

**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 June 30, 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 August 5, 2015: 237,398,662 .

SENIOR HOUSING PROPERTIES TRUST
FORM 10-Q

June 30, 2015

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References in this Quarterly Report on Form 10-Q to “SNH”, “we”, “us” or “our” include Senior Housing Properties Trust and its consolidated subsidiaries unless otherwise expressly stated or the context indicates otherwise.

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)

	June 30, 2015	December 31, 2014
<u>ASSETS</u>		
Real estate properties:		
Land	\$ 785,453	\$ 683,979
Buildings and improvements	6,606,768	5,554,632
	7,392,221	6,238,611
Less accumulated depreciation	(1,066,686)	(983,850)
	6,325,535	5,254,761
Cash and cash equivalents	52,231	27,594
Restricted cash	9,121	10,544
Deferred financing fees, net	27,691	30,549
Acquired real estate leases and other intangible assets, net	650,020	472,788
Other assets	283,428	172,033
Total assets	<u>\$ 7,348,026</u>	<u>\$ 5,968,269</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Unsecured revolving credit facility	\$ 615,000	\$ 80,000
Unsecured term loan	350,000	350,000
Senior unsecured notes, net of discount	1,744,339	1,743,628
Secured debt and capital leases	730,213	627,076
Accrued interest	21,258	20,046
Assumed real estate lease obligations, net	120,732	122,826
Other liabilities	200,263	72,286
Total liabilities	<u>3,781,805</u>	<u>3,015,862</u>
Commitments and contingencies		
Shareholders' equity:		
Common shares of beneficial interest, \$.01 par value: 300,000,000 shares authorized, 237,398,662 and 203,910,305 shares issued and outstanding at June 30, 2015 and December 31, 2014, respectively	2,374	2,039
Additional paid in capital	4,530,734	3,825,063
Cumulative net income	1,429,797	1,353,622
Cumulative other comprehensive income	6,146	3,329
Cumulative distributions	(2,402,830)	(2,231,646)
Total shareholders' equity	<u>3,566,221</u>	<u>2,952,407</u>
Total liabilities and shareholders' equity	<u>\$ 7,348,026</u>	<u>\$ 5,968,269</u>

See accompanying notes.

SENIOR HOUSING PROPERTIES TRUST
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(amounts in thousands, except per share data)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Revenues:				
Rental income	\$ 155,546	\$ 127,669	\$ 301,329	\$ 239,724
Residents fees and services	91,856	79,039	174,649	158,481
Total revenues	247,402	206,708	475,978	398,205
Expenses:				
Property operating expenses	93,592	79,786	179,386	157,590
Depreciation	62,511	46,703	116,218	85,058
General and administrative	11,674	9,577	22,248	17,866
Acquisition related costs	4,617	2,512	5,775	2,635
Total expenses	172,394	138,578	323,627	263,149
Operating income	75,008	68,130	152,351	135,056
Interest and other income	142	154	217	258
Interest expense	(37,907)	(34,112)	(73,848)	(63,012)
Loss on early extinguishment of debt	(39)	—	(1,448)	—
Income from continuing operations before income tax expense and equity in earnings of an investee	37,204	34,172	77,272	72,302
Income tax expense	(129)	(155)	(239)	(346)
Equity in earnings of an investee	23	118	95	21
Income from continuing operations	37,098	34,135	77,128	71,977
Discontinued operations:				
(Loss) income from discontinued operations	(109)	741	(350)	2,041
Impairment of assets from discontinued operations	(602)	387	(602)	(334)
Income before gain on sale of properties	36,387	35,263	76,176	73,684
Gain on sale of properties	—	2,396	—	2,552
Net income	\$ 36,387	\$ 37,659	\$ 76,176	\$ 76,236
Other comprehensive income:				
Change in net unrealized gain (loss) on investments	1,387	640	2,835	(1,280)
Share of comprehensive (loss) income of an investee	(64)	31	(19)	50
Other comprehensive income (loss)	1,323	671	2,816	(1,230)
Comprehensive income	\$ 37,710	\$ 38,330	\$ 78,992	\$ 75,006
Weighted average common shares outstanding (basic)	235,549	199,830	228,501	193,962
Weighted average common shares outstanding (diluted)	235,592	199,867	228,534	193,990
Per common share amounts (basic and diluted):				
Income from continuing operations	0.16	0.18	0.34	0.38
(Loss) income from discontinued operations	(0.01)	0.01	(0.01)	0.01
Net income	\$ 0.15	\$ 0.19	\$ 0.33	\$ 0.39

See accompanying notes.

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

	Six Months Ended	
	June 30,	
	2015	2014
Cash flows from operating activities:		
Net income	\$ 76,176	\$ 76,236
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation	116,218	85,058
Amortization of deferred financing fees and debt discounts and premiums	3,096	3,011
Straight line rental income	(8,699)	(3,938)
Amortization of acquired real estate leases and other intangible assets	(2,376)	153
Loss on early extinguishment of debt	1,448	—
Impairment of assets	602	334
Other non-cash adjustments	(510)	—
Gain on sale of properties	—	(2,552)
Gain on sale of investments	(71)	—
Equity in earnings of an investee	(95)	(21)
Change in assets and liabilities:		
Restricted cash	1,423	1,555
Other assets	(2,803)	7,007
Accrued interest	1,212	4,562
Other liabilities	30,914	7,597
Cash provided by operating activities	216,535	179,002
Cash flows from investing activities:		
Real estate acquisitions and deposits	(1,103,732)	(1,143,340)
Real estate improvements	(35,322)	(37,334)
Investment in Affiliates Insurance Company	—	(825)
Investment in Reit Management & Research Inc.	(16,528)	—
Proceeds from sale of properties	1,750	17,900
Proceeds from sale of investments	6,571	—
Cash used for investing activities	(1,147,261)	(1,163,599)
Cash flows from financing activities:		
Proceeds from issuance of common shares, net	659,502	322,864
Proceeds from issuance of unsecured senior notes, net of discount	—	648,914
Proceeds from unsecured term loan	—	350,000
Proceeds from borrowings on revolving credit facility	1,210,000	90,000
Repayments of borrowings on revolving credit facility	(675,000)	(190,000)
Repayment of other debt	(66,431)	(42,201)
Loss on early extinguishment of debt settled in cash	(1,523)	—
Payment of deferred financing fees	—	(8,038)
Distributions to shareholders	(171,185)	(146,783)
Cash provided by financing activities	955,363	1,024,756
Increase in cash and cash equivalents	24,637	40,159
Cash and cash equivalents at beginning of period	27,594	39,233
Cash and cash equivalents at end of period	\$ 52,231	\$ 79,392
Supplemental cash flow information:		
Interest paid	\$ 69,541	\$ 55,439
Income taxes paid	477	106

Non-cash investing activities:

Investment acquired by issuance of common shares	(44,461)	—
Acquisitions funded by assumed debt	(169,136)	(15,630)

Non-cash financing activities:

Assumption of mortgage notes payable	169,136	15,630
Issuance of common shares	46,503	1,511

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.

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 April 2014, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Update, or ASU, No. 2014-08, *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*. This update amends the criteria for reporting discontinued operations to, among other things, raise the threshold for disposals to qualify as discontinued operations. This update will reduce the number of any future property dispositions we make to be presented as discontinued operations in our condensed consolidated financial statements. We adopted this update on January 1, 2015.

In February 2015, the FASB issued ASU 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 ASU No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, which requires debt issuance costs to be presented in the balance sheets 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 condensed consolidated financial statements other than the reclassification of debt issuance costs from assets to liabilities on our condensed consolidated balance sheets. When adopted, deferred financing costs of \$24,223 and \$26,339 as of June 30, 2015 and December 31, 2014, respectively, will be reclassified from assets to the related debt obligations on our condensed consolidated balance sheets.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue From Contracts With Customers*, which outlines a comprehensive model for entities to use in accounting for revenue arising from contracts with customers. This ASU states that “an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.” While this ASU specifically references contracts with customers, it may apply to certain other transactions such as the sale of real estate or equipment. In July 2015, the FASB approved a one year deferral of the effective date for this ASU to interim and annual reporting periods beginning after December 15, 2017. We are continuing to evaluate this guidance; however, we do not expect its adoption to have a material impact on our condensed consolidated financial statements, as

SENIOR HOUSING PROPERTIES TRUST
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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

a substantial portion of our revenue consists of rental income from leasing arrangements, which are specifically excluded from this ASU.

Note 3. Real Estate Properties

At June 30, 2015, we owned 428 properties (452 buildings) located in 43 states and Washington, D.C. We have accounted, or expect to account for, the following acquisitions as business combinations unless otherwise noted.

Triple Net Leased Senior Living Community Acquisitions:

As previously disclosed, in May 2015, we acquired 37 senior living communities with 3,352 living units for an aggregate contractual purchase price of approximately \$762,611, excluding additional consideration of \$1,391 related to allocated debt issuance costs. Eighteen of the 37 acquired communities are triple net leased senior living communities with 2,119 living units. We acquired these 18 communities for an allocated purchase price of approximately \$454,026, including the assumption of approximately \$44,395 of mortgage debt with a weighted average annual interest rate of 5.07%, and excluding closing costs. As of the date acquired, the weighted average amortization period for capitalized lease origination values was 11.8 years. These 18 communities are leased to seven senior living operators. The remaining 19 senior living communities are managed as described below.

The closing of one additional triple net leased senior living community, under the same purchase agreement for the 37 senior living communities described above, with 87 living units was delayed. The acquisition of this 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.

Triple Net Leased Senior Living Community Acquisitions since January 1, 2015:

Date	Location	Number of Properties	Units / Beds	Cash Paid plus Assumed		Buildings and Improvements	FF&E	Acquired		Assumed Debt	Premium on Assumed
				Debt ⁽¹⁾	Land			Real Estate Leases	Other Liabilities		
May-15	11 States	18	2,119	\$ 454,026	\$ 29,395	\$ 369,445	\$ 20,889	\$ 53,513	\$ (18,091)	\$ (44,395)	\$ (1,125)
		<u>18</u>	<u>2,119</u>	<u>\$ 454,026</u>	<u>\$ 29,395</u>	<u>\$ 369,445</u>	<u>\$ 20,889</u>	<u>\$ 53,513</u>	<u>\$ (18,091)</u>	<u>\$ (44,395)</u>	<u>\$ (1,125)</u>

- (1) These amounts include the cash we paid plus the debt we assumed, if any, as well as other settlement adjustments described above, 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.

In July 2015, we entered into an agreement to acquire one senior living community with 84 living units for approximately \$18,250, excluding closing costs. We intend to lease this community to a third party senior living operator. The acquisition of this 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 or that we will enter the expected lease for this community.

SENIOR HOUSING PROPERTIES TRUST
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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

Managed Senior Living Community Acquisitions:

As part of the transaction described above, in which we acquired 37 senior living communities in May 2015, we acquired 19 managed senior living communities with 1,233 living units for an allocated purchase price of approximately \$309,976, including the assumption of approximately \$94,786 of mortgage debt with a weighted average annual interest rate of 4.12%, and excluding closing costs. These 19 communities were acquired using taxable REIT subsidiary, or TRS, structures. Pursuant to pre-existing management agreements, we paid fees of \$975 and terminated the pre-existing management agreements for 14 of the 19 communities, with 838 living units, and we entered into management agreements with Five Star Quality Care, Inc. or its subsidiaries, or Five Star, to manage these communities. The remaining five communities, with 395 living units, continue to be managed by the pre-existing third party senior living operator. We funded the acquisition of these 37 senior living communities using cash on hand, borrowings under our revolving credit facility and the assumption of mortgage debt described above.

Also in May 2015, we acquired one senior living community with 40 private pay independent living units for a contractual purchase price of approximately \$9,750, excluding closing costs. Pursuant to the purchase agreement, \$1,000 of the purchase price has been withheld until the seller satisfies various conditions. We anticipate these conditions will be satisfied and therefore have recorded the withheld \$1,000 as a liability as of June 30, 2015. This liability is included in other liabilities in our condensed consolidated balance sheets. This senior living community is adjacent to another community that we own which is managed by Five Star. The operations of this community and the community already owned are conducted as a single integrated community under the same management agreement.

Managed Senior Living Community Acquisitions since January 1, 2015:

Date	Location	Number of Properties	Units / Beds	Cash Paid plus Assumed		Buildings and		Acquired		Discount	
				Debt ⁽¹⁾	Land	Improvements	FF&E	Real Estate Leases	Other Liabilities	Assumed Debt	on Assumed Debt
May-15	5 States	19	1,233	\$ 309,976	\$ 12,135	\$ 211,756	\$ 12,209	\$ 73,044	\$ —	\$ (94,786)	\$ 832
May-15	GA	— ⁽²⁾	40	8,750	975	8,775	—	—	(1,000)	—	—
		<u>19</u>	<u>1,273</u>	<u>\$ 318,726</u>	<u>\$ 13,110</u>	<u>\$ 220,531</u>	<u>\$ 12,209</u>	<u>\$ 73,044</u>	<u>\$ (1,000)</u>	<u>\$ (94,786)</u>	<u>\$ 832</u>

(1) These amounts include the cash we paid plus the debt we assumed, if any, as well as other settlement adjustments described above, 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.

(2) This senior living community is adjacent to another community that we own which is managed by Five Star. The operations of this community and the community already owned are conducted as a single integrated community under the same management agreement.

MOB Acquisitions:

In January 2015, we acquired 23 properties (23 buildings) leased to medical providers, medical related businesses, clinics and biotech laboratory tenants, or MOBs, for an aggregate contractual purchase price of \$539,000, net of credits received of \$7,377 related to debt issuance costs and outstanding tenant improvement allowances and excluding closing costs. These MOBs include approximately 2,170,000 leasable square feet. We funded this acquisition using cash on hand, borrowings under our revolving credit facility and the assumption of \$29,955 of mortgage debt with a weighted average annual interest rate of 4.73%. As of the date acquired, the weighted average amortization periods for capitalized above market lease values, lease origination values and capitalized below market lease values were 9.8 years, 9.5 years and 11.1 years, respectively. These 23 properties were purchased from Select Income REIT, or SIR, in connection with

SENIOR HOUSING PROPERTIES TRUST
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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

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		Buildings and Improvements	Acquired Real Estate		Lease Obligations	Acquired Real Estate		Premium on Assumed
				Debt ⁽¹⁾	Land		Leases			Assumed Debt		
Jan-15	12 States	23	2,170	\$ 531,623	\$ 58,294	\$ 392,205	\$ 85,496	\$ (3,298)	\$ (29,955)	\$ (1,074)		
		23	2,170	\$ 531,623	\$ 58,294	\$ 392,205	\$ 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 described above, 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.

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. 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 June 30, 2015, we had three senior living communities with 192 living units categorized as properties held for sale. These three properties are included in other assets in our condensed consolidated balance sheets and have a net book value (after impairment) of approximately \$1,280 at June 30, 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. During 2015, we had one MOB (four buildings) classified in discontinued operations. We sold this MOB in April 2015 as described below. During 2014, we had four MOB's (seven buildings) classified in discontinued operations, three of which (three buildings) were sold in 2014. Summarized income statement information for these MOB's that met the criteria for inclusion in discontinued operations is as follows:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Rental income	\$ 24	\$ 1,432	\$ 56	\$ 3,726
Property operating expenses	(133)	(691)	(406)	(1,685)
(Loss) income from discontinued operations	\$ (109)	\$ 741	\$ (350)	\$ 2,041

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

Dispositions:

In February 2015, we sold one vacant senior living community for a sale price of \$250, excluding closing costs.

In the second quarter of 2015, we recorded an impairment charge of \$602 to adjust the remaining held for sale MOB (four buildings) to its aggregate estimated net sale price. We sold this MOB in April 2015 for a sale price of \$1,500, excluding closing costs.

In July 2015, we sold one of the three senior living communities we categorized as held for sale at June 30, 2015 for a sale price of \$155, excluding closing costs. In August 2015, we sold a second of the three senior living communities we categorized as held for sale at June 30, 2015 for a sale price of \$850, excluding closing costs.

Note 4. Unrealized Gain / Loss on Investments

As of June 30, 2015, we owned 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 Five Star shares as of June 30, 2015 (\$4.80 per share) and our weighted average costs at the time we acquired these shares, as adjusted to reflect any share splits or combinations (\$3.36 per share).

We previously owned 250,000 common shares of Equity Commonwealth (formerly known as CommonWealth REIT), or EQC. We sold all 250,000 of our EQC common shares in May 2015 for net proceeds of \$6,571 . We recognized a gain on the sale of these shares in the amount of \$71 during the second quarter of 2015, which is included in interest and other income in our condensed consolidated statements of comprehensive income.

Note 5. Indebtedness

Our principal debt obligations at June 30, 2015 were: (1) outstanding borrowings under our \$750,000 revolving credit facility; (2) 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, (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; (3) our \$350,000 principal amount term loan; and (4) \$714,374 aggregate principal amount of mortgages secured by 56 of our properties (57 buildings) with maturity dates from 2016 to 2043. The 56 mortgaged properties (57 buildings) had a carrying value before depreciation of \$1,128,624 at June 30, 2015. We also had two properties subject to capital leases totaling \$1 2,468 at June 30, 2015; these two properties had a carrying value before depreciation of \$35,239 at June 30, 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 June 30, 2015, the annual interest rate payable on borrowings under our revolving credit facility was 1.45% , and the weighted average annual interest rates for borrowings

SENIOR HOUSING PROPERTIES TRUST
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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

under our revolving credit facility were 1.47% and 1.48% for the three and six months ended June 30, 2015, respectively. The weighted average annual interest rate for borrowings under our revolving credit facility was 1.42% for both the three and six months ended June 30, 2014. As of June 30, 2015, we had \$615,000 outstanding and \$135,000 available for borrowing by us, and as of August 5, 2015, we had \$585,000 outstanding and \$165,000 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 June 30, 2015, the annual interest rate payable on amounts outstanding under our term loan was 1.58%. The weighted average annual interest rate for amounts outstanding under our term loan was 1.60% for both the three and six months ended June 30, 2015. The weighted average annual interest rate for amounts outstanding under our term loan was 1.55% for the period from May 30, 2014 (the day we entered into the term loan agreement) to June 30, 2014.

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 LLC, ceasing to act as our business manager and property manager.

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 June 30, 2015.

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 early extinguishment of debt in the first quarter of 2015 in connection with that termination. As discussed in Note 3 above, 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 annual interest rate of 4.43%. These mortgages have maturity dates from October 2018 through July 2019. 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 connection with two of the 23 MOBs we 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 contractual weighted average annual 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 at maturity a mortgage note that encumbered one of our properties that had a principal balance of \$29,227 and an annual 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 annual interest rate of 5.81%.

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In May 2015, we prepaid four mortgage notes encumbering four properties with an aggregate principal balance of \$15,077 and a weighted average annual interest rate of 5.70% .

In June 2015, we repaid at maturity a mortgage note encumbering one property with a principal balance of \$4,867 and an annual interest rate of 5.65% . Also in June 2015, we prepaid a mortgage note encumbering one property with a principal balance of \$4,351 and an annual 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 \$659,502 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 May 21, 2015, we paid a distribution to common shareholders of \$0.39 per share, or approximately \$91,655 , that was declared on April 13, 2015 and was payable to shareholders of record on April 24, 2015.

On July 13, 2015, we declared a distribution payable to common shareholders of record on July 24, 2015, of \$0.39 per share, or approximately \$ 92,585 . We expect to pay this distribution on or about August 20, 2015 using cash on hand and borrowings under our revolving credit facility.

We issued 2,345,000 of our common shares in June 2015 in connection with our acquisition of an interest in Reit Management & Research Inc., or RMR Inc., as described in Note 10. RMR Inc. is the parent company of RMR LLC, our manager.

During the six months ended June 30, 2015, we issued 81,557 of our common shares to RMR LLC as part of the business management fee payable by us under our business management agreement. See Note 10 for further information regarding and recent amendments to 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 June 30, 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⁾	\$ 1,280	\$ —	\$ —	\$ 1,280
Investments in available for sale securities ⁽²⁾	\$ 20,328	\$ 20,328	\$ —	\$ —
Additional purchase consideration ⁽³⁾	\$ 1,000	\$ —	\$ —	\$ 1,000

(1) Assets held for sale consist of three of our properties (three buildings) that we have sold subsequent to June 30, 2015 or expect to sell 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

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these properties. We have recorded cumulative impairments of approximately \$2,970 to these properties in order to reduce their book value to fair value.

- (2) Our investments in available for sale securities include our 4,235,000 common shares of Five Star. The fair values of these shares are based upon quoted prices at June 30, 2015 in active markets (Level 1 inputs).
- (3) In May 2015, we acquired one senior living community located in Georgia, for a contractual purchase price of approximately \$9,750, excluding closing costs. Pursuant to the purchase agreement, \$1,000 of the purchase price has been withheld until the seller satisfies various conditions. We anticipate these conditions will be satisfied and therefore have recorded the withheld \$1,000 as a liability as of June 30, 2015. This liability is included in other liabilities in our condensed consolidated balance sheet as described in Note 3. We estimate the fair value of this liability at June 30, 2015 to be \$1,000 as agreed upon in the purchase agreement (Level 3 inputs).

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 2 inputs) on or about June 30, 2015. The fair values of these senior note obligations exceed their aggregate book values of \$1,744,339 by \$47,126 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 \$714,374 by \$56,791 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, investment in RMR Inc. and other unsecured debt. The fair values of these additional financial instruments approximate their carrying values at June 30, 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

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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 June 30, 2015					
	Triple Net Leased Senior Living Communities	Managed Senior Living Communities	MOBs	All Other Operations	Consolidated
Revenues:					
Rental income	\$ 61,347	\$ —	\$ 89,591	\$ 4,608	\$ 155,546
Residents fees and services	—	91,856	—	—	91,856
Total revenues	61,347	91,856	89,591	4,608	247,402
Expenses:					
Property operating expenses	—	69,792	23,800	—	93,592
Depreciation	17,058	13,649	30,856	948	62,511
General and administrative	—	—	—	11,674	11,674
Acquisition related costs	—	—	—	4,617	4,617
Total expenses	17,058	83,441	54,656	17,239	172,394
Operating income (loss)	44,289	8,415	34,935	(12,631)	75,008
Interest and other income	—	—	—	142	142
Interest expense	(6,270)	(2,561)	(1,758)	(27,318)	(37,907)
Loss on early extinguishment of debt	(6)	(33)	—	—	(39)
Income (loss) before income tax expense and equity in earnings of an investee	38,013	5,821	33,177	(39,807)	37,204
Income tax expense	—	—	—	(129)	(129)
Equity in earnings of an investee	—	—	—	23	23
Income (loss) from continuing operations	38,013	5,821	33,177	(39,913)	37,098
Discontinued operations:					
Loss from discontinued operations	—	—	(109)	—	(109)
Impairment of assets from discontinued operations	—	—	(602)	—	(602)
Net income (loss)	<u>\$ 38,013</u>	<u>\$ 5,821</u>	<u>\$ 32,466</u>	<u>\$ (39,913)</u>	<u>\$ 36,387</u>
Total assets	<u>\$2,231,685</u>	<u>\$1,298,982</u>	<u>\$3,412,125</u>	<u>\$405,234</u>	<u>\$7,348,026</u>

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	For the Three Months Ended June 30, 2014				
	Triple Net Leased Senior Living Communities	Managed Senior Living Communities	MOBs	All Other Operations	Consolidated
Revenues:					
Rental income	\$ 55,166	\$ —	\$ 68,027	\$ 4,476	\$ 127,669
Residents fees and services	—	79,039	—	—	79,039
Total revenues	55,166	79,039	68,027	4,476	206,708
Expenses:					
Property operating expenses	—	60,624	19,162	—	79,786
Depreciation	15,515	8,333	21,907	948	46,703
General and administrative	—	—	—	9,577	9,577
Acquisition related costs	—	—	—	2,512	2,512
Total expenses	15,515	68,957	41,069	13,037	138,578
Operating income (loss)	39,651	10,082	26,958	(8,561)	68,130
Interest and other income	—	—	—	154	154
Interest expense	(6,472)	(2,806)	(1,507)	(23,327)	(34,112)
Income (loss) before income tax expense and equity in earnings of an investee	33,179	7,276	25,451	(31,734)	34,172
Income tax expense	—	—	—	(155)	(155)
Equity in earnings of an investee	—	—	—	118	118
Income (loss) from continuing operations	33,179	7,276	25,451	(31,771)	34,135
Discontinued operations:					
Income from discontinued operations	—	—	741	—	741
Impairment of assets from discontinued operations	—	—	387	—	387
Income (loss) before gain on sale of properties	33,179	7,276	26,579	(31,771)	35,263
Gain on sale of properties	2,396	—	—	—	2,396
Net income (loss)	\$ 35,575	\$ 7,276	\$ 26,579	\$ (31,771)	\$ 37,659
Total assets	\$1,806,867	\$ 922,557	\$2,967,167	\$320,264	\$6,016,855

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	For the Six Months Ended June 30, 2015				
	Triple Net Leased Senior Living Communities	Managed Senior Living Communities	MOBs	All Other Operations	Consolidated
Revenues:					
Rental income	\$ 116,598	\$ —	\$ 175,592	\$ 9,139	\$ 301,329
Residents fees and services	—	174,649	—	—	174,649
Total revenues	116,598	174,649	175,592	9,139	475,978
Expenses:					
Property operating expenses	—	132,195	47,191	—	179,386
Depreciation	32,183	22,109	60,030	1,896	116,218
General and administrative	—	—	—	22,248	22,248
Acquisition related costs	—	—	—	5,775	5,775
Total expenses	32,183	154,304	107,221	29,919	323,627
Operating income (loss)	84,415	20,345	68,371	(20,780)	152,351
Interest and other income	—	—	—	217	217
Interest expense	(12,255)	(4,580)	(3,525)	(53,488)	(73,848)
Loss on early extinguishment of debt	(6)	(33)	—	(1,409)	(1,448)
Income (loss) before income tax expense and equity in earnings of an investee	72,154	15,732	64,846	(75,460)	77,272
Income tax expense	—	—	—	(239)	(239)
Equity in earnings of an investee	—	—	—	95	95
Income (loss) from continuing operations	72,154	15,732	64,846	(75,604)	77,128
Discontinued operations:					
Loss from discontinued operations	—	—	(350)	—	(350)
Impairment of assets from discontinued operations	—	—	(602)	—	(602)
Net income (loss)	\$ 72,154	\$ 15,732	\$ 63,894	\$ (75,604)	\$ 76,176
Total assets	\$2,231,685	\$1,298,982	\$3,412,125	\$405,234	\$7,348,026

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	For the Six Months Ended June 30, 2014				
	Triple Net		MOBs	All Other	Consolidated
	Leased	Managed			
	Senior Living Communities	Senior Living Communities		Operations	
Revenues:					
Rental income	\$ 110,055	\$ —	\$ 120,791	\$ 8,878	\$ 239,724
Residents fees and services	—	158,481	—	—	158,481
Total revenues	110,055	158,481	120,791	8,878	398,205
Expenses:					
Property operating expenses	—	121,412	36,178	—	157,590
Depreciation	31,152	16,488	35,522	1,896	85,058
General and administrative	—	—	—	17,866	17,866
Acquisition related costs	—	—	—	2,635	2,635
Total expenses	31,152	137,900	71,700	22,397	263,149
Operating income (loss)	78,903	20,581	49,091	(13,519)	135,056
Interest and other income	—	—	—	258	258
Interest expense	(12,860)	(5,794)	(2,844)	(41,514)	(63,012)
Income (loss) before income tax expense and equity in earnings of an investee	66,043	14,787	46,247	(54,775)	72,302
Income tax expense	—	—	—	(346)	(346)
Equity in earnings of an investee	—	—	—	21	21
Income (loss) from continuing operations	66,043	14,787	46,247	(55,100)	71,977
Discontinued operations:					
Income from discontinued operations	—	—	2,041	—	2,041
Impairment of assets from discontinued operations	—	—	(334)	—	(334)
Income (loss) before gain on sale of properties	66,043	14,787	47,954	(55,100)	73,684
Gain on sale of properties	2,552	—	—	—	2,552
Net income (loss)	\$ 68,595	\$ 14,787	\$ 47,954	\$ (55,100)	\$ 76,236
Total assets	\$1,806,867	\$ 922,557	\$2,967,167	\$320,264	\$6,016,855

Note 9. Significant Tenant

Five Star is our former subsidiary. Rental income from Five Star represented 30.8% of our rental income for the six months ended June 30, 2015, and the properties Five Star leases from us represented 28.9% of our investments, at cost, as of June 30, 2015. As of June 30, 2015, Five Star also managed 60 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 LLC, its parent, RMR Inc., and others related to them, including other companies to which RMR LLC provides management services and which have trustees, directors and officers who are also trustees, directors or officers of us, RMR Inc. or RMR LLC. For further information about these and other such relationships and certain other related person transactions, please refer to our

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Annual Report and our Current Report on Form 8-K filed with the Securities and Exchange Commission, or SEC, on June 8, 2015.

Five Star :

Five Star was previously our 100% owned subsidiary until it was spun out to our shareholders as a special distribution in 2001. As of June 30, 2015, we owned 4,235,000 of Five Star's common shares, representing approximately 8.6% of Five Star's outstanding common shares, and we are Five Star's largest shareholder.

As of June 30, 2015, we leased 180 senior living communities to Five Star. We recognized total rental income from Five Star of \$47,753 and \$47,618 for the three months ended June 30, 2015 and 2014, respectively, and \$95,443 and \$95,124 for the six months ended June 30, 2015 and 2014, respectively. As of July 2015 and 2014, we received estimated percentage rent payments from Five Star of \$2,824 and \$2,819 for the first six months ended June 30, 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 six months ended June 30, 2015 and 2014, pursuant to the terms of our leases with Five Star, we purchased \$9,392 and \$17,423, 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 \$757 and \$1,394, respectively. As of June 30, 2015 and December 31, 2014, our rents receivable from Five Star were \$15,918 and \$17,310, respectively, and those amounts are included in other assets in our condensed consolidated balance sheets.

In February 2015, we and Five Star sold a vacant senior living community that was leased to Five Star 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. In July 2015, we and Five Star sold a senior living community that was leased to Five Star for a sale price of \$155; and, as a result of this sale, Five Star's annual minimum rent payable to us decreased by \$16 in accordance with the terms of the applicable lease. In August 2015, we and Five Star sold a senior living community that was leased to Five Star for \$850; and, as a result of this sale, Five Star's annual minimum rent payable to us decreased by \$85 in accordance with the terms of the applicable lease.

As of June 30, 2015, Five Star managed 60 senior living communities for our account; as of June 30, 2014, Five Star managed 44 senior living communities for our account. Pursuant to our management agreements with Five Star, we incurred management fees of \$2,699 and \$2,433 for the three months ended June 30, 2015 and 2014, respectively, and \$5,222 and \$4,857 for the six months ended June 30, 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 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 838 living units, and entered into 14 separate management agreements with Five Star for it to manage these communities for our account. The economic terms of these management agreements are substantially similar to our other management agreements with Five Star for senior living communities including assisted living units.

In May 2015, we acquired one senior living community with 40 private pay independent living units for a contractual purchase price of approximately \$9,750, excluding closing costs, using a TRS structure. This senior living community is adjacent to another community that we own which is managed by Five Star. The operations of this community and the community already owned are conducted as a single integrated community under the same management agreement.

Pursuant to the sublease agreement between one of our TRSs and D&R Yonkers LLC, D&R Yonkers LLC incurred rent expense of \$752 and \$730 for the three months ended June 30, 2015 and 2014, respectively, and \$1,504 and \$1,460 in rent for the six months ended June 30, 2015 and 2014, respectively. D&R Yonkers LLC is owned by our officers in

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order to accommodate certain state licensing requirements. Five Star manages the senior living community to which the sublease agreement relates.

Acquisition of Interest in our Manager:

On June 5, 2015, we and three other real estate investment trusts, or REITs, to which RMR LLC provides management services – Government Properties Income Trust, or GOV, Hospitality Properties Trust, or HPT, and SIR, and collectively with GOV and HPT, the Other REITs – participated in a transaction, or the Up-C Transaction, by which we and the Other REITs each acquired an interest in RMR Inc.

The Up-C Transaction was completed pursuant to a transaction agreement by and among us, our manager, RMR LLC, its then sole member, Reit Management & Research Trust, or RMR Trust, and RMR Inc. and similar transaction agreements that each Other REIT entered into with RMR LLC, RMR Trust and RMR Inc. RMR Trust is owned by our Managing Trustees, Barry and Adam Portnoy. Pursuant to these transactions agreements: we contributed to RMR Inc. 2,345,000 of our common shares, valued at the volume weighted average trading prices during the 20 days prior to the acquisition, and \$13,967 in cash; GOV contributed to RMR Inc. 700,000 of its common shares and \$3,917 in cash; HPT contributed to RMR Inc. 1,490,000 of its common shares and \$12,622 in cash; SIR contributed to RMR Inc. 880,000 of its common shares and \$15,880 in cash; RMR Trust contributed to RMR Inc. \$11,520 in cash, which RMR Inc. contributed to RMR LLC; RMR LLC issued 1,000,000 of its class B membership units to RMR Inc.; RMR Inc. issued 5,272,787 shares of its class A common stock to us, 1,541,201 shares of its class A common stock to GOV, 5,019,121 shares of its class A common stock to HPT, 3,166,891 shares of its class A common stock to SIR and 1,000,000 shares of its class B-1 common stock and 15,000,000 shares of its class B-2 common stock to RMR Trust; RMR Trust delivered 15,000,000 of the 30,000,000 class A membership units of RMR LLC which RMR Trust then owned to RMR Inc.; and RMR Inc. delivered to RMR Trust our common shares, the common shares of the Other REITs and the cash which had been contributed by us and the Other REITs to RMR Inc.

The class A common stock and class B-1 common stock of RMR Inc. share ratably as a single class in dividends and other distributions of RMR Inc. when and if declared by the board of directors of RMR Inc. and have the same rights in a liquidation of RMR Inc. The class B-1 common stock of RMR Inc. is convertible into class A common stock of RMR Inc. on a 1 :1 basis. The class A common stock of RMR Inc. has one vote per share. The class B-1 common stock of RMR Inc. has 10 votes per share. The class B-2 common stock of RMR Inc. has no economic interest in RMR Inc., but has 10 votes per share and is paired with the class A membership units of RMR LLC owned by RMR Trust. The class A membership units of RMR LLC owned by RMR Trust are required to be redeemed by RMR LLC upon request by RMR Trust for class A common stock of RMR Inc. on a 1 :1 basis, or, if RMR Inc. elects, cash. Under the governing documents of RMR Inc., upon the redemption of a class A membership unit of RMR LLC, the class B-2 common stock of RMR Inc. “paired” with an equal number of class A membership units are cancelled for no additional consideration.

As part of the Up-C Transaction and concurrently with entering the transaction agreements, on June 5, 2015:

- We entered an amended and restated business management agreement , or the amended business management agreement, with RMR LLC and an amended and restated property management agreement , or the amended property management agreement, with RMR LLC. The amendments made by these agreements are described below in this note under “Amendment and Restatement of Management Agreements with RMR LLC.” Each Other REIT also entered amended and restated business and property management agreements with RMR LLC which made similar amendments to their management agreements with RMR LLC.
- We entered a registration rights agreement with RMR Inc. covering the class A common stock of RMR Inc. that we received in the Up-C Transaction, pursuant to which we received demand and piggyback

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registration rights, subject to certain limitations. Each Other REIT entered into a similar registration rights agreement with RMR Inc.

- We entered a lock up and registration rights agreement with RMR Trust and Barry and Adam Portnoy pursuant to which RMR Trust and Barry and Adam Portnoy agreed not to transfer the 2,345,000 common shares RMR Trust received in the Up-C Transaction for a period of 10 years and we granted them certain registration rights, subject to certain limited exceptions. Each Other REIT also entered into a similar lock up and registration rights agreement with RMR Trust and Barry and Adam Portnoy.

