UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

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

For the quarterly period ended September 30, 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	**04-3445278**
(State or Other Jurisdiction of Incorporation or Organization)	(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 ☐ (Do not check if a smaller reporting company)	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 November 3 , 2015: 237,471,559

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SENIOR HOUSING PROPERTIES TRUST
FORM 10-Q

September 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)

	September 30, 2015	December 31, 2014
ASSETS		
Real estate properties:		
Land	$ 787,543	$ 683,979
Buildings and improvements	6,651,545	5,554,632
	7,439,088	6,238,611
Less accumulated depreciation	(1,101,434)	(983,850)
	6,337,654	5,254,761
Cash and cash equivalents	61,408	27,594
Restricted cash	8,179	10,544
Deferred financing fees, net	29,486	30,549
Acquired real estate leases and other intangible assets, net	628,706	472,788
Other assets	287,563	172,033
Total assets	$ 7,352,996	$ 5,968,269
LIABILITIES AND SHAREHOLDERS' EQUITY		
Unsecured revolving credit facility	$ 467,757	$ 80,000
Unsecured term loans	550,000	350,000
Senior unsecured notes, net of discount	1,744,694	1,743,628
Secured debt and capital leases	739,114	627,076
Accrued interest	33,662	20,046
Assumed real estate lease obligations, net	118,099	122,826
Other liabilities	194,130	72,286
Total liabilities	3,847,456	3,015,862
Commitments and contingencies		
Shareholders' equity:		
Common shares of beneficial interest, $.01 par value: 300,000,000 shares authorized, 237,471,559 and 203,910,305 shares issued and outstanding at September 30, 2015 and December 31, 2014, respectively	2,375	2,039
Additional paid in capital	4,531,703	3,825,063
Cumulative net income	1,468,047	1,353,622
Cumulative other comprehensive income	(1,169)	3,329
Cumulative distributions	(2,495,416)	(2,231,646)
Total shareholders' equity	3,505,540	2,952,407
Total liabilities and shareholders' equity	$ 7,352,996	$ 5,968,269

See accompanying notes.

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

	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Revenues:				
Rental income	$ 158,863	$ 137,614	$ 460,193	$ 377,339
Residents fees and services	96,412	79,259	271,061	237,740
Total revenues	255,275	216,873	731,254	615,079
Expenses:				
Property operating expenses	96,927	82,706	276,313	240,297
Depreciation	70,016	50,074	186,234	135,132
General and administrative	10,316	10,384	32,563	28,250
Acquisition related costs	742	15	6,517	2,649
Impairment of assets	(98)	—	(98)	—
Total expenses	177,903	143,179	501,529	406,328
Operating income	77,372	73,694	229,725	208,751
Interest and other income	57	78	274	336
Interest expense	(38,989)	(36,201)	(112,838)	(99,213)
Loss on early extinguishment of debt	(21)	—	(1,469)	—
Income from continuing operations before income tax expense and equity in (losses) earnings of an investee	38,419	37,571	115,692	109,874
Income tax expense	(146)	(156)	(385)	(502)
Equity in (losses) earnings of an investee	(24)	38	70	59
Income from continuing operations	38,249	37,453	115,377	109,431
Discontinued operations:				
(Loss) income from discontinued operations	—	(557)	(350)	1,484
Impairment of assets from discontinued operations	—	216	(602)	(117)
Income before gain on sale of properties	38,249	37,112	114,425	110,798
Gain on sale of properties	—	—	—	2,552
Net income	$ 38,249	$ 37,112	$ 114,425	$ 113,350
Other comprehensive income:				
Change in net unrealized (loss) gain on investments	(7,242)	(5,404)	(4,407)	(6,684)
Share of comprehensive (loss) income of an investee	(72)	(33)	(91)	17
Other comprehensive (loss) income	(7,314)	(5,437)	(4,498)	(6,667)
Comprehensive income	$ 30,935	$ 31,675	$ 109,927	$ 106,683
Weighted average common shares outstanding (basic)	237,263	203,647	231,454	197,225
Weighted average common shares outstanding (diluted)	237,293	203,675	231,486	197,256
Per common share amounts (basic and diluted):				
Income from continuing operations	0.16	0.18	0.50	0.56
(Loss) income from discontinued operations	—	—	(0.01)	0.01
Net income	$ 0.16	$ 0.18	$ 0.49	$ 0.57

See accompanying notes.

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

	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Cash flows from operating activities:		
Net income	$ 114,425	$ 113,350
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation	186,234	135,132
Amortization of deferred financing fees and debt discounts and premiums	4,541	4,709
Straight line rental income	(13,739)	(6,814)
Amortization of acquired real estate leases and other intangible assets	(3,461)	(1,110)
Loss on early extinguishment of debt	1,469	—
Impairment of assets	504	117
Other non-cash adjustments	(1,714)	—
Gain on sale of properties	—	(2,552)
Gain on sale of investments	(71)	—
Equity in earnings of an investee	(70)	(59)
Change in assets and liabilities:		
Restricted cash	2,365	1,528
Other assets	(9,561)	331
Accrued interest	13,616	16,716
Other liabilities	26,303	20,175
Cash provided by operating activities	320,841	281,523
Cash flows from investing activities:		
Real estate acquisitions and deposits	(1,132,760)	(1,146,840)
Real estate improvements	(55,983)	(53,197)
Investment in Affiliates Insurance Company	—	(825)
Investment in The RMR Group Inc.	(16,588)	—
Proceeds from sale of properties	2,755	18,575
Proceeds from sale of investments	6,571	—
Cash used for investing activities	(1,196,005)	(1,182,287)
Cash flows from financing activities:		
Proceeds from issuance of common shares, net	659,496	322,962
Proceeds from issuance of unsecured senior notes, net of discount	—	648,914
Proceeds from unsecured term loan	200,000	350,000
Proceeds from borrowings on revolving credit facility	1,308,000	90,000
Repayments of borrowings on revolving credit facility	(920,243)	(190,000)
Repayment of other debt	(70,087)	(45,304)
Loss on early extinguishment of debt settled in cash	(1,448)	—
Payment of deferred financing fees	(2,758)	(8,039)
Repurchase of common shares	(212)	—
Distributions to shareholders	(263,770)	(226,252)
Cash provided by financing activities	908,978	942,281
Increase in cash and cash equivalents	33,814	41,517
Cash and cash equivalents at beginning of period	27,594	39,233
Cash and cash equivalents at end of period	$ 61,408	$ 80,750
Supplemental cash flow information:		
Interest paid	$ 94,681	$ 77,788
Income taxes paid	477	152

Non-cash investing activities:		
Investment acquired by issuance of common shares	(44,461)	—
Acquisitions funded by assumed debt	(181,432)	(15,630)
Non-cash financing activities:		
Assumption of mortgage notes payable	181,432	15,630
Issuance of common shares	47,691	3,997

See accompanying notes .

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 February 2015, the Financial Accounting Standards Board, or the FASB, issued Accounting Standards Update, or ASU, No. 2015-02, *Consolidation* . 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. In August 2015, the FASB clarified the previous ASU and issued ASU No. 2015-15, *Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements – Amendments to SEC Paragraphs Pursuant to Staff Announcement at June 18, 2015 EITF Meeting* , which addresses the presentation of debt issuance costs related to line of credit arrangements. These updates are effective for interim and annual reporting periods beginning after December 15, 2015 and require retrospective application. The implementation of these updates is not expected to cause any material changes to our condensed consolidated financial statements other than the reclassification of certain debt issuance costs from assets to contra liabilities on our condensed consolidated balance sheets. Debt issuance costs related to line of credit arrangements will remain classified as assets in accordance with ASU No. 2015-15. When these updates are adopted, deferred financing costs of $25,199 and $26,339 as of September 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 also 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 a substantial part of our revenue consists of rental income from leasing arrangements, which are specifically excluded from this ASU.

In September 2015, the FASB issued ASU No. 2015-16, *Simplifying the Accounting for Measurement-Period Adjustments* , which eliminates the requirement for an acquirer in a business combination to account for measurement-period adjustments retrospectively. Instead, acquirers must recognize measurement-period adjustments during the period in which they determine the amounts, including the effect on earnings of any amounts that would have been recorded in previous periods if the accounting had been completed at the acquisition date. 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 have a material impact on our condensed consolidated financial statements.

Note 3. Real Estate Properties

At September 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.

Senior Living Community Acquisitions:

In December 2014, we entered into an agreement to acquire 38 senior living communities with 3,439 living units for an aggregate purchase price of $790,000 , excluding net closing adjustments of $7 6 and closing costs. In May 2015, we acquired 37 of these 38 senior living communities and in September 2015 we acquired the one remaining community. We funded the acquisition s of these 38 senior living communities using cash on hand, borrowings under our revolving credit facility and th e assumption of approximately $151,477 of mortgage debt with a weighted average annual interest rate of 4.57 % .

Nineteen of the 38 communities are triple net leased senior living communities with 2,206 living units, and are leased to seven senior living operators. As of the date acquired, the weighted average amortization period for capitalized lease origination values was 11.5 years. The remaining 19 acquired managed communities with 1,233 living units were acquired using taxable REIT subsidiary, or TRS, structures , and are being managed by third parties for our account . W e paid fees of $975 and terminated the pre-existing management agreements that were in place for 14 of the se 19 managed communities, with 838 living units as of the time we acquired those communities , and we entered into management agreements with Five Star Quality Care, Inc. or its subsidiarie s, or Five Star, to manage tho se 14 communities. The remaining five managed communities, with 395 living units, continue to be managed by the pre-existing third party senior living operator.

Also in September 2015, we acquired one triple net leased senior living community with 84 living units for a purchase price of $18,250 , excluding closing costs. We funded the acquisition of this community using cash on hand and borrowings under our revolving credit facility. This community is leased to a privately owned third party senior living operator. This acquisition was accounted for as an acquisition of assets.

In May 2015, we acquired one senior living community with 40 private pay independent living units for a 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 September 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 now conducted as a single integrated community under one management agreement.

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

The table below represents the purchase price allocations (including net closing adjustments) of the managed and triple net leased senior living community acquisitions described above.

Senior Living Community Acquisitions since January 1, 2015:

Date	Location	Leased / Managed	Number of Properties	Units / Beds	Cash Paid plus Assumed Debt (1)	Land	Buildings and Improvements	FF&E	Acquired Real Estate Leases	Other Liabilities	Assumed Debt	(Premium) / Discount on Assumed Debt
May-15	11 States	Leased	18	2,119	$ 459,183	$ 29,715	$ 373,471	$ 21,117	$ 54,096	$ (18,091)	$ (44,395)	$ (1,125)
May-15	5 States	Managed	19	1,233	313,345	12,267	214,064	12,342	73,840	—	(94,786)	832
Sep-15	NC	Leased	1	87	17,548	1,134	13,749	1,022	2,208	—	(12,297)	(565)
Subtotal 38 senior living communities portfolio			38	3,439	790,076	43,117	601,284	34,481	130,145	(18,091)	(151,477)	(858)
Sep-15	GA	Leased	1	84	18,250	1,825	16,425	—	—	—	—	—
May-15	GA	Managed	— (2)	40	8,750	993	8,169	427	161	(1,000)	—	—
			39	3,563	$ 817,076	$ 45,935	$ 625,878	$ 34,907	$ 130,305	$ (19,091)	$ (151,477)	$ (858)

(1) These amounts include the cash we paid plus the debt we assumed, if any, as well as various closing settlement adjustments, but exclude closing costs. The allocation of the purchase price of these acquisitions shown above is based upon preliminary estimates of the fair value of assets acquired and liabilities assumed. These 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 now conducted as a single integrated community under one 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 purchase price of $539,000 , excluding net credits received of $7,377 related to debt assumption 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 costs 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 the acquisition by SIR of Cole Corporate Income Trust, Inc., or CCIT. See Note 10 for further information regarding this transaction.

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

MOB Acquisitions since January 1, 2015:

Date	Location	Number of Properties	Square Feet (000's)	Cash Paid plus Assumed Debt [(1)]	Land	Buildings and Improvements	Acquired Real Estate Leases	Acquired Real Estate Lease Obligations	Assumed Debt	Premium on 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) This amount include s the cash we paid plus the debt we assumed, if any, as well as various closing settlement adjustments , but exclude s closing costs. The allocation of the purchase price of these acquisitions shown above is based upon preliminary estimates of the fair value of assets acquired and liabilities assumed. These 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 September 30, 2015, we had two senior living communities with 257 living units categorized as properties held for sale. These t wo properties are included in other assets in our condensed consolidated balance sheets and have a net book value (after impairment) of approximately $ 5,077 at September 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.

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 MOBs (seven buildings) classified in discontinued operations, three of which (three buildings) were sold in 2014. Summarized income statement information for these MOBs that met the criteria for inclusion in discontinued operations prior to the adoption of ASU No. 2014-08, *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity,* is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Rental income	$ —	$ 111	$ 56	$ 3,837
Property operating expenses	—	(668)	(406)	(2,353)
(Loss) income from discontinued operations	$ —	$ (557)	$ (350)	$ 1,484

Dispositions:

In February 2015, we sold one vacant senior living community for $250 , excluding closing costs. In July 2015, we sold one senior living community for $155 , excluding closing costs. In August 2015, we sold one senior living community for $850 , excluding closing costs.

I n April 2015 , we sold one MOB (four buildings) for $1,500 , excluding closing costs.

Note 4. Unrealized Gain / Loss on Investments

As of September 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 September 30, 2015 ($ 3.09 per share) and our weighted average costs at the time we acquired these shares ($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 September 30, 2015 were: (1) outstanding borrowings under our $ 1,000 ,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 in 2016 (which w e prepaid in November 2015) , (b) $400,000 principal amount at an annual interest rate of 3.25% due in 2019, (c) $200,000 principal amount at an annual interest rate of 6.75% due in 2020, (d) $300,000 principal amount at an annual interest rate of 6.75% due in 2021, (e) $250,000 principal amount at an annual interest rate of 4.75% due in 2024 and (f) $350,000 principal amount at an annual interest rate of 5.625% due in 2042; (3) our $350,000 principal amount term loan; (4) our $ 200,000 principal amount term loan; and (5) $ 723,170 aggregate principal amount of mortgages secured by 5 7 of our properties (5 8 buildings) with maturity dates between 2016 and 2043. The 5 7 mortgaged properties (5 8 buildings) had a carrying value before depreciation of $1, 148,595 at September 30, 2015. We also had two properties subject to capital leases with lease obligations totaling $1 2, 313 at September 30, 2015; these two properties had a carrying value before depreciation of $35, 515 at September 30, 2015. The capital leases expire in 2026.

In September 2015, we partially exercised the accordion feature under our unsecured revolving credit facility agreement and increased the maximum borrowings available under the facility to $1,000,000 from the previous amount of $750,000 . All other material terms under the credit facility remain unchanged. 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 September 30, 2015, the annual interest rate payable on borrowings under our revolving credit facility was 1.46 % , and the weighted average annual interest rates for borrowings under our revolving credit facility were 1.47% and 1.48% for the three and nine months ended September 30, 2015, respectively. The weighted average annual interest rate for borrowings under our revolving credit facility was 1.42% for both the three and nine months ended September 30, 2014. As of September 30, 2015, we had $ 467,757 outstanding and $ 532,243 available for borrowing , and as of November 3 , 2015, we had $ 745,000 outstanding and $ 255,000 available for borrowing under our revolving credit facility.

On September 28, 2015, we entered into a term loan agreement with Wells Fargo Bank, National Association and a syndicate of other lenders, pursuant to which we obtained a $200,000 unsecured term loan. This term loan matures on September 28, 2022, and is prepayable without penalty beginning September 29, 2017 . In addition, this term loan includes a feature under which maximum borrowings may be increased to up to $400,000 in certain circumstances. This term loan requires interest at a rate of LIBOR plus a premium of 180 basis points that is subject to adjustment based upon changes to our credit ratings. We used the net proceeds from t his term loan to repay a part of amounts outstanding under our revolving credit facility. As of September 30, 2015, the annual interest rate payable for amounts outstanding under this term loan was 1.99% .

In addition to our $200,000 term loan, we also have a $350,000 unsecured term loan, which we borrowed in 2014. This term loan matures on January 15, 2020, and is prepayable without penalty at any time. T his term loan includes a feature under which maximum borrowings may be increased to up to $700,000 in certain circumstances. T h is term loan requires 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 September 30, 2015, the annual interest rate payable on amounts outstanding under this term loan was 1. 60 % . The weighted average annual interest rate for amounts outstanding under this term loan was 1.6 1 % and 1.60% for the three and nine months ended September 30, 2015 , respectively . The weighted average annual interest rate for amounts outstanding under this term loan was 1.55% for the three months ended September 30, 2014 and for the period from May 30, 2014 (the day we entered into the term loan agreement) to September 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 The RMR Group LLC (formerly known as Reit Management & Research LLC) , or RMR LLC, ceasing to act as our business manager and property manager.

Our senior notes 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 debt or to make distributions under certain circumstances , and generally require us to maintain financial ratios. We believe we were in compliance with the terms and conditions of our senior notes indenture and its supplements and our credit facility and term loan agreements at September 30, 2015.

In December 2014, we entered an agreement to acquire the 38 senior living communities discussed in Note 3 above. Simultaneous wi th entering this agreement, we obtained a bridge loan commitment for $700,000 . In February 2015, we terminated the bridge loan commitment and we recognized a loss of $1,40 9 on early extinguishment of debt in the first quarter of 2015 in connection with that termination. As discussed in Note 3 above, we acquired these senior living communities in May and September 2015 and financed the acquisition using cash on hand, borrowings under our revolving credit facility and the assumption of approximately $ 151,477 of mortgage debt s with a weighted average annual interest rate of 4. 57 % . These mortgages have maturity dates from October 2018 through July 2019. We determined the fair value of the assumed mortgage debts 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, as further discussed in Note 3 above, we assumed $29,955 of mortgage debt s which we recorded at is aggregate fair value of $31,029 . These two assumed mortgage debts have a contractual weighted average annual interest rate of 4.73% and mature in July 2016 and October 2022. We determined the fai r value of the assumed mortgages 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 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 that encumbered one of our properties that had a principal balance of $6,274 and an annual interest rate of 5.81 %.

In May 2015, we prepaid four mortgage s 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 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 encumbering one property with a principal balance of $4,351 and an annual interest rate of 5.81% .

In October 2015, we prepaid two mortgage s encumbering one property with a principal balance of $52,000 and a weighted average annual interest rate of 5.64% .

In November 2015, we prepaid all $250,000 of our 4.3 0 % senior unsecured notes due January 2016.

We funded all of the foregoing payments with cash on hand and borrowings under our revolving credit facility.

