
**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, 2017

OR

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

Commission File Number 1-15319

SENIOR HOUSING PROPERTIES TRUST

(Exact Name of Registrant as Specified in Its Charter)

Maryland

(State or Other Jurisdiction of Incorporation or
Organization)

04-3445278

(IRS Employer Identification No.)

Two Newton Place, 255 Washington Street, Suite 300, Newton, MA 02458-1634

(Address of Principal Executive Offices) (Zip Code)

617-796-8350

(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

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

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

Large accelerated filer ☒

Accelerated filer ☐

Non—accelerated filer ☐

Smaller reporting company ☐

(Do not check if a smaller reporting company)

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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 8, 2017 : 237,630,409

SENIOR HOUSING PROPERTIES TRUST
FORM 10-Q

September 30, 2017

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References in this Quarterly Report on Form 10-Q to the Company, 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 data)
(unaudited)

	September 30, 2017	December 31, 2016
ASSETS		
Real estate properties:		
Land	\$ 814,137	\$ 803,773
Buildings and improvements	7,023,311	6,926,750
	7,837,448	7,730,523
Accumulated depreciation	(1,475,360)	(1,328,011)
	6,362,088	6,402,512
Cash and cash equivalents	28,870	31,749
Restricted cash	14,088	3,829
Acquired real estate leases and other intangible assets, net	463,802	514,446
Other assets, net	318,893	275,218
Total assets	<u>\$ 7,187,741</u>	<u>\$ 7,227,754</u>
LIABILITIES AND EQUITY		
Unsecured revolving credit facility	\$ 471,000	\$ 327,000
Unsecured term loans, net	547,253	547,058
Senior unsecured notes, net	1,724,936	1,722,758
Secured debt and capital leases, net	815,500	1,117,649
Accrued interest	32,185	18,471
Assumed real estate lease obligations, net	98,498	106,038
Other liabilities	210,814	189,375
Total liabilities	<u>3,900,186</u>	<u>4,028,349</u>
Commitments and contingencies		
Equity:		
Equity attributable to common shareholders:		
Common shares of beneficial interest, \$.01 par value: 300,000,000 shares authorized, 237,630,409 and 237,544,479 shares issued and outstanding at September 30, 2017 and December 31, 2016, respectively	2,376	2,375
Additional paid in capital	4,609,029	4,533,456
Cumulative net income	1,701,495	1,618,885
Cumulative other comprehensive income	66,310	34,549
Cumulative distributions	(3,267,792)	(2,989,860)
Total equity attributable to common shareholders	3,111,418	3,199,405
Noncontrolling interest:		
Total equity attributable to noncontrolling interest	176,137	—
Total equity	<u>3,287,555</u>	<u>3,199,405</u>
Total liabilities and equity	<u>\$ 7,187,741</u>	<u>\$ 7,227,754</u>

See accompanying notes.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Revenues:				
Rental income	\$ 168,348	\$ 165,503	\$ 501,437	\$ 490,922
Residents fees and services	98,331	98,480	294,816	292,803
Total revenues	266,679	263,983	796,253	783,725
Expenses:				
Property operating expenses	104,714	103,347	308,565	298,776
Depreciation and amortization	66,619	72,344	209,463	214,938
General and administrative	19,883	12,107	57,889	34,931
Acquisition and certain other transaction related costs	—	824	292	1,443
Impairment of assets	—	4,578	5,082	16,930
Total expenses	191,216	193,200	581,291	567,018
Operating income	75,463	70,783	214,962	216,707
Dividend income	659	659	1,978	1,449
Interest and other income	128	89	323	330
Interest expense	(40,105)	(43,438)	(124,394)	(123,837)
Loss on early extinguishment of debt	(274)	(84)	(7,627)	(90)
Income from continuing operations before income tax expense and equity in earnings of an investee	35,871	28,009	85,242	94,559
Income tax expense	(109)	(119)	(300)	(318)
Equity in earnings of an investee	31	13	533	107
Income before gain on sale of properties	35,793	27,903	85,475	94,348
Gain on sale of properties	—	—	—	4,061
Net income	35,793	27,903	85,475	98,409
Net income attributable to noncontrolling interest	(1,379)	—	(2,865)	—
Net income attributable to common shareholders	\$ 34,414	\$ 27,903	\$ 82,610	\$ 98,409
Other comprehensive income:				
Unrealized gain on investments in available for sale securities	7,333	16,562	26,383	56,680
Amounts reclassified from cumulative other comprehensive income to net income	—	—	5,082	—
Equity in unrealized gain of an investee	116	80	296	175
Other comprehensive income	7,449	16,642	31,761	56,855
Comprehensive income	43,242	44,545	117,236	155,264
Comprehensive income attributable to noncontrolling interest	(1,379)	—	(2,865)	—
Comprehensive income attributable to common shareholders	\$ 41,863	\$ 44,545	\$ 114,371	\$ 155,264
Weighted average common shares outstanding (basic)	237,421	237,347	237,404	237,329
Weighted average common shares outstanding (diluted)	237,460	237,396	237,445	237,369
Per common share amounts (basic and diluted):				
Net income attributable to common shareholders	\$ 0.14	\$ 0.12	\$ 0.35	\$ 0.41

See accompanying notes.

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

	Nine Months Ended	
	September 30,	
	2017	2016
Cash flows from operating activities:		
Net income	\$ 85,475	\$ 98,409
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	209,463	214,938
Amortization of debt issuance costs and debt discounts and premiums	4,050	4,272
Straight line rental income	(10,485)	(13,598)
Amortization of acquired real estate leases and other intangible assets	(3,963)	(3,795)
Loss on early extinguishment of debt	7,627	90
Impairment of assets	5,082	16,930
Gain on sale of properties	—	(4,061)
Other non-cash adjustments	(2,829)	(2,828)
Equity in earnings of an investee	(533)	(107)
Change in assets and liabilities:		
Restricted cash	(10,259)	(170)
Other assets	(390)	2,990
Accrued interest	13,714	16,156
Other liabilities	27,438	13,170
Net cash provided by operating activities	324,390	342,396
Cash flows from investing activities:		
Real estate acquisitions and deposits	(34,227)	(188,523)
Real estate improvements	(89,710)	(72,455)
Proceeds from sale of properties	—	29,179
Net cash used for investing activities	(123,937)	(231,799)
Cash flows from financing activities:		
Proceeds from issuance of senior unsecured notes	—	250,000
Proceeds from borrowings on revolving credit facility	572,000	505,000
Proceeds from issuance of secured debt	—	620,000
Repayments of borrowings on revolving credit facility	(428,000)	(1,065,000)
Repayment of other debt	(303,964)	(127,202)
Loss on early extinguishment of debt settled in cash	(5,485)	—
Payment of debt issuance costs	(6,836)	(12,016)
Repurchase of common shares	(341)	(416)
Proceeds from noncontrolling interest, net	255,813	—
Distributions to noncontrolling interest	(8,587)	—
Distributions to shareholders	(277,932)	(277,846)
Net cash used for financing activities	(203,332)	(107,480)
(Decrease) increase in cash and cash equivalents	(2,879)	3,117
Cash and cash equivalents at beginning of period	31,749	37,656
Cash and cash equivalents at end of period	\$ 28,870	\$ 40,773
Supplemental cash flows information:		
Interest paid	\$ 106,629	\$ 103,409
Income taxes paid	\$ 441	\$ 363

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

Note 1. Basis of Presentation

The accompanying condensed consolidated financial statements of Senior Housing Properties Trust and its subsidiaries, or we, us, or our, are unaudited. Certain information and disclosures required by U.S. generally accepted accounting principles, or GAAP, for complete financial statements have been condensed or omitted. We believe the disclosures made are adequate to make the information presented not misleading. However, the accompanying condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes contained in our Annual Report on Form 10-K for the year ended December 31, 2016, 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.

In March 2017, we entered a joint venture with a sovereign investor for one of our properties leased to medical providers, medical related business, clinics and biotech laboratory tenants, or a MOB (two buildings), located in Boston, Massachusetts. We have determined that this joint venture is a variable interest entity, or VIE, as defined under the Consolidation Topic of the Financial Accounting Standards Board, or FASB, Accounting Standards Codification, or ASC. We concluded that we must consolidate this VIE because we are the entity with the power to direct the activities that most significantly impact the VIE's economic performance and we have the obligation to absorb losses of, and the right to receive benefits from, the VIE that could be significant to the VIE, and therefore are the primary beneficiary of the VIE. The assets of this VIE were \$1,112,959 as of September 30, 2017 and consist primarily of the net real estate owned by the joint venture. The liabilities of this VIE were \$721,769 as of September 30, 2017 and consist primarily of the mortgage debts on the property. The sovereign investor's interest in this consolidated entity is reflected as noncontrolling interest in our condensed consolidated financial statements. See Note 7 for further information about this joint venture.

Note 2. Recent Accounting Pronouncements

On January 1, 2017, we adopted FASB Accounting Standards Update, or ASU, No. 2017-01, *Clarifying the Definition of a Business*. This update provides additional guidance on evaluating whether a transaction should be accounted for as an acquisition (or disposal) of assets or of a business. This update defines three requirements for a set of assets and activities (collectively referred to as a "set") to be considered a business: inputs, processes and outputs. As a result of the implementation of this update, certain property acquisitions, which under previous guidance were accounted for as business combinations, are now accounted for as acquisitions of assets. In an acquisition of assets, certain acquisition costs are capitalized as opposed to expensed under previous guidance.

On January 1, 2017, we adopted FASB ASU No. 2016-09, *Compensation - Stock Compensation*, which identifies areas for simplification involving several aspects of accounting for share based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, an option to recognize gross stock compensation expense with actual forfeitures recognized as they occur, as well as certain classifications on the statement of cash flows. The adoption of ASU No. 2016-09 did not have a material impact in our condensed consolidated financial statements.

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. ASU No. 2014-09 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 ASU No. 2014-09 specifically references contracts with customers, it may apply to certain other transactions such as the sale of real estate or equipment. In August 2015, the FASB provided for a one-year deferral of the effective date for ASU No. 2014-09, which is now effective for us beginning January 1, 2018. A substantial portion of our revenue consists of rental income from leasing arrangements, including leases with residents at properties leased to our taxable REIT subsidiaries, or TRSs, which is specifically excluded from ASU No. 2014-09. We are continuing to evaluate ASU No. 2014-09 (and related clarifying guidance issued by the FASB); however, we do

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

not expect its adoption to have a significant impact on the amount or timing of our revenue recognition in our condensed consolidated financial statements. We currently expect to adopt the standard using the modified retrospective approach.

In January 2016, the FASB issued ASU No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*, which changes how entities measure certain equity investments and present changes in the fair value of financial liabilities measured under the fair value option that are attributable to their own credit. This update is effective for interim and annual periods beginning after December 15, 2017, with early adoption permitted subject to certain conditions. Currently, changes in fair value of these investments are recorded through other comprehensive income. ASU No. 2016-01 states that these changes will be recorded through earnings. We are continuing to evaluate this guidance, but we expect the implementation of this guidance will affect how changes in the fair value of available for sale securities we hold are presented in our condensed consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). ASU No. 2016-02 requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase of the leased asset by the lessee. This classification will determine whether the lease expense is recognized based on an effective interest method or on a straight line basis over the term of the lease. A lessee is also required to record a right of use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales type leases, direct financing leases and operating leases. ASU No. 2016-02 is effective for reporting periods beginning after December 15, 2018, with early adoption permitted. We are currently assessing the potential impact the adoption of ASU No. 2016-02 will have in our condensed consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which requires that entities use a new forward looking “expected loss” model that generally will result in the earlier recognition of allowance for credit losses. The measurement of expected credit losses is based upon historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. ASU No. 2016-13 is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. We are currently assessing the potential impact the adoption of ASU No. 2016-13 will have in our condensed consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*, which clarifies how companies present and classify certain cash receipts and cash payments in the statement of cash flows. ASU No. 2016-15 is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The guidance is not expected to have a material impact in our condensed consolidated financial statements and related disclosures.

In November 2016, the FASB issued ASU No. 2016-18, *Restricted Cash*, which clarifies how companies should present restricted cash and restricted cash equivalents. Companies will show the changes in the total of cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows. The new standard requires a reconciliation of the totals in the statement of cash flows to the related captions in the balance sheets. ASU No. 2016-18 is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Upon the adoption of ASU No. 2016-18, we will reconcile both cash and cash equivalents and restricted cash and restricted cash equivalents, whereas under the current guidance we explain the changes during the period for cash and cash equivalents only.

In May 2017, the FASB issued ASU No. 2017-09, *Scope of Modification Accounting*, which clarifies which changes to the terms or conditions of a share based payment award are subject to the guidance on modification accounting under ASC 718. Entities would apply the modification accounting guidance unless the value, vesting requirements and classification of a share based payment award are the same immediately before and after a change to the terms or conditions of the award. ASU No. 2017-09 is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. We are continuing to evaluate ASU No. 2017-09; however, we do not expect its adoption to have a material impact in our condensed consolidated financial statements.

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

Note 3 . Real Estate Properties

At September 30, 2017 , we owned 435 properties (461 buildings) located in 42 states and Washington, D.C.

*Acquisitions:*MOBs:

In January 2017, we acquired one MOB (one building) located in Kansas with approximately 117,000 square feet for a purchase price of approximately \$15,106 , including closing costs of \$35 .

In July 2017, we acquired one MOB (one building) located in Maryland with approximately 59,000 square feet for a purchase price of approximately \$16,601 , including closing costs of \$383 .

We funded these asset acquisitions using cash on hand and borrowings under our revolving credit facility. The allocations of the purchase prices for these acquisitions are as follows:

Date	Location	Number of Properties	Number of Buildings	Square Feet (000's)	Cash Paid plus Assumed Debt ⁽¹⁾	Land	Building and Improvements	Acquired Real Estate Leases ⁽²⁾
1/17/2017	Kansas	1	1	117	\$ 15,106	\$ 1,522	\$ 7,246	\$ 6,338
7/12/2017	Maryland	1	1	59	16,601	6,138	6,526	3,937
		2	2	176	\$ 31,707	\$ 7,660	\$ 13,772	\$ 10,275

(1) Amount includes the cash we paid and various closing settlement adjustments, as well as closing costs.

(2) The weighted average amortization periods for acquired real estate leases at the time of these acquisitions was 7.8 years .

In October 2017, we acquired two MOBs (two buildings) located in Minnesota and North Carolina with a total of approximately 255,000 square feet for an aggregate purchase price of approximately \$38,650 , excluding closing costs.

In August and October 2017, we entered agreements to acquire two MOBs (two buildings) located in California and Kansas with a total of approximately 302,000 square feet for an aggregate purchase price of approximately \$71,100 , excluding closing costs. These acquisitions are subject to conditions; accordingly, we may not acquire these properties, these acquisitions may be delayed or the terms may change.

In November 2017, we entered a transaction agreement with Five Star Senior Living Inc., or Five Star, pursuant to which we agreed to acquire six senior living communities from Five Star. The aggregate purchase price for these six senior living communities is approximately \$104,000 , including our assumption of \$33,696 of mortgage debt securing certain of these senior living communities with a weighted average annual interest rate of 6.2% and excluding closing costs. The closings of these acquisitions are expected to occur as third party approvals are received between now and the end of the first quarter of 2018. These acquisitions are subject to conditions; accordingly, we may not acquire these senior living communities, these acquisitions may be delayed or the terms may change. See Note 10 for further information regarding this transaction.

Impairment and Held for Sale:

We periodically evaluate our assets for impairments. Impairment indicators may include declining tenant or resident occupancy, weak or declining profitability from the property, decreasing tenant cash flows 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 an asset. If indicators of impairment are present, we evaluate the carrying value of the affected asset by comparing it to the expected future undiscounted net cash flows to be generated from that asset. If the sum of these expected future net cash flows is less than the carrying value, we reduce the net carrying value of the asset to its estimated fair value. We did not record any impairment charges for our real estate properties during the nine months ended September 30, 2017 . See Note 4 for further information regarding other than temporary impairment losses recorded in 2017 on our investments in available for sale securities.

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

Note 4 . Investments in Available for Sale Securities

At September 30, 2017 , we owned 2,637,408 shares of class A common stock of The RMR Group Inc., or RMR Inc. We classify these shares as available for sale securities and carry them at fair value in other assets in our condensed consolidated balance sheets, with unrealized gains and losses reported as a component of shareholders' equity. Our historical cost basis for these shares is \$69,826 . At September 30, 2017 , our investment in RMR Inc. had a fair value of \$135,431 , resulting in a cumulative unrealized gain of \$65,605 based on RMR Inc.'s quoted share price on The Nasdaq Stock Market LLC, or the Nasdaq, at September 30, 2017 (\$51.35 per share).

At September 30, 2017 , we owned 4,235,000 common shares of Five Star. We classify these shares as available for sale securities and carry them at fair value in other assets in our condensed consolidated balance sheets, with unrealized gains and losses reported as a component of shareholders' equity. In performing our periodic evaluation of other than temporary impairment on our investment in Five Star for the second quarter of 2017, we determined that, based upon the length of time and the extent to which the market value of our Five Star investment was below the carrying value of our Five Star investment, the decline in fair value should be deemed to be other than temporary at June 30, 2017. Accordingly, we recorded a loss on impairment of \$5,082 to reduce the carrying value of our Five Star investment to its estimated fair value during the second quarter of 2017. We determined the fair value using the closing price of Five Star's common shares on the Nasdaq on June 30, 2017 (\$1.50 per share). At September 30, 2017, our Five Star investment had an adjusted cost basis of \$6,353 and a fair value of \$6,564 , resulting in a cumulative unrealized gain of \$211 based on Five Star's per share market price at September 30, 2017 (\$1.55 per share).

See Notes 6 and 12 for further information regarding our investments in available for sale securities.

Note 5 . Indebtedness

Our principal debt obligations at September 30, 2017 were: (1) outstanding borrowings under our \$1,000,000 unsecured revolving credit facility; (2) six public issuances of senior unsecured notes, including: (a) \$400,000 principal amount at an annual interest rate of 3.25% due 2019, (b) \$200,000 principal amount at an annual interest rate of 6.75% due 2020, (c) \$300,000 principal amount at an annual interest rate of 6.75% due 2021, (d) \$250,000 principal amount at an annual interest rate of 4.75% due 2024, (e) \$350,000 principal amount at an annual interest rate of 5.625% due 2042 and (f) \$250,000 principal amount at an annual interest rate of 6.25% due 2046; (3) our \$350,000 principal amount unsecured term loan due 2020; (4) our \$200,000 principal amount unsecured term loan due 2022; and (5) \$806,418 aggregate principal amount of mortgages (excluding premiums, discounts and net debt issuance costs) secured by 24 of our properties (25 buildings) with maturity dates between 2018 and 2043. The 24 mortgaged properties (25 buildings) had a carrying value (before accumulated depreciation) of \$1,232,275 at September 30, 2017 . We also had two properties subject to capital leases with lease obligations totaling \$10,892 at September 30, 2017 ; these two properties had a carrying value (before accumulated depreciation) of \$36,234 at September 30, 2017 , and the capital leases expire in 2026.

In April 2017, we prepaid a mortgage note secured by 17 of our properties with an outstanding principal balance of approximately \$277,837 plus an aggregate premium of \$5,449 plus accrued interest, a maturity date in September 2019 and an annual interest rate of 6.71% . In May 2017, we prepaid, at par plus accrued interest, a mortgage note secured by one of our properties with an outstanding principal balance of approximately \$10,579 , a maturity date in August 2017 and an annual interest rate of 6.15% . In June 2017, we prepaid, at par plus accrued interest, a mortgage note secured by one of our properties with an outstanding principal balance of approximately \$8,807 , a maturity date in August 2037 and an annual interest rate of 5.95% . We recorded loss on early extinguishment of debt of \$7,353 for the nine months ended September 30, 2017 related to these prepayments.

We have a \$1,000,000 revolving credit facility that is available for general business purposes, including acquisitions. Our revolving credit facility provides that we can borrow, repay and re-borrow funds available under our revolving credit facility until maturity, and no principal repayment is due until maturity. In August 2017, we amended the agreement governing our revolving credit facility. As a result of the amendment, the interest rate payable on borrowings under the facility was reduced from LIBOR plus a premium of 130 basis points per annum to LIBOR plus a premium of 120 basis points per annum, and the facility fee was reduced from 30 basis points per annum to 25 basis points per annum on the total amount of lending commitments under the facility. The interest rate premium and facility fee are each subject to adjustment based upon changes to our credit ratings. Also as a result of the amendment, the stated maturity date of the facility was extended from January 15, 2018 to January 15, 2022, and, subject to the payment of an extension fee and meeting other conditions, we have the option to extend the maturity date of the facility for an additional year. The facility also includes a feature pursuant to which in certain circumstances maximum borrowings

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

under the facility may be increased to up to \$2,000,000 . In connection with this amendment, in August 2017 we recorded loss on early extinguishment of debt of \$149 to write off unamortized debt issuance costs.

As of September 30, 2017 , the annual interest rate payable on borrowings under our revolving credit facility was 2.4% . The weighted average annual interest rates for borrowings under our revolving credit facility were 2.5% and 1.8% for the three months ended September 30, 2017 and 2016 , respectively, and 2.3% and 1.7% for the nine months ended September 30, 2017 and 2016 , respectively. As of September 30, 2017 , we had \$471,000 outstanding and \$529,000 available for borrowing, and as of November 8, 2017 , we had \$485,000 outstanding and \$515,000 available for borrowing under our revolving credit facility. We incurred interest expense and other associated costs related to our revolving credit facility of \$3,512 and \$2,024 for the three months ended September 30, 2017 and 2016 , respectively, and \$8,538 and \$9,159 for the nine months ended September 30, 2017 and 2016 , respectively.

Our \$350,000 term loan matures in January 2020, and is prepayable without penalty at any time. This term loan requires annual interest to be paid at the rate of LIBOR plus a premium of 140 basis points that is subject to adjustment based upon changes to our credit ratings. At September 30, 2017 , the annual interest rate payable on amounts outstanding under this term loan was 2.6% . The weighted average annual interest rate for amounts outstanding under this term loan was 2.6% and 1.9% for the three months ended September 30, 2017 and 2016 , respectively, and 2.4% and 1.9% for the nine months ended September 30, 2017 and 2016 , respectively. We incurred interest expense and other associated costs related to this term loan of \$2,363 and \$1,707 for the three months ended September 30, 2017 and 2016 , respectively, and \$6,419 and \$4,956 for the nine months ended September 30, 2017 and 2016 , respectively. This term loan includes an accordion feature under which maximum borrowings may be increased to up to \$700,000 in certain circumstances.

Our \$200,000 term loan matures in September 2022, and is prepayable without penalty at any time beginning in September 2017. At September 30, 2017 , the annual interest rate payable on amounts outstanding under this term loan was 2.6% . The weighted average annual interest rate for amounts outstanding under this term loan was 2.7% and 2.3% for the three months ended September 30, 2017 and 2016 , respectively, and 2.7% and 2.3% for the nine months ended September 30, 2017 and 2016 , respectively. We incurred interest expense and other associated costs related to this term loan of \$1,404 and \$1,173 for the three months ended September 30, 2017 and 2016 , respectively, and \$4,129 and \$3,433 for the nine months ended September 30, 2017 and 2016 , respectively. This term loan includes an accordion feature under which maximum borrowings may be increased to up to \$400,000 in certain circumstances. In August 2017, we amended the agreement governing this term loan. As a result of the amendment, the interest rate payable was reduced from LIBOR plus a premium of 180 basis points per annum to LIBOR plus a premium of 135 basis points per annum, subject to adjustment based upon changes to our credit ratings. In connection with this amendment, in August 2017 we recorded loss on early extinguishment of debt of \$125 to write off unamortized debt issuance costs.

Our revolving credit facility and term loan agreements and our senior unsecured notes indentures and their supplements provide for acceleration of payment of all amounts due thereunder upon the occurrence and continuation of certain events of default, such as, in the case of our revolving credit facility and term loan agreements, a change of control of us, as defined, which includes The RMR Group LLC, or RMR LLC, ceasing to act as our business and property manager. Our revolving credit facility and term loan agreements and our senior unsecured notes indentures and their supplements also contain a number of covenants, including covenants that restrict our ability to incur debts, and generally require us to maintain certain financial ratios, and our revolving credit facility and term loan agreements restrict our ability to make distributions under certain circumstances. We believe we were in compliance with the terms and conditions of the respective covenants under our revolving credit facility and term loan agreements and our senior unsecured notes indentures and their supplements at September 30, 2017 .

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Note 6 . Fair Value of Assets and Liabilities

The table below presents certain of our assets measured at fair value at September 30, 2017, categorized by the level of inputs as defined in the fair value hierarchy under GAAP, used in the valuation of each asset:

Description	Total as of September 30, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>Recurring Fair Value Measurements</i>				
Assets:				
Investments in available for sale securities ⁽¹⁾	\$ 141,995	\$ 141,995	\$ —	\$ —

(1) Our investments in available for sale securities include our 2,637,408 shares of RMR Inc. class A common stock and our 4,235,000 Five Star common shares. The fair values of these shares are based upon quoted prices at September 30, 2017 in active markets (Level 1 inputs). See Notes 4 and 12 for further information on our investments in available for sale securities.

In addition to the assets described in the table above, our financial instruments at September 30, 2017 and December 31, 2016 included cash and cash equivalents, restricted cash, other assets, our revolving credit facility, term loans, senior unsecured notes, secured debt and capital leases and other unsecured obligations and liabilities. The fair values of these financial instruments approximated their carrying values in our condensed consolidated financial statements as of such dates, except as follows:

Description	As of September 30, 2017		As of December 31, 2016	
	Carrying Amount ⁽¹⁾	Estimated Fair Value	Carrying Amount ⁽¹⁾	Estimated Fair Value
Senior unsecured notes	\$ 1,724,936	\$ 1,823,535	\$ 1,722,758	\$ 1,755,715
Secured debt ⁽²⁾	804,608	782,175	1,106,183	1,090,515
	\$ 2,529,544	\$ 2,605,710	\$ 2,828,941	\$ 2,846,230

(1) Includes unamortized debt issuance costs, premiums and discounts.

(2) We assumed certain of these secured debts in connection with our acquisitions of certain properties. We recorded the assumed mortgage debts at estimated fair value on the date of acquisition and we are amortizing the fair value adjustments, if any, to interest expense over the respective terms of the mortgage debts to adjust interest expense to the estimated market interest rates as of the date of acquisition.

We estimated the fair value of our two issuances of senior unsecured notes due 2042 and 2046 based on the closing price on the Nasdaq (a Level 1 input) as of September 30, 2017. We estimated the fair values of our four issuances of senior unsecured notes due 2019, 2020, 2021 and 2024 using an average of the bid and ask price on or about September 30, 2017 (Level 2 inputs as defined in the fair value hierarchy under GAAP). We estimated the fair values of our secured debts by using discounted cash flows analyses and currently prevailing market terms as of the measurement date (Level 3 inputs as defined in the fair value hierarchy under GAAP). Because Level 3 inputs are unobservable, our estimated fair value may differ materially from the actual fair value.

Note 7 . Noncontrolling Interest

In March 2017, we entered a joint venture with a sovereign investor for one of our MOBs (two buildings) located in Boston, Massachusetts. The investor contributed approximately \$260,891 for a 45% equity interest in the joint venture, and we retained the remaining 55% equity interest in the joint venture. Net proceeds from this transaction were approximately \$255,813, after transaction costs. We continue to effectively control this property and therefore continue to account for this property on a consolidated basis in our condensed consolidated financial statements under the VIE model.

This transaction was considered a partial sale of real estate that did not result in profit recognition under the full accrual method due to our continuing involvement in the entity. We recognized a noncontrolling interest in our condensed consolidated balance sheets of approximately \$181,859 as of completion of the transaction, which was equal to 45% of the aggregate carrying value of the total equity of the property immediately prior to the transaction. The difference between the net proceeds received from this transaction and the noncontrolling interest recognized, which was approximately \$73,954, has been reflected as an increase in additional paid in capital in our condensed consolidated balance sheets. The portion of the joint venture's net income and

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comprehensive income not attributable to us, or \$1,379 and \$2,865 for the three and nine months ended September 30, 2017, respectively, is reported as noncontrolling interest in our condensed consolidated statements of comprehensive income. We made aggregate cash distributions to our joint venture partner of \$5,105 and \$8,587 during the three and nine months ended September 30, 2017, respectively, which are reflected as a decrease in total equity attributable to noncontrolling interest in our condensed consolidated balance sheets. As of September 30, 2017, this joint venture held real estate assets with an aggregate net book value of \$989,432, subject to mortgage debts of \$620,000.

In assessing whether we have a controlling interest in this joint venture arrangement and the requirement to consolidate the accounts of the joint venture entity, we considered the members' rights to residual gains and obligation to absorb losses, which activities most significantly impact the economic performance of the entity and which member has the power to direct those activities.

Note 8 . Shareholders' Equity

Share Issuances and Repurchases:

On May 18, 2017, we granted 3,000 of our common shares, valued at \$21.25 per share, the closing price of our common shares on the Nasdaq on that day, to each of our five Trustees as part of their annual compensation.

On June 30, 2017, we purchased 516 of our common shares, valued at \$20.44 per share, the closing price of our common shares on the Nasdaq on that day, from former employees of RMR LLC in satisfaction of tax withholding and payment obligations in connection with vesting of awards of our common shares.

On September 14, 2017, we granted an aggregate of 88,100 of our common shares to our officers and certain other employees of RMR LLC, valued at \$19.78 per share, the closing price of our common shares on the Nasdaq on that day.

On September 19, 2017, we purchased an aggregate of 16,654 of our common shares, valued at \$19.85 per share, the closing price of our common shares on the Nasdaq 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 our common shares.

Distributions:

On February 21, 2017, we paid a regular quarterly distribution to common shareholders of \$0.39 per share, or approximately \$92,642, that was declared on January 13, 2017 and was payable to shareholders of record on January 23, 2017. On May 18, 2017, we paid a regular quarterly distribution to common shareholders of \$0.39 per share, or approximately \$92,642, that was declared on April 11, 2017 and was payable to shareholders of record on April 21, 2017. On August 17, 2017, we paid a regular quarterly distribution to common shareholders of \$0.39 per share, or approximately \$92,648, that was declared on July 12, 2017 and was payable to shareholders of record on July 24, 2017. On October 12, 2017, we declared a regular quarterly distribution payable to common shareholders of record on October 23, 2017 of \$0.39 per share, or approximately \$92,676. We expect to pay this distribution on or about November 16, 2017.

Note 9 . Segment Reporting

As of September 30, 2017, we have four operating segments, of which three are separate reporting segments. We aggregate our triple net leased senior living communities, our managed senior living communities and our MOB's into three reporting segments, based on their similar operating and economic characteristics. The first reporting segment includes triple net leased senior living communities that provide short term and long term residential care and other services for residents and with respect to which we receive rents from the operators. The second reporting segment includes managed senior living communities that provide short term and long term residential care and other services for residents where we pay fees to the operator to manage the communities for our account. The third reporting segment includes MOB's where the tenants pay us rent. Our fourth segment includes all of our other operations, including certain properties that offer wellness, fitness and spa services to members and with respect to which we receive rents from operators, which we do not consider to be sufficiently material to constitute a separate reporting segment.

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	For the Three Months Ended September 30, 2017				
	Triple Net Leased Senior Living Communities	Managed Senior Living Communities	MOBs	All Other Operations	Consolidated
Revenues:					
Rental income	\$ 67,662	\$ —	\$ 96,116	\$ 4,570	\$ 168,348
Residents fees and services	—	98,331	—	—	98,331
Total revenues	67,662	98,331	96,116	4,570	266,679
Expenses:					
Property operating expenses	—	75,556	29,158	—	104,714
Depreciation and amortization	20,629	12,691	32,351	948	66,619
General and administrative	—	—	—	19,883	19,883
Total expenses	20,629	88,247	61,509	20,831	191,216
Operating income (loss)	47,033	10,084	34,607	(16,261)	75,463
Dividend income	—	—	—	659	659
Interest and other income	—	—	—	128	128
Interest expense	(655)	(1,172)	(6,172)	(32,106)	(40,105)
Loss on early extinguishment of debt	—	—	—	(274)	(274)
Income (loss) from continuing operations before income tax expense and equity in earnings of an investee	46,378	8,912	28,435	(47,854)	35,871
Income tax expense	—	—	—	(109)	(109)
Equity in earnings of an investee	—	—	—	31	31
Net income (loss)	46,378	8,912	28,435	(47,932)	35,793
Net income attributable to noncontrolling interest	—	—	(1,379)	—	(1,379)
Net income (loss) attributable to common shareholders	\$ 46,378	\$ 8,912	\$ 27,056	\$ (47,932)	\$ 34,414
As of September 30, 2017					
	Triple Net Leased Senior Living Communities	Managed Senior Living Communities	MOBs	All Other Operations	Consolidated
Total assets	\$ 2,270,952	\$ 1,241,190	\$ 3,290,138	\$ 385,461	\$ 7,187,741

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	For the Three Months Ended September 30, 2016				
	Triple Net Leased Senior Living Communities	Managed Senior Living Communities	MOBs	All Other Operations	Consolidated
Revenues:					
Rental income	\$ 66,520	\$ —	\$ 94,404	\$ 4,579	\$ 165,503
Residents fees and services	—	98,480	—	—	98,480
Total revenues	66,520	98,480	94,404	4,579	263,983
Expenses:					
Property operating expenses	47	74,763	28,537	—	103,347
Depreciation and amortization	19,727	20,747	30,922	948	72,344
General and administrative	—	—	—	12,107	12,107
Acquisition and certain other transaction related costs	—	—	—	824	824
Impairment of assets	2,191	2,394	(7)	—	4,578
Total expenses	21,965	97,904	59,452	13,879	193,200
Operating income (loss)	44,555	576	34,952	(9,300)	70,783
Dividend income	—	—	—	659	659
Interest and other income	—	—	—	89	89
Interest expense	(6,228)	(2,104)	(5,599)	(29,507)	(43,438)
Loss on early extinguishment of debt	—	(84)	—	—	(84)
Income (loss) from continuing operations before income tax expense and equity in earnings of an investee	38,327	(1,612)	29,353	(38,059)	28,009
Income tax expense	—	—	—	(119)	(119)
Equity in earnings of an investee	—	—	—	13	13
Net income (loss)	\$ 38,327	\$ (1,612)	\$ 29,353	\$ (38,165)	\$ 27,903
As of December 31, 2016					
	Triple Net Leased Senior Living Communities	Managed Senior Living Communities	MOBs	All Other Operations	Consolidated
Total assets	\$ 2,289,045	\$ 1,260,032	\$ 3,333,141	\$ 345,536	\$ 7,227,754

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	For the Nine Months Ended September 30, 2017				
	Triple Net Leased Senior Living Communities	Managed Senior Living Communities	MOBs	All Other Operations	Consolidated
Revenues:					
Rental income	\$ 202,340	\$ —	\$ 285,413	\$ 13,684	\$ 501,437
Residents fees and services	—	294,816	—	—	294,816
Total revenues	202,340	294,816	285,413	13,684	796,253
Expenses:					
Property operating expenses	—	224,585	83,980	—	308,565
Depreciation and amortization	61,434	49,295	95,890	2,844	209,463
General and administrative	—	—	—	57,889	57,889
Acquisition and certain other transaction related costs	—	—	—	292	292
Impairment of assets	—	—	—	5,082	5,082
Total expenses	61,434	273,880	179,870	66,107	581,291
Operating income (loss)	140,906	20,936	105,543	(52,423)	214,962
Dividend income	—	—	—	1,978	1,978
Interest and other income	—	—	—	323	323
Interest expense	(8,205)	(3,523)	(18,742)	(93,924)	(124,394)
Loss on early extinguishment of debt	(7,294)	—	(59)	(274)	(7,627)
Income (loss) from continuing operations before income tax expense and equity in earnings of an investee	125,407	17,413	86,742	(144,320)	85,242
Income tax expense	—	—	—	(300)	(300)
Equity in earnings of an investee	—	—	—	533	533
Net income (loss)	125,407	17,413	86,742	(144,087)	85,475
Net income attributable to noncontrolling interest	—	—	(2,865)	—	(2,865)
Net income (loss) attributable to common shareholders	\$ 125,407	\$ 17,413	\$ 83,877	\$ (144,087)	\$ 82,610
As of September 30, 2017					
	Triple Net Leased Senior Living Communities	Managed Senior Living Communities	MOBs	All Other Operations	Consolidated
Total assets	\$ 2,270,952	\$ 1,241,190	\$ 3,290,138	\$ 385,461	\$ 7,187,741

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	For the Nine Months Ended September 30, 2016				
	Triple Net Leased Senior Living Communities	Managed Senior Living Communities	MOBs	All Other Operations	Consolidated
Revenues:					
Rental income	\$ 198,269	\$ —	\$ 278,964	\$ 13,689	\$ 490,922
Residents fees and services	—	292,803	—	—	292,803
Total revenues	198,269	292,803	278,964	13,689	783,725
Expenses:					
Property operating expenses	833	218,582	79,361	—	298,776
Depreciation and amortization	58,401	60,905	92,788	2,844	214,938
General and administrative	—	—	—	34,931	34,931
Acquisition and certain other transaction related costs	—	—	—	1,443	1,443
Impairment of assets	6,583	2,394	7,953	—	16,930
Total expenses	65,817	281,881	180,102	39,218	567,018
Operating income (loss)	132,452	10,922	98,862	(25,529)	216,707
Dividend income	—	—	—	1,449	1,449
Interest and other income	—	—	—	330	330
Interest expense	(18,892)	(7,332)	(7,398)	(90,215)	(123,837)
Loss on early extinguishment of debt	—	(90)	—	—	(90)
Income (loss) from continuing operations before income tax expense and equity in earnings of an investee	113,560	3,500	91,464	(113,965)	94,559
Income tax expense	—	—	—	(318)	(318)
Equity in earnings of an investee	—	—	—	107	107
Income (loss) from before gain on sale of properties	113,560	3,500	91,464	(114,176)	94,348
Gain on sale of properties	4,061	—	—	—	4,061
Net income (loss)	\$ 117,621	\$ 3,500	\$ 91,464	\$ (114,176)	\$ 98,409
As of December 31, 2016					
	Triple Net Leased Senior Living Communities	Managed Senior Living Communities	MOBs	All Other Operations	Consolidated
Total assets	\$ 2,289,045	\$ 1,260,032	\$ 3,333,141	\$ 345,536	\$ 7,227,754

Note 10 . Leases and Management Agreements with Five Star

Our Senior Living Communities Leased by Five Star. We are Five Star's largest landlord and Five Star is our largest tenant. As of September 30, 2017 and 2016 , we leased 185 and 183 senior living communities to Five Star, respectively. We lease senior living communities to Five Star pursuant to five leases with Five Star. We recognized total rental income from Five Star of \$51,333 , and \$50,417 for the three months ended September 30, 2017 and 2016 , respectively, and \$153,441 and \$146,758 for the nine months ended September 30, 2017 and 2016 , respectively. These amounts exclude percentage rent payments we received from Five Star of \$1,353 and \$1,367 for the three months ended September 30, 2017 and 2016 , respectively, and \$4,190 and \$4,228 for the nine months ended September 30, 2017 and 2016 , 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. As of September 30,

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2017 and December 31, 2016 , we had rents receivable from Five Star of \$17,120 and \$18,320 , respectively, which amounts are included in other assets in our condensed consolidated balance sheets. Rental income from Five Star represented 19.2% and 19.3% of our total revenues for the three and nine months ended September 30, 2017 , respectively, and the properties Five Star leases from us represented 27.5% of our total gross book value of real estate assets as of September 30, 2017 .