As a result of the Up-C Transaction: RMR LLC became a subsidiary of RMR Inc.; RMR Inc. became the managing member of RMR LLC; through our ownership of class A common stock of RMR Inc., we currently have an indirect 17.0% economic interest in RMR LLC; through their ownership of class A common stock of RMR Inc., GOV, HPT and SIR currently have an indirect 5.0%, 16.2% and 10.2% economic interest in RMR LLC, respectively; and RMR Trust through its ownership of 1,000,000 shares of class B-1 common stock of RMR Inc., 15,000,000 shares of class B-2 common stock of RMR Inc. and 15,000,000 class A membership units of RMR LLC currently directly and indirectly has a 51.6% economic interest in RMR LLC and controls 91.4% of the voting power of outstanding capital stock of RMR Inc.

Pursuant to the transaction agreements, we and each Other REIT agreed to distribute half of the shares of class A common stock of RMR Inc. received in the Up-C Transaction to our respective shareholders as a special distribution, and RMR Inc. agreed to facilitate this distribution by filing a registration statement with the SEC to register the shares of class A common stock of RMR Inc. to be distributed and by seeking a listing of those shares on a national stock exchange upon the registration statement being declared effective by the SEC. The distribution of class A common stock of RMR Inc. that we and the Other REITs have agreed to make to our and the Other REITs' shareholders will be made only after a registration statement, including a prospectus, is declared effective by the SEC.

Amendment and Restatement of Management Agreements with RMR LLC:

As part of the Up-C Transaction, on June 5, 2015, we and RMR LLC entered into the amended business management agreement, which amended and restated our pre-existing business management agreement with RMR LLC, and the amended property management agreement, which amended and restated our pre-existing property management agreement with RMR LLC. Our amended business management agreement and amended property management agreement are referred to together in this Note as our amended management agreements. Our amended management agreements were effective as of June 5, 2015.

Our amended management agreements have terms that end on December 31, 2035, and automatically extend on December 31st of each year for an additional year, so that the terms of the agreements thereafter end on the 20th anniversary of the date of the extension. We have the right to terminate each amended management agreement: (i) at any time on 60 days' written notice for convenience, (ii) immediately upon written notice for cause, as defined therein, (iii) on 60 days' written notice given within 60 days after the end of any calendar year for a performance reason, as defined therein, and (iv) by written notice during the 12 months following a change of control of RMR LLC, as defined therein. RMR LLC has the right to terminate the amended management agreements for good reason, as defined therein.

If we terminate one or both of our amended management agreements for convenience, or if RMR LLC terminates one or both of our amended management agreements for good reason, we have agreed to pay RMR LLC a termination fee in an amount equal to the sum of the present values of the monthly future fees, as defined therein, for the terminated amended management agreement(s) for the remaining term. If we terminate one or both of our amended management agreements for a performance reason, as defined therein, we have agreed to pay RMR LLC the termination fee calculated as described above, but assuming a remaining term of 10 years. We are not required to pay any termination fee if we terminate our amended management agreements for cause or as a result of a change of control of RMR LLC.

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Accounting for Investment in RMR Inc.:

On June, 5, 2015, we acquired 5,272,787 shares of class A common stock, or 33.0% , of RMR Inc. We have concluded, for accounting purposes, that the consideration paid for the investment in RMR Inc.'s class A common shares represented a discount to the fair value of these shares. The value of our common shares issued to RMR Inc. is valued differently for accounting purposes than as stated in the respective transaction agreements. The transaction agreements calculate the value of our common shares using a 20 day volume weighted average trading price, or \$60,739 . For accounting purposes, the common shares are valued at the closing price of those shares on the date of the transaction, or \$58,428 . We account for this investment under the cost method of accounting and have recorded this investment at a fair value of \$136,278 as of June 5, 2015 using Level 3 inputs as defined in the fair value hierarchy under GAAP. As a result, we have recorded other liabilities of \$77,850 . Our investment is included in other assets in our condensed consolidated balance sheet and the carrying value of our investment is \$138,839 , including transaction costs, as of June 30, 2015. The other liabilities are being amortized on a straight line basis over the 20 year life of the business and property management agreements with RMR LLC as an allocated reduction to business management fees and property management fees, which are included in general and administrative and property operating expenses, respectively, in our condensed consolidated statements of comprehensive income. Amortization of this other liability , included in general and administrative expense and property operating expenses for the three months ended June 30, 2015, totaled \$191 and \$51 , respectively.

RMR LLC Management Fees and Reimbursements:

Pursuant to our business management agreement with RMR LLC, the business management fees we recognized were \$9,144 and \$7,733 for the three months ended June 30, 2015 and 2014, respectively, and \$18,014 and \$14,415 for the six months ended June 30, 2015 and 2014, respectively. The business management fees we recognized for the 2015 and 2014 periods are included in general and administrative expenses in our condensed consolidated financial statements. In accordance with the terms of our pre-existing business management agreement, we issued 68,983 and 62,060 of our common shares to RMR LLC for the six months ended June 30, 2015 and 2014, respectively, as payment for portions of the base business management fees we recognized for those periods. Our amended business management agreement requires that 100% of the management fee due to RMR LLC be paid by us in cash.

Pursuant to our property management agreement with RMR LLC, the property management fees, including construction supervision fees, we recognized were \$2,532 and \$2,079 for the three months ended June 30, 2015 and 2014, respectively, and \$4,969 and \$3,718 for the six months ended June 30, 2015 and 2014, respectively. These amounts are included in property operating expenses or have been capitalized, as appropriate, in our condensed consolidated financial statements and are comprised of fees we recognized under both our pre-existing property management agreement and our amended property management agreement.

Pursuant to our previous and amended management agreements with RMR LLC, we are responsible for paying all of the property level operating costs, which costs are generally incorporated into rents charged to our tenants, including certain payroll and related costs incurred by RMR LLC. The total of those property management related reimbursements paid to RMR LLC for the three months ended June 30, 2015 and 2014 were \$1,494 and \$1,497 , respectively, and \$3,235 and \$2,915 for the six months ended June 30, 2015 and 2014, respectively, and these amounts are included in property operating expenses in our condensed consolidated financial statements for these periods. In addition, we have historically awarded share grants to certain RMR LLC employees under our equity compensation plan and we accrue estimated amounts for such share grants based upon historical practices throughout the year. The amounts accrued for share grants to RMR LLC employees were \$507 and \$359 for the three months ended June 30, 2015 and 2014, respectively, and \$908 and \$834 for the six months ended June 30, 2015 and 2014, respectively, and these amounts are included in our general and administrative expenses for these periods.

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Leases with RMR LLC:

Pursuant to our lease agreements with RMR LLC, we earned rental income from RMR LLC for leased office space of approximately \$102 for the six months ended June 30, 2015. Of the \$102, which was recognized entirely in the second quarter of 2015, \$51 relates to retroactive rental income from the first three months of 2015.

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, excluding closing costs and working capital adjustments and including the assumption of approximately \$29,955 of mortgage debt. These 23 MOBs contain approximately 2,170,000 leasable square feet and are located in 12 states. In April 2015, SIR paid to us \$8,993 to settle certain working capital activity for the 23 MOBs as of the acquisition date.

AIC:

As of June 30, 2015, our investment in Affiliates Insurance Company, or AIC, an Indiana insurance company, had a carrying value of \$6,903, which amount is included in other assets on our condensed consolidated balance sheet. We recognized income of \$23 and \$118 related to our investment in AIC for the three months ended June 30, 2015 and 2014, respectively, and income of \$95 and \$21 for the six months ended June 30, 2015 and 2014, respectively. Our other comprehensive income includes unrealized (losses) gains on securities available for sale which are owned by AIC of (\$64) and \$22 for the three months ended June 30, 2015 and 2014, respectively, and (\$19) and \$41 for the six months ended June 30, 2015 and 2014, respectively.

In June 2015, we and the other shareholders of AIC renewed our participation in an insurance program arranged by AIC. In connection with that renewal, we purchased a three year combined property insurance policy providing \$500,000 of coverage annually with the premium to be paid annually, a one year property insurance policy providing \$1,000,000 of coverage for one very large property we own and a one year combined policy providing terrorism coverage of \$200,000 for our properties. We currently expect to pay aggregate annual premiums, including taxes and fees, of approximately \$4,222 in connection with these policies for the policy year ending June 30, 2016, and this amount may be adjusted from time to time as we acquire and dispose of properties that are included in this insurance program.

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 and six months ended June 30, 2015, we recognized income tax expense of \$129 and \$239, respectively. During the three and six months ended June 30, 2014, we recognized income tax expense of \$155 and \$346, respectively.

Note 12. Per Common Share Amounts

We calculate basic earnings per common share by dividing allocable 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

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common shares, including contingently issuable common shares under the then existing terms of our business management agreement with RMR LLC as further described in Note 10, 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):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Weighted average common shares for basic earnings per share	235,549	199,830	228,501	193,962
Effect of dilutive securities: unvested share awards	43	37	33	28
Weighted average common shares for diluted earnings per share	<u>235,592</u>	<u>199,867</u>	<u>228,534</u>	<u>193,990</u>

Note 13. Pro Forma Information

In January 2015, we acquired 23 properties for an aggregate contractual purchase price of \$539,000 , excluding closing costs and working capital adjustments and including the assumption of \$29,955 of mortgage debt with a weighted average annual interest rate of 4.73% . We recognized rental income and property operating expenses from this acquisition of \$17,208 and \$2,591 , respectively, for the six months ended June 30, 2015. In February 2015, we sold 31,050,000 of our common shares in a public offering raising net proceeds of approximately \$659,502 after underwriting discounts and expenses.

In May 2015, we acquired 37 senior living communities for an aggregate contractual purchase price of \$762,611 , excluding closing costs, and including the assumption of \$139,181 of mortgage debt with a weighted average annual interest rate of 4.43% . Eighteen of the 37 communities are triple net leased, and we recognized rental income from these communities of \$5,644 for the six months ended June 30, 2015. We recognized residents fees and services and property operating expenses for the remaining 19 managed senior living communities of \$8,828 and \$6,156 , respectively, for the six months ended June 30, 2015.

During 2014, we purchased two senior living communities and two MOB's (three buildings) for \$1,204,393 , excluding closing costs. We also assumed \$15,630 of mortgage debt at a weighted average annual interest rate of 6.28% related to one of 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 six months ended June 30, 2015 and 2014 as if the 2015 acquisition and financing activities described in the three preceding paragraphs had occurred on January 1, 2014, and the 2014 acquisition and financing activities described in the three 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

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

capital structure, changes in property level operating expenses, changes in property level revenues, including rents expected to be received from our existing leases or leases we may enter into during and after 2015, and for other reasons.

	Six Months Ended	
	June 30,	June 30,
	2015	2014
Total revenues	\$ 508,448	\$ 505,044
Net income	\$ 77,822	\$ 66,987
Net income per share	\$ 0.33	\$ 0.29

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 June 30, 2015, we owned 428 properties (452 buildings) located in 43 states and Washington, D.C., including three properties (three buildings) classified as held for sale. At June 30, 2015, the undepreciated carrying value of our properties, net of impairment losses, was \$7.4 billion, excluding properties classified as held for sale. As of June 30, 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):

<u>(As of June 30, 2015)</u>	<u>Number of Properties</u>	<u>Number of Units/Beds or Square Feet</u>	<u>Investment Carrying Value</u>	<u>% of Total Investment</u>	<u>Investment per Unit / Bed or Square Foot</u> ⁽³⁾	<u>Q2 2015 NOI</u> ⁽⁴⁾	<u>% of Q2 2015 NOI</u>
<u>Facility Type</u>							
Independent living ⁽⁵⁾	68	16,467	\$ 2,209,096	29.9 %	\$ 134,153	\$ 43,683	28.4 %
Assisted living ⁽⁵⁾	185	13,593	1,797,433	24.3 %	132,232	34,938	22.7 %
Nursing homes ⁽⁵⁾	44	4,638	202,147	2.7 %	43,585	4,790	3.1 %
Subtotal senior living communities	297	34,698	4,208,676	56.9 %	121,294	83,411	54.2 %
MOBs	121	11,314,990 sq. ft.	3,004,808	40.6 %	266	65,791	42.8 %
Wellness centers	10	812,000 sq. ft.	180,017	2.5 %	222	4,608	3.0 %
Total	428		\$ 7,393,501	100.0 %		\$153,810	100.0 %
<u>Tenant / Operator / Managed Properties</u>							
Five Star (Lease No. 1)	85	6,223	692,126	9.4 %	\$ 111,221	14,633	9.5 %
Five Star (Lease No. 2)	49	7,044	697,313	9.5 %	98,994	15,773	10.3 %
Five Star (Lease No. 3)	17	3,281	355,443	4.8 %	108,334	8,610	5.6 %
Five Star (Lease No. 4)	29	3,335	391,271	5.3 %	117,323	8,735	5.7 %
Subtotal Five Star	180	19,883	2,136,153	29.0 %	107,436	47,751	31.1 %
Sunrise / Marriott ⁽⁶⁾	4	1,619	126,326	1.7 %	78,027	3,133	2.0 %
Brookdale	18	894	61,122	0.8 %	68,369	1,842	1.2 %
13 private senior living companies (combined)	30	3,739	517,647	7.0 %	138,445	8,621	5.6 %
Subtotal triple net leased senior living communities	232	26,135	2,841,248	38.5 %	108,714	61,347	39.9 %
Managed senior living communities ⁽⁷⁾	65	8,563	1,367,428	18.4 %	159,690	22,064	14.3 %
Subtotal senior living communities	297	34,698	4,208,676	56.9 %	121,294	83,411	54.2 %
MOBs	121	11,314,990 sq. ft.	3,004,808	40.6 %	266	65,791	42.8 %
Wellness centers	10	812,000 sq. ft.	180,017	2.5 %	222	4,608	3.0 %
Total	428		\$ 7,393,501	100.0 %		\$153,810	100.0 %

Tenant / Managed Property Operating Statistics ⁽⁸⁾

	<u>Rent Coverage</u>		<u>Occupancy</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Five Star (Lease No. 1)	1.15x	1.18x	85.1 %	84.4 %
Five Star (Lease No. 2)	1.14x	1.12x	82.2 %	81.8 %
Five Star (Lease No. 3)	1.53x	1.61x	86.0 %	87.6 %
Five Star (Lease No. 4)	1.22x	1.19x	87.8 %	86.8 %
Subtotal Five Star	1.23x	1.24x	84.7 %	84.4 %
Sunrise / Marriott ⁽⁶⁾	2.02x	1.91x	92.5 %	91.9 %
Brookdale	2.66x	2.51x	93.7 %	94.9 %
6 private senior living companies (combined) ⁽⁹⁾	1.98x	1.89x	85.0 %	85.3 %
Subtotal triple net leased senior living communities	1.37x	1.37x	85.5 %	85.3 %
Managed senior living communities ⁽⁷⁾	NA	NA	88.3 %	87.8 %
Subtotal senior living communities	1.37x	1.37x	86.2 %	85.9 %
MOBs	NA	NA	96.4 %	95.6 %
Wellness centers	1.97x	2.13x	100.0 %	100.0 %
Total	<u>1.41x</u>	<u>1.42x</u>		

(1) Excludes properties classified in discontinued operations during the period .

(2) Amounts are before depreciation, but after impairment write downs, if any. Amounts include carrying values as of June 30 , 2015 for senior living communities classified as held for sale in the amount of \$1,280 that are 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 June 30 , 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 65 managed senior living communities are managed by Five Star and one private operator . The occupancy for the 12 month period ended, or, if shorter, from the date of acquisitions through June 30 , 2015 was 88.2 %.

(8) Operating data for MOBs are presented as of June 30 , 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 March 31 , 2015 and 2014 , 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.

(9) Excludes operating data from 18 triple net leased senior living communities leased to seven private senior living companies acquired subsequent to March 31, 2015; see footnote (8) above.

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The following tables set forth information regarding our lease expirations as of June 30, 2015 (dollars in thousands):

Year	Annualized Rental Income ^{(1) (2)}				Percent of	Cumulative
	Triple Net Leased				Total	Percentage of
	Senior Living Communities	MOBs	Wellness Centers	Total	Annualized Rental Income Expiring ⁽²⁾	Annualized Rental Income Expiring ⁽²⁾
2015	\$ 937	\$ 11,611	\$ —	\$ 12,548	2.0 %	2.0 %
2016	—	22,150	—	22,150	3.5 %	5.5 %
2017	—	29,241	—	29,241	4.6 %	10.1 %
2018	14,648	24,844	—	39,492	6.2 %	16.3 %
2019	591	40,035	—	40,626	6.4 %	22.7 %
2020	—	25,620	—	25,620	4.0 %	26.7 %
2021	1,424	7,271	—	8,695	1.4 %	28.1 %
2022	—	11,090	—	11,090	1.7 %	29.8 %
2023	15,030	8,216	—	23,246	3.7 %	33.5 %
Thereafter	233,948	170,297	18,057	422,302	66.5 %	100.0 %
Total	\$ 266,578	\$ 350,375	\$ 18,057	\$ 635,010	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 June 30, 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.
- (2) Excludes rent received from our managed senior living communities leased to our TRSs. If the NOI from our TRSs (three months ended June 30, 2015, annualized) were included in the foregoing table, the percent of total annualized rental income expiring in each of the following years would be: 2015 — 1.7%; 2016 — 3.1%; 2017 — 4.0%; 2018 — 5.5%; 2019 — 5.6%; 2020 — 3.5%; 2021 — 1.2%; 2022 — 1.5%; 2023 — 3.2%; and thereafter — 70.6%. In addition, if our leases to our TRSs using the terms of the management agreements for these communities 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
	Triple Net Leased				Total	Percentage of
	Senior Living Communities	MOBs	Wellness Centers	Total	Number of Tenancies Expiring ⁽¹⁾	Number of Tenancies Expiring ⁽¹⁾
2015	1	80	—	81	12.7 %	12.7 %
2016	—	87	—	87	13.6 %	26.3 %
2017	—	109	—	109	16.9 %	43.2 %
2018	1	87	—	88	13.8 %	57.0 %
2019	1	73	—	74	11.6 %	68.6 %
2020	—	50	—	50	7.8 %	76.4 %
2021	1	23	—	24	3.8 %	80.2 %
2022	—	26	—	26	4.1 %	84.3 %
2023	2	12	—	14	2.2 %	86.5 %
Thereafter	13	72	2	87	13.5 %	100.0 %
Total	19	619	2	640	100.0 %	

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

Number of Living Units / Beds or Square Feet with Leases Expiring								
Year	Living Units / Beds ⁽¹⁾			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	0.5 %	0.5 %	357,934	—	357,934	3.1 %	3.1 %
2016	—	— %	0.5 %	910,957	—	910,957	7.8 %	10.9 %
2017	—	— %	0.5 %	1,058,854	—	1,058,854	9.0 %	19.9 %
2018	1,619	6.2 %	6.7 %	856,363	—	856,363	7.3 %	27.2 %
2019	175	0.7 %	7.4 %	1,311,812	—	1,311,812	11.2 %	38.4 %
2020	—	— %	7.4 %	1,122,326	—	1,122,326	9.6 %	48.0 %
2021	361	1.4 %	8.8 %	269,218	—	269,218	2.3 %	50.3 %
2022	—	— %	8.8 %	458,387	—	458,387	3.9 %	54.2 %
2023	807	3.1 %	11.9 %	642,994	—	642,994	5.5 %	59.7 %
Thereafter	23,033	88.1 %	100.0 %	3,924,309	812,000	4,736,309	40.3 %	100.0 %
Total	26,135	100.0 %		10,913,154	812,000	11,725,154	100.0 %	

- (1) Excludes 8,563 living units from our managed senior living communities leased to our TRSs. If the number of living units included in our TRS leases using the terms of the management agreements for these communities were included in the foregoing table, the percent of total living units / beds expiring in each of the following years would be: 2015 — 0.4 %; 2016 — 0.0%; 2017 — 0.0%; 2018 — 4.7%; 2019 — 0.5%; 2020 — 0.0%; 2021 — 1.0%; 2022 — 0.0%; 2023 — 2.3% ; and thereafter — 91.1%.

During the three months ended June 30, 2015, we entered into MOB lease renewals for 171,000 leasable square feet and new leases for 115,000 leasable square feet. The weighted average annual rental rate for leases entered into during the quarter was \$33.61 per square foot, and these rental rates were, on a weighted average basis, 2.0% above previous rents charged for the same space. Average lease terms for leases entered into during the second quarter of 2015 were 11.6 years based on square footage. Commitments for tenant improvement, leasing commission costs and concessions for leases we entered into during the second quarter of 2015 totaled \$7.9 million, or \$27.63 per square foot on average (approximately \$2.38 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		Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Revenues:				
Triple net leased senior living communities	\$ 61,347	\$ 55,166	\$ 116,598	\$ 110,055
Managed senior living communities	91,856	79,039	174,649	158,481
MOBs	89,591	68,027	175,592	120,791
All other operations	4,608	4,476	9,139	8,878
Total revenues	<u>\$ 247,402</u>	<u>\$ 206,708</u>	<u>\$ 475,978</u>	<u>\$ 398,205</u>
Net income:				
Triple net leased senior living communities	\$ 38,013	\$ 35,575	\$ 72,154	\$ 68,595
Managed senior living communities	5,821	7,276	15,732	14,787
MOBs	32,466	26,579	63,894	47,954
All other operations	(39,913)	(31,771)	(75,604)	(55,100)
Net income	<u>\$ 36,387</u>	<u>\$ 37,659</u>	<u>\$ 76,176</u>	<u>\$ 76,236</u>

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

Three Months Ended June 30 , 2015 Compared to Three Months Ended June 30 , 2014 (dollars in thousands , except average monthly rate):

Unless otherwise indicated, references in this section to changes or comparisons of results, income or expenses refer to comparisons of the second 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		As of and for the Three Months	
	Ended June 30,		Ended June 30,	
	2015	2014	2015	2014
Total properties	232	218	214	214
# of units / beds	26,135	24,383	24,016	24,016
Tenant operating data ⁽²⁾				
Occupancy	85.1 %	85.2 %	85.5 %	85.3 %
Rent coverage	1.36x	1.35x	1.37x	1.37x

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

⁽²⁾ All tenant operating data presented are based upon the operating results provided by our tenants for the 12 months ended March 31 , 201 5 and 201 4 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.

Triple net leased senior living communities, all properties :

	Three Months Ended June 30,			
	2015	2014	Change	% Change
Rental income	\$ 61,347	\$ 55,166	\$ 6,181	11.2 %
Net operating income (NOI)	61,347	55,166	6,181	11.2 %
Depreciation expense	(17,058)	(15,515)	(1,543)	(9.9)%
Operating income	44,289	39,651	4,638	11.7 %
Interest expense	(6,270)	(6,472)	202	3.1 %
Loss on early extinguishment of debt	(6)	—	(6)	(100.0)%
Gain on sale of properties	—	2,396	(2,396)	(100.0)%
Net income	\$ 38,013	\$ 35,575	\$ 2,438	6.9 %

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 because of rents from 18 leased senior living communities we acquired as part of the acquisition of 37 senior living communities in May 2015. These acquisitions represent \$5,644, or 91.3%, of the increase in rental income. Rental income also increased due to increased rents resulting from our purchase of approximately \$26,582 of improvements made to our properties that are leased to Five Star since April 1, 2014. These increases in rental income were partially offset by the sale of six senior living communities since April 1, 2014. Rental income increased year over year on a comparable property basis by \$960, primarily as a result of our improvement purchases at certain of the 214 communities we have owned continuously since April 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 increased primarily as a result of the acquisitions and capital improvement purchases described above.

Interest expense. Interest expense for our triple net leased senior living communities arises from mortgage debt secured by 30 of these properties. The decrease in interest expense is the result of loan repayments since April 1, 2014 and the regularly scheduled amortization of our mortgage debt. In October 2014 we prepaid a \$14,700 loan incurred in connection with certain revenue bonds that had an annual interest rate of 5.88% and since April 1, 2014, we have prepaid or repaid mortgage debt of \$25,768 with a weighted average annual interest rate of 5.99%. The decrease in interest expense is partially offset by assumed mortgage debt of \$44,395 encumbering three properties with a weighted average annual interest rate of 5.07% in connection with the May 2015 acquisition of 18 triple net leased senior living communities described above.

Loss on early extinguishment of debt. Loss on early extinguishment of debt is a result of the prepayment of three mortgages in the second quarter of 2015.

Gain on sale of properties. Gain on sale of properties is a result of the sales of two triple net leased senior living communities in June 2014.

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Managed senior living communities :

	All Properties		Comparable Properties ⁽¹⁾	
	As of and for the Three Months		As of and for the Three Months	
	Ended June 30,		Ended June 30,	
	2015	2014	2015	2014
Total properties	65	44	44	44
# of units / beds	8,563	7,103	7,103	7,103
Occupancy:	88.1 %	88.5 %	87.6 %	88.5 %
Average monthly rate	\$ 4,223	\$ 4,176	\$ 4,276	\$ 4,176

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

Managed senior living communities, all properties :

	Three Months Ended June 30,			
	2015	2014	Change	% Change
Residents fees and services	\$ 91,856	\$ 79,039	\$ 12,817	16.2 %
Property operating expenses	(69,792)	(60,624)	(9,168)	(15.1)%
Net operating income (NOI)	22,064	18,415	3,649	19.8 %
Depreciation expense	(13,649)	(8,333)	(5,316)	(63.8)%
Operating income	8,415	10,082	(1,667)	(16.5)%
Interest expense	(2,561)	(2,806)	245	8.7 %
Loss on early extinguishment of debt	(33)	—	(33)	(100.0)%
Net income	\$ 5,821	\$ 7,276	\$ (1,455)	(20.0)%

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 is primarily because of residents fees and services from 19 managed senior living communities we acquired as part of the acquisition of 37 senior living communities in May 2015. We also acquired two managed senior living communities in December 2014 and one managed senior living community in May 2015. These acquisitions represent \$11,462, or 89.4%, of the increase residents fees and services.

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 operating these properties. The acquisitions described above represent \$7,866, or 85.8%, of the increase in property operating expenses.

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 acquisitions described above.

Interest Expense. Interest expense for our managed senior living communities arises from mortgage debt secured by 19 of these properties. Interest expense decreased as a result of the prepayment or repayment of eight loans since April 1, 2014 that had a total principal balance of \$93,070 and a weighted average annual interest rate of 5.93%, as well as regularly scheduled amortization of our mortgage debt. The decrease in interest expense is partially offset by assumed

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mortgage debt of \$94,786 encumbering 13 properties with a weighted average annual interest rate of 4.12 % in connection with the May 2015 acquisition of 19 managed senior living communities described above.

Loss on early extinguishment of debt. Loss on early extinguishment of debt is a result of the prepayment of four mortgages in the second quarter of 2015.

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

	Three Months Ended June 30,			
	2015	2014	Change	% Change
Residents fees and services	\$ 80,394	\$ 79,039	\$ 1,355	1.7 %
Property operating expenses	(61,730)	(60,624)	(1,106)	(1.8)%
Net operating income (NOI)	18,664	18,415	249	1.4 %
Depreciation expense	(7,974)	(8,330)	356	4.3 %
Operating income	10,690	10,085	605	6.0 %
Interest expense	(1,836)	(2,806)	970	34.6 %
Loss on early extinguishment of debt	(33)	—	(33)	(100.0)%
Net income	\$ 8,821	\$ 7,279	\$ 1,542	21.2 %

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 monthly rate of \$100, or 2.4%, at the 44 communities we have owned continuously since April 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 these properties . Property operating expenses increased principally because of increases in repairs and maintenance expenses, wages and benefits expenses, 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 second quarter of 2015. This decrease was partially offset by an increase in depreciation expense resulting from our purchase of improvements at these properties since April 1, 2014 .

Interest expense. Interest expense for our managed senior living communities arises from mortgage debt secured by six of these properties. Interest expense decreased as a result of the prepayment or repayment of eight loans since April 1, 2014 that had a total principal balance of \$93,070 and a weighted average annual interest rate of 5.93%, as well as regularly scheduled amortization of our mortgage debt.

Loss on early extinguishment of debt. Loss on early extinguishment of debt is a result of the prepayment of four mortgages in the second quarter of 2015.

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MOBs :

	<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 June 30,</u>		<u>Ended June 30,</u>	
	<u>2015</u>	<u>2014 ⁽²⁾</u>	<u>2015</u>	<u>2014</u>
Total properties	121	98	96	96
Total buildings	145	122	119	119
Total square feet ⁽³⁾	11,315	9,143	7,882	7,882
Occupancy ⁽⁴⁾	96.4 %	95.6 %	95.0 %	94.9 %

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

(2) Excludes properties classified in discontinued operations.

(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 June 30,</u>			
	<u>2015</u>	<u>2014</u>	<u>Change</u>	<u>% Change</u>
Rental income	\$ 89,591	\$ 68,027	\$21,564	31.7 %
Property operating expenses	(23,800)	(19,162)	(4,638)	(24.2)%
Net operating income (NOI)	65,791	48,865	16,926	34.6 %
Depreciation expense	(30,856)	(21,907)	(8,949)	(40.8)%
Operating income	34,935	26,958	7,977	29.6 %
Interest expense	(1,758)	(1,507)	(251)	(16.7)%
Income from continuing operations	33,177	25,451	7,726	30.4 %
Discontinued operations:				
(Loss) income from discontinued operations	(109)	741	(850)	(114.7)%
Impairment of assets from discontinued operations	(602)	387	(989)	(255.6)%
Net income	<u>\$ 32,466</u>	<u>\$ 26,579</u>	<u>\$ 5,887</u>	<u>22.1 %</u>

Rental income. Rental income increased primarily because of rents from 25 MOBs (26 buildings) we acquired for approximately \$1,695,963 since April 1, 2014. These acquisitions represent \$17,728, or 82.2%, of the increase in rental income. Rental income includes non-cash straight line rent adjustments totaling \$3,803 and \$2,094 and net amortization of approximately \$1,123 and \$514 of above and below market lease adjustments for the three months ended June 30, 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 these properties. The acquisitions described above represent \$3,183, or 68.7% , of the increase in property operating expenses .

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 expense. Depreciation expense increased primarily because of our MOB acquisitions since April 1, 2014 , as well as capital improvement purchases of \$24,986 since April 1, 2014 .

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Interest expense. Interest expense for our MOBs arises from mortgage debt secured by 9 properties (10 buildings). The increase in interest expense is the result of our assumption of \$45,585 of mortgage debt in connection with our acquisition of three MOBs (three buildings) since April 1, 2014 with a weighted average annual interest rate of 5.26 %, partially offset by the regularly scheduled amortization of our mortgage debt.

(Loss) income from discontinued operations. Loss from discontinued operations for the three months ended June 30, 2015 relates to the one MOB (four buildings) which was sold in April 2015. Income from discontinued operations for the three months ended June 30, 2014 relates to the two MOBs (five buildings) classified as held for sale as of June 30, 2014 as well as the two MOBs (two buildings) sold in the second quarter of 2014.

Impairment of assets from discontinued operations. During the three months ended June 30, 2015 and 2014, we recorded impairment of assets charges and adjustments of (\$602) and \$387, respectively, to reduce and increase the carrying value of two of our MOBs (five buildings) to their estimated sales prices.

MOBs, comparable properties (MOBs we have owned continuously since April 1, 2014):

	Three Months Ended June 30,			
	2015	2014	Change	% Change
Rental income	\$ 52,429	\$ 52,332	\$ 97	0.2 %
Property operating expenses	(17,272)	(16,345)	(927)	(5.7)%
Net operating income (NOI)	35,157	35,987	(830)	(2.3)%
Depreciation expense	(13,817)	(13,672)	(145)	(1.1)%
Operating income	21,340	22,315	(975)	(4.4)%
Interest expense	(1,265)	(1,301)	36	2.8 %
Net income	<u>\$ 20,075</u>	<u>\$ 21,014</u>	<u>\$(939)</u>	<u>(4.5)%</u>

Rental income. Rental income increased slightly during the three months ended June 30, 2015 compared to the same period in the prior year. The increase in rental income primarily resulted from an increase in parking income at certain of our properties. Rental income includes non-cash straight line rent adjustments totaling \$1,320 and \$1,125 and net amortization of approximately \$(845) and \$(792) of above and below market lease adjustments for the three months ended June 30, 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 these properties. Property operating costs increased principally because of increases in salaries and benefits, increased repairs and maintenance expenses at certain of these properties and other direct costs of operating these properties. These expenses were partially offset by a decrease in insurance premiums and real estate tax refunds at various properties in the second quarter of 2015 compared to the second 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 expense. Depreciation expense increased due to an increase in the amortization of leasing costs and depreciation expense on fixed assets, partially offset by a reduction in amortization of acquired in place real estate leases that we amortize over the respective lease terms.

Interest expense. Interest expense for our MOBs arises from mortgage debt secured by six properties (seven buildings). 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 June 30,			
	2015	2014	Change	% Change
Rental income	\$ 4,608	\$ 4,476	\$ 132	2.9 %
Expenses:				
Depreciation expense	(948)	(948)	—	—
General and administrative	(11,674)	(9,577)	(2,097)	(21.9)%
Acquisition related costs	(4,617)	(2,512)	(2,105)	(83.8)%
Total expenses	(17,239)	(13,037)	(4,202)	(32.2)%
Operating loss	(12,631)	(8,561)	(4,070)	(47.5)%
Interest and other income	142	154	(12)	(7.8)%
Interest expense	(27,318)	(23,327)	(3,991)	(17.1)%
Loss before income tax expense and equity in earnings of an investee	(39,807)	(31,734)	(8,073)	(25.4)%
Income tax expense	(129)	(155)	26	16.8 %
Equity in earnings of an investee	23	118	(95)	80.5 %
Net loss	\$ (39,913)	\$ (31,771)	\$ (8,142)	(25.6)%

(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 \$13.7 in both the three months ended June 30, 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 June 30, 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 June 30, 2015 and 2014. 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 LLC 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 June 30, 2015 and 2014. Acquisition related costs increased during the three months ended June 30, 2015 due to an increase in the number of properties acquired during that period compared to the three months ended June 30, 2014.

Interest and other income. The decrease in interest and other income is primarily a result of less investable cash on hand during the second quarter of 2015 compared to the first quarter of 2014, offset by a gain of \$71 on the sale of 250,000 common shares of EQC in May 2015.

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, our May 2014 term loan borrowing of \$350,000 at LIBOR plus 140 basis points and increased borrowings under our unsecured revolving credit facility.

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

Six Months Ended June 30, 2015 Compared to Six Months Ended June 30, 2014 (dollars in thousands , except average monthly rate):

Unless otherwise indicated, references in this section to changes or comparisons of results, income or expenses refer to comparisons of the results for the six months ended June 30, 2015 against the comparable 2014 period.

Triple net leased senior living communities:

	All Properties		Comparable Properties ⁽¹⁾	
	As of and for the Six Months		As of and for the Six Months	
	Ended June 30,		Ended June 30,	
	2015	2014	2015	2014
Total properties	232	218	214	214
# of units / beds	26,135	24,383	24,016	24,016
Tenant operating data ⁽²⁾				
Occupancy	85.1 %	85.2 %	85.5 %	85.3 %
Rent coverage	1.36x	1.35x	1.37x	1.37x

(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 March 31, 2015 and 2014 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.