Note 6. Shareholders' Equity

In February 2015, we issued 31,050,000 common shares in a public offering, raising net proceeds of approximately $659, 496 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 August 20, 2015, we paid a distribution to common shareholders of $0.39 per share, or approximately $9 2 , 58 5 , that was declared on July 13, 2015 and was payable to shareholders of record on July 24 , 2015.

On October 12 , 2015, we declared a distribution payable to common shareholders of record on October 23 , 2015, of $0.39 per share, or approximately $ 92, 614 . We expect to pay this distribution on or about November 19 , 2015 using cash on hand and borrowings under our revolving credit facility.

On May 19, 2015, we granted 2,500 of our common shares, valued at $20.14 per share, the closing price of our common shares on the New York Stock Exchange, or NYSE, on that day, to each of our five Trustees as part of their annual compensation. On September 26, 2015, we granted 2,500 of our common shares to a new Independent Trustee , who was elected to our Board that day. Those common shares were valued at $16.26 per share , the closing price of our common shares on the NYSE as of September 25, 2015 , and were granted to her as part of her trustee compensation .

On June 5, 2015, we issued 2,345,000 of our common shares in connection with our acquisition of shares of The RMR Group Inc. (formerly Reit Management & Research Inc.), or RMR Inc., as further described in Note 10. RMR Inc. is the parent company of RMR LLC, our manager.

On September 2, 2015, pursuant to our 2012 Equity Compensation Plan, we granted an aggregate of 84,000 of our common shares to our officers and certain other employees of our manager, RMR LLC, valued at $15.73 per share, the closing price of our common shares on the NYSE on that day.

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

On September 24, 2015, we purchased an aggregate of 13,113 of our common shares for $16.19 per share, the closing price of our common shares on the NYSE on that day , from certain employees of RMR LLC in satisfaction of tax withholding and payment obligations in connection with the vesting of awards of restricted common shares.

During the nine months ended September 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 September 30, 2015 categorized by the level of inputs used in the valuation of each asset or liability.

Description	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets held for sale [1]	$ 374	$ —	$ —	$ 374
Investments in available for sale securities [2]	$ 13,086	$ 13,086	$ —	$ —
Additional purchase consideration [3]	$ 1,000	$ —	$ —	$ 1,000

(1) Assets held for sale consist of one of our properties (one building) that we expect to sell that is reported at fair value less estimated costs to sell. We used offers to purchase this property made by third parties or comparable sales transactions (Level 3 inputs) to determine the fair values of this property. We have recorded cumulative impairments of approximately $2,283 to this property in order to reduce its book value to fair value. We also have one additional property (one building) held for sale as of September 30, 2015. This asset is recorded at its carrying value of $4,703 , which is lower tha n what we believe its fair value less estimated costs to sell to be at September 30, 2015.

(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 September 30, 2015 in active markets (Level 1 inputs).

(3) In May 2015, we acquired one senior living community located in Georgia for approximately $9,750 , excluding closing costs. Pursuant to the purchase agreement, $1,000 of the purchase price has been withheld until the seller satisfies certain conditions. We anticipate these conditions will be satisfied and therefore have recorded the withheld $1,000 as a liability as of September 30, 2015. We estimate the fair value of this liability at September 30, 2015 to be $1,000, which is th e amount we have agreed to pay in cash when the applicable conditions are satisfied (Level 3 inputs). This liability is included in other liabilities in our condensed consolidated balance sheets as described in Note 3.

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 September 30, 2015. The fair values of these senior note obligations exceed their aggregate book values of $1,744,694 by $66,116 because these notes were trading at premiums to their face amounts.

We estimate the fair values of our secured debts 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 debts exceeds their book value of $723,170 by $60,036 because current market interest rates are lower than the market interest rates at the time we assumed these secured debts. 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 debts, our additional financial instruments include rents receivable, cash and cash equivalents, restricted cash and other unsecured obligations. The fair values of these additional financial instruments approximate their carrying values at September 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) MOBs. 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 related to corporate business activities and the operating results of certain properties that offer wellness and spa services to members.

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

	For the Three Months Ended September 30, 2015				
	Triple Net Leased Senior Living Communities	Managed Senior Living Communities	MOBs	All Other Operations	Consolidated
Revenues:					
Rental income	$ 64,222	$ —	$ 90,072	$ 4,569	$ 158,863
Residents fees and services	—	96,412	—	—	96,412
Total revenues	64,222	96,412	90,072	4,569	255,275
Expenses:					
Property operating expenses	—	71,983	24,944	—	96,927
Depreciation	19,140	19,248	30,680	948	70,016
General and administrative	—	—	—	10,316	10,316
Acquisition related costs	—	—	—	742	742
Impairment of assets	(98)	—	—	—	(98)
Total expenses	19,042	91,231	55,624	12,006	177,903
Operating income (loss)	45,180	5,181	34,448	(7,437)	77,372
Interest and other income	—	—	—	57	57
Interest expense	(6,342)	(2,705)	(1,707)	(28,235)	(38,989)
Loss on early extinguishment of debt	—	—	—	(21)	(21)
Income (loss) before income tax expense and equity in losses of an investee	38,838	2,476	32,741	(35,636)	38,419
Income tax expense	—	—	—	(146)	(146)
Equity in losses of an investee	—	—	—	(24)	(24)
Income (loss) from continuing operations	38,838	2,476	32,741	(35,806)	38,249
Discontinued operations:					
Loss from discontinued operations	—	—	—	—	—
Impairment of assets from discontinued operations	—	—	—	—	—
Net income (loss)	$ 38,838	$ 2,476	$ 32,741	$ (35,806)	$ 38,249
Total assets	$ 2,264,217	$ 1,291,623	$ 3,393,253	$ 403,903	$ 7,352,996

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

	For the Three Months Ended September 30, 2014				
	Triple Net Leased Senior Living Communities	Managed Senior Living Communities	MOBs	All Other Operations	Consolidated
Revenues:					
Rental income	$ 55,266	$ —	$ 77,798	$ 4,550	$ 137,614
Residents fees and services	—	79,259	—	—	79,259
Total revenues	55,266	79,259	77,798	4,550	216,873
Expenses:					
Property operating expenses	—	61,330	21,376	—	82,706
Depreciation	15,372	8,006	25,748	948	50,074
General and administrative	—	—	—	10,384	10,384
Acquisition related costs	—	—	—	15	15
Total expenses	15,372	69,336	47,124	11,347	143,179
Operating income (loss)	39,894	9,923	30,674	(6,797)	73,694
Interest and other income	—	—	—	78	78
Interest expense	(6,446)	(2,416)	(1,484)	(25,855)	(36,201)
Income (loss) before income tax expense and equity in earnings of an investee	33,448	7,507	29,190	(32,574)	37,571
Income tax expense	—	—	—	(156)	(156)
Equity in earnings of an investee	—	—	—	38	38
Income (loss) from continuing operations	33,448	7,507	29,190	(32,692)	37,453
Discontinued operations:					
Loss from discontinued operations	—	—	(557)	—	(557)
Impairment of assets from discontinued operations	—	—	216	—	216
Income (loss) before gain on sale of properties	33,448	7,507	28,849	(32,692)	37,112
Gain on sale of properties	—	—	—	—	—
Net income (loss)	$ 33,448	$ 7,507	$ 28,849	$ (32,692)	$ 37,112
Total assets	$ 1,823,234	$ 899,545	$ 2,953,668	$ 312,675	$ 5,989,122

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

	For the Nine Months Ended September 30, 2015				
	Triple Net Leased Senior Living Communities	Managed Senior Living Communities	MOBs	All Other Operations	Consolidated
Revenues:					
Rental income	$ 180,820	$ —	$ 265,664	$ 13,709	$ 460,193
Residents fees and services	—	271,061	—	—	271,061
Total revenues	180,820	271,061	265,664	13,709	731,254
Expenses:					
Property operating expenses	—	204,178	72,135	—	276,313
Depreciation	51,322	41,357	90,711	2,844	186,234
General and administrative	—	—	—	32,563	32,563
Acquisition related costs	—	—	—	6,517	6,517
Impairment of assets	(98)	—	—	—	(98)
Total expenses	51,224	245,535	162,846	41,924	501,529
Operating income (loss)	129,596	25,526	102,818	(28,215)	229,725
Interest and other income	—	—	—	274	274
Interest expense	(18,598)	(7,285)	(5,232)	(81,723)	(112,838)
Loss on early extinguishment of debt	(6)	(33)	—	(1,430)	(1,469)
Income (loss) before income tax expense and equity in earnings of an investee	110,992	18,208	97,586	(111,094)	115,692
Income tax expense	—	—	—	(385)	(385)
Equity in earnings of an investee	—	—	—	70	70
Income (loss) from continuing operations	110,992	18,208	97,586	(111,409)	115,377
Discontinued operations:					
Loss from discontinued operations	—	—	(350)	—	(350)
Impairment of assets from discontinued operations	—	—	(602)	—	(602)
Net income (loss)	$ 110,992	$ 18,208	$ 96,634	$ (111,409)	$ 114,425
Total assets	$ 2,264,217	$ 1,291,623	$ 3,393,253	$ 403,903	$ 7,352,996

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

	For the Nine Months Ended September 30, 2014				
	Triple Net Leased Senior Living Communities	Managed Senior Living Communities	MOBs	All Other Operations	Consolidated
Revenues:					
Rental income	$ 165,321	$ —	$ 198,589	$ 13,429	$ 377,339
Residents fees and services	—	237,740	—	—	237,740
Total revenues	165,321	237,740	198,589	13,429	615,079
Expenses:					
Property operating expenses	—	182,742	57,555	—	240,297
Depreciation	46,525	24,494	61,269	2,844	135,132
General and administrative	—	—	—	28,250	28,250
Acquisition related costs	—	—	—	2,649	2,649
Total expenses	46,525	207,236	118,824	33,743	406,328
Operating income (loss)	118,796	30,504	79,765	(20,314)	208,751
Interest and other income	—	—	—	336	336
Interest expense	(19,307)	(8,210)	(4,328)	(67,368)	(99,213)
Income (loss) before income tax expense and equity in earnings of an investee	99,489	22,294	75,437	(87,346)	109,874
Income tax expense	—	—	—	(502)	(502)
Equity in earnings of an investee	—	—	—	59	59
Income (loss) from continuing operations	99,489	22,294	75,437	(87,789)	109,431
Discontinued operations:					
Income from discontinued operations	—	—	1,484	—	1,484
Impairment of assets from discontinued operations	—	—	(117)	—	(117)
Income (loss) before gain on sale of properties	99,489	22,294	76,804	(87,789)	110,798
Gain on sale of properties	2,552	—	—	—	2,552
Net income (loss)	$ 102,041	$ 22,294	$ 76,804	$ (87,789)	$ 113,350
Total assets	$ 1,823,234	$ 899,545	$ 2,953,668	$ 312,675	$ 5,989,122

Note 9. Significant Tenant

Five Star is our former subsidiary. Rental income from Five Star represented 19.6 % of our rental income for the nine months ended September 30, 2015, and the properties Five Star leases from us represented 28. 8 % of our investments, at cost, as of September 30, 2015. As of September 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, 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 information in addition to that presented herein about these and other such relationships and certain other related person transactions, please refer to our Annual Report and our Current Report on Form 8-K filed with the Securities and Exchange Commission, or the SEC, on June 8, 2015.

Five Star :

Five Star was our 100% owned subsidiary until it was spun out to our shareholders as a special distribution in 2001. As of September 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. Five Star is our largest tenant and property operator.

As of September 30, 2015, we leased 178 senior living communities to Five Star. We recognized total rental income from Five Star of $47,828 and $47,717 for the three months ended September 30, 2015 and 2014, respectively, and $143,271 and $142,842 for the nine months ended September 30, 2015 and 2014, respectively. As of October 2015 and 2014, we received estimated percentage rent payments from Five Star of $4,194 and $4,317 for the nine months ended September 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 nine months ended September 30, 2015 and 2014, pursuant to the terms of our leases with Five Star, we purchased $16,915 and $23,776 , 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 $1,361 and $1,902 , respectively. As of September 30, 2015 and December 31, 2014, our rents receivable from Five Star were $15,937 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 September 30, 2015, Five Star managed 60 senior living communities for our account; as of September 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 $2,717 and $2,438 for the three months ended September 30, 2015 and 2014, respectively, and $7,939 and $7,295 for the nine months ended September 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.

In May 2015, we acquired one senior living community with 40 private pay independent living units for 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 now conducted as a single integrated community under one 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 $759 and $737 for the three months ended September 30, 2015 and 2014, respectively, and $2,263 and $2,197 for the nine months ended September 30, 2015 and 2014, respectively. D&R Yonkers LLC is owned by our officers in order to accommodate certain state licensing requirements. Five Star manages the senior living community to which the sublease agreement relates.

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 ownership 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 transaction agreements: we contributed to RMR Inc. 2,345,000 of our common shares 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 into 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 into 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 registration rights, subject to certain limitations. Each Other REIT entered into a similar registration rights agreement with RMR Inc.

- We entered into 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 of our 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 class B-1 common stock of RMR Inc., class B-2 common stock of RMR Inc. and 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 approximately 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 previous business management agreement with RMR LLC, and the amended property management agreement, which amended and restated our previous 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.

Accounting for Investment in RMR Inc.:

On June, 5, 2015, we acquired 5,272,787 shares of class A common stock of RMR Inc. for $60,700 , excluding transaction costs. We have concluded, for accounting purposes, that the consideration paid for this investment in RMR Inc.'s shares of class A common stock represented a discount to the fair value of these shares. We account for this investment under the cost method of accounting and have recorded this investment at its estimated 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 recorded a liability for the amount by which the estimated fair value exceeded the price we paid for these shares and which amount we are amortizing as described below. As of September 30, 2015 the unamortized balance of this liability was $76,648 and it is included in other liabilities in our condensed consolidated balance sheet. Our investment is included in other assets in our condensed consolidated balance sheet and the carrying value of our investment was $138,839 , including transaction costs, as of September 30, 2015. We believe the carrying value of our investment in RMR Inc. as of September 30, 2015 approximates its estimated fair value for accounting purposes. The liability related to the acquisition of these shares is being amortized on a straight line basis over the 20 year life of the business and property management agreements with RMR LLC as a 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 the liability included in general and administrative expense and property operating expenses for the three and nine months ended September 30, 2015 totaled $959 and $1,202 , respectively.

RMR LLC Management Fees and Reimbursements:

Pursuant to our business management agreement with RMR LLC, the business management fees we recognized were $8,682 and $8,077 for the three months ended September 30, 2015 and 2014, respectively, and $26,644 and $22,492 for the nine months ended September 30, 2015 and 2014, respectively. As of September 30, 2015 and 2014, no incentive fees were estimated to be payable to RMR LLC for 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 98,449 of our common shares to RMR LLC for the nine months ended September 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 $2,533 and $2,211 for the three months ended September 30, 2015 and 2014, respectively, and $7,554 and $5,928 for the nine months ended September 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 were $1,954 and $1,714 for the three months ended September 30, 2015 and 2014, respectively, and $5,189 and $4,629 for the nine months ended September 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. In September 2015 and 2014, we made annual share grants to RMR LLC employees of 84,000 and 81,700 of our common shares, respectively.

In September 2015, we purchased 13,113 of our common shares, at the closing price for our common shares on the NYSE on the date of purchase, from certain employees of RMR LLC in satisfaction of tax withholding and payment obligations in connection with the vesting of restricted common shares. In addition, under our business management agreement we reimburse RMR LLC for our allocable costs of internal audit services. The amounts accrued for share grants to RMR LLC employees and internal audit costs were $302 and $662 for the three months ended September 30, 2015 and 2014, respectively, and $1,337 and $1,615 for the nine months ended September 30, 2015 and 2014, respectively, and these amounts are included in our general and administrative expenses for these periods.

Leases with RMR LLC:

Pursuant to our lease agreements with RMR LLC, we recognized rental income from RMR LLC for leased office space of approximately $153 for the nine months ended September 30, 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 debts. 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 September 30, 2015, our investment in Affiliates Insurance Company, or AIC, an Indiana insurance company, had a carrying value of $6,807 , which amount is included in other assets on our condensed consolidated balance sheet. We recognized a loss of ($24) and income of $ 38 related to our investment in AIC for the three months ended September 30, 2015 and 2014, respectively, and income of $70 and $59 for the nine months ended September 30, 2015 and 2014, respectively. Our other comprehensive income includes unrealized (losses) gains on securities available for sale which are owned by AIC of ($72) and ($33) for the three months ended September 30, 2015 and 2014, respectively, and (losses) of ($91) and gains of $17 for the nine months ended September 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 paid 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.

Directors' and Officers' Liability Insurance:

In August 2015, we extended through September 2017 our combined directors' and officers' insurance policy with RMR LLC and five other companies managed by RMR LLC that provides $10,000 in aggregate primary coverage. At that time, we also extended through September 2016 our separate additional directors' and officers' liability insurance policies that provide $20,000 of aggregate excess coverage plus $5,000 of excess non-indemnifiable coverage. The total premium payable by us for these extensions was approximately $502 .

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 nine months ended September 30, 2015, we recognized income tax expense of $1 46 and $ 385 , respectively. During the three and nine months ended September 30, 2014, we recognized income tax expense of $1 5 6 and $ 502 , respectively.

Note 12. Per Common Share Amounts

We calculate basic earnings per common share by dividing net income by the weighted average number of common shares outstanding during the period. We calculate diluted earnings per common share by using the more dilutive of the two class method or the treasury stock method. Unvested share awards and other pote ntially dilutive common shares, 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 September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Weighted average common shares for basic earnings per share	237,263	203,647	231,454	197,225
Effect of dilutive securities: unvested share awards	30	28	32	31
Weighted average common shares for diluted earnings per share	237,293	203,675	231,486	197,256

Note 13. Pro Forma Information

In January 2015, we acquired 23 properties for an aggregate purchase price of $539,000 , excluding closing costs and working capital adjustments and including the assumption of $29,955 of mortgage debts with a weighted average annual interest rate of 4.73% . We recognized rental income and property operating expenses from this acquisition of $27,412 and $4,250 , respectively, for the nine months ended September 30, 2015. In February 2015, we sold 31,050,000 of our common shares in a public offering raising net proceeds of approximately $659,496 after underwriting discounts and expenses.

In May and September 2015, we acquired 39 senior living communities for an aggregate purchase price of $818,000 , excluding closing costs, and including the assumption of $151,477 of mortgage debts with a weighted average annual interest rate of 4.57% . Twenty of the 39 communities are triple net leased, and we recognized rental income from these 20 communities of $14,264 for the nine months ended September 30, 2015. We recognized residents fees and services and property operating expenses for the remaining 19 managed senior living communities of $22,235 and $15,714 , respectively, for the nine months ended September 30, 2015. In September 2015, we entered into a $200,000 term loan agreement, which requires interest at a rate of LIBOR plus a premium of 180 basis points.