Pursuant to the terms of our leases with Five Star, for the nine months ended September 30, 2017 and 2016 , we funded \$30,698 and \$15,306 , respectively, of improvements to communities leased to Five Star. As a result, the annual rent payable to us by Five Star increased by approximately \$2,464 and \$1,228 , respectively. During the quarter ended June 30, 2017, we and Five Star agreed to amend the applicable lease for certain construction, expansion and development projects at two senior living communities we own and lease to Five Star. If and when Five Star requests that we purchase improvements related to these specific projects from them, Five Star's annual rent payable to us will increase by an amount equal to the interest rate then applicable to our borrowings under our revolving credit facility plus 2% per annum of the amount we purchased. This amount of increased rent will apply until 12 months after a certificate of occupancy is issued with respect to the project; thereafter, Five Star's annual rent payable to us will be revised to equal the amount determined pursuant to the capital improvement formula specified in the applicable lease.

In August 2017, we acquired a land parcel from Five Star adjacent to a senior living community located in Delaware that we lease to Five Star for \$750 , excluding closing costs. This land parcel was added to the applicable lease and Five Star's annual minimum rent payable to us increased by \$33 in accordance with the terms of that lease.

In June 2016, we acquired seven senior living communities from Five Star for an aggregate purchase price of \$112,350 , and we simultaneously leased these communities back to Five Star under a new long term lease agreement.

Our Senior Living Communities Managed by Five Star . Five Star managed 68 and 63 senior living communities for our account as of September 30, 2017 and 2016 , respectively. We lease our senior living communities that are managed by Five Star and include assisted living units or skilled nursing facility, or SNF, units to our TRSs and Five Star manages these communities pursuant to long term management agreements. We incurred management fees payable to Five Star of \$3,414 and \$3,070 for the three months ended September 30, 2017 and 2016 , respectively, and \$10,531 and \$8,689 for the nine months ended September 30, 2017 and 2016 , respectively. These amounts are included in property operating expenses or have been capitalized, as appropriate, in our condensed consolidated financial statements.

In addition to management services to us, Five Star also provides certain other services to residents at some of the senior living communities it manages for us, such as rehabilitation services. At senior living communities Five Star manages for us where Five Star provides rehabilitation services on an outpatient basis, the residents, third party payers or government programs pay Five Star for those rehabilitation services. At senior living communities Five Star manages for us where Five Star provides both inpatient and outpatient rehabilitation services, we generally pay Five Star for these services and charges for these services are included in amounts charged to residents, third party payers or government programs. We incurred fees of \$1,884 and \$1,866 for the three months ended September 30, 2017 and 2016 , respectively, and \$5,713 and \$5,755 for the nine months ended September 30, 2017 and 2016 , respectively, for rehabilitation services Five Star provided at senior living communities it manages for us and that are payable by us; we include these amounts in property operating expenses in our condensed consolidated statement of comprehensive income.

In November 2017, we entered a transaction agreement with Five Star pursuant to which we agreed to acquire six senior living communities from Five Star. We will enter management and pooling agreements with Five Star as we acquire these communities for Five Star to manage these senior living communities for us. The aggregate purchase price for these six senior living communities is approximately \$104,000 , including our assumption of approximately \$33,696 of mortgage debt securing certain of these senior living communities and excluding closing costs. These acquisitions are subject to conditions, including our assumption of certain applicable mortgage debt and receipt of any applicable regulatory approvals. We expect to complete these acquisitions as third party approvals are received between now and the end of the first quarter of 2018; however, the conditions to our acquisitions of these senior living communities may not be met and some or all of these acquisitions and related management and pooling arrangements may not occur, may be delayed or the terms may change.

The management agreements we and Five Star will enter in connection with our acquisitions of these senior living communities will be combined pursuant to two new pooling agreements to be entered between us and Five Star. The first new pooling agreement will combine the management agreements for five of these senior living communities. Pursuant to the terms of the management and pooling agreements to be entered for these five senior living communities, we will pay Five Star a

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management fee equal to 5% of the gross revenues realized at these communities plus reimbursement for Five Star's direct costs and expenses related to its operation of these communities, as well as an annual incentive fee equal to 20% of the annual net operating income of such communities remaining after we realize an annual minimum return equal to 7% of our invested capital for these senior living communities. The second new pooling agreement will include one management agreement for a senior living community that is subject to an ongoing construction, expansion and development project. The terms of the management and pooling agreements to be entered for this senior living community will be substantially the same as the terms of the management and pooling agreements for the other five senior living communities, except that our annual minimum return on invested capital related to the ongoing, construction and development project at this community will be an amount equal to the interest rate then applicable to borrowings under our revolving credit facility plus 2% per annum. This amount of minimum return will apply until the earlier of 12 months after a certificate of occupancy is issued with respect to the project and the third anniversary of our acquisition of this community; thereafter, the amount of annual minimum return on invested capital related to this project will be 7% of our invested capital. Also pursuant to the terms of the management and pooling agreements to be entered for these six senior living communities, we will pay Five Star a fee for its management of capital expenditure projects at these senior living communities equal to 3% of amounts funded by us. The terms of these management and pooling agreements will expire in 2041 and will be subject to automatic renewals, unless earlier terminated or timely notices of nonrenewal are delivered.

Also in November 2017, we amended our preexisting pooling agreements with Five Star, among other things, to provide that, with respect to our right to terminate all of the management agreements covered by a preexisting pooling agreement if we do not receive our annual minimum return under such agreement in each of three consecutive years, the commencement year for the measurement period for determining whether the specified annual minimum return under the applicable pooling agreement has been achieved will be 2017.

During the quarter ended June 30, 2017, we and Five Star agreed to amend the applicable management and pooling agreements for a construction, expansion and development project at a senior living community that we own and that is managed by Five Star. Our minimum return on invested capital for this specific project will increase by an amount equal to the interest rate then applicable to our borrowings under our revolving credit facility plus 2% per annum. This amount of increased minimum return will apply until 12 months after a certificate of occupancy is issued with respect to the project; thereafter, the amount of annual minimum return on invested capital will be revised to equal the amount determined pursuant to the applicable management and pooling agreements. We and Five Star also agreed that the commencement of the measurement period for determining whether the specified annual minimum return under the applicable management and pooling agreements has been achieved will be deferred until 12 months after a certificate of occupancy is issued with respect to the project.

Simultaneously with the June 2016 sale and leaseback transaction, we and Five Star terminated three of our four then existing pooling agreements and entered 10 new pooling agreements that combine our management agreements with Five Star for senior living communities that include assisted living units or SNF units. Pursuant to these management agreements and the pooling agreements, Five Star receives management fees equal to either 3% or 5% of the gross revenues realized at the applicable communities, reimbursement for its direct costs and expenses related to such communities, annual incentive fees if certain operating results at those communities are achieved and fees for its supervision of capital expenditure projects at those communities equal to 3% of amounts funded by us.

Under the pooling agreements, the calculations of Five Star's fees and of our annual minimum returns related to management agreements that include assisted living units that became effective before May 2015 and had been pooled under one of the previously existing pooling agreements are generally the same as they were under the previously existing pooling agreements. However, for certain communities, the pooling agreements reduced our annual minimum returns, and, with respect to 10 communities, reset the annual minimum returns we receive before Five Star is paid incentive fees to specified amounts. For those management agreements that include assisted living units that became effective from and after May 2015, the pooling agreements increased the management fees Five Star receives from 3% to 5% of the gross revenues realized at the applicable communities, and changed the potential annual incentive fees from 35% to 20% of the annual net operating income, or NOI, of the applicable communities remaining after we realize our requisite annual minimum returns.

Note 11 . Business and Property Management Agreements with RMR LLC

We have no employees. The personnel and various services we require to operate our business are provided to us by RMR LLC. We have two agreements with RMR LLC to provide management services to us: (1) a business management agreement, which relates to our business generally; and (2) a property management agreement, which relates to the property level operations of our MOBs. We also have a subsidiary level management agreement with RMR LLC related to one of our MOBs located in Boston, Massachusetts, which we entered in connection with the joint venture arrangement for that MOB. Under that agreement,

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our subsidiary pays RMR LLC certain business management fees directly, which fees are credited against the business management fees payable by us to RMR LLC.

Pursuant to our business management agreement with RMR LLC, we recognized net business management fees of \$17,744 and \$9,609 for the three months ended September 30, 2017 and 2016, respectively, and \$50,956 and \$27,199 for the nine months ended September 30, 2017 and 2016, respectively. The business management fees for the three and nine months ended September 30, 2017 also include \$725 and \$1,512, respectively, of management fees related to our subsidiary level management agreement with RMR LLC entered in connection with our joint venture arrangement. The business management fees for the three and nine months ended September 30, 2017 included estimated annual incentive fees for 2017 of \$8,022 and \$22,048, respectively, based on our common share total return, as defined, as of September 30, 2017. Although we recognized estimated incentive fees in accordance with GAAP, the actual amount of annual incentive fees payable to RMR LLC for 2017, if any, will be based on our common share total return, as defined, for the three year period ending December 31, 2017, and will be payable in 2018. The net business management fees we recognized for the 2017 and 2016 periods are included in general and administrative expense in our consolidated statements of comprehensive income.

Pursuant to our property management agreement with RMR LLC, we recognized aggregate net property management and construction supervision fees of \$2,736 and \$2,961 for the three months ended September 30, 2017 and 2016, respectively, and \$8,034 and \$8,193 for the nine months ended September 30, 2017 and 2016, respectively. These amounts are included in property operating expenses or have been capitalized, as appropriate, in our condensed consolidated financial statements.

We are generally responsible for all of our operating expenses, including certain expenses incurred by RMR LLC on our behalf. Our property level operating expenses, including certain payroll and related costs incurred by RMR LLC, are generally incorporated into rents charged to our tenants. We reimbursed RMR LLC \$2,353 and \$2,482 for property management related expenses for the three months ended September 30, 2017 and 2016, respectively, and \$7,116 and \$6,781 for the nine months ended September 30, 2017 and 2016, respectively, which amounts are included in property operating expenses in our condensed consolidated statements of comprehensive income. In addition, we are responsible for our share of RMR LLC's costs for providing our internal audit function. The amounts recognized as expense for internal audit costs were \$72 and \$34 for the three months ended September 30, 2017 and 2016, respectively, and \$206 and \$168 for the nine months ended September 30, 2017 and 2016, respectively, which amounts are included in general and administrative expense in our condensed consolidated statements of comprehensive income.

Note 12 . Related Person Transactions

We have relationships and historical and continuing transactions with Five Star, RMR LLC, RMR Inc., Affiliates Insurance Company, or AIC, 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 our Trustees or officers.

Five Star. We are currently one of Five Star's largest stockholders. As of September 30, 2017, we owned 4,235,000 of Five Star's common shares, or approximately 8.5% of Five Star's outstanding common shares. Five Star is our largest tenant and the manager of our managed senior living communities. As of September 30, 2017, our Managing Trustees, the controlling shareholders of RMR LLC's parent, beneficially owned, directly and indirectly, 36.7% of Five Star's outstanding common shares. RMR LLC provides management services to both us and Five Star. See Note 10 for further information regarding our relationships, agreements and transactions with Five Star and Note 4 for further information regarding our investment in Five Star.

Our Manager, RMR LLC. See Note 11 for further information regarding our management agreements with RMR LLC.

We have historically granted share awards to certain RMR LLC employees under our equity compensation plans. In September 2017 and 2016, we granted annual share awards of 88,100 and 79,650 of our common shares, respectively, to our officers and certain other employees of RMR LLC. In September 2017 and 2016, we purchased 16,654 and 17,667 of our common shares, respectively, at the closing price of our common shares on the Nasdaq 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 awards of our common shares. We include the amounts recognized as expense for share awards to RMR LLC employees in general and administrative expenses in our condensed consolidated statements of comprehensive income.

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RMR Inc. RMR LLC is a subsidiary of RMR Inc. and RMR Inc. is the managing member of RMR LLC. The controlling shareholder of RMR Inc., ABP Trust, is owned by our Managing Trustees. As of September 30, 2017, we owned 2,637,408 shares of class A common stock of RMR Inc. See Note 4 for further information regarding our investment in RMR Inc.

AIC. We, ABP Trust, Five Star and four other companies to which RMR LLC provides management services currently own AIC, an Indiana insurance company, in equal amounts. We and the other AIC shareholders participate in a combined property insurance program arranged and reinsured in part by AIC; we also have a one year standalone insurance policy that provides coverage for our MOB (two buildings) located in Boston, Massachusetts that is owned in our joint venture arrangement, which we obtained as a part of this insurance program. We (including our consolidated joint venture) currently expect to pay aggregate annual premiums, including taxes and fees, of approximately \$2,433 in connection with this insurance program for the policy year ending June 30, 2018, which amount may be adjusted from time to time as we acquire and dispose of properties that are included in this insurance program.

As of September 30, 2017 and December 31, 2016, our investment in AIC had a carrying value of \$7,945 and \$7,116, respectively. These amounts are included in other assets in our condensed consolidated balance sheets. We recognized income related to our investment in AIC, which amounts are presented as equity in earnings of an investee in our condensed consolidated statements of comprehensive income. Our other comprehensive income includes our proportionate part of unrealized gains (losses) on securities which are owned and held for sale by AIC.

For further information about these and certain other related person relationships and transactions, please refer to our Annual Report.

Note 13. Income Taxes

We have elected to be taxed as a real estate investment trust, or REIT, under the Internal Revenue Code of 1986, as amended, and as such, are generally not subject to federal and most state income taxation on our operating income provided we distribute our taxable income to our shareholders and meet certain organization and operating requirements. We do, however, lease certain managed senior living communities to our wholly owned TRSs that, unlike most of our subsidiaries, file a separate consolidated 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 taxation as a REIT. During the three months ended September 30, 2017 and 2016, we recognized income tax expense of \$109 and \$119, respectively, and during the nine months ended September 30, 2017 and 2016, we recognized income tax expense of \$300 and \$318, respectively.

Note 14. Weighted Average Common Shares

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,	
	2017	2016	2017	2016
Weighted average common shares for basic earnings per share	237,421	237,347	237,404	237,329
Effect of dilutive securities: unvested share awards	39	49	41	40
Weighted average common shares for diluted earnings per share	237,460	237,396	237,445	237,369

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, 2017, we owned 435 properties (461 buildings) located in 42 states and Washington, D.C. At September 30, 2017, the undepreciated carrying value of our real estate assets was \$8.5 billion. For the three months ended September 30, 2017, 97% of our NOI came from properties where a majority of the revenues are paid from our residents' and tenants' private resources.

PORTFOLIO OVERVIEW

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

(As of September 30, 2017)	Number of Properties	Number of Units or Square Feet	Carrying Value of Investment ⁽¹⁾	% of Total Investment	Investment per Unit or Square Foot ⁽²⁾	Q3 2017 Revenues	% of Q3 2017 Revenues	Q3 2017 NOI ⁽³⁾	% of Q3 2017 NOI ⁽³⁾
Facility Type									
Independent living ⁽⁴⁾	68	16,452	\$ 2,373,413	28.0%	\$ 144,263	\$ 88,539	33.2%	\$ 45,939	28.4%
Assisted living ⁽⁴⁾	197	14,444	2,121,398	25.1%	\$ 146,871	73,213	27.5%	40,257	24.9%
Skilled nursing facilities ⁽⁴⁾	39	4,131	188,514	2.2%	\$ 45,634	4,241	1.6%	4,241	2.6%
Subtotal senior living communities	304	35,027	4,683,325	55.3%	\$ 133,706	165,993	62.3%	90,437	55.9%
MOBs ⁽⁵⁾	121	11,611,203 sq. ft.	3,602,819	42.6%	\$ 310	96,116	36.0%	66,958	41.3%
Wellness centers	10	812,000 sq. ft.	178,172	2.1%	\$ 219	4,570	1.7%	4,570	2.8%
Total	435		\$ 8,464,316	100.0%		\$ 266,679	100.0%	\$ 161,965	100.0%
Tenant / Operator / Managed Properties									
Five Star	185	20,187	\$ 2,326,945	27.5%	\$ 115,269	\$ 51,337	19.2%	\$ 51,337	31.7%
Sunrise / Marriott ⁽⁶⁾	4	1,619	126,326	1.5%	\$ 78,027	3,132	1.2%	3,132	1.9%
Brookdale	18	894	69,669	0.8%	\$ 77,930	1,810	0.7%	1,810	1.1%
11 private senior living companies (combined)	29	3,520	569,006	6.7%	\$ 161,649	11,383	4.3%	11,383	7.0%
Subtotal triple net leased senior living communities	236	26,220	3,091,946	36.5%	\$ 117,923	67,662	25.4%	67,662	41.7%
Managed senior living communities ⁽⁷⁾	68	8,807	1,591,379	18.8%	\$ 180,695	98,331	36.9%	22,775	14.2%
Subtotal senior living communities	304	35,027	4,683,325	55.3%	\$ 133,706	165,993	62.3%	90,437	55.9%
MOBs ⁽⁵⁾	121	11,611,203 sq. ft.	3,602,819	42.6%	\$ 310	96,116	36.0%	66,958	41.3%
Wellness centers	10	812,000 sq. ft.	178,172	2.1%	\$ 219	4,570	1.7%	4,570	2.8%
Total	435		\$ 8,464,316	100.0%		\$ 266,679	100.0%	\$ 161,965	100.0%

Tenant / Managed Property Operating Statistics ⁽⁸⁾

	Rent Coverage		Occupancy	
	2017	2016	2017	2016
Five Star	1.16x	1.23x	83.0%	84.2%
Sunrise / Marriott ⁽⁶⁾	2.07x	1.94x	92.7%	90.3%
Brookdale	2.44x	2.71x	83.2%	86.6%
11 private senior living companies (combined)	1.23x	1.26x	88.5%	88.4%
Subtotal triple net leased senior living communities	1.26x	1.33x	84.3%	85.3%
Managed senior living communities ⁽⁷⁾	NA	NA	86.3%	87.5%
Subtotal senior living communities	1.26x	1.33x	84.8%	85.8%
MOBs ⁽⁵⁾	NA	NA	95.8%	95.9%
Wellness centers	1.80x	1.90x	100.0%	100.0%
Total	1.29x	1.36x		

- (1) Represents gross book value of real estate assets before depreciation and purchase price allocations, less impairment write downs, if any.
- (2) Represents carrying value of investment divided by number of living units or rentable square feet, as applicable, at September 30, 2017 .
- (3) NOI is defined and calculated by reportable segment. Our definition of NOI and our reconciliation of net income to consolidated NOI are included below under the heading "Non-GAAP Financial Measures".
- (4) Senior living communities are categorized by the type of living units which constitute a majority of the living units at the community.
- (5) These 121 MOB properties are comprised of 147 buildings. Our MOB leases include some triple net leases where, in addition to paying fixed rents, the tenants assume the obligation to operate and maintain the properties at their expense, and some net and modified gross leases where we are responsible for the operation and maintenance of the properties, and we charge tenants for some or all of the property operating costs. A small percentage of our MOB leases are so-called "full-service" leases where we receive fixed rent from our tenants and no reimbursement for our property operating costs.
- (6) Marriott International, Inc. guarantees the lessee's obligations under these leases.
- (7) These senior living communities are managed by Five Star. The occupancy for the 12 month period ended, or, if shorter, from the date of acquisitions through, September 30, 2017 was 86.1%.
- (8) Operating data for MOB properties are presented as of September 30, 2017 and 2016 and includes (i) space being fitted out for occupancy and (ii) space which is leased but is not occupied or is being offered for sublease by tenants; 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 30, 2017 and 2016, or the most recent prior period for which tenant operating results are made available to us. Rent coverage is calculated as operating cash flows from our tenants' facility operations of our properties, before subordinated charges, if any, divided by rents payable to us. We have not independently verified tenant operating data. Excludes data for periods prior to our ownership of certain properties, as well as data for properties sold during the periods presented.

The following tables set forth information regarding our lease expirations as of September 30, 2017 (dollars in thousands):

Year	Annualized Rental Income ^{(1) (2)}				Percent of	Cumulative
	Triple Net Leased				Total	Percentage of
	Senior Living	MOBs	Wellness	Total	Annualized	Annualized
	Communities		Centers		Rental Income	Rental Income
					Expiring ⁽²⁾	Expiring ⁽²⁾
2017	\$ —	\$ 8,950	\$ —	\$ 8,950	1.3%	1.3%
2018	—	20,318	—	20,318	3.0%	4.3%
2019	590	42,292	—	42,882	6.4%	10.7%
2020	—	32,460	—	32,460	4.8%	15.5%
2021	1,424	22,359	—	23,783	3.5%	19.0%
2022	—	27,196	—	27,196	4.1%	23.1%
2023	28,281	12,141	7,546	47,968	7.1%	30.2%
2024	69,005	38,598	—	107,603	16.1%	46.3%
2025	—	12,862	—	12,862	1.9%	48.2%
Thereafter	181,965	154,707	10,550	347,222	51.8%	100.0%
Total	\$ 281,265	\$ 371,883	\$ 18,096	\$ 671,244	100.0%	

Average remaining lease term for triple net leased senior living communities, MOB properties and wellness center properties (weighted by annualized rental income): 8.2 years ⁽²⁾

- (1) Annualized rental income is rents pursuant to existing leases as of September 30, 2017 , 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 MOB properties and wellness centers. Rental income amounts also include 100% of rental income as reported under GAAP from a property owned by a joint venture in which we own a 55% equity interest.
- (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, 2017 , annualized) were included in the foregoing table, the percent of total annualized rental income expiring in each of the following years would be: 2017 — 1.2%; 2018 — 2.7%; 2019 — 5.6%; 2020 — 4.3%; 2021 — 3.1%; 2022 — 3.6%; 2023 — 6.3%; 2024 — 14.1%; 2025 — 1.7%; and thereafter — 57.4%. In addition, if our leases to our TRSs using the terms of the management agreements for these communities were included in the foregoing table, the average remaining lease term for all properties (weighted by annualized rental income) would be 8.9 years.

Year	Number of Tenants ⁽¹⁾				Percent of Total Number of Tenancies Expiring ⁽¹⁾	Cumulative Percentage of Number of Tenancies Expiring ⁽¹⁾
	Senior Living Communities	MOBs	Wellness Centers	Total		
2017	—	69	—	69	10.2%	10.2%
2018	—	89	—	89	13.1%	23.3%
2019	1	97	—	98	14.5%	37.8%
2020	—	91	—	91	13.4%	51.2%
2021	1	73	—	74	10.9%	62.1%
2022	—	79	—	79	11.7%	73.8%
2023	2	31	1	34	5.0%	78.8%
2024	3	34	—	37	5.5%	84.3%
2025	—	26	—	26	3.7%	88.0%
Thereafter	11	69	1	81	12.0%	100.0%
Total	18	658	2	678	100.0%	

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

Year	Number of Living Units or Square Feet with Leases Expiring							
	Living Units ⁽¹⁾				Square Feet ⁽²⁾			
Year	Triple Net Leased Senior Living Communities (Units)	Percent of Total Living Units Expiring	Cumulative Percentage of Living Units Expiring	MOBs (Square Feet)	Wellness Centers (Square Feet)	Total Square Feet	Percent of Total Square Feet Expiring	Cumulative Percent of Total Square Feet Expiring
2017	—	—%	—%	198,077	—	198,077	1.7%	1.7%
2018	—	—%	—%	698,609	—	698,609	5.9%	7.6%
2019	175	0.7%	0.7%	1,324,791	—	1,324,791	11.1%	18.7%
2020	—	—%	0.7%	1,453,739	—	1,453,739	12.2%	30.9%
2021	361	1.4%	2.1%	697,422	—	697,422	5.8%	36.7%
2022	—	—%	2.1%	1,055,166	—	1,055,166	8.8%	45.5%
2023	2,263	8.6%	10.7%	801,553	354,000	1,155,553	9.7%	55.2%
2024	6,561	25.0%	35.7%	1,461,589	—	1,461,589	12.2%	67.4%
2025	—	—%	35.7%	537,584	—	537,584	4.5%	71.9%
Thereafter	16,860	64.3%	100.0%	2,894,849	458,000	3,352,849	28.1%	100.0%
Total	26,220	100.0%		11,123,379	812,000	11,935,379	100.0%	

(1) Excludes 8,806 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 expiring in each of the following years would be: 2017 — 0.0%; 2018 — 0.0%; 2019 — 0.5%; 2020 — 0.0%; 2021 — 1.0%; 2022 — 0.0%; 2023 — 6.5%; 2024 — 18.7%; 2025 — 0.0%; and thereafter — 73.3%.

(2) Includes 100% of square feet from a property owned by a joint venture in which we own a 55% equity interest.

During the three months ended September 30, 2017, we entered MOB lease renewals for 352,000 leasable square feet and new leases for 50,000 leasable square feet. The weighted average annual rental rate for leases entered during the quarter was \$24.61 per square foot, and these rental rates were, on a weighted average basis, 0.6% above previous rents charged for the same space. Average lease terms for leases entered during the third quarter of 2017 were 7.2 years based on annualized rental income pursuant to existing leases as of September 30, 2017, including straight line rent adjustments and estimated recurring expense reimbursements and excluding lease value amortization. Commitments for tenant improvement costs, leasing commission costs and concessions for leases we entered during the third quarter of 2017 totaled \$7.0 million, or \$17.29 per square foot on average (approximately \$2.40 per square foot per year of the lease term).

GENERAL INDUSTRY TRENDS

We believe that the primary market for senior living services is individuals age 75 and older, and, according to U.S. Census data, that group is projected to be among the fastest growing age cohort in the United States over the next 20 years. Also, as a result of medical advances, seniors are living longer. Due to these demographic trends, we expect the demand for senior living services to increase for the foreseeable future. Despite this trend, future economic downturns, softness in the U.S. housing market, higher levels of unemployment among our potential residents' family members, lower levels of consumer confidence, stock market volatility and/or changes in demographics could adversely affect the ability of seniors to afford the resident fees or entrance fees at our senior living communities.

The medical advances which are increasing average life spans are also causing some seniors to defer considering relocating to senior living communities, but we do not believe this factor is sufficient to offset the long term positive demographic trends causing increased demand for senior living communities for the foreseeable future.

In recent years, a significant number of new senior living communities have been developed and continue to be developed. Although there are indications that the rate of newly started developments has recently declined, the increased supply of senior living communities that has resulted from recent development activity has increased competitive pressures on our tenants and manager, particularly in certain geographic markets where we own senior living communities, including Arizona, Georgia and Texas, and we expect these competitive challenges to continue for at least the next few years. These competitive challenges may prevent our tenants and manager from maintaining or improving occupancy and rates at our senior living communities, which may increase the risk of default under our leases, reduce the rents and returns we may receive and earn from our leased and managed senior living communities and adversely affect the profitability of our senior living communities, and may cause the value of our properties to decline. In response to these competitive pressures, we have invested capital in our existing senior living communities and expect to continue to do so in order that our communities may remain competitive with newer communities.

The senior living industry is subject to extensive and frequently changing federal, state and local laws and regulations. For further information regarding these laws and regulations, and possible legislative and regulatory changes, see "Impact of Government Reimbursement" elsewhere in this Quarterly Report as well as in our Annual Report.

Our MOBs have been impacted by at least two major industry trends for the past 10 years which are continuing at this time and that have impacted our investment activities.

First, medical properties are being consolidated onto hospital campuses and/or under common ownership with hospitals. This has caused the number of free standing medical office buildings to decline. At the same time the number of medical office buildings on hospital campuses has increased and the number of multi-practice medical buildings that are anchor leased by hospital systems who employ doctors has increased.

Second, various advances in medical science have caused a large investment in new bio-medical research companies that require office, lab and medical products manufacturing space. We believe that about half of our total investments in MOBs may be considered biotech and life science properties.

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

We have four operating segments, of which three are separate reporting segments. We aggregate our triple net leased senior living communities, our managed senior living communities and our MOBs into three reporting segments, based on their similar operating and economic characteristics. The first reporting segment includes triple net leased senior living communities that provide short term and long term residential care and other services for residents and with respect to which we receive rents from the operators. The second reporting segment includes managed senior living communities that provide short term and long term residential care and other services for residents where we pay fees to the operator to manage the communities for our account. The third reporting segment includes MOBs where the tenants pay us rent. Our fourth segment includes all of our other operations, including certain properties that offer wellness, fitness and spa services to members and with respect to which we receive rents from operators, which we do not consider to be sufficiently material to constitute a separate reporting segment.

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Revenues:				
Triple net leased senior living communities	\$ 67,662	\$ 66,520	\$ 202,340	\$ 198,269
Managed senior living communities	98,331	98,480	294,816	292,803
MOBs	96,116	94,404	285,413	278,964
All other operations	4,570	4,579	13,684	13,689
Total revenues	\$ 266,679	\$ 263,983	\$ 796,253	\$ 783,725
Net income (loss) attributable to common shareholders:				
Triple net leased senior living communities	\$ 46,378	\$ 38,327	\$ 125,407	\$ 117,621
Managed senior living communities	8,912	(1,612)	17,413	3,500
MOBs	27,056	29,353	83,877	91,464
All other operations	(47,932)	(38,165)	(144,087)	(114,176)
Net income attributable to common shareholders	\$ 34,414	\$ 27,903	\$ 82,610	\$ 98,409

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

Three Months Ended September 30, 2017 Compared to Three Months Ended September 30, 2016 (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, 2017 to the three months ended September 30, 2016 .

Triple net leased senior living communities :

	All Properties		Comparable Properties ⁽¹⁾	
	As of and for the Three Months		As of and for the Three Months	
	Ended September 30,		Ended September 30,	
	2017	2016	2017	2016
Total properties	236	234	234	234
# of units	26,220	26,094	26,094	26,094
Tenant operating data ⁽²⁾				
Occupancy	84.3%	85.3%	84.3%	85.3%
Rent coverage	1.26x	1.33x	1.26x	1.33x

(1) Consists of triple net leased senior living communities we have owned continuously since July 1, 2016 and excludes communities held for sale, if any.

(2) All tenant operating data presented are based upon the operating results provided by our tenants for the 12 months ended June 30, 2017 and 2016 or the most recent prior period for which tenant operating results are made available to us. Rent coverage is calculated as operating cash flows from our triple net lease tenants' operations of our properties, before subordinated charges, if any, divided by triple net lease minimum rents payable to us. We have not independently verified tenant operating data. Excludes data for historical periods prior to our ownership of certain properties, as well as for properties sold during the periods presented.

Triple net leased senior living communities, all properties :

	Three Months Ended September 30,		Change	% Change
	2017	2016		
Rental income	\$ 67,662	\$ 66,520	\$ 1,142	1.7 %
Property operating expenses	—	(47)	(47)	(100.0)%
Net operating income (NOI)	67,662	66,473	1,189	1.8 %
Depreciation and amortization expense	(20,629)	(19,727)	902	4.6 %
Impairment of assets	—	(2,191)	(2,191)	(100.0)%
Operating income	47,033	44,555	2,478	5.6 %
Interest expense	(655)	(6,228)	(5,573)	(89.5)%
Net income	\$ 46,378	\$ 38,327	\$ 8,051	21.0 %

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 such a comparison is generally consistent with the comparison of results for all our triple net leased senior living communities from quarter to quarter and a separate, comparable properties comparison is not meaningful.

Rental income. Rental income increased primarily due to rents from triple net leased senior living communities we acquired since July 1, 2016, and also due to increased rents resulting from our purchase of improvements since July 1, 2016. These increases were partially offset by reduced rental income resulting from our sale of one senior living community since July 1, 2016. Rental income includes non-cash straight line rent adjustments totaling \$750 and \$865 for the three months ended September 30, 2017 and 2016, respectively. Rental income increased year over year on a comparable property basis by \$757, primarily as a result of our purchase of improvements at certain of these communities that we have owned continuously since July 1, 2016 and the resulting increased rent, pursuant to the terms of the applicable leases.

Property operating expenses. In the third quarter of 2016, we recorded \$47 of property operating expenses related to bad debt reserves associated with a lease default at a triple net leased senior living community we acquired in 2015 which was previously leased to a third party private operator. In July 2016, we terminated this lease and entered a management agreement with Five Star to manage this community for our account under a TRS structure.

Net operating income. We typically incur minimal property operating expenses at these communities, as the majority of those expenses are paid by our tenants. NOI increased due to the increase in rental income and the decrease in property operating expenses described above. 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 net income to consolidated NOI are included below under the heading “Non-GAAP Financial Measures.”

Depreciation and amortization expense. Depreciation and amortization expense increased primarily as a result of our acquisitions and our purchase of improvements since July 1, 2016.

Impairment of assets. Impairment of assets charges recorded in 2016 relate to the reduction of the carrying value of a SNF that we sold during the third quarter of 2016 to its sale price less cost to sell.

Interest expense. Interest expense relates to mortgage debts and capital leases secured by certain of these communities. The decrease in interest expense is due to our prepayment of \$320,379 in aggregate principal amount of mortgage debts since July 1, 2016 with a weighted average annual interest rate of 6.7%, as well as regularly scheduled amortization of mortgage debts which secure these communities.

Managed senior living communities :

	All Properties		Comparable Properties ⁽¹⁾	
	As of and for the Three Months		As of and for the Three Months	
	Ended September 30,		Ended September 30,	
	2017	2016	2017	2016
Total properties	68	68	62	62
# of units	8,807	8,797	8,242	8,242
Occupancy	85.8%	86.7%	86.0%	86.9%
Average monthly rate ⁽²⁾	\$ 4,243	\$ 4,208	\$ 4,268	\$ 4,223

(1) Consists of managed senior living communities owned and managed by the same operator continuously since July 1, 2016 and excludes communities classified as held for sale, if any.

(2) Average monthly rate is calculated by taking the average daily rate, which is defined as total residents fees and services divided by occupied units during the period, and multiplying it by 30 days.

Managed senior living communities, all properties :

	Three Months Ended September 30,		Change	% Change
	2017	2016		
Residents fees and services	\$ 98,331	\$ 98,480	\$ (149)	(0.2)%
Property operating expenses	(75,556)	(74,763)	793	1.1 %
Net operating income (NOI)	22,775	23,717	(942)	(4.0)%
Depreciation and amortization expense	(12,691)	(20,747)	(8,056)	(38.8)%
Impairment of assets	—	(2,394)	(2,394)	(100.0)%
Operating income	10,084	576	9,508	1,650.7 %
Interest expense	(1,172)	(2,104)	(932)	(44.3)%
Loss on early extinguishment of debt	—	(84)	(84)	(100.0)%
Net income (loss)	\$ 8,912	\$ (1,612)	\$ 10,524	(652.9)%

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 and related fees are accrued. Residents fees and services decreased primarily due to a decline in occupancy for the three months ended September 30, 2017 compared to the three months ended September 30, 2016, partially offset by an increase in average monthly rates during these periods.

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 communities. Property operating expenses increased primarily due to increased salaries and benefit costs associated with increased staffing required as a result of the hurricanes that occurred in the southeastern United States and Texas in the third quarter of 2017, as well as increased real estate taxes at certain of these communities.

Net operating income. NOI decreased due to the increases in property operating expenses, as well as the decrease in residents fees and services 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 net income to consolidated NOI are included below under the heading “Non-GAAP Financial Measures.”

Depreciation and amortization expense. Depreciation and amortization expense includes the depreciation of owned property and equipment as well as the amortization expense related to in place resident agreements assumed upon the acquisition of a community. Depreciation and amortization expense decreased as a result of certain of our in place resident agreements becoming fully amortized since July 1, 2016, partially offset by an increase in depreciation expense due to our purchase of improvements since July 1, 2016.

Impairment of assets. Impairment of assets charges recorded in 2016 relate to the reduction of the carrying value of a senior living community that we sold in December 2016 to its estimated fair value less cost to sell.

