delaware limited liability company,
CLP SHC Tenant TRS Corp., a Delaware corporation,
CLP Grand Victorian Tenant TRS Corp., a Delaware corporation,
CLP Fayetteville AR Tenant Corp., a Delaware corporation,
TCV Senior Living, LLC, a Delaware limited liability company,
CLP Georgia SL Tenant TRS Corp., a Delaware corporation,
CLP Moline IL Tenant TRS Corp., a Delaware corporation,
CLP Carson City NV Tenant TRS Corp., a Delaware corporation,
CLP Godfrey Tenant TRS Corp., a Delaware corporation, and
CLP Laurel Creek GA Tenant Corp., a Delaware corporation, and

Senior Housing Properties Trust, a Maryland real estate investment trust, together with assignees or designees thereof, on the other hand, as buyer (the “**Buyer**”).

RECITALS

A. Seller and Purchaser entered into a certain Purchase and Sale Agreement and Joint Escrow Instructions dated December 22, 2014 (the “**Purchase Agreement**”).

B. The Purchase Agreement contemplated that sale of each of the Properties would occur simultaneously.

C. The Tenant of the Property located in Wilmington, North Carolina (the “**Wilmington Property**”) delivered the notice attached hereto as **Exhibit 1** (the “**Notice of Suspension**”) to the Parties after execution of the Purchase Agreement.

D. As a result of the Notice of Suspension, the Parties have determined that it is desirable to consummate the transactions contemplated by the Purchase Agreement by way of two Closings such that (A) the Acquisition with respect to each of the Properties other than the Wilmington Property and the Associated Property relating to each Property other than the Wilmington Property (the “**First Closing Properties**”) will take place on May 1, 2015 (the “**First Closing**”), and (B) the Acquisition with respect to the Wilmington Property and the Associated Property relating thereto (the “**Second Closing**”) shall take place in accordance with and subject to the terms and conditions of the Purchase Agreement, as amended by this Amendment (as so amended, the “**Amended Agreement**”).

E. Seller and Purchaser desire to amend the Purchase Agreement in the manner set forth herein.
NOW, THEREFORE, in consideration of the provisions contained in the Amended Agreement, and intending to be legally bound hereby, the Parties agree as follows:

1. **Definitions**. Capitalized terms that are used herein but not otherwise defined in this Amendment shall have the meanings ascribed to such terms in the Purchase Agreement.

2. **Representations**. The representations set forth in the Purchase Agreement are qualified by the matters set forth in the Notice of Suspension. The Parties agree that the Notice of Suspension and the conditions described therein do not constitute a breach of any representation by any Seller, nor do they constitute a Seller Default; provided, however, that Sellers represent that, as of the date hereof, no Seller has received a notice of default under any of the Loan Documents with respect to the Notice of Suspension or the conditions described therein.

3. **Bifurcation of Closing**. The Parties agree that the First Closing shall take place on May 1, 2015 (the “**First Closing Date**”) and that, subject to the terms and conditions of the Amended Agreement, the Second Closing shall take place on the day that is three (3) Business Days after the date on which all of the Buyer Conditions Precedent (including, without limitation, the additional condition precedent set forth in Section 7 of this Amendment) are satisfied (the “**Second Closing Date**”); provided, however, that if on the Second Closing Date, the Lender with respect to the Wilmington Property shall not have consented to (i) the transfer of the Wilmington Property to Buyer, (ii) the assumption of the Loans and Loan Documents relating to the Wilmington Property by Buyer on terms and conditions satisfactory to Buyer in its reasonable discretion, or (iii) any other applicable transactions contemplated by this Agreement, or such Lender shall not have executed and delivered all applicable documentation evidencing such consents, which documentation shall be satisfactory to Buyer in its reasonable discretion,

then Buyer shall have the right to extend the Second Closing Date two (2) times, with the first such extension being until the day that is thirty (30) days after the previously scheduled Second Closing Date and the second such extension being until the day that is thirty (30) days after the previously scheduled Second Closing Date; and further provided that if, on the then scheduled Second Closing Date (as extended twice by the foregoing clauses), the consents of the applicable Lender (and documentation evidencing the same) referenced to above has not been obtained, then the Second Closing Date shall be further extended for an additional thirty (30) days.

4. **Prorations**. The Proration Date for the Second Closing shall be the day before the Second Closing Date.

5. **Deposit**. At the First Closing, Three Million and No/100 Dollars (\$3,000,000.00) of the Deposit (together with any interest accruing thereon from and after the First Closing Date, the “**Second Closing Deposit**”) shall be retained by Escrow Agent and shall be treated from and after the First Closing Date as the Deposit under the Purchase Agreement. All other portions of the Deposit shall be applied against amounts due from Buyer at the First Closing. At the Second Closing, the Second Closing Deposit shall be applied against the Wilmington Purchase Price.

6. **Purchase Price**. The Purchase Price for the First Closing Properties shall be equal to the difference between the Purchase Price and the Allocated Purchase Price for the Wilmington Property as set forth on **Exhibit D** to the Purchase Agreement. The Purchase Price for the Wilmington Property and the Associated Property relating thereto shall be the Allocated Purchase Price for the Wilmington Property as set forth on **Exhibit D** to the Purchase Agreement (the “**Wilmington Purchase Price**”).

7. **Conditions to Closing**. In addition to the other Buyer Conditions Precedent set forth in the Purchase Agreement, it shall be a condition precedent to Buyer’s obligation to consummate the Second Closing that the order suspending admissions set forth in the Notice of Suspension be lifted and no longer be of any force or effect. Notwithstanding anything contained herein or in the Purchase Agreement to the contrary, from and after the First Closing, the Buyer Conditions Precedent set forth in Sections 14.1(c) and 14.1(d) of the Purchase Agreement shall be limited such that they only relate to those representations, warranties, covenants and obligations relating to the Wilmington Property and the Associated Property relating thereto. In the event that the Buyer Conditions Precedent, as modified by this Paragraph 7 is not satisfied on or before November 1, 2015, Buyer shall be entitled to terminate the Amended Agreement with respect to the Wilmington Property and the Associated Property relating thereto. Upon such termination by Buyer, Buyer shall receive a refund of the Second Closing Deposit and the parties shall be relieved of all obligations under the Amended Agreement relating to the Wilmington Property and the Associated Property relating thereto.

8. **Out of Pocket Expenses**. To the extent that Buyer terminates the Amended Agreement with respect to the Wilmington Property pursuant to Section 16.1(a)(2) of the Purchase Agreement, Sellers’ obligation to reimburse Buyer pursuant thereto shall not exceed the amount of Eighty-Five Thousand and No/100 Dollars (\$85,000.00).

9. **No Rescission Rights**. The Parties agree that neither Party shall have any right of rescission with respect to the First Closing Properties from and after the First Closing and that the First Closing shall in no way relieve the Parties of their obligations with respect to the Second Closing, notwithstanding anything to the contrary provided in the Purchase Agreement, including, without limitation, in Section 17.22 thereof.

10. **Interpretation of Purchase Agreement from and after First Closing**. The Parties agree that for the period after the First Closing and prior to the Second Closing, the Purchase Agreement

shall, for purposes of all obligations contemplated to be performed prior to "Closing" under the Purchase Agreement, be interpreted as if the Purchase Agreement relates only to the Wilmington Property and the Associated Property relating thereto. From and after the Second Closing, the Purchase Agreement shall be interpreted in such a manner as is consistent with a bifurcated closing, with the applicable closing date being applied with respect to the applicable Property. Notwithstanding the fact that a Tenant Lease Estoppel for the Tenant Lease covering the Wilmington Property has been delivered in connection with the First Closing, if the Second Closing does not occur on or before June 1, 2015, Sellers shall deliver a new Tenant Lease Estoppel or a representation letter from the Company in accordance with Section 5.2(b) of the Purchase Agreement with respect to the Tenant Lease covering the Wilmington Property, which shall be dated no more than thirty (30) days prior to the Second Closing Date.

11. **Full Force and Effect and Conflicts**. Except as modified by this Amendment, all of the terms of the Purchase Agreement shall remain in full force and effect, provided, however, that in the event of any conflict between the terms of this Amendment and the terms of the Purchase Agreement, the terms of this Amendment shall control.