During 2014, we purchased two senior living communities and two MOBs (three buildings) for $1,204,393 , excluding closing costs. We also assumed $15,630 of mortgage debt at an 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 issued $400,000 of 3.25%

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

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 requires 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 nine months ended September 30, 2015 and 2014 as if the 2015 and 2014 acquisition and financing activities described in the three preceding paragraphs had occurred on January 1, 2014, and January 1, 2013, respectively. This pro forma data is not necessarily indicative of what our actual results of operations would have been for the periods presented, nor does it represent the results of operations for any future period. Differences could result from numerous factors, including future changes in our portfolio of investments, changes in interest rates, changes in our capital structure, changes in property level operating expenses, changes in property level revenues, including rents expected to be received from our existing leases or leases we may enter into during and after 2015, and for other reasons.

	Nine Months Ended	
	September 30, 2015	September 30, 2014
Total revenues	$ 765,933	758,825
Net income	$ 113,588	94,888
Net income per share	$ 0.48	0.40

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

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

(As of September 30, 2015)	Number of Properties	Number of Units/Beds or Square Feet	Investment Carrying Value [1]	% of Total Investment	Investment per Unit / Bed or Square Foot [2]	Q3 2015 NOI [3]	% of Q3 2015 NOI
Facility Type							
Independent living [4]	68	16,467	$ 2,222,366	29.9 %	$ 134,959	$ 46,003	29.0 %
Assisted living [4]	187	13,807	1,840,130	24.7 %	$ 133,275	37,940	24.0 %
Nursing homes [4]	42	4,563	190,681	2.6 %	$ 41,789	4,687	3.0 %
Subtotal senior living communities	297	34,837	4,253,177	57.2 %	$ 122,088	88,630	56.0 %
MOBs	121	11,315,485 sq. ft.	3,010,971	40.4 %	$ 266	65,124	41.1 %
Wellness centers	10	812,000 sq. ft.	180,017	2.4 %	$ 222	4,569	2.9 %
Total	428		$ 7,444,165	100.0 %		$ 158,323	100.0 %
Tenant / Operator / Managed Properties							
Five Star (Lease No. 1)	84	6,160	692,142	9.3 %	$ 112,361	14,603	9.2 %
Five Star (Lease No. 2)	48	7,032	703,223	9.5 %	$ 100,003	15,847	10.1 %
Five Star (Lease No. 3)	17	3,281	355,714	4.8 %	$ 108,416	8,612	5.4 %
Five Star (Lease No. 4)	29	3,335	391,665	5.3 %	$ 117,441	8,745	5.5 %
Subtotal Five Star	178	19,808	2,142,744	28.9 %	$ 108,176	47,807	30.2 %
Sunrise / Marriott [5]	4	1,619	126,326	1.7 %	$ 78,027	3,133	2.0 %
Brookdale	18	894	61,122	0.8 %	$ 68,369	1,810	1.1 %
13 private senior living companies (combined)	32	3,910	546,537	7.3 %	$ 139,779	11,451	7.3 %
Subtotal triple net leased senior living communities	232	26,231	2,876,729	38.7 %	$ 109,669	64,201	40.6 %
Managed senior living communities [6]	65	8,606	1,376,448	18.5 %	$ 159,941	24,429	15.4 %
Subtotal senior living communities	297	34,837	4,253,177	57.2 %	$ 122,088	88,630	56.0 %
MOBs	121	11,315,485 sq. ft.	3,010,971	40.4 %	$ 266	65,124	41.1 %
Wellness centers	10	812,000 sq. ft.	180,017	2.4 %	$ 222	4,569	2.9 %
Total	428		$ 7,444,165	100.0 %		$ 158,323	100.0 %

Tenant / Managed Property Operating Statistics (7)

	Rent Coverage		Occupancy	
	2015	2014	2015	2014
Five Star (Lease No. 1)	1.11x	1.19x	84.9 %	84.4 %
Five Star (Lease No. 2)	1.12x	1.11x	82.1 %	81.7 %
Five Star (Lease No. 3)	1.52x	1.60x	85.5 %	87.2 %
Five Star (Lease No. 4)	1.23x	1.21x	88.0 %	87.4 %
Subtotal Five Star	1.21x	1.24x	84.5 %	84.4 %
Sunrise / Marriott (5)	1.98x	1.97x	92.2 %	92.0 %
Brookdale	2.71x	2.52x	92.5 %	94.6 %
13 private senior living companies (combined)	1.67x	1.89x	85.7 %	85.5 %
Subtotal triple net leased senior living communities	1.35x	1.37x	85.4 %	85.3 %
Managed senior living communities (6)	NA	NA	88.2 %	88.0 %
Subtotal senior living communities	1.35x	1.37x	86.1 %	86.0 %
MOBs	NA	NA	96.0 %	95.6 %
Wellness centers	1.94x	2.09x	100.0 %	100.0 %
Total	1.39x	1.42x		

(1) Amounts are before depreciation, but after impairment write downs, if any. Amounts include carrying values for senior living communities classified as held for sale as of September 30, 2015 in the amount of $ 5,077 that are included in Other Assets on our condensed c onsolidated b alance s heets.

(2) Represents investment carrying value divided by the number of living units, beds or square feet at September 30 , 2015, as applicable.

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

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

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

(6) 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 , September 30 , 2015 was 88. 0 %.

(7) Operating data for MOBs are presented as of September 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 June 3 0 , 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 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 certain properties .

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

Year	Annualized Rental Income (1) (2) Triple Net Leased Senior Living Communities	MOBs	Wellness Centers	Total	Percent of Total Annualized Rental Income Expiring (2)	Cumulative Percentage of Annualized Rental Income Expiring (2)
2015	$ 937	$ 7,871	$ —	$ 8,808	1.4 %	1.4 %
2016	—	21,500	—	21,500	3.4 %	4.8 %
2017	—	28,482	—	28,482	4.5 %	9.3 %
2018	14,643	24,416	—	39,059	6.1 %	15.4 %
2019	590	40,103	—	40,693	6.4 %	21.8 %
2020	—	25,911	—	25,911	4.1 %	25.9 %
2021	1,445	8,241	—	9,686	1.5 %	27.4 %
2022	—	11,953	—	11,953	1.9 %	29.3 %
2023	17,400	8,102	—	25,502	4.0 %	33.3 %
Thereafter	236,071	170,965	18,057	425,093	66.7 %	100.0 %
Total	$ 271,086	$ 347,544	$ 18,057	$ 636,687	100.0 %	

Average remaining lease term for all senior living community, MOB and wellness center properties (weighted by annualized rental income): 9.4 years

(1) Annualized rental income is rents pursuant to existing leases as of September 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 September 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. 2 %; 2016 — 2.9 %; 2017 — 3.9 %; 2018 — 5. 3 %; 2019 — 5. 5 %; 2020 — 3.5%; 2021 — 1. 3 %; 2022 — 1. 6 %; 2023 — 3. 5 %; and thereafter — 71.3 %. 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. 3 years.

Year	Number of Tenants (1) Senior Living Communities	MOBs	Wellness Centers	Total	Percent of Total Number of Tenancies Expiring (1)	Cumulative Percentage of Number of Tenancies Expiring (1)
2015	1	52	—	53	8.5 %	8.5 %
2016	—	85	—	85	13.6 %	22.1 %
2017	—	105	—	105	16.8 %	38.9 %
2018	1	88	—	89	14.2 %	53.1 %
2019	1	76	—	77	12.3 %	65.4 %
2020	—	55	—	55	8.8 %	74.2 %
2021	1	28	—	29	4.6 %	78.8 %
2022	—	27	—	27	4.3 %	83.1 %
2023	2	13	—	15	2.4 %	85.5 %
Thereafter	13	76	2	91	14.5 %	100.0 %
Total	19	605	2	626	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							
	Living Units / Beds [1]			Square Feet				
Year	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 %	214,420	—	214,420	1.8 %	1.8 %
2016	—	— %	0.5 %	878,622	—	878,622	7.5 %	9.3 %
2017	—	— %	0.5 %	1,040,522	—	1,040,522	8.9 %	18.2 %
2018	1,619	6.2 %	6.7 %	856,935	—	856,935	7.3 %	25.5 %
2019	175	0.7 %	7.4 %	1,318,290	—	1,318,290	11.3 %	36.8 %
2020	—	— %	7.4 %	1,145,608	—	1,145,608	9.8 %	46.6 %
2021	361	1.4 %	8.8 %	307,491	—	307,491	2.6 %	49.2 %
2022	—	— %	8.8 %	474,597	—	474,597	4.1 %	53.3 %
2023	894	3.4 %	12.2 %	688,938	—	688,938	5.9 %	59.2 %
Thereafter	23,042	87.8 %	100.0 %	3,942,445	812,000	4,754,445	40.8 %	100.0 %
Total	26,231	100.0 %		10,867,868	812,000	11,679,868	100.0 %	

(1) Excludes 8, 606 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 — 4.6 %; 2019 — 0.5%; 2020 — 0.0%; 2021 — 1.0%; 2022 — 0.0%; 2023 — 2. 6 % ; and thereafter — 90.9 %.

During the three months ended September 30, 2015, we entered into MOB lease renewals for 1 44 ,000 leasable square feet and new leases for 10 ,000 leasable square feet. The weighted average annual rental rate for leases entered into during the quarter was $ 23. 2 4 per square foot, and these rental rates were, on a weighted average basis, (0.6%) below previous rents charged for the same space. Average lease terms for leases entered into during the third quarter of 2015 were 6.3 years based on square footage. Commitments for tenant improvement, leasing commission costs and concessions for leases we entered into during the third quarter of 2015 totaled $ 2. 8 million, or $ 18.40 per square foot on average (approximately $2. 90 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 an d 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) MOBs. The “All Other” category includes amounts related to corporate business activities and the operating results of certain properties that offer wellness and spa services to members.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Revenues:				
Triple net leased senior living communities	$ 64,222	$ 55,266	$ 180,820	$ 165,321
Managed senior living communities	96,412	79,259	271,061	237,740
MOBs	90,072	77,798	265,664	198,589
All other operations	4,569	4,550	13,709	13,429
Total revenues	$ 255,275	$ 216,873	$ 731,254	$ 615,079
Net income:				
Triple net leased senior living communities	$ 38,838	$ 33,448	$ 110,992	$ 102,041
Managed senior living communities	2,476	7,507	18,208	22,294
MOBs	32,741	28,849	96,634	76,804
All other operations	(35,806)	(32,692)	(111,409)	(87,789)
Net income	$ 38,249	$ 37,112	$ 114,425	$ 113,350

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

Three Months Ended September 30 , 2015 Compared to Three Months Ended September 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 three months ended September 30, 2015 against the comparable 2014 period.

Triple net leased senior living communities :

	All Properties As of and for the Three Months Ended September 30,		Comparable Properties (1) As of and for the Three Months Ended September 30,	
	2015	2014	2015	2014
Total properties	232	218	212	212
# of units / beds	26,231	24,383	23,941	23,941
Tenant operating data (2)				
Occupancy	84.9 %	85.2 %	85.3 %	85.3 %
Rent coverage	1.34x	1.35x	1.35x	1.37x

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

(2) All tenant operating data presented are based upon the operating results provided by our tenants for the 12 months ended June 3 0 , 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 oper ating cash flow from our triple net lease tenants’ operations of our properties, before subordinated cha rges, 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 September 30,			
	2015	2014	Change	% Change
Rental income	$ 64,222	$ 55,266	$ 8,956	16.2 %
Net operating income (NOI)	64,222	55,266	8,956	16.2 %
Depreciation expense	(19,140)	(15,372)	(3,768)	(24.5)%
Impairment of assets	98	—	98	100.0 %
Operating income	45,180	39,894	5,286	13.3 %
Interest expense	(6,342)	(6,446)	104	1.6 %
Net income	$ 38,838	$ 33,448	$ 5,390	16.1 %

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 20 leased senior living communities we acquired i n May and September 2015. These acquisitions represent $ 8,620 , or 96.2 %, of the net increase in rental income. Rental income also increased due to increased rents resulting from our purchase of approximately $ 25,296 of improvements made to our properties that are leased to Five Star since July 1, 2014. These increases in rental income were partially offset by the sale of six senior living communities since July 1, 2014. Rental income increased year over year on a comparable property basis by $ 732 , primarily as a result of our improvement purchases at certain of the 21 2 communities we have owned continuously since July 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 acquisitions and capital improvement purchase s described above.

Impairment of assets. We increased the carrying value by $98 of two properties that we sold during the third quarter of 2015 to their fair value.

Interest expense. Interest expense for our triple net leased senior living communities arises from mortgage debt and capital leases secured by 3 1 of these properties. The decrease in interest expense is the result of loan repayments since July 1, 2014 and the regularly scheduled amortization of our mortgage debt s . 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 July 1, 2014, we have prepaid or repaid mortgage debt s 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 s of $ 56,691 encumbering four properties with a weighted average annual interest rate of 5. 33 % in connection with the May and September 2015 acquisition s of 20 triple net leased senior living communities described above.

Managed senior living communities :

	All Properties		Comparable Properties (1)	
	As of and for the Three Months Ended September 30,		As of and for the Three Months Ended September 30,	
	2015	2014	2015	2014
Total properties	65	44	44	44
# of units / beds	8,606	7,103	7,103	7,103
Occupancy:	87.7 %	88.2 %	87.2 %	88.2 %
Average monthly rate	$ 4,161	$ 4,152	$ 4,228	$ 4,152

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

Managed senior living communities, all properties :

	Three Months Ended September 30,			
	2015	2014	Change	% Change
Residents fees and services	$ 96,412	$ 79,259	$ 17,153	21.6 %
Property operating expenses	(71,983)	(61,330)	(10,653)	(17.4)%
Net operating income (NOI)	24,429	17,929	6,500	36.3 %
Depreciation expense	(19,248)	(8,006)	(11,242)	(140.4)%
Operating income	5,181	9,923	(4,742)	(47.8)%
Interest expense	(2,705)	(2,416)	(289)	(12.0)%
Net income	$ 2,476	$ 7,507	$ (5,031)	(67.0)%

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 20 managed senior living communities we acquired i n May 2015. We also acquired two managed senior liv ing communities in December 2014 . These acquisitions represent $ 16,090 , or 93.8 %, of the net increase in residents fees and services.

Property operating expenses. Property operating expenses include expenses incurred at our managed senior living communities and 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. T he acquisitions described above represent $ 11,326 , or 106.3 %, of the net increase in property operating expenses . These increases were partially offset by a decrease in real estate tax expense compared to the same period last year and a decrease in other direct costs of property operations .

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 s secured by 19 of these properties. Interest expense increased as a result of the assumption of $94,786 of secured mortgage debt s 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, partially offset by the prepayment or repayment of six mortgages since July 1, 2014 that had a total principal balance of $ 57,262 and a weighted average annual interest rate of 5.9 9 %, as well as regularly scheduled amortization of our mor tgage debt s .

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

	Three Months Ended September 30,			
	2015	2014	Change	% Change
Residents fees and services	$ 80,321	$ 79,259	$ 1,062	1.3 %
Property operating expenses	(60,413)	(61,330)	917	1.5 %
Net operating income (NOI)	19,908	17,929	1,979	11.0 %
Depreciation expense	(8,318)	(8,006)	(312)	(3.9)%
Operating income	11,590	9,923	1,667	16.8 %
Interest expense	(1,678)	(2,416)	738	30.5 %
Net income	$ 9,912	$ 7,507	$ 2,405	32.0 %

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 $ 76 , or 1.8 %, at the 44 communities we have owned continuously since April 1, 2014 ,   partially offset by a decrease in occupancy .

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 decreased principally because of decreases in real estate tax expense compared to the same period last year and other direct costs of property operations .

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 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. The increase in depreciation expense results from our purchase of improvements at these properties since July 1, 2014 .

Interest expense. Interest expense for our managed senior living communities arises from mortgage debt s secured by six of these properties. Interest expense decreased as a result of the prepayment or repayment of six   mortgages since July 1, 2014 that had a total principal balance of $ 57,262 and a weighted average annual interest rate of 5.9 9 %, as well as regularly scheduled amortization of our mortgage debt s .

MOBs :

	All Properties		Comparable Properties (1)	
	As of and for the Three Months Ended September 30,		As of and for the Three Months Ended September 30,	
	2015	2014 (2)	2015	2014
Total properties	121	98	98	98
Total buildings	145	122	122	122
Total square feet (3)	11,315	9,142	9,146	9,142
Occupancy (4)	96.0 %	95.6 %	95.1 %	95.6 %

(1) Consists of MOBs we have owned continuously since July 1, 2014.
(2) Excludes properties classified in discontinued operations.
(3) Prior periods exclude space remeasurements made subsequent to those periods.
(4) MOB occupancy includes (i) space being fitted out for occupancy pu rsuant to existing leases and (ii) space which is leased, but is not occupied or is being offered for sublease by tenants.

MOBs, all properties :

	Three Months Ended September 30,			
	2015	2014	Change	% Change
Rental income	$ 90,072	$ 77,798	$ 12,274	15.8 %
Property operating expenses	(24,944)	(21,376)	(3,568)	(16.7)%
Net operating income (NOI)	65,128	56,422	8,706	15.4 %
Depreciation expense	(30,680)	(25,748)	(4,932)	(19.2)%
Operating income	34,448	30,674	3,774	12.3 %
Interest expense	(1,707)	(1,484)	(223)	(15.0)%
Income from continuing operations	32,741	29,190	3,551	12.2 %
Discontinued operations:				
Loss from discontinued operations	—	(557)	557	100.0 %
Impairment of assets from discontinued operations	—	216	(216)	(100.0)%
Net income	$ 32,741	$ 28,849	$ 3,892	13.5 %

Rental income. Rental income increased primarily because of rents from 23 MOBs (23 buildings) we acquired since July 1, 2014. These acquisitions represent $ 10,204 , or 83.1 %, of the net increase in rental income. Rental income includes non-cash straight line rent adjustments totaling $3, 530 and $2, 626 and net amortization of approximately $1, 029 and $ 1,209 of above and below market lease adjustments for the three months ended September 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 $ 1,658 , or 46.5 % , of the net 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 July 1, 2014 , as described above, as well as capital improvement expenditures of $ 27,685 since July 1, 2014 .