Interest expense. Interest expense relates to mortgage debts secured by certain of these communities. The decrease in interest expense is due to our prepayment of \$97,255 in aggregate principal amount of mortgage debts since July 1, 2016 with a weighted average annual interest rate of 6.0%, as well as regularly scheduled amortization of mortgage debts which secure these communities.

Loss on early extinguishment of debt. We recognized a loss on early extinguishment of debt in connection with our prepayment of mortgage debts during the third quarter of 2016.

Managed senior living communities, comparable properties (managed senior living communities owned and managed by the same operator continuously since July 1, 2016 excluding communities classified as held for sale, if any):

	Three Months Ended September 30,			
	2017	2016	Change	% Change
Residents fees and services	\$ 92,790	\$ 92,742	\$ 48	0.1 %
Property operating expenses	(70,879)	(69,961)	918	1.3 %
Net operating income (NOI)	21,911	22,781	(870)	(3.8)%
Depreciation and amortization expense	(11,040)	(16,965)	(5,925)	(34.9)%
Operating income	10,871	5,816	5,055	86.9 %
Interest expense	(697)	(1,624)	(927)	(57.1)%
Loss on early extinguishment of debt	—	(84)	(84)	(100.0)%
Net income	\$ 10,174	\$ 4,108	\$ 6,066	147.7 %

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 and related fees are accrued. Residents fees and services increased modestly year over year on a comparable property basis primarily due to an increase in average monthly rates, 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 communities. Property operating expenses increased primarily due to increased salaries and benefit costs associated with increased staffing required as a result of the hurricanes that occurred in the southeastern United States and Texas in the third quarter of 2017, as well as increased real estate taxes at certain of these communities.

Net operating income. The decrease in NOI reflects the net 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, comparable properties, is shown in the table above. Our definition of NOI and our reconciliation of net income to consolidated NOI are included below under the heading “Non-GAAP Financial Measures.”

Depreciation and amortization expense. Depreciation and amortization expense includes the depreciation of owned property and equipment as well as the amortization expense related to in place resident agreements assumed upon the acquisition of a community. Depreciation and amortization expense decreased as a result of certain of our in place resident agreements becoming fully amortized since July 1, 2016, partially offset by an increase in depreciation expense due to our purchase of improvements since July 1, 2016.

Interest expense. Interest expense relates to mortgage debts secured by certain of these communities. The decrease in interest expense is due to our prepayment of \$97,255 in aggregate principal amount of mortgage debts since July 1, 2016 with a weighted average annual interest rate of 6.0%, as well as regularly scheduled amortization of mortgage debts which secure these communities.

Loss on early extinguishment of debt. We recognized a loss on early extinguishment of debt in connection with our prepayment of mortgage debts during the third quarter of 2016.

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,	
	2017	2016	2017	2016
Total properties	121	119	118	118
Total buildings	147	145	144	144
Total square feet ⁽²⁾	11,611	11,401	11,340	11,335
Occupancy ⁽³⁾	95.8%	95.9%	95.7%	96.4%

(1) Consists of MOBs we have owned continuously since July 1, 2016, includes our MOB (two buildings) that is owned in a joint venture arrangement and excludes properties classified as held for sale, if any.

(2) Prior periods exclude space re-measurements made subsequent to those periods.

(3) MOB occupancy includes (i) space being fitted out for occupancy 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,			
	2017	2016	Change	% Change
Rental income	\$ 96,116	\$ 94,404	\$ 1,712	1.8 %
Property operating expenses	(29,158)	(28,537)	621	2.2 %
Net operating income (NOI)	66,958	65,867	1,091	1.7 %
Depreciation and amortization expense	(32,351)	(30,922)	1,429	4.6 %
Impairment of assets	—	7	(7)	(100.0)%
Operating income	34,607	34,952	(345)	(1.0)%
Interest expense	(6,172)	(5,599)	573	10.2 %
Net income	28,435	29,353	(918)	(3.1)%
Net income attributable to noncontrolling interest	(1,379)	—	1,379	100.0 %
Net income attributable to common shareholders	\$ 27,056	\$ 29,353	\$ (2,297)	(7.8)%

Rental income. Rental income increased primarily due to rents from the MOBs we acquired since July 1, 2016, as well as certain changes at our comparable MOB properties discussed below. Rental income includes non-cash straight line rent adjustments totaling \$2,733 and \$3,290 and net amortization of approximately \$1,297 and \$1,181 of above and below market lease adjustments for the three months ended September 30, 2017 and 2016 , respectively.

Property operating expenses. Property operating expenses consist of real estate taxes, utility expense, property management fees, salaries and benefit costs of property level personnel, repairs and maintenance expense, cleaning expense and other direct costs of operating these properties. Property operating expenses increased primarily due to our acquisitions since July 1, 2016, as well as certain changes at our comparable MOB properties discussed below.

Net operating income. NOI increased due to the increased rental income described above, partially offset by the increases in 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 net income to consolidated NOI are included below under the heading “Non-GAAP Financial Measures.”

Depreciation and amortization expense. Depreciation and amortization expense increased primarily due to acquisitions as well as increases in the amortization of leasing costs, depreciation expense on fixed assets and amortization of acquired in place real estate leases that we amortize over the respective lease terms.

Impairment of assets. We recorded a reversal of impairment charges previously recorded of \$7 in the third quarter of 2016 to adjust the carrying value of four MOB's that we sold in the third quarter of 2016 to their sales prices less costs to sell.

Interest expense. Interest expense relates to mortgage debts secured by certain of these properties. The increase in interest expense is the result of our obtaining, in July 2016, an aggregate \$620,000 secured debt financing with a weighted average fixed annual interest rate of 3.5%, partially offset by our prepayment of \$19,386 in aggregate principal amount of mortgage debt since July 1, 2016 with an annual interest rate of 6.1%, as well as the regularly scheduled amortization of mortgage debts which secure these properties.

Net income attributable to noncontrolling interest. Net income attributable to noncontrolling interest represents the net income attributable to a sovereign investor that owns 45% of one of our MOB's (two buildings) through the joint venture agreement we entered in March 2017.

MOB's, comparable properties. (MOB's we have owned continuously since July 1, 2016, includes our MOB (two buildings) that is owned in a joint venture arrangement and excludes properties classified as held for sale, if any):

	Three Months Ended September 30,		Change	% Change
	2017	2016		
Rental income	\$ 94,526	94,306	\$ 220	0.2 %
Property operating expenses	(28,574)	(28,379)	195	0.7 %
Net operating income (NOI)	65,952	65,927	25	0.0 %
Depreciation and amortization expense	(31,567)	(30,922)	645	2.1 %
Operating income	34,385	35,005	(620)	(1.8)%
Interest expense	(6,171)	(5,599)	572	10.2 %
Net income	28,214	29,406	(1,192)	(4.1)%
Net income attributable to noncontrolling interest	(1,379)	—	1,379	100.0 %
Net income attributable to common shareholders	\$ 26,835	\$ 29,406	\$ (2,571)	(8.7)%

Rental income. Rental income increased primarily due to an increase in income from reimbursable expenses at certain of these properties. Rental income includes non-cash straight line rent adjustments totaling \$2,632 and \$3,304 and net amortization of approximately \$1,301 and \$1,181 of above and below market lease adjustments for the three months ended September 30, 2017 and 2016 , respectively.

Property operating expenses. Property operating expenses consist of real estate taxes, utility expense, property management fees, salaries and benefit costs of property level personnel, repairs and maintenance expense, cleaning expense and other direct costs of operating these properties. Property operating expenses increased primarily as the result of an increase in utility expense at certain of these properties and increases in other direct costs of operating these properties.

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

Depreciation and amortization expense. Depreciation and amortization expense increased primarily due to an increase in the amortization of leasing costs and depreciation expense on fixed assets acquired since July 1, 2016, 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 relates to mortgage debts secured by certain of these properties. The increase in interest expense is the result of our obtaining, in July 2016, an aggregate \$620,000 secured debt financing with a weighted average fixed

annual interest rate of 3.5%, partially offset by our prepayment of \$19,386 in aggregate principal amount of mortgage debt since July 1, 2016 with an annual interest rate of 6.1%, as well as the regularly scheduled amortization of mortgage debts which secure these properties.

Net income attributable to noncontrolling interest. Net income attributable to noncontrolling interest represents the net income attributable to a sovereign investor that owns 45% of one of our MOBs (two buildings) through the joint venture agreement we entered in March 2017.

All other operations ⁽¹⁾:

	Three Months Ended September 30,		Change	% Change
	2017	2016		
Rental income	\$ 4,570	\$ 4,579	\$ (9)	(0.2)%
Expenses:				
Depreciation and amortization	(948)	(948)	—	— %
General and administrative	(19,883)	(12,107)	7,776	64.2 %
Acquisition and certain other transaction related costs	—	(824)	(824)	(100.0)%
Total expenses	(20,831)	(13,879)	6,952	50.1 %
Operating loss	(16,261)	(9,300)	6,961	74.8 %
Dividend income	659	659	—	— %
Interest and other income	128	89	39	43.8 %
Interest expense	(32,106)	(29,507)	2,599	8.8 %
Loss on early extinguishment of debt	(274)	—	274	100.0 %
Loss before income tax expense and equity in earnings of an investee	(47,854)	(38,059)	9,795	25.7 %
Income tax expense	(109)	(119)	(10)	(8.4)%
Equity in earnings of an investee	31	13	18	138.5 %
Net loss	\$ (47,932)	\$ (38,165)	\$ 9,767	25.6 %

(1) All other operations includes all of our other operations, including certain properties that offer wellness, fitness and spa services to members, which segment we do not consider to be sufficiently material to constitute a separate reporting segment, and any operating expenses that are not attributable to a specific reporting segment.

Rental income. Rental income includes non-cash straight line rent of approximately \$138 and \$137 for the three months ended September 30, 2017 and 2016, respectively. Rental income also includes net amortization of approximately \$55 of acquired real estate leases and obligations for each of the three months ended September 30, 2017 and 2016.

Depreciation and amortization expense. Depreciation and amortization expense remained consistent as we had no acquisitions or capital expenditures in this segment since July 1, 2016. We depreciate our long lived wellness center assets on a straight line basis.

General and administrative expense. General and administrative expense consists of fees paid to RMR LLC under our business management agreements, legal and accounting fees, fees and expenses of our Trustees, equity compensation expense and other costs relating to our status as a publicly owned company. General and administrative expense increased primarily due to an increase in our business management fees of \$8,136, including \$8,022 of estimated business management incentive fees that we recognized for the three months ended September 30, 2017 that may become payable in 2018 due to our outperformance of the SNL U.S. REIT Healthcare Index during the applicable measurement period. This increase was partially offset by decreases in equity compensation expense and legal fees incurred during the three months ended September 30, 2017.

Acquisition and certain other transaction related costs. Acquisition and certain other transaction related costs include legal and diligence costs incurred in connection with our acquisition, disposition and operations transition activities that we expensed under GAAP. We had no acquisitions, dispositions or operations transitions that required costs to be expensed under GAAP during the third quarter of 2017.

Dividend income. Dividend income consists of dividends received from our investment in RMR Inc.

Interest and other income. The increase in interest and other income is primarily due to increased investable cash on hand.

Interest expense. Interest expense increased primarily due to increased borrowings under our revolving credit facility, as well as an increase in LIBOR rates, resulting in an increase in interest expense on our revolving credit facility and term loans.

Loss on early extinguishment of debt. We recorded loss on early extinguishment of debt in August 2017 in connection with the amendments to the agreements governing our revolving credit facility and our \$200,000 term loan.

Income tax expense. Income tax expense primarily reflects state income taxes payable in certain jurisdictions.

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

Nine Months Ended September 30, 2017 Compared to Nine Months Ended September 30, 2016 (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, 2017 to the nine months ended September 30, 2016 .

Triple net leased senior living communities :

	All Properties		Comparable Properties ⁽¹⁾	
	As of and for the Nine Months		As of and for the Nine Months	
	Ended September 30,		Ended September 30,	
	2017	2016	2017	2016
Total properties	236	234	227	227
# of units	26,220	26,094	25,549	25,549
Tenant operating data ⁽²⁾				
Occupancy	84.3%	85.3%	84.3%	85.3%
Rent coverage	1.26x	1.33x	1.26x	1.33x

(1) Consists of triple net leased senior living communities we have owned continuously since January 1, 2016 and excludes communities held for sale, if any.

(2) All tenant operating data presented are based upon the operating results provided by our tenants for the 12 months ended June 30, 2017 and 2016 or the most recent prior period for which tenant operating results are made available to us. Rent coverage is calculated as operating cash flows from our triple net lease tenants' operations of our properties, before subordinated charges, if any, divided by triple net lease minimum rents payable to us. We have not independently verified tenant operating data. Excludes data for historical periods prior to our ownership of certain properties, as well as for properties sold during the periods presented.

Triple net leased senior living communities, all properties :

	Nine Months Ended September 30,		Change	% Change
	2017	2016		
Rental income	\$ 202,340	\$ 198,269	\$ 4,071	2.1 %
Property operating expenses	—	(833)	(833)	(100.0)%
Net operating income (NOI)	202,340	197,436	4,904	2.5 %
Depreciation and amortization expense	(61,434)	(58,401)	3,033	5.2 %
Impairment of assets	—	(6,583)	(6,583)	(100.0)%
Operating income	140,906	132,452	8,454	6.4 %
Interest expense	(8,205)	(18,892)	(10,687)	(56.6)%
Loss on early extinguishment of debt	(7,294)	—	7,294	100.0 %
Gain on sale of properties	—	4,061	(4,061)	(100.0)%
Net income	\$ 125,407	\$ 117,621	\$ 7,786	6.6 %

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 such a comparison is generally consistent with the comparison of results for all our triple net leased senior living communities from quarter to quarter and a separate, comparable properties comparison is not meaningful.

Rental income. Rental income increased primarily due to rents from triple net leased senior living communities we acquired since January 1, 2016, and also due to increased rents resulting from our purchase of improvements since January 1, 2016. These increases were partially offset by reduced rental income resulting from our sales of two senior living communities since January 1, 2016. Rental income includes non-cash straight line rent adjustments totaling \$2,304 and \$3,184 for the nine months ended September 30, 2017 and 2016, respectively. Rental income increased year over year on a comparable property basis by \$2,180, primarily as a result of our purchase of improvements at certain of these communities that we have owned continuously since January 1, 2016 and the resulting increased rent, pursuant to the terms of the applicable leases.

Property operating expenses. In the nine months ended September 30, 2016, we recorded \$833 of property operating expenses related to bad debt reserves associated with lease defaults at two triple net leased senior living communities we acquired in 2015 which were previously leased to third party private operators. In 2016, we terminated these leases and entered management agreements with Five Star to manage the communities for our account under TRS structures.

Net operating income. We typically incur minimal property operating expenses at these communities, as the majority of those expenses are paid by our tenants. NOI increased due to the increase in rental income and decrease in property operating expenses described above. 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 net income to consolidated NOI are included below under the heading “Non-GAAP Financial Measures.”

Depreciation and amortization expense. Depreciation and amortization expense increased primarily as a result of our acquisitions and our purchase of improvements since January 1, 2016.

Impairment of assets. Impairment of assets charges recorded in 2016 relate to writing off acquired lease intangible assets associated with the two communities where the tenants defaulted on their leases as discussed above, as well as the reduction of the carrying value of a SNF that we sold during the third quarter of 2016 to its sale price less cost to sell.

Interest expense. Interest expense relates to mortgage debts and capital leases secured by certain of these communities. The decrease in interest expense is due to our prepayment of \$320,379 in aggregate principal amount of mortgage debts since January 1, 2016 with a weighted average annual interest rate of 6.7%, as well as regularly scheduled amortization of mortgage debts which secure these communities.

Loss on early extinguishment of debt. We recognized a loss on early extinguishment of debt in connection with our prepayment of a mortgage debt in April 2017.

Gain on sale of properties. Gain on sale of properties is the result of our sale of one SNF in June 2016.

Managed senior living communities :

	All Properties		Comparable Properties ⁽¹⁾	
	As of and for the Nine Months		As of and for the Nine Months	
	Ended September 30,		Ended September 30,	
	2017	2016	2017	2016
Total properties	68	68	60	60
# of units	8,807	8,797	8,104	8,104
Occupancy	85.8%	87.2%	86.1%	87.2%
Average monthly rate ⁽²⁾	\$ 4,287	\$ 4,251	\$ 4,316	\$ 4,258

(1) Consists of managed senior living communities owned and managed by the same operator continuously since January 1, 2016 and excludes communities classified as held for sale, if any.

(2) Average monthly rate is calculated by taking the average daily rate, which is defined as total residents fees and services divided by occupied units during the period, and multiplying it by 30 days.

Managed senior living communities, all properties :

	Nine Months Ended September 30,		Change	% Change
	2017	2016		
Residents fees and services	\$ 294,816	\$ 292,803	\$ 2,013	0.7 %
Property operating expenses	(224,585)	(218,582)	6,003	2.7 %
Net operating income (NOI)	70,231	74,221	(3,990)	(5.4)%
Depreciation and amortization expense	(49,295)	(60,905)	(11,610)	(19.1)%
Impairment of assets	—	(2,394)	(2,394)	(100.0)%
Operating income	20,936	10,922	10,014	91.7 %
Interest expense	(3,523)	(7,332)	(3,809)	(52.0)%
Loss on early extinguishment of debt	—	(90)	(90)	(100.0)%
Net income	\$ 17,413	\$ 3,500	\$ 13,913	397.5 %

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 and related fees are accrued. Residents fees and services increased primarily due to our acquisitions and the transfer of certain senior living communities we own from triple net leased senior living communities to managed senior living communities since January 1, 2016, as well as an increase in average monthly rates, 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 communities. Property operating expenses increased primarily due to our acquisitions and the transfer of certain senior living communities we own from triple net leased senior living communities to managed senior living communities since January 1, 2016, increased salaries and benefit costs associated with increased staffing required as a result of the hurricanes that occurred in the southeastern United States and Texas in the third quarter of 2017, increased real estate taxes at certain of these communities and increased management fees as a result of the modifications made to our management and pooling arrangements with Five Star that took effect on July 1, 2016.

Net operating income. NOI decreased due to the increases in property operating expenses, partially offset by the increase in residents fees and services 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 net income to consolidated NOI are included below under the heading “Non-GAAP Financial Measures.”

Depreciation and amortization expense. Depreciation and amortization expense includes the depreciation of owned property and equipment as well as the amortization expense related to in place resident agreements assumed upon the acquisition of a community. Depreciation and amortization expense decreased as a result of certain of our in place resident agreements becoming fully amortized since January 1, 2016, partially offset by an increase in depreciation expense due to acquisitions and our purchase of improvements since January 1, 2016.

Impairment of assets. Impairment of assets charges recorded in 2016 relate to the reduction of the carrying value of a senior living community that we sold in December 2016 to its estimated fair value less cost to sell.

Interest expense. Interest expense relates to mortgage debts secured by certain of these communities. The decrease in interest expense is due to our prepayment of \$103,370 in aggregate principal amount of mortgage debts since January 1, 2016 with a weighted average annual interest rate of 6.0%, as well as regularly scheduled amortization of mortgage debts which secure these communities.

Loss on early extinguishment of debt. We recognized a loss on early extinguishment of debt in connection with our prepayment of mortgage debts during 2016.

Managed senior living communities, comparable properties (managed senior living communities owned and managed by the same operator continuously since January 1, 2016 excluding communities classified as held for sale, if any):

	Nine Months Ended September 30,			
	2017	2016	Change	% Change
Residents fees and services	\$ 274,186	\$ 274,808	\$ (622)	(0.2)%
Property operating expenses	(207,152)	(204,183)	2,969	1.5 %
Net operating income (NOI)	67,034	70,625	(3,591)	(5.1)%
Depreciation and amortization expense	(40,476)	(48,851)	(8,375)	(17.1)%
Operating income	26,558	21,774	4,784	22.0 %
Interest expense	(1,677)	(5,624)	(3,947)	(70.2)%
Loss on early extinguishment of debt	—	(90)	(90)	(100.0)%
Net income	\$ 24,881	\$ 16,060	\$ 8,821	54.9 %

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 and related fees are accrued. Residents fees and services decreased year over year on a comparable property basis primarily due to a decline in occupancy, partially offset by an increase in average monthly rates.

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 communities. Property operating expenses increased primarily due to increased salaries and benefit costs associated with increased staffing required as a result of the hurricanes that occurred in the southeastern United States and Texas in the third quarter of 2017, as well as increases in real estate taxes, utility expense, insurance expense and management fees as a result of the modifications made to our management and pooling arrangements with Five Star that took effect on July 1, 2016.

Net operating income. The decrease in NOI reflects the net 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, comparable properties, is shown in the table above. Our definition of NOI and our reconciliation of net income to consolidated NOI are included below under the heading “Non-GAAP Financial Measures.”

Depreciation and amortization expense. Depreciation and amortization expense includes the depreciation of owned property and equipment as well as the amortization expense related to in place resident agreements assumed upon the acquisition of a

community. Depreciation and amortization expense decreased as a result of certain of our in place resident agreements becoming fully amortized since January 1, 2016, partially offset by an increase in depreciation expense due to our purchase of improvements since January 1, 2016.

Interest expense. Interest expense relates to mortgage debts secured by certain of these communities. The decrease in interest expense is due to our prepayment of \$103,370 in aggregate principal amount of mortgage debts since January 1, 2016 with a weighted average annual interest rate of 6.0%, as well as regularly scheduled amortization of mortgage debts which secure these communities.

Loss on early extinguishment of debt. We recognized a loss on early extinguishment of debt in connection with our prepayment of mortgage debts during 2016.

MOBs :

	All Properties		Comparable Properties ⁽¹⁾	
	As of and for the Nine Months		As of and for the Nine Months	
	Ended September 30,		Ended September 30,	
	2017	2016	2017	2016
Total properties	121	119	116	116
Total buildings	147	145	140	140
Total square feet ⁽²⁾	11,611	11,401	11,046	11,041
Occupancy ⁽³⁾	95.8%	95.9%	95.6%	96.3%

(1) Consists of MOBs we have owned continuously since January 1, 2016, includes our MOB (two buildings) that is owned in a joint venture arrangement and excludes properties classified as held for sale, if any.

(2) Prior periods exclude space re-measurements made subsequent to those periods.

(3) MOB occupancy includes (i) space being fitted out for occupancy 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,			
	2017	2016	Change	% Change
Rental income	\$ 285,413	\$ 278,964	\$ 6,449	2.3 %
Property operating expenses	(83,980)	(79,361)	4,619	5.8 %
Net operating income (NOI)	201,433	199,603	1,830	0.9 %
Depreciation and amortization expense	(95,890)	(92,788)	3,102	3.3 %
Impairment of assets	—	(7,953)	(7,953)	(100.0)%
Operating income	105,543	98,862	6,681	6.8 %
Interest expense	(18,742)	(7,398)	11,344	153.3 %
Loss on early extinguishment of debt	(59)	—	59	100.0 %
Net income	86,742	91,464	(4,722)	(5.2)%
Net income attributable to noncontrolling interest	(2,865)	—	2,865	100.0 %
Net income attributable to common shareholders	\$ 83,877	\$ 91,464	\$ (7,587)	(8.3)%

Rental income. Rental income increased primarily due to rents from the MOBs we acquired since January 1, 2016, as well as certain changes at our comparable MOB properties discussed below. Rental income includes non-cash straight line rent adjustments totaling \$7,769 and \$10,002 and net amortization of approximately \$3,797 and \$3,629 of above and below market lease adjustments for the nine months ended September 30, 2017 and 2016 , respectively.

Property operating expenses. Property operating expenses consist of real estate taxes, utility expense, property management fees, salaries and benefit costs of property level personnel, repairs and maintenance expense, cleaning expense and other direct costs of operating these properties. Property operating expenses increased primarily due to our acquisitions since January 1, 2016, as well as certain changes at our comparable MOB properties discussed below.

Net operating income. NOI increased because of the increases in rental income, partially offset by the increased 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 net income to consolidated NOI are included below under the heading “Non-GAAP Financial Measures.”

Depreciation and amortization expense. Depreciation and amortization expense increased primarily due to an increase in the amortization of leasing costs and depreciation expense on fixed assets and an increase in amortization of acquired in place real estate leases that we amortize over the respective lease terms.

Impairment of assets. Impairment of assets for the nine months ended September 30, 2016 relates to reducing the carrying value of five MOB (five buildings) and one land parcel to their estimated sales prices less costs to sell or estimated fair values less costs to sell.

Interest expense. Interest expense relates to mortgage debts secured by certain of these properties. The increase in interest expense is the result of our obtaining, in July 2016, an aggregate \$620,000 secured debt financing with a weighted average fixed annual interest rate of 3.5%, partially offset by our prepayment of \$37,386 in aggregate principal amount of mortgage debt since January 1, 2016 with an annual interest rate of 5.4%, as well as the regularly scheduled amortization of mortgage debts which secure these properties.

Loss on early extinguishment of debt. We recognized a net loss on early extinguishment of debt in connection with our prepayment of two mortgage debts during the second quarter of 2017.

Net income attributable to noncontrolling interest. Net income attributable to noncontrolling interest represents the net income attributable to a sovereign investor that owns 45% of one of our MOB (two buildings) through the joint venture agreement we entered in March 2017.

MOBs, comparable properties (MOBs we have owned continuously since January 1, 2016, includes our MOB (two buildings) that is owned in a joint venture arrangement and excludes properties classified as held for sale, if any):

	Nine Months Ended September 30,			
	2017	2016	Change	% Change
Rental income	\$ 273,516	271,623	\$ 1,893	0.7 %
Property operating expenses	(81,268)	(77,792)	3,476	4.5 %
Net operating income (NOI)	192,248	193,831	(1,583)	(0.8)%
Depreciation and amortization expense	(92,587)	(90,891)	1,696	1.9 %
Operating income	99,661	102,940	(3,279)	(3.2)%
Interest expense	(18,742)	(7,397)	11,345	153.4 %
Loss on early extinguishment of debt	(59)	—	59	100.0 %
Net income	80,860	95,543	(14,683)	(15.4)%
Net income attributable to noncontrolling interest	(2,865)	—	2,865	100.0 %
Net income attributable to common shareholders	<u>\$ 77,995</u>	<u>\$ 95,543</u>	<u>\$ (17,548)</u>	<u>(18.4)%</u>

Rental income. Rental income increased primarily due to an increase in tax escalation income and other reimbursable expenses and increased rents from leasing activity at certain of these properties. Rental income includes non-cash straight line rent adjustments totaling \$6,788 and \$9,637 and net amortization of approximately \$3,689 and \$3,303 of above and below market lease adjustments for the nine months ended September 30, 2017 and 2016 , respectively.

Property operating expenses. Property operating expenses consist of real estate taxes, utility expense, property management fees, salaries and benefit costs of property level personnel, repairs and maintenance expense, cleaning expense and other direct costs of operating these properties. Property operating expenses increased primarily as the result of increases in real estate taxes at certain of these properties and other direct costs of operating these properties.

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

Depreciation and amortization expense. Depreciation and amortization expense increased due to an increase in the amortization of leasing costs and depreciation expense on fixed assets acquired since January 1, 2016, 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 relates to mortgage debts secured by certain of these properties. The increase in interest expense is the result of our obtaining, in July 2016, an aggregate \$620,000 secured debt financing with a weighted average fixed annual interest rate of 3.5%, partially offset by our prepayment of \$37,386 in aggregate principal amount of mortgage debt since January 1, 2016 with an annual interest rate of 5.4%, as well as the regularly scheduled amortization of mortgage debts which secure these properties.

Loss on early extinguishment of debt. We recognized a net loss on early extinguishment of debt in connection with our prepayment of mortgage debts during the nine months ended September 30, 2017.

Net income attributable to noncontrolling interest. Net income attributable to noncontrolling interest represents the net income attributable to a sovereign investor that owns 45% of one of our MOBs (two buildings) through the joint venture agreement we entered in March 2017.

All other operations ⁽¹⁾:

	Nine Months Ended September 30,			
	2017	2016	Change	% Change
Rental income	\$ 13,684	\$ 13,689	\$ (5)	(0.0)%
Expenses:				
Depreciation and amortization	(2,844)	(2,844)	—	—
General and administrative	(57,889)	(34,931)	22,958	65.7 %
Acquisition and certain other transaction related costs	(292)	(1,443)	(1,151)	(79.8)%
Impairment of assets	(5,082)	—	5,082	100.0 %
Total expenses	(66,107)	(39,218)	26,889	68.6 %
Operating loss	(52,423)	(25,529)	26,894	105.3 %
Dividend income	1,978	1,449	529	36.5 %
Interest and other income	323	330	(7)	(2.1)%
Interest expense	(93,924)	(90,215)	3,709	4.1 %
Loss on early extinguishment of debt	(274)	—	274	100.0 %
Loss before income tax expense and equity in earnings of an investee	(144,320)	(113,965)	30,355	26.6 %
Income tax expense	(300)	(318)	(18)	(5.7)%
Equity in earnings of an investee	533	107	426	398.1 %
Net loss	\$ (144,087)	\$ (114,176)	\$ 29,911	26.2 %

(1) All other operations includes all of our other operations, including certain properties that offer wellness, fitness and spa services to members, which segment we do not consider to be sufficiently material to constitute a separate reporting segment, and any operating expenses that are not attributable to a specific reporting segment.

Rental income. Rental income includes non-cash straight line rent of approximately \$412 for each of the nine months ended September 30, 2017 and 2016 , respectively. Rental income also includes net amortization of approximately \$166 of acquired real estate leases and obligations for each of the nine months ended September 30, 2017 and 2016 .

Depreciation and amortization expense. Depreciation and amortization expense remained consistent as we had no acquisitions or capital expenditures in this segment since January 1, 2016. We depreciate our long lived wellness center assets on a straight line basis.

General and administrative expense. General and administrative expense consists of fees paid to RMR LLC under our business management agreements, legal and accounting fees, fees and expenses of our Trustees, equity compensation expense and other costs relating to our status as a publicly owned company. General and administrative expense increased primarily due to an increase in our business management fees of \$23,757, including \$22,048 of estimated business management incentive fees that we recognized for the nine months ended September 30, 2017 that may become payable in 2018 due to our outperformance of the SNL U.S. REIT Healthcare Index during the applicable measurement period.

Acquisition and certain other transaction related costs. Acquisition and certain other transaction related costs include legal and diligence costs incurred in connection with our acquisition, disposition and operations transition activities that we expensed under GAAP.

Impairment of assets: During the nine months ended September 30, 2017 , we recorded a \$5,082 loss on impairment to reduce the carrying value of our investment in Five Star shares to its estimated fair value due to the market value of this investment being significantly below our carrying value for an extended period.

Dividend income. Dividend income consists of dividends received from our investment in RMR Inc.

Interest and other income. The decrease in interest and other income is primarily due to decreased investable cash on hand.

Interest expense. Interest expense increased primarily due to our issuance of \$250,000 of 6.25% senior unsecured notes due 2046 in February 2016, as well as an increase in LIBOR rates, resulting in an increase in interest expense on our revolving credit facility and term loans, partially offset by decreased borrowings under our revolving credit facility.

Loss on early extinguishment of debt. We recorded loss on early extinguishment of debt in August 2017 in connection with the amendments to the agreements governing our revolving credit facility and our \$200,000 term loan.

Income tax expense. Income tax expense primarily reflects state income taxes payable in certain jurisdictions.

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 funds from operations, or Normalized FFO, and NOI for the three and nine months ended September 30, 2017 and 2016. These measures should be considered in conjunction with net income, net income attributable to common shareholders and operating income as presented in our condensed consolidated statements of comprehensive income. These measures do not represent cash generated by operating activities in accordance with GAAP and should not be considered alternatives to net income, net income attributable to common shareholders or operating income as indicators of our operating performance or as measures of our liquidity. 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 attributable to common shareholders, 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 and the difference between net income attributable to common shareholders and FFO attributable to noncontrolling interest, 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 business management incentive fees, if any, only in the fourth quarter versus the quarter when they are recognized as expense in accordance with GAAP due to their quarterly volatility not necessarily being indicative of our core operating performance and the uncertainty as to whether any such business management incentive fees will be payable when all contingencies for determining such fees are known at the end of the calendar year, and we exclude acquisition and certain other transaction related costs expensed under GAAP such as legal and professional fees associated with our acquisition and disposition activities, gains and losses on early extinguishment of debt, if any, and Normalized FFO from noncontrolling interest, net of FFO, if any. We consider FFO and Normalized FFO to be appropriate supplemental measures of operating performance for a REIT, along with net income, net income attributable to common shareholders and operating income. We believe that FFO and Normalized FFO provide useful information to investors, because by excluding the effects of certain historical amounts, such as depreciation and amortization 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 qualification for taxation as a REIT, limitations in our revolving credit facility and term loan agreements and our public debt covenants, the availability to us 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, 2017 and 2016 and reconciliations of net income attributable to common shareholders, 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 attributable to common shareholders per share for these periods.

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Net income attributable to common shareholders	\$ 34,414	\$ 27,903	\$ 82,610	\$ 98,409
Depreciation and amortization expense	66,619	72,344	209,463	214,938
Noncontrolling interest's share of net FFO adjustments	(5,305)	—	(11,066)	—
Gain on sale of properties	—	—	—	(4,061)
Impairment of assets	—	4,578	5,082	16,930
FFO	95,728	104,825	286,089	326,216
Estimated business management incentive fees ⁽¹⁾	8,022	—	22,048	—
Acquisition and certain other transaction related costs	—	824	292	1,443
Loss on early extinguishment of debt	274	84	7,627	90
Normalized FFO	\$ 104,024	\$ 105,733	\$ 316,056	\$ 327,749
Weighted average common shares outstanding (basic)	237,421	237,347	237,404	237,329
Weighted average common shares outstanding (diluted)	237,460	237,396	237,445	237,369
Per common share data (basic and diluted):				
Net income attributable to common shareholders	\$ 0.14	\$ 0.12	\$ 0.35	\$ 0.41
FFO	\$ 0.40	\$ 0.44	\$ 1.20	\$ 1.37
Normalized FFO	\$ 0.44	\$ 0.45	\$ 1.33	\$ 1.38
Distributions declared per common share	\$ 0.39	\$ 0.39	\$ 1.17	\$ 1.17

- (1) Incentive fees under our business management agreement are payable after the end of each calendar year, are calculated based on common share total return, as defined, and are included in general and administrative expense in our condensed consolidated statements of comprehensive income. In calculating net income attributable to common shareholders in accordance with GAAP, we recognize estimated business management incentive fee expense, if any, in the first, second and third quarters. Although we recognize this expense, if any, in the first, second and third quarters for purposes of calculating net income attributable to common shareholders, we do not include these amounts in the calculation of Normalized FFO until the fourth quarter, when the amount of the business management incentive fee expense for the calendar year, if any, is determined.

Property Net Operating Income (NOI)

We calculate NOI as shown below. The calculation of NOI excludes certain components of net income in order to provide results that are more closely related to our property level results of operations. We define NOI as income from our real estate less our property operating expenses. NOI excludes amortization of capitalized tenant improvement costs and leasing commissions that we record as depreciation and amortization. We consider NOI to be an appropriate supplemental measure to net income because it may help both investors and management to understand the operations of our properties. We use NOI internally to evaluate individual and company wide property level performance, and we believe that NOI provides useful information to investors regarding our results of operations because it reflects only those income and expense items that are 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 net income to NOI for the three and nine months ended September 30, 2017 and 2016 .

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
<u>Reconciliation of Net Income to NOI:</u>				
Net income	\$ 35,793	\$ 27,903	\$ 85,475	\$ 98,409
Gain on sale of properties	—	—	—	(4,061)
Income before gain on sale of properties	35,793	27,903	85,475	94,348
Equity in earnings of an investee	(31)	(13)	(533)	(107)
Income tax expense	109	119	300	318
Income from continuing operations before income tax expense and equity in earnings of an investee	35,871	28,009	85,242	94,559
Loss on early extinguishment of debt	274	84	7,627	90
Interest expense	40,105	43,438	124,394	123,837
Interest and other income	(128)	(89)	(323)	(330)
Dividend income	(659)	(659)	(1,978)	(1,449)
Operating income	75,463	70,783	214,962	216,707
Impairment of assets	—	4,578	5,082	16,930
Acquisition and certain other transaction related costs	—	824	292	1,443
General and administrative expense	19,883	12,107	57,889	34,931
Depreciation and amortization expense	66,619	72,344	209,463	214,938
Total NOI	\$ 161,965	\$ 160,636	\$ 487,688	\$ 484,949
Triple net leased communities NOI	\$ 67,662	\$ 66,473	\$ 202,340	\$ 197,436
Managed communities NOI	22,775	23,717	70,231	74,221
MOB NOI	66,958	65,867	201,433	199,603
All other operations NOI	4,570	4,579	13,684	13,689
Total NOI	\$ 161,965	\$ 160,636	\$ 487,688	\$ 484,949

LIQUIDITY AND CAPITAL RESOURCES

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

- our ability to maintain or increase the occupancy of, and the rental rates at, our properties;
- our ability to control operating expenses at our properties;
- our manager's ability to operate our managed senior living communities so as to maintain or increase our returns; and
- our ability to purchase additional properties which produce cash flows in excess of our cost of acquisition capital and the related 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, 2017 compared to the nine months ended September 30, 2016 were as follows: (1) cash provided by operating activities decreased to \$324.4 million in 2017 from \$342.4 million in 2016 ; (2) cash used for investing activities decreased to \$123.9 million in 2017 from \$231.8 million in 2016 ; and (3) cash used for financing activities increased to \$203.3 million in 2017 from \$107.5 million in 2016 .