12. **Execution of Amendment**. A Party may deliver executed signature pages to this Amendment by facsimile or email transmission to the other Party, which facsimile or email copy shall be deemed to be an original executed signature page. This Amendment may be executed in any number of counterparts, each of which shall be deemed an original and all of which counterparts together shall constitute one agreement with the same effect as if the parties hereto had signed the same signature page.

13. **Binding Effect**. Each and every term and provision of this Amendment shall be binding upon and shall inure to the benefit of the parties and their respective heirs, successors, personal representatives and assigns.

**[Remainder of page intentionally left blank;
Signatures continue on following page]**

IN WITNESS WHEREOF , the parties have executed this Agreement to be effective as of the Effective Date.

BUYER:

SENIOR HOUSING PROPERTIES TRUST ,
a Maryland real estate investment trust

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

SELLERS:

CNL LIFESTYLE PROPERTIES, INC.,

a Maryland corporation

By: /s/ Tracy B. Bracco

Name: Tracey B. Bracco

Title: Vice President

CLP SPRINGFIELD MO OWNER, LLC,

a Delaware limited liability company

By: /s/ Tracy B. Bracco

Name: Tracey B. Bracco

Title: Vice President

CLP CHESTERFIELD MO OWNER, LLC,

a Delaware limited liability company

By: /s/ Tracy B. Bracco

Name: Tracey B. Bracco

Title: Vice President

CLP BRANSON MO OWNER, LLC,

a Delaware limited liability company

By: /s/ Tracy B. Bracco

Name: Tracey B. Bracco

Title: Vice President

CLP NEVADA MO OWNER, LLC,

a Delaware limited liability company

By: /s/ Tracy B. Bracco

Name: Tracey B. Bracco

Title: Vice President

CLP SPRINGDALE AR OWNER, LLC,

a Delaware limited liability company

By: /s/ Tracy B. Bracco

Name: Tracey B. Bracco

Title: Vice President

CLP JONESBORO AR OWNER, LLC,

a Delaware limited liability company

By: /s/ Tracy B. Bracc o

Name: Tracey B. Bracco

Title: Vice President

CLP FAYETTEVILLE AR OWNER, LLC,

a Delaware limited liability company

By: /s/ Tracy B. Bracc o

Name: Tracey B. Bracco

Title: Vice President

CLP TCV OWNER, LLC,

a Delaware limited liability company

By: /s/ Tracy B. Bracc o

Name: Tracey B. Bracco

Title: Vice President

CLP WASHINGTON IL OWNER, LLC,

a Delaware limited liability company

By: /s/ Tracy B. Bracc o

Name: Tracey B. Bracco

Title: Vice President

CLP PEKIN IL OWNER, LLC,

a Delaware limited liability company

By: /s/ Tracy B. Bracc o

Name: Tracey B. Bracco

Title: Vice President

CLP STERLING IL OWNER, LLC,

a Delaware limited liability company

By: /s/ Tracy B. Bracc o

Name: Tracey B. Bracco

Title: Vice President

CLP CARMEL IN CONTINUING CARE OWNER, LLC,
a Delaware limited liability company

By: /s/ Tracy B. Bracco
Name: Tracey B. Bracco
Title: Vice President

CLP DENVER CO CONTINUING CARE OWNER, LLC,
a Delaware limited liability company

By: /s/ Tracy B. Bracco
Name: Tracey B. Bracco
Title: Vice President

CLP ALPHARETTA GA OWNER, LLC,
a Delaware limited liability company

By: /s/ Tracy B. Bracco
Name: Tracey B. Bracco
Title: Vice President

CLP STOCKBRIDGE GA OWNER, LLC,
a Delaware limited liability company

By: /s/ Tracy B. Bracco
Name: Tracey B. Bracco
Title: Vice President

CLP FAYETTEVILLE GA OWNER, LLC,
a Delaware limited liability company

By: /s/ Tracy B. Bracco
Name: Tracey B. Bracco
Title: Vice President

CLP GAINESVILLE GA OWNER, LLC,
a Delaware limited liability company

By: /s/ Tracy B. Bracco
Name: Tracey B. Bracco
Title: Vice President

CLP MOLINE IL ASSISTED LIVING OWNER, LLC,
a Delaware limited liability company

By: /s/ Tracy B. Bracco
Name: Tracey B. Bracco
Title: Vice President

CLP MOLINE IL MEMORY CARE OWNER, LLC,
a Delaware limited liability company

By: /s/ Tracy B. Bracco
Name: Tracey B. Bracco
Title: Vice President

CLP CARSON CITY NV OWNER, LLC,
a Delaware limited liability company

By: /s/ Tracy B. Bracco
Name: Tracey B. Bracco
Title: Vice President

CLP GODFREY IL OWNER, LLC,
a Delaware limited liability company

By: /s/ Tracy B. Bracco
Name: Tracey B. Bracco
Title: Vice President

CLP LAUREL CREEK GA OWNER, LLC,
a Delaware limited liability company

By: /s/ Tracy B. Bracco
Name: Tracey B. Bracco
Title: Vice President

CLP PIONEER VILLAGE SENIOR LIVING, LLC,
a Delaware limited liability company

By: /s/ Tracy B. Bracco
Name: Tracey B. Bracco
Title: Vice President

CLP BOZEMAN MT SENIOR LIVING, LLC,
a Delaware limited liability company

By: /s/ Tracy B. Bracco
Name: Tracey B. Bracco
Title: Vice President

CLP CHATEAU VESTAVIA AL SENIOR LIVING, LLC,
a Delaware limited liability company

By: /s/ Tracy B. Bracco
Name: Tracey B. Bracco
Title: Vice President

CLP SANTA CLARITA CA SENIOR LIVING, LLC,
a Delaware limited liability company

By: /s/ Tracy B. Bracco
Name: Tracey B. Bracco
Title: Vice President

CLP PEORIA AZ SENIOR LIVING, LLC,
a Delaware limited liability company

By: /s/ Tracy B. Bracco
Name: Tracey B. Bracco
Title: Vice President

CLP SUN CITY CENTER FL SENIOR LIVING, LLC,
a Delaware limited liability company

By: /s/ Tracy B. Bracco
Name: Tracey B. Bracco
Title: Vice President

CLP PORTLAND OR SENIOR LIVING, LLC,
a Delaware limited liability company

By: /s/ Tracy B. Bracco
Name: Tracey B. Bracco
Title: Vice President

CLP CRANSTON RI SENIOR LIVING, LLC,
a Delaware limited liability company

By: /s/ Tracy B. Bracco
Name: Tracey B. Bracco
Title: Vice President

CLP BAKERSFIELD CA SENIOR LIVING, LLC,
a Delaware limited liability company

By: /s/ Tracy B. Bracco
Name: Tracey B. Bracco
Title: Vice President

CLP WILMINGTON NC SENIOR LIVING, LLC,
a Delaware limited liability company

By: /s/ Tracy B. Bracco
Name: Tracey B. Bracco
Title: Vice President

CLP MODESTO CA SENIOR LIVING, LLC,
a Delaware limited liability company

By: /s/ Tracy B. Bracco
Name: Tracey B. Bracco
Title: Vice President

CLP NORTHRIDGE CA SENIOR LIVING, LLC,
a Delaware limited liability company

By: /s/ Tracy B. Bracco
Name: Tracey B. Bracco
Title: Vice President

CLP LA CONNER WA SENIOR LIVING, LLC,
a Delaware limited liability company

By: /s/ Tracy B. Bracco
Name: Tracey B. Bracco
Title: Vice President

CLP EVERETT WA SENIOR LIVING, LLC,
a Delaware limited liability company

By: /s/ Tracy B. Bracco
Name: Tracey B. Bracco
Title: Vice President

CLP CUMMING GA SENIOR LIVING OWNER, LLC,
a Delaware limited liability company

By: /s/ Tracy B. Bracco
Name: Tracey B. Bracco
Title: Vice President

CLP HOSCHTON GA SENIOR LIVING OWNER, LLC,
a Delaware limited liability company

By: /s/ Tracy B. Bracco
Name: Tracey B. Bracco
Title: Vice President

CLP SHC TENANT TRS CORP.,
a Delaware corporation

By: /s/ Tracy B. Bracco
Name: Tracey B. Bracco
Title: Vice President

CLP GRAND VICTORIAN TENANT TRS CORP.,
a Delaware corporation

By: /s/ Tracy B. Bracco