Interest expense. Interest expense for our MOBs arises from mortgage debt s secured by 9 properties (10 buildings) . The increase in interest expense is the result of our assumption of $ 29,955 of mortgage debt s in connection with our acquisition of t wo MOBs (two buildings) since July 1, 2014 with a weighted average annual interest rate of 4.73 %, partially offset by the regularly scheduled amortization of our mortgage debt s .

Loss from discontinued operations. Loss from discontinued operations for the three months ended September 30, 201 4 relates to two MOB s (five buildings) which w ere sold in September 2014 and April 2015.

Impairment of assets from discontinued operations. During the three months ended September 30 2014, we recorded impairment of assets adjustments of $ 216 to 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 July 1, 2014):

	Three Months Ended September 30,			
	2015	**2014**	**Change**	**% Change**
Rental income	$ 79,856	$ 77,786	$ 2,070	2.7 %
Property operating expenses	(23,276)	(21,488)	(1,788)	(8.3)%
Net operating income (NOI)	56,580	56,298	282	0.5 %
Depreciation expense	(25,798)	(25,748)	(50)	(0.2)%
Operating income	30,782	30,550	232	0.8 %
Interest expense	(1,466)	(1,484)	18	1.2 %
Net income	$ 29,316	$ 29,066	$ 250	0.9 %

Rental income. Rental income increased during the three months ended September 30, 2015 compared to the same period in the prior year. The increase in rental income primarily resulted from an increase in tax escalation income and parking income at certain of our properties. Rental income includes non-cash straight line rent adjustments totaling $ 2,828 and $ 2,62 5 and net amortization of approximately $ 1,0 39 and $ 1,209 of above and below market lease adjustments for the three months ended September 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 real estate tax expense, salaries and benefits, increased repairs and maintenance expenses and increased parking garage expenses at certain of these properties and other direct costs of operating these properties. These expenses were partially offset by a decrease in utility expenses at various properties during the third quarter of 2015 compared to the third 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 slightly due to an increase in the amortization of leasing costs and depreciation expense on fixed asset s , 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 s secured by seven properties (eight buildings) . The slight decrease in interest expense is the result of the regularly scheduled amortization of our mortgage debt s .

All other operations [(1)]:

	Three Months Ended September 30,			
	2015	2014	Change	% Change
Rental income	$ 4,569	$ 4,550	$ 19	0.4 %
Expenses:				
Depreciation expense	(948)	(948)	—	—
General and administrative	(10,316)	(10,384)	68	0.7 %
Acquisition related costs	(742)	(15)	(727)	(4,846.7)%
Total expenses	(12,006)	(11,347)	(659)	(5.8)%
Operating loss	(7,437)	(6,797)	(640)	(9.4)%
Interest and other income	57	78	(21)	(26.9)%
Interest expense	(28,235)	(25,855)	(2,380)	(9.2)%
Loss on extinguishment of debt	(21)	—	(21)	(100.0)%
Loss before income tax expense and equity in earnings of an investee	(35,636)	(32,574)	(3,062)	(9.4)%
Income tax expense	(146)	(156)	10	6.4 %
Equity in (losses) earnings of an investee	(24)	38	(62)	(163.2)%
Net loss	$ (35,806)	$ (32,692)	$ (3,114)	(9.5)%

(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 slightly due to scheduled rent increases at certain of our wellness centers where increases are based on the consumer price index . Rental income includes non-cash straight line rent adjustments totaling approximately $13 8 and $137 for the three months ended September 30 , 2015 and 2014 , respectively . Rental income also includes net amortization of approximately $55 of acquired real estate leases and obligations in both the three months ended September 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 September 30, 2015 and 2014 . W e 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 decreased slightly, principally as a result of the amortization of the liability we recorded in connection with our June 2015 acquisition of RMR Inc. shares as described above , as well as a decrease in equity compensation expense as a result of a decrease in our share price in September 2015 as compared to September 2014 , offset by the increase in business management fees related to property acquisitions made since July 1, 2014. For further discussion of the liability recorded in connection with the June 2015 acquisition of RMR Inc. shares, see Note 10 to our condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

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

Interest and other income. The decrease in interest and other income is primarily a result of less investable cash on hand during the third quarter of 2015 compared to the third quarter of 2014 .

Interest expense. Interest expense increased due to our borrowing a $ 20 0,000 term loan in September 2015 at an interest rate of LIBOR plus a premium of 1 8 0 basis points a s well as increased borrowings under our unsecured revolving credit facility .

Loss on extinguishment of debt. In September 2015, we amended our revolving credit facility, which resulted in a loss on extinguishment of debt of $21.

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

Nine Months Ended September 30, 2015 Compared to Nine Months Ended September 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 nine months ended September 30, 2015 against the comparable 2014 period.

Triple net leased senior living communities:

	All Properties		Comparable Properties [1]	
	As of and for the Nine Months Ended September 30,		As of and for the Nine Months Ended September 30,	
	2015	2014	2015	2014
Total properties	232	218	212	212
# of units / beds	26,231	24,383	23,941	23,941
Tenant operating data [2]				
Occupancy	84.9 %	85.2 %	85.3 %	85.3 %
Rent coverage	1.34x	1.35x	1.35x	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 b y our tenants for the 12 months ended June 30 , 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 oper ating cash flow from our triple net lease tenants' operations of our properties, before subordinated cha rges, 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 :

	Nine Months Ended September 30,			
	2015	2014	Change	% Change
Rental income	$ 180,820	$ 165,321	$ 15,499	9.4 %
Net operating income (NOI)	180,820	165,321	15,499	9.4 %
Depreciation expense	(51,322)	(46,525)	(4,797)	(10.3)%
Impairment of assets	98	—	98	100.0 %
Operating income	129,596	118,796	10,800	9.1 %
Interest expense	(18,598)	(19,307)	709	3.7 %
Loss on early extinguishment of debt	(6)	—	(6)	(100.0)%
Gain on sale of properties	—	2,552	(2,552)	(100.0)%
Net income	$ 110,992	$ 102,041	$ 8,951	8.8 %

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 20 leased senior living communities we acquired i n May and September 2015. These acquisitions represent $ 14,264 , or 92.0 %, of the net increase in rental income. Rental income also increased due to increased rents resulting from our purchase of approximately $ 42,719 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 nine senior living communities since January 1, 2014. Rental income increased year over year on a comparable property basis by $ 2,449 , primarily as a result of our improvement purchases at certain of the 21 2 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.

Impairment of assets. We increased the carrying value by $98 of two properties that we sold during the third quarter of 2015 to their fair value.

Interest expense. Interest expense for our triple net leased senior living communities arises from mortgage debt s and capital leases secured by 3 1 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 s . 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 s 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 s of $56,691 encumbering four properties with a weighted average annual interest rate of 5.33% in connection with the May and September 2015 acquisition of 20 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 sale of three triple net leased senior living communities during the first half of 2014.

Managed senior living communities:

	All Properties		Comparable Properties [1]	
	As of and for the Nine Months Ended September 30,		As of and for the Nine Months Ended September 30,	
	2015	2014	2015	2014
Total properties	65	44	44	44
# of units / beds	8,606	7,103	7,103	7,103
Occupancy	87.8 %	88.5 %	87.5 %	88.5 %
Average monthly rate	$ 4,224	$ 4,185	$ 4,270	$ 4,185

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

Managed senior living communities, all properties:

	Nine Months Ended September 30,			
	2015	2014	Change	% Change
Residents fees and services	$ 271,061	$ 237,740	$ 33,321	14.0 %
Property operating expenses	(204,178)	(182,742)	(21,436)	(11.7)%
Net operating income (NOI)	66,883	54,998	11,885	21.6 %
Depreciation expense	(41,357)	(24,494)	(16,863)	(68.8)%
Operating income	25,526	30,504	(4,978)	(16.3)%
Interest expense	(7,285)	(8,210)	925	11.3 %
Loss on early extinguishment of debt	(33)	—	(33)	(100.0)%
Net income	$ 18,208	$ 22,294	$ (4,086)	(18.3)%

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 20 managed senior living communities we acquired in May 2015. We also acquired two managed senior living communities in December 2014. These acquisitions represent $ 30,159 , or 90.5 %, of the net increase in residents fees and services.

Property operating expenses. Property operating expenses include expenses incurred at our managed senior living communities and 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 $ 21,031 , or 98.1 %, of the net 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 e xpense. Interest expense for our managed senior living communities arises from mortgage debt s secured by 19 of these properties. Interest expense decreased as a result of the prepayment or repayment of eight mortgages 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 s . The decrease in interest expense is partially offset by assumed mortgage debt s of $94,786 encumbering 13 properties with a weighted average annual interest rate of 4.12 % in connection with the May 2015 acquisition of 1 9 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 January 1, 2014):

	Nine Months Ended September 30,			
	2015	2014	Change	% Change
Residents fees and services	$ 240,901	$ 237,740	$ 3,161	1.3 %
Property operating expenses	(182,751)	(182,742)	(9)	(0.0)%
Net operating income (NOI)	58,150	54,998	3,152	5.7 %
Depreciation expense	(24,219)	(24,485)	266	1.1 %
Operating income	33,931	30,513	3,418	11.2 %
Interest expense	(5,532)	(8,210)	2,678	32.6 %
Loss on early extinguishment of debt	(33)	—	(33)	(100.0)%
Net income	$ 28,366	$ 22,303	$ 6,063	27.2 %

Residents fees and services. We recognize residents fees and services as services are provided. Our residents fees and services increased year over year on a comparable property basis primarily because of an increase in the average daily rate of $ 85 , or 2. 0 %, at the 44 communities we have owned continuously since January 1, 2014 , partially offset by a decline in occupancy .

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 remained consistent at the 44 communities we have owned continuously since January 1, 2014 .

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 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. A number of these resident agreements were fully amortized in 2014, resulting in a decrease in amortization expense in the first nine months of 2015. This decrease was partially offset by an increase in depreciation expense due to 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 s secured by six of these properties. Interest expense decreased as a result of the prepayment or repayment of eight mortgages 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 s .

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:

	All Properties		Comparable Properties [1]	
	As of and for the Nine Months Ended September 30,		As of and for the Nine Months Ended September 30,	
	2015	2014 [2]	2015	2014
Total properties	121	98	96	96
Total buildings	145	122	119	119
Total square feet [3]	11,315	9,142	7,882	7,880
Occupancy [4]	96.0 %	95.6 %	94.4 %	95.0 %

(1) Consists of MOBs we have owned cont inuously 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 (i) space being fitted out for occupancy pu rsuant to existing leases and (ii) space which is leased, but is not occupied or is being offered for sublease by tenants.

MOBs, all properties:

	Nine Months Ended September 30,			
	2015	2014	Change	% Change
Rental income	$ 265,664	$ 198,589	$ 67,075	33.8 %
Property operating expenses	(72,135)	(57,555)	(14,580)	(25.3)%
Net operating income (NOI)	193,529	141,034	52,495	37.2 %
Depreciation expense	(90,711)	(61,269)	(29,442)	(48.1)%
Operating income	102,818	79,765	23,053	28.9 %
Interest expense	(5,232)	(4,328)	(904)	(20.9)%
Income from continuing operations	97,586	75,437	22,149	29.4 %
Discontinued operations:				
(Loss) income from discontinued operations	(350)	1,484	(1,834)	(123.6)%
Impairment of assets from discontinued operations	(602)	(117)	(485)	(414.5)%
Net income	$ 96,634	$ 76,804	$ 19,830	25.8 %

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 $ 67,132 , or 100.1 % , of the net increase in rental income. The offsetting slight decrease in rental income for the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014 is primarily due to a decrease in net leasing activity . Rental income includes non-cash straight line rent adjustments totaling $ 10,651 and $ 6,198 and net amortization of approximately $ 3,29 6 and $ 945 of above and below market lease adjustments for the nine months ended September 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 $ 12,084 , or 82.9 % , of the net 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 expenditures of $ 36,434 since January 1, 2014 .

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

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

Impairment of assets from discontinued operations. During the nine months ended September 30, 2015 and 2014, we recorded impairment of assets charges to reduce and increase the carrying value of t hree of our MOBs (six buildings) to their estimated sales prices.

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

	Nine Months Ended September 30,			
	2015	2014	Change	% Change
Rental income	$ 157,458	$ 157,515	$ (57)	(0.0)%
Property operating expenses	(52,755)	(50,373)	(2,382)	(4.7)%
Net operating income (NOI)	104,703	107,142	(2,439)	(2.3)%
Depreciation expense	(41,034)	(40,873)	(161)	(0.4)%
Operating income	63,669	66,269	(2,600)	(3.9)%
Interest expense	(3,841)	(3,914)	73	1.9 %
Net income	$ 59,828	$ 62,355	$ (2,527)	(4.1)%

Rental income. Rental income remained essentially unchanged during the nine months ended September 30, 2015 compared to the same period in the prior year. Rental in come includes non-cash straight line rent adjustments totaling $ 3,694 and $ 3,615 and net amortization of approximately $(2,613) and $(2,338) of above and below market lease adjustments for the nine months ended September 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 real estate tax expense and 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 utility expenses at various properties for the nine months ended September 30, 2015 compared to the nine months ended September 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 asset s , 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 s secured by six properties (seven buildings) . The slight decrease in interest expense is the result of the regularly scheduled amortization of our mortgage debt s .

All other operations [(1)]:

	Nine Months Ended September 30,			
	2015	2014	Change	% Change
Rental income	$ 13,709	$ 13,429	$ 280	2.1 %
Expenses:				
Depreciation expense	(2,844)	(2,844)	—	—
General and administrative	(32,563)	(28,250)	(4,313)	(15.3)%
Acquisition related costs	(6,517)	(2,649)	(3,868)	(146.0)%
Total expenses	(41,924)	(33,743)	(8,181)	(24.2)%
Operating loss	(28,215)	(20,314)	(7,901)	(38.9)%
Interest and other income	274	336	(62)	(18.5)%
Interest expense	(81,723)	(67,368)	(14,355)	(21.3)%
Loss on early extinguishment of debt	(1,430)	—	(1,430)	(100.0)%
Loss before income tax expense and equity in earnings of an investee	(111,094)	(87,346)	(23,748)	(27.2)%
Income tax expense	(385)	(502)	117	23.3 %
Equity in earnings of an investee	70	59	11	18.6 %
Net loss	$ (111,409)	$ (87,789)	$ (23,620)	(26.9)%

(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 slightly due to scheduled rent increases at certain of our wellness centers where increases are based on the consumer price index . Rental income includes non-cash straight line rent adjustments totaling approximately $412 and $ 413 in the nine months ended September 30, 2015 and 2014 , respectively . Rental income also includes net amortization of approximately $1 66 and $168 of acquired real estate leases and obligations in the nine months ended September 30, 2015 and 2014 , respectively .

Depreciation expense. Depreciation expense remained consistent as we did not make any wellness center acquisitions or other capital improvements in this segment for the nine months ended September 30 , 2015 and 2014 . W e 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 , partially offset by the amortization of the liability we recorded in connection with our June 2015 acquisition of RMR Inc. shares as described above , as well as a decrease in equity compensation expense as a result of a decrease in our share price in September 2015 as compared to September 2014. For further discussion of the liability recorded in connection with the June 2015 acquisition of RMR Inc. shares, see Note 10 to our condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Acquisition related costs. Acquisition related costs represent legal and due diligence costs incurred in connection with our acquisition activity during the nine months ended September 30, 2015 and 2014. Acquisition related costs increased during the nine months ended September 30, 2015 due to an increase in the number of properties acquired during that period compared to the nine months ended September 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 nine months of 2015 compared to the first nine months of 2014, partially 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 an interest rate of LIBOR plus 140 basis points , our September 201 5 term loan borrowing of $ 20 0,000 at an interest rate of LIBOR plus 1 8 0 basis points and increased borrowings under our unsecured revolving credit facility .

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 obtained a bridge loan commitment for $700,000. In February 2015, we terminated the bridge loan commitment and recognized a loss of $1,40 9 on early extinguishment of debt in the first quarter of 2015. In September 2015, we amended our revolving credit facility, which resulted in a loss on early extinguishment of debt of $21.

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

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

We provide below calculations of our funds from operations, or FFO, Normalized FFO and NOI for the three and nine months ended September 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 REITs and real estate companies may calculate FFO, Normalized FFO or NOI differently than we do.

Funds From Operations and Normalized Funds From Operations

We calculate FFO and Normalized FFO as shown below. FFO is calculated on the basis defined by the National Association of Real Estate Investment Trusts, or NAREIT, which is net income, calculated in accordance with GAAP, excluding any gain or loss on sale of properties and impairment of real estate assets, plus real estate depreciation and amortization, as well as certain other adjustments currently not applicable to us. Our calculation of Normalized FFO differs from NAREIT's definition of FFO because we include estimated percentage rent in the period to which we estimate that it relates rather than when it is recognized as income in accordance with GAAP, we include estimated business management incentive fees, if any, only in the fourth quarter versus the quarter when they are recognized as expense in accordance with GAAP and we exclude acquisition related costs, gain s and loss es on early extinguishment of debt and gain s and loss es on lease terminations and loss es 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 and nine months ended September 30 , 2015 and 2014 and reconciliations of net income, the most directly comparable financial measure under GAAP reported in our condensed consolidated financial statements, to FFO and Normalized FFO appear in the following table. This table also provides a comparison of distributions to shareholders, FFO, Normalized FFO and net income per share for these periods.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net income	$ 38,249	$ 37,112	$ 114,425	$ 113,350
Depreciation expense from continuing operations	70,016	50,074	186,234	135,132
Gain on sale of properties	—	—	—	(2,552)
Impairment of assets from continuing operations	(98)	—	(98)	—
Impairment of assets from discontinued operations	—	(216)	602	117
FFO	108,167	86,970	301,163	246,047
Acquisition related costs from continuing operations	742	15	6,517	2,649
Loss on early extinguishment of debt	21	—	1,469	—
Percentage rent adjustment (1)	2,500	2,600	7,600	7,600
Normalized FFO	$ 111,430	$ 89,585	$ 316,749	$ 256,296
Weighted average shares outstanding (basic)	237,263	203,647	231,454	197,225
Weighted average shares outstanding (diluted)	237,293	203,675	231,486	197,256
FFO per share (basic and diluted)	$ 0.46	$ 0.43	$ 1.30	$ 1.25
Normalized FFO per share (basic and diluted)	$ 0.47	$ 0.44	$ 1.37	$ 1.30
Net income per share (basic and diluted)	$ 0.16	$ 0.18	$ 0.49	$ 0.57
Distributions declared per share	$ 0.39	$ 0.39	$ 1.17	$ 1.17

(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 p roperty level results of operations. We calculate NOI as shown below , excluding properties classified as discontinued operations . 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 this measure reflects only those income and expense items that are generated and incurred at the property level and may facilitate comparisons of our operating performance between periods and with other REITs.