The decrease in cash provided by operating activities for the nine months ended September 30, 2017 compared to the prior year was primarily a result of an increase in restricted cash balances associated with our joint venture arrangement as of September 30, 2017 which was established in 2017, as well as a decrease in cash generated from operating income in 2017 . Cash used for investing activities decreased in 2017 primarily due to higher acquisition activity in the nine months ended September 30, 2016 compared to the nine months ended September 30, 2017 , partially offset by proceeds from the sale of properties during the nine months ended September 30, 2016 , and increased funding for real estate improvements during the 2017 period. The increase in cash used for financing activities for the nine months ended September 30, 2017 compared to the prior year was due primarily to the repayment of certain mortgage debts in 2017, partially offset by the proceeds from our 2016 issuance of senior unsecured notes and secured debt, proceeds from the joint venture arrangement entered in 2017 and higher net borrowings under our revolving credit facility in 2017 compared to net repayments of borrowings under our revolving credit facility in the prior year.

Our Investment and Financing Liquidity and Resources

As of September 30, 2017 , we had \$28.9 million of cash and cash equivalents and \$529.0 million available to borrow under our revolving credit facility. We typically use cash balances, borrowings under our revolving credit facility, net proceeds from offerings of debt or equity securities and the cash flows from our operations to fund our operations, debt repayments, distributions, property acquisitions, capital expenditures and other general business purposes.

In order to fund acquisitions and to meet cash needs that may result from timing differences between our receipt 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. In August 2017, we amended the agreement governing our revolving credit facility. As a result of the amendment, the interest rate payable on borrowings under the facility was reduced from LIBOR plus a premium of 130 basis points per annum to LIBOR plus a premium of 120 basis points per annum, and the facility fee was reduced from 30 basis points per annum to 25 basis points per annum on the total amount of lending commitments under the facility. The interest rate premium and facility fee are each subject to adjustment based upon changes to our credit ratings. Also as a result of the amendment, the stated maturity date of the facility was extended from January 15, 2018 to January 15, 2022, and subject to the payment of an extension fee and meeting other conditions, we have an option to extend the maturity date of this facility for an additional year. The facility also includes a feature pursuant to which in certain circumstances maximum borrowings may be increased to up to \$2.0 billion . We can borrow, repay and re-borrow funds available under our revolving credit facility until maturity, and no principal repayment is due until maturity. As of September 30, 2017 , the annual interest rate required on borrowings under our revolving credit facility was 2.4% . As of September 30, 2017 and November 8, 2017 , we had \$471.0 million and \$485.0 million outstanding under our revolving credit facility, respectively.

When significant amounts are outstanding under our revolving credit facility, or as the maturities of our indebtedness approach, we intend to explore refinancing alternatives. Such alternatives may include incurring additional debt, selling certain properties and issuing new equity securities. In addition, we may also seek to participate in joint ventures or other arrangements that may provide us additional sources of financing. 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. We may also assume mortgage debts in connection with our acquisitions of properties or place new mortgages on properties we own.

We have a \$350.0 million unsecured term loan that matures on January 15, 2020. 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 to be paid at the rate of LIBOR plus a premium (currently 140 basis points per annum) that is subject to adjustment based upon changes to our credit ratings. As of September 30, 2017 , the annual interest rate payable on amounts outstanding under this term loan was 2.6% .

We also have a \$200.0 million unsecured term loan that matures on September 28, 2022. This term loan includes a feature under which maximum borrowings may be increased to up to \$400.0 million in certain circumstances. In August 2017, we amended the agreement governing this term loan. As a result of the amendment, the interest rate payable on borrowings under the facility was reduced from LIBOR plus a premium of 180 basis points per annum to LIBOR plus a premium of 135 basis points per annum,

subject to adjustment based upon changes to our credit ratings. As of September 30, 2017, the annual interest rate payable on amounts outstanding under this term loan was 2.6%.

In March 2017, we entered a joint venture with a sovereign investor for one of our MOB (two buildings) located in Boston, Massachusetts. The investor contributed approximately \$260.9 million for a 45% equity interest in the joint venture, and we retained the remaining 55% equity interest in the joint venture. Net proceeds that we received from this transaction were approximately \$255.8 million, after transaction costs. We used the proceeds from this transaction to repay a portion of the amounts outstanding under our revolving credit facility.

In April 2017, we prepaid a mortgage note secured by 17 of our properties with an outstanding principal balance of approximately \$277.8 million plus a premium of \$5.4 million plus accrued interest, a maturity date in September 2019 and an annual interest rate of 6.71%. In May 2017, we prepaid, at par plus accrued interest, a mortgage note secured by one of our properties with an outstanding principal balance of approximately \$10.6 million, a maturity date in August 2017 and an annual interest rate of 6.15%. In June 2017, we prepaid, at par plus accrued interest, a mortgage note secured by one of our properties with an outstanding principal balance of approximately \$8.8 million, a maturity date in August 2037 and an annual interest rate of 5.95%. We funded these prepayments with cash on hand and borrowings under our revolving credit facility.

In January 2017, we acquired one MOB (one building) located in Kansas with approximately 117,000 square feet for approximately \$15.1 million, excluding closing costs. In July 2017, we acquired one MOB (one building) located in Maryland with approximately 59,000 square feet for a purchase price of approximately \$16.2 million, excluding closing costs. We funded these acquisitions with cash on hand and borrowings under our revolving credit facility.

In October 2017, we acquired two MOB (two buildings) located in Minnesota and North Carolina with a total of approximately 255,000 square feet for an aggregate purchase price of approximately \$38.7 million, excluding closing costs. We funded these acquisitions with cash on hand and borrowings under our revolving credit facility.

In August and October 2017, we entered agreements to acquire two MOB (two buildings) located in California and Kansas with a total of approximately 302,000 square feet for an aggregate purchase price of approximately \$71.1 million, excluding closing costs. We expect to fund these acquisitions with cash on hand and borrowings under our revolving credit facility. These acquisitions are subject to conditions; accordingly, these acquisitions may not occur, may be delayed or the terms may change.

In November 2017, we entered a transaction agreement with Five Star pursuant to which we agreed to acquire six senior living communities from Five Star. The aggregate purchase price for these six senior living communities is approximately \$104.0 million, including our assumption of approximately \$33.7 million of mortgage debt securing certain of these senior living communities with a weighted average annual interest rate of 6.2% and excluding closing costs. We expect to fund these acquisitions with the assumption of mortgage debt described in the prior sentence, cash on hand and borrowings under our revolving credit facility. These acquisitions are subject to conditions; accordingly, we may not acquire these senior living communities, these acquisitions may be delayed or the terms may change. See Note 10 to our condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

During the three and nine months ended September 30, 2017, we invested \$14.7 million and \$41.2 million in revenue producing capital improvements at certain of our triple net leased senior living communities, and, as a result, annual rent payable to us increased or will increase by approximately \$1.2 million and \$3.3 million, respectively, pursuant to the terms of the applicable leases. We used cash on hand to fund these purchases.

During the three and nine months ended September 30, 2017 and 2016, amounts capitalized for leasing costs and building improvements at our MOB and capital expenditures at our managed senior living communities were as follows (dollars in thousands):

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
MOB tenant improvements ⁽¹⁾	\$ 1,951	\$ 2,652	\$ 5,791	\$ 4,784
MOB leasing costs ⁽²⁾	2,826	1,220	6,024	3,042
MOB building improvements ⁽³⁾	4,444	3,816	9,704	10,552
Managed senior living communities capital improvements	2,739	4,542	9,675	10,790
Development, redevelopment and other activities ⁽⁴⁾	4,590	7,362	21,612	24,668
Total capital expenditures	\$ 16,550	\$ 19,592	\$ 52,806	\$ 53,836

- (1) MOB tenant improvements generally include capital expenditures to improve tenants' space or amounts paid directly to tenants to improve their space.
- (2) MOB leasing costs generally include leasing related costs, such as brokerage commissions and tenant inducements.
- (3) MOB building improvements generally include capital expenditures to replace obsolete building components and capital expenditures that extend the useful life of existing assets.
- (4) Development, redevelopment and other activities generally include (i) capital expenditures that are identified at the time of acquisition of a property and incurred within a short period thereafter and (ii) capital expenditure projects that reposition a property or result in new sources of revenues.

During the three months ended September 30, 2017, 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	50	352	402
Total leasing costs and concession commitments ⁽¹⁾	\$ 2,928	\$ 4,030	\$ 6,958
Total leasing costs and concession commitments per square foot ⁽¹⁾	\$ 58.04	\$ 11.45	\$ 17.29
Weighted average lease term (years) ⁽²⁾	9.7	6.7	7.2
Total leasing costs and concession commitments per square foot per year ⁽¹⁾	\$ 6.01	\$ 1.71	\$ 2.40

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

(2) Weighted based on annualized rental income pursuant to existing leases as of September 30, 2017, 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.

As of September 30, 2017, we have estimated unspent leasing related obligations at our triple net leased senior living communities and our MOBs of approximately \$21.6 million.

On February 21, 2017, we paid a regular quarterly distribution to common shareholders of \$0.39 per share, or approximately \$92.6 million, that was declared on January 13, 2017 and was payable to shareholders of record on January 23, 2017. On May 18, 2017, we paid a regular quarterly distribution to common shareholders of \$0.39 per share, or approximately \$92.6 million, that was declared on April 11, 2017 and was payable to shareholders of record on April 21, 2017. On August 17, 2017, we paid a regular quarterly distribution to common shareholders of \$0.39 per share, or approximately \$92.6 million, that was declared on July 12, 2017 and was payable to shareholders of record on July 24, 2017. We funded these distributions using cash on hand and borrowings under our revolving credit facility.

On October 12, 2017, we declared a regular quarterly distribution payable to common shareholders of record on October 23, 2017 of \$0.39 per share, or approximately \$92.7 million. We expect to pay this distribution on or about November 16, 2017 using cash on hand and borrowings under our revolving credit facility.

We believe we will have access to various types of financings, including debt or equity 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 associated with, future debt transactions depends primarily upon credit market conditions and our then creditworthiness. We have no control over market conditions. Our credit ratings depend upon evaluations by credit rating agencies of our business practices and plans, including our ability to maintain our earnings, to stagger our debt maturities and to balance our use of debt and equity capital so that our financial performance and leverage ratios afford us flexibility to withstand any reasonably anticipated adverse changes. Similarly, our ability to raise equity capital in the future will depend primarily upon equity capital market conditions and our ability to conduct our business to maintain and grow our operating cash flows. We intend to conduct our business activities in a manner which will afford us reasonable access to capital for investment and financing activities, but we cannot be sure that we will be able to successfully carry out that intention.

Our strategy related to property acquisitions and dispositions is materially unchanged from that disclosed in our Annual Report. We continue to explore and evaluate for possible acquisition additional properties primarily for income and secondarily for appreciation potential; however, we cannot be sure that we will reach any agreement to acquire such properties, or that if we do

reach any such agreement, that we will complete any acquisitions. Generally, we identify properties for sale based on changes in market conditions in the area where the property is located, our expectations regarding the property's future financial performance, our expectation regarding lease renewals, our plans with regard to particular properties or alternative opportunities we may wish to pursue. Our plans for particular properties and other strategic considerations may cause us to change our acquisition and disposition strategies, and we may do so at any time and without shareholder approval.

Off Balance Sheet Arrangements

As of September 30, 2017, we had no off balance sheet arrangements that have had or that we expect would be reasonably likely to have a material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Debt Covenants

Our principal debt obligations at September 30, 2017 were: (1) outstanding borrowings under our \$1.0 billion revolving credit facility; (2) six public issuances of senior unsecured notes, including: (a) \$400.0 million principal amount at an annual interest rate of 3.25% due 2019, (b) \$200.0 million principal amount at an annual interest rate of 6.75% due 2020, (c) \$300.0 million principal amount at an annual interest rate of 6.75% due 2021, (d) \$250.0 million principal amount at an annual interest rate of 4.75% due 2024, (e) \$350.0 million principal amount at an annual interest rate of 5.625% due 2042 and (f) \$250.0 million principal amount at an annual interest rate of 6.25% due 2046; (3) our \$350.0 million principal amount term loan due 2020; (4) our \$200.0 million principal amount term loan due 2022; and (5) \$806.4 million aggregate principal amount of mortgage notes secured by 24 of our properties (25 buildings) with maturity dates between 2018 and 2043. We also have two properties encumbered by capital leases with lease obligations totaling \$10.9 million at September 30, 2017; the capital leases expire in 2026. We had \$471.0 million outstanding under our revolving credit facility as of September 30, 2017. Our senior unsecured notes are governed by our senior unsecured notes indentures and their supplements. Our revolving credit facility and term loan agreements and our senior unsecured notes indentures and their 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 revolving credit facility and term loan agreements, a change of control of us, as defined, which includes RMR LLC ceasing to act as our business and property manager. Our senior unsecured notes indentures and their 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 and require us to maintain various financial ratios, and our revolving credit facility and term loan agreements contains covenants which restrict our ability to make distributions to our shareholders in certain circumstances. As of September 30, 2017, we believe we were in compliance with all of the covenants under our senior unsecured notes indentures and their supplements, our revolving credit facility and term loan agreements and our other debt obligations.

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

Our senior unsecured notes indentures and their supplements contain cross default provisions to any other debts of more than \$20.0 million (\$50.0 million or more in the case of our senior unsecured notes indenture and supplement entered in February 2016). 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.

The loan agreements governing the aggregate \$620.0 million secured debt financing we obtained in July 2016 contain customary covenants and provide for acceleration of payment of all amounts due thereunder upon the occurrence and continuation of certain events of default.

Related Person Transactions

We have relationships and historical and continuing transactions with RMR LLC, RMR Inc., Five Star, AIC and others related to them. For example: we have no employees and the personnel and various services we require to operate our business are provided to us by RMR LLC pursuant to our management agreements with RMR LLC; RMR Inc. is the managing member of RMR LLC; ABP Trust, which is owned by our Managing Trustees, is the controlling shareholder of RMR Inc.; and we own shares of class A common stock of RMR Inc. We also have relationships and historical and continuing transactions with other companies to which RMR LLC provides management services and which may have trustees, directors and officers who are also trustees, directors or officers of us, RMR LLC or RMR Inc., including: Five Star, which is our former subsidiary and largest tenant and the

manager of our managed senior living communities and of which we own 8.5% of its outstanding common stock and our Managing Trustees beneficially own, directly and indirectly, 36.7% of its outstanding common stock; and AIC, of which we, ABP Trust, Five Star and four other companies to which RMR LLC provides management services each own 14.3% and which arranges and reinsures in part a combined property insurance program for us and its six other shareholders.

For further information about these and other such relationships and related person transactions, see Notes 10, 11 and 12 to our condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q, our Annual Report, our definitive Proxy Statement for our 2017 Annual Meeting of Shareholders and our other filings with the Securities and Exchange Commission, or SEC. In addition, see the section captioned “Risk Factors” of our Annual Report for a description of risks that may arise as a result of these and other related person transactions and relationships. Our filings with the SEC and copies of certain of our agreements with these related persons, including our business and property management agreements with RMR LLC, our various agreements with Five Star and our shareholders agreement with AIC and its six other shareholders, are available as exhibits to our filings with the SEC and accessible at the SEC’s website, www.sec.gov. We may engage in additional transactions with related persons, including businesses to which RMR LLC or its affiliates provide management services.

Impact of Government Reimbursement

For the nine months ended September 30, 2017, approximately 97% of our NOI was generated from properties where a majority of the revenues are derived from our tenants’ and residents’ private resources, and the remaining 3% of our NOI was generated from properties where a majority of the revenues are derived from Medicare and Medicaid payments. Nonetheless, we own, and our tenants and manager operate, facilities in many states that participate in federal and state healthcare payment programs, including the federal Medicare and state Medicaid programs and other federal and state healthcare payment programs. Also, some of our MOB tenants participate in federal Medicare and state Medicaid programs and other government healthcare payment programs.

On September 13, 2017, members of the U.S. Congress introduced the Graham-Cassidy-Heller-Johnson bill, or GCHJ, with the announced intention to repeal and replace major provisions of the Patient Protection and Affordable Care Act, or the ACA. Although it is unclear whether GCHJ will ultimately become law, attempts to repeal or to repeal and replace the ACA will likely continue. In addition, on October 12, 2017, President Trump signed an executive order directing federal agencies to reduce limits on association health plans and temporary insurance plans, allowing more widespread offerings of plans that do not adhere to all of the ACA’s mandates, and to permit workers to use funds from tax advantaged accounts to pay for their own coverage. On the same day, the Trump Administration also announced that it would stop paying what are known as cost sharing reduction subsidies to issuers of qualified health plans under the ACA. It is unclear what the result of any of these legislative, executive and regulatory reform efforts may be or the effect they may have on us or the tenants and managers of our properties.

On September 20, 2017, the Centers for Medicare & Medicaid Services, or CMS, through its Innovation Center, issued a request for information seeking reactions from stakeholders regarding new approaches to promote patient centered care and test market driven reforms intended to empower Medicare and Medicaid beneficiaries as consumers, provide price transparency, increase choices and competition to improve quality, reduce cost and improve outcomes. In particular, CMS indicated that the Innovation Center is interested in testing models in eight focus areas, including increased participation in advanced alternative payment models; consumer directed care and market based innovation models; state based and local innovation, including Medicaid focused models; and program integrity models. CMS is accepting responses to its information request through November 20, 2017.

On August 24, 2017, the U.S. Department of Health and Human Services, Office of Inspector General, or OIG, issued an early alert regarding preliminary results of its ongoing review of potential abuse or neglect of Medicare beneficiaries in SNFs. As a result of the review, which is part of the ongoing efforts of the OIG to detect and combat elder abuse, the OIG concluded that CMS has inadequate procedures to ensure that incidents of potential abuse or neglect of beneficiaries residing in SNFs are identified and reported. The OIG provided suggestions for immediate actions that CMS can take to ensure better protection of beneficiaries. It is unclear what policy changes or oversight efforts CMS will undertake as a result of this early alert.

Because of shifting policy priorities, the current and projected federal budget deficit, other federal spending priorities and challenging fiscal conditions in some states, there have been numerous recent legislative and regulatory actions or proposed actions with respect to federal Medicare rates, state Medicaid rates and federal payments to states for Medicaid programs. We cannot currently predict the type and magnitude of the potential Medicare and Medicaid policy changes, rate changes or other changes that may be implemented, but we believe that some of these changes will cause these government funded healthcare programs to fail to provide rates that match our and our tenants’ increasing expenses and that such changes may be material and adverse to our future financial results.

For more information regarding the government healthcare funding and regulation of our business, please see the section captioned “Business-Government Regulation and Reimbursement” in our Annual Report and the section captioned “Impact of Government Reimbursement” in our Annual Report and in Part I, Item 2 of our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2017 and June 30, 2017.

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, 2016. 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.

Fixed Rate Debt

At September 30, 2017, our outstanding fixed rate debt included the following (dollars in thousands):

Debt	Principal Balance ⁽¹⁾	Annual Interest Rate ⁽¹⁾	Annual Interest Expense	Maturity	Interest Payments Due
Senior unsecured notes	\$ 400,000	3.25%	\$ 13,000	2019	Semi-Annually
Senior unsecured notes	350,000	5.63%	19,705	2042	Quarterly
Senior unsecured notes	300,000	6.75%	20,250	2021	Semi-Annually
Senior unsecured notes	250,000	4.75%	11,875	2024	Semi-Annually
Senior unsecured notes	250,000	6.25%	15,625	2046	Quarterly
Senior unsecured notes	200,000	6.75%	13,500	2020	Semi-Annually
Mortgage notes ⁽²⁾	620,000	3.53%	21,886	2026	Monthly
Mortgage notes	68,307	4.47%	3,053	2018	Monthly
Mortgage notes	43,788	3.79%	1,660	2019	Monthly
Mortgage note	13,884	6.28%	872	2022	Monthly
Mortgage notes	12,609	6.31%	796	2018	Monthly
Mortgage notes	11,911	6.24%	743	2018	Monthly
Mortgage note	11,444	4.85%	555	2022	Monthly
Mortgage note	8,476	6.73%	570	2018	Monthly
Mortgage note	6,465	4.69%	303	2019	Monthly
Mortgage note	4,361	4.38%	191	2043	Monthly
Mortgage notes	2,738	7.49%	205	2022	Monthly
Mortgage note	2,435	6.25%	152	2033	Monthly
	<u>\$ 2,556,418</u>		<u>\$ 124,941</u>		

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

(2) The property encumbered by these mortgages is subject to a joint venture arrangement. No principal payments are due on these mortgages until maturity.

No principal repayments are due under our unsecured notes until maturity. Our mortgage debts generally require principal and interest payments through maturity pursuant to amortization schedules. Because these debts require interest to be paid 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 \$25.6 million.

Changes in market interest rates also 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, 2017, and discounted cash flows 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 \$48.8 million .

Our senior unsecured notes and certain 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.

Floating Rate Debt

At September 30, 2017 , our floating rate debt obligations consisted of our \$1.0 billion revolving credit facility under which we had \$471.0 million outstanding, our \$350.0 million term loan and our \$200.0 million term loan. In August 2017, we amended the agreement governing our revolving credit facility. As a result of the amendment, among other things, the stated maturity date of the facility was extended from January 15, 2018 to January 15, 2022, and subject to the payment of an extension fee and meeting other conditions, we have an option to extend the maturity date of the facility for an additional year. No principal repayments are required under our revolving credit facility prior to maturity, and we can borrow, repay and re-borrow funds available, 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 and our \$200.0 million term loan are prepayable without penalty at any time.

Borrowings under our revolving credit facility and term loans are in U.S. dollars and interest is required to be paid at the rate of LIBOR plus premiums that are subject to adjustment based upon changes to our credit ratings. Accordingly, we are exposed to interest rate risk for 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 loans, 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, 2017 (dollars in thousands except per share amounts):

Impact of Changes in Interest Rates					
	Interest Rate ⁽¹⁾	Outstanding Floating Rate Debt	Total Interest Expense Per Year	Annual Earnings per Share Impact ⁽²⁾	
At September 30, 2017	2.51%	\$ 1,021,000	\$ 25,627	\$ (0.11)	
100 basis point increase	3.51%	\$ 1,021,000	\$ 35,837	\$ (0.15)	

(1) Weighted based on the respective interest rates and outstanding borrowings under our credit facility and term loans as of September 30, 2017 .

(2) Based on weighted average number of shares outstanding (diluted) for the nine months ended September 30, 2017 .

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, 2017 if we were fully drawn on our revolving credit facility and our term loan remained outstanding (dollars in thousands except per share amounts):

Impact of Changes in Interest Rates					
	Interest Rate ⁽¹⁾	Outstanding Floating Rate Debt	Total Interest Expense Per Year	Annual Earnings per Share Impact ⁽²⁾	
At September 30, 2017	2.47%	\$ 1,550,000	\$ 38,285	\$ (0.16)	
100 basis point increase	3.47%	\$ 1,550,000	\$ 53,785	\$ (0.23)	

(1) Weighted based on the respective interest rates and outstanding borrowings under our credit facility (assuming fully drawn) and term loans as of September 30, 2017 .

(2) Based on weighted average number of shares outstanding (diluted) for the nine months ended September 30, 2017 .

The foregoing tables show the impact of an immediate increase in floating interest rates. If interest rates were to change gradually over time, the impact would be spread over time. Our exposure to fluctuations in floating interest rates will increase or

decrease in the future with increases or decreases in the outstanding amount of our borrowings under our revolving credit facility or other floating rate debt.

Although we have no present plans to do so, we may in the future enter into hedge arrangements 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, our President and Chief Operating Officer and our Chief Financial Officer and Treasurer, of the effectiveness of our disclosure controls and procedures pursuant to Rules 13a-15 and 15d-15 under the Securities Exchange Act of 1934, as amended. Based upon that evaluation, our Managing Trustees, our President and Chief Operating Officer and our Chief Financial Officer and Treasurer 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, 2017 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”, “WILL”, “MAY” AND NEGATIVES OR DERIVATIVES OF THESE 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 POLICIES AND PLANS REGARDING INVESTMENTS, FINANCINGS AND DISPOSITIONS,
- OUR ABILITY TO RETAIN OUR EXISTING TENANTS, ATTRACT NEW TENANTS AND MAINTAIN OR INCREASE CURRENT RENTAL RATES,
- THE CREDIT QUALITIES OF OUR TENANTS,
- OUR ABILITY TO COMPETE FOR ACQUISITIONS AND TENANCIES EFFECTIVELY,
- OUR ACQUISITIONS AND SALES OF PROPERTIES,
- THE ABILITY OF THE MANAGER OF OUR MANAGED SENIOR LIVING COMMUNITIES TO MAINTAIN AND INCREASE OCCUPANCY, REVENUES AND OPERATING INCOME AT THOSE COMMUNITIES,
- OUR ABILITY TO PAY DISTRIBUTIONS TO OUR SHAREHOLDERS AND THE AMOUNT OF SUCH DISTRIBUTIONS,
- OUR ABILITY TO RAISE DEBT OR EQUITY CAPITAL,
- 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 USE OF DEBT AND EQUITY CAPITAL,
- OUR CREDIT RATINGS,
- OUR EXPECTATION THAT WE BENEFIT FROM OUR OWNERSHIP OF RMR INC.,
- OUR EXPECTATION THAT WE BENEFIT FROM OUR OWNERSHIP OF AIC AND FROM OUR PARTICIPATION IN INSURANCE PROGRAMS ARRANGED BY AIC,
- OUR QUALIFICATION FOR TAXATION AS A REIT,
- OUR BELIEF THAT THE AGING U.S. POPULATION AND INCREASING LIFE SPANS OF SENIORS WILL INCREASE THE DEMAND FOR SENIOR LIVING SERVICES,
- OUR BELIEF THAT FIVE STAR, OUR FORMER SUBSIDIARY AND LARGEST TENANT AND THE MANAGER OF OUR MANAGED SENIOR LIVING COMMUNITIES, HAS ADEQUATE FINANCIAL RESOURCES AND LIQUIDITY AND THE ABILITY TO MEET ITS OBLIGATIONS TO US AND TO MANAGE OUR SENIOR LIVING COMMUNITIES SUCCESSFULLY, AND
- OTHER MATTERS.

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

- THE IMPACT OF CONDITIONS AND CHANGES IN THE ECONOMY AND THE CAPITAL MARKETS ON US AND OUR TENANTS AND MANAGERS,
- THE IMPACT OF THE ACA, INCLUDING CURRENT PROPOSALS TO REPEAL OR TO REPEAL AND REPLACE 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 RELATED PARTIES, INCLUDING OUR MANAGING TRUSTEES, FIVE STAR, RMR LLC, RMR INC., AIC AND OTHERS AFFILIATED WITH THEM,
- 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 FOR TAXATION 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 THE MANAGER OF OUR MANAGED SENIOR LIVING COMMUNITIES AND IT MAY EXPERIENCE FINANCIAL DIFFICULTIES AS A RESULT OF A NUMBER OF FACTORS, INCLUDING, BUT NOT LIMITED TO:
 - CHANGES IN MEDICARE OR MEDICAID POLICIES, INCLUDING THOSE THAT MAY RESULT FROM THE ACA, INCLUDING CURRENT PROPOSALS TO REPEAL OR TO REPEAL AND REPLACE THE ACA, AND OTHER EXISTING OR PROPOSED LEGISLATION OR REGULATIONS, WHICH COULD RESULT IN REDUCED MEDICARE OR MEDICAID RATES OR A FAILURE OF SUCH RATES TO COVER FIVE STAR'S COSTS OR LIMIT THE SCOPE OR FUNDING OF EITHER OR BOTH PROGRAMS,
 - THE IMPACT OF CHANGES IN THE ECONOMY AND THE CAPITAL MARKETS ON FIVE STAR AND ITS RESIDENTS AND OTHER CUSTOMERS,
 - COMPETITION WITHIN THE SENIOR LIVING SERVICES BUSINESS,
 - INCREASES IN INSURANCE AND TORT LIABILITY COSTS,
 - INCREASES IN COMPLIANCE COSTS, AND
 - INCREASES IN FIVE STAR'S LABOR COSTS OR IN COSTS FIVE STAR PAYS FOR GOODS AND SERVICES.
- IF FIVE STAR'S OPERATIONS CONTINUE TO BE UNPROFITABLE, IT MAY DEFAULT ON ITS RENT OBLIGATIONS TO US,
- IF FIVE STAR FAILS TO PROVIDE QUALITY SERVICES AT SENIOR LIVING COMMUNITIES THAT WE OWN, OUR INCOME FROM THESE COMMUNITIES MAY BE ADVERSELY AFFECTED,
- IN RESPONSE TO COMPETITIVE PRESSURES RESULTING FROM RECENT AND EXPECTED NEW SUPPLY OF SENIOR LIVING COMMUNITIES, WE HAVE BEEN INVESTING IN IMPROVEMENTS TO OUR EXISTING SENIOR LIVING COMMUNITIES. OUR COMMUNITIES MAY FAIL TO BE COMPETITIVE AND THEY MAY FAIL TO ATTRACT RESIDENTS, DESPITE OUR CAPITAL INVESTMENTS,
- OUR OTHER TENANTS MAY EXPERIENCE LOSSES AND DEFAULT ON THEIR RENT OBLIGATIONS TO US,
- SOME OF OUR TENANTS MAY NOT RENEW EXPIRING LEASES, AND WE MAY BE UNABLE TO OBTAIN NEW TENANTS TO MAINTAIN OR INCREASE THE HISTORICAL OCCUPANCY RATES OF, OR RENTS FROM, OUR PROPERTIES,

- 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 OUR 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 THEIR 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 AGREEMENTS OR LEASE TERMS FOR NEW 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 ACQUISITIONS AND SALES AND ANY RELATED LEASES OR MANAGEMENT ARRANGEMENTS WE MAY EXPECT TO ENTER INTO MAY NOT OCCUR, MAY BE DELAYED OR THE TERMS OF SUCH TRANSACTIONS OR ARRANGEMENTS MAY CHANGE,
- WE HAVE ENTERED AN AGREEMENT TO ACQUIRE SIX SENIOR LIVING COMMUNITIES FROM FIVE STAR FOR APPROXIMATELY \$104.0 MILLION, INCLUDING OUR ASSUMPTION OF APPROXIMATELY \$33.7 MILLION OF MORTGAGE DEBT AND EXCLUDING CLOSING COSTS, AND WE EXPECT TO ENTER MANAGEMENT AND POOLING ARRANGEMENTS WITH FIVE STAR FOR FIVE STAR TO MANAGE THESE SENIOR LIVING COMMUNITIES FOR US. THESE ACQUISITIONS ARE SUBJECT TO CONDITIONS. THESE CONDITIONS MAY NOT BE MET AND THESE ACQUISITIONS AND RELATED MANAGEMENT AND POOLING ARRANGEMENTS MAY NOT OCCUR, MAY BE DELAYED BEYOND THE FIRST QUARTER OF 2018 OR THEIR TERMS MAY CHANGE,
- WE EXPECT TO ENTER INTO ADDITIONAL LEASE OR MANAGEMENT ARRANGEMENTS WITH FIVE STAR FOR ADDITIONAL SENIOR LIVING COMMUNITIES THAT WE OWN OR MAY ACQUIRE IN THE FUTURE. HOWEVER, WE CANNOT BE SURE THAT WE WILL ENTER INTO ANY ADDITIONAL LEASES, MANAGEMENT ARRANGEMENTS OR OTHER TRANSACTIONS WITH FIVE STAR,
- CONTINUED AVAILABILITY OF BORROWINGS UNDER OUR REVOLVING CREDIT FACILITY IS SUBJECT TO OUR SATISFYING CERTAIN FINANCIAL COVENANTS AND OTHER 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 FEES AND EXPENSES ASSOCIATED WITH SUCH FACILITIES,
- THE MAXIMUM BORROWING AVAILABILITY UNDER OUR REVOLVING CREDIT FACILITY AND TERM LOANS MAY BE INCREASED TO UP TO \$3.1 BILLION ON A COMBINED BASIS IN CERTAIN CIRCUMSTANCES. HOWEVER, INCREASING THE MAXIMUM BORROWING AVAILABILITY UNDER OUR REVOLVING CREDIT FACILITY AND TERM LOANS 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 OTHER CONDITIONS; HOWEVER, THE APPLICABLE CONDITIONS MAY NOT BE MET,
- THE PREMIUMS USED TO DETERMINE THE INTEREST RATE PAYABLE ON OUR REVOLVING CREDIT FACILITY AND TERM LOANS 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 INCREASE,
- WE MAY BE UNABLE TO REPAY OUR DEBT OBLIGATIONS WHEN THEY BECOME DUE,

- FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2017, APPROXIMATELY 97% OF OUR NOI WAS GENERATED FROM PROPERTIES WHERE A MAJORITY OF THE REVENUES ARE 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, OUR RESIDENTS AND PATIENTS MAY BECOME UNABLE TO FUND OUR CHARGES WITH PRIVATE RESOURCES AND WE MAY BE REQUIRED OR MAY ELECT FOR BUSINESS REASONS TO ACCEPT OR PURSUE REVENUES FROM GOVERNMENT SOURCES, WHICH COULD RESULT IN AN INCREASED PART OF OUR NOI AND REVENUE BEING GENERATED FROM GOVERNMENT PAYMENTS AND OUR BECOMING MORE DEPENDENT ON GOVERNMENT PAYMENTS,
- CIRCUMSTANCES THAT ADVERSELY AFFECT THE ABILITY OF SENIORS OR THEIR FAMILIES TO PAY FOR OUR TENANTS' AND MANAGER'S SERVICES, SUCH AS ECONOMIC DOWNTURNS, WEAK HOUSING MARKET CONDITIONS, HIGHER LEVELS OF UNEMPLOYMENT AMONG OUR RESIDENTS' FAMILY MEMBERS, LOWER LEVELS OF CONSUMER CONFIDENCE, STOCK MARKET VOLATILITY AND/OR CHANGES IN DEMOGRAPHICS GENERALLY COULD AFFECT THE PROFITABILITY OF OUR SENIOR LIVING COMMUNITIES,
- AS OF SEPTEMBER 30, 2017, WE HAD ESTIMATED UNSPENT LEASING RELATED OBLIGATIONS OF \$21.6 MILLION. IT IS DIFFICULT TO ACCURATELY ESTIMATE TENANT SPACE PREPARATION COSTS. OUR UNSPENT LEASING RELATED OBLIGATIONS MAY COST MORE OR LESS AND MAY TAKE LONGER TO COMPLETE THAN WE CURRENTLY EXPECT, AND WE MAY INCUR INCREASING AMOUNTS FOR THESE AND SIMILAR PURPOSES IN THE FUTURE,
- WE MAY NOT BE ABLE TO SELL PROPERTIES THAT WE DETERMINE TO OFFER FOR SALE ON TERMS ACCEPTABLE TO US OR OTHERWISE,
- WE BELIEVE THAT OUR RELATIONSHIPS WITH OUR RELATED PARTIES, INCLUDING FIVE STAR, RMR LLC, RMR INC., ABP TRUST, AIC AND OTHERS AFFILIATED WITH THEM MAY BENEFIT US AND PROVIDE US WITH COMPETITIVE ADVANTAGES IN OPERATING AND GROWING OUR BUSINESS. HOWEVER, THE ADVANTAGES WE BELIEVE WE MAY REALIZE FROM THESE RELATIONSHIPS MAY NOT MATERIALIZE,
- RMR INC. MAY REDUCE THE AMOUNT OF ITS DISTRIBUTIONS TO ITS SHAREHOLDERS, INCLUDING US,
- OUR SENIOR LIVING COMMUNITIES ARE SUBJECT TO EXTENSIVE GOVERNMENT REGULATION, LICENSURE AND OVERSIGHT. WE SOMETIMES EXPERIENCE DEFICIENCIES IN THE OPERATION OF OUR SENIOR LIVING COMMUNITIES AND SOME OF OUR COMMUNITIES MAY BE PROHIBITED FROM ADMITTING NEW RESIDENTS OR OUR LICENSE TO CONTINUE OPERATIONS AT A COMMUNITY MAY BE REVOKED. ALSO, OPERATING DEFICIENCIES OR A LICENSE REVOCATION AT ONE OR MORE OF OUR SENIOR LIVING COMMUNITIES MAY HAVE AN ADVERSE IMPACT ON OUR ABILITY TO OBTAIN LICENSES FOR, OR ATTRACT RESIDENTS TO, OUR OTHER COMMUNITIES, AND
- THE BUSINESS AND PROPERTY MANAGEMENT AGREEMENTS BETWEEN US AND RMR LLC HAVE CONTINUING 20 YEAR TERMS. HOWEVER, THOSE AGREEMENTS PERMIT EARLY TERMINATION IN CERTAIN CIRCUMSTANCES. ACCORDINGLY, WE CANNOT BE SURE THAT THESE AGREEMENTS WILL REMAIN IN EFFECT FOR CONTINUING 20 YEAR TERMS.

CURRENTLY UNEXPECTED RESULTS COULD OCCUR DUE TO MANY DIFFERENT CIRCUMSTANCES, SOME OF WHICH ARE BEYOND OUR CONTROL, SUCH AS 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, DEFICIENCIES IN OPERATIONS BY A TENANT OR MANAGER OF ONE OR MORE OF OUR SENIOR LIVING COMMUNITIES, CHANGED MEDICARE OR MEDICAID RATES, ACTS OF TERRORISM, NATURAL DISASTERS OR CHANGES IN CAPITAL MARKETS OR THE ECONOMY GENERALLY.

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

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

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

STATEMENT CONCERNING LIMITED LIABILITY

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

PART II. Other Information

Item 1A. Risk Factors.

There have been no material changes to risk factors from those we previously disclosed in our Annual Report.

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, 2017:

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 2017	16,654	\$ 19.85	—	\$ —
Total	16,654	\$ 19.85	—	\$ —

(1) These common share withholdings and purchases were made to satisfy tax withholding and payment obligations of certain RMR LLC employees in connection with the vesting of awards of our common shares. We withheld and purchased these shares at their fair market value based upon the trading price of our common shares at the close of trading on the Nasdaq on the purchase date.