Name: Tracey B. Bracco
Title: Vice President

CLP FAYETTEVILLE AR TENANT CORP.,
a Delaware corporation

By: /s/ Tracy B. Bracco
Name: Tracey B. Bracco
Title: Vice President

TCV SENIOR LIVING, LLC,
a Delaware limited liability company

By: /s/ Tracy B. Bracco
Name: Tracey B. Bracco
Title: Vice President

CLP GEORGIA SL TENANT TRS CORP.,
a Delaware corporation

By: /s/ Tracy B. Bracco
Name: Tracey B. Bracco
Title: Vice President

CLP MOLINE IL TENANT TRS CORP.,
a Delaware corporation

By: /s/ Tracy B. Bracco
Name: Tracey B. Bracco
Title: Vice President

CLP CARSON CITY NV TENANT TRS CORP.,
a Delaware corporation

By: /s/ Tracy B. Bracco
Name: Tracey B. Bracco
Title: Vice President

CLP GODFREY TENANT TRS CORP.,
a Delaware corporation

By: /s/ Tracy B. Bracco
Name: Tracey B. Bracco
Title: Vice President

CLP LAUREL CREEK GA TENANT CORP.,
a Delaware corporation

By: /s/ Tracy B. Bracco
Name: Tracey B. Bracco
Title: Vice President

The following exhibit to this agreement has been omitted. The Company agrees to furnish supplementally a copy of the omitted exhibit to the Securities and Exchange Commission upon request.

EXHIBIT 1

Notice of Suspension

PARTIAL TERMINATION OF AND THIRTEENTH AMENDMENT TO
AMENDED AND RESTATED MASTER LEASE AGREEMENT
(LEASE NO. 1)

THIS PARTIAL TERMINATION OF AND THIRTEENTH AMENDMENT TO AMENDED AND RESTATED MASTER LEASE AGREEMENT (LEASE NO. 1) (this “ Amendment ”) is made and entered into as of February 17, 2015 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 ”).

W I T N E S S E T H :

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, that certain Seventh Amendment to Amended and Restated Master Lease Agreement (Lease No. 1), dated as of June 20, 2011, that certain Eighth Amendment to Amended and Restated Master Lease Agreement (Lease No. 1), dated as of August 31, 2012, that certain Partial Termination of and Ninth Amendment to Amended and Restated Master Lease Agreement (Lease No. 1), dated as of August 1, 2013, that certain Partial Termination of and Tenth Amendment to Amended and Restated Master Lease Agreement (Lease No. 1), dated as of January 22, 2014, that certain Partial Termination of and Eleventh Amendment to Amended and Restated Master Lease Agreement (Lease No. 1), dated as of October 1, 2014, and that certain Partial Termination of and Twelfth Amendment to Amended and Restated Master Lease Agreement (Lease No. 1), dated as of October 31, 2014 (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 is selling a portion of the Leased Property consisting of the real property and related improvements formerly known as Ridgepointe Assisted Living and located at 5301 Brownsville Road, Pittsburgh, Pennsylvania, as more particularly described on Exhibit A-40 to Amended Lease No. 1 (the “ Ridgepointe Property ”); and

WHEREAS , in connection with the foregoing, SNH/LTA Properties Trust and the other entities comprising Landlord and Five Star Quality Care Trust and the other entities comprising Tenant wish to amend Amended Lease No. 1 to terminate Amended Lease No. 1 with respect to the Ridgepointe 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. Partial Termination of Amended Lease No. 1. Amended Lease No. 1 is terminated with respect to the Ridgepointe Property and neither Landlord nor Tenant shall have any further rights or liabilities thereunder with respect to the Ridgepointe Property from and after the date hereof, except for those rights and liabilities which by their terms survive the termination of Amended Lease No. 1.

2. 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 Four Hundred Fifty-Two Thousand Two Hundred Forty-Seven and 26/100 Dollars (\$58,452,247.26) per annum.

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

4. Exhibit A. Exhibit A to Amended Lease No. 1 is amended by deleting the text of Exhibit A-40 attached thereto in their entirety and replacing it with “Intentionally Deleted”.

5. 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
SPTMNR PROPERTIES TRUST
SNH/LTA PROPERTIES TRUST
SPTIHS PROPERTIES TRUST
SNH CHS PROPERTIES TRUST
SNH/LTA PROPERTIES GA LLC**

By: /s/ David J. Hegarty
David J. Hegarty
President of each of the foregoing entities

**MSD – MACON, LLC
MSD – BEAUFORT, LLC
MSD – CAMDEN, LLC
MSD – HARTSVILLE, LLC
MSD – LEXINGTON, LLC
MSD – ORANGEBURG, LLC
MSD – SENECA, LLC
MSD – CULLMAN, LLC
MSD – MADISON, LLC
MSD – SHEFFIELD, LLC
MSD – BOWLING GREEN, LLC
MSD – PADUCAH, LLC
MSD – CONYERS, LLC
MSD – GAINESVILLE, LLC
MSD – CLEVELAND, LLC
MSD – COOKEVILLE, LLC
MSD – JACKSON, LLC
MSD – KNOXVILLE, LLC
MSD – FRANKLIN, LLC
MSD – HOPKINSVILLE, LLC**

By: /s/ David J. Hegarty
David J. Hegarty
President of each of the foregoing entities

TENANT:

**FIVE STAR QUALITY CARE TRUST
MORNINGSIDE OF KNOXVILLE, LLC
MORNINGSIDE OF FRANKLIN, LLC**

By: /s/ Bruce J. Mackey Jr.
Bruce J. Mackey Jr.
President of each of the foregoing entities

**MORNINGSIDE OF MACON, LLC
MORNINGSIDE OF SENECA, L.P.
MORNINGSIDE OF HOPKINSVILLE, LIMITED
PARTNERSHIP**

By: LIFETRUST AMERICA, INC.,
a Tennessee corporation, its General
Partner/Member (as applicable)

By: /s/ Bruce J. Mackey Jr.
Bruce J. Mackey Jr.
President and Chief Executive Officer

**MORNINGSIDE OF BEAUFORT, LLC
MORNINGSIDE OF CAMDEN, LLC
MORNINGSIDE OF HARTSVILLE, LLC
MORNINGSIDE OF LEXINGTON, LLC
MORNINGSIDE OF ORANGEBURG, LLC**

By: MORNINGSIDE OF SOUTH CAROLINA, L.P.,
a Delaware limited partnership, its Sole Member

By: LIFETRUST AMERICA, INC.,
a Tennessee corporation, its General Partner

By: /s/ Bruce J. Mackey Jr.
Bruce J. Mackey Jr.
President and Chief Executive Officer

**MORNINGSIDE OF CULLMAN, LLC
MORNINGSIDE OF MADISON, LLC
MORNINGSIDE OF SHEFFIELD, LLC**

By: MORNINGSIDE OF ALABAMA, L.P.,
a Delaware limited partnership, its Sole Member

By: LIFETRUST AMERICA, INC.,
a Tennessee corporation, its General Partner

By: /s/ Bruce J. Mackey Jr.
Bruce J. Mackey Jr.
President and Chief Executive Officer

**MORNINGSIDE OF BOWLING GREEN, LLC
MORNINGSIDE OF PADUCAH, LLC**

By: MORNINGSIDE OF KENTUCKY,
LIMITED PARTNERSHIP, a Delaware limited
partnership, its Sole Member

By: LIFETRUST AMERICA, INC.,
a Tennessee corporation, its General Partner

By: /s/ Bruce J. Mackey Jr.
Bruce J. Mackey Jr.
President and Chief Executive Officer

**MORNINGSIDE OF CONYERS, LLC
MORNINGSIDE OF GAINESVILLE, LLC**

By: MORNINGSIDE OF GEORGIA, L.P.,
a Delaware limited partnership, its Sole Member

By: LIFETRUST AMERICA, INC.,
a Tennessee corporation, its General Partner

By: /s/ Bruce J. Mackey Jr.
Bruce J. Mackey Jr.
President and Chief Executive Officer

**MORNINGSIDE OF CLEVELAND, LLC
MORNINGSIDE OF COOKEVILLE, LLC
MORNINGSIDE OF JACKSON, LLC**

By: MORNINGSIDE OF TENNESSEE, LLC,
a Delaware limited liability company, its Sole Member

By: /s/ Bruce J. Mackey Jr.
Bruce J. Mackey Jr.
President and Chief Executive Officer