Triple net leased senior living communities , all properties :

	Six Months Ended June 30,			
	2015	2014	Change	% Change
Rental income	\$ 116,598	\$ 110,055	\$ 6,543	5.9 %
Net operating income (NOI)	116,598	110,055	6,543	5.9 %
Depreciation expense	(32,183)	(31,152)	(1,031)	(3.3)%
Operating income	84,415	78,903	5,512	7.0 %
Interest expense	(12,255)	(12,860)	605	4.7 %
Loss on early extinguishment of debt	(6)	—	(6)	(100.0)%
Gain on sale of properties	—	2,552	(2,552)	100.0 %
Net income	\$ 72,154	\$ 68,595	\$ 3,559	5.2 %

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 because of rents from 18 leased senior living communities we acquired as part of the acquisition of 37 senior living communities in May 2015. These acquisitions represent \$5,644, or 86.3%, of the increase in rental income. Rental income also increased due to increased rents resulting from our purchase of approximately \$ 35,196 of improvements made to our properties that are leased by Five Star since January 1, 2014. These increases in rental income were partially offset by the sale of seven senior living communities since January 1,

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2014. Rental income increased year over year on a comparable property basis by \$ 1,717 , primarily as a result of our improvement purchases at certain of the 21 4 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 i ncreased primarily as a result of the acqui sitions and capital improvement purchases described above.

Interest expense. Interest expense for our triple net leased senior living communities arises from mortgage debt secured by 30 of these properties. The decrease in interest expense is the result of loan repayments since January 1, 2014 and the regularly scheduled amortization of our mortgage debt. In October 2014 , we prepa id a \$14,700 loan incurred in connection with certain revenue bonds that had an annual interest rate of 5.8 8% and s ince January 1 , 2014, we have prepaid or repaid mortgage debt of \$25,768 with a wei ghted average annual interest rate of 5.99%. The decrease in interest expense is partially offset by assumed mortgage debt of \$44,395 encumbering three properties with a weighted average annual interest rate of 5.07% in connection with the May 2015 acquisition of 18 leased senior living communities described above.

Loss on early extinguishment of debt. Loss on early extinguishment of debt is a result of the prepayment of three mortgages in the second quarter of 2015.

Gain on sale of properties. Gain on sale of properties is a result of the sale of three triple net leased senior living communities during the first half of 2014.

Managed senior living communities:

	<u>All Properties</u>		<u>Comparable Properties ⁽¹⁾</u>	
	<u>As of and for the Six Months</u>		<u>As of and for the Six Months</u>	
	<u>Ended June 30,</u>		<u>Ended June 30,</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Total properties	65	44	44	44
# of units / beds	8,563	7,103	7,103	7,103
Occupancy	88.0 %	88.6 %	87.7 %	88.6 %
Average monthly rate	\$ 4,260	\$ 4,202	\$ 4,292	\$ 4,202

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

Managed senior living communities, all properties:

	Six Months Ended June 30,			
	2015	2014	Change	% Change
Residents fees and services	\$ 174,649	\$ 158,481	\$ 16,168	10.2 %
Property operating expenses	(132,195)	(121,412)	(10,783)	(8.9)%
Net operating income (NOI)	42,454	37,069	5,385	14.5 %
Depreciation expense	(22,109)	(16,488)	(5,621)	(34.1)%
Operating income	20,345	20,581	(236)	(1.1)%
Interest expense	(4,580)	(5,794)	1,214	21.0 %
Loss on early extinguishment of debt	(33)	—	(33)	(100.0)%
Net income	<u>\$ 15,732</u>	<u>\$ 14,787</u>	<u>\$ 945</u>	<u>6.4 %</u>

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 is primarily because of residents fees and services from 19 managed senior living communities we acquired as part of the acquisition of 37 senior living communities in May 2015. We also acquired two managed senior living communities in December 2014 and one managed senior living community in May 2015. These acquisitions represent \$14,069, or 87.0%, of the increase in residents fees and services.

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 acquisitions described above represent \$9,705, or 90.0%, of the increase in property operating expenses.

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 acquisitions described above.

Interest Expense. Interest expense for our managed senior living communities arises from mortgage debt secured by 19 of these properties. Interest expense decreased as a result of the prepayment or repayment of eight loans since January 1, 2014 that had a total principal balance of \$93,070 and a weighted average annual interest rate of 5.93%, as well as regularly scheduled amortization of our mortgage debt. The decrease in interest expense is partially offset by assumed mortgage debt of \$94,786 encumbering 13 properties with a weighted average annual interest rate of 4.12 % in connection with the May 2015 acquisition of 19 managed senior living communities described above.

Loss on early extinguishment of debt. Loss on early extinguishment of debt is a result of the prepayment of four mortgages in the second quarter of 2015.

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

	Six Months Ended June 30,			
	2015	2014	Change	% Change
Residents fees and services	\$ 160,580	\$ 158,481	\$ 2,099	1.3 %
Property operating expenses	(122,339)	(121,412)	(927)	(0.8)%
Net operating income (NOI)	38,241	37,069	1,172	3.2 %
Depreciation expense	(15,901)	(16,481)	580	3.5 %
Operating income	22,340	20,588	1,752	8.5 %
Interest expense	(3,854)	(5,794)	1,940	33.5 %
Loss on early extinguishment of debt	(33)	—	(33)	(100.0)%
Net income	<u>\$ 18,453</u>	<u>\$ 14,794</u>	<u>\$ 3,659</u>	<u>24.7 %</u>

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 of \$90, or 2.1%, 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 these properties. Property operating expenses increased principally because of increases in repairs and maintenance expenses, wages and benefits expenses, 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 amortization expense in the first six months of 2015. This decrease was partially offset by an increase in depreciation expense resulting from our purchase of improvements at these properties since January 1, 2014 .

Interest expense. Interest expense for our managed senior living communities arises from mortgage debt secured by six of these properties. Interest expense decreased as a result of the prepayment or repayment of eight loans since January 1, 2014 that had a total principal balance of \$93,070 and a weighted average annual interest rate of 5.93%, as well as regularly scheduled amortization of our mortgage debt.

Loss on early extinguishment of debt. Loss on early extinguishment of debt is a result of the prepayment of four mortgages in the second quarter of 2015.

MOBs:

	<u>All Properties</u>		<u>Comparable Properties ⁽¹⁾</u>	
	<u>As of and for the Six Months</u>		<u>As of and for the Six Months</u>	
	<u>Ended June 30,</u>		<u>Ended June 30,</u>	
	<u>2015</u>	<u>2014 ⁽²⁾</u>	<u>2015</u>	<u>2014</u>
Total properties	121	98	96	96
Total buildings	145	122	119	119
Total square feet ⁽³⁾	11,315	9,143	7,882	7,882
Occupancy ⁽⁴⁾	96.4 %	95.6 %	95.0 %	94.9 %

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

(2) Excludes properties classified in discontinued operations.

(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>Six Months Ended June 30,</u>			
	<u>2015</u>	<u>2014</u>	<u>Change</u>	<u>% Change</u>
Rental income	\$ 175,592	\$ 120,791	\$ 54,801	45.4 %
Property operating expenses	(47,191)	(36,178)	(11,013)	(30.4)%
Net operating income (NOI)	128,401	84,613	43,788	51.8 %
Depreciation expense	(60,030)	(35,522)	(24,508)	(69.0)%
Operating income	68,371	49,091	19,280	39.3 %
Interest expense	(3,525)	(2,844)	(681)	(23.9)%
Income from continuing operations	64,846	46,247	18,599	40.2 %
Discontinued operations:				
(Loss) income from discontinued operations	(350)	2,041	(2,391)	(117.1)%
Impairment of assets from discontinued operations	(602)	(334)	(268)	(80.2)%
Net income	<u>\$ 63,894</u>	<u>\$ 47,954</u>	<u>\$ 15,940</u>	<u>33.2 %</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. These acquisitions represent \$48,099, or 87.7%, of the increase in rental income. Rental income includes non-cash straight line rent adjustments totaling \$7,122 and \$3,572 and net amortization of approximately \$2,266 and \$(263) of above and below market lease adjustments for the six months ended June 30, 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 these properties. The acquisitions described above represent \$9,361, or 85.0%, of the increase in property operating expenses.

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 expense. Depreciation expense increased primarily because of our MOB acquisitions since January 1, 2014 as well as capital improvement purchases of \$28,736 since January 1, 2014.

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Interest expense. Interest expense for our MOB's arises from mortgage debt secured by 9 properties (10 buildings). 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 January 1, 2014 with a weighted average annual interest rate of 5.26 %, partially offset by the regularly scheduled amortization of our mortgage debt.

(Loss) income from discontinued operations. Loss from discontinued operations for the six months ended June 30, 2015 relates to the one MOB (four buildings) which was sold in April 2015. The loss also resulted from the decline in offsetting income primarily due to the sale of three MOB's (three buildings) during the second and third quarters of 2014.

Impairment of assets from discontinued operations. During the six months ended June 30, 2015 and 2014, we recorded impairment of assets charges to reduce and increase the carrying value of three of our MOB's (six buildings) to their estimated sales prices.

MOB's, comparable properties (MOB's we have owned continuously since January 1, 2014):

	Six Months Ended June 30,			
	2015	2014	Change	% Change
Rental income	\$ 104,495	\$ 105,096	\$ (601)	(0.6)%
Property operating expenses	(34,425)	(33,324)	(1,101)	(3.3)%
Net operating income (NOI)	70,070	71,772	(1,702)	(2.4)%
Depreciation expense	(27,422)	(27,287)	(135)	(0.5)%
Operating income	42,648	44,485	(1,837)	(4.1)%
Interest expense	(2,586)	(2,638)	52	2.0 %
Net income	<u>\$ 40,062</u>	<u>\$ 41,847</u>	<u>\$ (1,785)</u>	<u>(4.3)%</u>

Rental income. Rental income decreased slightly during the six months ended June 30, 2015 compared to the same period in the prior year, primarily due to lower rental rates at certain of these MOB's. Rental income includes non-cash straight line rent adjustments totaling \$ 2,439 and \$ 2,604 and net amortization of approximately \$(1,674) and \$(1,569) of above and below market lease adjustments for the six months ended June 30, 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 these properties. Property operating costs increased principally because of increases in salaries and benefits, increased repairs and maintenance expenses at certain of these properties and other direct costs of operating these properties. These expenses were partially offset by a decrease in insurance premiums and real estate tax refunds at various properties for the six months ended June 30, 2015 compared to the six months ended June 30, 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 expense. Depreciation expense increased slightly due to an increase in the amortization of leasing costs and depreciation expense on fixed assets, partially offset by a reduction in amortization of acquired in place real estate leases that we amortize over the respective lease terms.

Interest expense. Interest expense for our MOB's arises from mortgage debt secured by six properties (seven buildings). The slight decrease in interest expense is the result of the regularly scheduled amortization of our mortgage debt.

	Six Months Ended June 30,			
	2015	2014	Change	% Change
Rental income	\$ 9,139	\$ 8,878	\$ 261	2.9 %
Expenses:				
Depreciation expense	(1,896)	(1,896)	—	—
General and administrative	(22,248)	(17,866)	(4,382)	(24.5)%
Acquisition related costs	(5,775)	(2,635)	(3,140)	(119.2)%
Total expenses	(29,919)	(22,397)	(7,522)	(33.6)%
Operating loss	(20,780)	(13,519)	(7,261)	(53.7)%
Interest and other income	217	258	(41)	(15.9)%
Interest expense	(53,488)	(41,514)	(11,974)	(28.8)%
Loss on early extinguishment of debt	(1,409)	—	(1,409)	(100.0)%
Loss before income tax expense and equity in earnings of an investee	(75,460)	(54,775)	(20,685)	(37.8)%
Income tax expense	(239)	(346)	107	30.9 %
Equity in earnings of an investee	95	21	74	352.4 %
Net loss	<u>\$ (75,604)</u>	<u>\$ (55,100)</u>	<u>\$ (20,504)</u>	<u>(37.2)%</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 \$275 in both the six months ended June 30, 2015 and 2014. Rental income also includes net amortization of approximately \$110 of acquired real estate leases and obligations in both the six months ended June 30, 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 six months ended June 30, 2015 and 2014. 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 LLC 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 January 1, 2014.

Acquisition related costs. Acquisition related costs represent legal and due diligence costs incurred in connection with our acquisition activity during the six months ended June 30, 2015 and 2014. Acquisition related costs increased during the six months ended June 30, 2015 due to an increase in the number of properties acquired during that period compared to the six months ended June 30, 2014.

Interest and other income. The decrease in interest and other income is primarily a result of less investable cash on hand during the first half of 2015 compared to the first half of 2014, offset by a gain of \$71 on the sale of 250,000 common shares of EQC in May 2015.

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, our May 2014 term loan borrowing of \$350,000 at LIBOR plus 140 basis points and increased borrowings under our unsecured revolving credit facility.

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Loss on early 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 early 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 and six months ended June 30, 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 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 activities. Other real estate companies and REITs 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, we 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 we exclude acquisition related costs, gains and losses on early extinguishment of debt and gains and losses on lease terminations and losses 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.

Our calculations of FFO and Normalized FFO for the three months ended June 30, 2015 and 2014 and reconciliations of net income, the most directly comparable financial measure under GAAP reported in our condensed

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consolidated financial statements, to FFO and Normalized FFO appear in the following table. This table also provides a comparison of distributions to shareholders, FFO, Normalized FFO and net income per share for these periods.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net income	\$ 36,387	\$ 37,659	\$ 76,176	\$ 76,236
Depreciation expense from continuing operations	62,511	46,703	116,218	85,058
Gain on sale of properties	—	(2,396)	—	(2,552)
Impairment of assets from discontinued operations	602	(387)	602	334
FFO	99,500	81,579	192,996	159,076
Acquisition related costs from continuing operations	4,617	2,512	5,775	2,635
Loss on early extinguishment of debt	39	—	1,448	—
Percentage rent adjustment ⁽¹⁾	2,600	2,500	5,100	5,000
Normalized FFO	\$ 106,756	\$ 86,591	\$ 205,319	\$ 166,711
Weighted average shares outstanding (basic)	235,549	199,830	228,501	193,962
Weighted average shares outstanding (diluted)	235,592	199,867	228,534	193,990
FFO per share (basic and diluted)	\$ 0.42	\$ 0.41	\$ 0.84	\$ 0.82
Normalized FFO per share (basic and diluted)	\$ 0.45	\$ 0.43	\$ 0.90	\$ 0.86
Net income per share (basic and diluted)	\$ 0.15	\$ 0.19	\$ 0.33	\$ 0.39
Distributions declared per share	\$ 0.39	\$ 0.39	\$ 0.78	\$ 0.78

- (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 property level 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 and six months ended June 30, 2015 and 2014.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Reconciliation of NOI to Net Income:				
Triple net leased communities NOI	\$ 61,347	\$ 55,166	\$ 116,598	\$ 110,055
Managed communities NOI	22,064	18,415	42,454	37,069
MOB NOI	65,791	48,865	128,401	84,613
All other operations NOI	4,608	4,476	9,139	8,878
Total NOI	153,810	126,922	296,592	240,615
Depreciation expense	(62,511)	(46,703)	(116,218)	(85,058)
General and administrative expense	(11,674)	(9,577)	(22,248)	(17,866)
Acquisition related costs	(4,617)	(2,512)	(5,775)	(2,635)
Operating income	75,008	68,130	152,351	135,056
Interest and other income	142	154	217	258
Interest expense	(37,907)	(34,112)	(73,848)	(63,012)
Loss on early extinguishment of debt	(39)	—	(1,448)	—
Income before income tax expense and equity in earnings of an investee	37,204	34,172	77,272	72,302
Income tax expense	(129)	(155)	(239)	(346)
Equity in earnings of an investee	23	118	95	21
Income from continuing operations	37,098	34,135	77,128	71,977
(Loss) income from discontinued operations	(109)	741	(350)	2,041
Impairment of assets from discontinued operations	(602)	387	(602)	(334)
Income before gain on sale of assets	36,387	35,263	76,176	73,684
Gain on sale of assets	—	2,396	—	2,552
Net income	\$ 36,387	\$ 37,659	\$ 76,176	\$ 76,236

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 six months ended June 30, 2015 compared to the six months ended June 30, 2014 were as follows: (i) cash provided by operating activities increased from \$179.0 million in 2014 to \$216.5 million in 2015; (ii) cash used for investing activities

decreased from \$1.2 billion in 2014 to \$1.1 billion in 2015; and (iii) cash flows from financing activities decreased from \$1.0 billion in 2014 to \$955.4 million in 2015.

The increase in cash provided by operating activities for the six months ended June 30, 2015 compared to the prior year was due primarily to increased operating cash flow from our acquisitions after July 1, 2014. The decrease in cash used in investing activities for the six months ended June 30, 2015 compared to the prior year was due primarily to slightly less acquisition activity in 2015 and decreased capital improvement expenditures, partially offset by our increased investments and lower proceeds from our net sales of properties and investments. The decrease in cash provided by financing activities for the six months ended June 30, 2015 compared to the prior year was due primarily to proceeds received in 2014 from the issuance of \$650.0 million of unsecured senior notes and our entering into a \$350.0 million term loan agreement, offset by higher proceeds in 2015 from the issuance of common shares and higher net borrowings under our revolving credit facility, partially offset by increased distributions to our common shareholders.

Our Investment and Financing Liquidity and Resources

As of June 30, 2015, we had \$52.2 million of cash and cash equivalents and \$135.0 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 June 30, 2015. 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 June 30, 2015, the annual interest rate payable on borrowings under our revolving credit facility was 1.45%. As of June 30, 2015 and August 5, 2015, we had \$615.0 million and \$585.0 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 at maturity a mortgage note for approximately \$29.2 million with an annual interest rate of 6.02% encumbering one of our properties. In April 2015, we repaid a mortgage note for approximately \$6.3 million that had a maturity date in October 2015 with an annual interest rate of 5.81%. In May 2015, we repaid four mortgage notes with an aggregate principal balance of approximately \$15.1 million that had maturity dates in July 2015 with a weighted average annual interest rate of 5.70% encumbering four of our properties. In June 2015, we repaid at maturity a mortgage note for approximately \$4.9 million with an annual interest rate of 5.65%. Also in June 2015, we repaid a mortgage note for approximately \$4.4 million that had a maturity date in October 2015 with an annual interest rate of 5.81% encumbering one of our properties.

In January 2015, we acquired 23 MOB (23 buildings), for approximately \$539.0 million, excluding closing costs and working capital adjustments and including the assumption of approximately \$30.0 million of mortgage debt with a weighted average annual interest rate of 4.73%. The MOB contain approximately 2.2 million leasable square feet and are located in 12 states. We funded this acquisition using cash on hand, borrowings under our revolving credit facility and the assumption of the mortgage debt described above.

In December 2014, we entered into a purchase agreement to acquire 38 senior living communities with 3,439 living units located in 16 states for an aggregate contractual purchase price of \$790.0 million, excluding closing costs. In May 2015, we completed the acquisition of 37 of these senior living communities with 3,352 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 annual interest rate of 4.43%. 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 May 2015, we acquired one senior living community with 40 private pay independent living units for a contractual purchase price of approximately \$9.8 million, excluding closing costs. We financed this acquisition using cash on hand and borrowings under our revolving credit facility.

In May 2015, we sold all 250,000 of our common shares of EQC for proceeds of \$6.6 million, net of transaction costs.

In June, 2015, we acquired 5,272,787 shares of RMR Inc. for \$60.7 million, excluding transaction costs. As payment for the RMR Inc. shares, we issued 2,345,000 of our common shares valued at the volume weighted average trading prices during the 20 days prior to the acquisition and paid the remainder of the purchase price in cash. Through our acquisition of the RMR Inc. shares, we indirectly acquired an economic ownership of 17.0% of our manager, RMR LLC. We have agreed to distribute half of the RMR Inc. shares we acquired to our shareholders as a special distribution, and RMR Inc. agreed to facilitate this distribution by filing a registration statement with the SEC to register those shares to be distributed and by seeking a listing of those shares on a national stock exchange. We will not distribute our RMR Inc. shares until such a registration statement is declared effective by the SEC.

In July 2015, we entered into an agreement to acquire one senior living community with 84 living units for approximately \$18.3 million, excluding closing costs. We intend to finance this acquisition using cash on hand and borrowings under our revolving credit facility. The acquisition of this 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 or that the terms will not change.

In February 2015, we sold one vacant senior living community for approximately \$0.3 million, excluding closing costs. In April 2015, we sold one MOB (four buildings) for \$1.5 million, excluding closing costs. In July 2015, we sold one senior living community with 12 skilled nursing units for approximately \$0.2 million, excluding closing costs. In August 2015, we sold one senior living community with 63 skilled nursing units for approximately \$0.9 million, excluding closing costs.

During the three and six months ended June 30, 2015, pursuant to the terms of our existing leases with Five Star, we purchased \$4.8 million and \$9.4 million, respectively, 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 and \$0.8 million, respectively. We used cash on hand to fund these purchases.

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During the three and six months ended June 30, 2015 and 2014, amounts capitalized for leasing costs and building improvements at our MOBs and our capital expenditures at our managed senior living communities were as follows (dollars in thousands):

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
MOB tenant improvements ⁽¹⁾⁽²⁾	\$ 2,457	\$ 1,330	\$ 3,805	\$ 3,137
MOB leasing costs ⁽¹⁾⁽³⁾	2,413	1,291	3,482	1,975
MOB building improvements ⁽¹⁾⁽⁴⁾	1,332	1,862	1,819	3,034
Managed senior living communities capital improvements	2,770	2,100	4,932	4,532
Development, redevelopment and other activities ⁽⁵⁾	4,342	5,843	9,868	8,266
Total capital expenditures	<u>\$ 13,314</u>	<u>\$ 12,426</u>	<u>\$ 23,906</u>	<u>\$ 20,944</u>

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- (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.

During the three months ended June 30, 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		
	Leases	Renewals	Total
Square feet leased during the quarter	115	171	286
Total leasing costs and concession commitments ⁽¹⁾	\$5,312	\$ 2,581	\$7,893
Total leasing costs and concession commitments per square foot ⁽¹⁾	\$46.42	\$ 15.08	\$27.63
Weighted average lease term (years) ⁽²⁾	8.7	13.2	11.6
Total leasing costs and concession commitments per square foot per year ⁽¹⁾	\$ 5.32	\$ 1.14	\$ 2.38

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- (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 June 30, 2015, including straight line rent adjustments and estimated recurring expense reimbursements and excluding lease value amortization.

We funded or 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. This distribution was paid on May 21, 2015 using cash on hand and borrowings under our revolving credit facility.

On July 13, 2015, we declared a quarterly distribution of \$0.39 per common share, or \$92.6 million, to our common shareholders of record on July 24, 2015, for the quarter ended June 30, 2015. We expect to pay this distribution on or about August 20, 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 June 30, 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 June 30, 2015 were: (1) outstanding borrowings under our \$750.0 million revolving credit facility; (2) 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 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; (3) our \$350.0 million principal amount term loan; and (4) \$714.4 million aggregate principal amount of mortgages secured by 56 of our properties (57 buildings) with maturity dates from 2015 to 2043. We also have two properties encumbered by capital leases totaling \$12.5 million at June 30, 2015. The capital leases expire in 2026. We had \$615.0 million outstanding under our unsecured revolving credit facility as of June 30, 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 LLC 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 June 30, 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 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 LLC, RMR Inc. and others related to them, including other companies to which RMR LLC provides management services and which have trustees, directors and officers who are also trustees, directors or officers of us, RMR LLC or RMR Inc. 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, our Current Report on Form 8-K filed with the SEC on June 8, 2015 and our other filings with the 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 LLC 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.

Impact of Government Reimbursement

As of June 30, 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 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.

On July 30, 2015, CMS released its final rule for the Medicare prospective payment system rates for SNFs for federal fiscal year 2016, which will go into effect on October 1, 2015. As part of this rule, CMS will apply a net increase of 1.2 % to Medicare payment rates for SNFs, which takes into account a 2.3 % market basket increase for inflation reduced by a 0.6% forecast error adjustment and a 0.5 % productivity adjustment. As discussed in our Annual Report, Medicare rates

have also been subject to reductions since April 2013 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 amends the Medicare and Medicaid conditions of participation to require SNFs to submit staffing information based on payroll and other verifiable data to CMS. CMS will implement 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 adopts a 30 day all-cause condition hospital readmission measure for SNFs, for use in 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.

On July 13, 2015, CMS released a proposed rule to comprehensively update the requirements for long-term care facilities that participate in Medicare and Medicaid, including the SNFs our tenants and managers operate. The proposed rule would institute a broad range of new requirements, some of which stem from statutory modifications under the Patient Protection and Affordable Care Act, as amended by the Healthcare and Education Reconciliation Act, or collectively, the ACA, and the IMPACT Act, and which are intended to reflect advances in service delivery and safety standards and practices, and to improve the safety, quality and effectiveness of care and services provided to residents. In particular, the proposed rule would require SNFs to: train staff on care for residents with dementia and on elder abuse prevention; consider residents' health needs when making decisions about the kinds and levels of staffing; ensure that staff have the appropriate skill sets and competencies to provide person-centered care; augment care planning activities, including considering residents' goals and preferences, and, on discharge, giving residents necessary follow-up information and improving communication with receiving facilities or services; permit dietitians and therapy providers to write orders under certain circumstances; provide greater food choice for residents; implement an updated infection prevention and control program, including requiring each SNF to designate an infection prevention and control officer; and strengthen residents' rights. In addition, the proposed rule would require SNFs to: alter their staffing levels and competencies based on the results of mandated facility assessments; develop, implement and maintain a compliance and ethics program and quality assurance and performance improvement program; and implement new practices surrounding the preparation and implementation of care plans and discharge summaries, among other new requirements. These proposals, if finalized, would increase the cost of operations for long-term care facilities that participate in Medicare and Medicaid, including the SNFs our tenants and managers operate. Specifically, CMS estimates in the proposed rule that the per-facility cost of complying with all of the new requirements would be approximately \$46,000 in the first year, and approximately \$41,000 each year thereafter.

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 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 July 20, 2015, 19 states have elected not to broaden Medicaid eligibility under the ACA and one remains undecided; 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.

On June 25, 2015, the U.S. Supreme Court held that income tax credits under the ACA are available to individuals who purchase health insurance on an exchange created by the federal government, in the same way such credits are available to individuals who purchase health insurance on an exchange created by a state. Such subsidies provide certain eligible individuals with the ability to purchase or maintain health insurance.

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.

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.

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At June 30, 2015, our outstanding fixed rate debt included the following (dollars in thousands):

Debt	Principal Balance ⁽¹⁾	Annual Interest Rate ⁽¹⁾	Annual Interest Expense	Maturity	Interest Payments Due
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	286,336	6.71 %	19,213	2019	Monthly
Mortgages	83,599	5.924 %	4,952	2016	Monthly
Mortgages	73,082	4.47 %	3,267	2018	Monthly
Mortgages	52,000	5.64 %	2,933	2016	Monthly
Mortgages	45,748	3.79 %	1,734	2019	Monthly
Mortgages	44,127	6.54 %	2,886	2017	Monthly
Mortgage	18,000	4.65 %	837	2016	Monthly
Mortgage	15,075	6.28 %	947	2022	Monthly
Mortgages	13,073	6.31 %	825	2018	Monthly
Mortgage	12,087	6.25 %	755	2016	Monthly
Mortgage	11,880	4.85 %	576	2022	Monthly
Mortgage	10,961	6.15 %	674	2017	Monthly
Mortgage	9,127	5.95 %	543	2038	Monthly
Mortgage	9,073	6.73 %	611	2018	Monthly
Mortgage	6,754	4.69 %	317	2019	Monthly
Mortgage	6,179	5.97 %	369	2016	Monthly
Mortgage	5,575	5.86 %	327	2017	Monthly
Mortgage	4,554	4.38 %	199	2043	Monthly
Mortgage	3,297	6.25 %	206	2033	Monthly
Mortgage	2,574	7.31 %	188	2022	Monthly
Mortgage	1,273	7.85 %	100	2022	Monthly
	<u>\$2,464,374</u>		<u>\$131,539</u>		

(1) 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.

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 \$ 24.6 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 June 30 , 2015, and discounted cash flow 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 \$23.0 million.

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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 June 30, 2015, our current floating rate debt obligations consisted of our \$750.0 million unsecured revolving credit facility, under which we had \$615.0 million outstanding, 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.

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 June 30, 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 June 30, 2015	1.50 %	\$ 965,000	\$ 14,475	\$ 0.06
100 basis point increase	2.50 %	\$ 965,000	\$ 24,125	\$ 0.10

- (1) Weighted based on the respective interest rates and outstanding borrowings under our credit agreement and term loan as of June 30, 2015.
- (2) Based on weighted average number of shares outstanding (basic and diluted) for the three months ended June 30, 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 June 30, 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 June 30, 2015	1.49 %	\$1,100,000	\$ 16,390	\$ 0.07
100 basis point increase	2.49 %	\$1,100,000	\$ 27,390	\$ 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 June 30, 2015.
- (2) Based on weighted average number of shares outstanding (basic and diluted) for the three months ended June 30, 2015.

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 arrangements 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 June 30, 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 EXPECTED DISTRIBUTION OF SHARES OF RMR INC. CLASS A COMMON STOCK TO OUR SHAREHOLDERS,
- 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 EXPECTATION THAT WE WILL BENEFIT FROM OUR OWNERSHIP OF RMR INC.,
- OUR EXPECTATION THAT WE BENEFIT FROM OUR OWNERSHIP OF AIC AND OUR PARTICIPATION IN INSURANCE PROGRAMS ARRANGED BY AIC,
- 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 LLC , RMR INC., 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 OTHER 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 TO OUR SHAREHOLDERS AND TO MAKE PAYMENTS OF PRINCIPAL AND INTEREST ON OUR INDEBTEDNESS DEPENDS UPON A NUMBER OF FACTORS, INCLUDING OUR FUTURE EARNINGS, THE CAPITAL COSTS WE INCUR TO LEASE AND OPERATE OUR PROPERTIES AND WORKING CAPITAL REQUIREMENTS. WE MAY BE UNABLE TO PAY OUR DEBT OBLIGATIONS OR 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 UNSECURED REVOLVING CREDIT FACILITY IS SUBJECT TO OUR SATISFYING CERTAIN FINANCIAL COVENANTS AND MEETING OTHER CUSTOMARY CREDIT FACILITY CONDITIONS THAT WE MAY BE UNABLE TO SATISFY ,
- 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,
- 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 JUNE 30 , 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 ONE PROPE RTY CLASSIFIED AS HELD FOR SALE. WE MAY NOT BE ABLE TO SELL THIS PROPERTY ON TERMS ACCEPTABLE TO US OR OTHERWISE, AND THE SALE OF THIS PROPERT Y MAY NOT OCCUR,
- WE BELIEVE THAT OUR RELATIONSHIPS WITH OUR RELATED PARTIES, INCLUDING FIVE STAR, RMR LLC , RMR INC., AIC, D&R YONKERS LLC, SIR AND OTHERS AFFILIATED WITH THEM MAY 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 RE LATIONSHIPS MAY NOT MATERIALIZE,
- THE PURCHASE PRICE WE PAID FOR THE RMR INC. SHARES AND OUR ECONOMIC OWNERSHIP INTEREST IN RMR LLC ARE STATED IN THIS QUARTERLY REPORT ON FORM 10-Q. AN IMPLICATION OF THESE STATEMENTS MAY BE THAT THE RMR INC. SHARES WE EXPECT TO DISTRIBUTE TO OUR SHAREHOLDERS WILL HAVE A MARKET VALUE AT LEAST EQUAL TO THE VALUE WE PAID FOR THE RMR INC. SHARES. IN FACT, THE VALUE OF THE RMR INC. SHARES MAY BE DIFFERENT FROM THE PRICE WE PAID FOR THE RMR INC. SHARES. THE MARKET VALUE OF THE RMR INC. SHARES WILL DEPEND UPON VARIOUS FACTORS, INCLUDING SOME THAT ARE BEYOND OUR CONTROL, SUCH AS MARKET CONDITIONS GENERALLY AT THE TIME THE RMR INC. SHARES ARE AVAILABLE FOR TRADING. THERE CAN BE NO ASSURANCE PROVIDED REGARDING THE PRICE AT WHICH THE RMR INC. SHARES WILL TRADE IF AND WHEN THEY ARE DISTRIBUTED AND LISTED ON A NATIONAL STOCK EXCHANGE,
- WE CURRENTLY EXPECT TO DISTRIBUTE HALF OF THE RMR INC. CLASS A COMMON SHARES WE ACQUIRED TO OUR SHAREHOLDERS AND WE CURRENTLY EXPECT THE DISTRIBUTION OF RMR INC . SHARES WILL OCCUR BY YEAR END 2015. THE PROCESS OF PREPARING A REGISTRATION STATEMENT FOR THE DISTRIBUTION OF THE RMR INC. SHARES REQUIRE S EXTENSIVE LEGAL AND ACCOUNTING SERVICES . AFTER A REGISTRATION STATEMENT IS FILED BY RMR INC. WITH THE SEC, IT WILL BE SUBJECT TO REVIEW BY SEC STAFF, WHICH MAY TAKE CONSIDERABLE TIME. THE LISTING OF THE RMR INC. SHARES ON A NATIONAL STOCK EXCHANGE WILL ALSO BE SUBJECT TO THE

SATISFACTION OF THE LISTING REQUIREMENTS AND APPROVAL OF THE APPLICABLE STOCK EXCHANGE. WE CAN PROVIDE NO ASSURANCE WHEN OR IF THE REGISTRATION STATEMENT WILL BE DECLARED EFFECTIVE BY THE SEC, THAT THE RMR INC. SHARES WILL BE APPROVED FOR LISTING ON A NATIONAL STOCK EXCHANGE OR WHEN THE DISTRIBUTION OF THE RMR INC. SHARES WILL OCCUR, IF EVER, AND

- THE BUSINESS MANAGEMENT AND PROPERTY MANAGEMENT AGREEMENTS BETWEEN US AND RMR LLC HAVE BEEN AMENDED AND EXTENDED FOR 20 YEAR TERMS. THE AMENDED MANAGEMENT AGREEMENTS INCLUDE TERMS WHICH PERMIT EARLY TERMINATION AND EXTENSIONS IN CERTAIN CIRCUMSTANCES. ACCORDINGLY, THERE CAN BE NO ASSURANCE THAT THESE AGREEMENTS WILL REMAIN IN EFFECT FOR 20 YEARS OR FOR SHORTER OR LONGER TERMS.

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 OTHER 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 1A. Risk Factors.

Our business faces many risks, a number of which are described under the caption “Risk Factors” in our Annual Report and below. The risks so described may not be the only risks we face. Additional risks of which we are not yet aware, or that we currently believe are immaterial, may also materially and adversely impact our business operations or financial results. If any of the events or circumstances described in the risk factors contained in our Annual Report or described below occurs, our business, financial condition or results of operations could be adversely impacted and the trading price of our securities could decline. Investors and prospective investors should consider the risks described in our Annual Report and below and the information contained under the heading “Warning Concerning Forward Looking Statements” and elsewhere in this Quarterly Report on Form 10-Q before deciding whether to invest in our securities.

Our bylaws designate the Circuit Court for Baltimore City, Maryland or, if that court does not have jurisdiction, the United States District Court for the District of Maryland, Baltimore Division, as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our shareholders, which could limit our shareholders’ ability to obtain a favorable judicial forum for disputes with us or our Trustees, officers, manager or agents.

Our bylaws currently provide that, unless we consent in writing to the selection of an alternative forum, the Circuit Court for Baltimore City, Maryland, or if that court does not have jurisdiction, the United States District Court for the District of Maryland, Baltimore Division, will be the sole and exclusive forum for: (i) any derivative action or proceeding brought on our behalf; (ii) any action asserting a claim for breach of a duty owed by any Trustee, officer, manager, agent or employee of ours to us or our shareholders; (iii) any action asserting a claim against us or any Trustee, officer, manager, agent or employee of ours arising pursuant to the Maryland General Corporation Law, our declaration of trust or bylaws brought by or on behalf of a shareholder; or (iv) any action asserting a claim against us or any Trustee, officer, manager, agent or employee of ours that is governed by the internal affairs doctrine. This choice of forum provision may limit a shareholder’s ability to bring a claim in a judicial forum that the shareholder believes is favorable for disputes with us or our Trustees, officers, manager or agents, which may discourage lawsuits against us and our Trustees, officers, manager or agents. Any person or entity purchasing or otherwise acquiring or holding any interest in our shares of beneficial interest shall be deemed to have notice of and to have consented to this provision of our bylaws, as they may be amended from time to time. This provision of our bylaws does not abrogate or supersede other provisions of our bylaws dealing with certain disputes affecting us.