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 nine months ended September 30 , 2015 and 2014.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Reconciliation of NOI to Net Income:				
Triple net leased communities NOI	$ 64,222	$ 55,266	$ 180,820	$ 165,321
Managed communities NOI	24,429	17,929	66,883	54,998
MOB NOI	65,128	56,422	193,529	141,034
All other operations NOI	4,569	4,550	13,709	13,429
Total NOI	158,348	134,167	454,941	374,782
Depreciation expense	(70,016)	(50,074)	(186,234)	(135,132)
General and administrative expense	(10,316)	(10,384)	(32,563)	(28,250)
Acquisition related costs	(742)	(15)	(6,517)	(2,649)
Impairment of assets	98	—	98	—
Operating income	77,372	73,694	229,725	208,751
Interest and other income	57	78	274	336
Interest expense	(38,989)	(36,201)	(112,838)	(99,213)
Loss on early extinguishment of debt	(21)	—	(1,469)	—
Income before income tax expense and equity in earnings of an investee	38,419	37,571	115,692	109,874
Income tax expense	(146)	(156)	(385)	(502)
Equity in (losses) earnings of an investee	(24)	38	70	59
Income from continuing operations	38,249	37,453	115,377	109,431
(Loss) income from discontinued operations	—	(557)	(350)	1,484
Impairment of assets from discontinued operations	—	216	(602)	(117)
Income before gain on sale of assets	38,249	37,112	114,425	110,798
Gain on sale of assets	—	—	—	2,552
Net income	$ 38,249	$ 37,112	$ 114,425	$ 113,350

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 and capital expenses, debt service and distributions to shareholders. We believe that our operating cash flow will be sufficient to meet our operating and capital 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 and our managers' ability to:

- maintain or improve the o ccupancy of, and the rent rates and residents fees and service revenues 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 nine months ended September 30, 2015 compared to the nine months ended September 30, 2014 were as follows: (i) cash provided by operating activities increased from $ 281.5 million in 2014 to $320.8 million in 2015; (ii) cash used for investing activities w as $1.2 billion in each of the nine months ended September 30, 2015 and 2014 ; and (iii) cash flows from financing activities de creased from $ 942.3 m illion in 2014 to $ 90 9.0 million in 2015.

The increase in cash provided by operating activities for the nine months ended September 30, 2015 compared to the prior year was due primarily to increased operating cash flow from our acquisitions since October 1, 2014. C ash used in investing activities for the nine months ended September 30, 2015 was consistent with that of the prior year. Slightly higher acquisition activity in 2014 was partially offset by an increase in proceeds from our net sales of properties and investments. The decrease in cash provided by financing activities for the nine months ended September 30, 2015 compared to the prior year was due primarily to (i) proceeds received from our issuance of $650.0 million of senior unsecured notes and entering into a $350.0 million term loan agreement in 2014 as compared to (ii) increased distribut ions we paid to our common shareholders, partially offset by higher proceeds from our issuance of common shares , entering into a new $200.0 million term loan agreement and higher net borrowings under our revolving credit facility in 2015 .

Our Investment and Financing Liquidity and Resources

As of September 30 , 2015, we had $ 61.4 million of cash and cash equivalents a nd $ 532.2 million available for borrow ing 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 s on acquired or our other 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 $ 1 .0 billion unsecured revolving credit facility with a group of institutional lenders. In September 2015, we partially exercised the accordion feature under our unsecured revolving credit facility agreement, which increased the maximum borrowings available under th is facility to $1.0 billion from the previous amount of $750.0 million. All other material terms under the credit facility remain unchanged. 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 require interest at LIBOR plus a premium, which was 130 basis points as of September 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 September 30, 2015, the annual interest rate payable on borrowings under our revolving credit facility was 1.4 6 %. As of September 30 , 2015 and November 3 , 2015, we had $ 467.8 million and $745.0 million outstanding under our revolving credit facility, respectively. We may also assume mortgage debt s 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 loans and senior unsecured notes 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 May 2014, we entered into an agreement pursuant to which we obtained a $350.0 million unsecured term loan. This term loan matures on January 15, 2020, and is prepayable without penalty at any time. In addition, this term loan includes a feature under which maximum borrowings may be increased to up to $700.0 million in certain circumstances. This term loan requires 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.

In February 2015, we repaid at maturity a mortgage for approximately $29.2 million with an annual interest rate of 6.02% encumbering one of our properties. In April 2015, we p repaid a mortgage encumbering one of our properties for approximately $6.3 million with an annual interest rate of 5.81% that had a maturity date in October 2015. In May 2015, we p repaid four mortgage s of approximately $15.1 million that had maturity dates in July 2015 and required weighted average annual interest of 5.70%. In June 2015, we repaid at maturity a mortgage for approximately $4.9 million with an annual interest rate of 5.65%. Also in June 2015, we p repaid a mortgage for approximately $4.4 million that had a maturity date in October 2015 and required annual interest of 5.81%. In October 2015, we p repaid two mortgage s of approximately $ 52 . 0 million that had maturity dates in January 2016 and required weighted average annual interest of 5.64 %. In November 2015, we redeemed $250.0 million of our 4.3 0 % unsecured senior notes due January 2016. We funded all of the foregoing repayments with cash on hand and borrowings under our revolving credit facility.

In January 2015, we acquired 23 MOBs (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 debts with a weighted average annual interest rate of 4.73%. The se MOBs contain approximately 2.2 million leasable square feet and are located in 12 state s. We funded this acquisition using cash on hand, borrowings under our revolving credit facility and the assumption of the mortgage debt s described above .

In December 2014, we entered into an agreement to acquire 38 senior living communities with 3,439 living units for an aggregate purchase price of $790 .0 million , excluding closing costs. In May 2015, we acquired 37 of these 38 senior living communities and in September 2015 we acquired the one remaining community. We funded the acquisition of these senior living communities using cash on hand, borrowings under our revolving credit facility and th e assumption of approximately $151.5 million of mortgage debt s with a weighted average interest rate of 4.57 %.

In May 2015, we acquired one senior living community with 40 private pay independent living units for a purchase price of approximately $9.8 million, excluding closing costs. We funded 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 approximately $6.6 million , net of transaction costs.

On June 5 , 2015, we acquired 5,272,787 shares of class A common stock of RMR Inc. for approximately $60.7 million, excluding transaction costs. As payment for the RMR Inc. shares, we issued 2,345,000 of our common shares valued at $46.8 million 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 approximately 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. For more information regarding this investment, see Note 10 to the Notes to Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q, which is incorporated herein by reference.

In September 2015, we acquire d one senior living community with 84 living units for approximately $18.3 million, excluding closing costs. We funded this acquisition using cash on hand and borrowings under our revolving credit facility.

In September 2015, we entered into a term loan agreement with Wells Fargo Bank, National Association and a syndicate of other lenders, pursuant to which we obtained a $200 .0 million unsecured term loan. This term loan matures on September 28, 2022, and is prepayable without penalty beginning September 29, 201 7 . In addition, this term loan includes a feature under which maximum borrowings may be increased to up to $400 .0 million in certain circumstances. This term loan requires interest at a rate of LIBOR plus a premium of 180 basis points that is subject to adjustment based upon changes to our credit ratings. We used the net proceeds from this term loan to partially repay amounts outstanding under our revolving credit facility.

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 mi llion, excluding closing costs.

During the three and nine months ended September 30, 2015, pursuant to the terms of our existing leases with Five Star, we purchased approximately $ 7.5 million and $ 16.9 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. 6 million and $ 1.4 million, respectively. We used cash on hand to fund these purchases.

During the three and nine months ended September 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 September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
MOB tenant improvements [(1) (2)]	$ 2,568	$ 2,294	$ 6,373	$ 5,431
MOB leasing costs [(1) (3)]	1,046	907	4,528	2,882
MOB building improvements [(1) (4)]	2,263	1,813	4,082	4,847
Managed senior living communities capital improvements	3,054	2,509	7,986	7,041
Development, redevelopment and other activities [(5)]	5,278	4,206	15,146	12,472
Total capital expenditures	$ 14,209	$ 11,729	$ 38,115	$ 32,673

(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 (i) major capital expenditures that are identified at the time of a property acquisition and incurred within a short period afte r acquiring the property; and (ii) major capital expenditure projects that reposition a property or result in new sources of revenue.

During the three months ended September 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	10	144	154
Total leasing costs and concession commitments (1)	$ 537	$ 2,290	$ 2,827
Total leasing costs and concession commitments per square foot (1)	$ 55.90	$ 15.89	$ 18.40
Weighted average lease term (years) (2)	9.6	6.1	6.3
Total leasing costs and concession commitments per square foot per year (1)	$ 5.84	$ 2.61	$ 2.90

(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 September 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 $659.5 million, 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 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. This distribution was paid on August 20 , 2015 using cash on hand and borrowings under our revolving credit facility.

On October 12 , 2015, we declared a distribution payable of $0.39 per common share, or $92.6 million, to our common shareholders of record on October 23 , 2015 . We expect to pay this distribution on or about November 19 , 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 September 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 September 30 , 2015 were: (1) outstanding borrowings under our $ 1 .0 b illion 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 in 2016 (which we prepaid in November 2015) , (b) $400.0 million principal amount at an annual interest rate of 3.25% due in 2019, (c) $200.0 million principal amount at an annual interest rate of 6.75% due in 2020, (d) $300.0 million principal amount at an annual interest rate of 6.75% due in 2021, (e) $250.0 million principal amount at an annual interest rate of 4.75% due in 2024 and (f) $350.0 million principal amount at an annual inte rest rate of 5.625% due in 2042; (3) our $350.0 million principal amount term loan; (4) our $200.0 million term loan and (5) $7 23.2 million aggregate principal amount of mortgages secured by 5 7 of our properties (5 8 buildings) with maturity dates between 201 6 and 2043. We also have two properties encumbered by capital leases with lease obligations totaling $12. 3 million at September 30, 2015 ; t he capital leases expire in 2026. We had $ 467.8 million outstanding under our unsecured revolving credit facility as of September 30, 2015. Our senior unsecured notes are governed by an indenture. Our agreement s for our unsecured revolving credit facility and our unsecured term loan s and our senior notes indenture and its supplements provide for acceleration of payment of all amounts outstanding upon the occurrence and continuation of certain events of default, such as , in the case of our credit agreements, a change of control of us, which includes RMR LLC ceasing to act as our business manager and property manager. This indenture and its supplements and our revolving credit facility and term loan agreements also 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 in certain circumstances and require us to maintain various financial ratios. As of September 30 , 2015, we believe we were in compliance with all of the covenants under our senior notes indenture and its supplements, our revolving credit facility and term loan agreements and our other debt obligations.

Neither our senior 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 rating s are downgraded by credit rating agencies, our interest expense and related costs under our credit facility and term loan agreements would increase .

O ur senior 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 September 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. Also, some of our MOB tenants participate in federal Medicare and state Medicaid 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 applied 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 went into effect on October 1, 2015. As part of this rule, CMS applied 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 amended 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 .0 % for SNFs that fail to submit required quality data. In addition, CMS adopted a 30 day all cause all 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 August 27, 2015, CMS announced that it will conduct the second phase of the "Initiative to Reduce Avoidable Hospitalizations Among Nursing Facility Residents," a pilot program first announced in 2012, which will be continued in partnership with selected organizations from October 2016 to October 2020. In this phase of the initiative , participants will test whether a new payment model for SNFs and pract itioners together with evidence based clinical and educational interventions that participants are currently implementing will further reduce avoidable hospitalizations, lower combined Medicare and Medicaid spending and improve the q uality of care received by long stay SNF residents.

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. 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. CMS extended the comment period end date for this proposed rule from September 14, 2015 to October 14, 2015. 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. Also, new requirements often cost considerably more than CMS estimates.

Our tenants', our managers' and our Medicare Part B outpatient therapy revenue rates and revenues of some of our MOB tenants 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.

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 September 1, 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, 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 may 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 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 Med icare payment systems and rates , 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 patients and 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 generally .

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are exposed to risks associated with market changes in interest rates. We manage our exposure to this market risk by monitoring available financing alternatives. Our strategy to manage exposure to changes in interest rates has not materially changed since December 31, 2014. Other than as described below, we do not currently foresee any significant changes in our exposure to fluctuations in interest rates or in how we manage this exposure in the near future.

At September 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 [(2)]	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	285,272	6.71 %	19,142	2019	Monthly
Mortgages	82,840	5.924 %	4,907	2016	Monthly
Mortgages	72,575	4.47 %	3,244	2018	Monthly
Mortgages [(3)]	52,000	5.64 %	2,933	2016	Monthly
Mortgages	45,541	3.79 %	1,726	2019	Monthly
Mortgages	43,840	6.54 %	2,867	2017	Monthly
Mortgage	18,000	4.65 %	837	2016	Monthly
Mortgage	14,951	6.28 %	939	2022	Monthly
Mortgages	13,026	6.31 %	822	2018	Monthly
Mortgages	12,280	6.24 %	766	2018	Monthly
Mortgage	12,040	6.25 %	753	2016	Monthly
Mortgage	11,834	4.85 %	574	2022	Monthly
Mortgage	10,912	6.15 %	671	2017	Monthly
Mortgage	9,088	5.95 %	541	2038	Monthly
Mortgage	9,012	6.73 %	607	2018	Monthly
Mortgage	6,724	4.69 %	315	2019	Monthly
Mortgage	6,148	5.97 %	367	2016	Monthly
Mortgage	5,550	5.86 %	325	2017	Monthly
Mortgage	4,533	4.38 %	199	2043	Monthly
Mortgage	3,272	6.25 %	205	2033	Monthly
Mortgage	2,497	7.31 %	183	2022	Monthly
Mortgage	1,235	7.85 %	97	2022	Monthly
	$ 2,473,170		$ 132,100		

(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.

(2) We prepaid these senior unsecured notes in full in November 2015.

(3) We p repaid this debt in October 2015.

No principal repayments are due under our unsecured notes or bonds until maturity. Our mortgage debt s require principal and interest payments through maturity pursuant to amortization schedules. Because these debts require 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. 7 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 September 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 $2 2 .0 million.

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

At September 30, 2015, our current floating rate debt obligations consisted of our $ 1 .0 b illion unsecured revolving credit facility, under which we had $ 467 . 8 million outstanding, our $350.0 million unsecured term loan and our $2 0 0.0 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 $350.0 million term loan matures on January 15, 2020, and our $200.0 million term loan matures on September 28, 2022. Our $350.0 million term loan is prepayable without penalty at any time. Our $200.0 million term loan is prepayable without penalty beginning September 29, 2017 .

Borrowings under our revolving credit facility and term loan s are in U.S. dollars and require 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 September 30, 2015 (dollars in thousands):

	Impact of Changes in Interest Rates			Annual
	Interest Rate (1)	Outstanding Debt	Total Interest Expense Per Year	Earnings per Share Impact (2)
At September 30, 2015	1.61 %	$1,017,757	$ 16,386	$ 0.07
100 basis point increase	2.61 %	$1,017,757	$ 26,563	$ 0.11

(1) Weighted based on the respective interest rates and outstanding borrowings under our credit agreement and term loan s as of September 30, 2015.

(2) Based on weighted average number of shares outstandi ng (basic and diluted) for the nine months ended September 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 September 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			
	Interest Rate (1)	Outstanding Debt	Total Interest Expense Per Year	Annual Earnings per Share Impact (2)
At September 30, 2015	1.56 %	$1,550,000	$ 24,180	$ 0.10
100 basis point increase	2.56 %	$1,550,000	$ 39,680	$ 0.17

(1) Weighted based on the respective interest rates and outstanding borrowings under our credit agreement (assuming fully drawn) and term loan s as of September 30, 2015.
(2) Based on weighted average number of shares outstanding (basic and diluted) for the nine months ended September 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 a rrange ments 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 September 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 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 ABILITY TO APPROPRIATELY BALANCE OUR DEBT AND EQUITY CAPITAL,
- OUR CREDIT RATINGS,
- 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 , LIQUIDITY AND ABILITY TO MEET ITS OBLIGATIONS TO US AND TO MANAGE OUR SENIOR LIVING COMMUNITIES SUCCESSFULLY,
- OUR EXPECTED DISTRIBUTION OF SHARES OF RMR INC. CLASS A COMMON STOCK TO OUR SHAREHOLDERS, 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,

- 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,

- 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 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,

- 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 S MAY BE INCREASED TO UP TO $2. 6 BILLION ON A COMBINED BASIS IN CERTAIN CIRCUMSTANCES. HOWEVER, INCREASING THE MAXIMUM BORROWING AVAILABILITY UNDER OUR REVOLVING CREDIT FACILITY AND TERM LOAN S 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 S 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,

- WE MAY BE UNABLE TO REPAY OUR DEBT OBLIGATIONS WHEN THEY BECOME DUE,

- AS OF SEPTEMBER 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 TWO PROPE RT IES CLASSIFIED AS HELD FOR SALE. WE MAY NOT BE ABLE TO SELL TH ESE PROPERT IES ON TERMS ACCEPTABLE TO US OR OTHERWISE, AND THE SALE OF TH ESE PROPERT IES 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 APPROXIMATELY HALF OF THE RMR INC . SHARES WE ACQUIRED TO OUR SHAREHOLDERS . THE PROCESS OF PREPARING A REGISTRATION STATEMENT FOR THE DISTRIBUTION OF THE RMR INC. SHARES REQUIRE S EXTENSIVE LEGAL AND ACCOUNTING SERVICES . THE REGISTRATION STATEMENT IS SUBJECT TO REVIEW BY SEC STAFF, WHICH MAY TAKE CONSIDERABLE TIME TO COMPLETE . 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 Factor s.

There have been no material changes to risk factors from those we previously disclosed in our Annual Report and in our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2015.

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

Issuer purchases of equity securities. The following table provides information about our purchases of our equity securities during the quarter ended September 30, 2015 .

Calendar Month	Number of Shares Purchased [(1)]	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
September 2015	13,113	$ 16.19	$ —	$ —
Total	13,113	$ 16.19	$ —	$ —

(1) During September 2015, all common share purchases were made to satisfy certain RMR LLC employees' tax withholding and payment obligations in connection with the vesting of awa rds of our restricted common shares. We repurchased these shares at their fair market value based upon the trading price of our common shares on the repurchase date.