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	Somerford Place - Encinitas 1350 South El Camino Real Encinitas, CA 92024	2009	\$3,092,467	03/31/2008	8%
A-4	Somerford Place - Fresno 6075 North Marks Avenue Fresno, CA 93711	2009	\$3,424,896	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	\$3,065,084	03/31/2008	8%
A-7	Somerford Place - Roseville 110 Sterling Court Roseville, CA 95661	2009	\$2,802,082	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	\$6,341,636	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%
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	\$3,917,902	03/31/2008	8%
A-25	Somerford Place - Columbia 8220 Snowden River Parkway Columbia, MD 21045	2009	\$3,221,426	03/31/2008	8%
A-26	Somerford Place - Frederick 2100 Whittier Drive Frederick, MD 21702	2009	\$5,088,592	03/31/2008	8%
A-27	Somerford Place - Hagerstown 10114 & 10116 Sharpsburg Pike Hagerstown, MD 21740	2009	\$4,066,761	03/31/2008	8%
A-28	The Wellstead of Rogers 20500 and 20600 South Diamond Lake Road Rogers, MN 55374	2009	\$12,646,616	03/01/2008	8%

A-29	Intentionally Deleted.	N/A	N/A	N/A	N/A
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%
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	Intentionally Deleted	N/A	N/A	N/A	N/A
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	Intentionally Omitted	N/A	N/A	N/A	N/A
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	\$2,170,645	01/04/2008	8%
A-50	Meadowmere - Madison Assisted Living 5601 Burke Road Madison, WI 53718	2009	\$2,136,654	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	\$12,348,104	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%

A-54	Haven in Highland Creek 5920 McChesney Drive Charlotte, NC 28269 Laurels in Highland Creek 6101 Clark Creek Parkway Charlotte, NC 28269	2010	\$6,454,157	11/17/2009	8.75%
A-55	Haven in the Village at Carolina Place 13150 Dorman Road Pineville, NC 28134 Laurels in the Village at Carolina Place 13180 Dorman Road Pineville, NC 28134	2010	\$7,052,425	11/17/2009	8.75%
A-56	Haven in the Summit 3 Summit Terrace Columbia, SC 29229	2010	\$2,308,737	11/17/2009	8.75%
A-57	Haven in the Village at Chanticleer 355 Berkman Lane Greenville, SC 29605	2010	\$2,197,919	11/17/2009	8.75%
A-58	Intentionally Deleted	N/A	N/A	N/A	N/A
A-59	Haven in Stone Oak 511 Knights Cross Drive San Antonio, TX 78258 Laurels in Stone Oak 575 Knights Cross Drive San Antonio, TX 78258	2010	\$6,584,027	11/17/2009	8.75%
A-60	Eastside Gardens 2078 Scenic Highway North Snellville, GA 30078	2010	\$1,766,628	12/10/2009	8.75%
A-61	Crimson Pointe 7130 Crimson Ridge Drive Rockford, IL 61107	2012	\$2,568,827	05/01/2011	8%
A-62	Talbot Park 6311 Granby Street Norfolk, VA 23305	2012	\$3,866,871	06/20/2011	7.5%
A-63	The Landing at Parkwood Village 1720 Parkwood Boulevard Wilson, NC 27893	2012	\$4,318,990	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%
A-66	Morningside of Macon 6191 Peake Road Macon, GA 31220	2006	\$1,298,541	11/19/2004	9%
A-67	Morningside of Beaufort 109 Old Salem Road Beaufort, SC 29902	2006	\$1,337,453	11/19/2004	9%
A-68	Morningside of Camden 719 Kershaw Highway Camden, SC 29020	2006	\$1,595,035	11/19/2004	9%
A-69	Morningside of Hartsville 1901 West Carolina Avenue Hartsville, SC 29550	2006	\$1,507,131	11/19/2004	9%
A-70	Morningside of Lexington 218 Old Chapin Road Lexington, SC 29072	2006	\$1,638,422	11/19/2004	9%
A-71	Morningside of Orangeburg 2306 Riverbank Drive Orangeburg, SC 29118	2006	\$1,129,764	11/19/2004	9%
A-72	Morningside of Seneca 15855 Wells Highway Seneca, SC 29678	2006	\$1,684,477	11/19/2004	9%
A-73	Morningside of Cullman 2021 Dahlke Dr. NE Cullman, AL 32058	2006	\$1,413,633	11/19/2004	9%
A-74	Morningside of Madison 49 Hughes Road Madison, AL 35758	2006	\$1,531,206	11/19/2004	9%
A-75	Morningside of Sheffield 413 D. D. Cox Boulevard Sheffield, AL 35660	2006	\$1,495,038	11/19/2004	9%
A-76	Morningside of Bowling Green 981 Campbell Lane Bowling Green, KY 42104	2006	\$1,458,781	11/19/2004	9%
A-77	Morningside of Paducah 1700 Elmdale Road Paducah, KY 42003	2006	\$2,012,245	11/19/2004	9%
A-78	Morningside of Conyers 1352 Wellbrook Circle Conyers, GA 30012	2006	\$1,646,910	11/19/2004	9%
A-79	Morningside of Gainesville 2435 Limestone Parkway Gainesville, GA 30501	2006	\$1,453,250	11/19/2004	9%

A-80	Morningside of Cleveland 2900 Westside Drive, N.W. Cleveland, TN 37312	2006	\$1,212,846	11/19/2004	9%
A-81	Morningside of Cookeville 1010 East Spring Street Cookeville, TN 38501	2006	\$1,513,932	11/19/2004	9%
A-82	Morningside of Jackson 1200 North Parkway Jackson, TN 38305	2006	\$1,787,155	11/19/2004	9%
A-83	Williamsburg Villas A Morningside Community 3020 Heatherton Way Knoxville, TN 37920	2006	\$2,728,841	11/19/2004	9%
A-84	Morningside of Franklin 105 Sunrise Circle Franklin, TN 37067	2006	\$1,582,509	11/19/2004	9%
A-85	Morningside of Hopkinsville 4190 Lafayette Road Hopkinsville, KY 42240	2006	\$1,444,246	11/19/2004	9%



Senior Housing Properties Trust
Computation of Ratio of Earnings to Fixed Charges
(dollars in thousands)

	Three Months Ended March 31 ,	Year Ended December 31,				
	2015	2014	2013	2012	2011	2010
Earnings:						
Pre-tax income from continuing operations before equity in earnings of an investee	\$ 40,068	\$ 162,141	\$ 183,997	\$ 131,882	\$ 148,128	\$ 116,373
Fixed charges	<u>35,942</u>	<u>135,114</u>	<u>117,819</u>	<u>117,240</u>	<u>98,262</u>	<u>80,017</u>
Adjusted earnings	<u>\$ 76,010</u>	<u>\$ 297,255</u>	<u>\$ 301,816</u>	<u>\$ 249,122</u>	<u>\$ 246,390</u>	<u>\$ 196,390</u>
Fixed charges:						
Interest expense	<u>\$ 35,942</u>	<u>\$ 135,114</u>	<u>\$ 117,819</u>	<u>\$ 117,240</u>	<u>\$ 98,262</u>	<u>\$ 80,017</u>
Ratio of earnings to fixed charges	<u>2.1 x</u>	<u>2.2 x</u>	<u>2.6 x</u>	<u>2.1 x</u>	<u>2.5x</u>	<u>2.5 x</u>

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: May 6, 2015

/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: May 6, 2015

/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: May 6, 2015

/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:
 - 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: May 6, 2015

/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 March 31 , 201 5 (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: May 6 , 201 5

MANAGEMENT AGREEMENT

FOR

**4461 N. Crossover road
fayetteville, arkansas**

MARCH 30, 2015

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MANAGEMENT AGREEMENT

THIS MANAGEMENT AGREEMENT (“Agreement”) is entered into as of March 30, 2015, by and between FVE Managers, Inc., a Maryland corporation (“Manager”), and SNH AL AIMO Tenant, Inc., a Maryland corporation (“SNH TRS”).

RECITALS:

WHEREAS, SNH AL AIMO, Inc. (“Owner”) intends to acquire certain real estate and personal property described in Exhibit A, attached hereto (the “Facility”), which Owner will lease to SNH TRS and which will be licensed as an assisted living facility; and

WHEREAS, SNH TRS wishes to appoint Manager as manager of the Facility and Manager desires to accept such appointment and manage the Facility effective upon Owner’s acquisition thereof and the lease to SNH TRS, all on the terms and conditions herein provided;

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 McGladrey LLP or such other firm of independent certified public accountants as may be approved by SNH TRS and Manager.