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

On April 8, May 7 and June 5, 2015, we issued 15,431, 13,746 and 15,770 of our common shares, respectively, to RMR LLC as payment of a portion of the management fee due to RMR LLC pursuant to our business management agreement with RMR LLC. We issued these shares pursuant to an exemption from registration contained in Section 4(a)(2) of the Securities Act of 1933, as amended, or the Securities Act.

On June 5, 2015, we issued 2,345,000 of our common shares to RMR Inc. as payment, along with cash, for 5,272,787 shares of class A common stock of RMR Inc. We issued all of these shares pursuant to an exemption from registration contained in Section 4(a)(2) of the Securities Act.

Item 5. Other Information.

On August 5, 2015, our Board of Trustees approved amended and restated bylaws, effective that same date.

The amended and restated bylaws amend the share ownership requirements for shareholders seeking to nominate individuals for election to the Board of Trustees or propose other business to be considered by shareholders at an annual meeting of shareholders. Pursuant to the amended and restated bylaws, the proponent shareholder(s) must

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have each continuously owned (as defined in the amended and restated bylaws) our shares of beneficial interest entitled to vote in the election of Trustees or on a proposal of other business, for at least three years prior to each of the date of the giving of the notice of the proposed nomination or proposal of other business, the record date for determining the shareholders entitled to vote at the meeting and the time of the annual meeting, with the aggregate shares owned by such shareholder(s) as of each such date and during such three year period representing at least 1% of our shares of beneficial interest. Our bylaws previously required that a proponent shareholder own at least \$2,000 in market value or 1% of our shares of beneficial interest entitled to vote at the meeting on such election or proposal of other business for at least one year from the date such shareholder gave notice of the proposed nomination or proposal of other business.

The amended and restated bylaws also amend the provisions regarding arbitration procedures for disputes to, among other things, add a provision allowing for an award or decision rendered pursuant to arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association, or AAA, to be appealed pursuant to the AAA appeals process, and shall not be considered final until after the time for filing a notice of appeal pursuant to the AAA appellate rules has expired, and otherwise until the appellate process has been completed.

The amended and restated bylaws also add a provision which provides that, unless we consent in writing to the selection of an alternative forum, the Circuit Court for Baltimore City, Maryland, or, if that court does not have jurisdiction, the United States District Court for the District of Maryland, Baltimore Division, will be the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a duty owed by any of our Trustees, officers, managers, agents or employees to us or our shareholders, (iii) any action asserting a claim against us or any of our Trustees, officers, managers, agents or employees arising pursuant to the Maryland General Corporation Law or our declaration of trust or the amended and restated bylaws, including any disputes, claims or controversies brought by or on behalf of any of our shareholders or (iv) any action asserting a claim against us or any of our Trustees, officers, managers, agents or employees governed by the internal affairs doctrine of the State of Maryland. This provision further provides that any person or entity purchasing or otherwise acquiring any interest in our shares of beneficial interest is deemed to have notice of and consented to this provision. This provision of our amended and restated bylaws does not abrogate or supersede other provisions of our amended and restated bylaws which may require the resolution of such disputes by arbitration.

The amended and restated bylaws also include certain conforming and administrative changes, including, among other things, revisions to the descriptions of the powers and duties of our officers.

The foregoing description of the amended and restated bylaws is not complete and is qualified in its entirety by reference to the full text of the amended and restated bylaws, a copy of which is filed as Exhibit 3.3 to this Quarterly Report on Form 10-Q, and is incorporated by reference herein. In addition, a marked copy of the amended and restated bylaws indicating changes made to our bylaws as they existed immediately prior to the adoption of these amended and restated bylaws is attached as Exhibit 3.4.

Item 6. Exhibit s

Exhibit Number

Description

- | | |
|-----|--|
| 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 | Composite Copy of Amended and Restated Bylaws of the Company, as amended to date. (Filed herewith.) |

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- 3. 4 Composite Copy of Amended and Restated Bylaws of the Company, as amended to date. (marked copy) (Filed herewith.)
- 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 Transaction Agreement, dated as of June 5, 2015, among the Company, Reit Management & Research LLC, Reit Management & Research Trust and Reit Management & Research Inc. (Incorporated by reference to the Company's Current Report on Form 8-K dated June 5, 2015.)
- 10.2 Second Amended and Restated Business Management Agreement, dated as of June 5, 2015, between the Company and Reit Management & Research LLC. (Incorporated by reference to the Company's Current Report on Form 8-K dated June 5, 2015.)
- 10.3 Second Amended and Restated Property Management Agreement, dated as of June 5, 2015, between the Company and Reit Management & Research LLC. (Incorporated by reference to the Company's Current Report on Form 8-K dated June 5, 2015.)
- 10.4 Registration Rights and Lock-Up Agreement, dated as of June 5, 2015, among the Company, Reit Management & Research Trust, Barry M. Portnoy and Adam D. Portnoy. (Incorporated by reference to the Company's Current Report on Form 8-K dated June 5, 2015.)
- 10.5 Registration Rights Agreement, dated as of June 5, 2015, between the Company and Reit Management & Research Inc. (Incorporated by reference to the Company's Current Report on Form 8-K dated June 5, 2015.)
- 10.6 Summary of Trustee Compensation. (Incorporated by reference to the Company's Current Report on Form 8-K dated May 19, 2015.)

- 10.7 Partial Termination of and Eighth Amendment to Amended And Restated Master Lease Agreement (Lease No. 2) dated as of July 20, 2015, among certain subsidiaries of the Company, as landlord, and certain subsidiaries of Five Star Quality Care, Inc., as tenant. (Filed herewith.)
- 12.1 Computation of Ratios of Earnings to Fixed Charges. (Filed herewith.)
- 31.1 Rule 13a-14(a) Certification. (Filed herewith.)
- 31.2 Rule 13a-14(a) Certification. (Filed herewith.)
- 31.3 Rule 13a-14(a) Certification. (Filed herewith.)
- 31.4 Rule 13a-14(a) Certification. (Filed herewith.)
- 32.1 Section 1350 Certification. (Furnished herewith.)
- 101.1 The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2015 formatted in XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of 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: August 6 , 2015

By: /s/ Richard A. Doyle

Richard A. Doyle
Treasurer and Chief Financial Officer
(principal financial and accounting officer)

Dated: August 6 , 2015

SENIOR HOUSING PROPERTIES TRUST

AMENDED AND RESTATED BYLAWS

As Amended and Restated August 5 , 2015

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SENIOR HOUSING PROPERTIES TRUST

AMENDED AND RESTATED BYLAWS

These AMENDED AND RESTATED BYLAWS (the “Bylaws”) are made as of the date set forth above by the Board of Trustees.

ARTICLE I OFFICES

Section 1.1. Principal Office. The principal office of the Trust shall be located at such place or places as the Board of Trustees may designate.

Section 1.2. Additional Offices. The Trust may have additional offices at such places as the Board of Trustees may from time to time determine or the business of the Trust may require.

ARTICLE II MEETINGS OF SHAREHOLDERS

Section 2.1. Place. All meetings of shareholders shall be held at the principal office of the Trust or at such other place as is designated by the Board of Trustees or the president.

Section 2.2. Annual Meeting. An annual meeting of the shareholders for the election of Trustees and the transaction of any business within the powers of the Trust shall be held at such times as the Trustees may designate. Failure to hold an annual meeting does not invalidate the Trust’s existence or affect any otherwise valid acts of the Trust.

Section 2.3. Special Meetings. Special meetings of shareholders may be called only by a majority of the Trustees then in office. If there shall be no Trustees, the officers of the Trust shall promptly call a special meeting of the shareholders entitled to vote for the election of successor Trustees for the purpose of electing Trustees.

Section 2.4. Notice of Regular or Special Meetings. Notice given in writing or by electronic transmission specifying the place, day and hour of any regular or special meeting, the purposes of the meeting, to the extent required by law to be provided, and all other matters required by law shall be given to each shareholder of record entitled to vote, sent to his or her address appearing on the books of the Trust or theretofore given by him or her to the Trust for the purpose of notice, by presenting it to such shareholder personally, by leaving it at the shareholder’s residence or usual place of business or by any other means permitted by Maryland law. If mailed, such notice shall be deemed to be given once deposited in the U.S. mail addressed to the shareholder at his or her post office address as it appears on the records of the Trust, with postage thereon prepaid. If transmitted electronically, such notice shall be deemed to be given when transmitted to the shareholder by an electronic transmission to any address or number of the shareholder at which the shareholder receives electronic transmissions. It shall be the duty of the secretary to give notice of each meeting of the shareholders. The Trust may give a single notice to all shareholders who share an address, which single notice shall be effective to any shareholder at such address, unless a shareholder objects to receiving such single notice or revokes a prior consent to receiving such single notice. Failure to give notice of any meeting to

one or more shareholders, or any irregularity in such notice, shall not affect the validity of any meeting fixed in accordance with this ARTICLE II or the validity of any proceedings at any such meeting.

Section 2.5. Notice of Adjourned Meetings. It shall not be necessary to give notice of the time and place of any adjourned meeting or of the business to be transacted thereat other than by announcement at the meeting at which such adjournment is taken.

Section 2.6. Meeting Business. Except as otherwise expressly set forth elsewhere in these Bylaws, no business shall be transacted at an annual or special meeting of shareholders except as specifically designated in the notice or otherwise properly brought before the meeting of shareholders by or at the direction of the Board of Trustees.

Section 2.7. Organization of Shareholder Meetings. Every meeting of shareholders shall be conducted by an individual appointed by the Board of Trustees to be chairperson of the meeting or, in the absence of such appointment or the absence of the appointed individual, by one of the following officers present at the meeting in the following order: the chairman of the board, if there be one, the president, the vice presidents in their order of seniority, the secretary, or, in the absence of such officers, a chairperson chosen by the shareholders by the vote of holders of shares of beneficial interest representing a majority of the votes cast on such appointment by shareholders present in person or represented by proxy. The secretary, an assistant secretary or a person appointed by the Trustees or, in the absence of such appointment, a person appointed by the chairperson of the meeting shall act as secretary of the meeting and record the minutes of the meeting. If the secretary presides as chairperson at a meeting of the shareholders, then the secretary shall not also act as secretary of the meeting and record the minutes of the meeting. The order of business and all other matters of procedure at any meeting of shareholders shall be determined by the chairperson of the meeting. The chairperson of the meeting may prescribe such rules, regulations and procedures and take such action as, in the discretion of such chairperson, are appropriate for the proper conduct of the meeting, including, without limitation: (a) restricting admission to the time set for the commencement of the meeting; (b) limiting attendance at the meeting to shareholders of record of the Trust, their duly authorized proxies or other such persons as the chairperson of the meeting may determine; (c) limiting participation at the meeting on any matter to shareholders of record of the Trust entitled to vote on such matter, their duly authorized proxies or other such persons as the chairperson of the meeting may determine; (d) limiting the time allotted to questions or comments by participants; (e) determining when and for how long the polls should be opened and when the polls should be closed; (f) maintaining order and security at the meeting; (g) removing any shareholder or other person who refuses to comply with meeting procedures, rules or guidelines as set forth by the chairperson of the meeting; (h) concluding a meeting or recessing or adjourning the meeting to a later date and time and at a place announced at the meeting; and (i) complying with any state and local laws and regulations concerning safety and security. Without limiting the generality of the powers of the chairperson of the meeting pursuant to the foregoing provisions, the chairperson may adjourn any meeting of shareholders for any reason deemed necessary by the chairperson, including, without limitation, if (i) no quorum is present for the transaction of the business, (ii) the Board of Trustees or the chairperson of the meeting determines that adjournment is necessary or appropriate to enable the shareholders to consider fully information that the Board of Trustees or the chairperson of the

meeting determines has not been made sufficiently or timely available to shareholders or (iii) the Board of Trustees or the chairperson of the meeting determines that adjournment is otherwise in the best interests of the Trust. Unless otherwise determined by the chairperson of the meeting, meetings of shareholders shall not be required to be held in accordance with the general rules of parliamentary procedure or any otherwise established rules of order.

Section 2.8. Quorum. At any meeting of shareholders, the presence in person or by proxy of shareholders entitled to cast a majority of all the votes entitled to be cast at such meeting shall constitute a quorum; but this section shall not affect any requirement under any statute or the Declaration of Trust for the vote necessary for the adoption of any measure. If, however, such quorum shall not be present at any meeting of the shareholders, the chairperson of the meeting shall have the power to adjourn the meeting from time to time without the Trust having to set a new record date or provide any additional notice of such meeting, subject to any obligation of the Trust to give notice pursuant to Section 2.5. At such adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally notified. The shareholders present, either in person or by proxy, at a meeting of shareholders which has been duly called and convened and at which a quorum was established may continue to transact business until adjournment, notwithstanding the withdrawal of enough votes to leave less than a quorum then being present at the meeting.

Section 2.9. Voting.

(a) With regard to election of a Trustee, and except as may be mandated by applicable law or the listing requirements of the principal exchange on which the Trust's common shares of beneficial interest are listed: (i) a plurality of all the votes cast at a meeting of shareholders duly called and at which a quorum is present shall be sufficient to elect a Trustee in an uncontested election; and (ii) a majority of all the shares entitled to vote at a meeting of shareholders duly called and at which a quorum is present shall be sufficient to elect a Trustee in a contested election (which, for purposes of these Bylaws, is an election at which the number of nominees exceeds the number of Trustees to be elected at the meeting). Each share may be voted for as many individuals as there are Trustees to be elected and for whose election the share is entitled to be voted.

(b) With regard to any other matter which may properly come before a meeting of shareholders duly called and at which a quorum is present, and except as may be mandated by applicable law, by the listing requirements of the principal exchange on which the Trust's common shares of beneficial interest are listed or by a specific provision of the Declaration of Trust, the vote required for approval shall be the affirmative vote of seventy-five percent (75%) of the votes entitled to be cast for each such matter unless such matter has been previously approved by the Board of Trustees, in which case the vote required for approval shall be a majority of the votes cast at a meeting of shareholders duly called and at which a quorum is present.

Section 2.10. Proxies. A shareholder may cast the votes entitled to be cast by him or her either in person or by proxy executed by the shareholder or by his or her duly authorized agent in any manner permitted by law. Such proxy shall be filed with such officer of the Trust or third party agent as the Board of Trustees shall have designated for such purpose for verification at or

prior to such meeting. Any proxy relating to the Trust's shares of beneficial interest shall be valid until the expiration date therein or, if no expiration is so indicated, for such period as is permitted pursuant to Maryland law. At a meeting of shareholders, all questions concerning the qualification of voters, the validity of proxies, and the acceptance or rejection of votes, shall be decided by or on behalf of the chairperson of the meeting, subject to Section 2.13.

Section 2.11. Record Date. The Board of Trustees may fix the date for determination of shareholders entitled to notice of and to vote at a meeting of shareholders. If no date is fixed for the determination of the shareholders entitled to vote at any meeting of shareholders, only persons in whose names shares entitled to vote are recorded on the share records of the Trust on the later of: (i) the close of business on the day on which notice of such meeting of shareholders is first mailed by the Trust or (ii) the thirtieth (30th) day before the date of such meeting shall be entitled to vote at such meeting.

Section 2.12. Voting of Shares by Certain Holders. Shares of beneficial interest of the Trust registered in the name of a corporation, partnership, trust or other entity, if entitled to be voted, may be voted by the president or a vice president, a general partner, managing member or trustee thereof, as the case may be, or a proxy appointed by any of the foregoing individuals, unless some other person who has been appointed to vote such shares pursuant to a bylaw or a resolution of the governing body of such corporation or other entity or pursuant to an agreement of the partners of the partnership presents a certified copy of such bylaw, resolution or agreement, in which case such person may vote such shares. Any trustee or other fiduciary may vote shares registered in his or her name as such fiduciary, either in person or by proxy.

Section 2.13. Inspectors.

(a) Before or at any meeting of shareholders, the chairperson of the meeting may appoint one or more persons as inspectors for such meeting. Such inspectors, if any, shall (i) ascertain and report the number of shares of beneficial interest represented at the meeting, in person or by proxy, and the validity and effect of proxies, (ii) receive and tabulate all votes, ballots or consents, (iii) report such tabulation to the chairperson of the meeting and (iv) perform such other acts as are proper to conduct the election or voting at the meeting.

(b) Each report of an inspector shall be in writing and signed by him or her. The report of the inspector or inspectors on the number of shares represented at the meeting and the results of the voting shall be prima facie evidence thereof.

Section 2.14. Nominations and Other Proposals to be Considered at Meetings of Shareholders. Nominations of individuals for election to the Board of Trustees and the proposal of other business to be considered by the shareholders at meetings of shareholders may be properly brought before the meeting only as set forth in this Section 2.14. Nothing in this Section 2.14 shall be deemed to affect any right of a shareholder to request inclusion of a proposal in, or the right of the Trust to omit a proposal from, any proxy statement filed by the Trust with the U.S. Securities and Exchange Commission (the "SEC") pursuant to Rule 14a-8 (or any successor provision) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All judgments and determinations made by the Board of Trustees or the chairperson of the meeting, as applicable, under this Section 2.14 (including, without limitation, judgments and

determinations as to the propriety of a proposed nomination or a proposal of other business for consideration by shareholders) shall be final and binding unless determined to have been made in bad faith.

Section 2.14.1. Annual Meetings of Shareholders.

(a) Any shareholder of the Trust may recommend to the Nominating and Governance Committee of the Board of Trustees an individual as a nominee for election to the Board of Trustees. Such recommendation shall be made by written notice to the Chair of such committee and the Secretary of the Trust, which notice should contain or be accompanied by the information and documents with respect to such recommended nominee and shareholder that such shareholder believes to be relevant or helpful to the Nominating and Governance Committee's deliberations. In considering such recommendation, the Nominating and Governance Committee may request additional information concerning the recommended nominee or the shareholder(s) making the recommendation. The Nominating and Governance Committee of the Board of Trustees will consider any such recommendation in its discretion. Any shareholder seeking to make a nomination of an individual for election to the Board of Trustees at an annual meeting must make such nomination in accordance with Section 2.14.1(b)(ii).

(b) Nominations of individuals for election to the Board of Trustees and the proposal of other business to be considered by the shareholders at an annual meeting of shareholders may be properly brought before the meeting (i) pursuant to the Trust's notice of meeting or otherwise properly brought before the meeting by or at the direction of the Board of Trustees or (ii) by any one or more shareholders of the Trust who (A) have each continuously owned (as defined below) shares of beneficial interest of the Trust entitled to vote in the election of Trustees or on a proposal of other business, for at least three years as of the date of the giving of the notice provided for in Section 2.14.1(c), the record date for determining the shareholders entitled to vote at the meeting and the time of the annual meeting (including any adjournment or postponement thereof), with the aggregate shares owned by such shareholder(s) as of each of such dates and during such three year period representing at least one percent (1%) of the Trust's shares of beneficial interest, (B) holds, or hold, a certificate or certificates evidencing the aggregate number of shares of beneficial interest of the Trust referenced in subclause (A) of this Section 2.14.1(b)(ii) as of the time of giving the notice provided for in Section 2.14.1(c), the record date for determining the shareholders entitled to vote at the meeting and the time of the annual meeting (including any adjournment or postponement thereof), (C) is, or are, entitled to make such nomination or propose such other business and to vote at the meeting on such election or proposal of other business, and (D) complies, or comply, with the notice procedures set forth in this Section 2.14 as to such nomination or proposal of other business. For purposes of this Section 2.14.1(b), a shareholder shall be deemed to "own" or have "owned" only those outstanding shares of the Trust's shares of beneficial interest to which the shareholder possesses both the full voting and investment rights pertaining to the shares and the full economic interest in (including the opportunity for profit from and risk of loss on) such shares; provided that the number of shares calculated in accordance with the foregoing shall not include any shares (x) sold by such shareholder or any of its affiliates in any transaction that has not been settled or closed or (y) borrowed by such shareholder or any of its affiliates for any purposes or purchased by such shareholder or any of its affiliates pursuant to an agreement to resell. Without limiting

the foregoing, to the extent not excluded by the immediately preceding sentence, a shareholder's "short position" as defined in Rule 14e-4 under the Exchange Act shall be deducted from the shares otherwise "owned." A shareholder shall "own" shares held in the name of a nominee or other intermediary so long as the shareholder retains the right to instruct how the shares are voted with respect to the election of trustees or the proposal of other business and possesses the full economic interest in the shares. For purposes of this Section 2.14.1(b), the term "affiliate" or "affiliates" shall have the meaning ascribed thereto under the General Rules and Regulations under the Exchange Act. Whether outstanding shares of the Trust's shares of beneficial interest are "owned" for purposes of this Section 2.14.1(b) shall be determined by the Board of Trustees.

(c) For nominations for election to the Board of Trustees or other business to be properly brought before an annual meeting by one or more shareholders pursuant to this Section 2.14.1, such shareholder(s) shall have given timely notice thereof in writing to the secretary of the Trust in accordance with this Section 2.14 and such other business shall otherwise be a proper matter for action by shareholders. To be timely, the notice of such shareholder(s) shall set forth all information required under this Section 2.14 and shall be delivered to the secretary at the principal executive offices of the Trust not later than 5:00 p.m. (Eastern Time) on the one-hundred twentieth (120th) day nor earlier than the one-hundred fiftieth (150th) day prior to the first (1st) anniversary of the date of the proxy statement for the preceding year's annual meeting; provided, however, that if the annual meeting is called for a date that is more than thirty (30) days earlier or later than the first (1st) anniversary of the date of the preceding year's annual meeting, notice by such shareholder(s) to be timely shall be so delivered not later than 5:00 p.m. (Eastern Time) on the tenth (10th) day following the earlier of the day on which (i) notice of the date of the annual meeting is mailed or otherwise made available or (ii) public announcement of the date of the annual meeting is first made by the Trust. Neither the postponement or adjournment of an annual meeting, nor the public announcement of such postponement or adjournment, shall commence a new time period for the giving of a notice of one or more shareholders as described above.

A notice of one or more shareholders pursuant to this Section 2.14.1(c) shall set forth:

(i) separately as to each individual whom such shareholder(s) propose to nominate for election or reelection as a Trustee (a "Proposed Nominee"), (1) the name, age, business address, residence address and educational background of such Proposed Nominee, (2) a statement of whether such Proposed Nominee is proposed for nomination as an Independent Trustee or a Managing Trustee (each as defined in Section 3.2) and a description of such Proposed Nominee's qualifications to be an Independent Trustee or Managing Trustee, as the case may be, and such Proposed Nominee's qualifications to be a Trustee pursuant to the criteria set forth in Section 3.1, (3) the class, series and number of any shares of beneficial interest of the Trust that are, directly or indirectly, beneficially owned or owned of record by such Proposed Nominee, (4) a description of the material terms of each Derivative Transaction that such Proposed Nominee directly or indirectly, has an interest in, including, without limitation, the counterparties to each Derivative Transaction, the class or series and number or amount of securities of the Trust to which each Derivative Transaction relates or provides exposure, and whether or not (x) such Derivative Transaction conveys any voting rights directly or indirectly, to such Proposed Nominee, (y) such Derivative Transaction is required to be, or is capable of

being, settled through delivery of securities of the Trust and (z) such Proposed Nominee and/or, to their knowledge, the counterparty to such Derivative Transaction has entered into other transactions that hedge or mitigate the economic effect of such Derivative Transaction, (5) a description of all direct and indirect compensation and other agreements, arrangements and understandings or any other relationships, between or among any shareholder making the nomination, or any of its respective affiliates and associates, or others acting in concert therewith, on the one hand, and such Proposed Nominee, or his or her respective affiliates and associates, on the other hand, and (6) all other information relating to such Proposed Nominee that is required to be disclosed in solicitations of proxies for election of Trustees in an election contest (even if an election contest is not involved), or is otherwise required, in each case, pursuant to Section 14 (or any successor provision) of the Exchange Act, and the rules and regulations promulgated thereunder;

(ii) as to any other business that such shareholder(s) propose to bring before the meeting, (1) a description of such business, (2) the reasons for proposing such business at the meeting and any material interest in such business of such shareholder(s) or any Shareholder Associated Person (as defined in Section 2.14.1(g)), including any anticipated benefit to such shareholder(s) or any Shareholder Associated Person therefrom, (3) a description of all agreements, arrangements and understandings between such shareholder(s) and Shareholder Associated Person amongst themselves or with any other person or persons (including their names) in connection with the proposal of such business by such shareholder(s) and (4) a representation that such shareholder(s) intend to appear in person or by proxy at the meeting to bring the business before the meeting;

(iii) separately as to each shareholder giving the notice and any Shareholder Associated Person, (1) the class, series and number of all shares of beneficial interest of the Trust that are owned of record by such shareholder or by such Shareholder Associated Person, if any, and (2) the class, series and number of, and the nominee holder for, any shares of beneficial interests of the Trust that are, directly or indirectly, beneficially owned but not owned of record by such shareholder or by such Shareholder Associated Person, if any;

(iv) separately as to each shareholder giving the notice and any Shareholder Associated Person, (1) a description of all purchases and sales of securities of the Trust by such shareholder or Shareholder Associated Person during the previous six (6) month period, including the date of the transactions, the class, series and number of securities involved in the transactions and the consideration involved, (2) a description of the material terms of each Derivative Transaction that such shareholder or Shareholder Associated Person, directly or indirectly, has an interest in, including, without limitation, the counterparties to each Derivative Transaction, the class or series and number or amount of securities of the Trust to which each Derivative Transaction relates or provides exposure, and whether or not (x) such Derivative Transaction conveys any voting rights, directly or indirectly, to such shareholder or Shareholder Associated Person, (y) such Derivative Transaction is required to be, or is capable of being, settled through delivery of securities of the Trust and (z) such shareholder or Shareholder Associated Person and/or, to their knowledge, the counterparty to such Derivative Transaction has entered into other transactions that hedge or mitigate the economic effect of such Derivative Transaction, (3) a description of the material terms of any performance related fees (other than an asset based fee) to which such shareholder or Shareholder Associated Person is entitled based

on any increase or decrease in the value of shares of beneficial interest of the Trust or instrument or arrangement of the type contemplated within the definition of Derivative Transaction, and (4) any rights to dividends or other distributions on the shares of beneficial interest of the Trust that are beneficially owned by such shareholder or Shareholder Associated Person that are separated or separable from the underlying shares of beneficial interest of the Trust;

(v) separately as to each shareholder giving the notice and any Shareholder Associated Person with a material interest described in clause (ii)(2) above, an ownership interest described in clause (iii) above or a transaction or right described in clause (iv) above, (1) the name and address of such shareholder and Shareholder Associated Person, and (2) all information relating to such shareholder and Shareholder Associated Person that is required to be disclosed in connection with the solicitation of proxies for election of Trustees in an election contest (even if an election contest is not involved), or is otherwise required, in each case, pursuant to Section 14 (or any successor provision) of the Exchange Act and the rules and regulations promulgated thereunder; and

(vi) to the extent known by the shareholder(s) giving the notice, the name and address of any other person who beneficially owns or owns of record any shares of beneficial interest of the Trust and who supports the nominee for election or reelection as a Trustee or the proposal of other business.

(d) A notice of one or more shareholders making a nomination or proposing other business pursuant to Section 2.14.1(b)(ii) shall be accompanied by (i) a copy of the share certificate(s) referenced in subclause (B) of Section 2.14.1(b)(ii) above; (ii) if any such shareholder was not a shareholder of record of the shares referenced in subclause (A) of Section 2.14.1(b)(ii) above continuously for the three-year period referenced therein, reasonable evidence of such shareholder's continuous beneficial ownership of such shares during such three-year period, such reasonable evidence may include, but shall not be limited to, (A) a copy of a report of the shareholder on Schedule 13D or Schedule 13G under the Exchange Act filed on or prior to the beginning of the three-year period and all amendments thereto, (B) a copy of a statement required to be filed pursuant to Section 16 of the Exchange Act (or any successor provisions) by a person who is a Trustee of the Trust or who is directly or indirectly the beneficial owner of more than ten percent (10%) of the shares of beneficial interest of the Trust filed on or prior to the beginning of the three-year period and all amendments thereto, or (C) a written verification of such beneficial ownership from a person who was the "record" holder of such shares, including any participant of the Depositary Trust Company, if applicable; and (iii) with respect to nominations, a signed statement of each Proposed Nominee (1) certifying that the information, including share ownership and duration, contained in the notice regarding such Proposed Nominee and any affiliate or associate of such person is true and complete, and complies with this Section 2.14.1 in all material respects, and (2) consenting to being named as a nominee and to serving as a Trustee if elected.

(e) Any shareholder(s) providing notice of a proposed nomination or other business to be considered at an annual meeting of shareholders shall further update and supplement such notice, if necessary, so that the information provided or required to be provided in such notice pursuant to this Section 2.14 is true and correct as of the record date for such annual meeting and as of a date that is ten (10) business days prior to such annual meeting, and

any such update shall be delivered to the secretary at the principal executive offices of the Trust not later than the close of business on the fifth (5th) business day after the record date (in the case of an update or supplement required to be made as of the record date), and not later than the close of business on the eighth (8th) business day prior to the date of the annual meeting (in the case of an update or supplement required to be made as of ten (10) business days prior to the meeting).

(f) Notwithstanding anything in the second sentence of Section 2.14.1(c) to the contrary, if the number of Trustees to be elected to the Board of Trustees is increased and there is no public announcement of such action at least one-hundred thirty (130) days prior to the first (1st) anniversary of the date of the proxy statement for the preceding year's annual meeting, the notice required by this Section 2.14.1 also shall be considered timely, but only with respect to nominees for any new positions created by such increase, if such notice is delivered to the secretary at the principal executive offices of the Trust not later than 5:00 p.m. (Eastern Time) on the tenth (10th) day immediately following the day on which such public announcement is first made by the Trust.

(g) For purposes of this Section 2.14, (i) "Shareholder Associated Person" of any shareholder shall mean (A) any person acting in concert with, such shareholder, (B) any direct or indirect beneficial owner of shares of beneficial interest of the Trust beneficially owned or owned of record by such shareholder and (C) any person controlling, controlled by or under common control with such shareholder or a Shareholder Associated Person; and (ii) "Derivative Transaction" by a person shall mean any (A) transaction in, or arrangement, agreement or understanding with respect to, any option, warrant, convertible security, stock appreciation right or similar right with an exercise, conversion or exchange privilege, or settlement payment or mechanism related to, any security of the Trust, or similar instrument with a value derived in whole or in part from the value of a security of the Trust, in any such case whether or not it is subject to settlement in a security of the Trust or otherwise or (B) any transaction, arrangement, agreement or understanding which included or includes an opportunity for such person, directly or indirectly, to profit or share in any profit derived from any increase or decrease in the value of any security of the Trust, to mitigate any loss or manage any risk associated with any increase or decrease in the value of any security of the Trust or to increase or decrease the number of securities of the Trust which such person was, is or will be entitled to vote, in any such case whether or not it is subject to settlement in a security of the Trust or otherwise.

Section 2.14.2. Shareholder Nominations or Other Proposals Causing Covenant Breaches or Defaults. At the same time as the submission of any shareholder nomination or proposal of other business to be considered at a shareholders meeting that, if approved and implemented by the Trust, would cause the Trust or any subsidiary (as defined in Section 2.14.5(c)) of the Trust to be in breach of any covenant or otherwise cause a default (in any case, with or without notice or lapse of time) in any existing debt instrument or agreement of the Trust or any subsidiary of the Trust or other material contract or agreement of the Trust or any subsidiary of the Trust, the notice provided pursuant to Section 2.14.1(c) shall disclose: (a) whether the lender or contracting party has agreed to waive the breach of covenant or default, and, if so, shall include reasonable evidence thereof, or (b) in reasonable detail, the plan of the proponent shareholder(s) for the repayment of the indebtedness to the lender or curing the contractual breach or default and satisfying any resulting damage claim, specifically identifying

the actions to be taken and the source of funds for any such repayment, and such notice shall be accompanied by a copy of any commitment letter(s) or agreement(s) for the financing of such plan.

Section 2.14.3. Shareholder Nominations or Other Proposals Requiring Governmental Action. If (a) any shareholder nomination or proposal of other business to be considered at a shareholders meeting could not be considered or, if approved, implemented by the Trust without the Trust, any subsidiary of the Trust, any proponent shareholder, any Proposed Nominee of such shareholder, any Shareholder Associated Person of any such shareholder, the holder of proxies or their respective affiliates or associates filing with or otherwise notifying or obtaining the consent, approval or other action of any federal, state, municipal or other governmental or regulatory body (a “Governmental Action”) or (b) any proponent shareholder’s ownership of shares of beneficial interest of the Trust or any solicitation of proxies or votes or holding or exercising proxies by such shareholder, any Proposed Nominee of such shareholder, any Shareholder Associated Person of such shareholder, or their respective affiliates or associates would require Governmental Action, then, in the notice provided pursuant to Section 2.14.1(c) the proponent shareholder(s) shall disclose (x) whether such Governmental Action has been given or obtained, and, if so, such notice shall be accompanied by reasonable evidence thereof, or (y) in reasonable detail, the plan of such shareholder(s) for making or obtaining the Governmental Action.

Section 2.14.4. Special Meetings of Shareholders. As set forth in Section 2.6, only business brought before the meeting pursuant to the Trust’s notice of meeting or otherwise properly brought before the meeting by or at the direction of the Board of Trustees may be considered at a special meeting of shareholders. Nominations of individuals for election to the Board of Trustees only may be made at a special meeting of shareholders at which Trustees are to be elected: (a) pursuant to the Trust’s notice of meeting; (b) otherwise properly brought before the meeting by or at the direction of the Board of Trustees; or (c) provided that the Board of Trustees has determined that Trustees shall be elected at such special meeting or if there are no Trustees and the special meeting is called by the officers of the Trust for the election of successor Trustees, by any shareholder of the Trust who is a shareholder of record both at the time of giving of notice provided for in this Section 2.14.4 through and including the time of the special meeting, who is entitled to vote at the meeting on such election and who has complied with the notice procedures and other requirements set forth in this Section 2.14.4. If the Trust calls a special meeting of shareholders for the purpose of electing one or more Trustees, any one or more shareholder(s) of the Trust may nominate an individual or individuals (as the case may be) for election as a Trustee, if (i) the shareholder(s) satisfy the ownership, holding and certificate requirements set forth in Section 2.14(b)(ii), (ii) the shareholder(s)’ notice contains or is accompanied by the information and documents required by Section 2.14 for a notice provided pursuant to Section 2.14.1(c) and (iii) the shareholder(s) have given timely notice thereof in writing to the secretary of the Trust at the principal executive offices of the Trust, with all references in such Sections to the annual meeting and to the notice given under such Sections changed to be references to the special meeting and the notice given under this Section 2.14.4. To be timely, a shareholder’s notice shall be delivered to the secretary of the Trust at the principal executive offices of the Trust not earlier than the one-hundred fiftieth (150th) day prior to such special meeting and not later than 5:00 p.m. (Eastern Time) on the later of (i) the one-hundred twentieth (120th) day prior to such special meeting or (ii) the tenth (10th) day following

the day on which public announcement is first made of the date of the special meeting and of any nominee proposed by the Trustees to be elected at such meeting. Neither the postponement or adjournment of a special meeting, nor the public announcement of such postponement or adjournment, shall commence a new time period for the giving of a shareholder's notice as described above.

Section 2.14.5. General.