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. (Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2015.)
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	First Amendment to 2003 Incentive Share Award Plan. (Filed herewith.)
10.2	First Amendment to 2012 Equity Compensation Plan. (Filed herewith.)
10.3	Form of Restricted Share Agreement. (Filed herewith.)
10.4	Form of Indemnification Agreement. (Filed herewith.)
10.5	Summary of Trustee Compensation. (Filed herewith.)
10.6	Term Loan Agreement, dated as of September 28, 2015, among the Company, Wells Fargo Bank, National Association, as Administrative Agent, and each of the other financial institutions initially a signatory thereto. (Incorporated by reference to the Company's Current Report on Form 8-K dated October 1, 2015.)
10.7	Third Amendment to Credit Agreement, dated as of September 28, 2015, among the Company, Wells Fargo Bank, National Association, as Administrative Agent, and each of the other financial institutions party thereto. (Incorporated by reference to the Company's Current Report on Form 8-K dated October 1, 2015.)
10.8	First Amendment to Term Loan Agreement, dated as of September 28, 2015, among the Company, Wells Fargo Bank, National Association, as Administrative Agent, and each of the other financial institutions party thereto. (Incorporated by reference to the Company's Current Report on Form 8-K dated October 1, 2015.)
10.9	Partial Termination of and Fourteenth Amendment to Amended And Restated Master Lease Agreement (Lease No. 1) dated as of August 4, 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 September 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: November 4 , 2015

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

Dated: November 4 , 2015

Exhibit 10.1

SENIOR HOUSING PROPERTIES TRUST

2 003 INCENTIVE SHARE AWARD PLAN

AMENDMENT NO. 1

The Board of Trustees (the “Board”) of Senior Housing Properties Trust (the “Company”) has heretofore approved and adopted this Amendment No. 1 (this “Amendment”) to the Senior Housing Properties Trust 2003 Incentive Share Award Plan (as amended from time to time, the “Plan”).

The Plan is hereby amended as follows:

1. Section IX.C. of the Plan is hereby deleted and replaced in its entirety with the following:

    C. Tax Withholding; Section 409A . To the extent required by law, the Company shall withhold or cause to be withheld income and other taxes incurred by a Participant by reason of a grant of Shares, and, as a condition to the receipt of any grant of Shares, a Participant agrees that if the amount payable to him by the Company in the ordinary course is insufficient to pay such taxes, he shall, upon request of the Company, pay the Company an amount sufficient to satisfy its tax withholding obligations.

    Without limiting the foregoing, the Compensation Committee may in its discretion permit any Participant’s withholding obligation to be paid in whole or in part in the form of Shares, by withholding from the Shares to be issued to such Participant or by accepting delivery of Shares already owned by him . The fair market value of the Shares for this purpose shall be the closing price of the Shares on the principal securities exchange on which the Shares are listed on the date such Shares are repurchased by the Company , unless otherwise determined by the Board in its discretion.

    If payment of withholding taxes is made in whole or in part in Shares, the Participant shall deliver to the Company share certificates registered in his name or other evidence of legal and beneficial ownership of Shares owned by him , fully vested and free of all liens, claims and encumbrances of every kind, duly endorsed or accompanied by stock powers duly endorsed by the record holder of the Shares represented by such share certificates. If the Participant is subject to Section 16(a) of the Exchange Act, his ability to pay the withholding obligation in the form of Shares shall be subject to such additional restrictions as may be necessary to avoid any transaction that might give rise to liability under Section 16(b) of the Exchange Act.

    It is intended that awards granted under the Plan be exempt from the application of Section 409A of the Code, and the Plan and such awards shall be construed in accordance with that intention.

2. This Amendment shall be effective as of August 25 , 2015 , including with respect to awards currently outstanding .

3. Except as amended hereby, the Plan shall remain in full force and effect.

Exhibit 10.2

SENIOR HOUSING PROPERTIES TRUST

20 12 EQUITY COMPENSATION PLAN

AMENDMENT NO. 1

The Board of Trustees (the “Board”) of Senior Housing Properties Trust (the “Company”) has heretofore approved and adopted this Amendment No. 1 (this “Amendment”) to the Senior Housing Properties Trust 2012 Equity Compensation Plan (as amended from time to time, the “Plan”).

The Plan is hereby amended as follows:

1. Section IX.C. of the Plan is hereby deleted and replaced in its entirety with the following:

   C. Tax Withholding; Section 409A . To the extent required by law, the Company shall withhold or cause to be withheld income and other taxes incurred by a Participant by reason of a grant of Shares, and, as a condition to the receipt of any grant of Shares, a Participant agrees that if the amount payable to him by the Company in the ordinary course is insufficient to pay such taxes, he shall, upon request of the Company, pay the Company an amount sufficient to satisfy its tax withholding obligations.

   Without limiting the foregoing, the Compensation Committee may in its discretion permit any Participant’s withholding obligation to be paid in whole or in part in the form of Shares, by withholding from the Shares to be issued to such Participant or by accepting delivery of Shares already owned by him. The fair market value of the Shares for this purpose shall be the closing price of the Shares on the principal securities exchange on which the Shares are listed on the date such Shares are repurchased by the Company , unless otherwise determined by the Board in its discretion.

   If payment of withholding taxes is made in whole or in part in Shares, the Participant shall deliver to the Company share certificates registered in his name or other evidence of legal and beneficial ownership of Shares owned by him , fully vested and free of all liens, claims and encumbrances of every kind, duly endorsed or accompanied by stock powers duly endorsed by the record holder of the Shares represented by such share certificates. If the Participant is subject to Section 16(a) of the Exchange Act, his ability to pay the withholding obligation in the form of Shares shall be subject to such additional restrictions as may be necessary to avoid any transaction that might give rise to liability under Section 16(b) of the Exchange Act.

   It is intended that awards granted under the Plan be exempt from the application of Section 409A of the Code, and the Plan and such awards shall be construed in accordance with that intention.

2. This Amendment shall be effective as of August 25 , 2015 , including with respect to awards currently outstanding .

3. Except as amended hereby, the Plan shall remain in full force and effect.

Exhibit 10.3

SENIOR HOUSING PROPERTIES TRUST

Restricted Share Agreement

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

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

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

2. Vesting; Repurchase of Shares .

(a) Subject to Sections 2(b) and 2(c) hereof, the Shares shall vest one-fifth of the total number of Shares as of the date hereof and as to a further one-fifth of such total number of Shares on each anniversary of the date hereof for the next four calendar years. Any Shares not vested as of any date are herein referred to as "Unvested Shares."

(b) Subject to Section 2(c) hereof, at the option of the Company, i n the event the Recipient ceases to render significant services, whether as an employee or otherwise, to (i) the Company, (ii) the entity which is the manager or shared services provider to the Company or an entity controlled by, under common control with or controlling such entity (collectively, the "Manager"), or (iii) an affiliate of the Company (which shall be deemed for such purpose to include any other entity to which the Manager is the manager or shared services provider) , all or any portion of the Unvested Shares shall be forfeited by the Recipient as of the date the Recipient ceases to render such services. The Company may exercise such option by delivering or mailing to the Recipient (or his or her estate), at any time after the Recipient has ceased to render such services, a written notice of exercise of such option. Such notice shall specify the number of Unvested Shares to be forfeited.

(c) Notwithstanding anything in this Agreement to the contrary, immediately upon the occurrence of an Acceleration Event (as defined below), all of the Unvested Shares shall vest and any forfeiture or other rights of the Company described in Section 2(b) shall lapse in their entirety, and such vesting and lapse of forfeiture or other Company rights shall also immediately apply to each other Common Share previously granted to the Recipient which then remains subject to comparable restrictions and rights. For purposes of this Section 2(c), an Acceleration Event shall be deemed to occur immediately upon the occurrence of any of the following events: a Change in Control, a

Termination Event (as each such term is defined in Exhibit A hereto) or the death of the Recipient.

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

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

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

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

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

Promptly following the request of the Recipient with respect to any Shares (or any other Common Shares previously granted to the Recipient) which have become vested, the Company shall take, at its sole cost and expense, all such actions as may be required to permit the Recipient to resell such shares including, without limitation, providing to the Company's transfer agent certificates of officers of the Company, and opinions of counsel and/or filing an appropriate registration statement, and taking all such other actions as may be required to remove the legends set forth above with respect to transfer and vesting restrictions from the certificates evidencing such shares and, if applicable, from the share books and records of the Company. The Company shall reimburse the Recipient, promptly upon the receipt of a request for payment, for all expenses (including legal expenses) reasonably incurred by the Recipient in connection with the enforcement of the Recipient's rights under this paragraph.

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

5. Miscellaneous.

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

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

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

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

To the Recipient:	To the Recipient's address as set forth on the signature page hereof.
To the Company:	Senior Housing Properties Trust Two Newton Place 255 Washington Street, Suite 300 Newton, MA 02458 Attn : Secretary

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

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

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

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

SENIOR HOUSING PROPERTIES TRUST

By:
Title: Treasurer and Chief Financial Officer

RECIPIENT:

«NAME»
«ADDRESS»
«CITY» , «ST» «ZIP»

Exhibit A

A “Change in Control” shall be deemed to have occurred if any of the events set forth in any one of the following paragraphs shall have occurred:

(a) any Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing 50% or more of either the then outstanding common shares of beneficial interest of the Company or the combined voting power of the Company’s then outstanding securities, excluding any Person who becomes such a Beneficial Owner in connection with a transaction described in paragraph (c)(i) below;

(b) the following individuals cease for any reason to constitute a majority of the number of Trustees then serving: individuals who, on the date of the Agreement, constitute the Board and any new Trustee (other than a Trustee whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of Trustees) whose appointment or election by the Board or nomination for election by the Company’s shareholders was approved or recommended by a vote of at least two-thirds (2/3) of the Trustees then in office who either were Trustees on the date of the Agreement or whose appointment, election or nomination for election was previously so approved or recommended;

(c) there is consummated a merger or consolidation of the Company or any direct or indirect subsidiary of the Company with any other entity, other than (i) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof) at least 50% of the combined voting power of the securities of the Company or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation, or (ii) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities Beneficially Owned by such Person any securities acquired directly from the Company or its Affiliates) representing 50% or more of the combined voting power of the Company’s then outstanding securities; or

(d) the shareholders of the Company approve a plan of complete liquidation or dissolution of the Company or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company’s assets, other than a sale or disposition by the Company of all or substantially all of the Company’s assets to an entity, at least 50% of the combined voting power of the voting securities of which are owned by shareholders of the Company in substantially the same proportions as their ownership of the Company immediately prior to such sale.

A “Termination Event” shall occur if Reit Management & Research LLC (or any entity controlled by, under common control with or controlling Reit Management & Research LLC) ceases to be the manager or shared services provider to the Company .

For purposes of the definitions set forth on this Exhibit A, the following definitions shall apply, with capitalized terms used but not defined in this Exhibit A having the meaning set forth in the Plan:

“Affiliate” shall have the meaning set forth in Rule 12b-2 promulgated under Section 12 of the Exchange Act.

“Agreement” shall mean the Restricted Share Agreement to which this Exhibit A is attached.

“Beneficial Owner” shall have the meaning set forth in Rule 13d-3 under the Exchange Act.

“Exchange Act” shall mean the Securities Exchange Act of 1934, as amended.

“Person” shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) thereof, except that such term shall not include (i) the Company or any of its subsidiaries, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its Affiliates, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities and (iv) a corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of shares of the Company.

“Trustee” is a member of the Board of Trustees of the Company.

Exhibit 10.4

FORM OF INDEMNIFICATION AGREEMENT

THIS INDEMNIFICATION AGREEMENT (this “Agreement”) is made and entered [ ] (the “Effective Date”), by and between Senior Housing Properties Trust, a Maryland real estate investment trust (the “Company”), and [ ] (“Indemnitee”).

WHEREAS Indemnitee currently serves as a [ ] of the Company and may, in connection therewith, be subjected to claims, suits or proceedings arising from such service; and

WHEREAS, as an inducement to Indemnitee to continue to serve as such [ ], the Company has agreed to indemnify and to advance expenses and costs incurred by Indemnitee in connection with any such claims, suits or proceedings, to the fullest extent permitted by law as hereinafter provided; and

NOW, THEREFORE, in consideration of the premises and the covenants contained herein, the Company and Indemnitee do hereby covenant and agree as follows:

Section 1. Definitions . For purposes of this Agreement:

(a) “Change in Control” means a change in control of the Company occurring after the Effective Date of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or in response to any similar item on any similar schedule or form) promulgated under the Securities Exchange Act of 1934, as amended (the “Act”), whether or not the Company is then subject to such reporting requirement; provided, however, that, without limitation, such a Change in Control shall be deemed to have occurred if after the Effective Date (i) any “person” (as such term is used in Sections 13(d) and 14(d) of the Act) is or becomes the “beneficial owner” (as defined in Rule 13d-3 under the Act), directly or indirectly, of securities of the Company representing 10% or more of the combined voting power in the election of trustees of the Company’s then outstanding securities without the prior approval of at least two-thirds of the members of the Board of Trustees in office immediately prior to such person attaining such percentage interest; (ii) there occurs a proxy contest, or the Company is a party to a merger, consolidation, sale of assets, plan of liquidation or other reorganization not approved by at least two-thirds of the members of the Board of Trustees then in office, as a consequence of which members of the Board of Trustees in office immediately prior to such transaction or event constitute less than a majority of the Board of Trustees thereafter; or (iii) during any period of two consecutive years, other than as a result of an event described in clause (a)(ii) of this Section 1, individuals who at the beginning of such period constituted the Board of Trustees (including for this purpose any new trustee whose election or nomination for election by the Company’s shareholders was approved by a vote of at least two-thirds of the trustees then still in office who were trustees at the beginning of such period) cease for any reason to constitute at least a majority of the Board of Trustees.

(b) “Corporate Status” means the status of a person who is or was a director, trustee, officer or agent of the Company.

(c) “Disinterested Trustee” means a trustee of the Company who is not and was not a party to the Proceeding in respect of which indemnification is sought by Indemnitee.

(d) “Expenses” means all expenses, including, but not limited to, all reasonable attorneys’ fees, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, or being or preparing to be a witness in a Proceeding.

(e) “Independent Counsel” means a law firm, or a member of a law firm, that is retained by Indemnitee and is not serving as counsel to the Company.

(f) "Proceeding" means any threatened, pending or completed action, suit, arbitration, alternate dispute resolution mechanism, investigation, administrative hearing or any other proceeding, whether civil, criminal, administrative or investigative (including on appeal), except one initiated by an Indemnitee pursuant to Section 9.

Section 2. Indemnification - General. The Company shall indemnify, and advance Expenses to, Indemnitee (a) as provided in this Agreement and (b) otherwise to the fullest extent permitted by Maryland law in effect on the date hereof and as amended from time to time; provided, however, that no change in Maryland law shall have the effect of reducing the benefits available to Indemnitee hereunder based on Maryland law as in effect on the date hereof. The rights of Indemnitee provided in this Section 2 shall include, without limitation, the rights set forth in the other sections of this Agreement, including any additional indemnification permitted by Section 2-418(g) of the Maryland General Corporation Law ("MGCL"), as applicable to a Maryland real estate investment trust by virtue of Section 8-301(15) of the Maryland REIT Law.

Section 3. Proceedings Other Than Proceedings by or in the Right of the Company. Indemnitee shall be entitled to the rights of indemnification provided in this Section 3 if, by reason of his Corporate Status, he is, or is threatened to be, made a party to any threatened, pending, or completed Proceeding, other than a Proceeding by or in the right of the Company. Pursuant to this Section 3, Indemnitee shall be indemnified against all judgments, penalties, fines and amounts paid in settlement and all Expenses incurred by him or on his behalf in connection with a Proceeding by reason of Indemnitee's Corporate Status unless it is established that (i) the act or omission of Indemnitee was material to the matter giving rise to the Proceeding and (a) was committed in bad faith or (b) was the result of active and deliberate dishonesty, (ii) Indemnitee actually received an improper personal benefit in money, property or services, or (iii) in the case of any criminal Proceeding, Indemnitee had reasonable cause to believe that his conduct was unlawful.

Section 4. Proceedings by or in the Right of the Company. Indemnitee shall be entitled to the rights of indemnification provided in this Section 4 if, by reason of his Corporate Status, he is, or is threatened to be, made a party to any threatened, pending or completed Proceeding brought by or in the right of the Company to procure a judgment in its favor. Pursuant to this Section 4, Indemnitee shall be indemnified against all amounts paid in settlement and all Expenses incurred by him or on his behalf in connection with such Proceeding unless it is established that (i) the act or omission of Indemnitee was material to the matter giving rise to such a Proceeding and (a) was committed in bad faith or (b) was the result of active and deliberate dishonesty or (ii) Indemnitee actually received an improper personal benefit in money, property or services.

Section 5. Indemnification for Expenses of a Party Who is Partly Successful. Without limitation on Section 3 and Section 4, if Indemnitee is not wholly successful in any Proceeding covered by this Agreement, but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Company shall indemnify Indemnitee under this Section 5 for all Expenses incurred by him or on his behalf in connection with each successfully resolved claim, issue or matter, allocated on a reasonable and proportionate basis. For purposes of this Section and without limitation, the termination of any claim, issue or matter in such a Proceeding by dismissal, with or without prejudice, shall be deemed to be a successful result as to such claim, issue or matter.

Section 6. Advance of Expenses. The Company shall advance all Expenses incurred by or on behalf of Indemnitee in connection with any Proceeding to which Indemnitee is, or is threatened to be, made a party or a witness, within ten days after the receipt by the Company of a statement or statements from Indemnitee requesting such advance or advances from time to time, whether prior to or after final disposition of such Proceeding. Such statement or statements shall reasonably evidence the Expenses incurred by Indemnitee and shall include or be preceded or accompanied by a written affirmation by Indemnitee of Indemnitee's good faith belief that the standard of conduct necessary for indemnification by the Company as authorized by law and by this Agreement has been met and a written undertaking by or on behalf of Indemnitee, in substantially the form attached hereto as Exhibit A or in such form as may be required under applicable law as in effect at the time of the execution thereof, to reimburse the portion of any Expenses advanced to Indemnitee relating to claims, issues or matters in the Proceeding as to which it shall ultimately be established that the standard of conduct has not been met and which have not been successfully resolved as described in Section 5. To the extent that Expenses advanced to Indemnitee do not relate to a specific claim, issue or matter in the Proceeding, such Expenses shall be allocated on a reasonable and proportionate basis. The undertaking required by this Section 6 shall be an unlimited general obligation by or on behalf of Indemnitee and shall be accepted without reference to Indemnitee's financial ability to repay such advanced Expenses and without any requirement to post security therefor.

Section 7. Procedure for Determination of Entitlement to Indemnification.

(a) To obtain indemnification under this Agreement, Indemnitee shall submit to the Company a written request, including such documentation and information as is reasonably available to Indemnitee and is reasonably necessary to determine whether and to what extent Indemnitee is entitled to indemnification. The Secretary of the Company shall, promptly upon receipt of such a request for indemnification, advise the Board of Trustees in writing that Indemnitee has requested indemnification.