Section 1.02. “Adverse Regulatory Event” is defined in Section 8.04(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 SNH TRS and Manager, and any amendments hereto.

Section 1.05. “Annual Operating Budget” is defined in Section 7.01.

Section 1.06. “Approved Budget” is defined in Section 7.01.

Section 1.07. “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 1.08. "Base Fee" is defined in Section 3.01.

Section 1.09. "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 1.10. "Capital Replacements" means replacements and renewals of FF&E at the Facility and such repairs, maintenance, alterations, improvements, renewals and replacements to the Facility building and its mechanical systems which are classified as capital expenditures under GAAP.

Section 1.11. "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 SNH TRS, 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 1.12. "Code" means the Internal Revenue Code of 1986, as amended.

Section 1.13. "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 1.14. "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 1.15. "Event of Default" is defined in Section 14.01, as to Manager, and in Section 14.02, as to SNH TRS.

Section 1.16. "Facility" is defined in the recitals to this Agreement.

Section 1.17. "Facility Expenses" means all costs and expenses related to the maintenance, operation, repair, renovation, replacement and staffing of the 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 Facility; (b) amounts payable to third parties or expenses otherwise incurred with respect to the marketing, advertising, leasing, use, repair or maintenance of the 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 incurred by Manager for all personnel employed, and independent contractors who provide services, at the Facility or whose services are entirely allocable to the 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 Facility; (h) costs of insurance premiums for insurance at the Facility; (i) the Base Fee payable to Manager; (j) costs incurred by Manager for electronic data processing equipment, systems, software or services used at the 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 Facility or SNH TRS 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 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 Facility or SNH TRS 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 Facility Expenses (e.g., advertising, information technology, reporting and other systems for the operation of the 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 SNH TRS or its Affiliates or other parties, Manager shall identify such Shared Expenses in the Annual Operating Budget and the basis for allocation. In addition, Manager may allocate as a 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 Facility and at other senior housing facilities managed or operated by Manager (a “Shared Employee”) in accordance with an allocation formula approved by the SNH TRS, which approval shall not be unreasonably withheld, conditioned or delayed.

Facility Expenses shall not include, unless otherwise approved by SNH TRS: 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 Facility, except for such Facility related travel expenses as are generally reimbursed or paid pursuant to the Facility’s policies and procedures.

Section 1.18. “FF&E” means furniture, fixtures, furnishings, soft goods, case goods, vehicles, systems and equipment.

Section 1.19. “GAAP” means generally accepted accounting principles as adopted by the American Institute of Certified Public Accountants.

Section 1.20. “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 1.21. “Gross Revenues” means all revenues derived from operating the 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 Facility; provided that, Gross Revenues shall not include: (i) gratuities to employees at the 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 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 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 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 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 SNH TRS in respect of any litigation other than litigation to collect fees due for services rendered at the 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 1.22. "Home Office Personnel" is defined in Section 4.03.

Section 1.23. "Household Replacements" means supply items including linen, china, glassware, silver, uniforms, and similar items.

Section 1.24. "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 Facility, SNH TRS or Manager with respect to the Facility or the operation thereof, or otherwise in respect of or be a lien upon the 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 SNH TRS or Manager or (ii) any franchise, corporate, capital levy or transfer tax imposed on SNH TRS or Manager.

Section 1.25. "Incentive Fee" is defined in Section 3.01.

Section 1.26. "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 Facility regarding the procedures and techniques to be used in operation of the Facility.

Section 1.27. "Interest Rate" means an annual rate of 8%, but not higher than the highest rate permitted by law.

Section 1.28. "Invested Capital" means an amount equal to the purchase price of the Facility paid by Owner (including acquisition expenses and the principal amount of any indebtedness secured by a Mortgage and any refinancing thereof), increased by any amounts paid by SNH TRS, or Owner, for Capital Replacements (and excluding amounts funded by SNH TRS for Working Capital) as reflected on the books and records of Owner and SNH TRS, less any amounts representing proceeds from the sale of Capital Replacements or any other capital asset, and in all events, subject to adjustment based on any audit conducted pursuant to Section 6.03(b).

Section 1.29. "Lease" is defined in Section 8.02(a).

Section 1.30. "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 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 1.31. "Manager" is defined in the initial paragraph of this Agreement.

Section 1.32. "Management Fees" means the Base Fee and the Incentive Fee.

Section 1.33. "Mortgage" means any mortgage or deed of trust recorded against the Facility.

Section 1.34. "Net Operating Income" means the excess (if any) of Gross Revenues over Facility Expenses, calculated on an accrual basis.

Section 1.35. "Owner" is defined in the Recitals to this Agreement .

Section 1.36. "Person" means any natural person, corporation, limited liability company, trust, joint venture, partnership, Governmental Authority or other entity.

Section 1.37. "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 1.38. "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 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 1.39. "Residents" means the individuals residing at the Facility.

Section 1.40. "SNH TRS" is defined in the initial paragraph to this Agreement.

Section 1.41. "SNH TRS Priority Return" means an annual amount equal to eight percent (8%) of Invested Capital.

Section 1.42. "SNH TRS Residual Payment" means an amount equal to the Net Operating Income remaining after payment of the SNH TRS Priority Return and the Incentive Fee.

Section 1.43. "State" means the state in which the Facility is located and any regulatory agencies within the State with overview authority or other authority over the Facility, and any other state that asserts regulatory authority over the Facility or with respect to its Residents, to the extent thereof.

Section 1.44. "Term" is defined in Section 12.01.

Section 1.45. "Termination Fee" means, if this Agreement is terminated under Section 14.04 after December 31, 2016, 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 1.46. "Unsuitable for Use" means, as a result of damage, destruction or partial Condemnation, the 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 Facility cannot be operated on a commercially practicable basis.

Section 1.47. "Working Capital" means funds used in the day-to-day operation of the Facility.

ARTICLE II APPOINTMENT OF MANAGER

Section 2.01 . Appointment of Manager . Effective on Owner's acquisition of the Facility and the lease to SNH TRS, subject to the terms and conditions of this Agreement, SNH TRS hereby appoints

Manager as the sole and exclusive Manager for the daily operation and management of the 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 and operation of the Facility in a financially sound, cost-effective and efficient manner; and (ii) establish and maintain programs to promote the most effective utilization of the 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 Facility;

(d) establish appropriate marketing programs;

(e) maintain well trained, quality staff, in sufficient number, at the Facility;

(f) institute (i) a sound financial accounting system for the 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 assisted living facility (or such other type of senior living facility as the Facility may then be operated as).

ARTICLE II I

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 (" Base Fee ") during the Term equal to three percent (3%) of the Gross Revenues of the Facility and an additional fee (" Incentive Fee ") equal to thirty-five percent (35%) of Net Operating Income after payment of the SNH TRS Priority Return. 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 3.0 2. Working Capital . Upon execution of this Agreement, SNH TRS will advance to Manager, as Working Capital, an amount equal to \$1,500, multiplied by the number of units at the Facility. Manager may, from time to time, request SNH TRS to fund additional amounts as Working Capital to pay Facility Expenses and if the parties do not agree on such additional amounts, the matter shall be referred to arbitration.

Section 3.0 3. Capital Replacements . The cost of all Capital Replacements in an Approved Budget shall be funded by SNH TRS. Funding will be made by SNH TRS from time to time, after receipt by SNH TRS of such information from Manager regarding the acquisition, initiation or implementation of any Capital Replacements and the progress and performance thereof as SNH TRS may reasonably require.

Section 3.0 4. Insufficient Funds. If at any time available Working Capital is insufficient to pay Facility Expenses and SNH TRS has not timely funded additional amounts for such purpose or SNH TRS 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 Facility Expenses or the cost of Capital Replacements to such extent. If Manager does advance its own funds, at such time as SNH TRS advances funds to reimburse Manager, whether by agreement or pursuant to an Award, SNH TRS 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, SNH TRS shall be entitled to offset such interest against its obligation under this Section 3.04.