(a) If information submitted pursuant to this Section 2.14 by any shareholder proposing a nominee for election as a Trustee or any proposal for other business at a meeting of shareholders shall be deemed by the Board of Trustees incomplete or inaccurate, any authorized officer or the Board of Trustees or any committee thereof may treat such information as not having been provided in accordance with this Section 2.14. Any notice submitted by a shareholder pursuant to this Section 2.14 that is deemed by the Board of Trustees inaccurate, incomplete or otherwise fails to satisfy completely any provision of this Section 2.14 shall be deemed defective and shall thereby render all proposals and nominations set forth in such notice defective. Upon written request by the secretary of the Trust or the Board of Trustees or any committee thereof (which may be made from time to time), any shareholder proposing a nominee for election as a Trustee or any proposal for other business at a meeting of shareholders shall provide, within three (3) business days after such request (or such other period as may be specified in such request), (i) written verification, satisfactory to the secretary or any other authorized officer or the Board of Trustees or any committee thereof, in his, her or its discretion, to demonstrate the accuracy of any information submitted by the shareholder pursuant to this Section 2.14, (ii) written responses to information reasonably requested by the secretary, the Board of Trustees or any committee thereof and (iii) a written update, to a current date, of any information submitted by the shareholder pursuant to this Section 2.14 as of an earlier date. If a shareholder fails to provide such written verification, information or update within such period, the secretary or any other authorized officer or the Board of Trustees may treat the information which was previously provided and to which the verification, request or update relates as not having been provided in accordance with this Section 2.14. It is the responsibility of a shareholder who wishes to make a nomination or other proposal to comply with the requirements of Section 2.14; nothing in this Section 2.14.5(a) or otherwise shall create any duty of the Trust, the Board of Trustees or any committee thereof nor any officer of the Trust to inform a shareholder that the information submitted pursuant to this Section 2.14 by or on behalf of such shareholder is incomplete or inaccurate or not otherwise in accordance with this Section 2.14 nor require the Trust, the Board of Trustees, any committee of the Board of Trustees or any officer of the Trust to request clarification or updating of information provided by any shareholder, but the Board of Trustees, a committee thereof or the secretary acting on behalf of the Board of Trustees or a committee, may do so in its, his or her discretion.

(b) Only such individuals who are nominated in accordance with this Section 2.14 shall be eligible for election by shareholders as Trustees and only such business shall be conducted at a meeting of shareholders as shall have been properly brought before the meeting in accordance with this Section 2.14. The chairperson of the meeting and the Board of Trustees shall each have the power to determine whether a nomination or any other business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with this Section 2.14 and, if any proposed nomination or other business is

determined not to be in compliance with this Section 2.14, to declare that such defective nomination or proposal be disregarded.

(c) For purposes of this Section 2.14: (i) “public announcement” shall mean disclosure in (A) a press release reported by the Dow Jones News Service, Associated Press, Business Wire, PR Newswire or any other widely circulated news or wire service or (B) a document publicly filed by the Trust with the SEC; (ii) “subsidiary” shall include, with respect to a person, any corporation, partnership, joint venture or other entity of which such person (A) owns, directly or indirectly, ten percent (10%) or more of the outstanding voting securities or other interests or (B) has a person designated by such person serving on, or a right, contractual or otherwise, to designate a person, so to serve on, the board of directors (or analogous governing body); and (iii) a person shall be deemed to “beneficially own” or “have beneficially owned” any shares of beneficial interest of the Trust not owned directly by such person if that person or a group of which such person is a member would be the beneficial owner of such shares under Rule 13d-3 and Rule 13d-5 of the Exchange Act.

(d) Notwithstanding the foregoing provisions of this Section 2.14, a shareholder shall also comply with all applicable legal requirements, including, without limitation, applicable requirements of state law and the Exchange Act and the rules and regulations thereunder, with respect to the matters set forth in this Section 2.14. Nothing in this Section 2.14 shall be deemed to require that a shareholder nomination of an individual for election to the Board of Trustees or a shareholder proposal relating to other business be included in the Trust’s proxy statement, except as may be required by law.

(e) The Board of Trustees may from time to time require any individual nominated to serve as a Trustee to agree in writing with regard to matters of business ethics and confidentiality while such nominee serves as a Trustee, such agreement to be on the terms and in a form (the “Agreement”) determined satisfactory by the Board of Trustees, as amended and supplemented from time to time in the discretion of the Board of Trustees. The terms of the Agreement may be substantially similar to the Code of Business Conduct and Ethics of the Trust or any similar code promulgated by the Trust (the “Code of Business Conduct”) or may differ from or supplement the Code of Business Conduct.

(f) Determinations required or permitted to be made under this Section 2.14 by the Board of Trustees may be delegated by the Board of Trustees to a committee of the Board of Trustees, subject to applicable law.

Section 2.15. No Shareholder Actions by Written Consent. Shareholders shall not be authorized or permitted to take any action required or permitted to be taken at a meeting of shareholders by written consent, and may take such action only at a shareholders meeting of the Trust.

Section 2.16. Voting by Ballot. Voting on any question or in any election may be by voice vote unless the chairperson of the meeting or any shareholder shall demand that voting be by ballot.

Section 2.17. Proposals of Business Which Are Not Proper Matters For Action By Shareholders . Notwithstanding anything in these Bylaws to the contrary, subject to applicable law, any shareholder proposal for business the subject matter or effect of which would be within the exclusive purview of the Board of Trustees or would reasonably likely, if considered by the shareholders or approved or implemented by the Trust, result in an impairment of the limited liability status for the Trust's shareholders, shall be deemed not to be a matter upon which the shareholders are entitled to vote. The Board of Trustees in its discretion shall be entitled to determine whether a shareholder proposal for business is not a matter upon which the shareholders are entitled to vote pursuant to this Section 2.17, and its decision shall be final and binding unless determined by a court of competent jurisdiction to have been made in bad faith.

ARTICLE III TRUSTEES

Section 3.1. General Powers; Qualifications; Trustees Holding Over . The business and affairs of the Trust shall be managed under the direction of its Board of Trustees. A Trustee shall be an individual at least twenty-one (21) years of age who is not under legal disability. To qualify for nomination or election as a Trustee, an individual, at the time of nomination and election, shall, without limitation, (a) have substantial expertise or experience relevant to the business of the Trust and its subsidiaries (as determined by the Board of Trustees), (b) not have been convicted of a felony, (c) meet the qualifications of an Independent Trustee or a Managing Trustee, as the case may be, depending upon the position for which such individual may be nominated and elected, and (d) have been nominated for election to the Board of Trustees in accordance with Section 2.14. In case of failure to elect Trustees at an annual meeting of the shareholders, the incumbent Trustees shall hold over and continue to direct the management of the business and affairs of the Trust until they may resign or until their successors are elected and qualify.

Section 3.2. Independent Trustees and Managing Trustees . A majority of the Trustees holding office shall at all times be Independent Trustees; provided, however, that upon a failure to comply with this requirement as a result of the creation of a temporary vacancy which shall be filled by an Independent Trustee, whether as a result of enlargement of the Board of Trustees or the resignation, removal or death of a Trustee who is an Independent Trustee, such requirement shall not be applicable. An "Independent Trustee" is one who is not an employee of the Advisor (as defined in the Declaration of Trust), who is not involved in the Trust's day to day activities, who meets the qualifications of an independent trustee under the Declaration of Trust and who meets the qualifications of an independent director (not including the specific independence requirements applicable only to members of the Audit Committee of the Board of Trustees) under the applicable rules of each securities exchange upon which shares of beneficial interest of the Trust are listed for trading and the SEC, as those requirements may be amended from time to time. If the number of Trustees, at any time, is set at less than five (5), at least one (1) Trustee shall be a Managing Trustee. So long as the number of Trustees shall be five (5) or greater, at least two (2) Trustees shall be Managing Trustees. "Managing Trustees" shall mean Trustees who have been employees, officers or directors of the Advisor or involved in the day to day activities of the Trust for at least one year prior to their election. If at any time the Board of Trustees shall not be comprised of a majority of Independent Trustees, the Board of Trustees shall take such actions as will cure such condition; provided that the fact that the Board of

Trustees does not have a majority of Independent Trustees or has not taken such action at any time or from time to time shall not affect the validity of any action taken by the Board of Trustees. If at any time the Board of Trustees shall not be comprised of a number of Managing Trustees as is required under this Section 3.2, the Board of Trustees shall take such actions as will cure such condition; provided that the fact that the Board of Trustees does not have the requisite number of Managing Trustees or has not taken such action at any time or from time to time shall not affect the validity of any action taken by the Board of Trustees.

Section 3.3. Number and Tenure. Pursuant to the Articles Supplementary accepted for record by the State Department of Assessments and Taxation (the "SDAT") as of May 11, 2000, the number of Trustees constituting the entire Board of Trustees may be increased or decreased from time to time only by a vote of the Trustees; provided however that the tenure of office of a Trustee shall not be affected by any decrease in the number of Trustees. The number of Trustees shall be five (5) until increased or decreased by the Board of Trustees.

Section 3.4. Annual and Regular Meetings. An annual meeting of the Trustees shall be held immediately after the annual meeting of shareholders, no notice other than this Bylaw being necessary. The time and place of the annual meeting of the Trustees may be changed by the Board of Trustees. The Trustees may provide, by resolution, the time and place, either within or without the State of Maryland, for the holding of regular meetings of the Trustees without other notice than such resolution. If any such regular meeting is not so provided for, the meeting may be held at such time and place as shall be specified in a notice given as hereinafter provided for special meetings of the Board of Trustees.

Section 3.5. Special Meetings. Special meetings of the Trustees may be called at any time by any Managing Trustee, the president or pursuant to the request of any two (2) Trustees then in office. The person or persons authorized to call special meetings of the Trustees may fix any place, either within or without the State of Maryland, as the place for holding any special meeting of the Trustees called by them.

Section 3.6. Notice. Notice of any special meeting shall be given by written notice delivered personally or by electronic mail, telephoned, facsimile transmitted, overnight couriered (with proof of delivery) or mailed to each Trustee at his or her business or residence address. Personally delivered, telephoned, facsimile transmitted or electronically mailed notices shall be given at least twenty-four (24) hours prior to the meeting. Notice by mail shall be deposited in the U.S. mail at least seventy-two (72) hours prior to the meeting. If mailed, such notice shall be deemed to be given when deposited in the U.S. mail properly addressed, with postage thereon prepaid. Electronic mail notice shall be deemed to be given upon transmission of the message to the electronic mail address given to the Trust by the Trustee. Telephone notice shall be deemed given when the Trustee is personally given such notice in a telephone call to which he is a party. Facsimile transmission notice shall be deemed given upon completion of the transmission of the message to the number given to the Trust by the Trustee and receipt of a completed answer back indicating receipt. If sent by overnight courier, such notice shall be deemed given when delivered to the courier. Neither the business to be transacted at, nor the purpose of, any annual, regular or special meeting of the Trustees need be stated in the notice, unless specifically required by statute or these Bylaws.

Section 3.7. Quorum. A majority of the Trustees shall constitute a quorum for transaction of business at any meeting of the Trustees, provided that, if less than a majority of such Trustees are present at a meeting, a majority of the Trustees present may adjourn the meeting from time to time without further notice, and provided further that if, pursuant to the Declaration of Trust or these Bylaws, the vote of a majority of a particular group of Trustees is required for action, a quorum for that action shall also include a majority of such group. The Trustees present at a meeting of the Board of Trustees which has been duly called and convened and at which a quorum was established may continue to transact business until adjournment, notwithstanding the withdrawal from the meeting of such number of Trustees as would otherwise result in less than a quorum then being present at the meeting.

Section 3.8. Voting. The action of the majority of the Trustees present at a meeting at which a quorum is or was present shall be the action of the Trustees, unless the concurrence of a greater proportion is required for such action by specific provision of an applicable statute, the Declaration of Trust or these Bylaws. If enough Trustees have withdrawn from a meeting to leave fewer than are required to establish a quorum, but the meeting is not adjourned, the action of the majority of that number of Trustees necessary to constitute a quorum at such meeting shall be the action of the Board of Trustees, unless the concurrence of a greater proportion is required for such action by applicable law, the Declaration of Trust or these Bylaws.

Section 3.9. Telephone Meetings. Trustees may participate in a meeting by means of a conference telephone or similar communications equipment if all persons participating in the meeting can hear each other at the same time. Participation in a meeting by these means shall constitute presence in person at the meeting. Such meeting shall be deemed to have been held at a place designated by the Trustees at the meeting.

Section 3.10. Action by Written Consent of Trustees. Unless specifically otherwise provided in the Declaration of Trust, any action required or permitted to be taken at any meeting of the Trustees may be taken without a meeting, if a majority of the Trustees shall individually or collectively consent in writing or by electronic transmission to such action. Such written or electronic consent or consents shall be filed with the records of the Trust and shall have the same force and effect as the affirmative vote of such Trustees at a duly held meeting of the Trustees at which a quorum was present.

Section 3.11. Waiver of Notice. The actions taken at any meeting of the Trustees, however called and noticed or wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice if a quorum is present and if, either before or after the meeting, each of the Trustees not present waives notice, consents to the holding of such meeting or approves the minutes thereof.

Section 3.12. Vacancies. Pursuant to the Articles Supplementary accepted for record by the SDAT as of May 11, 2000, if for any reason any or all the Trustees cease to be Trustees, such event shall not terminate the Trust or affect these Bylaws or the powers of the remaining Trustees hereunder (even if fewer than three Trustees remain). Any vacancy on the Board of Trustees may be filled only by a majority of the remaining Trustees, even if the remaining Trustees do not constitute a quorum. Any Trustee elected to fill a vacancy, whether occurring due to an increase in size of the Board of Trustees or by the death, resignation or removal of any

Trustee, shall hold office for the remainder of the full term of the class of Trustees in which the vacancy occurred or was created and until a successor is elected and qualifies.

Section 3.13. Compensation. The Trustees shall be entitled to receive such reasonable compensation for their services as Trustees as the Trustees may determine from time to time. Trustees may be reimbursed for expenses of attendance, if any, at each annual, regular or special meeting of the Trustees or of any committee thereof; and for their expenses, if any, in connection with each property visit and any other service or activity performed or engaged in as Trustees. The Trustees shall be entitled to receive remuneration for services rendered to the Trust in any other capacity, and such services may include, without limitation, services as an officer of the Trust, services as an employee of the Advisor, legal, accounting or other professional services, or services as a broker, transfer agent or underwriter, whether performed by a Trustee or any person affiliated with a Trustee.

Section 3.14. Removal of Trustees. A Trustee may be removed at any time with or without cause by the affirmative vote either of all the remaining Trustees or if and to the extent permitted by the Declaration of Trust, at a meeting of the shareholders properly called for that purpose, by the affirmative vote of the holders of not less than two-thirds (2/3) of the shares of beneficial interest of the Trust then outstanding and entitled to vote generally in the election of Trustees. A shareholder(s) proposing to remove one or more Trustees shall meet all requirements in these Bylaws for a nomination of an individual for election to the Board of Trustees at an annual meeting of shareholders or a proposal of other business to be properly brought by such shareholder(s) at a meeting of the shareholders as set forth in Section 2.14.1.

Section 3.15. Surety Bonds. Unless specifically required by law, no Trustee shall be obligated to give any bond or surety or other security for the performance of any of his or her duties.

Section 3.16. Reliance. Each Trustee, officer, employee and agent of the Trust shall, in the performance of his or her duties with respect to the Trust, be entitled to rely on any information, opinion, report or statement, including any financial statement or other financial data, prepared or presented by an officer or employee of the Trust or by the Advisor, accountants, appraisers or other experts or consultants selected by the Board of Trustees or officers of the Trust, regardless of whether such counsel or expert may also be a Trustee.

Section 3.17. Interested Trustee Transactions. Section 2-419 of the Maryland General Corporation Law (the "MGCL") (or any successor statute) shall be available for and apply to any contract or other transaction between the Trust and any of its Trustees or between the Trust and any other trust, corporation, firm or other entity in which any of its Trustees is a trustee or director or has a material financial interest.

Section 3.18. Certain Rights of Trustees, Officers, Employees and Agents. A Trustee shall have no responsibility to devote his or her full time to the affairs of the Trust. Any Trustee or officer, employee or agent of the Trust, in his or her personal capacity or in a capacity as an affiliate, employee or agent of any other person, or otherwise, may have business interests and engage in business activities similar or in addition to those of or relating to the Trust.

Section 3.19. Emergency Provisions. Notwithstanding any other provision in the Declaration of Trust or these Bylaws, this Section 3.19 shall apply during the existence of any catastrophe, or other similar emergency condition, as a result of which a quorum of the Board of Trustees under ARTICLE III cannot readily be obtained (an "Emergency"). During any Emergency, unless otherwise provided by the Board of Trustees, (a) a meeting of the Board of Trustees may be called by any Managing Trustee or officer of the Trust by any means feasible under the circumstances and (b) notice of any meeting of the Board of Trustees during such an Emergency may be given less than twenty-four (24) hours prior to the meeting to as many Trustees and by such means as it may be feasible at the time, including publication, television or radio.

ARTICLE IV COMMITTEES

Section 4.1. Number; Tenure and Qualifications. The Board of Trustees shall appoint an Audit Committee, a Compensation Committee and a Nominating and Governance Committee. Each of these committees shall be composed of three or more Trustees, to serve at the pleasure of the Board of Trustees. The Board of Trustees may also appoint other committees from time to time composed of one or more members, at least one of which shall be a Trustee, to serve at the pleasure of the Board of Trustees. The Board of Trustees shall adopt a charter with respect to the Audit Committee, the Compensation Committee and the Nominating and Governance Committee, which charter shall specify the purposes, the criteria for membership and the responsibility and duties and may specify other matters with respect to each committee. The Board of Trustees may also adopt a charter with respect to other committees.

Section 4.2. Powers. The Trustees may delegate any of the powers of the Trustees to committees appointed under Section 4.1 and composed solely of Trustees, except as prohibited by law. If a charter has been adopted with respect to a committee composed solely of Trustees, the charter shall constitute a delegation by the Trustees of the powers of the Board of Trustees necessary to carry out the purposes, responsibilities and duties of a committee provided in the charter or reasonably related to those purposes, responsibilities and duties, to the extent permitted by law.

Section 4.3. Meetings. Notice of committee meetings shall be given in the same manner as notice for special meetings of the Board of Trustees. One-third (1/3), but not less than one, of the members of any committee shall be present in person at any meeting of a committee in order to constitute a quorum for the transaction of business at a meeting, and the act of a majority present at a meeting at the time of a vote if a quorum is then present shall be the act of a committee. The Board of Trustees or, if authorized by the Board in a committee charter or otherwise, the committee members may designate a chairman of any committee, and the chairman or, in the absence of a chairman, a majority of any committee may fix the time and place of its meetings unless the Board shall otherwise provide. In the absence or disqualification of any member of any committee, the members thereof present at any meeting and not disqualified from voting, whether or not they constitute a quorum, may unanimously appoint another Trustee to act at the meeting in the place of absent or disqualified members.

Section 4.4. Telephone Meetings. Members of a committee may participate in a meeting by means of a conference telephone or similar communications equipment and participation in a meeting by these means shall constitute presence in person at the meeting.

Section 4.5. Action by Written Consent of Committees. Any action required or permitted to be taken at any meeting of a committee of the Trustees may be taken without a meeting, if a consent in writing or by electronic transmission to such action is signed by a majority of the committee and such written or electronic consent is filed with the minutes of proceedings of such committee.

Section 4.6. Vacancies. Subject to the provisions hereof, the Board of Trustees shall have the power at any time to change the membership of any committee, to fill all vacancies, to designate alternate members to replace any absent or disqualified member or to dissolve any such committee.

ARTICLE V OFFICERS

Section 5.1. General Provisions. The officers of the Trust shall include a president, a secretary and a treasurer. In addition, the Board of Trustees may from time to time elect such other officers with such titles, powers and duties as set forth herein or as the Board of Trustees shall deem necessary or desirable, including a chairman of the board, a vice chairman of the board, a chief executive officer, a chief operating officer, a chief financial officer, one or more vice presidents, one or more assistant secretaries and one or more assistant treasurers. The officers of the Trust shall be elected annually by the Board of Trustees. Each officer shall hold office until his or her successor is elected and qualifies or until his or her death, resignation or removal in the manner hereinafter provided. Any two (2) or more offices, except that of president and vice president, may be held by the same person. In their discretion, the Trustees may leave unfilled any office except that of president, treasurer and secretary. Election of an officer or agent shall not of itself create contract rights between the Trust and such officer or agent.

Section 5.2. Removal and Resignation. Any officer or agent of the Trust may be removed, with or without cause, by the Board of Trustees if in its judgment the best interests of the Trust would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Any officer of the Trust may resign at any time by delivering his or her resignation to the Board of Trustees, the president or the secretary. Any resignation shall take effect immediately upon its receipt or at such later time specified in the resignation. The acceptance of a resignation shall not be necessary to make it effective unless otherwise stated in the resignation. Such resignation shall be without prejudice to the contract rights, if any, of the Trust.

Section 5.3. Vacancies. A vacancy in any office may be filled by the Board of Trustees for the balance of the term.

Section 5.4. President. Except as the Board of Trustees may otherwise provide, the president shall have the duties usually vested in a president. The president shall have such other

duties as may be assigned to the president by the Board of Trustees from time to time. The president may execute any deed, mortgage, bond, lease, contract or other instrument, except in cases where the execution thereof shall be expressly delegated by the Board of Trustees or by these Bylaws to some other officer or agent of the Trust or shall be required by law to be otherwise executed.

Section 5.5. Chief Operating Officer. If elected, except as the Board of Trustees may otherwise provide, the chief operating officer shall have the duties usually vested in a chief operating officer. The chief operating officer shall have such other duties as may be assigned to the chief operating officer by the president or the Board of Trustees from time to time.

Section 5.6. Chief Financial Officer. If elected, except as the Board of Trustees may otherwise provide, the chief financial officer shall have the duties usually vested in a chief financial officer. The chief financial officer shall have such other duties as may be assigned to the chief financial officer by the president or the Board of Trustees from time to time.

Section 5.7. Vice Presidents. In the absence or disability of the president, the vice president, if any (or if there is more than one, the vice presidents in the order designated or, in the absence of any designation, then in the order of their election), shall perform the duties and exercise the powers of the president. The vice president(s) shall have such other duties as may be assigned to such vice president by the president or the Board of Trustees from time to time. The Board of Trustees may designate one or more vice presidents as executive vice president, senior vice president or vice presidents for particular areas of responsibility.

Section 5.8. Secretary. Except as the Board of Trustees may otherwise provide, the secretary (or his or her designee) shall (a) keep the minutes of the proceedings of the shareholders, the Board of Trustees and committees of the Board of Trustees in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; (c) be custodian of the Trust records and of the seal of the Trust, if any; and (d) maintain a share register, showing the ownership and transfers of ownership of all shares of beneficial interest of the Trust, unless a transfer agent is employed to maintain and does maintain such a share register. The secretary shall have such other duties as may be assigned to the secretary by the president or the Board of Trustees from time to time.

Section 5.9. Treasurer. Except as the Board of Trustees may otherwise provide, the treasurer shall (a) have general charge of the financial affairs of the Trust; (b) have or oversee in accordance with Section 6.3 the custody of the funds, securities and other valuable documents of the Trust; (c) maintain or oversee the maintenance of proper financial books and records of the Trust; and (d) have the duties usually vested in a treasurer. The treasurer shall have such other duties as may be assigned to the treasurer by the president or the Board of Trustees from time to time.

Section 5.10. Assistant Secretaries and Assistant Treasurers. The assistant secretaries and assistant treasurers, in general, shall perform such duties as shall be assigned to them by the secretary or treasurer, respectively, or by the president or the Board of Trustees from time to time.

ARTICLE VI
CONTRACTS, LOANS, CHECKS AND DEPOSITS

Section 6.1. Contracts. The Board of Trustees may authorize any Trustee, officer or agent (including the Advisor or any officer of the Advisor) to execute and deliver any instrument in the name of and on behalf of the Trust and such authority may be general or confined to specific instances. Any agreement, deed, mortgage, lease or other document shall be valid and binding upon the Trust when duly authorized or ratified by action of the Board of Trustees and executed by an authorized person.

Section 6.2. Checks and Drafts. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Trust shall be signed by such officer or agent of the Trust in such manner as the Board of Trustees, the president, the treasurer or any other officer designated by the Board of Trustees may determine.

Section 6.3. Deposits. All funds of the Trust not otherwise employed shall be deposited or invested from time to time to the credit of the Trust as the Board of Trustees, the president, the treasurer or any other officer designated by the Board of Trustees may determine.

ARTICLE VII
SHARES

Section 7.1. Certificates. Ownership of shares of any class of shares of beneficial interest of the Trust shall be evidenced by certificates, or at the election of a shareholder in book entry form. Unless otherwise determined by the Board of Trustees, any such certificates shall be signed by the president or a vice president and countersigned by the secretary or an assistant secretary or the treasurer or an assistant treasurer and may be sealed with the seal, if any, of the Trust. The signatures may be either manual or facsimile. Certificates shall be consecutively numbered and if the Trust shall from time to time issue several classes of shares, each class may have its own number series. A certificate is valid and may be issued whether or not an officer who signed it is still an officer when it is issued.

Section 7.2. Transfers.

(a) Shares of beneficial interest of the Trust shall be transferable in the manner provided by applicable law, the Declaration of Trust and these Bylaws. Certificates shall be treated as negotiable and title thereto and to the shares they represent shall be transferred by delivery thereof to the same extent as those of a Maryland stock corporation.

(b) The Trust shall be entitled to treat the holder of record of any share or shares as the holder in fact thereof and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise expressly provided in these Bylaws or by the laws of the State of Maryland.

Section 7.3. Lost Certificates. For shares evidenced by certificates, any officer designated by the Trustees may direct a new certificate to be issued in place of any certificate previously issued by the Trust alleged to have been lost, stolen or destroyed upon the making of

an affidavit of that fact by the person claiming the certificate to be lost, stolen or destroyed. When authorizing the issuance of a new certificate, an officer designated by the Trustees may, in such officer's discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or the owner's legal representative to advertise the same in such manner as he shall require and/or to give bond, with sufficient surety, to the Trust to indemnify it against any loss or claim which may arise as a result of the issuance of a new certificate.

Section 7.4. Closing of Transfer Books or Fixing of Record Date.

(a) The Trustees may set, in advance, a record date for the purpose of determining shareholders entitled to notice of or to vote at any meeting of shareholders or determining shareholders entitled to receive payment of any dividend or the allotment of any other rights, or in order to make a determination of shareholders for any other proper purpose.

(b) In lieu of fixing a record date, the Trustees may provide that the share transfer books shall be closed for a stated period but not longer than twenty (20) days. If the share transfer books are closed for the purpose of determining shareholders entitled to notice of or to vote at a meeting of shareholders, such books shall be closed for at least ten (10) days before the date of such meeting.

(c) If no record date is fixed and the share transfer books are not closed for the determination of shareholders, (i) the record date for the determination of shareholders entitled to notice of or to vote at a meeting of shareholders shall be at the close of business on the day on which the notice of meeting is mailed or the thirtieth (30th) day before the meeting, whichever is the closer date to the meeting; and (ii) the record date for the determination of shareholders entitled to receive payment of a dividend or an allotment of any other rights shall be the close of business on the day on which the resolution of the Trustees, declaring the dividend or allotment of rights, is adopted.

(d) When a determination of shareholders entitled to vote at any meeting of shareholders has been made as provided in this section, such determination shall apply to any adjournment thereof unless the Board of Trustees shall set a new record date with respect thereto.

Section 7.5. Share Ledger. The Trust shall maintain at its principal office or at the office of its counsel, accountants or transfer agent a share ledger containing the name and address of each shareholder and the number of shares of each class of shares of beneficial interest of the Trust held by such shareholder.

Section 7.6. Fractional Shares; Issuance of Units. The Trustees may issue fractional shares or provide for the issuance of scrip, all on such terms and under such conditions as they may determine. Notwithstanding any other provision of the Declaration of Trust or these Bylaws, the Trustees may issue units consisting of different securities of the Trust. Any security issued in a unit shall have the same characteristics as any identical securities issued by the Trust, except that the Trustees may provide that for a specified period securities of the Trust issued in such unit may be transferred on the books of the Trust only in such unit.

Section 7.7. Determination of Beneficial Ownership and Constructive Ownership. For the avoidance of doubt and pursuant to the authority granted to the Board in Section 7.2.6 of the Declaration of Trust, for purposes of ARTICLE VII of the Declaration of Trust, a Person (as defined in ARTICLE VII of the Declaration of Trust) owns directly or indirectly all Equity Shares (as defined in ARTICLE VII of the Declaration of Trust) that such Person is deemed to beneficially own pursuant to Rule 13d-3 under the Exchange Act.

ARTICLE VIII REGULATORY COMPLIANCE AND DISCLOSURE

Section 8.1. Actions Requiring Regulatory Compliance Implicating the Trust. If any shareholder (whether individually or constituting a group, as determined by the Board of Trustees), by virtue of such shareholder's ownership interest in the Trust or actions taken by the shareholder affecting the Trust, triggers the application of any requirement or regulation of any federal, state, municipal or other governmental or regulatory body on the Trust or any subsidiary (for purposes of this ARTICLE VIII, as defined in Section 2.14.5 (c)) of the Trust or any of their respective businesses, assets or operations, including, without limitation, any obligations to make or obtain a Governmental Action (as defined in Section 2.14.3), such shareholder shall promptly take all actions necessary and fully cooperate with the Trust to ensure that such requirements or regulations are satisfied without restricting, imposing additional obligations on or in any way limiting the business, assets, operations or prospects of the Trust or any subsidiary of the Trust. If the shareholder fails or is otherwise unable to promptly take such actions so to cause satisfaction of such requirements or regulations, the shareholder shall promptly divest a sufficient number of shares of beneficial interest of the Trust necessary to cause the application of such requirement or regulation to not apply to the Trust or any subsidiary of the Trust. If the shareholder fails to cause such satisfaction or divest itself of such sufficient number of shares of beneficial interest of the Trust by not later than the tenth (10th) day after triggering such requirement or regulation referred to in this Section 8.1, then any shares of beneficial interest of the Trust beneficially owned by such shareholder at and in excess of the level triggering the application of such requirement or regulation shall, to the fullest extent permitted by law, be deemed to constitute shares held in violation of the ownership limitations set forth in ARTICLE VII of the Declaration of Trust and be subject to the provisions of ARTICLE VII of the Declaration of Trust and any actions triggering the application of such a requirement or regulation may be deemed by the Trust to be of no force or effect. Moreover, if the shareholder who triggers the application of any regulation or requirement fails to satisfy the requirements or regulations or to take curative actions within such ten (10) day period, the Trust may take all other actions which the Board of Trustees deems appropriate to require compliance or to preserve the value of the Trust's assets; and the Trust may charge the offending shareholder for the Trust's costs and expenses as well as any damages which may result to the Trust.

As an example and not as a limitation, at the time these Bylaws are being amended and restated, the Trust holds a controlling ownership position in a company formed and licensed as an insurance company in the State of Indiana. The laws of the State of Indiana have certain regulatory requirements for any person who seeks to control (as defined under Indiana law) a company which itself controls an insurance company domiciled in the State of Indiana, including by exercising proxies representing ten percent (10%) or more of the Trust's voting securities. Accordingly, if a shareholder seeks to exercise proxies for a matter to be voted upon at a meeting

of the Trust's shareholders without having obtained any applicable approvals from the Indiana insurance regulatory authorities, such proxies representing ten percent (10%) or more of the Trust's voting securities will, subject to Section 8.3, be void and of no further force or effect.

As a further example and not as a limitation, at the time these Bylaws are being amended and restated, the Trust owns healthcare facilities in various states which are subject to state regulatory and licensing requirements in each such state. Under the licensing terms or regulatory regime of certain states with jurisdiction over the Trust, a shareholder which acquires a controlling equity position in the Trust may be required to obtain regulatory approval or consent prior to or as a result of obtaining such ownership. Accordingly, if a shareholder which acquires a controlling equity position in the Trust that would require the shareholder or the Trust to obtain the consent or approval of a state authority due to the fact that the Trust owns licensed healthcare facilities in such state, and the shareholder refuses to provide the Trust with information required to be submitted to the applicable state authority or if the state authority declines to approve the shareholder's ownership of the Trust, then, in either event, shares of the Trust owned by the shareholder necessary to reduce its ownership to an amount so that the shareholder's ownership of Trust shares would not require it to provide any such information to, or for consent to be obtained from, the state authority, may be deemed by the Board of Trustees to be shares held in violation of the ownership limitation in ARTICLE VII of the Declaration of Trust and shall be subject to the provisions of ARTICLE VII of the Declaration of Trust.

Section 8.2. Compliance With Law. Shareholders shall comply with all applicable requirements of federal and state laws, including all rules and regulations promulgated thereunder, in connection with such shareholder's ownership interest in the Trust and all other laws which apply to the Trust or any subsidiary of the Trust or their respective businesses, assets or operations and which require action or inaction on the part of the shareholder.

Section 8.3. Limitation on Voting Shares or Proxies. Without limiting the provisions of Section 8.1, if a shareholder (whether individually or constituting a group, as determined by the Board of Trustees), by virtue of such shareholder's ownership interest in the Trust or its receipt or exercise of proxies to vote shares owned by other shareholders, would not be permitted to vote the shareholder's shares of beneficial interest of the Trust or proxies for shares of beneficial interest of the Trust in excess of a certain amount pursuant to applicable law (including by way of example, applicable state insurance regulations) but the Board of Trustees determines that the excess shares or shares represented by the excess proxies are necessary to obtain a quorum, then such shareholder shall not be entitled to vote any such excess shares or proxies, and instead such excess shares or proxies may, to the fullest extent permitted by law, be voted by the Advisor (or by another person designated by the Trustees) in proportion to the total shares otherwise voted on such matter.

Section 8.4. Representations, Warranties and Covenants Made to Governmental or Regulatory Bodies. To the fullest extent permitted by law, any representation, warranty or covenant made by a shareholder with any governmental or regulatory body in connection with such shareholder's interest in the Trust or any subsidiary of the Trust shall be deemed to be simultaneously made to, for the benefit of and enforceable by, the Trust and any applicable subsidiary of the Trust.

Section 8.5. Board of Trustees' Determinations. The Board of Trustees shall be empowered to make all determinations regarding the interpretation, application, enforcement and compliance with any matters referred to or contemplated by this ARTICLE VIII.

ARTICLE IX FISCAL YEAR

Section 9.1. Fiscal Year. The fiscal year of the Trust shall be the calendar year.

ARTICLE X DIVIDENDS AND OTHER DISTRIBUTIONS

Section 10.1. Dividends and Other Distributions. Dividends and other distributions upon the shares of beneficial interest of the Trust may be authorized and declared by the Trustees. Dividends and other distributions may be paid in cash, property or shares of beneficial interest of the Trust.

ARTICLE XI SEAL

Section 11.1. Seal. The Trustees may authorize the adoption of a seal by the Trust. The Trustees may authorize one or more duplicate seals.

Section 11.2. Affixing Seal. Whenever the Trust is permitted or required to affix its seal to a document, it shall be sufficient to meet the requirements of any law, rule or regulation relating to a seal to place the word "(SEAL)" adjacent to the signature of the person authorized to execute the document on behalf of the Trust.

ARTICLE XII WAIVER OF NOTICE

Section 12.1. Waiver of Notice. Whenever any notice is required to be given pursuant to the Declaration of Trust, these Bylaws or applicable law, a waiver thereof in writing, signed by the person or persons entitled to such notice, or a waiver by electronic transmission by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice. Neither the business to be transacted at nor the purpose of any meeting need be set forth in the waiver of notice or waiver by electronic transmission, unless specifically required by statute. The attendance of any person at any meeting shall constitute a waiver of notice of such meeting, except where such person attends a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

ARTICLE XIII AMENDMENT OF BYLAWS

Section 13.1. Amendment of Bylaws. Except for any change for which these Bylaws requires approval by more than a majority vote of the Trustees, these Bylaws may be amended or

repealed or new or additional Bylaws may be adopted only by the vote or written consent of a majority of the Trustees as specified in Section 3.10.