(b) Upon written request by Indemnitee for indemnification pursuant to the first sentence of Section 7(a) hereof, a determination, if required by applicable law, with respect to Indemnitee's entitlement thereto shall promptly be made in the specific case: (i) if a Change in Control shall have occurred, by Independent Counsel in a written opinion to the Board of Trustees, a copy of which shall be delivered to Indemnitee; or (ii) if a Change of Control shall not have occurred or if after a Change of Control Indemnitee shall so request, (A) by the Board of Trustees (or a duly authorized committee thereof) by a majority vote of a quorum consisting of Disinterested Trustees (as herein defined), or (B) if a quorum of the Board of Trustees consisting of Disinterested Trustees is not obtainable or, even if obtainable, such quorum of Disinterested Trustees so directs, by Independent Counsel in a written opinion to the Board of Trustees, a copy of which shall be delivered to Indemnitee, or (C) if so directed by a majority of the members of the Board of Trustees, by the shareholders of the Company; and, if it is so determined that Indemnitee is entitled to indemnification, payment to Indemnitee shall be made within ten days after such determination. Indemnitee shall cooperate with the person, persons or entity making such determination with respect to Indemnitee's entitlement to indemnification, including providing to such person, persons or entity upon reasonable advance request any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary to such determination. Any Expenses incurred by Indemnitee in so cooperating with the person, persons or entity making such determination shall be borne by the Company (irrespective of the determination as to Indemnitee's entitlement to indemnification) and the Company shall indemnify and hold Indemnitee harmless therefrom.

Section 8. Presumptions and Effect of Certain Proceedings.

(a) In making a determination with respect to entitlement to indemnification hereunder, the person or persons or entity making such determination shall presume that Indemnitee is entitled to indemnification under this Agreement if Indemnitee has submitted a request for indemnification in accordance with Section 7(a) of this Agreement, and the Company shall have the burden of proof to overcome that presumption in connection with the making of any determination contrary to that presumption.

(b) The termination of any Proceeding by judgment, order, settlement, conviction, a plea of nolo contendere or its equivalent, or an entry of an order of probation prior to judgment, does not create a presumption that Indemnitee did not meet the requisite standard of conduct described herein for indemnification.

Section 9. Remedies of Indemnitee.

(a) If (i) a determination is made pursuant to Section 7 that Indemnitee is not entitled to indemnification under this Agreement, (ii) advance of Expenses is not timely made pursuant to Section 6, (iii) no determination of entitlement to indemnification shall have been made pursuant to Section 7(b) within 30 days after receipt by the Company of the request for indemnification, (iv) payment of indemnification is not made pursuant to Section 5 within ten days after receipt by the Company of a written request therefor, or (v) payment of indemnification is not made within ten days after a determination has been made that Indemnitee is entitled to indemnification, Indemnitee shall be entitled to an adjudication in an appropriate court of the State of Maryland, or in any other court of competent jurisdiction, of his entitlement to such indemnification or advance of Expenses. Alternatively, Indemnitee, at his option, may seek an award in arbitration to be conducted by a single arbitrator pursuant to the commercial Arbitration Rules of the American Arbitration Association. Indemnitee shall commence such proceeding seeking an adjudication or an award in arbitration within 180 days following the date on which Indemnitee first has the right to commence such proceeding pursuant to this Section 9(a); provided, however, that the foregoing clause shall not apply in respect of a proceeding brought by Indemnitee to enforce his rights under Section 5 .

(b) In any judicial proceeding or arbitration commenced pursuant to this Section 9 , the Company shall have the burden of proving that Indemnitee is not entitled to indemnification or advance of Expenses, as the case may be.

(c) If a determination shall have been made pursuant to Section 7(b) that Indemnitee is entitled to indemnification, the Company shall be bound by such determination in any judicial proceeding or arbitration commenced pursuant to this Section 9 , absent a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification.

(d) In the event that Indemnitee, pursuant to this Section 9 , seeks a judicial adjudication of or an award in arbitration to enforce his rights under, or to recover damages for breach of, this Agreement, Indemnitee shall be entitled to recover from the Company, and shall be indemnified by the Company for, any and all Expenses incurred by him in such judicial adjudication or arbitration. If it shall be determined in such judicial adjudication or arbitration that Indemnitee is entitled to receive part but not all of the indemnification or advance of Expenses sought, the Expenses incurred by Indemnitee in connection with such judicial adjudication or arbitration shall be appropriately prorated.

Section 10. Defense of the Underlying Proceeding .

(a) Indemnitee shall notify the Company promptly upon being served with or receiving any summons, citation, subpoena, complaint, indictment, information, notice, request or other document relating to any Proceeding which may result in the right to indemnification or the advance of Expenses hereunder; provided , however , that the failure to give any such notice shall not disqualify Indemnitee from the right, or otherwise affect in any manner any right of Indemnitee, to indemnification or the advance of Expenses under this Agreement unless the Company's ability to defend in such Proceeding or to obtain proceeds under any insurance policy is materially and adversely prejudiced thereby, and then only to the extent the Company is thereby actually so prejudiced.

(b) Subject to the provisions of the last sentence of this Section 10(b) and of Section 10(c) below, the Company shall have the right to defend Indemnitee in any Proceeding which may give rise to indemnification hereunder; provided , however , that the Company shall notify Indemnitee of any such decision to defend within 15 calendar days following receipt of notice of any such Proceeding under Section 10(a) above. The Company shall not, without the prior written consent of Indemnitee, which shall not be unreasonably withheld or delayed, consent to the entry of any judgment against Indemnitee or enter into any settlement or compromise which (i) includes an admission of fault of Indemnitee or (ii) does not include, as an unconditional term thereof, the full release of Indemnitee from all liability in respect of such Proceeding, which release shall be in form and substance reasonably satisfactory to Indemnitee. This Section 10(b) shall not apply to a Proceeding brought by Indemnitee under Section 9 above or Section 14 .

(c) Notwithstanding the provisions of Section 10(b) , if in a Proceeding to which Indemnitee is a party by reason of Indemnitee's Corporate Status, (i) Indemnitee reasonably concludes, based upon an opinion of counsel approved by the Company, which approval shall not be unreasonably withheld, that he may have separate defenses or counterclaims to assert with respect to any issue which may not be consistent with other defendants in such Proceeding, (ii) Indemnitee reasonably concludes, based upon an opinion of counsel approved by the Company, which approval shall not be unreasonably withheld, that an actual or apparent conflict of interest or potential conflict of interest exists between Indemnitee and the Company, or (iii) the Company fails to assume the defense of such Proceeding in a timely manner, Indemnitee shall be entitled to be represented by separate legal counsel of Indemnitee's choice, subject to the prior approval of the Company, which shall not be unreasonably withheld, at the expense of the Company. In addition, if the Company fails to comply with any of its obligations under this Agreement or in the event that the Company or any other person takes any action to declare this Agreement void or unenforceable, or institutes any Proceeding to deny or to recover from Indemnitee the benefits intended to be provided to Indemnitee hereunder, Indemnitee shall have the right to retain counsel of Indemnitee's choice, subject to the prior approval of the Company, which shall not be unreasonably withheld, at the expense of the Company (subject to Section 9(d)), to represent Indemnitee in connection with any such matter.

Section 11. Non-Exclusivity; Survival of Rights .

(a) The rights of indemnification and advance of Expenses as provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnitee may at any time be entitled under applicable law, the Declaration of Trust or Bylaws of the Company, any agreement or a resolution of the shareholders entitled to vote generally in the election of trustees or of the Board of Trustees, or otherwise. No amendment, alteration or repeal of this Agreement or of any provision hereof shall limit or restrict any right of Indemnitee under this Agreement in respect of any action taken or omitted by such Indemnitee in his Corporate Status prior to such amendment, alteration or repeal.

(b) In the event of any payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Company to bring suit to enforce such rights.

(c) The Company shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable hereunder if and to the extent that Indemnitee has otherwise actually received such payment under any insurance policy, contract, agreement or otherwise.

Section 12. Duration of Agreement; Binding Effect .

(a) This Agreement shall continue until and terminate ten years after the date that Indemnitee shall have ceased to serve as a director, trustee, officer, employee, or agent of the Company or of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise which Indemnitee served at the request of the Company; provided , however , that the rights of Indemnitee hereunder shall continue until the final termination of any Proceeding then pending in respect of which Indemnitee is granted rights of indemnification or advance of Expenses hereunder and of any proceeding commenced by Indemnitee pursuant to Section 9 relating thereto.

(b) The indemnification and advance of Expenses provided by, or granted pursuant to, this Agreement shall be binding upon and be enforceable by the parties hereto and their respective successors and assigns (including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business or assets of the Company), shall continue as to an Indemnitee who has ceased to be a director, trustee, officer, employee or agent of the Company or of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise which such person is or was serving at the written request of the Company, and shall inure to the benefit of Indemnitee and his or her spouse, assigns, heirs, devisees, executors and administrators and other legal representatives.

(c) The Company shall require and cause any successor (whether direct or indirect by purchase, merger, consolidation or otherwise) to all, substantially all or a substantial part, of the business and/or assets of the Company, by written agreement in form and substance satisfactory to Indemnitee, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place.

Section 13. Severability . If any provision or provisions of this Agreement shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (a) the validity, legality and enforceability of the remaining provisions of this Agreement (including, without limitation, each portion of any section of this Agreement containing any such provision held to be invalid, illegal or unenforceable that is not itself invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby; and (b) to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of any section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested thereby.

Section 14. Limitation and Exception to Right of Indemnification or Advance of Expenses. Notwithstanding any other provision of this Agreement, (a) any indemnification or advance of Expenses to which Indemnitee is otherwise entitled under the terms of this Agreement shall be made only to the extent such indemnification or advance of Expenses does not conflict with applicable Maryland law and (b) Indemnitee shall not be entitled to indemnification or advance of Expenses under this Agreement with respect to any Proceeding brought by Indemnitee, unless (i) the Proceeding is brought to enforce indemnification under this Agreement or otherwise or (ii) the Company's Bylaws, as amended, the Declaration of Trust, a resolution of the shareholders entitled to vote generally in the election of trustees or of the Board of Trustees or an agreement approved by the Board of Trustees to which the Company is a party expressly provide otherwise.

Section 15. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original but all of which together shall constitute one and the same Agreement. One such counterpart signed by the party against whom enforceability is sought shall be sufficient to evidence the existence of this Agreement.

Section 16. Headings. The headings of the paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof.

Section 17. Modification and Waiver. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

Section 18. Notices. Any notice, report or other communication required or permitted to be given hereunder shall be in writing unless some other method of giving such notice, report or other communication is accepted by the party to whom it is given, and shall be given by being delivered at the following addresses to the parties hereto:

(a) If to Indemnitee, to: The address set forth on the signature page hereto.

(b) If to the Company to:

Senior Housing Properties Trust
Two Newton Place
255 Washington Street, Suite 300
Newton, Massachusetts 02458
Attn: Secretary

or to such other address as may have been furnished to Indemnitee by the Company or to the Company by Indemnitee, as the case may be.

Section 19. Governing Law. The parties agree that this Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Maryland, without regard to its conflicts of laws rules.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year first above written.

ATTEST:	SENIOR HOUSING PROPERTIES TRUST
______________________________	By: ______________________ (SEAL) Name: Title:
WITNESS:	INDEMNITEE
______________________________	______________________________ Name: Address:

EXHIBIT A

FORM OF UNDERTAKING TO REPAY EXPENSES ADVANCED

The Board of Trustees of Senior Housing Properties Trust

Re: Undertaking to Repay Expenses Advanced

Ladies and Gentlemen:

This undertaking is being provided pursuant to that certain Indemnification Agreement dated , 200 , by and between Senior Housing Properties Trust (the "Company") and the undersigned Indemnitee (the "Indemnification Agreement"), pursuant to which I am entitled to advance of expenses in connection with **[Description of Proceeding]** (the "Proceeding").

Terms used herein and not otherwise defined shall have the meanings specified in the Indemnification Agreement.

I am subject to the Proceeding by reason of my Corporate Status or by reason of alleged actions or omissions by me in such capacity. I hereby affirm that at all times, insofar as I was involved as **[a trustee]** **[an officer]** of the Company, in any of the facts or events giving rise to the Proceeding, I (1) acted in good faith and honestly, (2) did not receive any improper personal benefit in money, property or services and (3) in the case of any criminal proceeding, had no reasonable cause to believe that any act or omission by me was unlawful.

In consideration of the advance of expenses by the Company for reasonable attorney's fees and related expenses incurred by me in connection with the Proceeding (the "Advanced Expenses"), I hereby agree that if, in connection with the Proceeding, it is established that (1) an act or omission by me was material to the matter giving rise to the Proceeding and (a) was committed in bad faith or (b) was the result of active and deliberate dishonesty or (2) I actually received an improper personal benefit in money, property or services or (3) in the case of any criminal proceeding, I had reasonable cause to believe that the act or omission was unlawful, then I shall promptly reimburse the portion of the Advanced Expenses relating to the claims, issues or matters in the Proceeding as to which the foregoing findings have been established and which have not been successfully resolved as described in Section 5 of the Indemnification Agreement. To the extent that Advanced Expenses do not relate to a specific claim, issue or matter in the Proceeding, I agree that such Expenses shall be allocated on a reasonable and proportionate basis.

IN WITNESS WHEREOF, I have executed this Affirmation and Undertaking on this day ,
20 .

WITNESS:

______________________________ ______________________________(SEAL)

Schedule to Exhibit 10.4

The following current and former trustees and executive officers are parties to Indemnification Agreements with the Company which are substantially identical in all material respects to the representative Indemnification Agreement filed herewith and are dated as of the respective dates listed below. The other Indemnification Agreements are omitted pursuant to Instruction 2 to Item 601 of Regulation S-K.

Name of Signatory	Date
Frank J. Bailey Former Independent Trustee	March 10, 2004
John L. Harrington Independent Trustee	March 10, 2004
David J. Hegarty President, Chief Operating Officer and Assistant Secretary	March 10, 2004
Barry M. Portnoy Managing Trustee	March 10, 2004
Frederick N. Zeytoonjian Former Independent Trustee	March 10, 2004
William J. Sheehan Former Director of Internal Audit	May 7, 2004
Adam D. Portnoy Managing Trustee	May 30, 2007
Richard A. Doyle Treasurer and Chief Financial Officer	February 27,2008
Jeffrey P. Somers Independent Trustee	January 30, 2009
Jacquelyn S. Anderson Assistant Secretary	May 17, 2012
Jennifer B. Clark Secretary	May 17, 2012
Vern D. Larkin Director of Internal Audit	May 17, 2012
Lisa Harris Jones Independent Trustee	September 26, 2015

Exhibit 10. 5

SENIOR HOUSING PROPERTIES TRUST

Summary of Trustee Compensation

The following is a summary of the currently effective compensation of the Trustees of Senior Housing Properties Trust , or the Company, for services as Trustees, which is subject to modification at any time by the Board of Trustees.

- Each Independent Trustee receives an annual fee of $ 40 ,000, plus a fee of $1,000 for each meeting attended. Up to two $1,000 fees are payable if more than one board and board committee meetings are held on the same date.
- The chairpersons of the audit committee, the compensation committee and the nominating and governance committee, each of whom is an Independent Trustee, receive an additional annual fee of $12,500, $7,500 and $7,500, respectively.
- The lead independent trustee , who is an Independent Trustee, receive s an additional annual fee of $1 0 , 0 00.
- Each Trustee receives a grant of 2,500 of the Company ' s common shares of beneficial interest on the date of the first board meeting following each annual meeting of shareholders (or, for Trustees who are first elected or appointed at other times, on the day of the first board meeting attended).
- The Company generally reimburses all Trustees for travel expenses incurred in connection with their duties as Trustees and for out of pocket costs incurred from their attending certain continuing education programs.

Exhibit 10.9

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

THIS PARTIAL TERMINATION OF AND FOURTEENTH AMENDMENT TO AMENDED AND RESTATED MASTER LEASE AGREEMENT (LEASE NO. 1) (this "Amendment") is made and entered into as of August 4, 2015 by and among each of the parties identified on the signature pages hereof as a landlord (collectively, "Landlord") and each of the parties identified on the signature pages hereof as a tenant (jointly and severally, "Tenant").

W I T N E S S E T H:

WHEREAS, pursuant to the terms of that certain Amended and Restated Master Lease Agreement (Lease No. 1), dated as of August 4, 2009, as amended by that certain Partial Termination of and First Amendment to Amended and Restated Master Lease Agreement (Lease No. 1), dated as of October 1, 2009, that certain Second Amendment to Amended and Restated Master Lease Agreement (Lease No. 1), dated as of November 17, 2009, that certain Third Amendment to Amended and Restated Master Lease Agreement (Lease No. 1), dated as of December 10, 2009, that certain Partial Termination of and Fourth Amendment to Amended and Restated Master Lease Agreement (Lease No. 1), dated as of August 1, 2010, that certain Fifth Amendment to Amended and Restated Master Lease Agreement (Lease No. 1), dated as of May 1, 2011, that certain Partial Termination of and Sixth Amendment to Amended and Restated Master Lease Agreement (Lease No. 1), dated as of June 1, 2011, that certain Seventh Amendment to Amended and Restated Master Lease Agreement (Lease No. 1), dated as of June 20, 2011, that certain Eighth Amendment to Amended and Restated Master Lease Agreement (Lease No. 1), dated as of August 31, 2012, that certain Partial Termination of and Ninth Amendment to Amended and Restated Master Lease Agreement (Lease No. 1), dated as of August 1, 2013, that certain Partial Termination of and Tenth Amendment to Amended and Restated Master Lease Agreement (Lease No. 1), dated as of January 22, 2014, that certain Partial Termination of and Eleventh Amendment to Amended and Restated Master Lease Agreement (Lease No. 1), dated as of October 1, 2014, that certain Partial Termination of and Twelfth Amendment to Amended and Restated Master Lease Agreement (Lease No. 1), dated as of October 31, 2014, and that certain Partial Termination and Thirteenth Amendment to Amended and Restated Master Lease Agreement, dated as of February 17, 2015 (as so amended, "Amended Lease No. 1"), Landlord leases to Tenant, and Tenant leases from Landlord, the Leased Property (this and other capitalized terms used but not otherwise defined herein having the meanings given such terms in Amended Lease No. 1), all as more particularly described in Amended Lease No. 1; and

WHEREAS, prior to the date hereof, the financing secured by the Bronco Financed Property known as Parkwood Village and located at 1730 Parkwood Boulevard, Wilson, North Carolina (the "Parkwood Village Property") was paid off and, pursuant to Section 23.17 of Amended Lease No. 1, the Parkwood Village Property was automatically added to and demised under Amended Lease No. 1, and, pursuant to Section 21.6 of the Bronco Financed Lease for the Parkwood Village Property, the Bronco Financed Lease for the Parkwood Village Property was automatically terminated; and

WHEREAS, simultaneously herewith, SPTMNR Properties Trust is selling a portion of the Leased Property consisting of the real property and related improvements formerly known as Sunny Hill Health Care Center and located at 4325 Nakoma Road, Madison, Wisconsin, as more particularly described on Exhibit A-51 to Amended Lease No. 1 (the "Sunny Hill Property"); and

WHEREAS, in connection with the foregoing, SPTMNR Properties Trust and the other entities comprising Landlord and Five Star Quality Care Trust and the other entities comprising Tenant wish to amend Amended Lease No. 1 to terminate Amended Lease No. 1 with respect to the Sunny Hill Property;

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

1. Parkwood Village Property. As of May 11, 2015, the financing securing the Parkwood Village Property described on Exhibit A-86 attached hereto was paid off and the Parkwood Village Property was added to and demised under Amended Lease No. 1, such that the landlord and the tenant under the corresponding Bronco Financed Lease for the Parkwood Village Property became a Landlord and Tenant under Amended Lease No. 1.