Item 5. Other Information.

On November 8, 2017, we entered a transaction agreement with Five Star pursuant to which we agreed to acquire six senior living communities from Five Star. We will enter management and pooling agreements with Five Star as we acquire these communities for Five Star to manage these senior living communities for us. The aggregate purchase price for these six senior living communities is approximately \$104.0 million, including our assumption of approximately \$33.7 million of mortgage debt securing certain of these senior living communities and excluding closing costs. The transaction agreement includes certain conditions to our acquisitions of these senior living communities, including receipt of any applicable lender and regulatory approvals. We expect to complete these acquisitions as third party approvals are received between now and the end of the first quarter of 2018; however, the conditions to our acquisitions of these senior living communities may not be met and some or all of these acquisitions and related management and pooling arrangements may not occur, may be delayed or the terms may change.

The management agreements we and Five Star will enter in connection with our acquisitions of these senior living communities will be combined pursuant to two new pooling agreements to be entered between us and Five Star. The first new pooling agreement will combine the management agreements for five of these senior living communities. Pursuant to the terms of the management and pooling agreements to be entered for these five senior living communities, we will pay Five Star a management fee equal to 5% of the gross revenues realized at these communities plus reimbursement for Five Star's direct costs and expenses related to its operation of these communities, as well as an annual incentive fee equal to 20% of the annual NOI of these communities remaining after we realize an annual minimum return equal to 7% of our invested capital for these senior living communities. The second new pooling agreement will include one management agreement for a senior living community that is subject to an ongoing construction, expansion and development project. The terms of the management and pooling agreements to be entered for this senior living community will be substantially the same as the terms of the management and pooling agreements for the other five senior living communities, except that our annual minimum return on invested capital related to the ongoing construction, expansion and development project at this community will be an amount equal to the interest rate then applicable to borrowings under our revolving credit facility plus 2% per annum. This amount of minimum return will apply until the earlier of 12 months after a certificate of occupancy is issued with respect to the project and the third anniversary of our acquisition of this community; thereafter, the amount of annual minimum return on invested capital related to this project will be 7% of our invested capital. Also pursuant to the terms of the management and pooling agreements to be entered for these six senior living communities, we will pay Five Star a fee for its management of capital expenditure projects at these senior living communities equal to 3% of amounts funded by us. The terms of these management and pooling agreements will expire in 2041 and will be subject to automatic renewals, unless earlier terminated or timely notices of nonrenewal are delivered.

Also on November 8, 2017, we entered an amendment to our preexisting pooling agreements with Five Star, among other things, to provide that, with respect to our right to terminate all of the management agreements covered by a preexisting pooling

agreement if we do not receive our annual minimum return under such agreement in each of three consecutive years, the commencement year for the measurement period for determining whether the specified annual minimum return under the applicable pooling agreement has been achieved will be 2017.

The foregoing descriptions of the transaction agreement and the amendment to our preexisting pooling agreements with Five Star are not complete and are qualified in their entirety by reference to the full text of those documents and all exhibits and schedules thereto, copies of which are filed with this Quarterly Report on Form 10-Q as Exhibits 10.2 and 10.3.

We have relationships and historical and continuing transactions with Five Star. For information regarding these relationships and transactions, see Notes 10, 11 and 12 to our condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q, our Annual Report, our definitive Proxy Statement for our 2017 Annual Meeting of Shareholders and our other filings with the SEC. In addition, see the section captioned “Risk Factors” of our Annual Report for a description of risks that may arise as a result of these and other related person transactions and relationships. Our filings with the SEC and copies of certain of our agreements with these related persons, including our various agreements with Five Star, are available as exhibits to our filings with the SEC and accessible at the SEC’s website, www.sec.gov.

Item 6. Exhibits.

Exhibit Number	Description
3.1	Composite Copy of Articles of Amendment and Restatement, dated September 20, 1999, as amended to date. (Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017.)
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 No. 001-15319.)
3.3	Articles Supplementary, dated April 17, 2014. (Incorporated by reference to the Company's Current Report on Form 8-K dated April 17, 2014.)
3.4	Amended and Restated Bylaws of the Company, adopted September 7, 2016. (Incorporated by reference to the Company's Current Report on Form 8-K dated September 7, 2016.)
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, related 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, File No. 001-15319.)
4.4	Supplemental Indenture No. 6, dated as of December 8, 2011, between the Company and U.S. Bank National Association, related 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, File No. 001-15319.)
4.5	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, File No. 001-15319.)
4.6	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.)
4.7	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.)
4.8	Indenture, dated as of February 18, 2016, between the Company and U.S. Bank National Association. (Incorporated by reference to the Company's Current Report on Form 8-K dated February 18, 2016.)
4.9	First Supplemental Indenture, dated as of February 18, 2016, between the Company and U.S. Bank National Association, related to 6.25% Senior Notes due 2046, including form thereof. (Incorporated by reference to the Company's Current Report on Form 8-K dated February 18, 2016.)
4.10	Registration Rights and Lock-Up Agreement, dated as of June 5, 2015, among the Company, ABP Trust (f/k/a Reit Management & Research Trust), Barry M. Portnoy and Adam D. Portnoy. (Incorporated by reference to the Company's Current Report on Form 8-K dated June 5, 2015.)

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10.1	<u>Third Amendment to \$350 Million Term Loan Agreement, dated as of September 20, 2017, among the Company, Wells Fargo Bank, National Association, as Administrative Agent, and each of the other financial institutions party thereto. (Filed herewith.)</u>
10.2	<u>Transaction Agreement, dated as of November 8, 2017, between the Company and Five Star Senior Living Inc. (Filed herewith.)</u>
10.3	<u>First Amendment to Pooling Agreements Nos. 1 through 11, dated as of November 8, 2017, by and among FVE Managers, Inc. and the other parties listed on the signature pages thereto. (Filed herewith.)</u>
12.1	<u>Computation of Ratio of Earnings to Fixed Charges. (Filed herewith.)</u>
31.1	<u>Rule 13a-14(a) Certification. (Filed herewith.)</u>
31.2	<u>Rule 13a-14(a) Certification. (Filed herewith.)</u>
31.3	<u>Rule 13a-14(a) Certification. (Filed herewith.)</u>
31.4	<u>Rule 13a-14(a) Certification. (Filed herewith.)</u>
32.1	<u>Section 1350 Certification. (Furnished herewith.)</u>
101.1	The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2017 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 9, 2017

By: /s/ Richard W. Siedel, Jr.
Richard W. Siedel, Jr.
Chief Financial Officer and Treasurer
(principal financial and accounting officer)

Dated: November 9, 2017

THIRD AMENDMENT TO TERM LOAN AGREEMENT

THIS THIRD AMENDMENT TO TERM LOAN AGREEMENT (this "Amendment") dated as of September 20, 2017 by and among SENIOR HOUSING PROPERTIES TRUST, a real estate investment trust formed under the laws of the State of Maryland (the "Borrower"), each of the Lenders party hereto and WELLS FARGO BANK, NATIONAL ASSOCIATION, as Administrative Agent (the "Administrative Agent").

WHEREAS, the Borrower, the Lenders, the Administrative Agent and certain other parties have entered into that certain Term Loan Agreement dated as of May 30, 2014 (as amended and as in effect immediately prior to the effectiveness of this Amendment, the "Credit Agreement"); and

WHEREAS, the Borrower, the Lenders, the Administrative Agent desire to amend certain provisions of the Credit Agreement on the terms and conditions contained herein.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties hereto, the parties hereto hereby agree as follows:

Section 1. Specific Amendments to Credit Agreement. Upon the effectiveness of this Amendment, the parties hereto agree that the Credit Agreement is amended to delete the stricken text (indicated textually in the same manner as the following example: ~~stricken text~~) and to add the double-underlined text (indicated textually in the same manner as the following example: double-underlined text) as set forth in the pages of the Credit Agreement attached hereto as Exhibit A.

Section 2. Conditions Precedent. The effectiveness of this Amendment are both subject to receipt by the Administrative Agent of each of the following, each in form and substance satisfactory to the Administrative Agent:

- (a) A counterpart of this Amendment duly executed by the Borrower, the Administrative Agent and the Requisite Lenders;
- (b) Evidence that all fees, expenses and reimbursement amounts due and payable to the Administrative Agent and any of the Lenders in connection with this Amendment have been paid; and
- (c) Such other documents, instruments and agreements as the Administrative Agent may reasonably request.

Section 3. Representations. The Borrower represents and warrants to the Administrative Agent and the Lenders that:

- (a) Authorization. The Borrower has the right and power, and has taken all necessary action to authorize it, to execute and deliver this Amendment and to perform its obligations hereunder and under the Credit Agreement, as amended by this Amendment, in accordance with their respective terms. This Amendment has been duly executed and delivered by a duly authorized officer of the Borrower and each of this Amendment and the Credit Agreement, as amended by this Amendment, is a legal, valid and binding obligation of the Borrower enforceable against the Borrower in accordance with its respective terms except

as (i) the enforceability thereof may be limited by bankruptcy, insolvency or similar laws affecting creditors' rights generally and (ii) the availability of equitable remedies may be limited by equitable principles of general applicability.

(b) Compliance with Laws, etc. The execution and delivery by the Borrower of this Amendment and the performance by the Borrower of this Amendment and the Credit Agreement, as amended by this Amendment, in accordance with their respective terms, do not and will not, by the passage of time, the giving of notice or otherwise: (i) require any Governmental Approval or violate any Applicable Law (including Environmental Laws) relating to the Borrower or any other Loan Party; (ii) conflict with, result in a breach of or constitute a default under the organizational documents of Borrower or any other Loan Party, or any indenture, agreement or other instrument to which the Borrower or any other Loan Party is a party or by which it or any of its respective properties may be bound; or (iii) result in or require the creation or imposition of any Lien upon or with respect to any property now owned or hereafter acquired by the Borrower or any other Loan Party other than in favor of the Administrative Agent for its benefit and the benefit of the Lenders and the Issuing Bank.

(c) No Default. No Default or Event of Default has occurred and is continuing as of the date hereof or will exist immediately after giving effect to this Amendment.

Section 4. Reaffirmation of Representations by Borrower. The Borrower hereby repeats and reaffirms all representations and warranties made by the Borrower and the other Loan Parties to the Administrative Agent and the Lenders in the Credit Agreement and the other Loan Documents on and as of the date hereof with the same force and effect as if such representations and warranties were set forth in this Amendment in full.

Section 5. Certain References. Each reference to the Credit Agreement in any of the Loan Documents shall be deemed to be a reference to the Credit Agreement as amended by this Amendment. This Amendment is a Loan Document.

Section 6. Expenses. The Borrower shall reimburse the Administrative Agent upon demand for all costs and expenses (including attorneys' fees) incurred by the Administrative Agent in connection with the preparation, negotiation and execution of this Amendment and the other agreements and documents executed and delivered in connection herewith.

Section 7. Benefits. This Amendment shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns.

Section 8. GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS EXECUTED, AND TO BE FULLY PERFORMED, IN SUCH STATE.

Section 9. Effect; Ratification. Except as expressly herein amended, the terms and conditions of the Credit Agreement and the other Loan Documents remain in full force and effect. The amendments contained herein shall be deemed to have prospective application only from the date as of which this Amendment is dated. The Credit Agreement is hereby ratified and confirmed in all respects. Nothing in this Amendment shall limit, impair or constitute a waiver of the rights, powers or remedies available to the Administrative Agent or the Lenders under the Credit Agreement or any other Loan Document.

Section 10. Counterparts. This Amendment may be executed in any number of counterparts, each of which shall be deemed to be an original and shall be binding upon all parties, their successors and assigns.

Section 11. Definitions. All capitalized terms not otherwise defined herein are used herein with the respective definitions given them in the Credit Agreement as amended by this Amendment.

[Signatures on Next Page]

IN WITNESS WHEREOF, the parties hereto have caused this Third Amendment to Term Loan Agreement to be executed as of the date first above written.

SENIOR HOUSING PROPERTIES TRUST

By: /s/ Richard W. Siedel, Jr.

Name: Richard W. Siedel, Jr.

Title: CFO and Treasurer

[Signatures Continued on Next Page]

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Administrative Agent and as a Lender

By: /s/ Matthew Ricketts

Name: Matthew Ricketts

Title: Managing Director

[Signatures Continue on Next Page]

ROYAL BANK OF CANADA, as a Lender

By: /s/ Sheena Lee

Name: Sheena Lee

Title: Authorized Signatory

CITIBANK, NA, as a Lender

By: /s/ John C. Rowland

Name: John C. Rowland

Title: Vice President

PNC BANK, NATIONAL ASSOCIATION, as a Lender

By: /s/ John R. Roach Jr.

Name: John R. Roach Jr.

Title: Vice President

MIZUHO BANK (USA), as a Lender

By: /s/ John Davies

Name: John Davies

Title: Director

COMPASS BANK, as a Lender

By: /s/ Brian Tuerff

Name: Brian Tuerff

Title: Senior Vice President

REGIONS BANK, as a Lender

By: /s/ Katie Gifford

Name: Katie Gifford

Title: Vice President

RBS CITIZENS, N.A., as a Lender

By: /s/ Brad Bindas

Name: Brad Bindas

Title: Senior Vice President

SUMITOMO MITSUI BANKING CORPORATION, as a Lender

By: /s/ Hideo Notsu

Name: Hideo Notsu

Title: Managing Director

BANK HAPOALIM B.M., as a Lender

By: /s/ Charles McLaughlin

Name: Charles McLaughlin

Title: Senior Vice President

By: /s/ Helen H. Gateson

Name: Helen H. Gateson

Title: Vice President

MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD., NEW YORK BRANCH, as a
Lender

By: /s/ Ming-Che Yang
Name: Ming-Che Yang
Title: VP & DGM

BANK OF TAIWAN, LOS ANGELES BRANCH, as a Lender

By: /s/ Ti-Kang Wang

Name: Ti-Kang Wang

Title: VP & General Manager

FIRST TENNESSEE BANK NATIONAL ASSOCIATION

By: /s/ Jean M. Brennan

Name: Jean M. Brennan

Title: Senior Vice President

LAND BANK OF TAIWAN LOS ANGELES BRANCH
, as a Lender

By: /s/ Henry Lieu
Name: Henry Lieu
Title: SVP & General Manager

FIRST COMMERCIAL BANK, LTD., NEW YORK BRANCH, as a Lender

By: /s/ Bill Wang

Name: Bill Wang

Title: Senior Vice President & General Manager

EXHIBIT A

Amended Credit Agreement

[Attached]

TERM LOAN AGREEMENT

Dated as of May 30, 2014

by and among

SENIOR HOUSING PROPERTIES TRUST,
as Borrower,

THE FINANCIAL INSTITUTIONS PARTY HERETO
AND THEIR ASSIGNEES UNDER SECTION 12.5.,
as Lenders,

and

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Administrative Agent

JEFFERIES FINANCE LLC
and
WELLS FARGO SECURITIES, LLC,
as Joint Lead Arrangers
and
Joint Lead Bookrunners,

JEFFERIES FINANCE LLC,
as Syndication Agent

and

ROYAL BANK OF CANADA,
CITIBANK, N.A.,
PNC BANK, NATIONAL ASSOCIATION,
MIZUHO BANK (USA),
COMPASS BANK
and
REGIONS BANK,
as Documentation Agents

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THIS TERM LOAN AGREEMENT (this “Agreement”) dated as of May 30, 2014 by and among SENIOR HOUSING PROPERTIES TRUST, a real estate investment trust formed under the laws of the State of Maryland (the “Borrower”), each of the financial institutions initially a signatory hereto together with their successors and assignees under Section 12.5. (the “Lenders”), and WELLS FARGO BANK, NATIONAL ASSOCIATION, as Administrative Agent (the “Administrative Agent”), with each of JEFFERIES FINANCE LLC and WELLS FARGO SECURITIES, LLC, as Joint Lead Arrangers and Joint Bookrunners (each a “Lead Arranger”), JEFFERIES FINANCE LLC, as Syndication Agent (the “Syndication Agent”) and each of ROYAL BANK OF CANADA, CITIBANK, N.A., PNC BANK, NATIONAL ASSOCIATION, MIZUHO BANK (USA), COMPASS BANK and REGIONS BANK, as Documentation Agents (the “Documentation Agents”).

WHEREAS, the Lenders are willing to make available to the Borrower term loans in an aggregate initial amount of \$350,000,000, on the terms and conditions contained herein.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties hereto, the parties hereto agree as follows:

ARTICLE I. DEFINITIONS

Section 1.1. Definitions.

In addition to terms defined elsewhere herein, the following terms shall have the following meanings for the purposes of this Agreement:

“ **Accession Agreement** ” means an Accession Agreement substantially in the form of Annex I to the Guaranty.

“ **Acquired Encumbered Properties** ” means the Properties subject, as of the Agreement Date, to the Liens created under Acquired Property Lien Documents.

“ **Acquired Property Lien Documents** ” means those documents relating to the Liens on the Acquired Encumbered Properties as described on Item 1.1.(~~a~~b) of the Borrower Letter, each as amended, supplemented or otherwise modified from time to time (except that amendments, supplements and modifications which (x) result in the Lien created by such lease or mortgage being spread to Properties other than the Acquired Encumbered Properties or (y) change any non-recourse provisions of such lease or mortgage applicable to lease or loan payments thereunder in a manner which is materially adverse to the lessee or mortgagor, must, in each case, be approved by the Requisite Lenders).

“ **Additional Costs** ” has the meaning given that term in Section 4.1.(b).

“ **Adjusted EBITDA** ” means, with respect to any period of time, EBITDA of the Borrower and its Subsidiaries determined on a consolidated basis for such period less Capital Expenditure Reserves for all Properties for such period.

“ **Administrative Agent** ” means Wells Fargo Bank, National Association as contractual representative of the Lenders under this Agreement, or any successor Administrative Agent appointed pursuant to Section 11.8.

“ **Administrative Questionnaire** ” means the Administrative Questionnaire completed by each Lender and delivered to the Administrative Agent in a form supplied by the Administrative Agent to the Lenders from time to time.

“ **Affected Lender** ” has the meaning given that term in Section 4.6.

“ **Affiliate** ” means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified. In no event shall the Administrative Agent or any Lender be deemed to be an Affiliate of the Borrower. For purposes of this Agreement, Five Star shall not be deemed to be an Affiliate of the Borrower so long as each of the board of trustees of the Borrower and the board of directors of Five Star has at least one independent trustee or independent director who does not serve as both a trustee of the Borrower and a director of Five Star. The terms “independent director” and “independent trustee” have the meaning given the term “independent director” under the listing requirements of the New York Stock Exchange.

“ **Agreement Date** ” means the date as of which this Agreement is dated.

“ **Anti-Corruption Laws** ” means all Applicable Laws of any jurisdiction concerning or relating to bribery, corruption or money laundering, including without limitation, the Foreign Corrupt Practices Act of 1977, as amended.

“ **Anti-Terrorism Laws** ” has the meaning given that term in Section 6.1.(y).

“ **Applicable Law** ” means all international, foreign, federal, state and local statutes, treaties, rules, guidelines, regulations, ordinances, codes, executive orders, and administrative or judicial precedents or authorities, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and all applicable administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authority, in each case whether or not having the force of law. For purposes of Section 3.10., the term “Applicable Law” includes FATCA.

“ **Applicable Margin** ” means the percentage rate set forth in the table below corresponding to the level (each a “Level”) into which the Borrower’s Credit Rating then falls. As of the Agreement Date, the Applicable Margin is determined based on Level 4. Any change in the Borrower’s Credit Rating which would cause it to move to a different Level shall be effective as of the first day of the first calendar month immediately following receipt by the Administrative Agent of written notice delivered by the Borrower in accordance with Section 8.4.(m) that the Borrower’s Credit Rating has changed; provided, however, if the Borrower has not delivered the notice required by such Section but the Administrative Agent becomes aware that the Borrower’s Credit Rating has changed, then the Administrative Agent may, in its sole discretion, adjust the Level effective as of the first day of the first calendar month following the date the Administrative Agent becomes aware that the Borrower’s Credit Rating has changed. During any period that the Borrower has received two Credit Ratings that are not equivalent, then (x) the Applicable Margin shall be determined based on the Level corresponding to the higher of such two Credit Ratings if the higher of such two Credit Ratings is not more than one Level higher than the lower of such two Credit Ratings and (y) the Applicable Margin shall be determined based on the Level corresponding to the Level immediately below the higher of such two Credit Ratings if the higher of such two Credit Ratings is more than one Level higher than the lower of such two Credit Ratings. During any period for which the Borrower has received a Credit Rating from only one Rating Agency, then the Applicable Margin shall be determined based on such Credit Rating. During any period that the Borrower has not received a Credit Rating from any Rating Agency, the Applicable

Margin shall be determined based on Level 5. The provisions of this definition shall be subject to Section 2.4.(c).

Level	Borrower's Credit Rating (S&P/Moody's)	Applicable Margin for LIBOR Loans	Applicable Margin for Base Rate Loans
1	A-/A3 or better	0.95%	0.00%
2	BBB+/Baa1	1.05%	0.05%
3	BBB/Baa2	1.20%	0.20%
4	BBB-/Baa3	1.40%	0.40%
5	Lower than BBB-/Baa3 (or unrated)	1.95%	0.95%

“ **Approved Fund** ” means any Fund that is administered, or managed or underwritten by (a) a Lender, (b) an Affiliate of a Lender, or (c) an entity or an Affiliate of any entity that administers or manages a Lender.

“ **Asset Under Development** ” means, as of any date of determination, any Property owned by the Borrower or any of its Subsidiaries on which the construction of new income-producing improvements has been commenced and is continuing, with both the land and the improvements under construction thereon which comprise such Property to be valued as set forth in the definition of “Total Asset Value”. In the event of construction of an addition or expansion to an existing income producing Property, only the addition or expansion shall be considered an Asset Under Development.

“ **Assignment and Assumption** ” means an Assignment and Assumption entered into by a Lender and an Eligible Assignee (with the consent of any party whose consent is required by Section 12.5.), and accepted by the Administrative Agent, substantially in the form of Exhibit A or any other form approved by the Administrative Agent.

“ **Bail-In Action** ” means the exercise of any Write-Down and Conversion Powers by the applicable EEA Resolution Authority in respect of any liability of an EEA Financial Institution.

“ **Bail-In Legislation** ” means, with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule.

“ **Bankruptcy Code** ” means the Bankruptcy Code of 1978, as amended.

“ **Base Rate** ” means, at any time, the highest of (a) the Prime Rate, (b) the Federal Funds Rate plus 0.50% and (c) the LIBOR Market Index Rate plus 1.0%; each change in the Base Rate shall take effect simultaneously with the corresponding change or changes in the Prime Rate, the Federal Funds Rate or the LIBOR Market Index Rate (provided that clause (c) shall not be applicable during any period in which LIBOR is unavailable or unascertainable).

“ **Base Rate Loan** ” means a Loan, or any portion thereof, bearing interest at a rate based on the Base Rate.

“ **Benefit Arrangement** ” means at any time an employee benefit plan within the meaning of Section 3(3) of ERISA which is not a Plan or a Multiemployer Plan and which is maintained or otherwise contributed to by any member of the ERISA Group.

“ **Borrower** ” has the meaning set forth in the introductory paragraph hereof and shall include the Borrower’s successors and permitted assigns.

“ **Borrower Information** ” has the meaning given that term in Section 2.4.(c).

“ **Borrower Letter** ” means that certain letter dated as of even date herewith from the Borrower to the Administrative Agent and the Lenders.

“ **Business Day** ” means (a) for all purposes other than as set forth in clause (b) below, any day (other than a Saturday, Sunday or legal holiday) on which banks in New York, New York, are open for the conduct of their commercial banking business, and (b) with respect to all notices and determinations in connection with, and payments of principal and interest on, any LIBOR Loan, or any Base Rate Loan as to which the interest rate is determined by reference to LIBOR, any day that is a Business Day described in clause (a) and that is also a day for trading by and between banks in Dollar deposits in the London interbank market. Unless specifically referenced in this Agreement as a Business Day, all references to “days” shall be to calendar days.

“ **Business Management Agreement** ” means that certain Second Amended and Restated Business Management Agreement dated as of June 5, 2015 by and between the Borrower and RMR.

“ **Capital Expenditure Reserves** ” means, with respect to a Property and for a given period, an amount equal to (a)(i) \$300 per annum per bed, for a skilled nursing facility, or per unit for any other Senior Housing Asset, on which the applicable lease does not require the Lessee to pay for all capital expenditures or (ii) an amount equal to \$0.40 per square foot per annum for any other Property on which the applicable lease does not require the Lessee to pay for all capital expenditures, times (b) the number of days in such period, divided by (c) 365.

“ **Capitalization Rate** ” means (a) 7.00% for Senior Housing Assets and (b) 6.50% for all other Properties.

“ **Capitalized Lease Obligation** ” means obligations under a lease (to pay rent or other amounts under any lease or other arrangement conveying the right to use) that are required to be capitalized for financial reporting purposes in accordance with GAAP. The amount of a Capitalized Lease Obligation is the capitalized amount of such obligation as would be required to be reflected on a balance sheet of the applicable Person prepared in accordance with GAAP as of the applicable date.

“ **Cash Equivalents** ” means: (a) securities issued, guaranteed or insured by the United States of America or any of its agencies with maturities of not more than one year from the date acquired; (b) certificates of deposit with maturities of not more than one year from the date acquired issued by a United States federal or state chartered commercial bank of recognized standing, or a commercial bank organized under the laws of any other country which is a member of the Organisation for Economic Cooperation and Development, or a political subdivision of any such country, acting through a branch or agency, which bank has capital and unimpaired surplus in excess of \$500,000,000 and which bank or its holding company has a short-term commercial paper rating of at least A-2 or the equivalent by S&P or at least P-2 or the equivalent by Moody’s; (c) reverse repurchase agreements with terms of not more than seven days from the date acquired,

for securities of the type described in clause (a) above and entered into only with commercial banks having the qualifications described in clause (b) above; (d) commercial paper issued by any Person incorporated under the laws of the United States of America or any State thereof and rated at least A-2 or the equivalent thereof by S&P or at least P-2 or the equivalent thereof by Moody's, in each case with maturities of not more than one year from the date acquired; and (e) investments in money market funds registered under the Investment Company Act of 1940, as amended, which have net assets of at least \$500,000,000 and at least 85% of whose assets consist of securities and other obligations of the type described in clauses (a) through (d) above.

“ **Commitment** ” means, as to each Lender, such Lender's obligation to make a Loan pursuant to Section 2.1. in an amount up to, but not exceeding the amount set forth for such Lender on Schedule I as such Lender's “Commitment Amount”.

“ **Compliance Certificate** ” has the meaning given that term in Section 8.3.

“ **Connection Income Taxes** ” means Other Connection Taxes that are imposed on or measured by net income (however denominated) or that are franchise Taxes or branch profits Taxes.

“ **Construction Budget** ” means the fully-budgeted costs for the acquisition and construction of a given piece of real property (including without limitation, the cost of acquiring such piece of real property (except to the extent any portion thereof is Unimproved Land), reserves for construction interest and operating deficits, tenant improvements, leasing commissions, and infrastructure costs), as reasonably determined by the Borrower in good faith. Real property under construction to be (but not yet) acquired by the Borrower or a Subsidiary upon completion of construction pursuant to a contract in which the seller of such real property is required to complete construction prior to, and as a condition precedent to, such acquisition, shall be subject to this definition

“ **Continue** ”, “ **Continuation** ” and “ **Continued** ” each refers to the continuation of a LIBOR Loan from one Interest Period to another Interest Period pursuant to Section 2.8.

“ **Control** ” means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. “Controlling” and “Controlled” have meanings correlative thereto.

“ **Convert** ”, “ **Conversion** ” and “ **Converted** ” each refers to the conversion of a Loan of one Type into a Loan of another Type pursuant to Section 2.9.

“ **Credit Event** ” means any of the following: (a) the making of any Loan and (b) the Conversion of a Base Rate Loan into a LIBOR Loan.

“ **Credit Percentage** ” means, as to each Lender, the ratio, expressed as a percentage, of (a) the unpaid principal amount of such Lender's Loan to (b) the aggregate unpaid principal amount of all Loans.

“ **Credit Rating** ” means the rating assigned by a Rating Agency to the senior unsecured long term Indebtedness of a Person.

“ **Debt Service** ” means, for any period, the sum of: (a) Interest Expense of the Borrower and its Subsidiaries determined on a consolidated basis for such period and (b) all regularly scheduled principal

payments made with respect to Indebtedness of the Borrower and its Subsidiaries during such period, other than any balloon, bullet or similar principal payment which repays such Indebtedness in full.

“ **Debtor Relief Laws** ” means the Bankruptcy Code, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar Applicable Laws relating to the relief of debtors in the United States of America or other applicable jurisdictions from time to time in effect.

“ **Default** ” means any of the events specified in Section 10.1., whether or not there has been satisfied any requirement for the giving of notice, the lapse of time, or both.

“ **Defaulting Lender** ” means, subject to Section 3.9.(d), any Lender that (a) has failed to (i) fund all or any portion of a Loan to be made by it within 2 Business Days of the date such Loan was required to be funded hereunder unless such Lender notifies the Administrative Agent and the Borrower in writing that such failure is the result of such Lender’s determination that one or more conditions precedent to funding (each of which conditions precedent, together with any applicable default, shall be specifically identified in such writing) has not been satisfied, or (ii) pay to the Administrative Agent or any other Lender any other amount required to be paid by it hereunder within 2 Business Days of the date when due, (b) has notified the Borrower or the Administrative Agent in writing that it does not intend to comply with its funding obligations hereunder, or has made a public statement to that effect (unless such writing or public statement relates to such Lender’s obligation to fund a Loan hereunder and states that such position is based on such Lender’s determination that a condition precedent to funding (which condition precedent, together with any applicable default, shall be specifically identified in such writing or public statement) cannot be satisfied), or (c) has, or has a direct or indirect parent company that has, (i) become the subject of a proceeding under any Debtor Relief Law, (ii) had appointed for it a receiver, custodian, conservator, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business or assets, including the Federal Deposit Insurance Corporation or any other state or federal regulatory authority acting in such a capacity or (iii) become the subject of a Bail-In Action; provided that a Lender shall not be a Defaulting Lender solely by virtue of the ownership or acquisition of any equity interest in that Lender or any direct or indirect parent company thereof by a Governmental Authority so long as such ownership interest does not result in or provide such Lender with immunity from the jurisdiction of courts within the United States of America or from the enforcement of judgments or writs of attachment on its assets or permit such Lender (or such Governmental Authority) to reject, repudiate, disavow or disaffirm any contracts or agreements made with such Lender. Any determination by the Administrative Agent that a Lender is a Defaulting Lender under any one or more of clauses (a) through (c) above shall be conclusive and binding absent manifest error, and such Lender shall be deemed to be a Defaulting Lender (subject to Section 3.9.(d)) upon delivery of written notice of such determination to the Borrower and each Lender.

“ **Derivatives Contract** ” means (a) any transaction (including any master agreement, confirmation or other agreement with respect to any such transaction) now existing or hereafter entered into by the Borrower or any of its Subsidiaries (i) which is a rate swap transaction, swap option, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction, currency option, credit protection transaction, credit swap, credit default swap, credit default option, total return swap, credit spread transaction, repurchase transaction, reverse repurchase transaction, buy/sell-back transaction, securities lending transaction, weather index transaction or forward purchase or sale of a security, commodity or other financial instrument or interest (including any option with respect to any of these transactions) or (ii) which is a type of transaction that is similar to any transaction referred to in clause (i) above that is currently, or in the future

becomes, recurrently entered into in the financial markets (including terms and conditions incorporated by reference in such agreement) and which is a forward, swap, future, option or other derivative on one or more rates, currencies, commodities, equity securities or other equity instruments, debt securities or other debt instruments, economic indices or measures of economic risk or value, or other benchmarks against which payments or deliveries are to be made, and (b) any combination of these transactions.

“ **Derivatives Support Document** ” means (i) any credit support annex comprising part of (and as defined in) any Specified Derivatives Contract, and (ii) any document or agreement pursuant to which cash, deposit accounts, securities accounts or similar financial asset collateral are pledged to or made available for set-off by, a Specified Derivatives Provider, including any banker’s lien or similar right, securing or supporting Specified Derivatives Obligation.

“ **Derivatives Termination Value** ” means, in respect of any one or more Derivatives Contracts, after taking into account the effect of any legally enforceable netting agreement or provision relating thereto, (a) for any date on or after the date such Derivatives Contracts have been terminated or closed out, the termination amount or value determined in accordance therewith, and (b) for any date prior to the date such Derivatives Contracts have been terminated or closed out, the then-current mark-to-market value for such Derivatives Contracts, determined based upon one or more mid-market quotations or estimates provided by any recognized dealer in Derivatives Contracts (which may include the Administrative Agent, any Lender, any Specified Derivatives Provider or any Affiliate of any thereof).

“ **Disbursement Instruction Agreement** ” means an agreement substantially in the form of Exhibit G to be executed and delivered by the Borrower pursuant to Section 5.1.(a), as the same may be amended, restated or modified from time to time with the prior written approval of the Administrative Agent.

“ **Dollars** ” or “ **\$** ” means the lawful currency of the United States of America.

“ **EBITDA** ” means, with respect to a Person for a given period and without duplication, the sum of: (a) net income (or loss) of such Person for such period determined on a consolidated basis, in accordance with GAAP, exclusive of the following (but only to the extent included in the determination of such net income (loss) for such period): (i) depreciation and amortization; (ii) interest expense; (iii) income tax expense; (iv) extraordinary or nonrecurring items, including without limitation, extraordinary or non-recurring gains and losses; (v) in the case of the Borrower and its Subsidiaries, funds received by the Borrower or a Subsidiary as rent but which are reserved for capital expenses; and (vi) in the case of Borrower and its Subsidiaries, equity in the earnings (or loss) of Unconsolidated Affiliates and RMR Inc. (but only in the case of RMR Inc., if RMR Inc. would be an Unconsolidated Affiliate but for the last sentence of the definition of that term); plus (b) in the case of the Borrower and its Subsidiaries cash dividends (other than extraordinary cash dividends or distributions) received by the Borrower or its Subsidiaries from RMR Inc. during such period; plus (c) such Person’s Ownership Share of EBITDA of its Unconsolidated Affiliates. Straight line rent leveling adjustments and deferred percentage rent adjustments required under GAAP, and amortization of intangibles pursuant to FASB ASC 805 and the like, shall be disregarded in determinations of EBITDA (to the extent such adjustments would otherwise have been included in the determination of EBITDA). For purposes of this definition, nonrecurring items shall be deemed to include (x) gains and losses on early extinguishment of Indebtedness, (y) non-cash severance and other non-cash restructuring charges and (z) transaction costs of acquisitions not permitted to be capitalized pursuant to GAAP.

“ **EEA Financial Institution** ” means (a) any credit institution or investment firm established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this

definition, or (c) any financial institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent.

“ **EEA Member Country** ” means any of the member states of the European Union, Iceland, Liechtenstein, and Norway.

“ **EEA Resolution Authority** ” means any public administrative authority or any person entrusted with public administrative authority of any EEA Member Country (including any delegatee) having responsibility for the resolution of any EEA Financial Institution.

“ **Effective Date** ” means the later of (a) the Agreement Date and (b) the date on which all of the conditions precedent set forth in Section 5.1. shall have been fulfilled or waived by all of the Lenders.

“ **Eligible Assignee** ” means (a) a Lender, (b) an Affiliate of a Lender, (c) an Approved Fund and (d) any other Person (subject to such consents, if any, as may be required under Section 12.5.(b)(iii)).

“ **Environmental Laws** ” means any Applicable Law relating to environmental protection or the manufacture, storage, remediation, disposal or clean-up of Hazardous Materials including, without limitation, the following: Clean Air Act, 42 U.S.C. § 7401 et seq.; Federal Water Pollution Control Act, 33 U.S.C. § 1251 et seq.; Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act, 42 U.S.C. § 6901 et seq.; Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. § 9601 et seq.; National Environmental Policy Act, 42 U.S.C. § 4321 et seq.; regulations of the Environmental Protection Agency, any applicable rule of common law and any judicial interpretation thereof relating primarily to the environment or Hazardous Materials, and any analogous or comparable state or local laws, regulations or ordinances that concern Hazardous Materials or protection of the environment.

“ **Equity Interest** ” means, with respect to any Person, any share of capital stock of (or other ownership or profit interests in) such Person, any warrant, option or other right for the purchase or other acquisition from such Person of any share of capital stock of (or other ownership or profit interests in) such Person whether or not certificated, any security convertible into or exchangeable for any share of capital stock of (or other ownership or profit interests in) such Person or warrant, right or option for the purchase or other acquisition from such Person of such shares (or such other interests), and any other ownership or profit interest in such Person (including, without limitation, partnership, member or trust interests therein), whether voting or nonvoting, and whether or not such share, warrant, option, right or other interest is authorized or otherwise existing on any date of determination.

“ **ERISA** ” means the Employee Retirement Income Security Act of 1974, as in effect from time to time.