ARTICLE XIV MISCELLANEOUS

Section 14.1. References to Declaration of Trust. All references to the Declaration of Trust shall include any amendments and supplements thereto.

Section 14.2. Costs and Expenses. In addition to, and as further clarification of each shareholder's obligation to indemnify and hold the Trust harmless pursuant to Section 8.7 of the Declaration of Trust, to the fullest extent permitted by law, each shareholder will be liable to the Trust (and any subsidiaries or affiliates thereof) for, and indemnify and hold harmless the Trust (and any subsidiaries or affiliates thereof) from and against, all costs, expenses, penalties, fines or other amounts, including, without limitation, reasonable attorneys' and other professional fees, whether third party or internal, arising from such shareholder's breach of or failure to fully comply with any covenant, condition or provision of these Bylaws or the Declaration of Trust (including Section 2.14 of these Bylaws) or any action by or against the Trust (or any subsidiaries or affiliates thereof) in which such shareholder is not the prevailing party, and shall pay such amounts to such indemnitee on demand, together with interest on such amounts, which interest will accrue at the lesser of fifteen percent (15%) per annum and the maximum amount permitted by law, from the date such costs or the like are incurred until the receipt of payment.

Section 14.3. Ratification. The Board of Trustees or the shareholders may ratify and make binding on the Trust any action or inaction by the Trust or its officers to the extent that the Board of Trustees or the shareholders could have originally authorized the matter. Moreover, any action or inaction questioned in any shareholder's derivative proceeding or any other proceeding on the ground of lack of authority, defective or irregular execution, adverse interest of a Trustee, officer or shareholder, non-disclosure, miscomputation, the application of improper principles or practices of accounting, or otherwise, may be ratified, before or after judgment, by the Board of Trustees or by the shareholders and, if so ratified, shall have the same force and effect as if the questioned action or inaction had been originally duly authorized, and such ratification shall be binding upon the Trust and its shareholders and shall constitute a bar to any claim or execution of any judgment in respect of such questioned action or inaction.

Section 14.4. Ambiguity. In the case of an ambiguity in the application of any provision of these Bylaws or any definition contained in these Bylaws, the Board of Trustees shall have the sole power to determine the application of such provisions with respect to any situation based on the facts known to it and such determination shall be final and binding unless determined by a court of competent jurisdiction to have been made in bad faith.

Section 14.5. Inspection of Bylaws. The Trustees shall keep at the principal office for the transaction of business of the Trust the original or a copy of the Bylaws as amended or otherwise altered to date, certified by the secretary, which shall be open to inspection by the shareholders at all reasonable times during office hours.

Section 14.6. Election to be Subject to Part of Title 3, Subtitle 8. Notwithstanding any other provision contained in the Declaration of Trust or these Bylaws, the Trust hereby elects to be subject to Section 3-804(b) and (c) of Title 3, Subtitle 8 of the MGCL. This Section 14.6 only may be repealed, in whole or in part, by a subsequent amendment to these Bylaws.

Section 14.7. Special Voting Provisions Relating to Control Shares. Notwithstanding any other provision contained herein or in the Declaration of Trust or these Bylaws, Title 3, Subtitle 7 of the MGCL shall not apply to any acquisition by any person of shares of beneficial interest of the Trust. This section may be repealed, in whole or in part, at any time, whether before or after an acquisition of control shares and, upon such repeal, may, to the extent provided by any successor bylaw, apply to any prior or subsequent control share acquisition.

ARTICLE XV ARBITRATION PROCEDURES FOR DISPUTES

Section 15.1. Procedures for Arbitration of Disputes. Any disputes, claims or controversies brought by or on behalf of any shareholder of the Trust (which, for purposes of this ARTICLE XV, shall mean any shareholder of record or any beneficial owner of shares of beneficial interest of the Trust, or any former shareholder of record or beneficial owner of shares of beneficial interest of the Trust), either on his, her or its own behalf, on behalf of the Trust or on behalf of any series or class of shares of beneficial interest of the Trust or shareholders of the Trust against the Trust or any Trustee, officer, manager (including Reit Management & Research LLC or its successor), agent or employee of the Trust, including any disputes, claims or controversies relating to the meaning, interpretation, effect, validity, performance or enforcement of the Declaration of Trust or these Bylaws (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 or Disputes, be resolved through binding and final arbitration in accordance with the Commercial Arbitration Rules (the “Rules”) of the American Arbitration Association (“AAA”) then in effect, except as those Rules may be modified in this ARTICLE XV. For the avoidance of doubt, and not as a limitation, Disputes are intended to include derivative actions against Trustees, officers or managers of the Trust and class actions by shareholders against those individuals or entities and the Trust. For the avoidance of doubt, a Dispute shall include a Dispute made derivatively on behalf of one party against another party.

Section 15.2. Arbitrators. There shall be three (3) arbitrators. If there are only two (2) parties to the Dispute, each party shall select one (1) arbitrator within fifteen (15) days after receipt by respondent of a copy of the demand for arbitration. The arbitrators may be affiliated or interested persons of the parties. If there are more than two (2) parties to the Dispute, all claimants, on the one hand, and all respondents, on the other hand, shall each select, by the vote of a majority of the claimants or the respondents, as the case may be, one (1) arbitrator within fifteen (15) days after receipt of the demand for arbitration. The 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 (s) to timely select an arbitrator then the party (or parties) who has selected an arbitrator may request AAA to provide a list of three (3) 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 AAA provides the list to select one (1) of the three (3)

arbitrators proposed by AAA. If the party (or parties) fail(s) to select the second (2nd) arbitrator by that time, the party (or parties) who have appointed the first (1st) arbitrator shall then have ten (10) days to select one (1) of the three (3) arbitrators proposed by AAA to be the second (2nd) arbitrator; and, if he/they should fail to select the second (2nd) arbitrator by such time, AAA shall select, within fifteen (15) days thereafter, one (1) of the three (3) arbitrators it had proposed as the second (2nd) arbitrator. The two (2) arbitrators so appointed shall jointly appoint the third (3rd) and presiding arbitrator (who shall be neutral, impartial and unaffiliated with any party) within fifteen (15) days of the appointment of the second (2nd) arbitrator. If the third (3rd) arbitrator has not been appointed within the time limit specified herein, then AAA shall provide a list of proposed arbitrators in accordance with the Rules, and the arbitrator shall be appointed by AAA in accordance with a listing, striking and ranking procedure, with each party having a limited number of strikes, excluding strikes for cause.

Section 15.3. Place of Arbitration. The place of arbitration shall be Boston, Massachusetts unless otherwise agreed by the parties.

Section 15.4. Discovery. There shall be only limited documentary discovery of documents directly related to the issues in dispute, as may be ordered by the arbitrators. For the avoidance of doubt, it is intended that there shall be no depositions and no other discovery other than limited documentary discovery as described in the preceding sentence.

Section 15.5. Awards. In rendering an award or decision (an "Award"), the arbitrators shall be required to follow the laws of the State of Maryland. Any arbitration proceedings or Award shall be governed by the Federal Arbitration Act, 9 U.S.C. §1 et seq. An Award shall be in writing and shall state the findings of fact and conclusions of law on which it is based. Any monetary Award shall be made and payable in U.S. dollars free of any tax, deduction or offset. Subject to Section 15.7, each party against which an Award assesses a monetary obligation shall pay that obligation on or before the thirtieth (30th) day following the date of such Award or such other date as such Award may provide.

Section 15.6. Costs and Expenses. Except as otherwise set forth in the Declaration of Trust or these Bylaws, including Section 14.2 of these Bylaws, or as otherwise agreed by the parties thereto, 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 the Trust's Award to the claimant or the claimant's attorneys. Each party (or, if there are more than two (2) 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 (2) 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 (3rd) appointed arbitrator.

Section 15.7. Appeals. Any Award, including but not limited to any interim Award, may be appealed pursuant to the AAA's Optional Appellate Arbitration Rules ("Appellate Rules"). An Award shall not be considered final until after the time for filing the notice of appeal pursuant to the Appellate Rules has expired. Appeals must be initiated within thirty (30) days of receipt of an Award by filing a notice of appeal with any AAA office. Following the appeal

process, the decision rendered by the appeal tribunal may be entered in any court having jurisdiction thereof. For the avoidance of doubt, and despite any contrary provision of the Appellate Rules, Section 16.6 shall apply to any appeal pursuant to this Section 15.7 and the appeal tribunal shall not render an Award that would include shifting of any costs or expenses (including attorneys' fees) of any party.

Section 15.8. Final and Binding. Following the expiration of the time for filing the notice of appeal, or the conclusion of the appeal process set forth in Section 15.7, an Award shall be final and binding upon the parties thereto and shall be the sole and exclusive remedy between those parties relating to the Dispute, including any claims, counterclaims, issues or accounting presented to the arbitrators. Judgment upon an 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, except for actions seeking interim or other provisional relief in aid of arbitration proceedings in any court of competent jurisdiction.

Section 15.9. Beneficiaries. This ARTICLE XV is intended to benefit and be enforceable by the shareholders, Trustees, officers, managers (including Reit Management & Research LLC or its successor), agents or employees of the Trust and the Trust and shall be binding on the shareholders of the Trust and the Trust, as applicable, and 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.

ARTICLE XVI

EXCLUSIVE FORUM FOR CERTAIN DISPUTES

The Circuit Court for Baltimore City, Maryland, or, if that court does not have jurisdiction, the United States District Court for the District of Maryland, Baltimore Division, shall be the sole and exclusive forum for (1) any derivative action or proceeding brought on behalf of the Trust, (2) any action asserting a claim of breach of a fiduciary duty owed by any trustee, officer, manager, agent or employee of the Trust to the Trust or the Trust's shareholders, (3) any action asserting a claim against the Trust or any trustee, officer, manager, agent or employee of the Trust arising pursuant to Maryland law or the Declaration of Trust or these Bylaws, including any disputes, claims or controversies brought by or on behalf of any shareholder of the Trust (which, for purposes of this ARTICLE XVI, shall mean any shareholder of record or any beneficial owner of any class or series of shares of beneficial interest of the Trust, or any former holder of record or beneficial owner of any class or series of shares of beneficial interest of the Trust), either on his, her or its own behalf, on behalf of the Trust or on behalf of any series or class of shares of beneficial interest of the Trust or shareholders of the Trust against the Trust or any trustee, officer, manager, agent or employee of the Trust, including any disputes, claims or controversies relating to the meaning, interpretation, effect, validity, performance or enforcement of the Declaration of Trust or these Bylaws, including this ARTICLE XVI, or (4) any action asserting a claim against the Trust or any trustee, officer, manager, agent or employee of the Trust governed by the internal affairs doctrine of the State of Maryland. Failure to enforce the foregoing provisions would cause the Trust irreparable harm and the Trust shall be entitled to equitable relief, including injunctive relief and specific performance, to enforce the foregoing provisions. Any person or entity purchasing or otherwise

acquiring any interest in shares of beneficial interest of the Trust shall be deemed to have notice of and consented to the provisions of this ARTICLE XVI. This ARTICLE XVI shall not abrogate or supersede any other provision of these Bylaws which may require the resolution of such disputes by arbitration.

SENIOR HOUSING PROPERTIES TRUST

AMENDED AND RESTATED BYLAWS

As Amended and Restated ~~April 10~~ August 5, ~~2014~~ 2015

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SENIOR HOUSING PROPERTIES TRUST

AMENDED AND RESTATED BYLAWS

These AMENDED AND RESTATED BYLAWS (the "Bylaws") are made as of the date set forth above by the Board of Trustees.

ARTICLE I OFFICES

Section 1.1. Principal Office. The principal office of the Trust shall be located at such place or places as the Board of Trustees may designate.

Section 1.2. Additional Offices. The Trust may have additional offices at such places as the Board of Trustees may from time to time determine or the business of the Trust may require.

ARTICLE II MEETINGS OF SHAREHOLDERS

Section 2.1. Place. All meetings of shareholders shall be held at the principal office of the Trust or at such other place as is designated by the Board of Trustees or the president.

Section 2.2. Annual Meeting. An annual meeting of the shareholders for the election of Trustees and the transaction of any business within the powers of the Trust shall be held at such times as the Trustees may designate. Failure to hold an annual meeting does not invalidate the Trust's existence or affect any otherwise valid acts of the Trust.

Section 2.3. Special Meetings. Special meetings of shareholders may be called only by a majority of the Trustees then in office. If there shall be no Trustees, the officers of the Trust shall promptly call a special meeting of the shareholders entitled to vote for the election of successor Trustees for the purpose of electing Trustees.

Section 2.4. Notice of Regular or Special Meetings. ~~Written notice~~ Notice given in writing or by electronic transmission specifying the place, day and hour of any regular or special meeting, the purposes of the meeting, to the extent required by law to be provided, and all other matters required by law shall be given to each shareholder of record entitled to vote, ~~either personally or by sending a copy thereof by mail, postage prepaid, sent~~ to his or her address appearing on the books of the Trust or theretofore given by him or her to the Trust for the purpose of notice ~~or, if no address appears or has been given, addressed to the place where the principal office of the Trust is situated, or by electronic transmission to any address or number of,~~ by presenting it to such shareholder ~~at which the shareholder receives electronic transmissions~~ personally, by leaving it at the shareholder's residence or usual place of business or by any other means permitted by Maryland law. If mailed, such notice shall be deemed to be given once deposited in the U.S. mail addressed to the shareholder at his or her post office address as it appears on the records of the Trust, with postage thereon prepaid. If transmitted electronically, such notice shall be deemed to be given when transmitted to the shareholder by an electronic transmission to any address or number of the shareholder at which the shareholder receives electronic transmissions. It shall be the duty of the secretary to give notice of each

meeting of the shareholders. The Trust may give a single notice to all shareholders who share an address, which single notice shall be effective to any shareholder at such address, unless a shareholder objects to receiving such single notice or revokes a prior consent to receiving such single notice. Failure to give notice of any meeting to one or more shareholders, or any irregularity in such notice, shall not affect the validity of any meeting fixed in accordance with this ARTICLE II or the validity of any proceedings at any such meeting.

Section 2.5. Notice of Adjourned Meetings. It shall not be necessary to give notice of the time and place of any adjourned meeting or of the business to be transacted thereat other than by announcement at the meeting at which such adjournment is taken.

Section 2.6. ~~Scope of Meetings~~Meeting Business. Except as otherwise expressly set forth elsewhere in these Bylaws, no business shall be transacted at an annual or special meeting of shareholders except as specifically designated in the notice or otherwise properly brought before the meeting of shareholders by or at the direction of the Board of Trustees.

Section 2.7. Organization of Shareholder Meetings. Every meeting of shareholders shall be conducted by an individual appointed by the Board of Trustees to be chairperson of the meeting or, in the absence of such appointment or the absence of the appointed individual, by ~~the chairman of the board or, in the case of a vacancy in the office or absence of the chairman of the board, by~~ one of the following officers present at the meeting in the following order: the ~~vice~~ chairman of the board, if there be one, the president, the vice presidents in their order of seniority, the secretary, or, in the absence of such officers, a chairperson chosen by the shareholders by the vote of holders of shares of beneficial interest representing a majority of the votes cast on such appointment by shareholders present in person or represented by proxy. The secretary, an assistant secretary or a person appointed by the Trustees or, in the absence of such appointment, a person appointed by the chairperson of the meeting shall act as secretary of the meeting and record the minutes of the meeting. If the secretary presides as chairperson at a meeting of the shareholders, then the secretary shall not also act as secretary of the meeting and record the minutes of the meeting. The order of business and all other matters of procedure at any meeting of shareholders shall be determined by the chairperson of the meeting. The chairperson of the meeting may prescribe such rules, regulations and procedures and take such action as, in the discretion of such chairperson, are appropriate for the proper conduct of the meeting, including, without limitation: (a) restricting admission to the time set for the commencement of the meeting; (b) limiting attendance at the meeting to shareholders of record of the Trust, their duly authorized proxies or other such persons as the chairperson of the meeting may determine; (c) limiting participation at the meeting on any matter to shareholders of record of the Trust entitled to vote on such matter, their duly authorized proxies or other such persons as the chairperson of the meeting may determine; (d) limiting the time allotted to questions or comments by participants; (e) determining when and for how long the polls should be opened and when the polls should be closed; (f) maintaining order and security at the meeting; (~~f~~g) removing any shareholder or other person who refuses to comply with meeting procedures, rules or guidelines as set forth by the chairperson of the meeting; (~~g~~h) concluding a meeting or recessing or adjourning the meeting to a later date and time and at a place announced at the meeting; and (~~h~~i) complying with any state and local laws and regulations concerning safety and security. Without limiting the generality of the powers of the chairperson of the meeting pursuant to the foregoing provisions, the chairperson may adjourn any meeting of shareholders

for any reason deemed necessary by the chairperson, including, without limitation, if (i) no quorum is present for the transaction of the business, (ii) the Board of Trustees or the chairperson of the meeting determines that adjournment is necessary or appropriate to enable the shareholders to consider fully information that the Board of Trustees or the chairperson of the meeting determines has not been made sufficiently or timely available to shareholders or (iii) the Board of Trustees or the chairperson of the meeting determines that adjournment is otherwise in the best interests of the Trust. Unless otherwise determined by the chairperson of the meeting, meetings of shareholders shall not be required to be held in accordance with the general rules of parliamentary procedure or any otherwise established rules of order.

Section 2.8. Quorum. At any meeting of shareholders, the presence in person or by proxy of shareholders entitled to cast a majority of all the votes entitled to be cast at such meeting shall constitute a quorum; but this section shall not affect any requirement under any statute or the Declaration of Trust for the vote necessary for the adoption of any measure. If, however, such quorum shall not be present at any meeting of the shareholders, the chairperson of the meeting shall have the power to adjourn the meeting from time to time without the Trust having to set a new record date or provide any additional notice of such meeting, subject to any obligation of the Trust to give notice pursuant to Section 2.5. At such adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally notified. The shareholders present, either in person or by proxy, at a meeting of shareholders which has been duly called and convened and at which a quorum was established may continue to transact business until adjournment, notwithstanding the withdrawal of enough votes to leave less than a quorum then being present at the meeting.

Section 2.9. Voting.

(a) With regard to election of a Trustee, and except as may be mandated by applicable law or the listing requirements of the principal exchange on which the Trust's common shares of beneficial interest are listed: (i) a plurality of all the votes cast at a meeting of shareholders duly called and at which a quorum is present shall be sufficient to elect a Trustee in an uncontested election; and (ii) a majority of all the shares entitled to vote at a meeting of shareholders duly called and at which a quorum is present shall be sufficient to elect a Trustee in a contested election (which, for purposes of these Bylaws, is an election at which the number of nominees exceeds the number of Trustees to be elected at the meeting). Each share may be voted for as many individuals as there are Trustees to be elected and for whose election the share is entitled to be voted.

(b) With regard to any other matter which may properly come before a meeting of shareholders duly called and at which a quorum is present, and except as may be mandated by applicable law, by the listing requirements of the principal exchange on which the Trust's common shares of beneficial interest are listed or by a specific provision of the Declaration of Trust, ~~(i) if such matter is approved by at least 75% of the Trustees then in office, including 75% of the Independent Trustees then in office, the~~ vote required for approval shall be the affirmative vote of seventy-five percent (75%) of the votes entitled to be cast for each such matter unless such matter has been previously approved by the Board of Trustees, in which case the vote required for approval shall be a majority of ~~all the votes cast at the meeting shall be required to approve such matter, and~~ ~~(ii) if such matter is not approved by at least 75% of the~~

~~Trustees then in office, including 75% of the Independent Trustees then in office, 75% of all the shares entitled to vote at the meeting shall be required to approve such matter.~~ a meeting of shareholders duly called and at which a quorum is present.

Section 2.10. Proxies. A shareholder may cast the votes entitled to be cast by him or her either in person or by proxy executed by the shareholder or by his or her duly authorized agent in any manner permitted by law. Such proxy shall be filed with such officer of the Trust or third party agent as the Board of Trustees shall have designated for such purpose for verification at or prior to such meeting. Any proxy relating to the Trust's shares of beneficial interest shall be valid until the expiration date therein or, if no expiration is so indicated, for such period as is permitted pursuant to Maryland law. At a meeting of shareholders, all questions concerning the qualification of voters, the validity of proxies, and the acceptance or rejection of votes, shall be decided by or on behalf of the chairperson of the meeting, subject to Section 2.13.

Section 2.11. Record Date. The Board of Trustees may fix the date for determination of shareholders entitled to notice of and to vote at a meeting of shareholders. If no date is fixed for the determination of the shareholders entitled to vote at any meeting of shareholders, only persons in whose names shares entitled to vote are recorded on the share records of the Trust on the later of: (i) the close of business on the day on which notice of such meeting of shareholders is first mailed by the Trust or (ii) the thirtieth (30th) day before the date of such meeting shall be entitled to vote at such meeting.

Section 2.12. Voting of Shares by Certain Holders. Shares of beneficial interest of the Trust registered in the name of a corporation, partnership, trust or other entity, if entitled to be voted, may be voted by the president or a vice president, a general partner, managing member or trustee thereof, as the case may be, or a proxy appointed by any of the foregoing individuals, unless some other person who has been appointed to vote such shares pursuant to a bylaw or a resolution of the governing body of such corporation or other entity or pursuant to an agreement of the partners of the partnership presents a certified copy of such bylaw, resolution or agreement, in which case such person may vote such shares. Any trustee or other fiduciary may vote shares registered in his or her name as such fiduciary, either in person or by proxy.

Section 2.13. Inspectors.

(a) Before or at any meeting of shareholders, the chairperson of the meeting may appoint one or more persons as inspectors for such meeting. Such inspectors, if any, shall (i) ascertain and report the number of shares of beneficial interest represented at the meeting, in person or by proxy, and the validity and effect of proxies, (ii) receive and tabulate all votes, ballots or consents, (iii) report such tabulation to the chairperson of the meeting and (iv) perform such other acts as are proper to conduct the election or voting at the meeting.

(b) Each report of an inspector shall be in writing and signed by him or her ~~or by a majority of them if there is more than one inspector acting at such meeting. If there is more than one inspector, the report of a majority shall be the report of the inspectors.~~ The report of the inspector or inspectors on the number of shares represented at the meeting and the results of the voting shall be prima facie evidence thereof.

Section 2.14. Nominations and Other Proposals to be Considered at Meetings of Shareholders. Nominations of individuals for election to the Board of Trustees and the proposal of other business to be considered by the shareholders at meetings of shareholders may be properly brought before the meeting only as set forth in this Section 2.14. Nothing in this Section 2.14 shall be deemed to affect any right of a shareholder to request inclusion of a proposal in, or the right of the Trust to omit a proposal from, any proxy statement filed by the Trust with the U.S. Securities and Exchange Commission (the "SEC") pursuant to Rule 14a-8 (or any successor provision) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All judgments and determinations made by the Board of Trustees or the chairperson of the meeting, as applicable, under this Section 2.14 (including, without limitation, judgments and determinations as to the propriety of a proposed nomination or a proposal of other business for consideration by shareholders) shall be final and binding unless determined to have been made in bad faith.

Section 2.14.1. Annual Meetings of Shareholders.

(a) ~~A~~ Any shareholder of the Trust may recommend to the Nominating and Governance Committee of the Board of Trustees an individual as a nominee for election to the Board of Trustees. Such recommendation shall be made by written notice to the Chair of such committee and the Secretary of the Trust, which notice should contain or be accompanied by the information and documents with respect to such recommended nominee and shareholder that such shareholder believes to be relevant or helpful to the Nominating and Governance Committee's deliberations. In considering such recommendation, the Nominating and Governance Committee may request additional information concerning the recommended nominee or the ~~shareholder~~ shareholder(s) making the recommendation. The Nominating and Governance Committee of the Board of Trustees will consider any such recommendation in its discretion. ~~A~~ Any shareholder seeking to make a nomination of an individual for election to the Board of Trustees at an annual meeting must make such nomination in accordance with Section 2.14.1(b)(ii).

(b) Nominations of individuals for election to the Board of Trustees and the proposal of other business to be considered by the shareholders at an annual meeting of shareholders may be properly brought before the meeting (i) pursuant to the Trust's notice of meeting or otherwise properly brought before the meeting by or at the direction of the Board of Trustees or (ii) by ~~a shareholder~~ any one or more shareholders of the Trust who (A) ~~has~~ have each continuously ~~beneficially owned at least \$2,000 in market value, or 1%, of the Trust's shares~~ owned (as defined below) shares of beneficial interest of the Trust entitled to vote in the election of Trustees or on a proposal of other business, for at least three years as of the date of the giving of the notice provided for in Section 2.14.1 (c), the record date for determining the shareholders entitled to vote at the meeting ~~on such election or proposal for other business for at least one year from the date such shareholder gives the notice provided for in this Section 2.14.1, and continuously beneficially owns such shares through and including~~ and the time of the annual meeting (including any adjournment or postponement thereof), with the aggregate shares owned by such shareholder(s) as of each of such dates and during such three year period representing at least one percent (1%) of the Trust's shares of beneficial interest, (B) holds ~~, or hold,~~ a certificate or certificates ~~for evidencing~~ the aggregate number of shares of beneficial interest of the Trust referenced in subclause (A) of this Section 2.14.1(b)(ii) ~~at as of~~ the time of giving the notice

provided for in ~~this~~ Section 2.14.1 ~~through and including (c), the record date for determining the shareholders entitled to vote at the meeting and~~ the time of the annual meeting (including any adjournment or postponement thereof), (C) is ~~, or are,~~ entitled to make such nomination or propose such ~~other~~ business and to vote at the meeting on such election or proposal ~~for such of other~~ business, and (D) complies ~~, or comply,~~ with the notice procedures set forth in this Section 2.14 as to such nomination or ~~proposal of other~~ business. For purposes of this Section 2.14.1(b) ~~(ii) shall be the exclusive means for,~~ a shareholder ~~to make nominations or propose other business before an annual meeting of shareholders, except to the extent of matters which are required to be presented to shareholders by applicable law and which have been properly presented in accordance with the requirements of such law. For purposes of determining compliance with the requirement in subclause (A) of Section 2.14.1(b)(ii), the market value of the Trust's shares held by the applicable shareholder shall be determined by multiplying the number of shares such shareholder continuously held for that one-year period by the highest selling price of the Trust shares as reported on the principal National Securities Exchange (for purposes of this Section 2.14, as defined in Section 8.1) on which the Trust's shares are listed for trading during the sixty (60) calendar days before the date such notice was submitted shall be~~ deemed to "own" or have "owned" only those outstanding shares of the Trust's shares of beneficial interest to which the shareholder possesses both the full voting and investment rights pertaining to the shares and the full economic interest in (including the opportunity for profit from and risk of loss on) such shares; provided that the number of shares calculated in accordance with the foregoing shall not include any shares (x) sold by such shareholder or any of its affiliates in any transaction that has not been settled or closed or (y) borrowed by such shareholder or any of its affiliates for any purposes or purchased by such shareholder or any of its affiliates pursuant to an agreement to resell. Without limiting the foregoing, to the extent not excluded by the immediately preceding sentence, a shareholder's "short position" as defined in Rule 14e-4 under the Exchange Act shall be deducted from the shares otherwise "owned." A shareholder shall "own" shares held in the name of a nominee or other intermediary so long as the shareholder retains the right to instruct how the shares are voted with respect to the election of trustees or the proposal of other business and possesses the full economic interest in the shares. For purposes of this Section 2.14.1(b), the term "affiliate" or "affiliates" shall have the meaning ascribed thereto under the General Rules and Regulations under the Exchange Act. Whether outstanding shares of the Trust's shares of beneficial interest are "owned" for purposes of this Section 2.14.1(b) shall be determined by the Board of Trustees.

(c) For nominations for election to the Board of Trustees or other business to be properly brought before an annual meeting by ~~a shareholder one or more shareholders~~ pursuant to this Section 2.14.1, such ~~shareholder shareholder(s)~~ shall have given timely notice thereof in writing to the secretary of the Trust in accordance with this Section 2.14 and such other business shall otherwise be a proper matter for action by shareholders. To be timely, the notice of such ~~shareholder shareholder(s)~~ shall set forth all information required under this Section 2.14 and shall be delivered to the secretary at the principal executive offices of the Trust not later than 5:00 p.m. (Eastern Time) on the one-hundred twentieth (120th) day nor earlier than the one-hundred fiftieth (150th) day prior to the first (1st) anniversary of the date of the proxy statement for the preceding year's annual meeting; provided, however, that ~~in the event that if~~ the annual meeting is called for a date that is more than thirty (30) days earlier or later than the first (1st) anniversary of the date of the preceding year's annual meeting, notice by ~~the shareholder to be such shareholder(s) to be~~ timely shall be so delivered not later than 5:00 p.m. (Eastern Time)

on the tenth (10th) day following the earlier of the day on which (i) notice of the date of the annual meeting is mailed or otherwise made available or (ii) public announcement of the date of the annual meeting is first made by the Trust. Neither the postponement or adjournment of an annual meeting, nor the public announcement of such postponement or adjournment, shall commence a new time period for the giving of a notice of ~~a shareholder~~ one or more shareholders as described above.

A notice of ~~a shareholder~~ one or more shareholders pursuant to this Section 2.14.1 (c) shall set forth:

(i) separately as to each individual whom such ~~shareholder proposes~~ shareholder(s) propose to nominate for election or reelection as a Trustee (a "Proposed Nominee"), (1) the name, age, business address, residence address and educational background of such Proposed Nominee, (2) a statement of whether such Proposed Nominee is proposed for nomination as an Independent Trustee (~~as defined in Section 3.2~~) or a Managing Trustee (each as defined in Section 3.2) and a description of such Proposed Nominee's qualifications to be an Independent Trustee or Managing Trustee, as the case may be, and such Proposed Nominee's qualifications to be a Trustee pursuant to the criteria set forth in Section 3.1, (3) the class, series and number of any shares of beneficial interest of the Trust that are, directly or indirectly, beneficially owned or owned of record by such Proposed Nominee, (4) a description of the material terms of each Derivative Transaction that such Proposed Nominee directly or indirectly, has an interest in, including, without limitation, the counterparties to each Derivative Transaction, the class or series and number or amount of securities of the Trust to which each Derivative Transaction relates or provides exposure, and whether or not (x) such Derivative Transaction conveys any voting rights directly or indirectly, to such Proposed Nominee, (y) such Derivative Transaction is required to be, or is capable of being, settled through delivery of securities of the Trust and (z) such Proposed Nominee and/or, to their knowledge, the counterparty to such Derivative Transaction has entered into other transactions that hedge or mitigate the economic effect of such Derivative Transaction, (5) a description of all direct and indirect compensation and other agreements, arrangements and understandings or any other relationships, between or among ~~the any~~ shareholder making the nomination, or any of its respective affiliates and associates, or others acting in concert therewith, on the one hand, and such Proposed Nominee, or his or her respective affiliates and associates, on the other hand, and (6) all other information relating to such Proposed Nominee that is required to be disclosed in solicitations of proxies for election of Trustees in an election contest (even if an election contest is not involved), or is otherwise required, in each case, pursuant to Section 14 (or any successor provision) of the ~~Securities Exchange Act of 1934, as amended (the "Exchange Act")~~, and the rules and regulations promulgated thereunder;

(ii) as to any other business that ~~the shareholder proposes~~ such shareholder(s) propose to bring before the meeting, (1) a description of such business, (2) the reasons for proposing such business at the meeting and any material interest in such business of such ~~shareholder~~ shareholder(s) or any Shareholder Associated Person (as defined in Section 2.14.1(g)), including any anticipated benefit to such ~~shareholder~~ shareholder(s) or any Shareholder Associated Person therefrom, (3) a description of all agreements, arrangements and understandings between such ~~shareholder~~ shareholder(s) and Shareholder Associated Person amongst themselves or with any other person or persons (including their names) in connection

with the proposal of such business by such ~~shareholder~~ shareholder(s) and (4) a representation that such ~~shareholder intends~~ shareholder(s) intend to appear in person or by proxy at the meeting to bring the business before the meeting;

(iii) separately as to ~~the~~ each shareholder giving the notice and any Shareholder Associated Person, (1) the class, series and number of all shares of beneficial interest of the Trust that are owned of record by such shareholder or by such Shareholder Associated Person, if any, and (2) the class, series and number of, and the nominee holder for, any shares of beneficial interests of the Trust that are ~~owned~~, directly or indirectly, beneficially owned but not owned of record by such shareholder or by such Shareholder Associated Person, if any;

(iv) separately as to ~~the~~ each shareholder giving the notice and any Shareholder Associated Person, (1) a description of all purchases and sales of securities of the Trust by such shareholder or Shareholder Associated Person during the previous six (6) month period, including the date of the transactions, the class, series and number of securities involved in the transactions and the consideration involved, (2) a description of the material terms of each Derivative Transaction that such shareholder or ~~any~~ Shareholder Associated Person is directly or indirectly, has an interest in, including, without limitation, the counterparties to each Derivative Transaction, the class or series and number or amount of securities of the Trust to which each Derivative Transaction relates or provides exposure, and whether or not (x) such Derivative Transaction conveys any voting rights is directly or indirectly, to such shareholder or Shareholder Associated Person, (y) such Derivative Transaction is required to be, or is capable of being, settled through delivery of securities of the Trust and (z) such shareholder or Shareholder Associated Person and/or, to their knowledge, the counterparty to such Derivative Transaction has entered into other transactions that hedge or mitigate the economic effect of such Derivative Transaction, (3) a description of the material terms of any performance related fees (other than an asset based fee) to which such shareholder or Shareholder Associated Person is entitled based on any increase or decrease in the value of shares of beneficial interest of the Trust or instrument or arrangement of the type contemplated within the definition of Derivative Transaction, and (4) any rights to dividends or other distributions on the shares of beneficial interest of the Trust ~~owned that are~~ beneficially owned by such shareholder or Shareholder Associated Person that are separated or separable from the underlying shares of beneficial interest of the Trust;

(v) separately as to ~~the~~ each shareholder giving the notice and any Shareholder Associated Person with a material interest described in clause (ii)(2) above, an ownership interest described in clause (iii) above or a transaction or right described in clause (iv) above, (1) the name and address of such shareholder and Shareholder Associated Person, and (2) all information relating to such shareholder and Shareholder Associated Person that is required to be disclosed in connection with the solicitation of proxies for election of Trustees in an election contest (even if an election contest is not involved), or is otherwise required, in each case, pursuant to Section 14 (or any successor provision) of the Exchange Act and the rules and regulations promulgated thereunder; and

(vi) to the extent known by the ~~shareholder~~ shareholder(s) giving the notice, the name and address of any other person who ~~owns~~, beneficially owns or owns of

record ~~any~~ shares of beneficial interest of the Trust and who supports the nominee for election or reelection as a Trustee or the proposal of other business.

(d) A notice of ~~a shareholder~~ one or more shareholders making a nomination or proposing other business pursuant to Section 2.14.1(b)(ii) shall be accompanied by (i) a copy of the share certificate(s) referenced in subclause (B) of Section 2.14.1(b)(ii) above; (ii) if any such shareholder was not a shareholder of record of the shares referenced in subclause (A) of Section 2.14.1(b)(ii) above continuously for the ~~one-year~~ three-year period referenced therein, reasonable evidence of such shareholder's continuous beneficial ownership of such shares during such ~~one-year~~ three-year period, such reasonable evidence may include, but shall not be limited to, (A) a copy of a report of the shareholder on Schedule 13D or Schedule 13G under the Exchange Act filed on or prior to the beginning of the ~~one-year~~ three-year period and all amendments thereto, (B) a copy of a statement required to be filed pursuant to Section 16 of the Exchange Act (or any successor provisions) by a person who is a Trustee of the Trust or who is directly or indirectly the beneficial owner of more than ten percent (10%) of the shares of beneficial interest of the Trust filed on or prior to the beginning of the ~~one-year~~ three-year period and all amendments thereto, or (C) a written verification of such beneficial ownership from a person who was the "record" holder of such shares, including any participant of the Depositary Trust Company, if applicable; and (iii) with respect to nominations, a signed statement of each Proposed Nominee (1) certifying that the information, including share ownership and duration, contained in the notice regarding such Proposed Nominee and any affiliate or associate of such person is true and complete, and complies with this Section 2.14.1 in all material respects, and (2) consenting to being named as a nominee and to serving as a Trustee if elected.