2. Partial Termination of Amended Lease No. 1. Amended Lease No. 1 is terminated with respect to the Sunny Hill Property and neither Landlord nor Tenant shall have any further rights or liabilities thereunder with respect to the Sunny Hill Property from and after the date hereof, except for those rights and liabilities which by their terms survive the termination of Amended Lease No. 1.

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

> "**Minimum Rent**" shall mean the sum of Fifty-Eight Million Four Hundred Eight-Three Thousand Three Hundred Twenty-Seven and 32/100 Dollars ($58,483,327.32) per annum.

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

5. Exhibit A. Exhibit A to Amended Lease No. 1 is amended by (a) deleting the text of Exhibit A-51 attached thereto in their entirety and replacing it with "Intentionally Deleted" and (b) inserting Exhibit A-86 attached hereto immediately following Exhibit A-85 to Amended Lease No. 1.

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

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

LANDLORD:

SNH SOMERFORD PROPERTIES TRUST
SPTMNR PROPERTIES TRUST
SNH/LTA PROPERTIES TRUST
SPTIHS PROPERTIES TRUST
SNH CHS PROPERTIES TRUST
SNH/LTA PROPERTIES GA LLC
SNH/LTA SE WILSON LLC

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

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

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

TENANT:

FIVE STAR QUALITY CARE TRUST
MORNINGSIDE OF KNOXVILLE, LLC
MORNINGSIDE OF FRANKLIN, LLC
FVE SE WILSON LLC

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

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

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

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

(Signatures continue on next page)

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

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

By: LIFETRU ST AMERICA, INC., a Tennessee c orporation, its General Partner

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

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

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

By: LIFETRU ST AMERICA, INC., a Tennessee c orporation, its General Partner

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

(Signatures continue on next page)

MORNINGSIDE OF BOWLING GREEN, LLC
MORNINGSIDE OF PADUCAH, LLC

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

By: LIFETRU ST AMERICA, INC., a Tennessee c orporation, its General Partner

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

MORNINGSIDE OF CONYERS, LLC
MORNINGSIDE OF GAINESVILLE, LLC

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

By: LIFETRU ST AMERICA, INC., a Tennessee c orporation, its General Partner

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

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

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

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

SCHEDULE 1

PROPERTY-SPECIFIC INFORMATION

Exhibit	Property Address	Base Gross Revenues (Calendar Year)	Base Gross Revenues (Dollar Amount)	Commencement Date	Interest Rate
A-1	Intentionally Deleted.	N/A	N/A	N/A	N/A
A-2	Intentionally Deleted.	N/A	N/A	N/A	N/A
A-3	Somerford Place - Encinitas 1350 South El Camino Real Encinitas, CA 92024	2009	$3,092,467	03/31/2008	8%
A-4	Somerford Place - Fresno 6075 North Marks Avenue Fresno, CA 93711	2009	$3,424,896	03/31/2008	8%
A-5	Lancaster Healthcare Center 1642 West Avenue J Lancaster, CA 93534	2005	$6,698,648	12/31/2001	10%
A-6	Somerford Place – Redlands 1319 Brookside Avenue Redlands, CA 92373	2009	$3,065,084	03/31/2008	8%
A-7	Somerford Place - Roseville 110 Sterling Court Roseville, CA 95661	2009	$2,802,082	03/31/2008	8%
A-8	Leisure Pointe 1371 Parkside Drive San Bernardino, CA 92404	2007	$1,936,220	09/01/2006	8.25%
A-9	Van Nuys Health Care Center 6835 Hazeltine Street Van Nuys, CA 91405	2005	$3,626,353	12/31/2001	10%
A-10	Mantey Heights Rehabilitation & Care Center 2825 Patterson Road Grand Junction, CO 81506	2005	$5,564,949	12/31/2001	10%
A-11	Cherrelyn Healthcare Center 5555 South Elati Street Littleton, CO 80120	2005	$12,574,200	12/31/2001	10%

Exhibit	Property Address	Base Gross Revenues (Calendar Year)	Base Gross Revenues (Dollar Amount)	Commencement Date	Interest Rate
A-12	Somerford House and Somerford Place – Newark I & II 501 South Harmony Road and 4175 Ogletown Road Newark, DE 19713	2009	$6,341,636	03/31/2008	8%
A-13	Tuscany Villa Of Naples (aka Buena Vida) 8901 Tamiami Trail East Naples, FL 34113	2008	$2,157,675	09/01/2006	8.25%
A-14	Intentionally Deleted.	N/A	N/A	N/A	N/A
A-15	Morningside of Columbus 7100 South Stadium Drive Columbus, GA 31909	2006	$1,381,462	11/19/2004	9%
A-16	Morningside of Dalton 2470 Dug Gap Road Dalton, GA 30720	2006	$1,196,357	11/19/2004	9%
A-17	Morningside of Evans 353 North Belair Road Evans, GA 30809	2006	$1,433,421	11/19/2004	9%
A-18	Vacant Land Adjacent to Morningside of Macon 6191 Peake Road Macon, GA 31220	2006	N/A	11/19/2004	9%
A-19	Intentionally Deleted.	N/A	N/A	N/A	N/A
A-20	Union Park Health Services 2401 East 8th Street Des Moines, IA 50316	2005	$4,404,678	12/31/2001	10%
A-21	Park Place 114 East Green Street Glenwood, IA 51534	2005	$8,109,512	12/31/2001	10%
A-22	Prairie Ridge Care & Rehabilitation 608 Prairie Street Mediapolis, IA 52637	2005	$3,234,505	12/31/2001	10%
A-23	Ashwood Place 102 Leonardwood Frankfort, KY 40601	2007	$1,769,726	09/01/2006	8.25%
A-24	Somerford Place - Annapolis 2717 Riva Road Annapolis, MD 21401	2009	$3,917,902	03/31/2008	8%
A-25	Somerford Place - Columbia 8220 Snowden River Parkway Columbia, MD 21045	2009	$3,221,426	03/31/2008	8%

Exhibit	Property Address	Base Gross Revenues (Calendar Year)	Base Gross Revenues (Dollar Amount)	Commencement Date	Interest Rate
A-26	Somerford Place - Frederick 2100 Whittier Drive Frederick, MD 21702	2009	$5,088,592	03/31/2008	8%
A-27	Somerford Place - Hagerstown 10114 & 10116 Sharpsburg Pike Hagerstown, MD 21740	2009	$4,066,761	03/31/2008	8%
A-28	The Wellstead of Rogers 20500 and 20600 South Diamond Lake Road Rogers, MN 55374	2009	$12,646,616	03/01/2008	8%
A-2 9	Intentionally Deleted.	N/A	N/A	N/A	N/A
A-30	Hermitage Gardens of Oxford 1488 Belk Boulevard Oxford, MS 38655	2007	$1,816,315	10/01/2006	8.25%
A-31	Hermitage Gardens of Southaven 108 Clarington Drive Southaven, MS 38671	2007	$1,527,068	10/01/2006	8.25%
A-32	Ashland Care Center 1700 Furnace Street Ashland, NE 68003	2005	$4,513,891	12/31/2001	10%
A-33	Blue Hill Care Center 414 North Wilson Street Blue Hill, NE 68930	2005	$2,284,065	12/31/2001	10%
A-34	Central City Care Center 2720 South 17th Avenue Central City, NE 68462	2005	$2,005,732	12/31/2001	10%
A-35	Intentionally D eleted.	N/A	N/A	N/A	N/A
A-36	Gretna Community Living Center 700 South Highway 6 Gretna, NE 68028	2005	$3,380,356	12/31/2001	10%
A-37	Sutherland Care Center 333 Maple Street Sutherland, NE 69165	2005	$2,537,340	12/31/2001	10%
A-38	Waverly Care Center 11041 North 137th Street Waverly, NE 68462	2005	$3,066,135	12/31/2001	10%

Exhibit	Property Address	Base Gross Revenues (Calendar Year)	Base Gross Revenues (Dollar Amount)	Commencement Date	Interest Rate
A-39	Intentionally D eleted.	N/A	N/A	N/A	N/A
A-40	Intentionally Deleted.	N/A	N/A	N/A	N/A
A-41	Mount Vernon of South Park 1400 Riggs Road South Park, PA 15129	2006	$2,718,057	10/31/2005	9%
A-42	Morningside of Gallatin 1085 Hartsville Pike Gallatin, TN 37066	2006	$1,343,801	11/19/2004	9%
A-43	Walking Horse Meadows 207 Uffelman Drive Clarksville, TN 37043	2007	$1,471,410	01/01/2007	8.25%
A-44	Morningside of Belmont 1710 Magnolia Boulevard Nashville, TN 37212	2006	$3,131,648	06/03/2005	9%
A-45	Dominion Village at Chesapeake 2856 Forehand Drive Chesapeake, VA 23323	2005	$1,416,951	05/30/2003	10%
A-46	Dominion Village at Williamsburg 4132 Longhill Road Williamsburg, VA 23188	2005	$1,692,753	05/30/2003	10%
A-47	Intentionally Deleted.	N/A	N/A	N/A	N/A
A-48	Brookfield Rehabilitation and Specialty Care (aka Woodland Healthcare Center) 18741 West Bluemound Road Brookfield, WI 53045	2005	$13,028,846	12/31/2001	10%
A-49	Meadowmere - Southport Assisted Living 8350 and 8351 Sheridan Road Kenosha, WI 53143	2009	$2,170,645	01/04/2008	8%
A-50	Meadowmere - Madison Assisted Living 5601 Burke Road Madison, WI 53718	2009	$2,136,654	01/04/2008	8%
A-51	Intentionally Deleted.	N/A	N/A	N/A	N/A
A-52	Mitchell Manor Senior Living 5301 West Lincoln Avenue West Allis, WI 53219	2009	$12,348,104	01/04/2008	8%
A-53	Laramie Care Center 503 South 18 th Street Laramie, WY 82070	2005	$4,473,949	12/31/2001	10%

Exhibit	Property Address	Base Gross Revenues (Calendar Year)	Base Gross Revenues (Dollar Amount)	Commencement Date	Interest Rate
A-54	Haven in Highland Creek 5920 McChesney Drive Charlotte, NC 28269 Laurels in Highland Creek 6101 Clark Creek Parkway Charlotte, NC 28269	2010	$6,454,157	11/17/2009	8.75%
A-55	Haven in the Village at Carolina Place 13150 Dorman Road Pineville, NC 28134 Laurels in the Village at Carolina Place 13180 Dorman Road Pineville, NC 28134	2010	$7,052,425	11/17/2009	8.75%
A-56	Haven in the Summit 3 Summit Terrace Columbia, SC 29229	2010	$2,308,737	11/17/2009	8.75%
A-57	Haven in the Village at Chanticleer 355 Berkmans Lane Greenville, SC 29605	2010	$2,197,919	11/17/2009	8.75%
A-58	Intentionally Deleted	N/A	N/A	N/A	N/A
A-59	Haven in Stone Oak 511 Knights Cross Drive San Antonio, TX 78258 Laurels in Stone Oak 575 Knights Cross Drive San Antonio, TX 78258	2010	$6,584,027	11/17/2009	8.75%
A-60	Eastside Gardens 2078 Scenic Highway North Snellville, GA 30078	2010	$1,766,628	12/10/2009	8.75%
A-61	Crimson Pointe 7130 Crimson Ridge Drive Rockford, IL 61107	2012	$2,568,827	05/01/2011	8%
A-62	Talbot Park 6311 Granby Street Norfolk, VA 23305	2012	$3,866,871	06/20/2011	7.5%
A-63	The Landing at Parkwood Village 1720 Parkwood Boulevard Wilson, NC 27893	2012	$4,318,990	06/20/2011	7.5%
A-64	Aspenwood 14400 Homecrest Road Silver Spring, MD 20906	2005	$4,470,354	10/25/2002	10 %

Exhibit	Property Address	Base Gross Revenues (Calendar Year)	Base Gross Revenues (Dollar Amount)	Commencement Date	Interest Rate
A-65	HeartFields at Easton 700 Port Street Easton, MD 21601	2005	$2,545,887	10/25/2002	10 %
A-66	Morningside of Macon 6191 Peake Road Macon, GA 31220	2006	$1,298,541	11/19/2004	9%
A-67	Morningside of Beaufort 109 Old Salem Road Beaufort, SC 29902	2006	$1,337,453	11/19/2004	9%
A-68	Morningside of Camden 719 Kershaw Highway Camden, SC 29020	2006	$1,595,035	11/19/2004	9%
A-69	Morningside of Hartsville 1901 West Carolina Avenue Hartsville, SC 29550	2006	$1,507,131	11/19/2004	9%
A-70	Morningside of Lexington 218 Old Chapin Road Lexington, SC 29072	2006	$1,638,422	11/19/2004	9%
A-71	Morningside of Orangeburg 2306 Riverbank Drive Orangeburg, SC 29118	2006	$1,129,764	11/19/2004	9%
A-72	Morningside of Seneca 15855 Wells Highway Seneca, SC 29678	2006	$1,684,477	11/19/2004	9%
A-73	Morningside of Cullman 2021 Dahlke Dr. NE Cullman, AL 32058	2006	$1,413,633	11/19/2004	9%
A-74	Morningside of Madison 49 Hughes Road Madison, AL 35758	2006	$1,531,206	11/19/2004	9%
A-75	Morningside of Sheffield 413 D. D. Cox Boulevard Sheffield, AL 35660	2006	$1,495,038	11/19/2004	9%
A-76	Morningside of Bowling Green 981 Campbell Lane Bowling Green, KY 42104	2006	$1,458,781	11/19/2004	9%
A-77	Morningside of Paducah 1700 Elmdale Road Paducah, KY 42003	2006	$2,012,245	11/19/2004	9%
A-78	Morningside of Conyers 1352 Wellbrook Circle Conyers, GA 30012	2006	$1,646,910	11/19/2004	9%
A-79	Morningside of Gainesville 2435 Limestone Parkway Gainesville, GA 30501	2006	$1,453,250	11/19/2004	9%

Exhibit	Property Address	Base Gross Revenues (Calendar Year)	Base Gross Revenues (Dollar Amount)	Commencement Date	Interest Rate
A-80	Morningside of Cleveland 2900 Westside Drive, N.W. Cleveland, TN 37312	2006	$1,212,846	11/19/2004	9%
A-81	Morningside of Cookeville 1010 East Spring Street Cookeville, TN 38501	2006	$1,513,932	11/19/2004	9%
A-82	Morningside of Jackson 1200 North Parkway Jackson, TN 38305	2006	$1,787,155	11/19/2004	9%
A-83	Williamsburg Villas A Morningside Community 3020 Heatherton Way Knoxville, TN 37920	2006	$2,728,841	11/19/2004	9%
A-84	Morningside of Franklin 105 Sunrise Circle Franklin, TN 37067	2006	$1,582,509	11/19/2004	9%
A-85	Morningside of Hopkinsville 4190 Lafayette Road Hopkinsville, KY 42240	2006	$1,444,246	11/19/2004	9%
A-86	Parkwood Village 1730 Parkwood Boulevard Wilson, NC 27893	2012	$ 4,318,990	06/23/2011	7.5%

<u>Exhibit A-86</u>

LEGAL DESCRIPTION

Parkwood Village
1730 Parkwood Boulevard
Wilson, North Carolina

(See attached copy.)

PARKWOOD VILLAGE

Legal Description

Lying and being situate in Wilson County, North Carolina, and being more particularly described as follows:

Being all of LOT 3 as shown on the plat entitled "Minor Subdivision Plat for Parkwood Village" which appears of record in the Office of the Register of Deeds of Wilson County, North Carolina, in Plat Book 32, PAGE 79, Wilson County Registry.

Subject to that non-exclusive easement for ingress, egress and regress for the benefit of Lot 4 as shown on Plat Book 32, Page 79, Wilson County Registry.

Exhibit 12.1

Senior Housing Properties Trust

Computation of Ratio of Earnings to Fixed Charges

(dollars in thousands)

	Nine Months Ended September 3 0 ,	Year Ended December 31,				
	201 5	201 4	2013	2012	2011	2010
Earnings:						
I ncome from continuing operations (including gains on sales of properties, if any) before income tax expense and equity in earnings (losses) of an investee	$ 115,692	$ 162,141	$ 183,997	$ 131,882	$ 148,128	$ 116,373
Fixed charges	112,838	135,114	117,819	117,240	98,262	80,017
Adjusted earnings	$ 228,530	$ 297,255	$ 301,816	$ 249,122	$ 246,390	$ 196,390
Fixed charges:						
Interest expense	$ 112,838	$ 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

Exhibit 31.1

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: November 4 , 201 5

/s/ Barry M. Portnoy
Barry M. Portnoy
Managing Trustee

Exhibit 31.2

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: November 4 , 201 5

/s/ Adam D. Portnoy
Adam D. Portnoy
Managing Trustee

Exhibit 31.3

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: November 4 , 2015	/s/ David J. Hegarty
	David J. Hegarty
	President and Chief Operating Officer

Exhibit 31.4

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: November 4 , 2015

/s/ Richard A. Doyle
Richard A. Doyle
Treasurer and Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SEC. 1350

In connection with the filing by Senior Housing Properties Trust (the " Company ") of the Quarterly Report on Form 10-Q for the period ended September 30 , 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: November 4 , 201 5