ARTICLE I V MANAGEMENT SERVICES

Section 4.01 . Authority of Manager and Management Services . Subject to the terms of this Agreement, Manager shall have discretion and control, free from interference, interruption or disturbance from SNH TRS or those claiming by, through or under SNH TRS, in all matters relating to the day-to-day management and operation of the Facility. Such discretion and control shall include the authority to negotiate and execute contracts in its own name, in the name of and on behalf of SNH TRS and/or the Facility, in each case, subject to the terms of this Agreement. Manager shall implement all aspects of the operation of the 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:

(a) enter into all contracts, leases and agreements required in the ordinary course of business for the supply, operation, maintenance of and provision of services to the 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 Facility); provided that, unless specifically set forth in the Approved Budget, Manager shall obtain the written consent of SNH TRS 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;

(b) purchase such inventories, provisions, food, supplies, Household Replacements and other expendable items as are necessary to operate and maintain the Facility in the manner required pursuant to this Agreement;

(c) provide care to Residents in compliance with the resident agreements in use at the 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 SNH TRS, in the name of SNH TRS, 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 and operation of the Facility;

(e) prepare a marketing plan and direct all the marketing efforts; and

(f) oversee, manage and direct all day-to-day operations.

Section 4.0 2. 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 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. 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. Manager shall have the power to hire, dismiss or transfer the executive director at the Facility, provided Manager shall keep SNH TRS informed with respect to the Manager's intentions to transfer or terminate the executive director and shall consult with SNH TRS with respect to the hiring of a replacement, it being understood that any final decision shall be made by Manager. If SNH TRS becomes dissatisfied with the performance of the executive director, SNH TRS shall have the right to confer with representatives of Manager to discuss the replacement of the executive director or other action, which shall be within the discretion of Manager.

Section 4.0 3. 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 Facility Expense unless agreed to in advance by SNH TRS. Manager shall further make its Home Office Personnel available for consultation and advice related to the Facility without charge other than its Management Fee. If SNH TRS requests a type, form or level of service from Manager's Home Office Personnel of a nature that would otherwise be a Facility Expense, Manager shall provide such services by Home Office Personnel for an additional cost to be agreed to in advance by Manager and SNH TRS, which shall be a 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 4.0 4. Resident Agreements. Manager shall submit any forms of resident agreements or other occupancy agreements used in conjunction with the Facility for SNH TRS's approval before they are used. Manager shall act as an authorized representative of SNH TRS 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 SNH TRS, which consent shall not be unreasonably withheld, conditioned or delayed.

Section 4.0 5. 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 SNH TRS as a transaction with an Affiliate of Manager.

Section 4.0 6. Legal Requirements.

(a) Subject to SNH TRS's discharge of its obligations under Section 4.06(b), Manager shall obtain and maintain on behalf of and in the name of the Facility and/or SNH TRS (as applicable) all permits, licenses and certificates required by any Governmental Authority for the use, operation or management of the Facility as a licensed assisted living facility (or such other type of senior living facility as the Facility may then be operated as) providing personal care services in the State.

(b) SNH TRS agrees: (i) to sign promptly all applications for permits, licenses, and certificates necessary for the use, operation and management of the 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 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 Facility.

(c) Manager shall cause all things to be done in and about the Facility as may be reasonably necessary to comply with all applicable Legal Requirements respecting the use, operation and management of the 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.

(d) If either party receives any written notice, report or other correspondence from a Governmental Authority which asserts a deficiency relating to the operation of the 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 or maintain the Facility, such party shall give the other party prompt notice thereof and not later than three (3) Business Days after receipt.

ARTICLE V COLLECTIONS AND PAYMENTS

Section 5.0 1. 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 Facility Expenses (excluding the Base Fee),
- Second, to pay Manager all accrued but unpaid Base Fee,
- Third, to pay SNH TRS all accrued but unpaid SNH TRS Priority Return,
- Fourth, to pay Manager the Incentive Fee, and
- Fifth, to pay SNH TRS the SNH TRS Residual Payment.

Section 5.0 2. Timing of Payments. Payment of the Facility Expenses, excluding the Base Fee, shall be made in the ordinary course of business to the extent of available Gross Revenues and Working Capital. The Base 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 SNH TRS Priority Return shall be paid on the first Business Day of each calendar month, in advance in approximately equal monthly installments, based upon Invested Capital most recently reported to Manager by SNH TRS. The Base Fee and SNH TRS Priority Return 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 and the increases in Capital Replacements reported to Manager by SNH TRS for the month just ended. If any installment of the Base Fee or the SNH TRS Priority Return is not paid when due, it shall accrue interest at the Interest Rate. The Incentive Fee and SNH TRS Residual Payment shall be paid on the last Business Day of the calendar month following the month to which such Incentive Fee and SNH TRS Residual Payment relate, in arrears, and based upon the monthly financial statements. 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 5.0 3. Credits and Collections. Manager shall adopt credit and collection policies and procedures. Manager shall institute monthly billing by the Facility and take all steps necessary to collect accounts and monies owed to the Facility, which may include the institution of legal proceedings.

Section 5.0 4. Depositories for Funds. Manager shall maintain one or more accounts in the name of SNH TRS in one or more banks selected by Manager and approved by SNH TRS and may deposit therein all Gross Revenues and other funds collected or received by Manager and due to SNH TRS as owner of the Facility. Manager shall be authorized to access the accounts without the approval of SNH TRS, subject to any limitation on the maximum amount of any check, if any, established between Manager and SNH TRS as part of the Annual Operating Budget. SNH TRS shall be a signatory on all accounts maintained with respect to the Facility, and SNH TRS shall have the right to require that SNH TRS's signature be required on all checks/withdrawals after the occurrence of an Event of Default by Manager under this Agreement. SNH TRS 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 SNH TRS to provide such instructions shall relieve Manager of its obligations hereunder until such time as such failure is cured.

Section 5.0 5. 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 Facility or this Agreement, unless payment thereof is stayed. SNH TRS 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 SNH TRS 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 SNH TRS'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 V I ACCOUNTING; FINANCIAL STATEMENTS; AUDIT

Section 6.0 1. 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 Facility, including payroll, accounts receivable and accounts payable.

Section 6.0 2. Financial Statements and Reports. Not later than ten (10) Business Days after the end of each calendar month, Manager shall prepare and deliver to SNH TRS 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 SNH TRS may reasonably require. Manager shall provide such other financial statements as SNH TRS may from time to time reasonably request. In addition, at the request of SNH TRS, 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 SNH TRS with information relating to the Facility, Manager and its Affiliates that (i) may be required in order for SNH TRS or its Affiliates to prepare financial

statements and to comply with any applicable tax and securities laws and regulations, (ii) may be required for SNH TRS 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 SNH TRS may reasonably request.

Section 6.0 3. Audit Rights .

(a) SNH TRS 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 Facility, which audit or examination may cover any time period during the Term at SNH TRS's discretion. Such right may be exercised through any agent or employee designated by SNH TRS or by an independent public accountant designated by SNH TRS.

(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 SNH TRS 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 VI I
ANNUAL OPERATING BUDGET

Section 7.0 1. Annual Operating Budget . Manager shall, on or before December 20 in each calendar year during the Term, deliver to SNH TRS for SNH TRS's approval, an annual operating budget for the 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 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 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 SNH TRS 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 SNH TRS shall cooperate to resolve disputed items, provided if the Annual Operating Budget is not approved by SNH TRS within thirty (30) days of SNH TRS'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 SNH TRS'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 SNH TRS, or as resolved by arbitration, will be the "Approved Budget" for the applicable calendar year. Manager will obtain SNH TRS'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. For that portion of the Term ending December 31, 2015, except as otherwise agreed by SNH TRS and Manager, the Approved Budget will be the budget of the prior manager of the Facility, a copy of which has been previously provided to Manager.

ARTICLE VII I
TAX MATTERS; REIT QUALIFICATION

Section 8.0 1. Tax Matters. Manager shall use commercially reasonable efforts to operate the Facility in a manner to best assure that SNH TRS and the 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 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, SNH TRS shall promptly provide all relevant information to Manager upon request, and any late fees or penalties resulting from delays caused by SNH TRS shall be borne by SNH TRS. Manager shall not be responsible for the preparation of SNH TRS's federal or state income tax returns, provided Manager shall cooperate fully with SNH TRS as may be necessary to enable SNH TRS to file such federal or state income tax returns, including by preparing data reasonably requested by SNH TRS and submitting it to SNH TRS as soon as reasonably practicable following such request.

Section 8.0 2. REIT Qualification.