(e) ~~A shareholder~~ Any shareholder(s) providing notice of a proposed nomination or other business to be considered at an annual meeting of shareholders shall further update and supplement such notice, if necessary, so that the information provided or required to be provided in such notice pursuant to this Section 2.14 is true and correct as of the record date for such annual meeting and as of a date that is ten (10) business days prior to such annual meeting, and any such update shall be delivered to the secretary at the principal executive offices of the Trust not later than the close of business on the fifth (5th) business day after the record date (in the case of an update or supplement required to be made as of the record date), and not later than the close of business on the eighth (8th) business day prior to the date of the annual meeting (in the case of an update or supplement required to be made as of ten (10) business days prior to the meeting).

(f) Notwithstanding anything in the second sentence of Section 2.14.1(c) to the contrary, ~~in the event that~~ if the number of Trustees to be elected to the Board of Trustees is increased and there is no public announcement of such action at least one-hundred thirty (130) days prior to the first (1st) anniversary of the date of the proxy statement for the preceding year's annual meeting, ~~a shareholder's~~ the notice required by this Section 2.14.1 also shall be considered timely, but only with respect to nominees for any new positions created by such increase, if ~~the~~ such notice is delivered to the secretary at the principal executive offices of the Trust not later than 5:00 p.m. (Eastern Time) on the tenth (10th) day immediately following the day on which such public announcement is first made by the Trust.

(g) For purposes of this Section 2.14, (i) “Shareholder Associated Person” of any shareholder shall mean (A) any person acting in concert with, such shareholder, (B) any direct or indirect beneficial owner of shares of beneficial interest of the Trust beneficially owned or owned of record ~~or beneficially~~ by such shareholder and (C) any person controlling, controlled by or under common control with such shareholder or a Shareholder Associated Person; and (ii) “Derivative Transaction” by a person shall mean any (A) transaction in, or arrangement, agreement or understanding with respect to, any option, warrant, convertible security, stock appreciation right or similar right with an exercise, conversion or exchange privilege, or settlement payment or mechanism related to, any security of the Trust, or similar instrument with a value derived in whole or in part from the value of a security of the Trust, in any such case whether or not it is subject to settlement in a security of the Trust or otherwise or (B) any transaction, arrangement, agreement or understanding which included or includes an opportunity for such person, directly or indirectly, to profit or share in any profit derived from any increase or decrease in the value of any security of the Trust, to mitigate any loss or manage any risk associated with any increase or decrease in the value of any security of the Trust or to increase or decrease the number of securities of the Trust which such person was, is or will be entitled to vote, in any such case whether or not it is subject to settlement in a security of the Trust or otherwise. ~~For the avoidance of doubt, any shareholder proposing to remove one or more Trustees shall comply with all requirements in these Bylaws applicable to a shareholder seeking to nominate an individual for election to the Board of Trustees.~~

Section 2.14.2. Shareholder Nominations or Other Proposals Causing Covenant Breaches or Defaults. At the same time as the submission of any shareholder nomination or proposal of other business to be considered at a shareholders meeting that, if approved and implemented by the Trust, would cause the Trust or any subsidiary (as defined in Section 2.14.5(c)) of the Trust to be in breach of any covenant or otherwise cause a default (in any case, with or without notice or lapse of time) in any existing debt instrument or agreement of the Trust or any subsidiary of the Trust or other material contract or agreement of the Trust or any subsidiary of the Trust, the notice provided pursuant to Section 2.14.1(c) shall disclose: (a) whether the lender or contracting party has agreed to waive the breach of covenant or default, and, if so, shall include reasonable evidence thereof, or (b) in reasonable detail, ~~any the~~ plan of ~~such shareholder for the the~~ proponent shareholder(s) for the repayment of the indebtedness to the lender or curing the contractual breach or default and satisfying any resulting damage claim, specifically identifying the actions to be taken and the source of funds for any such repayment, and such notice shall be accompanied by a copy of any commitment letter(s) or agreement(s) for the financing of such plan.

Section 2.14.3. Shareholder Nominations or Other Proposals Requiring Governmental Action. If (a) ~~submission of~~ any shareholder nomination or proposal of other business to be considered at a shareholders meeting ~~that~~ could not be considered or, if approved, implemented by the Trust without the Trust, any subsidiary of the Trust, ~~the any~~ proponent shareholder, any Proposed Nominee of such shareholder, any Shareholder Associated Person of any such shareholder, the holder of proxies or their respective affiliates or associates filing with or otherwise notifying or obtaining the consent, approval or other action of any federal, state, municipal or other governmental or regulatory body (a “Governmental Action”) or (b) ~~such any proponent~~ shareholder’s ownership of shares of beneficial interest of the Trust or any solicitation of proxies or votes or holding or exercising proxies by such shareholder, any Proposed Nominee

of such shareholder, any Shareholder Associated Person of such shareholder, or their respective affiliates or associates would require Governmental Action, then, in the notice provided pursuant to Section 2.14.1(c) the proponent ~~shareholder~~ shareholder(s) shall disclose (x) whether such Governmental Action has been given or obtained, and, if so, such notice shall be accompanied by reasonable evidence thereof, or (y) in reasonable detail, ~~any~~ the plan of such ~~shareholder~~ shareholder(s) for making or obtaining the Governmental Action.

Section 2.14.4. Special Meetings of Shareholders. As set forth in Section 2.6, only business brought before the meeting pursuant to the Trust's notice of meeting ~~shall be conducted~~ or otherwise properly brought before the meeting by or at the direction of the Board of Trustees may be considered at a special meeting of shareholders. Nominations of individuals for election to the Board of Trustees only may be made at a special meeting of shareholders at which Trustees are to be elected: (a) pursuant to the Trust's notice of meeting; (b) otherwise properly brought before the meeting by or at the direction of the Board of Trustees; or (c) provided that the Board of Trustees has determined that Trustees shall be elected at such special meeting or if there are no Trustees and the special meeting is called by the officers of the Trust for the election of successor Trustees, by any shareholder of the Trust who is a shareholder of record both at the time of giving of notice provided for in this Section 2.14.4 through and including the time of the special meeting, who is entitled to vote at the meeting on such election and who has complied with the notice procedures and other requirements set forth in this Section 2.14.4. ~~In the event~~ If the Trust calls a special meeting of shareholders for the purpose of electing one or more Trustees ~~to the Board of Trustees, any shareholder, any one or more shareholder(s) of the Trust~~ may nominate an individual or individuals (as the case may be) for election as a Trustee ~~as specified in the Trust's notice of meeting~~, if (i) the ~~shareholder satisfies~~ shareholder(s) satisfy the ownership, holding and certificate requirements set forth in Section ~~2.14.1~~ 2.14 (b)(ii), (ii) the ~~shareholder's~~ shareholder(s)' notice contains or is accompanied by the information and documents required by Section 2.14 for a notice provided pursuant to Section 2.14.1(c) and (iii) the ~~shareholder has~~ shareholder(s) have given timely notice thereof in writing to the secretary of the Trust at the principal executive offices of the Trust, with all references in such Sections to the annual meeting and to the notice given under such Sections changed to be references to the special meeting and the notice given under this Section 2.14.4. To be timely, a shareholder's notice shall be delivered to the secretary of the Trust at the principal executive offices of the Trust not earlier than the one-hundred fiftieth (150th) day prior to such special meeting and not later than 5:00 p.m. (Eastern Time) on the later of (i) the one-hundred twentieth (120th) day prior to such special meeting or (ii) the tenth (10th) day following the day on which public announcement is first made of the date of the special meeting and of any nominee proposed by the Trustees to be elected at such meeting. Neither the postponement or adjournment of a special meeting, nor the public announcement of such postponement or adjournment, shall commence a new time period for the giving of a shareholder's notice as described above.

Section 2.14.5. General.

(a) If information submitted pursuant to this Section 2.14 by any shareholder proposing a nominee for election as a Trustee or any proposal for other business at a meeting of shareholders shall be deemed by the Board of Trustees incomplete or inaccurate, any authorized officer or the Board of Trustees or any committee thereof may treat such information as not having been provided in accordance with this Section 2.14. Any notice submitted by a

shareholder pursuant to this Section 2.14 that is deemed by the Board of Trustees inaccurate, incomplete or otherwise fails to satisfy completely any provision of this Section 2.14 shall be deemed defective and shall thereby render all proposals and nominations set forth in such notice defective. Upon written request by the secretary of the Trust or the Board of Trustees or any committee thereof (which may be made from time to time), any shareholder proposing a nominee for election as a Trustee or any proposal for other business at a meeting of shareholders shall provide, within three (3) business days after such request (or such other period as may be specified in such request), (i) written verification, satisfactory to the secretary or any other authorized officer or the Board of Trustees or any committee thereof, in his, her or its discretion, to demonstrate the accuracy of any information submitted by the shareholder pursuant to this Section 2.14, (ii) written responses to information reasonably requested by the secretary, the Board of Trustees or any committee thereof and (iii) a written update, to a current date, of any information submitted by the shareholder pursuant to this Section 2.14 as of an earlier date. If a shareholder fails to provide such written verification, information or update within such period, the secretary or any other authorized officer or the Board of Trustees may treat the information which was previously provided and to which the verification, request or update relates as not having been provided in accordance with this Section 2.14. It is the responsibility of a shareholder who wishes to make a nomination or other proposal to comply with the requirements of Section 2.14; nothing in this Section 2.14.5(a) or otherwise shall create any duty of the Trust, the Board of Trustees or any committee thereof nor any officer of the Trust to inform a shareholder that the information submitted pursuant to this Section 2.14 by or on behalf of such shareholder is incomplete or inaccurate or not otherwise in accordance with this Section 2.14 nor require the Trust, the Board of Trustees, any committee of the Board of Trustees or any officer of the Trust to request clarification or updating of information provided by any shareholder, but the Board of Trustees, a committee thereof or the secretary acting on behalf of the Board of Trustees or a committee, may do so in its, his or her discretion.

(b) Only such individuals who are nominated in accordance with this Section 2.14 shall be eligible for election by shareholders as Trustees and only such business shall be conducted at a meeting of shareholders as shall have been properly brought before the meeting in accordance with this Section 2.14. The chairperson of the meeting and the Board of Trustees shall each have the power to determine whether a nomination or any other business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with this Section 2.14 and, if any proposed nomination or other business is determined not to be in compliance with this Section 2.14, to declare that such defective nomination or proposal be disregarded.

(c) For purposes of this Section 2.14: (i) “public announcement” shall mean disclosure in (A) a press release reported by the Dow Jones News Service, Associated Press, Business Wire, PR Newswire or any other widely circulated news or wire service or (B) a document publicly filed by the Trust with the ~~U.S. Securities and Exchange Commission (the “SEC”) pursuant to the Exchange Act~~ SEC; (ii) “subsidiary” shall include, with respect to a person, any corporation, partnership, joint venture or other entity of which such person (A) owns, directly or indirectly, ten percent (10%) or more of the outstanding voting securities or other interests or (B) has a person designated by such person serving on, or a right, contractual or otherwise, to designate a person, so to serve on, the board of directors (or analogous governing body); and (iii) a person shall be deemed to “beneficially own” or “have beneficially owned” any

shares of beneficial interest of the Trust not owned directly by such person if that person or a group of which such person is a member would be the beneficial owner of such shares under Rule 13d-3 and Rule 13d-5 of the Exchange Act.

(d) Notwithstanding the foregoing provisions of this Section 2.14, a shareholder shall also comply with all applicable legal requirements, including, without limitation, applicable requirements of state law and the Exchange Act and the rules and regulations thereunder, with respect to the matters set forth in this Section 2.14. Nothing in this Section 2.14 shall be deemed to require that a shareholder nomination of an individual for election to the Board of Trustees or a shareholder proposal relating to other business be included in the Trust's proxy statement, except as may be required by law.

(e) The Board of Trustees may from time to time require any individual nominated to serve as a Trustee to agree in writing with regard to matters of business ethics and confidentiality while such nominee serves as a Trustee, such agreement to be on the terms and in a form (the "Agreement") determined satisfactory by the Board of Trustees, as amended and supplemented from time to time in the discretion of the Board of Trustees. The terms of the Agreement may be substantially similar to the Code of Business Conduct and Ethics of the Trust or any similar code promulgated by the Trust (the "Code of Business Conduct") or may differ from or supplement the Code of Business Conduct.

(f) Determinations required or permitted to be made under this Section 2.14 by the Board of Trustees may be delegated by the Board of Trustees to a committee of the Board of Trustees, subject to applicable law.

Section 2.15. No Shareholder Actions by Written Consent. Shareholders shall not be authorized or permitted to take any action required or permitted to be taken at a meeting of shareholders by written consent, and may take such action only at a shareholders meeting of the Trust.

Section 2.16. Voting by Ballot. Voting on any question or in any election may be by voice vote unless the chairperson of the meeting or any shareholder shall demand that voting be by ballot.

Section 2.17. Proposals of Business Which Are Not Proper Matters For Action By Shareholders. Notwithstanding anything in these Bylaws to the contrary, subject to applicable law, any shareholder proposal for business the subject matter or effect of which would be within the exclusive purview of the Board of Trustees or would reasonably likely, if considered by the shareholders or approved or implemented by the Trust, result in an impairment of the limited liability status for the Trust's shareholders, shall be deemed not to be a matter upon which the shareholders are entitled to vote. The Board of Trustees in its discretion shall be entitled to determine whether a shareholder proposal for business is not a matter upon which the shareholders are entitled to vote pursuant to this Section 2.17, and its decision shall be final and binding unless determined by a court of competent jurisdiction to have been made in bad faith.

ARTICLE III TRUSTEES

Section 3.1. General Powers; Qualifications; Trustees Holding Over. The business and affairs of the Trust shall be managed under the direction of its Board of Trustees. A Trustee shall be an individual at least twenty-one (21) years of age who is not under legal disability. To qualify for nomination or election as a Trustee, an individual, at the time of nomination and election, shall, without limitation, (a) have substantial expertise or experience relevant to the business of the Trust and its subsidiaries (as determined by the Board of Trustees), (b) not have been convicted of a felony, (c) meet the qualifications of an Independent Trustee or a Managing Trustee, ~~each as defined in Section 3.2,~~ as the case may be, depending upon the position for which such individual may be nominated and elected, and (d) have been nominated for election to the Board of Trustees in accordance with Section 2.14. In case of failure to elect Trustees at an annual meeting of the shareholders, the incumbent Trustees shall hold over and continue to direct the management of the business and affairs of the Trust until they may resign or until their successors are elected and qualify.

Section 3.2. Independent Trustees and Managing Trustees. A majority of the Trustees holding office shall at all times be Independent Trustees; provided, however, that upon a failure to comply with this requirement as a result of the creation of a temporary vacancy which shall be filled by an Independent Trustee, whether as a result of enlargement of the Board of Trustees or the resignation, removal or death of a Trustee who is an Independent Trustee, such requirement shall not be applicable. An "Independent Trustee" is one who is not an employee of the Advisor (as defined in the Declaration of Trust), who is not involved in the Trust's day to day activities, who meets the qualifications of an independent trustee under the Declaration of Trust and who meets the qualifications of an independent director (not including the specific independence requirements applicable only to members of the Audit Committee of the Board of Trustees) under the applicable rules of each ~~stock~~ securities exchange upon which shares of beneficial interest of the Trust are listed for trading and the SEC, as those requirements may be amended from time to time. If the number of Trustees, at any time, is set at less than five (5), at least one (1) Trustee shall be a Managing Trustee. So long as the number of Trustees shall be five (5) or greater, at least two (2) Trustees shall be Managing Trustees. "Managing Trustees" shall mean Trustees who ~~are not Independent Trustees and who~~ have been employees, officers or directors of the Advisor or involved in the day to day activities of the Trust for at least one year prior to their election. If at any time the Board of Trustees shall not be comprised of a majority of Independent Trustees, the Board of Trustees shall take such actions as will cure such condition; provided that the fact that the Board of Trustees does not have a majority of Independent Trustees or has not taken such action at any time or from time to time shall not affect the validity of any action taken by the Board of Trustees. If at any time the Board of Trustees shall not be comprised of a number of Managing Trustees as is required under this Section 3.2, the Board of Trustees shall take such actions as will cure such condition; provided that the fact that the Board of Trustees does not have the requisite number of Managing Trustees or has not taken such action at any time or from time to time shall not affect the validity of any action taken by the Board of Trustees.

Section 3.3. Number and Tenure. Pursuant to the Articles Supplementary accepted for record by the State Department of Assessments and Taxation (the "SDAT") as of May 11, 2000,

the number of Trustees constituting the entire Board of Trustees may be increased or decreased from time to time only by a vote of the Trustees; provided however that the tenure of office of a Trustee shall not be affected by any decrease in the number of Trustees. The number of Trustees shall be five (5) until increased or decreased by the Board of Trustees.

Section 3.4. Annual and Regular Meetings. An annual meeting of the Trustees shall be held immediately after the annual meeting of shareholders, no notice other than this Bylaw being necessary. The time and place of the annual meeting of the Trustees may be changed by the Board of Trustees. The Trustees may provide, by resolution, the time and place, either within or without the State of Maryland, for the holding of regular meetings of the Trustees without other notice than such resolution. ~~In the event~~ If any such regular meeting is not so provided for, the meeting may be held at such time and place as shall be specified in a notice given as hereinafter provided for special meetings of the Board of Trustees.

Section 3.5. Special Meetings. Special meetings of the Trustees may be called at any time by any Managing Trustee, the president or pursuant to the request of any two (2) Trustees then in office. The person or persons authorized to call special meetings of the Trustees may fix any place, either within or without the State of Maryland, as the place for holding any special meeting of the Trustees called by them.

Section 3.6. Notice. Notice of any special meeting shall be given by written notice delivered personally or by electronic mail, telephoned, facsimile transmitted, overnight couriered (with proof of delivery) or mailed to each Trustee at his or her business or residence address. Personally delivered, telephoned, facsimile transmitted or electronically mailed notices shall be given at least twenty-four (24) hours prior to the meeting. Notice by mail shall be deposited in the U.S. mail at least seventy-two (72) hours prior to the meeting. If mailed, such notice shall be deemed to be given when deposited in the U.S. mail properly addressed, with postage thereon prepaid. Electronic mail notice shall be deemed to be given upon transmission of the message to the electronic mail address given to the Trust by the Trustee. Telephone notice shall be deemed given when the Trustee is personally given such notice in a telephone call to which he is a party. Facsimile transmission notice shall be deemed given upon completion of the transmission of the message to the number given to the Trust by the Trustee and receipt of a completed answer back indicating receipt. If sent by overnight courier, such notice shall be deemed given when delivered to the courier. Neither the business to be transacted at, nor the purpose of, any annual, regular or special meeting of the Trustees need be stated in the notice, unless specifically required by statute or these Bylaws.

Section 3.7. Quorum. A majority of the Trustees shall constitute a quorum for transaction of business at any meeting of the Trustees, provided that, if less than a majority of such Trustees are present at a meeting, a majority of the Trustees present may adjourn the meeting from time to time without further notice, and provided further that if, pursuant to the Declaration of Trust or these Bylaws, the vote of a majority of a particular group of Trustees is required for action, a quorum for that action shall also include a majority of such group. The Trustees present at a meeting of the Board of Trustees which has been duly called and convened and at which a quorum was established may continue to transact business until adjournment, notwithstanding the withdrawal from the meeting of ~~a such~~ number of Trustees ~~resulting as would otherwise result~~ in less than a quorum then being present at the meeting.

Section 3.8. Voting. The action of the majority of the Trustees present at a meeting at which a quorum is or was present shall be the action of the Trustees, unless the concurrence of a greater proportion is required for such action by specific provision of an applicable statute, the Declaration of Trust or these Bylaws. If enough Trustees have withdrawn from a meeting to leave fewer than are required to establish a quorum, but the meeting is not adjourned, the action of the majority of that number of Trustees necessary to constitute a quorum at such meeting shall be the action of the Board of Trustees, unless the concurrence of a greater proportion is required for such action by applicable law, the Declaration of Trust or these Bylaws.

Section 3.9. Telephone Meetings. Trustees may participate in a meeting by means of a conference telephone or similar communications equipment if all persons participating in the meeting can hear each other at the same time. Participation in a meeting by these means shall constitute presence in person at the meeting. Such meeting shall be deemed to have been held at a place designated by the Trustees at the meeting.

Section 3.10. Action by Written Consent of Trustees. Unless specifically otherwise provided in the Declaration of Trust, any action required or permitted to be taken at any meeting of the Trustees may be taken without a meeting, if a majority of the Trustees shall individually or collectively consent in writing or by electronic transmission to such action. Such written or electronic consent or consents shall be filed with the records of the Trust and shall have the same force and effect as the affirmative vote of such Trustees at a duly held meeting of the Trustees at which a quorum was present.

Section 3.11. Waiver of Notice. The actions taken at any meeting of the Trustees, however called and noticed or wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice if a quorum is present and if, either before or after the meeting, each of the Trustees not present waives notice, consents to the holding of such meeting or approves the minutes thereof.

Section 3.12. Vacancies. Pursuant to the Articles Supplementary accepted for record by the SDAT as of May 11, 2000, if for any reason any or all the Trustees cease to be Trustees, such event shall not terminate the Trust or affect these Bylaws or the powers of the remaining Trustees hereunder (even if fewer than three Trustees remain). Any vacancy on the Board of Trustees may be filled only by a majority of the remaining Trustees, even if the remaining Trustees do not constitute a quorum. Any Trustee elected to fill a vacancy, whether occurring due to an increase in size of the Board of Trustees or by the death, resignation or removal of any Trustee, shall hold office for the remainder of the full term of the class of Trustees in which the vacancy occurred or was created and until a successor is elected and qualifies.

Section 3.13. Compensation. The Trustees shall be entitled to receive such reasonable compensation for their services as Trustees as the Trustees may determine from time to time. Trustees may be reimbursed for expenses of attendance, if any, at each annual, regular or special meeting of the Trustees or of any committee thereof; and for their expenses, if any, in connection with each property visit and any other service or activity performed or engaged in as Trustees. The Trustees shall be entitled to receive remuneration for services rendered to the Trust in any other capacity, and such services may include, without limitation, services as an officer of the Trust, services as an employee of the Advisor, legal, accounting or other professional services, or

services as a broker, transfer agent or underwriter, whether performed by a Trustee or any person affiliated with a Trustee.

Section 3.14. Removal of Trustees. A Trustee may be removed at any time with or without cause by the affirmative vote either of all the remaining Trustees or if and to the extent permitted by the Declaration of Trust, at a meeting of the shareholders properly called for that purpose, by the affirmative vote of the holders of not less than two-thirds (2/3) of the shares of beneficial interest of the Trust then outstanding and entitled to vote generally in the election of Trustees. A shareholder(s) proposing to remove one or more Trustees shall meet all requirements in these Bylaws for a nomination of an individual for election to the Board of Trustees at an annual meeting of shareholders or a proposal of other business to be properly brought by such shareholder(s) at a meeting of the shareholders as set forth in Section 2.14.1.

Section 3.15. Surety Bonds. Unless specifically required by law, no Trustee shall be obligated to give any bond or surety or other security for the performance of any of his or her duties.

Section 3.16. Reliance. Each Trustee, officer, employee and agent of the Trust shall, in the performance of his or her duties with respect to the Trust, be entitled to rely on any information, opinion, report or statement, including any financial statement or other financial data, prepared or presented by an officer or employee of the Trust or by the Advisor, accountants, appraisers or other experts or consultants selected by the Board of Trustees or officers of the Trust, regardless of whether such counsel or expert may also be a Trustee.

Section 3.17. Interested Trustee Transactions. Section 2-419 of the Maryland General Corporation Law (the "MGCL") (or any successor statute) shall be available for and apply to any contract or other transaction between the Trust and any of its Trustees or between the Trust and any other trust, corporation, firm or other entity in which any of its Trustees is a trustee or director or has a material financial interest.

Section 3.18. Certain Rights of Trustees, Officers, Employees and Agents. A Trustee shall have no responsibility to devote his or her full time to the affairs of the Trust. Any Trustee or officer, employee or agent of the Trust, in his or her personal capacity or in a capacity as an affiliate, employee or agent of any other person, or otherwise, may have business interests and engage in business activities similar or in addition to those of or relating to the Trust.

Section 3.19. Emergency Provisions. Notwithstanding any other provision in the Declaration of Trust or these Bylaws, this Section 3.19 shall apply during the existence of any catastrophe, or other similar emergency condition, as a result of which a quorum of the Board of Trustees under ~~Article~~ ARTICLE III cannot readily be obtained (an "Emergency"). During any Emergency, unless otherwise provided by the Board of Trustees, (a) a meeting of the Board of Trustees may be called by any Managing Trustee or officer of the Trust by any means feasible under the circumstances and (b) notice of any meeting of the Board of Trustees during such an Emergency may be given less than twenty-four (24) hours prior to the meeting to as many Trustees and by such means as it may be feasible at the time, including publication, television or radio.

ARTICLE IV COMMITTEES

Section 4.1. Number; Tenure and Qualifications. The Board of Trustees shall appoint an Audit Committee, a Compensation Committee and a Nominating and Governance Committee. Each of these committees shall be composed of three or more Trustees, to serve at the pleasure of the Board of Trustees. The Board of Trustees may also appoint other committees from time to time composed of one or more members, at least one of which shall be a Trustee, to serve at the pleasure of the Board of Trustees. The Board of Trustees shall adopt a charter with respect to the Audit Committee, the Compensation Committee and the Nominating and Governance Committee, which charter shall specify the purposes, the criteria for membership and the responsibility and duties and may specify other matters with respect to each committee. The Board of Trustees may also adopt a charter with respect to other committees.

Section 4.2. Powers. The Trustees may delegate any of the powers of the Trustees to committees appointed under Section 4.1 and composed solely of Trustees, except as prohibited by law. ~~In the event that~~ If a charter has been adopted with respect to a committee composed solely of Trustees, the charter shall constitute a delegation by the Trustees of the powers of the Board of Trustees necessary to carry out the purposes, responsibilities and duties of a committee provided in the charter or reasonably related to those purposes, responsibilities and duties, to the extent permitted by law.

Section 4.3. Meetings. Notice of committee meetings shall be given in the same manner as notice for special meetings of the Board of Trustees. One-third (1/3), but not less than one, of the members of any committee shall be present in person at any meeting of a committee in order to constitute a quorum for the transaction of business at a meeting, and the act of a majority present at a meeting at the time of a vote if a quorum is then present shall be the act of a committee. The Board of Trustees or, if authorized by the Board in a committee charter or otherwise, the committee members may designate a chairman of any committee, and the chairman or, in the absence of a chairman, a majority of any committee may fix the time and place of its meetings unless the Board shall otherwise provide. In the absence or disqualification of any member of any committee, the members thereof present at any meeting and not disqualified from voting, whether or not they constitute a quorum, may unanimously appoint another Trustee to act at the meeting in the place of absent or disqualified members.

~~Each committee shall keep minutes of its proceedings and shall periodically report its activities to the full Board of Trustees and, except as otherwise provided by law or under the rules of the SEC and applicable stock exchanges on which the Trust's shares are listed, any action by any committee shall be subject to revision and alteration by the Board of Trustees, provided that no rights of third persons shall be affected by any such revision or alteration.~~

Section 4.4. Telephone Meetings. Members of a committee may participate in a meeting by means of a conference telephone or similar communications equipment and participation in a meeting by these means shall constitute presence in person at the meeting.

Section 4.5. Action by Written Consent of Committees. Any action required or permitted to be taken at any meeting of a committee of the Trustees may be taken without a

meeting, if a consent in writing or by electronic transmission to such action is signed by a majority of the committee and such written or electronic consent is filed with the minutes of proceedings of such committee.

Section 4.6. Vacancies. Subject to the provisions hereof, the Board of Trustees shall have the power at any time to change the membership of any committee, to fill all vacancies, to designate alternate members to replace any absent or disqualified member or to dissolve any such committee.

ARTICLE V OFFICERS

Section 5.1. General Provisions. The officers of the Trust shall include a president, a secretary and a treasurer. ~~The~~ In addition, the Board of Trustees may from time to time ~~appoint-elect~~ such other officers with such titles, powers and duties as ~~they set forth herein or as the Board of Trustees~~ shall deem necessary or desirable, including a chairman of the board, a vice chairman of the board, a chief executive officer, a chief operating officer, a chief financial officer, one or more vice presidents, one or more assistant secretaries and one or more assistant treasurers. The officers of the Trust shall be elected annually by the ~~Trustees at the first meeting of the Trustees held after each annual meeting of shareholders. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as may be convenient~~ Board of Trustees. Each officer shall hold office until his or her successor is elected and qualifies or until his or her death, resignation or removal in the manner hereinafter provided. Any two (2) or more offices, except that of president and vice president, may be held by the same person. In their discretion, the Trustees may leave unfilled any office except that of president, treasurer and secretary. Election of an officer or agent shall not of itself create contract rights between the Trust and such officer or agent.

Section 5.2. Removal and Resignation. Any officer or agent of the Trust may be removed, with or without cause, by the Board of Trustees if in ~~their~~ its judgment the best interests of the Trust would be served thereby, but ~~the~~ such removal shall be without prejudice to the contract rights, if any, of the person so removed. Any officer of the Trust may resign at any time by ~~giving written notice of~~ delivering his or her resignation to the Board of Trustees, ~~the chairman of the board,~~ the president or the secretary. Any resignation shall take effect ~~at any time specified therein or, if the time when it shall become effective is not specified therein,~~ immediately upon its receipt or at such later time specified in the resignation. The acceptance of a resignation shall not be necessary to make it effective unless otherwise stated in the resignation. ~~A~~ Such resignation shall be without prejudice to the contract rights, if any, of the Trust.

Section 5.3. Vacancies. A vacancy in any office may be filled by the Board of Trustees for the balance of the term.

Section 5.4. President. Except as the Board of Trustees may otherwise provide, the president shall have the duties usually vested in a president. The president shall have such other duties as may be assigned to the president by the Board of Trustees from time to time. The president may execute any deed, mortgage, bond, lease, contract or other instrument, except in

cases where the execution thereof shall be expressly delegated by the Board of Trustees or by these Bylaws to some other officer or agent of the Trust or shall be required by law to be otherwise executed ~~; and in general shall perform all duties incident to the office of president and such other duties as may be prescribed by the Trustees.~~

Section 5.5. Chief Operating Officer. If elected, except as the Board of Trustees may otherwise provide, the chief operating officer shall have the duties usually vested in a chief operating officer. The chief operating officer shall have such other duties as may be assigned to the chief operating officer by the president or the Board of Trustees from time to time.

Section 5.6. Chief Financial Officer. If elected, except as the Board of Trustees may otherwise provide, the chief financial officer shall have the duties usually vested in a chief financial officer. The chief financial officer shall have such other duties as may be assigned to the chief financial officer by the president or the Board of Trustees from time to time.

Section 5.7. ~~Section 5.5.~~ Vice Presidents. In the absence or ~~unavailability~~ disability of the president, the vice president , if any (or ~~in the event if~~ there ~~be is~~ more than one , the vice ~~president, any vice president~~) presidents in the order designated or, in the absence of any designation, then in the order of their election). shall perform the duties ~~of the president and when so acting shall have all and exercise~~ the powers of the president ~~; and~~. The vice president(s) shall ~~perform have~~ such other duties as ~~from time to time~~ may be assigned to ~~him or her~~ such vice president by the president or the Board of Trustees from time to time. The Board of Trustees may designate one or more vice presidents as executive vice ~~presidents-president~~, senior vice ~~presidents or as president or~~ vice presidents for particular areas of responsibility.

Section 5.8. ~~Section 5.6.~~ Secretary. ~~The~~ Except as the Board of Trustees may otherwise provide, the secretary (or his or her designee) shall (a) keep the minutes of the proceedings of the shareholders, the Board of Trustees and committees of the Board of Trustees in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; (c) be custodian of the Trust records and of the seal of the Trust, if any; and (d) maintain a share register, showing the ownership and transfers of ownership of all shares of beneficial interest of the Trust, unless a transfer agent is employed to maintain and does maintain such a share register ~~; and (e) in general perform.~~ The secretary shall have such other duties as ~~from time to time~~ may be assigned to the secretary by the president or the Board of Trustees from time to time.

Section 5.9. ~~Section 5.7.~~ Treasurer. ~~The~~ Except as the Board of Trustees may otherwise provide, the treasurer shall ~~have~~ (a) have general charge of the financial affairs of the Trust; (b) have or oversee in accordance with Section 6.3 the custody of the funds ~~and~~, securities and other valuable documents of the Trust ~~and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Trust and shall deposit all moneys and other valuable effects in the name and to the credit of the Trust in such depositories as may be authorized by the Trustees;~~ (c) maintain or oversee the maintenance of proper financial books and records of the Trust; and (d) have the duties usually vested in a treasurer. The treasurer shall ~~also~~ have such other ~~responsibilities~~ duties as may be assigned to ~~him or her~~ the treasurer by the president or the Board of Trustees from time to time.

Section 5.10. ~~Section 5.8.~~ Assistant Secretaries and Assistant Treasurers. The assistant secretaries and assistant treasurers, in general, shall perform such duties as shall be assigned to them by the secretary or treasurer, respectively, or by the president or the Board of Trustees from time to time.

ARTICLE VI CONTRACTS, LOANS, CHECKS AND DEPOSITS

Section 6.1. Contracts. The Board of Trustees may authorize any Trustee, officer or agent (including the Advisor or any officer of the Advisor) to ~~enter into any contract or to~~ execute and deliver any instrument in the name of and on behalf of the Trust and such authority may be general or confined to specific instances. Any agreement, deed, mortgage, lease or other document ~~executed by an authorized Trustee, officer or agent~~ shall be valid and binding upon the ~~Trustees and upon the~~ Trust when duly authorized or ratified by action of the Board of Trustees and executed by an authorized person.

Section 6.2. Checks and Drafts. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Trust shall be signed by such officer or agent of the Trust in such manner as ~~shall from time to time be determined by the treasurer~~ the Board of Trustees, the president ~~or~~, the treasurer or any other officer designated by the Board of Trustees may determine.

Section 6.3. Deposits. All funds of the Trust not otherwise employed shall be deposited or invested from time to time to the credit of the Trust ~~in such banks, trust companies or other depositories as the treasurer~~ as the Board of Trustees, the president ~~or~~, the treasurer or any other officer designated by the Board of Trustees may designate determine.

ARTICLE VII SHARES

Section 7.1. Certificates. Ownership of shares of any class of shares of beneficial ~~ownership~~ interest of the Trust shall be evidenced by certificates, or at the election of a shareholder in book entry form. Unless otherwise determined by the Board of Trustees, any such certificates shall be signed by the president or a vice president and countersigned by the secretary or an assistant secretary or the treasurer or an assistant treasurer and may be sealed with the seal, if any, of the Trust. The signatures may be either manual or facsimile. Certificates shall be consecutively numbered and if the Trust shall from time to time issue several classes of shares, each class may have its own number series. A certificate is valid and may be issued whether or not an officer who signed it is still an officer when it is issued.

Section 7.2. Transfers.

(a) Shares of beneficial interest of the Trust shall be transferable in the manner provided by applicable law, the Declaration of Trust and these Bylaws. Certificates shall be treated as negotiable and title thereto and to the shares they represent shall be transferred by delivery thereof to the same extent as those of a Maryland stock corporation.