“ **ERISA Event** ” means, with respect to the ERISA Group, (a) any “reportable event” as defined in Section 4043 of ERISA with respect to a Plan (other than an event for which the 30-day notice period is waived); (b) the withdrawal of a member of the ERISA Group from a Plan subject to Section 4063 of ERISA during a plan year in which it was a “substantial employer” as defined in Section 4001(a)(2) of ERISA or a cessation of operations that is treated as such a withdrawal under Section 4062(e) of ERISA; (c) the incurrence by a member of the ERISA Group of any liability with respect to the withdrawal or partial withdrawal from any Multiemployer Plan; (d) the incurrence by any member of the ERISA Group of any liability under Title IV of ERISA with respect to the termination of any Plan or Multiemployer Plan; (e) the institution of proceedings to terminate a Plan or Multiemployer Plan by the PBGC; (f) the failure by any member of the

ERISA Group to make when due required contributions to a Multiemployer Plan or Plan unless such failure is cured within 30 days or the filing pursuant to Section 412(c) of the Internal Revenue Code or Section 302(c) of ERISA of an application for a waiver of the minimum funding standard; (g) any other event or condition that might reasonably be expected to constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan or Multiemployer Plan or the imposition of liability under Section 4069 or 4212(c) of ERISA; (h) the receipt by any member of the ERISA Group of any notice or the receipt by any Multiemployer Plan from any member of the ERISA Group of any notice, concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, insolvent (within the meaning of Section 4245 of ERISA), in reorganization (within the meaning of Section 4241 of ERISA), or in “critical” status (within the meaning of Section 432 of the Internal Revenue Code or Section 305 of ERISA); (i) the imposition of any liability under Title IV of ERISA, other than for PBGC premiums due but not delinquent under Section 4007 of ERISA, upon any member of the ERISA Group or the imposition of any Lien in favor of the PBGC under Title IV of ERISA; or (j) a determination that a Plan is, or is reasonably expected to be, in “at risk” status (within the meaning of Section 430 of the Internal Revenue Code or Section 303 of ERISA).

“ **ERISA Group** ” means the Borrower, any Subsidiary and all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control, which, together with the Borrower or any Subsidiary, are treated as a single employer under Section 414 of the Internal Revenue Code.

“ **EU Bail-In Legislation Schedule** ” means the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor person), as in effect from time to time.

“ **Event of Default** ” means any of the events specified in Section 10.1., provided that any requirement for notice or lapse of time or any other condition has been satisfied.

“ **Excluded Subsidiary** ” means any Subsidiary (a) holding title to or beneficially owning assets which are or are intended to become collateral for any Secured Indebtedness of such Subsidiary, or being a beneficial owner of a Subsidiary holding title to or beneficially owning such assets (but having no material assets other than such beneficial ownership interests or the equity interests of a Subsidiary having no material assets other than such beneficial ownership interests) and (b) which (i) is, or is expected to be, prohibited from Guarantying the Indebtedness of any other Person pursuant to any document, instrument or agreement evidencing such Secured Indebtedness or (ii) is prohibited from Guarantying the Indebtedness of any other Person pursuant to a provision of such Subsidiary’s organizational documents which provision was included in such Subsidiary’s organizational documents as a condition or anticipated condition to the extension of such Secured Indebtedness. In addition, (A) ~~Leisure Park Venture Limited Partnership shall be deemed to be an Excluded Subsidiary so long as any Indebtedness secured by the Acquired Property Lien Documents described in Part I of Item 1.1.(a) of the Borrower Letter remains outstanding,~~ (B) CCC of Kentucky Trust shall be deemed to be an Excluded Subsidiary so long as any Indebtedness secured by the Acquired Property Lien Documents described in Part ~~H-I~~ or Part ~~HH-II~~ of Item 1.1.(~~a-b~~) of the Borrower Letter remains outstanding, (~~C~~) ~~each RMI Subsidiary shall be deemed to be an Excluded Subsidiary so long as any Property owned by such RMI Subsidiary remains subject to a Lien arising in connection with any Acquired Property Lien Document described in Part IV of Item 1.1.(a) of the Borrower Letter,~~ (~~D-B~~) each SE Subsidiary shall be deemed to be an Excluded Subsidiary so long as any Property owned by such SE Subsidiary remains subject to a Lien arising in connection with any Acquired Property Lien Document described in Part ~~V-III~~ of Item 1.1.(~~a-b~~) of the Borrower Letter, and (~~E-C~~) SNH Kent NS Mtg Properties LLC-2 Trust shall be deemed to be an Excluded Subsidiary so long as any Property owned by SNH Kent Properties LLC remains subject to a Lien arising in connection with any Acquired Property Lien Document described in Part VI of Item 1.1. (a)

of the Borrower Letter, (F) SNH Redmond Properties LLC shall be deemed to be an Excluded Subsidiary so long as any Property owned by SNH Redmond Properties LLC remains subject to a Lien arising in connection with any Acquired Property Lien Document described in Part VII of Item 1.1.(a) of the Borrower Letter, and (G) each Vi Subsidiary shall be deemed to be an Excluded Subsidiary so long as any the Property owned by such Vi Subsidiary remains subject to a Lien arising in connection with any Acquired Property Lien Document described in Part ~~VIII~~ IV of Item 1.1.(~~a-b~~) of the Borrower Letter.

“ **Excluded Taxes** ” means any of the following Taxes imposed on or with respect to a Recipient or required to be withheld or deducted from a payment to a Recipient, (a) Taxes imposed on or measured by net income (however denominated), franchise Taxes, and branch profits Taxes, in each case, (i) imposed as a result of such Recipient being organized under the laws of, or having its principal office or, in the case of any Lender, its applicable Lending Office located in, the jurisdiction imposing such Tax (or any political subdivision thereof) or (ii) that are Other Connection Taxes, (b) in the case of a Lender, U.S. federal withholding Taxes imposed on amounts payable to or for the account of such Lender with respect to an applicable interest in a Loan or Commitment pursuant to an Applicable Law in effect on the date on which (i) such Lender acquires such interest in such Loan or Commitment (other than pursuant to an assignment request by the Borrower under Section 4.6.) or (ii) such Lender changes its lending office, except in each case to the extent that, pursuant to Section 3.10., amounts with respect to such Taxes were payable either to such Lender’s assignor immediately before such Lender became a party hereto or to such Lender immediately before it changed its lending office, (c) Taxes attributable to such Recipient’s failure to comply with Section 3.10.(g) and (d) any U.S. federal withholding Taxes imposed under FATCA.

“ **Existing Credit Agreement** ” means that certain Amended and Restated Credit Agreement dated as of August 1, 2017 by and among the Borrower, the financial institutions party thereto as “Lenders”, Wells Fargo, as Administrative Agent, and the other parties thereto.

“ **Fair Market Value** ” means, (a) with respect to a security listed on a national securities exchange or the NASDAQ Global Market, the price of such security as reported on such exchange or market by any widely recognized reporting method customarily relied upon by financial institutions and (b) with respect to any other property, the price which could be negotiated in an arm’s-length free market transaction, for cash, between a willing seller and a willing buyer, neither of which is under pressure or compulsion to complete the transaction.

“ **FASB ASC** ” means the Accounting Standards Codification of the Financial Accounting Standards Board.

“ **FATCA** ” means Sections 1471 through 1474 of the Internal Revenue Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with) and any current or future regulations or official interpretations thereof and any agreements entered into pursuant to Section 1471(b)(1) of the Internal Revenue Code.

“ **Federal Funds Rate** ” means, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System, as published for such day (or, if such day is not a Business Day, for the immediately preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transactions received by the Administrative Agent from three Federal Funds brokers of recognized standing selected by the Administrative Agent. If the Federal Funds Rate determined as provided above would be less than zero, the Federal Funds Rate shall be deemed to be zero.

“ **Fee Letter** ” means that certain amended and restated fee letter dated May 7, 2014, by and among the Borrower, Wells Fargo and the Lead Arrangers.

“ **Fees** ” means the fees and commissions provided for or referred to in Section 3.5. and any other fees payable by the Borrower hereunder, under any other Loan Document or under the Fee Letter.

“ **Fitch** ” means Fitch, Inc. and its successors.

“ **Five Star** ” means Five Star Senior Living Inc., a Maryland corporation, and its successors.

“ **Fixed Charges** ” means, for any period, the sum (without duplication) of (a) Debt Service for such period and (b) Preferred Dividends for such period.

“ **Foreign Lender** ” means any Lender that is organized under the laws of a jurisdiction other than that in which the Borrower is resident for tax purposes. For purposes of this definition, the United States of America, each State thereof and the District of Columbia shall be deemed to constitute a single jurisdiction.

“ **Foreign Subsidiary** ” means a Subsidiary not formed under the laws of the United States of America, any state thereof or the District of Columbia.

“ **Fund** ” means any Person (other than a natural person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its activities.

“ **Funds From Operations** ” means, for any period, (a) net income of the Borrower for such period determined on a consolidated basis exclusive of the following (to the extent included in the determination of such net income): (i) depreciation and amortization; (ii) gains and losses from extraordinary or non-recurring items; (iii) gains and losses on sales of real estate; (iv) gains and losses on investments in marketable securities; and (v) provisions/benefits for income taxes for such period; plus (b) the Borrower’s share of Funds From Operations from Unconsolidated Affiliates. Straight line rent leveling adjustments and deferred percentage rent adjustments required under GAAP, and amortization of intangibles pursuant to FASB ASC 805 and the like, shall be disregarded in determinations of Funds From Operations (to the extent such adjustments otherwise would be included in the determination of Funds From Operations).

“ **GAAP** ” means generally accepted accounting principles in the United States of America set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board (including Statement of Financial Accounting Standards No. 168, “The FASB Accounting Standards Codification”) or in such other statements by such other entity as may be approved by a significant segment of the accounting profession in the United States of America, which are applicable to the circumstances as of the date of determination.

“ **Governmental Approvals** ” means all authorizations, consents, approvals, licenses and exemptions of, registrations and filings with, and reports to, all Governmental Authorities.

“ **Governmental Authority** ” means any national, state or local government (whether domestic or foreign), any political subdivision thereof or any other governmental, quasi-governmental, judicial, administrative, public or statutory instrumentality, authority, body, agency, bureau, commission, board,

department or other entity (including, without limitation, the Federal Deposit Insurance Corporation, the Comptroller of the Currency or the Federal Reserve Board, any central bank or any comparable authority) or any arbitrator with authority to bind a party at law.

“ **Ground Lease** ” means a ground lease containing the following terms and conditions: (a) either (i) a remaining term (taking into account extensions which may be effected by the lessee without the consent of the lessor) of no less than 30 years from the Agreement Date, or (ii) the right of the lessee to purchase the property on terms reasonably acceptable to the Administrative Agent; (b) the right of the lessee to mortgage and encumber its interest in the leased property without the consent of the lessor; (c) the obligation of the lessor to give the holder of any mortgage Lien on such leased property written notice of any defaults on the part of the lessee and that such lease will not be terminated until such holder has had a reasonable opportunity to cure or complete foreclosures, and fails to do so; and (d) free transferability of the lessee’s interest under such lease, including ability to sublease, subject to only reasonable consent provisions.

“ **Guarantor** ” means any Person that is party to the Guaranty as a “Guarantor”.

“ **Guaranty** ”, “ **Guaranteed** ” or to “ **Guarantee** ” as applied to any obligation means and includes: (a) a guaranty (other than by endorsement of negotiable instruments for collection in the ordinary course of business), directly or indirectly, in any manner, of any part or all of such obligation, or (b) an agreement, direct or indirect, contingent or otherwise, and whether or not constituting a guaranty, the practical effect of which is to assure the payment or performance (or payment of damages in the event of nonperformance) of any part or all of such obligation whether by: (i) the purchase of securities or obligations, (ii) the purchase, sale or lease (as lessee or lessor) of property or the purchase or sale of services primarily for the purpose of enabling the obligor with respect to such obligation to make any payment or performance (or payment of damages in the event of nonperformance) of or on account of any part or all of such obligation, or to assure the owner of such obligation against loss, (iii) the supplying of funds to or in any other manner investing in the obligor with respect to such obligation, (iv) repayment of amounts drawn down by beneficiaries of letters of credit, or (v) the supplying of funds to or investing in a Person on account of all or any part of such Person’s obligation under a Guaranty of any obligation or indemnifying or holding harmless, in any way, such Person against any part or all of such obligation. As the context requires, “Guaranty” shall also mean the guaranty executed and delivered pursuant to Section 5.1. or 7.13. and substantially in the form of Exhibit B.

“ **Hazardous Materials** ” means all or any of the following: (a) substances that are defined or listed in, or otherwise classified pursuant to, any applicable Environmental Laws as “hazardous substances”, “hazardous materials”, “hazardous wastes”, “toxic substances” or any other formulation intended to define, list or classify substances by reason of deleterious properties such as ignitability, corrosivity, reactivity, carcinogenicity, reproductive toxicity, “TCLP” toxicity, or “EP toxicity”; (b) oil, petroleum or petroleum derived substances, natural gas, natural gas liquids or synthetic gas and drilling fluids, produced waters and other wastes associated with the exploration, development or production of crude oil, natural gas or geothermal resources; (c) any flammable substances or explosives or any radioactive materials; (d) asbestos in any form; (e) toxic mold; and (f) electrical equipment which contains any oil or dielectric fluid containing levels of polychlorinated biphenyls in excess of fifty parts per million.

“ **Indebtedness** ” means, with respect to a Person, at the time of computation thereof, all of the following (without duplication): (a) all obligations of such Person in respect of money borrowed or for the deferred purchase price of property or services (excluding trade debt incurred in the ordinary course of business); (b) all obligations of such Person, whether or not for money borrowed (i) represented by notes payable, or drafts accepted, in each case representing extensions of credit, (ii) evidenced by bonds, debentures, notes or similar instruments, or (iii) constituting purchase money indebtedness, conditional sales

contracts, title retention debt instruments or other similar instruments, upon which interest charges are customarily paid or that are issued or assumed as full or partial payment for property or for services rendered; (c) Capitalized Lease Obligations of such Person; (d) all reimbursement obligations (contingent or otherwise) of such Person under or in respect of any letters of credit or acceptances (whether or not the same have been presented for payment); (e) all Off-Balance Sheet Obligations; (f) all obligations of such Person to purchase, redeem, retire, defease or otherwise make any payment in respect of any Mandatorily Redeemable Stock issued by such Person or any other Person, valued at the greater of its voluntary or involuntary liquidation preference plus accrued and unpaid dividends; (g) all obligations of such Person in respect of any purchase obligation, repurchase obligation, takeout commitment or forward equity commitment, in each case evidenced by a binding agreement (excluding any such obligation to the extent the obligation can be satisfied by the issuance of Equity Interests (other than Mandatorily Redeemable Stock)); (h) all Indebtedness of other Persons which such Person has Guaranteed or is otherwise recourse to such Person (excluding guarantees required under Applicable Laws, or by any Governmental Authority, as a condition to ownership of Senior Housing Assets); (i) all Indebtedness of another Person secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien (other than Permitted Liens of the types described in clauses (a) through (c) or (e) through (j) of the definition thereof) on property or assets owned by such Person, even though such Person has not assumed or become liable for the payment of such Indebtedness or other payment obligation, valued, in the case of any such Indebtedness as to which recourse for the payment thereof is expressly limited to the property or assets on which such Lien is granted, at the lesser of (x) the stated or determinable amount of the Indebtedness that is so secured or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof (assuming such Person is required to perform thereunder) and (y) the Fair Market Value of such property or assets; and (j) such Person's Ownership Share of the Indebtedness of any Unconsolidated Affiliate of such Person.

“ **Indemnified Taxes** ” means (a) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any obligation of the Borrower or any other Loan Party under any Loan Document and (b) to the extent not otherwise described in the immediately preceding clause (a), Other Taxes.

“ **Intellectual Property** ” has the meaning given that term in Section 6.1.(t).

“ **Interest Expense** ” means, with respect to a Person for any period of time (a) the interest expense whether paid, accrued or capitalized (without deduction of consolidated interest income) of such Person for such period plus (b) in the case of the Borrower, the Borrower's Ownership Share of Interest Expense of its Unconsolidated Affiliates. Interest Expense shall exclude any amortization of (i) deferred financing fees and (ii) debt discounts (but only to the extent such discounts do not exceed 3.0% of the initial face principal amount of such debt).

“ **Interest Period** ” means, with respect to each LIBOR Loan, each period commencing on the date such LIBOR Loan is made, or in the case of the Continuation of a LIBOR Loan the last day of the preceding Interest Period for such Loan, and ending 7 days thereafter or on the numerically corresponding day in the first, third or sixth calendar month thereafter, as the Borrower may select in the Notice of Borrowing, a Notice of Continuation or a Notice of Conversion, as the case may be, except that each Interest Period (other than an Interest Period having a duration of 7 days) that commences on the last Business Day of a calendar month (or on any day for which there is no numerically corresponding day in the appropriate subsequent calendar month) shall end on the last Business Day of the appropriate subsequent calendar month. Notwithstanding the foregoing: (i) if any Interest Period would otherwise end after the Termination Date, such Interest Period shall end on the Termination Date; and (ii) each Interest Period that would otherwise end on a day which is not a Business Day shall end on the immediately following Business Day (or, if such

immediately following Business Day falls in the next calendar month, on the immediately preceding Business Day).

“ **Internal Revenue Code** ” means the Internal Revenue Code of 1986, as amended.

“ **Investment** ” means, (x) with respect to any Person, any acquisition or investment (whether or not of a controlling interest) by such Person, by means of any of the following: (a) the purchase or other acquisition of any Equity Interest in another Person, (b) a loan, advance or extension of credit to, capital contribution to, Guaranty of Indebtedness of, or purchase or other acquisition of any Indebtedness of, another Person, including any partnership or joint venture interest in such other Person, or (c) the purchase or other acquisition (in one transaction or a series of transactions) of assets of another Person that constitute the business or a division or operating unit of another Person and (y) with respect to any Property or other asset, the acquisition thereof. Any commitment to make an Investment in any other Person, as well as any option of another Person to require an Investment in such Person, shall constitute an Investment. Except as expressly provided otherwise, for purposes of determining compliance with any covenant contained in a Loan Document, the amount of any Investment shall be the amount actually invested, without adjustment for subsequent increases or decreases in the value of such Investment.

“ **Lead Arrangers** ” has the meaning given that term in the introductory paragraph hereof.

“ **Lease** ” means a (sub)lease of a Property, between the Borrower or a Subsidiary, as Lessor, and a Lessee.

“ **Lender** ” means each financial institution from time to time party hereto as a “Lender,” together with its respective successors and permitted assigns. Except as expressly provided herein, the term “Lender” shall exclude any Lender (and its Affiliates) in its capacity as a Specified Derivatives Provider.

“ **Lending Office** ” means, for each Lender and for each Type of Loan, the office of such Lender specified in such Lender’s Administrative Questionnaire or in the applicable Assignment and Assumption, or such other office of such Lender as such Lender may notify the Administrative Agent in writing from time to time.

“ **Lessee** ” means the (sub)lessee of a Property pursuant to a Lease, provided that (without the Administrative Agent’s approval) no such (sub)lessee shall be an Affiliate of the Borrower (including, without limitation, RMR, or any Managing Trustee, but, subject to compliance with Section 9.8., excluding (x) Five Star and any of its Subsidiaries at any time Five Star or any such Subsidiary is an Affiliate and (y) any TRS), except during an interim period for Properties which are foreclosed upon or repossessed upon lease terminations or otherwise by or on behalf of the Borrower or a Subsidiary.

“ **Level** ” has the meaning given that term in the definition of the term “Applicable Margin.”

“ **LIBOR** ” means, with respect to any LIBOR Loan for any Interest Period, the rate of interest obtained by dividing (i) the rate of interest per annum determined on the basis of the rate for deposits in Dollars for a period equal to the applicable Interest Period which appears on Reuters Screen LIBOR01 Page (or any applicable successor page) at approximately 11:00 a.m. (London time) two Business Days prior to the first day of the applicable Interest Period by (ii) a percentage equal to 1 minus the stated maximum rate (stated as a decimal) of all reserves, if any, required to be maintained with respect to Eurocurrency funding (currently referred to as “Eurocurrency liabilities”) as specified in Regulation D of the Board of Governors of the Federal Reserve System (or against any other category of liabilities which includes deposits by reference

to which the interest rate on LIBOR Loans is determined or any applicable category of extensions of credit or other assets which includes loans by an office of any Lender outside of the United States of America). If, for any reason, the rate referred to in the preceding clause (i) does not appear on Reuters Screen LIBOR01 Page (or any applicable successor page), then the rate to be used for such clause (i) shall be determined by the Administrative Agent to be the arithmetic average of the rate per annum at which deposits in Dollars would be offered by first class banks in the London interbank market to the Administrative Agent at approximately 11:00 a.m. (London time) two Business Days prior to the first day of the applicable Interest Period for a period equal to such Interest Period. Any change in the maximum rate or reserves described in the preceding clause (ii) shall result in a change in LIBOR on the date on which such change in such maximum rate becomes effective. If LIBOR determined as provided above would be less than zero, LIBOR shall be deemed to be zero.

“ **LIBOR Loan** ” means a Loan (other than a Base Rate Loan), or any portion thereof, bearing interest at a rate based on LIBOR.

“ **LIBOR Market Index Rate** ” means, for any day, LIBOR as of that day that would be applicable for a LIBOR Loan having a one-month Interest Period determined at approximately 11:00 a.m. Eastern time for such day (rather than 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period as otherwise provided in the definition of “LIBOR”), or if such day is not a Business Day, the immediately preceding Business Day. The LIBOR Market Index Rate shall be determined on a daily basis.

“ **Lien** ” as applied to the property of any Person means: (a) any security interest, encumbrance, mortgage, deed to secure debt, deed of trust, assignment of leases and rents, pledge, lien, hypothecation, assignment, charge or lease constituting a Capitalized Lease Obligation, conditional sale or other title retention agreement, or other security title or encumbrance of any kind in respect of any property of such Person, or upon the income, rents or profits therefrom; (b) any arrangement, express or implied, under which any property of such Person is transferred, sequestered or otherwise identified for the purpose of subjecting the same to the payment of Indebtedness or performance of any other obligation in priority to the payment of the general, unsecured creditors of such Person; (c) the filing of any financing statement under the UCC or its equivalent in any jurisdiction, other than any precautionary filing not otherwise constituting or giving rise to a Lien, including a financing statement filed (i) in respect of a lease not constituting a Capitalized Lease Obligation pursuant to Section 9-505 (or a successor provision) of the UCC or its equivalent as in effect in an applicable jurisdiction or (ii) in connection with a sale or other disposition of accounts or other assets not prohibited by this Agreement in a transaction not otherwise constituting or giving rise to a Lien; and (d) any agreement by such Person to grant, give or otherwise convey any of the foregoing.

“ **Loan** ” means a loan made by a Lender to the Borrower pursuant to Section 2.1. or Section 2.15.

“ **Loan Document** ” means this Agreement, each Note, the Borrower Letter, the Guaranty and each other document or instrument now or hereafter executed and delivered by a Loan Party in connection with, pursuant to or relating to this Agreement (other than the Fee Letter and any Specified Derivatives Contract).

“ **Loan Party** ” means each of the Borrower and each other Person who guarantees all or a portion of the Obligations and/or who pledges any collateral to secure all or a portion of the Obligations. Schedule 1.1. sets forth the Loan Parties in addition to the Borrower as of the Agreement Date.

“ **Managed Property** ” means a Property acquired by the Borrower or a Subsidiary as a result of, or in connection with, a foreclosure or repossession (or consensual arrangement in lieu thereof).

“ **Managing Trustee** ” means either Mr. Barry M. Portnoy or Mr. Adam D. Portnoy, both having a business address c/o RMR, or any duly appointed successor thereto.

“ **Mandatorily Redeemable Stock** ” means, with respect to any Person, any Equity Interest of such Person which by the terms of such Equity Interest (or by the terms of any security into which it is convertible or for which it is exchangeable or exercisable), upon the happening of any event or otherwise, (a) matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise (other than an Equity Interest to the extent redeemable in exchange for common stock or other equivalent common Equity Interests at the option of the issuer of such Equity Interest), (b) is convertible into or exchangeable or exercisable for Indebtedness or Mandatorily Redeemable Stock, or (c) is redeemable at the option of the holder thereof, in whole or part (other than an Equity Interest which is redeemable solely in exchange for common stock or other equivalent common Equity Interests); in each case, on or prior to the date on which all Loans are scheduled to be due and payable in full.

“ **Marketable Securities** ” means (a) bank deposits and certificates of deposit from a bank rated Baa1 or BBB+ or better by a Rating Agency; (b) government obligations; and (c) commercial paper rated A1 or P1 by a Rating Agency.

“ **Material Acquisition** ” means any acquisition (whether by direct purchase, merger or otherwise and whether in one or more related transactions) by the Borrower or any Subsidiary in which the purchase price of the assets acquired exceed 5% of the consolidated total assets of the Borrower and its Subsidiaries determined under GAAP as of the last day of the most recently ending fiscal quarter of the Borrower for which financial statements are publicly available.

“ **Material Adverse Effect** ” means a materially adverse effect on (a) the business, assets, liabilities, condition (financial or otherwise), or results of operations of the Borrower and its Subsidiaries taken as a whole, (b) the ability of the Borrower or any other Loan Party to perform its obligations under any Loan Document to which it is a party, (c) the validity or enforceability of any of the Loan Documents, (d) the rights and remedies of the Lenders and the Administrative Agent under any of the Loan Documents or (e) the timely payment of the principal of or interest on the Loans or other amounts payable in connection therewith.

“ **Material Contract** ” means any contract or other arrangement (other than Loan Documents and Specified Derivatives Contracts), whether written or oral, to which the Borrower, any Subsidiary or any other Loan Party is a party as to which the breach, nonperformance, cancellation or failure to renew by any party thereto could reasonably be expected to have a Material Adverse Effect, and in any event shall include the Business Management Agreement and Property Management Agreement.

“ **Moody’s** ” means Moody’s Investors Service, Inc. and its successors.

“ **Mortgage** ” means a mortgage, deed of trust, deed to secure debt or similar security instrument made by a Person owning an interest in real estate granting a Lien on such interest in real estate as security for the payment of Indebtedness.

“ **Mortgage Receivable** ” means a promissory note secured by a Mortgage of which the Borrower or a Subsidiary is the holder and retains the rights of collection of all payments thereunder.

“ **Multiemployer Plan** ” means at any time a multiemployer plan within the meaning of Section 4001(a)(3) of ERISA to which any member of the ERISA Group is then making or accruing an

obligation to make contributions or has within the preceding six plan years made contributions, including for these purposes any Person which ceased to be a member of the ERISA Group during such six-year period.

“ **Negative Pledge** ” means, with respect to a given asset, any provision of a document, instrument or agreement (other than any Loan Document, a Specified Derivatives Contract or a lease or related agreement between a TRS, as tenant, and the Borrower or another Subsidiary, as landlord) which prohibits or purports to prohibit the creation or assumption of any Lien on such asset as security for Indebtedness of the Person owning such asset or any other Person; provided, however, that an agreement that conditions a Person’s ability to encumber its assets upon the maintenance of one or more specified ratios that limit a Person’s ability to encumber its assets but that do not generally prohibit the encumbrance of its assets, or the encumbrance of specific assets, shall not constitute a Negative Pledge.

“ **Net Operating Income** ” or “ **NOI** ” means, with respect to a Property, Adjusted EBITDA attributable to such Property. In no event shall Net Operating Income for any Property be less than \$0.

“ **Non-Defaulting Lender** ” means, at any time, each Lender that is not a Defaulting Lender at such time.

“ **Non-Domestic Property** ” means a Property located outside a state, territory or commonwealth of the United States of America (including without limitation Puerto Rico and the U.S. Virgin Islands) or the District of Columbia.

“ **Nonrecourse Indebtedness** ” means, with respect to a Person, Indebtedness for borrowed money in respect of which recourse for payment (except for customary exceptions for fraud, misapplication of funds, environmental indemnities, voluntary bankruptcy, collusive involuntary bankruptcy and other similar customary exceptions to nonrecourse liability) is contractually limited to specific assets of such Person encumbered by a Lien securing such Indebtedness.

“ **Note** ” means a promissory note of the Borrower substantially in the form of Exhibit F, payable to the order of a Lender in a principal amount equal to the amount of such Lender’s Commitment.

“ **Notice of Borrowing** ” means a notice substantially in the form of Exhibit C (or such other form reasonably acceptable to the Administrative Agent and containing the information required in such Exhibit) to be delivered to the Administrative Agent pursuant to Section 2.1.(b) evidencing the Borrower’s request for the borrowing of Loans on the Effective Date.

“ **Notice of Continuation** ” means a notice substantially in the form of Exhibit D (or such other form reasonably acceptable to the Administrative Agent and containing the information required in such Exhibit) to be delivered to the Administrative Agent pursuant to Section 2.8. evidencing the Borrower’s request for the Continuation of a LIBOR Loan.

“ **Notice of Conversion** ” means a notice substantially in the form of Exhibit E (or such other form reasonably acceptable to the Administrative Agent and containing the information required in such Exhibit) to be delivered to the Administrative Agent pursuant to Section 2.9. evidencing the Borrower’s request for the Conversion of a Loan from one Type to another Type.

“ **Obligations** ” means, individually and collectively: (a) the aggregate principal balance of, and all accrued and unpaid interest on, all Loans and (b) all other indebtedness, liabilities, obligations, covenants and duties of the Borrower and the other Loan Parties owing to the Administrative Agent or any Lender of

every kind, nature and description, under or in respect of this Agreement or any of the other Loan Documents, including, without limitation, the Fees and indemnification obligations, whether direct or indirect, absolute or contingent, due or not due, contractual or tortious, liquidated or unliquidated, and whether or not evidenced by any promissory note. For the avoidance of doubt, “Obligations” shall not include Specified Derivatives Obligations.

“ **Off-Balance Sheet Obligations** ” means liabilities and obligations of the Borrower, any Subsidiary or any other Person in respect of “off-balance sheet arrangements” (as defined in Item 303(a)(4)(ii) of Regulation S-K promulgated under the Securities Act) which the Borrower would be required to disclose in the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” section of the Borrower’s report on Form 10-Q or Form 10-K (or their equivalents) which the Borrower is required to file with the Securities and Exchange Commission (or any Governmental Authority substituted therefor).

“ **OFAC** ” means the U.S. Department of the Treasury’s Office of Foreign Assets Control.

“ **Other Connection Taxes** ” means, with respect to any Recipient, Taxes imposed as a result of a present or former connection between such Recipient and the jurisdiction imposing such Tax (other than connections arising from such Recipient having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced any Loan Document, or sold or assigned an interest in any Loan or Loan Document).

“ **Other Existing Term Loan Agreement** ” means that certain Amended and Restated Term Loan Agreement dated as of August 1, 2017 by and among the Borrower, the financial institutions party thereto as “Lenders”, Wells Fargo, as Administrative Agent, and the other parties thereto.

“ **Other Taxes** ” means all present or future stamp, court or documentary, intangible, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, any Loan Document, except any such Taxes that are Other Connection Taxes imposed with respect to an assignment (other than an assignment made pursuant to Section 4.6.).

“ **Ownership Share** ” means, with respect to any Subsidiary of a Person (other than a Wholly Owned Subsidiary) or any Unconsolidated Affiliate of a Person, the greater of (a) such Person’s relative nominal direct and indirect ownership interest (expressed as a percentage) in such Subsidiary or Unconsolidated Affiliate or (b) subject to compliance with Section 8.4.(r), such Person’s relative direct and indirect economic interest (calculated as a percentage) in such Subsidiary or Unconsolidated Affiliate determined in accordance with the applicable provisions of the declaration of trust, articles or certificate of incorporation, articles of organization, partnership agreement, joint venture agreement or other applicable organizational document of such Subsidiary or Unconsolidated Affiliate.

“ **Participant** ” has the meaning given that term in Section 12.5.(d).

“ **Participant Register** ” has the meaning given that term in Section 12.5.(d).

“ **Patriot Act** ” means The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (Title III of Pub. L. No. 107-56 (signed into law October 26, 2001)).

“ **PBGC** ” means the Pension Benefit Guaranty Corporation and any successor agency.

“ **Permitted Liens** ” means, as to any Person: (a) Liens securing taxes, assessments and other charges or levies imposed by any Governmental Authority (excluding any Lien imposed pursuant to any of the provisions of ERISA) or the claims of materialmen, mechanics, carriers, warehousemen or landlords for labor, materials, supplies or rentals incurred in the ordinary course of business, (i) which are not at the time required to be paid or discharged under Section 7.6., or (ii) if such Lien is the responsibility of a financially responsible tenant, mortgagor or manager to discharge, or (iii) in the case of a Senior Housing Asset or Senior Housing Asset Pool, when considered in the aggregate with all other Liens on such Senior Housing Asset (or Senior Housing Asset Pool), which Lien does not materially detract from (A) if the Senior Housing Asset subject to such Lien is part of a Senior Housing Asset Pool, the value of such Senior Housing Asset Pool, or (B) if the Senior Housing Asset subject to such Lien is not part of a Senior Housing Asset Pool, the value of such Senior Housing Asset; (b) Liens consisting of deposits or pledges made, in the ordinary course of business, in connection with, or to secure payment of, obligations under workers’ compensation, unemployment insurance or similar Applicable Laws; (c) Liens consisting of encumbrances in the nature of zoning restrictions, easements, and rights or restrictions of record on the use of real property, which do not materially detract from the value of such property or impair the use thereof in the business of such Person and, in the case of the Borrower or any Subsidiary, Liens granted by any tenant on its leasehold estate in a Property which are subordinate to the interest of the Borrower or a Subsidiary in such Property; (d) Liens in existence as of the Agreement Date and set forth in Part II of Item 6.1.(f) of the Borrower Letter; (e) deposits to secure trade contracts (other than for Indebtedness), statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business; (f) the lessor’s interest in property leased to the Borrower or any of its Subsidiaries pursuant to a lease permitted by this Agreement; (g) the interests of tenants, operators or managers of Properties; (h) Liens on any assets of a TRS in favor of the Borrower or any other Subsidiary; (i) Liens in favor of the Administrative Agent for the benefit of the Lenders and the Specified Derivatives Providers; (j) Liens required under Applicable Law, or by any Governmental Authority, as a condition to ownership or operation of Senior Housing Assets; ~~and~~ (k) Liens which are also secured by restricted cash or Cash Equivalents of equal or greater value; (l) Liens securing judgments not constituting an Event of Default under Section 10.1.(h); (m) Liens (i) of a collection bank arising under Section 4-210 of the UCC on items in the course of collection, (ii) attaching to commodity trading accounts or other commodities brokerage accounts incurred in the ordinary course of business, and (iii) in favor of a banking or other financial institution arising as a matter of law or under customary general terms and conditions encumbering deposits (including the right of set-off) and which are within the general parameters customary in the banking industry; (n) Liens (i) on earnest money deposits in connection with purchases and sales of properties, (ii) on cash advances in favor of the seller of any property to be acquired in an Investment permitted pursuant to this Agreement, or (iii) consisting of an agreement to dispose of any property; (o) Liens in favor of the Borrower or any of its Subsidiaries; and (p) Liens arising from precautionary UCC financing statement filings regarding operating leases entered into by the Borrower or any of its Subsidiaries in the ordinary course of business.

“ **Person** ” means any natural person, corporation, limited partnership, general partnership, joint stock company, limited liability company, limited liability partnership, joint venture, association, company, trust, bank, trust company, land trust, business trust or other organization, whether or not a legal entity, or any other nongovernmental entity, or any Governmental Authority.

“ **Plan** ” means at any time an employee pension benefit plan (other than a Multiemployer Plan) which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Internal Revenue Code and either (a) is maintained, or contributed to, by any member of the ERISA Group for employees of any member of the ERISA Group or (b) has at any time within the preceding six years been

maintained, or contributed to, by any Person which was at such time a member of the ERISA Group for employees of any Person which was at such time a member of the ERISA Group.

“ **Post-Default Rate** ” means, in respect of any principal of any Loan or any other Obligation, a rate per annum equal to the Base Rate as in effect from time to time plus the Applicable Margin for Base Rate Loans plus two percent (2.0%).

“ **Preferred Dividends** ” means, for any given period and without duplication, all Restricted Payments accrued or paid (and in the case of Restricted Payments paid, which were not accrued during a prior period) during such period on Preferred Stock issued by the Borrower or a Subsidiary. Preferred Dividends shall not include dividends or distributions (a) paid or payable solely in Equity Interests (other than Mandatorily Redeemable Stock) payable to holders of such class of Equity Interests; (b) paid or payable to the Borrower or a Subsidiary; or (c) constituting or resulting in the redemption of Preferred Stock, other than scheduled redemptions not constituting balloon, bullet or similar redemptions in full.

“ **Preferred Stock** ” means, with respect to any Person, Equity Interests in such Person which are entitled to preference or priority over any other Equity Interest in such Person in respect of the payment of dividends or distribution of assets upon liquidation or both.

“ **Prime Rate** ” means, at any time, the rate of interest per annum publicly announced from time to time by the Lender acting as the Administrative Agent as its prime rate. Each change in the Prime Rate shall be effective as of the opening of business on the day such change in such prime rate occurs. The rate announced publicly by the Administrative Agent as its prime rate is an index or base rate and shall not necessarily be its lowest or best rate charged to its customers or other banks.

“ **Principal Office** ” means the office of the Administrative Agent located at 608 Second Ave. South, 11th Floor, Minneapolis, Minnesota 55402, or any other subsequent office that the Administrative Agent shall have specified as the Principal Office by written notice to the Borrower and the Lenders.

“ **Property** ” means any parcel of real property and related personal property, either owned in fee simple or leased pursuant to a ground lease by the Borrower, any Subsidiary or any Unconsolidated Affiliate. With respect to a mortgage note or other promissory note secured by real property, the term Property means each parcel of real property, and related personal property, securing such mortgage note or other promissory note.

“ **Property Management Agreement** ” means that certain Second Amended and Restated Property Management Agreement dated as of June 5, 2015, as amended to date, by and between RMR and the Borrower, on behalf of itself and its Subsidiaries.

“ **Qualified Plan** ” means a Benefit Arrangement that is intended to be tax-qualified under Section 401(a) of the Internal Revenue Code.