(a) Manager shall take all commercially reasonable actions reasonably requested by SNH TRS or Owner for the purpose of qualifying Owner's rental income from SNH TRS under the lease between Owner and SNH TRS for the Facility (" Lease ") as "rents from real property" pursuant to Sections 856(d)(2), 856(d)(8)(B) and 856(d)(9) of the Code. Manager shall not be liable if such reasonably requested actions, once implemented, fail to have the desired result of qualifying Owner's rental income from SNH TRS under the Lease as "rents from real property" pursuant to Sections 856(d)(2), 856(d)(8)(B) and 856(d)(9) of the Code. This Section 8.02 shall not apply in situations where an Adverse Regulatory Event has occurred; instead, Section 8.04 shall apply.

(b) If SNH TRS or Owner wish to invoke the terms of Section 8.02(a), SNH TRS or Owner (as appropriate) shall contact Manager and the parties shall meet with each other to discuss the relevant issues and to develop a mutually-agreed upon plan for implementing such reasonably requested actions.

(c) Any additional out-of-pocket costs or expenses incurred by Manager in complying with such a request shall be borne by SNH TRS (and shall not be a Facility Expense). SNH TRS shall reimburse Manager for such expense or cost promptly, but not later than five (5) Business Days after such expense or cost is incurred.

Section 8.0 3. Further Compliance with Section 856(d) of the Code. Commencing with the date of this Agreement and continuing throughout the Term, Manager intends to qualify as an "eligible independent contractor" as defined in Section 856(d)(9)(A) of the Code, and:

(a) Manager shall use commercially reasonable efforts not to cause the Facility to fail to qualify as "qualified health care property" as defined in Section 856(e)(6)(D)(i) for purposes of Section 856(d)(8)(B) and Section 856(d)(9) of the Code;

(b) Manager shall not own, directly or indirectly or constructively (within the meaning of Section 856(d)(5) of the Code), more than thirty-five percent (35%) of the shares of Senior Housing Properties Trust, a Maryland real estate investment trust, whether by vote, value or number of shares, and Manager shall otherwise comply with any regulations or other administrative or judicial guidance existing under said Section 856(d)(5) of the Code with respect to such ownership limits; Manager shall cause its

ultimate parent, Five Star Quality Care, Inc. to enforce the restrictions in its charter documents regarding five percent (5%) or greater owners;

(c) Manager shall be actively engaged (or shall, within the meaning of Section 856(d)(9)(F) of the Code, be related to a person that is so actively engaged) in the trade or business of operating “qualified health care property” (defined below) for a person who is not a “related person” within the meaning of Section 856(d)(9)(F) of the Code with respect to Owner or SNH TRS. For these purposes, the parties agree that the activities, as of the date of this Agreement, of Manager’s affiliate, FSQ, Inc., a Delaware corporation and a related person as to Manager within the meaning of Section 856(d)(9)(F) of the Code, including in particular the six management contracts pursuant to which FSQ, Inc. has been and is formally engaged as manager by other affiliates (but not subsidiaries) of Manager, render Manager in compliance with the previous sentence. Manager, without the prior consent of SNH TRS, shall not permit or suffer FSQ, Inc.’s level of management activity in respect of “qualified health care properties” to be materially less than its level of such activity on the date of this Agreement;

(d) A “qualified health care property” is defined by reference to Section 856(e)(6)(D)(i) of the Code and means any real property, and any personal property incident to such real property, which is a “health care facility” described in Section 856(e)(6)(D)(ii) or is necessary or incidental to the use of a health care facility. A “health care facility” means: a hospital; a nursing facility; an assisted living facility; a congregate care facility; a qualified continuing care facility; or another licensed facility which extends medical or nursing or ancillary services to patients and which is operated by a provider of such services eligible for participation in the Medicare program under title XVIII of the Social Security Act with respect to such facility; and

(e) Manager, without the prior consent of SNH TRS, which consent shall not be unreasonably withheld, conditioned or delayed, shall not permit or suffer:

(i) Manager to fail to continue as a corporation under state law and taxable under the Code as an association;

(ii) Manager’s affiliate, FSQ, Inc., a Delaware corporation, to fail to be a corporation under state law and taxable under the Code as an association; or

(iii) for so long as Owner or SNH TRS or any Affiliate of Owner or SNH TRS shall seek to qualify as a “real estate investment trust” under the Code, Manager to be reorganized, restructured, combined, merged or amalgamated with any Affiliate (as to Manager) in such manner that any such Affiliate would, or could, be expected to adversely affect (including, e.g., by application of any Person’s actual “disregarded entity” status under the Code) the status that Manager has as a Code Section 856(d)(9)(A) “eligible independent contractor” at a “qualified health care property” owned or leased by Owner or SNH TRS.

Section 8.0 4. Adverse Regulatory Event.

(a) In the event of an Adverse Regulatory Event arising from or in connection with this Agreement, SNH TRS 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 8.04. 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 Owner’s or SNH TRS’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 under the Lease as “rents from real property” under Section 856(d) of the Code.

(c) SNH TRS 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 9.0 1. Financing of the Facility. Manager shall cooperate with Owner and SNH TRS in connection with any financing by Owner of the Facility.

Section 9.0 2. SNH TRS’s Right To Inspect. SNH TRS or its employees, representatives, lenders or agents shall have access to the Facility and the files, books, accounts, and records of Manager related to the Facility at any and all reasonable times during usual business hours for the purpose of inspection or showing the Facility to prospective purchasers, investors, Residents or mortgagees.

ARTICLE X REPAIRS AND MAINTENANCE

Section 10.0 1. Repairs, Maintenance and Capital Replacements. Manager shall maintain the Facility in good, orderly, clean and safe repair and condition consistent with a first class assisted living facility (or such other type of senior living facility as the Facility may then be operated as), 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 SNH TRS. The cost of such Capital Replacements shall be funded by SNH TRS.

Section 10.0 2. 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 Facility or the continued safe operation of the 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 SNH TRS and subject to SNH TRS’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 Facility without receiving SNH TRS’s prior consent: (a) in an emergency threatening the safety of such Facility or its Residents, invitees or employees or imminent material physical damage to the Facility, or (b) if the continuation of the given condition will subject Manager and/or SNH TRS 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 10.0 3. Liens. Manager shall use commercially reasonable efforts to prevent any liens from being filed against the Facility which arise from any maintenance, repairs, alterations,

improvements, renewals or replacements in or to the Facility. Manager shall not file any lien against the Facility.

Section 10.0 4. Ownership. All repairs, replacements, alterations and additions shall be the property of Owner or SNH TRS, as may be provided in the lease of the Facility.

Section 10.0 5. Casualty or Condemnation. If, during the Term, the 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 Facility is Unsuited for Use, either Manager or SNH TRS may terminate this Agreement by sixty (60) days written notice to the other and SNH TRS and/or Owner 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 Facility is not rendered Unsuited for Use, SNH TRS shall (or shall cause the Owner to) make the insurance proceeds or award received by SNH TRS and/or Owner available to Manager as necessary to repair or restore the destroyed or untaken portion of the Facility to the same condition as existed previously, provided Manager shall have the right to discontinue operating all or a portion of the Facility pending completion of the repairs or restoration as necessary to comply with Legal Requirements or for the safe and orderly operation of the Facility.

If the cost of repair or restoration is less than the insurance proceeds or award received by SNH TRS and/or Owner, SNH TRS shall (or shall cause the Owner to) make available the funds necessary to permit the 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 SNH TRS and Owner setting forth in reasonable detail the nature of such deficiency, and SNH TRS and Owner shall promptly advise Manager whether SNH TRS and/or Owner will fund the deficiency. If neither SNH TRS nor Owner elect to fund the deficiency, Manager may terminate this Agreement by notice to SNH TRS.

Any obligation of SNH TRS and/or Owner to make funds available to Manager to repair or restore the 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 Facility had been rendered Unsuited for Use.

ARTICLE X I INSURANCE

Section 11.0 1. General Insurance Requirements. Manager shall, at all times during the Term, keep (or cause to be kept) the 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 SNH TRS 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 11.0 2. Waiver of Subrogation. SNH TRS 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 SNH TRS 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 SNH TRS or Manager shall self insure in accordance with the terms hereof, SNH TRS 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, SNH TRS shall not be liable for reimbursement to Manager for such extra premium.

Section 11.0 3. Risk Management. Manager shall be responsible for the provision of risk management oversight at the Facility.