(b) The Trust shall be entitled to treat the holder of record of any share or shares as the holder in fact thereof and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise [expressly](#) provided in these Bylaws or by the laws of the State of Maryland.

Section 7.3. Lost Certificates. For shares evidenced by certificates, any officer designated by the Trustees may direct a new certificate to be issued in place of any certificate previously issued by the Trust alleged to have been lost, stolen or destroyed upon the making of an affidavit of that fact by the person claiming the certificate to be lost, stolen or destroyed. When authorizing the issuance of a new certificate, an officer designated by the Trustees may, in such officer's discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or the owner's legal representative to advertise the same in such manner as he shall require and/or to give bond, with sufficient surety, to the Trust to indemnify it against any loss or claim which may arise as a result of the issuance of a new certificate.

Section 7.4. Closing of Transfer Books or Fixing of Record Date.

(a) The Trustees may set, in advance, a record date for the purpose of determining shareholders entitled to notice of or to vote at any meeting of shareholders or determining shareholders entitled to receive payment of any dividend or the allotment of any other rights, or in order to make a determination of shareholders for any other proper purpose.

(b) In lieu of fixing a record date, the Trustees may provide that the share transfer books shall be closed for a stated period but not longer than twenty (20) days. If the share transfer books are closed for the purpose of determining shareholders entitled to notice of or to vote at a meeting of shareholders, such books shall be closed for at least ten (10) days before the date of such meeting.

(c) If no record date is fixed and the share transfer books are not closed for the determination of shareholders, (i) the record date for the determination of shareholders entitled to notice of or to vote at a meeting of shareholders shall be at the close of business on the day on which the notice of meeting is mailed or the thirtieth (30th) day before the meeting, whichever is the closer date to the meeting; and (ii) the record date for the determination of shareholders entitled to receive payment of a dividend or an allotment of any other rights shall be the close of business on the day on which the resolution of the Trustees, declaring the dividend or allotment of rights, is adopted.

(d) When a determination of shareholders entitled to vote at any meeting of shareholders has been made as provided in this section, such determination shall apply to any adjournment thereof unless the Board of Trustees shall set a new record date with respect thereto.

Section 7.5. Share Ledger. The Trust shall maintain at its principal office or at the office of its counsel, accountants or transfer agent a share ledger containing the name and address of each shareholder and the number of shares of each class [of shares of beneficial interest of the Trust](#) held by such shareholder.

Section 7.6. Fractional Shares; Issuance of Units. The Trustees may issue fractional shares or provide for the issuance of scrip, all on such terms and under such conditions as they may determine. Notwithstanding any other provision of the Declaration of Trust or these Bylaws, the Trustees may issue units consisting of different securities of the Trust. Any security issued in a unit shall have the same characteristics as any identical securities issued by the Trust, except that the Trustees may provide that for a specified period securities of the Trust issued in such unit may be transferred on the books of the Trust only in such unit.

Section 7.7. Determination of Beneficial Ownership and Constructive Ownership. For the avoidance of doubt and pursuant to the authority granted to the Board in Section 7.2.6 of the Declaration of Trust, for purposes of ~~Article~~ ARTICLE VII of the Declaration of Trust, a Person (as defined in ~~Article~~ ARTICLE VII of the Declaration of Trust) owns directly or indirectly all Equity Shares (as defined in ~~Article~~ ARTICLE VII of the Declaration of Trust) that such Person is deemed to beneficially own pursuant to Rule 13d-3 under the Exchange Act.

ARTICLE VIII REGULATORY COMPLIANCE AND DISCLOSURE

Section 8.1. Actions Requiring Regulatory Compliance Implicating the Trust. If any shareholder (whether individually or constituting a group, as determined by the Board of Trustees), by virtue of such shareholder's ownership interest in the Trust or actions taken by the shareholder affecting the Trust, triggers the application of any requirement or regulation of any federal, state, municipal or other governmental or regulatory body on the Trust or any subsidiary (for purposes of this ~~Article~~ ARTICLE VIII, as defined in Section 2.14.5(c)) of the Trust or any of their respective businesses, assets or operations, including, without limitation, any obligations to make or obtain a Governmental Action (as defined in Section 2.14.3), such shareholder shall promptly take all actions necessary and fully cooperate with the Trust to ensure that such requirements or regulations are satisfied without restricting, imposing additional obligations on or in any way limiting the business, assets, operations or prospects of the Trust or any subsidiary of the Trust. If the shareholder fails or is otherwise unable to promptly take such actions so to cause satisfaction of such requirements or regulations, the shareholder shall promptly divest a sufficient number of shares of beneficial interest of the Trust necessary to cause the application of such requirement or regulation to not apply to the Trust or any subsidiary of the Trust. If the shareholder fails to cause such satisfaction or divest itself of such sufficient number of shares of beneficial interest of the Trust by not later than the tenth (10th) day after triggering such requirement or regulation referred to in this Section 8.1, then any shares of beneficial interest of the Trust beneficially owned by such shareholder at and in excess of the level triggering the application of such requirement or regulation shall, to the fullest extent permitted by law, be deemed to constitute shares held in violation of the ownership limitations set forth in ~~Article~~ ARTICLE VII of the Declaration of Trust and be subject to the provisions of ~~Article~~ ARTICLE VII of the Declaration of Trust and any actions triggering the application of such a requirement or regulation may be deemed by the Trust to be of no force or effect. Moreover, if the shareholder who triggers the application of any regulation or requirement fails to satisfy the requirements or regulations or to take curative actions within such ten (10) day period, the Trust may take all other actions which the Board of Trustees deems appropriate to require compliance or to preserve the value of the Trust's assets; and the Trust may charge the

offending shareholder for the Trust's costs and expenses as well as any damages which may result to the Trust.

As an example and not as a limitation, at the time these Bylaws are being amended and restated, the Trust holds a controlling ownership position in a company formed and licensed as an insurance company in the State of Indiana. The laws of the State of Indiana have certain regulatory requirements for any person who seeks to control (as defined under Indiana law) a company which itself controls an insurance company domiciled in the State of Indiana, including by exercising proxies representing ten percent (10%) or more of the Trust's voting securities. Accordingly, if a shareholder seeks to exercise proxies for a matter to be voted upon at a meeting of the Trust's shareholders without having obtained any applicable approvals from the Indiana insurance regulatory authorities, such proxies representing ten percent (10%) or more of the Trust's voting securities will, subject to Section 8.3, be void and of no further force or effect.

As a further example and not as a limitation, at the time these Bylaws are being amended and restated, the Trust owns healthcare facilities in various states which are subject to state regulatory and licensing requirements in each such state. Under the licensing terms or regulatory regime of certain states with jurisdiction over the Trust, a shareholder which acquires a controlling equity position in the Trust may be required to obtain regulatory approval or consent prior to or as a result of obtaining such ownership. Accordingly, if a shareholder which acquires a controlling equity position in the Trust that would require the shareholder or the Trust to obtain the consent or approval of a state authority due to the fact that the Trust owns licensed healthcare facilities in such state, and the shareholder refuses to provide the Trust with information required to be submitted to the applicable state authority or if the state authority declines to approve the shareholder's ownership of the Trust, then, in either event, shares of the Trust owned by the shareholder necessary to reduce its ownership to an amount so that the shareholder's ownership of Trust shares would not require it to provide any such information to, or for consent to be obtained from, the state authority, may be deemed by the Board of Trustees to be shares held in violation of the ownership limitation in ~~Article~~ [ARTICLE](#) VII of the Declaration of Trust and shall be subject to the provisions of ~~Article~~ [ARTICLE](#) VII of the Declaration of Trust.

Section 8.2. Compliance With Law . Shareholders shall comply with all applicable requirements of federal and state laws, including all rules and regulations promulgated thereunder, in connection with such shareholder's ownership interest in the Trust and all other laws which apply to the Trust or any subsidiary of the Trust or their respective businesses, assets or operations and which require action or inaction on the part of the shareholder.

Section 8.3. Limitation on Voting Shares or Proxies . Without limiting the provisions of Section 8.1, if a shareholder (whether individually or constituting a group, as determined by the Board of Trustees), by virtue of such shareholder's ownership interest in the Trust or its receipt or exercise of proxies to vote shares owned by other shareholders, would not be permitted to vote the shareholder's shares of [beneficial interest of](#) the Trust or proxies for shares of [beneficial interest of](#) the Trust in excess of a certain amount pursuant to applicable law (including by way of example, applicable state insurance regulations) but the Board of Trustees determines that the excess shares or shares represented by the excess proxies are necessary to obtain a quorum, then such shareholder shall not be entitled to vote any such excess shares or proxies, and instead such excess shares or proxies may, to the fullest extent permitted by law, be voted by the Advisor (or

by another person designated by the Trustees) in proportion to the total shares otherwise voted on such matter.

Section 8.4. Representations, Warranties and Covenants Made to Governmental or Regulatory Bodies. To the fullest extent permitted by law, any representation, warranty or covenant made by a shareholder with any governmental or regulatory body in connection with such shareholder's interest in the Trust or any subsidiary of the Trust shall be deemed to be simultaneously made to, for the benefit of and enforceable by, the Trust and any applicable subsidiary of the Trust.

Section 8.5. Board of Trustees' Determinations. The Board of Trustees shall be empowered to make all determinations regarding the interpretation, application, enforcement and compliance with any matters referred to or contemplated by this ~~Article~~ ARTICLE VIII.

ARTICLE IX FISCAL YEAR

Section 9.1. Fiscal Year. The fiscal year of the Trust shall be the calendar year.

ARTICLE X DIVIDENDS AND OTHER DISTRIBUTIONS

Section 10.1. Dividends and Other Distributions. Dividends and other distributions upon the shares of beneficial interest of the Trust may be authorized and declared by the Trustees. Dividends and other distributions may be paid in cash, property or shares of beneficial interest of the Trust.

ARTICLE XI SEAL

Section 11.1. Seal. The Trustees may authorize the adoption of a seal by the Trust. The Trustees may authorize one or more duplicate seals.

Section 11.2. Affixing Seal. Whenever the Trust is permitted or required to affix its seal to a document, it shall be sufficient to meet the requirements of any law, rule or regulation relating to a seal to place the word "(SEAL)" adjacent to the signature of the person authorized to execute the document on behalf of the Trust.

ARTICLE XII WAIVER OF NOTICE

Section 12.1. Waiver of Notice. Whenever any notice is required to be given pursuant to the Declaration of Trust, these Bylaws or applicable law, a waiver thereof in writing, signed by the person or persons entitled to such notice, or a waiver by electronic transmission by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice. Neither the business to be transacted at nor the purpose of any meeting need be set forth in the waiver of notice or waiver by electronic transmission, unless specifically required by statute. The attendance of any person at any meeting shall

constitute a waiver of notice of such meeting, except where such person attends a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

ARTICLE XIII AMENDMENT OF BYLAWS

Section 13.1. Amendment of Bylaws. Except for any change for which these Bylaws requires approval by more than a majority vote of the Trustees, these Bylaws may be amended or repealed or new or additional Bylaws may be adopted only by the vote or written consent of a majority of the Trustees as specified in Section 3.10.

ARTICLE XIV MISCELLANEOUS

Section 14.1. References to Declaration of Trust. All references to the Declaration of Trust shall include any amendments and supplements thereto.

Section 14.2. Costs and Expenses. In addition to, and as further clarification of each shareholder's obligation to indemnify and hold the Trust harmless ~~from and against all costs, expenses, penalties, fines and other amounts, including, without limitation, attorneys' and other professional fees, whether third party or internal, arising from such shareholder's violation of any provision of the Declaration of Trust or these Bylaws~~ pursuant to Section 8.7 of the Declaration of Trust, to the fullest extent permitted by law, each shareholder will be liable to the Trust (and any subsidiaries or affiliates thereof) for, and indemnify and hold harmless the Trust (and any subsidiaries or affiliates thereof) from and against, all costs, expenses, penalties, fines or other amounts, including, without limitation, reasonable attorneys' and other professional fees, whether third party or internal, arising from such shareholder's breach of or failure to fully comply with any covenant, condition or provision of these Bylaws or the Declaration of Trust (including Section 2.14 of these Bylaws) or any action by or against the Trust (or any subsidiaries or affiliates thereof) in which such shareholder is not the prevailing party, and shall pay such amounts to such indemnitee on demand, together with interest on such amounts, which interest will accrue at the lesser of ~~the Trust's highest marginal borrowing rate, fifteen percent (15%)~~ fifteen percent (15%) per annum ~~compounded~~, and the maximum amount permitted by law, from the date such costs or the like are incurred until the receipt of payment.

Section 14.3. Ratification. The Board of Trustees or the shareholders may ratify and make binding on the Trust any action or inaction by the Trust or its officers to the extent that the Board of Trustees or the shareholders could have originally authorized the matter. Moreover, any action or inaction questioned in any shareholder's derivative proceeding or any other proceeding on the ground of lack of authority, defective or irregular execution, adverse interest of a Trustee, officer or shareholder, non-disclosure, miscomputation, the application of improper principles or practices of accounting, or otherwise, may be ratified, before or after judgment, by the Board of Trustees or by the shareholders and, if so ratified, shall have the same force and effect as if the questioned action or inaction had been originally duly authorized, and such ratification shall be binding upon the Trust and its shareholders and shall constitute a bar to any claim or execution of any judgment in respect of such questioned action or inaction.

Section 14.4. Ambiguity. In the case of an ambiguity in the application of any provision of these Bylaws or any definition contained in these Bylaws, the Board of Trustees shall have the sole power to determine the application of such provisions with respect to any situation based on the facts known to it and such determination shall be final and binding unless determined by a court of competent jurisdiction to have been made in bad faith.

Section 14.5. Inspection of Bylaws. The Trustees shall keep at the principal office for the transaction of business of the Trust the original or a copy of the Bylaws as amended or otherwise altered to date, certified by the secretary, which shall be open to inspection by the shareholders at all reasonable times during office hours.

Section 14.6. Election to be Subject to Part of Title 3, Subtitle 8. Notwithstanding any other provision contained in the Declaration of Trust or these Bylaws, the Trust hereby elects to be subject to Section 3-804(b) and (c) of Title 3, Subtitle 8 of the ~~Maryland General Corporation Law (or any successor statute)~~ MGCL. This Section 14.6 only may be repealed, in whole or in part, by a subsequent amendment to these Bylaws.

Section 14.7. Special Voting Provisions relating Relating to Control Shares. Notwithstanding any other provision contained herein or in the Declaration of Trust or these Bylaws, Title 3, Subtitle 7 of the ~~Maryland General Corporation Law (or any successor statute)~~ MGCL shall not apply to any acquisition by any person of shares of beneficial interest of the Trust. This section may be repealed, in whole or in part, at any time, whether before or after an acquisition of control shares and, upon such repeal, may, to the extent provided by any successor bylaw, apply to any prior or subsequent control share acquisition.

ARTICLE XV

ARBITRATION PROCEDURES FOR DISPUTES

Section 15.1. Procedures for Arbitration of Disputes. Any disputes, claims or controversies brought by or on behalf of any shareholder of the Trust (which, for purposes of this ~~Article~~ ARTICLE XV, shall mean any shareholder of record or any beneficial owner of shares of beneficial interest of the Trust, or any former shareholder of record or beneficial owner of shares of beneficial interest of the Trust), either on his, her or its own behalf, on behalf of the Trust or on behalf of any series or class of shares of beneficial interest of the Trust or shareholders of the Trust against the Trust or any Trustee, officer, manager (including Reit Management & Research LLC or its successor), agent or employee of the Trust, including any disputes, claims or controversies relating to the meaning, interpretation, effect, validity, performance or enforcement of the Declaration of Trust or these Bylaws (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 or Disputes, be resolved through binding and final arbitration in accordance with the Commercial Arbitration Rules (the "Rules") of the American Arbitration Association (~~the~~ "AAA") then in effect, except as those Rules may be modified in this ~~Article~~ ARTICLE XV. For the avoidance of doubt, and not as a limitation, Disputes are intended to include derivative actions against Trustees, officers or managers of the Trust and class actions by shareholders against those individuals or entities and the Trust. For the avoidance of doubt, a Dispute shall include a Dispute made derivatively on behalf of one party against another party.

Section 15.2. Arbitrators. There shall be three (3) arbitrators. If there are only two (2) parties to the Dispute, each party shall select one (1) arbitrator within fifteen (15) days after receipt by respondent of a copy of the demand for arbitration. ~~Such~~ The arbitrators may be affiliated or interested persons of ~~such parties. If either party fails to timely select an arbitrator, the other party to the Dispute shall select the second arbitrator who shall be neutral and impartial and shall not be affiliated with or an interested person of either party~~ the parties. If there are more than two (2) parties to the Dispute, all claimants, on the one hand, and all respondents, on the other hand, shall each select, by the vote of a majority of the claimants or the respondents, as the case may be, one (1) arbitrator ~~Such~~ within fifteen (15) days after receipt of the demand for arbitration. The 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~~) fail(s) to timely select an arbitrator then ~~such~~ the party (or parties) who has selected an arbitrator ~~(who may request AAA to provide a list of three (3) proposed arbitrators in accordance with the Rules (each of whom~~ shall be neutral, impartial and unaffiliated with any party) ~~shall be appointed by the parties and the party (or parties) that failed to timely appoint an arbitrator shall have ten (10) days from the date AAA provides the list to select one (1) of the three (3) arbitrators proposed by AAA. If the party (or parties) fail(s) to select the second (2nd) arbitrator by that time, the party (or parties) who have appointed the first (1st) arbitrator shall then have ten (10) days to select one (1) of the three (3) arbitrators proposed by AAA to be the second (2nd) arbitrator; and, if he/they should fail to~~ select the second (2nd) arbitrator by such time, AAA shall select, within fifteen (15) days thereafter, one (1) of the three (3) arbitrators it had proposed as the second (2nd) arbitrator. The two (2) arbitrators so appointed shall jointly appoint the third (3rd) and presiding arbitrator (who shall be neutral, impartial and unaffiliated with any party) within fifteen (15) days of the appointment of the second (2nd) arbitrator. If the third (3rd) 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.

Section 15.3. Place of Arbitration. The place of arbitration shall be Boston, Massachusetts unless otherwise agreed by the parties.

Section 15.4. Discovery. There shall be only limited documentary discovery of documents directly related to the issues in dispute, as may be ordered by the arbitrators. For the avoidance of doubt, it is intended that there shall be no depositions and no other discovery other than limited documentary discovery as described in the preceding sentence.

Section 15.5. Awards. In rendering an award or decision (~~the~~ an “Award”), the arbitrators shall be required to follow the laws of the State of Maryland. Any arbitration proceedings or Award ~~rendered hereunder and the validity, effect and interpretation of this arbitration agreement~~ shall be governed by the Federal Arbitration Act, 9 U.S.C. §1 et seq. ~~The~~ An 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. Any monetary ~~award~~ Award shall be made and payable in U.S. dollars free of any tax, deduction or offset. ~~The~~ Subject to Section 15.7, each party against which ~~the~~ an Award assesses a monetary obligation shall pay that obligation on or before the thirtieth (30th) day following the date of ~~the~~ such Award or such other date as ~~the~~ such Award may provide.

Section 15.6. Costs and Expenses. Except as otherwise set forth in the Declaration of Trust or these Bylaws, including Section 14.2 of these Bylaws, or as otherwise agreed ~~between by~~ the parties ~~thereto~~, each party involved in a Dispute shall bear its own costs and expenses (including attorneys' fees), and the arbitrators shall not render an ~~award~~ 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 the Trust's ~~award~~ Award to the claimant or the claimant's attorneys. Each party (or, if there are more than two (2) 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 (2) 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 (3rd) appointed arbitrator.

Section 15.7. Appeals. Any Award, including but not limited to any interim Award, may be appealed pursuant to the AAA's Optional Appellate Arbitration Rules ("Appellate Rules"). An Award shall not be considered final until after the time for filing the notice of appeal pursuant to the Appellate Rules has expired. Appeals must be initiated within thirty (30) days of receipt of an Award by filing a notice of appeal with any AAA office. Following the appeal process, the decision rendered by the appeal tribunal may be entered in any court having jurisdiction thereof. For the avoidance of doubt, and despite any contrary provision of the Appellate Rules, Section 16.6 shall apply to any appeal pursuant to this Section 15.7 and the appeal tribunal shall not render an Award that would include shifting of any costs or expenses (including attorneys' fees) of any party.

Section 15.8. ~~Section 15.7.~~ Final and Binding. ~~An~~ Following the expiration of the time for filing the notice of appeal, or the conclusion of the appeal process set forth in Section 15.7, an Award shall be final and binding upon the parties thereto and shall be the sole and exclusive remedy between ~~such those~~ parties relating to the Dispute, including any claims, counterclaims, issues or accounting presented to the arbitrators. Judgment upon ~~the an~~ 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~~ Award, except for actions seeking interim or other provisional relief in aid of arbitration proceedings in any court of competent jurisdiction.

Section 15.9. ~~Section 15.8.~~ Beneficiaries. This ~~Article~~ ARTICLE XV is intended to benefit and be enforceable by the shareholders, Trustees, officers, managers (including Reit Management & Research LLC or its successor), agents or employees of the Trust and the Trust and shall be binding on the shareholders of the Trust and the Trust, 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.

ARTICLE XVI EXCLUSIVE FORUM FOR CERTAIN DISPUTES

The Circuit Court for Baltimore City, Maryland, or, if that court does not have jurisdiction, the United States District Court for the District of Maryland, Baltimore Division,

shall be the sole and exclusive forum for (1) any derivative action or proceeding brought on behalf of the Trust, (2) any action asserting a claim of breach of a fiduciary duty owed by any trustee, officer, manager, agent or employee of the Trust to the Trust or the Trust's shareholders, (3) any action asserting a claim against the Trust or any trustee, officer, manager, agent or employee of the Trust arising pursuant to Maryland law or the Declaration of Trust or these Bylaws, including any disputes, claims or controversies brought by or on behalf of any shareholder of the Trust (which, for purposes of this ARTICLE XVI, shall mean any shareholder of record or any beneficial owner of any class or series of shares of beneficial interest of the Trust, or any former holder of record or beneficial owner of any class or series of shares of beneficial interest of the Trust), either on his, her or its own behalf, on behalf of the Trust or on behalf of any series or class of shares of beneficial interest of the Trust or shareholders of the Trust against the Trust or any trustee, officer, manager, agent or employee of the Trust, including any disputes, claims or controversies relating to the meaning, interpretation, effect, validity, performance or enforcement of the Declaration of Trust or these Bylaws, including this ARTICLE XVI, or (4) any action asserting a claim against the Trust or any trustee, officer, manager, agent or employee of the Trust governed by the internal affairs doctrine of the State of Maryland. Failure to enforce the foregoing provisions would cause the Trust irreparable harm and the Trust shall be entitled to equitable relief, including injunctive relief and specific performance, to enforce the foregoing provisions. Any person or entity purchasing or otherwise acquiring any interest in shares of beneficial interest of the Trust shall be deemed to have notice of and consented to the provisions of this ARTICLE XVI. This ARTICLE XVI shall not abrogate or supersede any other provision of these Bylaws which may require the resolution of such disputes by arbitration.

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

THIS PARTIAL TERMINATION OF AND EIGHTH AMENDMENT TO AMENDED AND RESTATED MASTER LEASE AGREEMENT (LEASE NO. 2) (this "Amendment") is made and entered into as of July 20, 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. 2), dated as of August 4, 2009, as amended by that certain Partial Termination of and First Amendment to Amended and Restated Master Lease Agreement (Lease No. 2), dated as of November 1, 2009, that certain Partial Termination of and Second Amendment to Amended and Restated Master Lease Agreement (Lease No. 2), dated as of August 1, 2010, that certain Third Amendment to Amended and Restated Master Lease Agreement (Lease No. 2), dated as of June 20, 2011, that certain Fourth Amendment to Amended and Restated Master Lease Agreement (Lease No. 2), dated as of July 22, 2011, that certain Fifth Amendment to Amended and Restated Master Lease Agreement (Lease No. 2), dated as of August 31, 2012, that certain Partial Termination of and Sixth Amendment to Amended and Restated Master Lease Agreement (Lease No. 2), dated as of September 19, 2013, and that certain Partial Termination of and Seventh Amendment to Amended and Restated Master Lease Agreement (Lease No. 2), dated as of June 1, 2014 (as so amended, "Amended Lease No. 2"), Landlord leases to Tenant, and Tenant leases from Landlord, the Leased Property (this and other capitalized terms used but not otherwise defined herein having the meanings given such terms in Amended Lease No. 2), all as more particularly described in Amended Lease No. 2;

WHEREAS, SPTIHS Properties Trust and Five Star Quality Care-IA, LLC have agreed to sell the Property formerly known as Pacific Place and having any address at 20937 Kane Avenue, Pacific Junction, Iowa (the "Pacific Junction Property"); and

WHEREAS, in connection with the sale of the Pacific Junction Property, Landlord and Tenant wish to amend Amended Lease No. 2 to terminate Amended Lease No. 2 with respect to the Pacific Junction Property effective as of the date hereof;

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. 2 is hereby amended as follows:

1. Partial Termination of Lease. Amended Lease No. 2 is terminated with respect to the Pacific Junction Property and neither Landlord nor Tenant shall have any further rights or liabilities thereunder with respect to the Pacific Junction Property from

and after the date hereof , except for those rights and liabilities which by their terms survive the termination of Amended Lease No. 2.

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

"Minimum Rent" shall mean the sum of Sixty-Three Million Three Hundred Eighty-Three Thousand Seven Hundred Six and 11/100ths Dollars (\$63,383,706.11) per annum.

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

4. Exhibit A . Exhibit A to Amended Lease No. 2 is amended by deleting Exhibit A-19 attached thereto in its entirety and replacing it with "Intentionally Deleted."

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

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

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

**LANDLORD:
SPTIHS PROPERTIES TRUST**

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

SPTMNR PROPERTIES TRUST

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

SNH/LTA PROPERTIES GA LLC

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

SNH/LTA PROPERTIES TRUST

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

O.F.C. CORPORATION

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

SNH CHS PROPERTIES TRUST

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

CCC OF KENTUCKY TRUST

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

**LEISURE PARK VENTURE LIMITED
PARTNERSHIP**

By: CCC Leisure Park Corporation,
its General Partner

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

CCDE SENIOR LIVING LLC

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

CCOP SENIOR LIVING LLC

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

CCC PUEBLO NORTE TRUST

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

CCC RETIREMENT COMMUNITIES II, L.P.

By: Crestline Ventures LLC,
its General Partner

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

CCC INVESTMENTS I, L.L.C.

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

CCC FINANCING I TRUST

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

CCC FINANCING LIMITED, L.P.

By: CCC Retirement Trust,
its General Partner

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

SNH SOMERFORD PROPERTIES TRUST

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

TENANT:
FIVE STAR QUALITY CARE TRUST

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

FS TENANT HOLDING COMPANY TRUST

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

SCHEDULE 1

PROPERTY-SPECIFIC INFORMATION

Exhibit	Property Address	Base Gross Revenues (Calendar Year)	Base Gross Revenues (Dollar Amount)	Commencement Date	Interest Rate
A-1	Ashton Gables in Riverchase 2184 Parkway Lake Drive Birmingham, AL 35244	2009	\$2,121,622	08/01/2008	8%
A-2	Lakeview Estates 2634 Valleydale Road Birmingham, AL 35244	2009	\$2,692,868	08/01/2008	8%
A-3	Forum at Pueblo Norte 7090 East Mescal Street Scottsdale, AZ 85254	2005	\$11,470,312	01/11/2002	10%
A-4	La Salette Health and Rehabilitation Center 537 East Fulton Street Stockton, CA 95204	2005	\$7,726,002	12/31/2001	10%
A-5	Thousand Oaks Health Care Center 93 West Avenida de Los Arboles Thousand Oaks, CA 91360	2005	\$8,087,430	12/31/2001	10%
A-6	Skyline Ridge Nursing & Rehabilitation Center 515 Fairview Avenue Canon City, CO 81212	2005	\$4,104,100	12/31/2001	10%
A-7	Springs Village Care Center 110 West Van Buren Street Colorado Springs, CO 80907	2005	\$4,799,252	12/31/2001	10%
A-8	Willow Tree Care Center 2050 South Main Street Delta, CO 81416	2005	\$4,310,982	12/31/2001	10%
A-9	Cedars Healthcare Center 1599 Ingalls Street Lakewood, CO 80214	2005	\$6,964,007	12/31/2001	10%
A-10	Millcroft 255 Possum Park Road Newark, DE 19711	2005	\$11,410,121	01/11/2002	10%
A-11	Forwood Manor 1912 Marsh Road Wilmington, DE 19810	2005	\$13,446,434	01/11/2002	10%
A-12	Foult Manor South 407 Foult Road Wilmington, DE 19803	2005	\$4,430,251	01/11/2002	10%
A-13	Shipley Manor 2723 Shipley Road Wilmington, DE 19810	2005	\$9,333,057	01/11/2002	10%
A-14	Forum at Deer Creek 3001 Deer Creek Country Club Blvd. Deerfield Beach, FL 33442	2005	\$12,323,581	01/11/2002	10%
A-15	Springwood Court 12780 Kenwood Lane Fort Myers, FL 33907	2005	\$2,577,612	01/11/2002	10%
A-16	Fountainview 111 Executive Center Drive West Palm Beach, FL 33401	2005	\$7,920,202	01/11/2002	10%
A-17	Morningside of Athens 1291 Cedar Shoals Drive Athens, GA 30605	2006	\$1,560,026	11/19/2004	9%

Exhibit	Property Address	Base Gross Revenues (Calendar Year)	Base Gross Revenues (Dollar Amount)	Commencement Date	Interest Rate
A-18	Marsh View Senior Living 7410 Skidaway Road Savannah, GA 31406	2007	\$2,108,378	11/01/2006	8.25%
A-19	Intentionally deleted.	N/A	N/A	N/A	N/A
A-20	West Bridge Care & Rehabilitation 1015 West Summit Street Winterset, IA 50273	2005	\$3,157,928	12/31/2001	10%
A-21	Meadowood Retirement Community 2455 Tamarack Trail Bloomington, IN 47408	2009	\$12,061,814	11/01/2008	8%
A-22	Woodhaven Care Center 510 West 7 th Street Ellinwood, KS 67526	2005	\$2,704,674	12/31/2001	10%
A-23	Lafayette at Country Place 690 Mason Headley Road Lexington, KY 40504	2005	\$4,928,052	01/11/2002	10%
A-24	Lexington Country Place 700 Mason Headley Road Lexington, KY 40504	2005	\$8,893,947	01/11/2002	10%
A-25	Intentionally deleted.	N/A	N/A	N/A	N/A
A-26	Intentionally deleted.	N/A	N/A	N/A	N/A
A-27	HeartFields at Bowie 7600 Laurel Bowie Road Bowie, MD 20715	2005	\$2,436,102	10/25/2002	10%
A-28	HeartFields at Frederick 1820 Latham Drive Frederick, MD 21701	2005	\$2,173,971	10/25/2002	10%
A-29	Intentionally deleted.	N/A	N/A	N/A	N/A
A-30	Intentionally deleted.	N/A	N/A	N/A	N/A
A-31	Morys Haven 1112 15 th Street Columbus, NE 68601	2005	\$2,440,714	12/31/2001	10%
A-32	Intentionally deleted.	N/A	N/A	N/A	N/A
A-33	Wedgewood Care Center 800 Stoeger Drive Grand Island, NE 68803	2005	\$4,000,565	12/31/2001	10%
A-34	Intentionally deleted.	N/A	N/A	N/A	N/A
A-35	Crestview Healthcare Center 1100 West First Street Milford, NE 68405	2005	\$2,284,407	12/31/2001	10%
A-36	Utica Community Care Center 1350 Centennial Avenue Utica, NE 68456	2005	\$1,950,325	12/31/2001	10%
A-37	Leisure Park 1400 Route 70 Lakewood, NJ 08701	2005	\$14,273,446	01/07/2002	10%
A-38	Franciscan Manor 71 Darlington Road Patterson Township Beaver Falls, PA 15010	2006	\$4,151,818	10/31/2005	9%

Exhibit	Property Address	Base Gross Revenues (Calendar Year)	Base Gross Revenues (Dollar Amount)	Commencement Date	Interest Rate
A-39	Mount Vernon of Elizabeth 145 Broadlawn Drive Elizabeth, PA 15037	2006	\$2,332,574	10/31/2005	9%
A-40	Overlook Green 5250 Meadowgreen Drive Whitehall, PA 15236	2006	\$3,878,300	10/31/2005	9%
A-41	Myrtle Beach Manor 9547 Highway 17 North Myrtle Beach, SC 29572	2005	\$6,138,714	01/11/2002	10%
A-42	Morningside of Anderson 1304 McLees Road Anderson, SC 29621	2006	\$1,381,775	11/19/2004	9%
A-43	Heritage Place at Boerne 120 Crosspoint Drive Boerne, TX 78006	2009	\$1,469,683	02/07/2008	8%
A-44	Forum at Park Lane 7831 Park Lane Dallas, TX 75225	2005	\$13,620,931	01/11/2002	10%
A-45	Heritage Place at Fredericksburg 96 Frederick Road Fredericksburg, TX 78624	2009	\$1,386,771	02/07/2008	8%
A-46	Intentionally deleted.	N/A	N/A	N/A	N/A
A-47	Intentionally deleted.	N/A	N/A	N/A	N/A
A-48	ManorPointe - Oak Creek Independent Senior Apartme nts and Meadowmere - Mitchell Manor - Oak Creek 700 East Stonegate Drive and 701 East Puetz Road Oak Creek, WI 53154	2009	\$4,189,440	01/04/2008	8%
A-49	River Hills West Healthcare Center 321 Riverside Drive Pewaukee, WI 53072	2005	\$9,211,765	12/31/2001	10%
A-50	The Virginia Health & Rehabilitation Center 1451 Cleveland Avenue Waukesha, WI 53186	2005	\$6,128,045	12/31/2001	10%
A-51	Reserve at Greenbriar 1005 Elysian Place Chesapeake, Virginia	2012	\$2,508,269	06/20/2011	7.5%
A-52	Palms at St. Lucie West 501 N.W. Cashmere Boulevard Port St. Lucie, Florida	2012	\$2,903,642	07/22/2011	7.5%
A-53	Forum at Desert Harbor 13840 North Desert Harbor Drive Peoria, AZ 85381	2005	\$9,830,918	01/11/2002	10.0%
A-54	Forum at Tucson 2500 North Rosemont Blvd. Tucson, AZ 85712	2005	\$13,258,998	01/11/2002	10.0%
A-55	Park Summit at Coral Springs 8500 Royal Palm Blvd. Coral Springs, FL 33065	2005	\$11,229,677	01/11/2002	10.0%
A-56	Gables at Winchester 299 Cambridge Street Winchester, MA 01890	2005	\$6,937,852	01/11/2002	10.0%
A-57	Forum at Memorial Woods 777 North Post Oak Road Houston, TX 77024	2005	\$19,734,400	01/11/2002	10.0%

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

	Six Months					
	Ended June 30,	Year Ended December 31,				
	2015	2014	2013	2012	2011	2010
Earnings:						
Income from continuing operations (including gains on sales of properties, if any) before income tax expense and equity in earnings (losses) of an investee	\$ 77,272	\$162,141	\$183,997	\$131,882	\$148,128	\$116,373
Fixed charges	73,848	135,114	117,819	117,240	98,262	80,017
Adjusted earnings	\$ 151,120	\$297,255	\$301,816	\$249,122	\$246,390	\$196,390
Fixed charges:						
Interest expense	\$ 73,848	\$135,114	\$117,819	\$117,240	\$ 98,262	\$ 80,017
Ratio of earnings to fixed charges	2.0 x	2.2 x	2.6 x	2.1 x	2.5x	2.5 x

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: August 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: August 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: August 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: August 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 June 30 , 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: August 6 , 201 5