“ **Rating Agency** ” means S&P, Moody’s or any other nationally recognized securities rating agency selected by the Borrower and approved of by the Administrative Agent in writing.

“ **Recipient** ” means the Administrative Agent and any Lender, as applicable.

“ **Register** ” has the meaning given that term in Section 12.5.(c).

“ **Regulatory Change** ” means, with respect to any Lender, any change effective after the Agreement Date in Applicable Law (including without limitation, Regulation D of the Board of Governors of the Federal Reserve System) or the adoption or making after such date of any interpretation, directive or request applying to a class of banks, including such Lender, of or under any Applicable Law (whether or not having the force of law and whether or not failure to comply therewith would be unlawful) by any Governmental Authority or monetary authority charged with the interpretation or administration thereof or compliance by any Lender with any request or directive regarding capital adequacy or liquidity. Notwithstanding anything herein to the contrary, (a) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (b) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a “Regulatory Change”, regardless of the date enacted, adopted, implemented or issued.

“ **REIT** ” means a Person qualifying for treatment as a “real estate investment trust” under the Internal Revenue Code.

“ **RMR** ” means The RMR Group LLC, together with its successors and permitted assigns.

“ **RMR Inc.** ” means The RMR Group Inc., a Maryland corporation, together with its successors and permitted assigns.

~~“ **RMR Inc. Distribution** ” means the Borrower’s distribution of RMR Inc. shares in accordance with Section 4.3 of the Transaction Agreement dated as of June 5, 2015, as in effect from time to time, among RMR, Reit Management & Research Trust, RMR Inc. and the Borrower.~~

“ **Related Parties** ” means, with respect to any Person, such Person’s Affiliates and the partners, directors, officers, employees, agents, trustees, administrators, managers, advisors and representatives of such Person and of such Person’s Affiliates.

“ **Requisite Lenders** ” means, as of any date, (a) Lenders having more than 50% of the aggregate amount of the Commitments of all Lenders or (b) if the Commitments have been terminated or reduced to zero, Lenders holding more than 50% of the principal amount of the aggregate outstanding Loans; provided, that (i) in determining such percentage at any given time, all then existing Defaulting Lenders will be disregarded and excluded, and (ii) at all times when two or more Lenders (excluding Defaulting Lenders) are party to this Agreement, the term “Requisite Lenders” shall in no event mean less than two Lenders.

“ **Responsible Officer** ” means (a) with respect to the Borrower, the Borrower’s President or Treasurer or any Managing Trustee of the Borrower and (b) with respect to any other Loan Party, such Loan Party’s chief executive officer or chief financial officer.

“ **Restricted Payment** ” means (a) any dividend or other distribution, direct or indirect, on account of any Equity Interest of the Borrower or any of its Subsidiaries now or hereafter outstanding, except a dividend or distribution payable solely in shares of that class of Equity Interests to the holders of that class; (b) any redemption, conversion, exchange, retirement, sinking fund or similar payment, purchase or other acquisition for value, direct or indirect, of any shares of any Equity Interest of the Borrower or any of its Subsidiaries now or hereafter outstanding; and (c) any payment made to retire, or to obtain the surrender of, any outstanding warrants, options or other rights to acquire any Equity Interests of the Borrower or any of its Subsidiaries now or hereafter outstanding.

~~“**RMI Subsidiaries**” means, collectively, the entities set forth in Part IV(A) of Item 1.1.(a) of the Borrower Letter.~~

“**Sanctioned Country**” means, at any time, a country or territory which is, or whose government is, the subject or target of any Sanctions.

“**Sanctioned Person**” means, at any time, (a) any Person listed in any Sanctions-related list of designated Persons maintained by any Governmental Authority of the United States of America, including without limitation, OFAC or the U.S. Department of State, or by the United Nations Security Council, the European Union or any other Governmental Authority, (b) any Person located, operating, organized or resident in a Sanctioned Country, (c) an agency, political subdivision or instrumentality of the government of a Sanctioned Country or (d) any Person Controlled by any Person or agency described in any of the preceding clauses (a) through (c).

“**Sanctions**” means any sanctions or trade embargoes imposed, administered or enforced by any Governmental Authority of the United States of America, including without limitation, OFAC or the U.S. Department of State, or by the United Nations Security Council, the European Union or any other Governmental Authority.

“**SE Subsidiaries**” means, collectively, the entities set forth in Part V of Item 1.1.(a) of the Borrower Letter.

“**Secured Indebtedness**” means, with respect to a Person as of any given date, the aggregate principal amount of all Indebtedness of such Person outstanding on such date and that is secured in any manner by any Lien on any property and, in the case of the Borrower and its Subsidiaries, shall include (without duplication) the Borrower’s Ownership Share of the Secured Indebtedness of its Unconsolidated Affiliates.

“**Securities Act**” means the Securities Act of 1933, as amended from time to time, together with all rules and regulations issued thereunder.

“**Senior Housing Asset**” means any Property on which the improvements consist only of one or more of the following: (a) senior residences, (b) independent living facilities, (c) congregate communities, (d) assisted living facilities, (e) nursing homes, (f) hospitals and (g) other Property primarily used for senior citizen residences or health care services, together with other improvements incidental thereto.

“**Senior Housing Asset Pool**” means any group of two or more Properties, substantially all of the value of which is attributable to Senior Housing Assets, that are (a) leased to a Lessee pursuant to a single Lease, (b) leased pursuant to Leases that are cross-defaulted (as to defaults by Lessee) and which the Borrower has designated in a notice to the Administrative Agent (which designation has not been withdrawn by the Borrower) to be a Senior Housing Asset Pool, or (c) Managed Properties managed under one management agreement (or multiple management agreements with the same or affiliated managers that are cross-defaulted) and which the Borrower has designated in a notice to the Administrative Agent (which designation has not been withdrawn by the Borrower) to be a Senior Housing Asset Pool.

“**Solvent**” means, when used with respect to any Person, that (a) the fair value and the fair salable value of its assets (excluding any Indebtedness due from any Affiliate of such Person) are each in excess of the fair valuation of its total liabilities (including all contingent liabilities computed at the amount which, in light of all facts and circumstances existing at such time, represents the amount that could reasonably be expected to become an actual and matured liability); (b) such Person is able to pay its debts or other obligations

in the ordinary course as they mature; and (c) such Person has capital not unreasonably small to carry on its business and all business in which it proposes to be engaged.

“ **Specified Derivatives Contract** ” means any Derivatives Contract, together with any Derivatives Support Document relating thereto, that is made or entered into at any time, or in effect at any time now or hereafter, whether as a result of an assignment or transfer or otherwise, between the Borrower or any Subsidiary of the Borrower and any Specified Derivatives Provider.

“ **Specified Derivatives Obligations** ” means all indebtedness, liabilities, obligations, covenants and duties of the Borrower or its Subsidiaries under or in respect of any Specified Derivatives Contract, whether direct or indirect, absolute or contingent, due or not due, liquidated or unliquidated, and whether or not evidenced by any written confirmation.

“ **Specified Derivatives Provider** ” means any Lender, or any Affiliate of a Lender that is a party to a Derivatives Contract at the time the Derivatives Contract is entered into.

“ **S&P** ” means Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services, LLC business, or any successors.

“ **Subsidiary** ” means, for any Person, any corporation, partnership, limited liability company or other entity of which at least a majority of the Equity Interests having by the terms thereof ordinary voting power to elect a majority of the board of directors or other individuals performing similar functions of such corporation, partnership, limited liability company or other entity (without regard to the occurrence of any contingency) is at the time directly or indirectly owned or controlled by such Person or one or more Subsidiaries of such Person or by such Person and one or more Subsidiaries of such Person, and shall include all Persons the accounts of which are consolidated with those of such Person pursuant to GAAP.

“ **Taxes** ” means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

“ **Termination Date** ” means January 15, 2020.

“ **Total Asset Value** ” means the sum of the following (without duplication) of the Borrower and its Subsidiaries for the fiscal quarter most recently ended: (a) with respect to all Properties owned (or leased pursuant to a Ground Lease) by the Borrower or any Subsidiary for such entire fiscal quarter, (i) Adjusted EBITDA attributable to such Properties for such period multiplied by (ii) 4 divided by (iii) the applicable Capitalization Rate; (b) the purchase price paid for any Property acquired during such fiscal quarter (less any amounts paid as a purchase price adjustment, held in escrow, retained as a contingency reserve, or other similar arrangements and prior to allocations of property purchase prices pursuant to Statement of FASB ASC 805 and the like); (c) the value of the Borrower’s equity Investments in RMR Inc. as of the end of such fiscal quarter, such value determined at Fair Market Value; (d) all Marketable Securities, cash and cash equivalents; (e) the book value of all Assets Under Development as of the end of such fiscal quarter; (f) the book value of all Mortgage Receivables, and all other promissory notes secured by a Lien on any Property, as of the end of such fiscal quarter; and (g) the Borrower’s Ownership Share of the preceding items (other than those referred to in clause (c)) of any Unconsolidated Affiliate of the Borrower. For purposes of determining Total Asset Value, to the extent the amount of Total Asset Value attributable to (w) Unconsolidated Affiliates would exceed 20.0% of Total Asset Value, (x) Assets Under Development (determined as the aggregate Construction Budget for all such Assets Under Development) would exceed

10.0% of Total Asset Value, (y) Mortgage Receivables would exceed 10.0% of Total Asset Value and (z) Unimproved Land would exceed 5.0% of Total Asset Value, in each case, such excess shall be excluded. To the extent that the value of the Borrower's equity Investments in RMR Inc. would in the aggregate account for more than 3.0% of Total Asset Value, such excess shall be excluded. Notwithstanding the foregoing, for purposes of determining Total Asset Value at any time, (i) the Borrower may, in addition to the Properties referred to in the immediately preceding clause (b), include the purchase price paid for any Property acquired during the period following the end of the fiscal quarter most recently ended through the time of such determination (less any such amounts paid during such period as a purchase price adjustment or held in escrow at the time of such determination, retained as a contingency reserve at the time of such determination, or subject to other similar arrangements at the time of such determination) and (ii) for purposes of the immediately preceding clause (d), the amount of Marketable Securities, cash, and cash equivalents shall be calculated as of such date of determination rather than as of the end of the fiscal quarter most recently ended.

“**Total Indebtedness**” means, as of a given date, all liabilities of the Borrower and its Subsidiaries which would, in conformity with GAAP, be properly classified as a liability on a consolidated balance sheet of the Borrower and its Subsidiaries as of such date (excluding allocations of property purchase prices pursuant to FASB ASC 805 and the like), and in any event shall include (without duplication): (a) all Indebtedness of the Borrower and its Subsidiaries, (b) the Borrower's Ownership Share of Indebtedness of its Unconsolidated Affiliates, and (c) net obligations of the Borrower and its Subsidiaries under any Derivatives Contracts not entered into as a hedge against existing Indebtedness, in an amount equal to the Derivatives Termination Value thereof.

“**Trading with the Enemy Act**” has the meaning given to that term in Section 6.1.(y).

“**TRS**” means any direct or indirect Subsidiary of the Borrower that is classified as a “taxable REIT subsidiary” under Section 856(l) of the Internal Revenue Code.

“**Type**” with respect to any Loan, refers to whether such Loan or portion thereof is a LIBOR Loan or a Base Rate Loan.

“**UCC**” means the Uniform Commercial Code as in effect in any applicable jurisdiction.

“**Unconsolidated Affiliate**” means, with respect to any Person, any other Person in whom such Person holds an Investment, which Investment is accounted for in the financial statements of such Person on an equity basis of accounting and whose financial results would not be consolidated under GAAP with the financial results of such Person on the consolidated financial statements of such Person. Notwithstanding the foregoing, RMR Inc. shall not be considered to be an Unconsolidated Affiliate of the Borrower or any of its Subsidiaries.

“**Unencumbered Asset**” means each Property that satisfies all of the following requirements: (a) such Property is (i) owned in fee simple solely by the Borrower or a Wholly Owned Subsidiary or (ii) leased solely by the Borrower or a Wholly Owned Subsidiary pursuant to a Ground Lease; (b) such Property is not an Asset Under Development and is in service; (c) neither such Property, nor any interest of the Borrower or such Subsidiary therein, is subject to any Lien (other than Permitted Liens of the types described in clauses (a) through (c) and (e) through (j) of the definition thereof) or to any Negative Pledge other than Negative Pledges permitted under Sections 9.2.(b)(iii) and (iv); (d) regardless of whether such Property is owned by the Borrower or a Subsidiary, the Borrower has the right directly, or indirectly through a Subsidiary, to take the following actions without the need to obtain the consent of any Person: (i) to create Liens on such Property as security for Indebtedness of the Borrower or such Subsidiary, as applicable, and (ii) to sell, transfer or

otherwise dispose of such Property; (e) neither such Property, nor if such Property is owned by a Subsidiary, any of the Borrower's direct or indirect ownership interest in such Subsidiary, is subject to (i) any Lien (other than Permitted Liens of the types described in clauses (a) through (c) or (e) through (j) of the definition thereof) or (ii) any Negative Pledge other than Negative Pledges permitted under Sections 9.2.(b)(iii) and (iv); (f) such Property is free of structural defects or major architectural deficiencies, title defects, environmental conditions or other adverse matters which, individually or collectively, materially impair the value of such Property; (g) any Lessee of more than a majority of the leasable space in such Property is not more than 120 days past due with respect to any fixed rental payment obligations under any Lease for such Property; and (h) such Property has been designated by the Borrower as an "Unencumbered Asset" on Item 6.1.(z) of the Borrower Letter or on an Unencumbered Asset Certificate delivered by the Borrower to the Administrative Agent. Notwithstanding the immediately preceding sentence, a Property owned by a Foreign Subsidiary will be considered to be an Unencumbered Asset so long as: (1) such Property is (i) owned in fee simple (or the legal equivalent in the jurisdiction where such Property is located) by such Foreign Subsidiary or (ii) leased solely by such Foreign Subsidiary pursuant to a long-term lease having terms and conditions reasonably acceptable to the Administrative Agent; (2) all of the issued and outstanding Equity Interests of such Foreign Subsidiary are legally and beneficially owned by one or more of the Borrower and Wholly Owned Subsidiaries; (3) such Foreign Subsidiary has no Indebtedness other than (x) Nonrecourse Indebtedness and (y) other Indebtedness in an aggregate outstanding principal amount of less than 2.0% of the value of the assets of such Foreign Subsidiary (such value to be determined in a manner consistent with the definition of Total Asset Value or, if not contemplated under the definition of Total Asset Value, in a manner acceptable to the Administrative Agent); (4) neither such Property, nor any interest of such Foreign Subsidiary therein, is subject to any Lien (other than Permitted Liens of the types described in clauses (a) through (c) or (e) through (j) of the definition thereof) or to any Negative Pledge other than Negative Pledges permitted under Sections 9.2.(b)(iii) and (iv); and (5) such Property satisfies the requirements set forth in the immediately preceding clauses (b), (c), (d), (e), (f) and (g). In addition, a Senior Housing Asset Pool or the portion thereof comprised of Properties which are individually Unencumbered Assets shall constitute an Unencumbered Asset for purposes of this Agreement.

"Unencumbered Asset Certificate" has the meaning given that term in Section 8.3.

"Unencumbered Asset Value" means on any date of determination, the sum of: (a) the product of (i) Net Operating Income for the fiscal quarter most recently ended attributable to Unencumbered Assets owned or leased by the Borrower or any Subsidiary for such entire quarter, multiplied by (ii) 4 and divided by (iii) the applicable Capitalization Rate; (b) the value of the Equity Interests in RMR Inc. owned by the Borrower, such value determined at Fair Market Value, so long as such Equity Interests are not subject to any Liens (other than Permitted Liens of the types described in clauses (a) through (c) or clauses (e) through (j) of the definition thereof) or to any Negative Pledge (other than a Negative Pledge permitted under clause (iii) of Section 9.2.(b)); (c) unrestricted cash and Cash Equivalents and unencumbered Marketable Securities of the Borrower and its Subsidiaries so long as such cash, Cash Equivalents and Marketable Securities are not subject to any Liens (other than Permitted Liens of the types described in clauses (a) through (c) and (e) through (j) of the definition thereof) or any Negative Pledge (other than a Negative Pledge permitted under clause (iv) of Section 9.2.(b)); and (d) the purchase price paid for any Unencumbered Asset acquired during such fiscal quarter (less any amounts paid as a purchase price adjustment, held in escrow, retained as a contingency reserve, or other similar arrangements). To the extent that value of the Equity Interests of RMR Inc. owned by the Borrower would in the aggregate account for more than 3.0% of Unencumbered Asset Value, such excess shall be excluded. In addition, to the extent that the amount of Unencumbered Asset Value attributable to (x) Senior Housing Assets leased pursuant to a Ground Lease would constitute more than 20.0% of Unencumbered Asset Value, such excess shall be excluded and (y) Non-Domestic Properties would constitute more than 10.0% of Unencumbered Asset Value, such excess shall be excluded.

Notwithstanding the foregoing, for purposes of determining Unencumbered Asset Value at any time, the Borrower may, in addition to the Net Operating Income referred to in the immediately preceding clause (a)(i), include the Net Operating Income of any Unencumbered Asset acquired during the period following the end of the fiscal quarter most recently ended through such time of determination on a pro forma basis reasonably acceptable to the Administrative Agent.

“ **Unencumbered NOI** ” means, for any given period, the sum of (a) the aggregate NOI attributable to all Unencumbered Assets for such period and (b) cash dividends received by the Borrower or any of its Subsidiaries from RMR Inc. during such period.

“ **Unimproved Land** ” means land on which no development (other than improvements that are not material and are temporary in nature) has occurred.

“ **Unsecured Debt Service** ” means, for a given period, Debt Service for such period with respect to Unsecured Indebtedness of the Borrower and its Subsidiaries.

“ **Unsecured Indebtedness** ” means, with respect to a Person as of any given date, the aggregate principal amount of all Indebtedness of such Person outstanding at such date that is not Secured Indebtedness (excluding Indebtedness associated with Unconsolidated Affiliates that is not Guaranteed by a Loan Party) and in the case of the Borrower shall include (without duplication) Indebtedness that does not constitute Secured Indebtedness. Indebtedness secured solely by a pledge of Equity Interests in a Subsidiary owning one or more Properties which is also recourse to the Borrower or a Subsidiary shall not be treated as Secured Indebtedness.

“ **U.S. Person** ” means any Person that is a “United States Person” as defined in Section 7701(a)(30) of the Internal Revenue Code.

~~“ **Vertex Acquisition** ” means the acquisition of the Vertex Property pursuant to that certain Real Estate Purchase and Sale Agreement dated as of February 10, 2014 by and among Fifty Northern Avenue, LLC and Eleven Fan Pier Boulevard, LLC, as sellers, and the Borrower, as purchaser.~~

~~“ **Vertex Property** ” means the buildings located at 11 Fan Pier Boulevard and 50 Northern Avenue in Boston, Massachusetts.~~

~~“ **Vi Subsidiaries** ” means, collectively, the entities set forth in Part VIII of Item 1.1.(a) of the Borrower Letter.~~

“ **Wells Fargo** ” means Wells Fargo Bank, National Association, and its successors and assigns.

“ **Wholly Owned Subsidiary** ” means any Subsidiary of a Person in respect of which all of the Equity Interests (other than, in the case of a corporation, directors’ qualifying shares) are at the time directly or indirectly owned or controlled by such Person or one or more other Subsidiaries of such Person or by such Person and one or more other Subsidiaries of such Person.

“ **Withdrawal Liability** ” means any liability as a result of a complete or partial withdrawal from a Multiemployer Plan as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

“ **Withholding Agent** ” means (a) the Borrower, (b) any other Loan Party and (c) the Administrative Agent, as applicable.

“ **Write-Down and Conversion Powers** ” means, with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In

Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule.

Section 1.2. General; References to Eastern Time.

Unless otherwise indicated, all accounting terms, ratios and measurements shall be interpreted or determined in accordance with GAAP in effect as of the Agreement Date. Notwithstanding the preceding sentence, the calculation of liabilities shall not include any fair value adjustments to the carrying value of liabilities to record such liabilities at fair value pursuant to electing the fair value option election under FASB ASC 825-10-25 (formerly known as FAS 159, The Fair Value Option for Financial Assets and Financial Liabilities) or other standards of the Financial Accounting Standards Board allowing entities to elect fair value option for financial liabilities. References in this Agreement to “Sections”, “Articles”, “Exhibits” and “Schedules” are to sections, articles, exhibits and schedules herein and hereto unless otherwise indicated. References in this Agreement to any document, instrument or agreement (a) shall include all exhibits, schedules and other attachments thereto, (b) shall include all documents, instruments or agreements issued or executed in replacement thereof, to the extent permitted hereby and (c) shall mean such document, instrument or agreement, or replacement or predecessor thereto, as amended, supplemented, restated or otherwise modified from time to time to the extent not otherwise stated herein or prohibited hereby and in effect at any given time. Wherever from the context it appears appropriate, each term stated in either the singular or plural shall include the singular and plural, and pronouns stated in the masculine, feminine or neuter gender shall include the masculine, the feminine and the neuter. Unless explicitly set forth to the contrary, a reference to “Subsidiary” means a Subsidiary of the Borrower or a Subsidiary of such Subsidiary and a reference to an “Affiliate” means a reference to an Affiliate of the Borrower. Titles and captions of Articles, Sections, subsections and clauses in this Agreement are for convenience only, and neither limit nor amplify the provisions of this Agreement. Unless otherwise indicated, all references to time are references to Eastern time, daylight savings or standard, as applicable.

ARTICLE II. CREDIT FACILITY

Section 2.1. Loans.

(a) Making of Loans. Subject to the terms and conditions set forth in this Agreement, on the Effective Date, each Lender severally and not jointly agrees to make a Loan to the Borrower in a principal amount equal to such Lender’s Credit Percentage of the aggregate principal amount of Loans requested by the Borrower in the Notice of Borrowing, but in no event greater than such Lender’s Commitment. Upon a Lender’s funding of a Loan on the Effective Date, such Lender’s Commitment shall terminate. Any Loan made under this Section and repaid or prepaid may not be reborrowed. Additional Loans shall be made in accordance with Section 2.15.

(b) Requests for Loans. Not later than 10:00 a.m. Eastern time at least one (1) Business Day prior to the anticipated Effective Date with respect to a borrowing of Loans that are to be Base Rate Loans and not later than 10:00 a.m. Eastern time at least three (3) Business Days prior to the anticipated Effective Date with respect to a borrowing of Loans that are to be LIBOR Loans, the Borrower shall deliver to the Administrative Agent the Notice of Borrowing. The Notice of Borrowing shall specify the aggregate principal amount of the Loans to be borrowed, the Type of the requested Loans, and if such Loans are to be LIBOR Loans, the initial Interest Period for such Loans. The Notice of Borrowing shall be irrevocable once given and binding on the Borrower.

(c) Funding of Loans. Promptly after receipt of the Notice of Borrowing under the immediately preceding subsection (b), the Administrative Agent shall notify each Lender of the proposed borrowing and the principal amount of the Loan to be made by such Lender. Each Lender shall deposit an amount equal to the Loan to be made by such Lender to the Borrower with the Administrative Agent at the Principal Office, in immediately available funds not later than 11:00 a.m. Eastern time on the Effective Date. Subject to fulfillment of all applicable conditions set forth herein, the Administrative Agent shall make available to the Borrower in the account specified in the Disbursement Instruction Agreement, not later than 1:00 p.m. Eastern time on the Effective Date, the proceeds of such amounts received by the Administrative Agent.

Section 2.2. [Intentionally Omitted].

Section 2.3. [Intentionally Omitted].

Section 2.4. Rates and Payment of Interest on Loans.

(a) Rates. The Borrower promises to pay to the Administrative Agent for the account of each Lender interest on the unpaid principal amount of the Loan made by such Lender for the period from and including the date of the making of such Loan to but excluding the date such Loan shall be paid in full, at the following per annum rates:

(i) during such periods as such Loan is a Base Rate Loan, at the Base Rate (as in effect from time to time), plus the Applicable Margin for Base Rate Loans; and

(ii) during such periods as such Loan is a LIBOR Loan, at LIBOR for such Loan for the Interest Period therefor, plus the Applicable Margin for LIBOR Loans.

Notwithstanding the foregoing, while an Event of Default exists, the Borrower shall pay to the Administrative Agent for the account of each Lender interest at the Post-Default Rate on the outstanding principal amount of the Loan made by such Lender and on any other amount payable by the Borrower hereunder or under the Note held by such Lender to or for the account of such Lender (including without limitation, accrued but unpaid interest to the extent permitted under Applicable Law).

(b) Payment of Interest. All accrued and unpaid interest on the outstanding principal amount of each Loan shall be payable (i) monthly in arrears on the first day of each month, commencing with the first full calendar month occurring after the Effective Date and (ii) on any date on which the principal balance of such Loan is due and payable in full (whether at maturity, due to acceleration or otherwise). Interest payable at the Post-Default Rate shall be payable from time to time on demand. All determinations by the Administrative Agent of an interest rate hereunder shall be conclusive and binding on the Lenders and the Borrower for all purposes, absent manifest error.

(c) Borrower Information Used to Determine Applicable Interest Rates. The parties understand that the applicable interest rate for the Obligations and certain fees set forth herein may be determined and/or adjusted from time to time based upon certain financial ratios and/or other information to be provided or certified to the Lenders by the Borrower (the "Borrower Information"). If it is subsequently determined that any such Borrower Information was incorrect (for whatever reason, including without limitation because of a subsequent restatement of earnings by the Borrower) at the time it was delivered to the Administrative Agent, and if the applicable interest rate or fees calculated for any period were lower than they should have been had the correct information been timely provided, then, such interest rate and such fees for such period shall be automatically recalculated using correct Borrower Information. The Administrative Agent shall

promptly notify the Borrower in writing of any additional interest and fees due because of such recalculation, and the Borrower shall pay such additional interest or fees due to the Administrative Agent, for the account of each Lender, within five (5) Business Days of receipt of such written notice. Any recalculation of interest or fees required by this provision shall survive the termination of this Agreement, and this provision shall not in any way limit any of the Administrative Agent's or any Lender's other rights under this Agreement.

Section 2.5. Number of Interest Periods.

There may be no more than 3 different Interest Periods outstanding at the same time.

Section 2.6. Repayment of Loans.

The Borrower shall repay the entire outstanding principal amount of, and all accrued but unpaid interest on, the Loans on the Termination Date.

Section 2.7. Prepayments.

(a) Optional. Subject to Section 4.4., the Borrower may prepay any Loan at any time without premium or penalty. The Borrower shall give the Administrative Agent at least three (3) Business Days prior written notice of the prepayment of any Loan. Each voluntary prepayment of Loans shall be in an aggregate minimum amount of \$1,000,000 and integral multiples of \$500,000 in excess thereof.

(b) No Effect on Derivatives Contracts. No prepayment of the Loans pursuant to this Section or otherwise shall affect any of the Borrower's obligations under any Derivatives Contract entered into with respect to any of the Loans.

Section 2.8. Continuation.

So long as no Default or Event of Default exists, the Borrower may on any Business Day, with respect to any LIBOR Loan, elect to maintain such LIBOR Loan or any portion thereof as a LIBOR Loan by selecting a new Interest Period for such LIBOR Loan. Each Continuation of a LIBOR Loan shall be in an aggregate minimum amount of \$1,000,000 and integral multiples of \$1,000,000 in excess of that amount, and each new Interest Period selected under this Section shall commence on the last day of the immediately preceding Interest Period. Each selection of a new Interest Period shall be made by the Borrower giving to the Administrative Agent a Notice of Continuation not later than 10:00 a.m. Eastern time on the third Business Day prior to the date of any such Continuation. Such notice by the Borrower of a Continuation shall be by telecopy, electronic mail or other similar form of communication in the form of a Notice of Continuation, specifying (a) the proposed date of such Continuation, (b) the LIBOR Loans and portions thereof subject to such Continuation and (c) the duration of the selected Interest Period, all of which shall be specified in such manner as is necessary to comply with all limitations on Loans outstanding hereunder. Each Notice of Continuation shall be irrevocable by and binding on the Borrower once given. Promptly after receipt of a Notice of Continuation, the Administrative Agent shall notify each Lender of the proposed Continuation. If the Borrower shall fail to select in a timely manner a new Interest Period for any LIBOR Loan in accordance with this Section, such Loan will automatically, on the last day of the current Interest Period therefor, continue as a LIBOR Loan with an Interest Period of one month; provided, however that if a Default or Event of Default exists, such Loan will automatically, on the last day of the current Interest Period therefor, Convert into a Base Rate Loan notwithstanding the first sentence of Section 2.9. or the Borrower's failure to comply with any of the terms of such Section.

Section 2.9. Conversion.

The Borrower may on any Business Day, upon the Borrower's giving of a Notice of Conversion to the Administrative Agent by telecopy, electronic mail or other similar form of communication, Convert all or a portion of a Loan of one Type into a Loan of another Type; provided, however, a Base Rate Loan may not be Converted into a LIBOR Loan if a Default or Event of Default exists. Each Conversion of Base Rate Loans into LIBOR Loans shall be in an aggregate minimum amount of \$1,000,000 and integral multiples of \$1,000,000 in excess of that amount. Each such Notice of Conversion shall be given not later than 10:00 a.m. Eastern time 3 Business Days prior to the date of any proposed Conversion. Promptly after receipt of a Notice of Conversion, the Administrative Agent shall notify each Lender of the proposed Conversion. Subject to the restrictions specified above, each Notice of Conversion shall be by telecopy, electronic mail or other similar form of communication in the form of a Notice of Conversion specifying (a) the requested date of such Conversion, (b) the Type of Loan to be Converted, (c) the portion of such Type of Loan to be Converted, (d) the Type of Loan such Loan is to be Converted into and (e) if such Conversion is into a LIBOR Loan, the requested duration of the Interest Period of such Loan. Each Notice of Conversion shall be irrevocable by and binding on the Borrower once given.

Section 2.10. Notes.

(a) Notes. Except in the case of a Lender that has notified the Administrative Agent in writing that it elects not to receive a Note, the Loan made by each Lender shall, in addition to this Agreement, also be evidenced by a Note, payable to the order of such Lender in a principal amount equal to the amount of its Commitment as originally in effect and otherwise duly completed.

(b) Records. The date, amount, interest rate, Type and duration of Interest Periods (if applicable) of the Loan made by each Lender to the Borrower, and each payment made on account of the principal thereof, shall be recorded by such Lender on its books and such entries shall be binding on the Borrower absent manifest error; provided, however, that (i) the failure of a Lender to make any such record shall not affect the obligations of the Borrower under any of the Loan Documents and (ii) if there is a discrepancy between such records of a Lender and the statements of accounts maintained by the Administrative Agent pursuant to Section 3.8., in the absence of manifest error, the statements of account maintained by the Administrative Agent pursuant to Section 3.8. shall be controlling.

(c) Lost, Stolen, Destroyed or Mutilated Notes. Upon receipt by the Borrower of (i) written notice from a Lender that the Note of such Lender has been lost, stolen, destroyed or mutilated, and (ii)(A) in the case of loss, theft or destruction, an unsecured agreement of indemnity from such Lender in form reasonably satisfactory to the Borrower, or (B) in the case of mutilation, upon surrender and cancellation of such Note, the Borrower shall at its own expense execute and deliver to such Lender a new Note dated the date of such lost, stolen, destroyed or mutilated Note.

Section 2.11. [Intentionally Omitted].

Section 2.12. [Intentionally Omitted].

Section 2.13. [Intentionally Omitted].

Section 2.14. [Intentionally Omitted].

Section 2.15. Additional Loans.

The Borrower shall have the right at any time and from time to time during the period beginning on the Effective Date to but excluding the Termination Date to request additional Loans by providing written notice to the Administrative Agent, which notice shall be irrevocable once given; provided, however, that after giving effect to any such additional Loans, the aggregate outstanding principal amount of the Loans shall not exceed twice the aggregate amount of the Loans funded on the Effective Date. Each such borrowing of additional Loans must be an aggregate minimum amount of \$50,000,000 and integral multiples of \$10,000,000 in excess thereof. The Administrative Agent, in consultation with the Borrower, shall manage all aspects of the syndication of such additional Loans, including decisions as to the selection of the existing Lenders and/or other banks, financial institutions and other institutional lenders to be approached with respect to such additional Loans and the allocations of such additional Loans among such existing Lenders and/or other banks, financial institutions and other institutional lenders. No Lender shall be obligated in any way whatsoever to make additional Loans, and any new Lender becoming a party to this Agreement in connection with any such requested additional Loan must be an Eligible Assignee. Effecting the making of additional Loans under this Section is subject to the following conditions precedent: (x) no Default or Event of Default shall be in existence on the effective date of such borrowing of additional Loans, (y) the representations and warranties made or deemed made by the Borrower or any other Loan Party in any Loan Document to which such Loan Party is a party shall be true and correct in all material respects (except in the case of a representation or warranty qualified by materiality, in which case such representation or warranty shall be true and correct in all respects) on the effective date of such borrowing of additional Loans except to the extent that such representations and warranties expressly relate solely to an earlier date (in which case such representations and warranties shall have been true and correct in all material respects (except in the case of a representation or warranty qualified by materiality, in which case such representation or warranty shall be true and correct in all respects) on and as of such earlier date) and except for changes in factual circumstances specifically and expressly permitted hereunder, and (z) the Administrative Agent shall have received each of the following, in form and substance satisfactory to the Administrative Agent: (i) if not previously delivered to the Administrative Agent, copies certified by the Secretary or Assistant Secretary of (A) all corporate and other necessary action taken by the Borrower to authorize such borrowing of additional Loans and (B) all corporate, partnership, member and other necessary action taken by each Guarantor authorizing the guaranty of such additional Loans; (ii) an opinion of counsel to the Borrower and the Guarantors, and addressed to the Administrative Agent and the Lenders covering such matters as reasonably requested by the Administrative Agent; and (iii) except in the case of any Lender that has notified the Administrative Agent in writing that it elects not to receive a Note, new Notes executed by the Borrower, payable to any new Lenders and replacement Notes executed by the Borrower, payable to any existing Lenders making additional Loans, in the principal amount of such Lender's outstanding Loans at the time of the effectiveness of the making of the additional Loans. In connection with any increase in the aggregate principal amount outstanding of the Loans pursuant to this Section any Lender becoming a party hereto shall execute such documents and agreements as the Administrative Agent may reasonably request.

Section 2.16. Funds Transfer Disbursements.

The Borrower hereby authorizes the Administrative Agent to disburse the proceeds of any Loan made by the Lenders or any of their Affiliates pursuant to the Loan Documents as requested by an authorized representative of the Borrower to any of the accounts designated in the Disbursement Instruction Agreement.

ARTICLE III. PAYMENTS, FEES AND OTHER GENERAL PROVISIONS

Section 3.1. Payments.

(a) Payments by Borrower. Except to the extent otherwise provided herein, all payments of principal, interest, Fees and other amounts to be made by the Borrower under this Agreement, the Notes or any other Loan Document shall be made in Dollars, in immediately available funds, without setoff, deduction or counterclaim, to the Administrative Agent at the Principal Office, not later than 12:00 p.m. Eastern time on the date on which such payment shall become due (each such payment made after such time on such due date to be deemed to have been made on the next succeeding Business Day). Subject to Section 10.5., the Borrower shall, at the time of making each payment under this Agreement or any other Loan Document, specify to the Administrative Agent the amounts payable by the Borrower hereunder to which such payment is to be applied. Each payment received by the Administrative Agent for the account of a Lender under this Agreement or any Note shall be paid to such Lender by wire transfer of immediately available funds in accordance with the wiring instructions provided by such Lender to the Administrative Agent from time to time, for the account of such Lender at the applicable Lending Office of such Lender. In the event the Administrative Agent fails to pay such amounts to such Lender (i) by 5:00 p.m. Eastern time on the Business Day such funds are received by the Administrative Agent, if such amounts are received by 12:00 p.m. Eastern time on such date or (ii) by 5:00 p.m. Eastern time on the Business Day following the date such funds are received by the Administrative Agent, if such amounts are received after 12:00 p.m. Eastern time on any Business Day, the Administrative Agent shall pay interest on such amount until paid at a rate per annum equal to the Federal Funds Rate from time to time in effect. If the due date of any payment under this Agreement or any other Loan Document would otherwise fall on a day which is not a Business Day such date shall be extended to the next succeeding Business Day and interest shall continue to accrue at the rate, if any, applicable to such payment for the period of such extension.

(b) Presumptions Regarding Payments by Borrower. Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders hereunder that the Borrower will not make such payment, the Administrative Agent may assume that the Borrower has made such payment on such date in accordance herewith and may (but shall not be obligated to), in reliance upon such assumption, distribute to the Lenders the amount due. In such event, if the Borrower has not in fact made such payment, then each of the Lenders severally agrees to repay to the Administrative Agent on demand that amount so distributed to such Lender, with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the greater of the Federal Funds Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation.

Section 3.2. Pro Rata Treatment.

Except to the extent otherwise provided herein: (a) the making of the Loans under Section 2.1.(a) shall be made by the Lenders pro rata according to the amounts of their respective Commitments; (b) each payment or prepayment of principal of the Loans shall be made for the account of the Lenders pro rata in accordance with the respective unpaid principal amounts of the Loans held by them; (c) each payment of interest on the Loans shall be made for the account of the Lenders, pro rata in accordance with the amounts of interest on such Loans then due and payable to the respective Lenders; and (d) the Conversion and Continuation of Loans of a particular Type (other than Conversions provided for by Sections 4.1.(c) and 4.5.) shall be made pro rata among the Lenders according to the amounts of their respective Loans and the then current Interest Period for each Lender's portion of each such Loan of such Type shall be coterminous.