ARTICLE XI I TERM AND TERMINATION

Section 12.0 1. Term. The Term of this Agreement shall begin on the date hereof and end December 31, 2030 (" Term "), provided the Term will be automatically extended for two consecutive periods of fifteen (15) years each unless notice of non-renewal is given by Manager at least twenty-four (24) months prior to the end of the then current Term, unless sooner terminated as provided in this Agreement. 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, or of the second extension period, as the case may be, SNH TRS may terminate this Agreement.

Section 12.0 2. Early Termination. Either party may terminate this Agreement, effective as of December 31, 2016, for any reason or for no reason at all, by written notice given to the other at least 180 days in advance.

ARTICLE XII I TRANSITION ON TERMINATION

Section 13.0 1. Termination. Upon any termination of this Agreement, except as otherwise provided in Section 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 SNH TRS. 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 SNH TRS the following:

- (i) a final accounting, reflecting the balance of income and expenses of the 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 SNH TRS or Resident deposits, or both, held by Manager with respect to the 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 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 of the Facility, but shall not be required to incur

any monetary expenditures in connection therewith (unless SNH TRS agrees to reimburse Manager therefor).

ARTICLE XI V
DEFAULTS

Section 14.0 1. 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 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 SNH TRS in case of monetary defaults or (ii) for a period of twenty (20) Business Days after Manager receives notice from SNH TRS 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 SNH TRS 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 SNH TRS or an Affiliate of SNH TRS, which continues beyond any applicable notice and cure period.

Section 14.0 2. Default by SNH TRS. An Event of Default with respect to SNH TRS shall occur in the event of any of the following:

- (a) the Bankruptcy of SNH TRS;
- (b) the gross negligence or willful misconduct of SNH TRS 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 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 SNH TRS or one of its Affiliates;
- (d) SNH TRS 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 SNH TRS and such failure shall continue (x) for a period of five (5) Business Days after SNH TRS receives notice from Manager in case of monetary defaults or (y) for a period of twenty (20) Business Days after SNH TRS 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 SNH TRS shall be entitled to such additional time as shall be reasonable, provided the default is curable, SNH TRS 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 14.0 3. Remedies of SNH TRS . Upon the occurrence of an Event of Default by Manager, SNH TRS may terminate this Agreement immediately upon notice and shall be entitled to exercise any other rights at law or in equity.

Section 14.0 4. Remedies of Manager . Upon the occurrence of an Event of Default by SNH TRS described in Section 14.02, Manager may terminate this Agreement on thirty (30) days notice and SNH TRS shall pay Manager the Termination Fee within thirty (30) days of the effective date of termination if the termination occurs after December 31, 2016, 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 SNH TRS 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 SNH TRS 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 SNH TRS or Manager, shall be deemed to be in exclusion of any right or remedy of SNH TRS or Manager.

ARTICLE X V GOVERNING LAW, ARBITRATION, LIABILITY OF MANAGER AND INDEMNITY

Section 15.0 1. Governing Law, Etc. This Agreement shall be interpreted, construed, applied and enforced in accordance with the laws of the Commonwealth of Massachusetts applicable to contracts between residents of Massachusetts which are to be performed entirely within Massachusetts, 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 Massachusetts; or (vii) any combination of the foregoing.

Section 15.0 2. 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 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 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 15.0 3. 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 15.0 4. 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 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 15.0 5. Indemnity. In any action, proceeding or claim brought or asserted by a third party, Manager will defend, indemnify and hold SNH TRS (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 SNH TRS's reasonable instructions or gross negligence, fraud, or willful misconduct, except to the extent caused by SNH TRS's breach of any material term of this Agreement, gross negligence, fraud or willful misconduct. SNH TRS 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 SNH TRS'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 SNH TRS'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.

Section 15.0 6. 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.

ARTICLE XV I PROPRIETARY MARKS; INTELLECTUAL PROPERTY

Section 16.0 1. Proprietary Marks . During the Term of this Agreement, the Facility shall be known as a "Five Star Senior Living" community, with such additional identification as may be necessary and agreed to by SNH TRS and Manager to provide local identification or to comply with local licensing or consumer protection laws.

Section 16.0 2. 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 SNH TRS 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 SNH TRS shall cease forthwith, and SNH TRS shall promptly remove, at Manager's expense, from the Facility any signs or similar items that contain the Proprietary Marks. Upon termination, SNH TRS shall have the right to use any inventory or Household Replacement items marked with the Proprietary Marks exclusively in connection with the Facility until they are consumed.

Section 16.0 3. 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 Facility by Manager, without compensation to SNH TRS.

ARTICLE XVI I
MISCELLANEOUS PROVISIONS

Section 17.0 1. 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:

SNH AL AIMO Tenant, Inc.
c/o Senior Housing Properties Trust
Two Newton Place
255 Washington Street, Suite 300
Newton, Massachusetts 02458
Attn: David J. Hegarty
Telephone: (617) 796-8104
Facsimile: (617) 796-8349
FVE Managers, Inc.
400 Centre Street
Newton, Massachusetts 02458
Attn: Bruce J. Mackey Jr.
Telephone: (617) 796-8214
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 17.0 2. 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 17.0 3. 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 17.0 4. 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 17.0 5. 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 17.0 6. Confidentiality of Business Information. Manager and SNH TRS 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 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 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 SNH TRS 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 Facility.

Section 17.0 7. 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 17.0 8. Assignment. SNH TRS may assign this Agreement to any Affiliate (but only as such term is defined in Section 1.03(i) or (iii)) of SNH TRS without Manager’s consent. Manager shall not assign or transfer its interest in this Agreement without the prior written consent of SNH TRS which may be withheld in SNH TRS’s sole and absolute discretion. If SNH TRS consents to an assignment of this Agreement by Manager, no further assignment shall be made without the express consent in writing of SNH TRS.

Section 17.0 9. Entire Agreement/Amendment. 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. This Agreement may not be modified, altered or amended in any manner except by an amendment in writing, duly executed by the parties hereto.

Section 17.1 0. 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, which is an intended third party beneficiary, 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 17.1 1. Survival. The following provisions shall survive termination or expiration of this Agreement: Sections 11.02, 13.01, 14.03, 14.04 and 14.05, Article XV and Article XVII.

Section 17.1 2. Relationship Between the Parties. The relationship between SNH TRS 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 SNH TRS or (b) Manager is required or authorized to act as authorized representative for SNH TRS with respect to agreements with Residents, filings with and applications to governmental bodies or pursuant to licenses or Legal Requirements, the relationship between SNH TRS 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 SNH TRS 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

SNH TRS:

SNH AL AIMO Tenant, Inc.

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

Exhibit A

4461 N. Crossover Road
Fayetteville, Arkansas

Schedule 4.05

Five Star Rehabilitation and Wellness Services, LLC

Senior Living Insurance Company

Affiliates Insurance Company

Reit Management & Research LLC

Schedule to Exhibit 99.1

There are 14 management agreements with FVE Managers, Inc., a representative form of which is filed herewith. The other management agreements, with the respective entity and applicable to the respective community listed below, are substantially identical in all material respects to the representative form of management agreement filed herewith.

Entity

SNH AL AIMO Tenant, Inc.

Community

Morningside of Jonesboro
4210 S. Caraway Road
Jonesboro, Arkansas
Morningside of Springdale
672 Jones Road
Springdale, Arkansas
Morningside of Branson Meadows
5351 Gretna Road
Branson, Missouri
Morningside of Chesterfield Village
2410 W. Chesterfield Boulevard
Springfield, Missouri
Morningside of Springfield
3540 East Cherokee Street
Springfield, Missouri
Morningside of Sterling
2705 Avenue E.
Sterling, Illinois
Morningside of Pekin
2700 14th Street
Pekin, Illinois
Morningside of Washington
100 Grand Victorian Place
Washington, Illinois
Morningside of Nevada
640 E. Highland Avenue
Nevada, Missouri
The Lodge Assisted Living and Memory Care Community
2200 East Long Street
Carson City, Nevada

SNH AL AIMO Tenant II, Inc.

SNH AL TRS, Inc.

Morningside of Godfrey
1373 D'Adrian Professional Park
Godfrey, Illinois
Amber Ridge Assisted Living
900 43rd Avenue
Moline, Illinois
Amber Ridge Memory Care
221 11th Avenue
Moline, Illinois