Any payment or prepayment of principal or interest made during the existence of a Default or Event of Default shall be made for the account of the Lenders in accordance with the order set forth in Section 10.5.

Section 3.3. Sharing of Payments, Etc.

If a Lender shall obtain payment of any principal of, or interest on, any Loan made by it to the Borrower under this Agreement or shall obtain payment on any other Obligation owing by the Borrower or any other Loan Party through the exercise of any right of set-off, banker's lien, counterclaim or similar right or otherwise or through voluntary prepayments directly to a Lender or other payments made by or on behalf the Borrower or any other Loan Party to a Lender (other than any payment in respect of Specified Derivatives Obligations) not in accordance with the terms of this Agreement and such payment should be distributed to the Lenders in accordance with Section 3.2. or Section 10.5., as applicable, such Lender shall promptly purchase from the other Lenders participations in (or, if and to the extent specified by such Lender, direct interests in) the Loans made by the other Lenders or other Obligations owed to such other Lenders in such amounts, and make such other adjustments from time to time as shall be equitable, to the end that all the Lenders shall share the benefit of such payment (net of any reasonable expenses which may actually be incurred by such Lender in obtaining or preserving such benefit) in accordance with the requirements of Section 3.2. or Section 10.5., as applicable. To such end, all the Lenders shall make appropriate adjustments among themselves (by the resale of participations sold or otherwise) if such payment is rescinded or must otherwise be restored. The Borrower agrees that any Lender so purchasing a participation (or direct interest) in the Loans or other Obligations owed to such other Lenders may exercise all rights of set-off, banker's lien, counterclaim or similar rights with respect to such participation as fully as if such Lender were a direct holder of Loans in the amount of such participation. Nothing contained herein shall require any Lender to exercise any such right or shall affect the right of any Lender to exercise and retain the benefits of exercising, any such right with respect to any other indebtedness or obligation of the Borrower.

Section 3.4. Several Obligations.

No Lender shall be responsible for the failure of any other Lender to make a Loan or to perform any other obligation to be made or performed by such other Lender hereunder, and the failure of any Lender to make a Loan or to perform any other obligation to be made or performed by it hereunder shall not relieve the obligation of any other Lender to make any Loan or to perform any other obligation to be made or performed by such other Lender.

Section 3.5. Fees.

(a) Closing Fees. On the Effective Date, the Borrower agrees to pay all fees then due and payable under the Fee Letter.

(b) Administrative and Other Fees. The Borrower agrees to pay the administrative and other fees of the Administrative Agent as provided in the Fee Letter and as may be otherwise agreed to in writing from time to time by the Borrower and the Administrative Agent.

Section 3.6. Computations.

Unless otherwise expressly set forth herein, any accrued interest on any Loan, any Fees or any other Obligations due hereunder shall be computed on the basis of a year of 360 days and the actual number of days elapsed.

Section 3.7. Usury.

In no event shall the amount of interest due or payable on the Loans or other Obligations exceed the maximum rate of interest allowed by Applicable Law and, if any such payment is paid by the Borrower or any other Loan Party or received by any Lender, then such excess sum shall be credited as a payment of principal, unless the Borrower shall notify the respective Lender in writing that the Borrower elects to have such excess sum returned to it forthwith. It is the express intent of the parties hereto that the Borrower not pay and the Lenders not receive, directly or indirectly, in any manner whatsoever, interest in excess of that which may be lawfully paid by the Borrower under Applicable Law. The parties hereto hereby agree and stipulate that the only charge imposed upon the Borrower for the use of money in connection with this Agreement is and shall be the interest specifically described in Section 2.4.(a)(i) and (ii). Notwithstanding the foregoing, the parties hereto further agree and stipulate that all agency fees, syndication fees, commitment fees, closing fees, underwriting fees, default charges, late charges, funding or "breakage" charges, increased cost charges, attorneys' fees and reimbursement for costs and expenses paid by the Administrative Agent or any Lender to third parties or for damages incurred by the Administrative Agent or any Lender, in each case, in connection with the transactions contemplated by this Agreement and the other Loan Documents, are charges made to compensate the Administrative Agent or any such Lender for underwriting or administrative services and costs or losses performed or incurred, and to be performed or incurred, by the Administrative Agent and the Lenders in connection with this Agreement and shall under no circumstances be deemed to be charges for the use of money. All charges other than charges for the use of money shall be fully earned and nonrefundable when due.

Section 3.8. Statements of Account.

The Administrative Agent will account to the Borrower monthly with a statement of Loans, accrued interest and Fees, charges and payments made pursuant to this Agreement and the other Loan Documents, and such account rendered by the Administrative Agent shall be deemed conclusive upon the Borrower absent manifest error. The failure of the Administrative Agent to deliver such a statement of accounts shall not relieve or discharge the Borrower from any of its obligations hereunder.

Section 3.9. Defaulting Lenders.

Notwithstanding anything to the contrary contained in this Agreement, if any Lender becomes a Defaulting Lender, then, until such time as such Lender is no longer a Defaulting Lender, to the extent permitted by Applicable Law:

(a) Waivers and Amendments. Such Defaulting Lender's right to approve or disapprove any amendment, waiver or consent with respect to this Agreement shall be restricted as set forth in the definition of Requisite Lenders.

(b) Defaulting Lender Waterfall. Any payment of principal, interest, Fees or other amounts received by the Administrative Agent for the account of such Defaulting Lender (whether voluntary or mandatory, at maturity, pursuant to Article X. or otherwise) or received by the Administrative Agent from a Defaulting Lender pursuant to Section 3.3. shall be applied at such time or times as may be determined by the Administrative Agent as follows: first, to the payment of any amounts owing by such Defaulting Lender to the Administrative Agent hereunder; second, as the Borrower may request (so long as no Default or Event of Default exists), to the funding of any Loan in respect of which such Defaulting Lender has failed to fund its portion thereof as required by this Agreement, as determined by the Administrative Agent; third, to the payment of any amounts owing to the Lenders as a result of any judgment of a court of competent jurisdiction

obtained by any Lender against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; fourth, so long as no Default or Event of Default exists, to the payment of any amounts owing to the Borrower as a result of any judgment of a court of competent jurisdiction obtained by the Borrower against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; and fifth, to such Defaulting Lender or as otherwise directed by a court of competent jurisdiction; provided that if (x) such payment is a payment of the principal amount of any Loans in respect of which such Defaulting Lender has not fully funded its appropriate share, and (y) such Loans were made at a time when the conditions set forth in Article V. were satisfied or waived, such payment shall be applied solely to pay the Loans of all Non-Defaulting Lenders on a pro rata basis prior to being applied to the payment of any Loans of such Defaulting Lender until such time as all Loans are held by the Lenders pro rata in accordance with their respective Credit Percentages (determined as if there had been no Defaulting Lenders). Any payments, prepayments or other amounts paid or payable to a Defaulting Lender that are applied (or held) to pay amounts owed by a Defaulting Lender pursuant to this subsection shall be deemed paid to and redirected by such Defaulting Lender, and each Lender irrevocably consents hereto.

(c) Certain Fees. No Defaulting Lender shall be entitled to receive any Fee payable under Section 3.5. for any period during which that Lender is a Defaulting Lender (and the Borrower shall not be required to pay any such fee that otherwise would have been required to have been paid to that Defaulting Lender).

(d) Defaulting Lender Cure. If the Borrower and the Administrative Agent agree in writing that a Lender is no longer a Defaulting Lender, the Administrative Agent will so notify the parties hereto, whereupon as of the effective date specified in such notice and subject to any conditions set forth therein, such Lender will cease to be a Defaulting Lender; provided that no adjustments will be made retroactively with respect to Fees accrued or payments made by or on behalf of the Borrower while that Lender was a Defaulting Lender; and provided, further, that except to the extent otherwise expressly agreed by the affected parties, no change hereunder from Defaulting Lender to Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender's having been a Defaulting Lender.

Section 3.10. Taxes.

(a) Payments Free of Taxes. Any and all payments by or on account of any obligation of the Borrower or any other Loan Party under any Loan Document shall be made without deduction or withholding for any Taxes, except as required by Applicable Law. If any Applicable Law (as determined in the good faith discretion of an applicable Withholding Agent) requires the deduction or withholding of any Tax from any such payment by a Withholding Agent, then the applicable Withholding Agent shall be entitled to make such deduction or withholding and shall timely pay the full amount deducted or withheld to the relevant Governmental Authority in accordance with Applicable Law and, if such Tax is an Indemnified Tax, then the sum payable by the Borrower or other applicable Loan Party shall be increased as necessary so that after such deduction or withholding has been made (including such deductions and withholdings applicable to additional sums payable under this Section) the applicable Recipient receives an amount equal to the sum it would have received had no such deduction or withholding been made.

(b) Payment of Other Taxes by the Borrower. The Borrower and the other Loan Parties shall timely pay to the relevant Governmental Authority in accordance with Applicable Law, or at the option of the Administrative Agent timely reimburse it for the payment of, any Other Taxes.

(c) Indemnification by the Borrower. The Borrower and the other Loan Parties shall jointly and severally indemnify each Recipient, within 10 days after demand therefor, for the full amount of any

Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section) payable or paid by such Recipient (whether directly or pursuant to Section 3.10.(d)(i)) or required to be withheld or deducted from a payment to such Recipient and any reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority ; provided, however, that neither the Borrower nor any other Loan Party shall be liable to indemnify any Lender or Participant for any Taxes attributable to a Lender's failure to comply with the provisions of Section 12.6. relating to the maintenance of a Participant Register. A certificate as to the amount of such payment or liability delivered to the Borrower by a Lender (with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of a Lender, shall be conclusive absent manifest error.

(d) Indemnification by the Lenders. Each Lender shall severally indemnify the Administrative Agent, within 10 days after demand therefor, for (i) any Indemnified Taxes attributable to such Lender (but only to the extent that the Borrower or another Loan Party has not already indemnified the Administrative Agent for such Indemnified Taxes and without limiting the obligation of the Borrower and the other Loan Parties to do so), (ii) any Taxes attributable to such Lender's failure to comply with the provisions of Section 12.5. relating to the maintenance of a Participant Register and (iii) any Excluded Taxes attributable to such Lender, in each case, that are payable or paid by the Administrative Agent in connection with any Loan Document, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to any Lender by the Administrative Agent shall be conclusive absent manifest error. Each Lender hereby authorizes the Administrative Agent to set off and apply any and all amounts at any time owing to such Lender under any Loan Document or otherwise payable by the Administrative Agent to the Lender from any other source against any amount due to the Administrative Agent under this subsection.

(e) Evidence of Payments. As soon as practicable after any payment of Taxes by the Borrower or any other Loan Party to a Governmental Authority pursuant to this Section, the Borrower or such other Loan Party shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(f) Status of Lenders.

(i) Any Lender that is entitled to an exemption from or reduction of withholding Tax with respect to payments made under any Loan Document shall deliver to the Borrower and the Administrative Agent, at the time or times reasonably requested by the Borrower or the Administrative Agent, such properly completed and executed documentation reasonably requested by the Borrower or the Administrative Agent as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if reasonably requested by the Borrower or the Administrative Agent, shall deliver such other documentation prescribed by Applicable Law or reasonably requested by the Borrower or the Administrative Agent as will enable the Borrower or the Administrative Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation set forth in the immediately following clauses (ii)(A), (ii)(B) and (ii)(D)) shall not be required if in the applicable Lender's reasonable judgment such completion, execution or submission would subject such Lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender.

(ii) Without limiting the generality of the foregoing:

(A) any Lender that is a U.S. Person shall deliver to the Borrower and the Administrative Agent on or prior to the date on which such Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), an electronic copy (or an original if requested by the Borrower or the Administrative Agent) of an executed IRS Form W-9 (or any successor form) certifying that such Lender is exempt from U.S. federal backup withholding tax;

(B) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), whichever of the following is applicable:

(I) in the case of a Foreign Lender claiming the benefits of an income tax treaty to which the United States is a party (x) with respect to payments of interest under any Loan Document, an electronic copy (or an original if requested by the Borrower or the Administrative Agent) of an executed IRS Form W-8BEN or IRS Form W-8BEN-E, as applicable, establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the “interest” article of such tax treaty and (y) with respect to any other applicable payments under any Loan Document, IRS Form W-8BEN or IRS Form W-8BEN-E, as applicable, establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the “business profits” or “other income” article of such tax treaty;

(II) an electronic copy (or an original if requested by the Borrower or the Administrative Agent) of an executed IRS Form W-8ECI;

(III) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under Section 881(c) of the Internal Revenue Code, (x) a certificate substantially in the form of Exhibit I-1 to the effect that such Foreign Lender is not a “bank” within the meaning of Section 881(c)(3)(A) of the Internal Revenue Code, a “10 percent shareholder” of the Borrower within the meaning of Section 881(c)(3)(B) of the Internal Revenue Code, or a “controlled foreign corporation” described in Section 881(c)(3)(C) of the Internal Revenue Code (a “U.S. Tax Compliance Certificate”) and (y) ~~executed originals of an electronic copy (or an original if requested by the Borrower or the Administrative Agent) of an~~ IRS Form W-8BEN or IRS Form W-8BEN-E, as applicable; or

(IV) to the extent a Foreign Lender is not the beneficial owner, an electronic copy (or an original if requested by the Borrower or the Administrative Agent) of an executed IRS Form W-8IMY, accompanied by IRS Form W-8ECI, IRS Form W-8BEN or IRS Form W-8BEN-E, as applicable, a U.S. Tax Compliance Certificate substantially in the form of Exhibit I-2 or Exhibit I-3, IRS Form W-9, and/or other certification documents from each beneficial owner, as applicable; provided that if the Foreign Lender is a partnership and one or more direct or indirect partners of such Foreign Lender are claiming the portfolio interest exemption, such

Foreign Lender may provide a U.S. Tax Compliance Certificate substantially in the form of Exhibit I-4 on behalf of each such direct and indirect partner;

(C) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), an electronic copy (or an original if requested by the Borrower or the Administrative Agent) of any other form prescribed by Applicable Law as a basis for claiming exemption from or a reduction in U.S. federal withholding Tax, duly completed, together with such supplementary documentation as may be prescribed by Applicable Law to permit the Borrower or the Administrative Agent to determine the withholding or deduction required to be made; and

(D) if a payment made to a Lender under any Loan Document would be subject to U.S. federal withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Internal Revenue Code, as applicable), such Lender shall deliver to the Borrower and the Administrative Agent at the time or times prescribed by Applicable Law and at such time or times reasonably requested by the Borrower or the Administrative Agent such documentation prescribed by Applicable Law (including as prescribed by Section 1471(b)(3)(C)(i) of the Internal Revenue Code) and such additional documentation reasonably requested by the Borrower or the Administrative Agent as may be necessary for the Borrower and the Administrative Agent to comply with their obligations under FATCA and to determine that such Lender has complied with such Lender's obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this clause (D), "FATCA" shall include any amendments made to FATCA after the date of this Agreement.

Each Lender agrees that if any form or certification it previously delivered expires or becomes obsolete or inaccurate in any respect, it shall update such form or certification or promptly notify the Borrower and the Administrative Agent in writing of its legal inability to do so.

(g) Treatment of Certain Refunds. If any party determines, in its sole discretion exercised in good faith, that it has received a refund of any Taxes as to which it has been indemnified pursuant to this Section (including by the payment of additional amounts pursuant to this Section), it shall pay to the indemnifying party an amount equal to such refund (but only to the extent of indemnity payments made under this Section with respect to the Taxes giving rise to such refund), net of all out-of-pocket expenses (including Taxes) of such indemnified party and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund). Such indemnifying party, upon the request of such indemnified party, shall repay to such indemnified party the amount paid over pursuant to this subsection (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) in the event that such indemnified party is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this subsection, in no event will an indemnified party be required to pay any amount to an indemnifying party pursuant to this subsection the payment of which would place such indemnified party in a less favorable net after-Tax position than such indemnified party would have been in if the Tax subject to indemnification and giving rise to such refund had not been deducted, withheld or otherwise imposed and the indemnification payments or additional amounts with respect to such Tax had never been paid. This subsection shall not be construed to require any indemnified party to make available

its Tax returns (or any other information relating to its Taxes that it deems confidential) to, or apply for or seek any refund for or on behalf of, any indemnifying party or any other Person.

(h) Survival. Each party's obligations under this Section shall survive the resignation or replacement of the Administrative Agent or any assignment of rights by, or the replacement of, a Lender, the termination of the Commitments and the repayment, satisfaction or discharge of all obligations under any Loan Document.

(i) FATCA Determination. For purposes of determining withholding Taxes imposed under FATCA, from and after the Effective Date, the Borrower and the Administrative Agent shall treat (and the Lenders hereby authorize the Administrative Agent to treat) this Agreement as not qualifying as a "grandfathered obligation" within the meaning of Treasury Regulation Section 1.1471-2(b)(2)(i).

ARTICLE IV. YIELD PROTECTION, ETC.

Section 4.1. Additional Costs; Capital Adequacy.

(a) Capital Adequacy. If any Lender determines that any Regulatory Change affecting such Lender or any lending office of such Lender or such Lender's holding company, if any, regarding capital or liquidity ratios or requirements, has or would have the effect of reducing the rate of return on such Lender's capital or on the capital of such Lender's holding company, if any, as a consequence of this Agreement, the Commitment of such Lender or the Loan made by such Lender, to a level below that which such Lender or such Lender's holding company could have achieved but for such Regulatory Change (taking into consideration such Lender's policies and the policies of such Lender's holding company with respect to capital adequacy and liquidity), then from time to time the Borrower will pay to such Lender such additional amount or amounts as will compensate such Lender or such Lender's holding company for any such reduction suffered.

(b) Additional Costs. In addition to, and not in limitation of the immediately preceding subsection, the Borrower shall promptly pay to the Administrative Agent for the account of a Lender from time to time such amounts as such Lender may determine to be necessary to compensate such Lender for any costs incurred by such Lender that it determines are attributable to its making or maintaining of any LIBOR Loans or its obligation to make any LIBOR Loans hereunder, any reduction in any amount receivable by such Lender under this Agreement or any of the other Loan Documents in respect of any of such LIBOR Loans or such obligation or the maintenance by such Lender of capital in respect of its LIBOR Loans or its Commitments (such increases in costs and reductions in amounts receivable being herein called "Additional Costs"), resulting from any Regulatory Change that: (i) changes the basis of taxation of any amounts payable to such Lender under this Agreement or any of the other Loan Documents in respect of any of such LIBOR Loans or its Commitments (other than Indemnified Taxes, Taxes described in clauses (b) through (d) of the definition of Excluded Taxes and Connection Income Taxes), or (ii) imposes or modifies any reserve, special deposit, compulsory loan insurance charge, or similar requirements (other than Regulation D of the Board of Governors of the Federal Reserve System or other similar reserve requirement applicable to any other category of liabilities or category of extensions of credit or other assets by reference to which the interest rate on LIBOR Loans is determined to the extent utilized when determining LIBOR for such Loans) relating to any extensions of credit or other assets of, or any deposits with or other liabilities of, or other credit extended by, or any other acquisition of funds by such Lender (or its parent corporation), or any commitment of such Lender (including, without limitation, the Commitments of such Lender hereunder) or (iii) imposes on any Lender or the London interbank market, any other condition, cost or expense (other than Taxes) affecting this Agreement or the Loan made by such Lender.

(c) Lender's Suspension of LIBOR Loans. Without limiting the effect of the provisions of the immediately preceding subsections (a) and (b), if by reason of any Regulatory Change, any Lender either (i) incurs Additional Costs based on or measured by the excess above a specified level of the amount of a category of deposits or other liabilities of such Lender that includes deposits by reference to which the interest rate on LIBOR Loans is determined as provided in this Agreement or a category of extensions of credit or other assets of such Lender that includes LIBOR Loans or (ii) becomes subject to restrictions on the amount of such a category of liabilities or assets that it may hold, then, if such Lender so elects by notice to the Borrower (with a copy to the Administrative Agent), the obligation of such Lender to make or Continue, or to Convert Base Rate Loans into, LIBOR Loans shall be suspended until such Regulatory Change ceases to be in effect (in which case the provisions of Section 4.5. shall apply).

(d) Notification and Determination of Additional Costs. Each of the Administrative Agent and each Lender, as the case may be, agrees to notify the Borrower (and in the case of a Lender, to notify the Administrative Agent) of any event occurring after the Agreement Date entitling the Administrative Agent or such Lender to compensation under any of the preceding subsections of this Section as promptly as practicable; provided, however, that the failure of the Administrative Agent or any Lender to give such notice shall not release the Borrower from any of its obligations hereunder (and in the case of a Lender, to the Administrative Agent); provided, further, that notwithstanding the foregoing provisions of this Section, the Administrative Agent or a Lender, as the case may be, shall not be entitled to compensation for any such amount relating to any period ending more than six months prior to the date that the Administrative Agent or such Lender, as applicable, first notifies the Borrower in writing thereof or for any amounts resulting from a change by any Lender of its Lending Office (other than changes required by Applicable Law). The Administrative Agent and each Lender, as the case may be, agrees to furnish to the Borrower (and in the case of a Lender to the Administrative Agent as well) a certificate setting forth the basis and amount of each request for compensation under this Section. Determinations by the Administrative Agent or such Lender, as the case may be, of the effect of any Regulatory Change shall be conclusive and binding for all purposes, absent manifest error. The Borrower shall pay the Administrative Agent and or any such Lender, as the case may be, the amount shown as due on any such certificate within 10 days after receipt thereof.

Section 4.2. Suspension of LIBOR Loans.

Anything herein to the contrary notwithstanding, if, on or prior to the determination of LIBOR for any Interest Period:

(a) the Administrative Agent shall determine (which determination shall be conclusive absent manifest error) that reasonable and adequate means do not exist for ascertaining LIBOR for such Interest Period, or the Administrative Agent reasonably determines (which determination shall be conclusive absent manifest error) that quotations of interest rates for the relevant deposits referred to in the definition of LIBOR are not being provided in the relevant amounts or for the relevant maturities for purposes of determining rates of interest for LIBOR Loans as provided herein; or

(b) the Administrative Agent reasonably determines (which determination shall be conclusive absent manifest error) that the relevant rates of interest referred to in the definition of LIBOR upon the basis of which the rate of interest for LIBOR Loans for such Interest Period is to be determined are not likely to adequately cover the cost to any Lender of making or maintaining LIBOR Loans for such Interest Period,

then the Administrative Agent shall give the Borrower and each Lender prompt notice thereof and, so long as such condition remains in effect, all of the Lenders, in the case of the immediately preceding clause (a), and any Lender affected thereby, in the case of the immediately preceding clause (b), shall be under no obligation to, and shall not, make additional LIBOR Loans, Continue LIBOR Loans or Convert Loans into LIBOR Loans, unless and until the Administrative Agent or such Lender, as the case may be, gives notice as provided in Section 4.5. that such condition no longer exists, and, so long as such condition remains in effect, the Lenders or such Lender's LIBOR Loans, as the case may be, shall be treated in accordance with Section 4.5.

Section 4.3. Illegality.

Notwithstanding any other provision of this Agreement, if any Lender shall determine (which determination shall be conclusive and binding) that due to a Regulatory Change it is unlawful for such Lender to honor its obligation to make or maintain LIBOR Loans hereunder, then such Lender shall promptly notify the Borrower thereof (with a copy of such notice to the Administrative Agent) and such Lender's obligation to make or Continue, or to Convert Loans of any other Type into, LIBOR Loans shall be suspended until such time as such Lender may again make and maintain LIBOR Loans (in which case the provisions of Section 4.5. shall be applicable).

Section 4.4. Compensation.

The Borrower shall pay to the Administrative Agent for the account of each Lender, upon the request of the Administrative Agent, such amount or amounts as the Administrative Agent shall determine in its sole discretion shall be sufficient to compensate such Lender for any loss, cost or expense attributable to:

(a) any payment or prepayment (whether mandatory or optional) of a LIBOR Loan, or Conversion of a LIBOR Loan, made by such Lender for any reason (including, without limitation, acceleration) on a date other than the last day of the Interest Period for such Loan; or

(b) any failure by the Borrower for any reason (including, without limitation, the failure of any of the applicable conditions precedent specified in Section 5.2. to be satisfied) to borrow a LIBOR Loan from such Lender on the date for such borrowing, or to Convert a Base Rate Loan into a LIBOR Loan or Continue a LIBOR Loan on the requested date of such Conversion or Continuation.

Not in limitation of the foregoing, such compensation shall include, without limitation, in the case of a LIBOR Loan, an amount equal to the then present value of (A) the amount of interest that would have accrued on such LIBOR Loan for the remainder of the Interest Period at the rate applicable to such LIBOR Loan, less (B) the amount of interest that would accrue on the same LIBOR Loan for the same period if LIBOR were set on the date on which such LIBOR Loan was repaid, prepaid or Converted or the date on which the Borrower failed to borrow, Convert or Continue such LIBOR Loan, as applicable, calculating present value by using as a discount rate LIBOR quoted on such date. Upon the Borrower's request, the Administrative Agent shall provide the Borrower with a statement setting forth the basis for requesting such compensation and the method for determining the amount thereof. Any such statement shall be conclusive absent manifest error.

Section 4.5. Treatment of Affected Loans.

If the obligation of any Lender to make LIBOR Loans or to Continue, or to Convert Base Rate Loans into, LIBOR Loans shall be suspended pursuant to Section 4.1.(c), Section 4.2. or Section 4.3. then such

Lender's LIBOR Loans shall be automatically Converted into Base Rate Loans on the last day(s) of the then current Interest Period(s) for LIBOR Loans (or, in the case of a Conversion required by Section 4.1.(c), Section 4.2., or Section 4.3. on such earlier date as such Lender or the Administrative Agent, as applicable, may specify to the Borrower (with a copy to the Administrative Agent, as applicable)) and, unless and until such Lender or the Administrative Agent, as applicable, gives notice as provided below that the circumstances specified in Section 4.1., Section 4.2. or Section 4.3. that gave rise to such Conversion no longer exist:

(a) to the extent that such Lender's LIBOR Loans have been so Converted, all payments and prepayments of principal that would otherwise be applied to such Lender's LIBOR Loans shall be applied instead to its Base Rate Loans; and

(b) all Loans that would otherwise be made or Continued by such Lender as LIBOR Loans shall be made or Continued instead as Base Rate Loans, and all Base Rate Loans of such Lender that would otherwise be Converted into LIBOR Loans shall remain as Base Rate Loans.

If such Lender or the Administrative Agent, as applicable, gives notice to the Borrower (with a copy to the Administrative Agent, as applicable) that the circumstances specified in Section 4.1.(c) or 4.3. that gave rise to the Conversion of such Lender's LIBOR Loans pursuant to this Section no longer exist (which such Lender or the Administrative Agent, as applicable, agrees to do promptly upon such circumstances ceasing to exist) at a time when LIBOR Loans made by other Lenders are outstanding, then such Lender's Base Rate Loans shall be automatically Converted, on the first day(s) of the next succeeding Interest Period(s) for such outstanding LIBOR Loans, to the extent necessary so that, after giving effect thereto, all Loans held by the Lenders holding LIBOR Loans and by such Lender are held pro rata (as to principal amounts, Types and Interest Periods) in accordance with their respective Credit Percentages.

Section 4.6. Affected Lenders.

If (a) a Lender requests compensation pursuant to Section 3.10. or 4.1., and the Requisite Lenders are not also doing the same, or (b) the obligation of any Lender to make LIBOR Loans or to Continue, or to Convert Base Rate Loans into, LIBOR Loans shall be suspended pursuant to Section 4.1.(b) or 4.3. but the obligation of the Requisite Lenders shall not have been suspended under such Sections, ~~or~~ (c) a Lender does not vote in favor of any amendment, modification or waiver to this Agreement or any other Loan Document which, pursuant to Section 12.6., requires the vote of such Lender, and the Requisite Lenders shall have voted in favor of such amendment, modification or waiver or (d) a Lender becomes a Defaulting Lender, then, so long as there does not then exist any Default or Event of Default, the Borrower may demand that such Lender (the "Affected Lender"), and upon such demand the Affected Lender shall promptly, assign its Commitment to an Eligible Assignee subject to and in accordance with the provisions of Section 12.5.(b) for a purchase price equal to (x) the aggregate principal balance of all Loans then owing to the Affected Lender, plus (y) any accrued but unpaid interest thereon and accrued but unpaid fees owing to the Affected Lender, or any other amount as may be mutually agreed upon by such Affected Lender and Eligible Assignee. Each of the Administrative Agent and the Affected Lender shall reasonably cooperate in effectuating the replacement of such Affected Lender under this Section, and such Affected Lender shall promptly execute all documents reasonably requested to surrender and transfer such interest to the purchaser or assignee thereof, including an appropriate Assignment and Assumption, but at no time shall the Administrative Agent, such Affected Lender nor any other Lender nor any Titled Agent be obligated in any way whatsoever to initiate any such replacement or to assist in finding an Eligible Assignee. The exercise by the Borrower of its rights under this Section shall be at the Borrower's sole cost and expense and at no cost or expense to the Administrative Agent, the Affected Lender or any of the other Lenders. The terms of this Section shall not in any way limit the Borrower's obligation to pay to any Affected Lender compensation owing to such

Affected Lender pursuant to this Agreement (including, without limitation, pursuant to Sections 3.10., 4.1. or 4.4.) with respect to any period up to the date of replacement.

Section 4.7. Change of Lending Office.

Each Lender agrees that it will use reasonable efforts (consistent with its internal policy and legal and regulatory restrictions) to designate an alternate Lending Office with respect to any of its Loans affected by the matters or circumstances described in Sections 3.10., 4.1. or 4.3. to reduce the liability of the Borrower or avoid the results provided thereunder, so long as such designation is not disadvantageous to such Lender as determined by such Lender in its sole discretion, except that such Lender shall have no obligation to designate a Lending Office located in the United States of America.

Section 4.8. Assumptions Concerning Funding of LIBOR Loans.

Calculation of all amounts payable to a Lender under this Article shall be made as though such Lender had actually funded LIBOR Loans through the purchase of deposits in the relevant market bearing interest at the rate applicable to such LIBOR Loans in an amount equal to the amount of the LIBOR Loans and having a maturity comparable to the relevant Interest Period; provided, however, that each Lender may fund each of its LIBOR Loans in any manner it sees fit and the foregoing assumption shall be used only for calculation of amounts payable under this Article.

ARTICLE V. CONDITIONS PRECEDENT

Section 5.1. Initial Conditions Precedent.

The obligation of the Lenders to make the Loans on the Effective Date is subject to the satisfaction or waiver of the following conditions precedent:

- (a) The Administrative Agent shall have received each of the following, in form and substance satisfactory to the Administrative Agent:
 - (i) counterparts of this Agreement executed by each of the parties hereto;
 - (ii) Notes executed by the Borrower, payable to each Lender (other than any Lender that has requested that it not receive a Note) and complying with the terms of Section 2.10.(a);
 - (iii) the Guaranty executed by each of the Guarantors, if any, initially required to be a party thereto pursuant to Section 7.13.;
 - (iv) an opinion of Sullivan & Worcester LLP, and an opinion of Venable LLP, special Maryland counsel, in each case, counsel to the Borrower and the other Loan Parties, addressed to the Administrative Agent and the Lenders and covering such matters as the Administrative Agent may reasonably request;
 - (v) the certificate or articles of incorporation or formation, articles of organization, certificate of limited partnership, declaration of trust or other comparable organizational instrument (if any) of each Loan Party certified as of a recent date by the Secretary of State of the state of formation of such Loan Party;

(vi) a certificate of good standing (or certificate of similar meaning) with respect to each Loan Party issued as of a recent date by the Secretary of State of the state of formation of each such Loan Party and certificates of qualification to transact business or other comparable certificates issued as of a recent date by each Secretary of State (and any state department of taxation, as applicable) of each state in which such Loan Party is required to be so qualified and where failure to be so qualified could reasonably be expected to have a Material Adverse Effect;

(vii) a certificate of incumbency signed by the Secretary or Assistant Secretary (or other individual performing similar functions) of each Loan Party with respect to each of the officers of such Loan Party authorized to execute and deliver the Loan Documents to which such Loan Party is a party, and in the case of the Borrower, authorized to execute and deliver on behalf of the Borrower the Notice of Borrowing, Notices of Conversion and Notices of Continuation;

(viii) copies certified by the Secretary or Assistant Secretary (or other individual performing similar functions) of each Loan Party of (A) the by-laws of such Loan Party, if a corporation, the operating agreement, if a limited liability company, the partnership agreement, if a limited or general partnership, or other comparable document in the case of any other form of legal entity and (B) all corporate, partnership, member or other necessary action taken by such Loan Party to authorize the execution, delivery and performance of the Loan Documents to which it is a party;

(ix) a Compliance Certificate calculated as of the Effective Date on a pro forma basis for the Borrower's fiscal quarter ending March 31, 2014;

(x) a Disbursement Instruction Agreement effective as of the Agreement Date;

(xi) the Notice of Borrowing from the Borrower requesting the Loans;

(xii) evidence that the Fees, if any, then due and payable under Section 3.5., together with all other fees, expenses and reimbursement amounts due and payable to the Administrative Agent and any of the Lenders, including without limitation, the fees and expenses of counsel to the Administrative Agent, have been paid;

(xiii) the Borrower Letter executed by the Borrower; and

(xiv) such other documents, agreements and instruments as the Administrative Agent, or any Lender through the Administrative Agent, may reasonably request;

(b) there shall not have occurred or become known to the Administrative Agent or any of the Lenders any event, condition, situation or status that has had a Material Adverse Effect;

(c) no litigation, action, suit, investigation or other arbitral, administrative or judicial proceeding shall be pending or threatened which could reasonably be expected to (i) result in a Material Adverse Effect or (ii) restrain or enjoin, impose materially burdensome conditions on, or otherwise materially and adversely affect, the ability of the Borrower or any other Loan Party to fulfill its obligations under the Loan Documents to which it is a party;

(d) the Borrower and its Subsidiaries shall have received all approvals, consents and waivers, and shall have made or given all necessary filings and notices as shall be required to consummate the transactions contemplated hereby without the occurrence of any default under, conflict with or violation of

(i) any Applicable Law or (ii) any agreement, document or instrument to which any Loan Party is a party or by which any of them or their respective properties is bound, except for such approvals, consents, waivers, filings and notices the receipt, making or giving of which could not reasonably be likely to (x) have a Material Adverse Effect, or (y) restrain or enjoin impose materially burdensome conditions on, or otherwise materially and adversely affect the ability of the Borrower or any other Loan Party to fulfill its obligations under the Loan Documents to which it is a party;

(e) there shall not have occurred or exist any material disruption of financial or capital markets that could reasonably be expected to materially and adversely affect the transactions contemplated by the Loan Documents; and

(f) the Borrower and each other Loan Party shall have provided all information requested in writing by the Administrative Agent and each Lender at least five Business Days prior to the Effective Date in order to comply with the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)).

Section 5.2. Conditions Precedent to All Credit Events.

In addition to the satisfaction or waiver of the conditions precedent contained in the immediately preceding Section, the obligation of the Lenders to effect any Credit Event is subject to the further conditions precedent that: (a) no Default or Event of Default shall exist as of the date of the requested Credit Event or would exist immediately after giving effect thereto; provided, however, that a LIBOR Loan may be Converted into a Base Rate Loan notwithstanding the existence of a Default or Event of Default; and (b) the representations and warranties made or deemed made by the Borrower and each other Loan Party in the Loan Documents to which any of them is a party, shall be true and correct in all material respects (except in the case of a representation or warranty qualified by materiality, in which case such representation or warranty shall be true and correct in all respects) on and as of the date of the occurrence of the requested Credit Event with the same force and effect as if made on and as of such date except to the extent that such representations and warranties expressly relate solely to an earlier date (in which case such representations and warranties shall have been true and correct in all material respects (except in the case of a representation or warranty qualified by materiality, in which case such representation or warranty shall be true and correct in all respects) on and as of such earlier date) and except for changes in factual circumstances specifically and expressly permitted hereunder. Each Credit Event shall constitute a certification by the Borrower to the effect set forth in the preceding sentence (both as of the date of the giving of notice relating to such Credit Event and, unless the Borrower otherwise notifies the Administrative Agent prior to the date of such Credit Event, as of the date of the occurrence of such Credit Event). In addition, with respect to the making of the Loans on the Effective Date, the Borrower shall be deemed to have represented to the Administrative Agent and the Lenders that all conditions to the making of the Loans contained in this Article V. have been satisfied. Unless set forth in writing to the contrary, the making of its Loan by a Lender on the Effective Date shall constitute a certification by such Lender to the Administrative Agent and the other Lenders that the conditions precedent for initial Loans set forth in Sections 5.1. and 5.2. that have not previously been waived by the Lenders in accordance with the terms of this Agreement have been satisfied.

ARTICLE VI. REPRESENTATIONS AND WARRANTIES

Section 6.1. Representations and Warranties.

In order to induce the Administrative Agent and each Lender to enter into this Agreement and to make Loans, the Borrower represents and warrants to the Administrative Agent and each Lender as follows:

(a) Organization; Power; Qualification. Each of the Borrower, the other Loan Parties and the other Subsidiaries is a corporation, partnership or other legal entity, duly organized or formed, validly existing and in good standing under the jurisdiction of its incorporation or formation, has the power and authority to own or lease its respective properties and to carry on its respective business as now being and hereafter proposed to be conducted and is duly qualified and is in good standing as a foreign corporation, partnership or other legal entity, and authorized to do business, in each jurisdiction in which the character of its properties or the nature of its business requires such qualification or authorization and where the failure to be so qualified or authorized could reasonably be expected to have, in each instance, a Material Adverse Effect.

(b) Ownership Structure. Part I of Item 6.1.(b) of the Borrower Letter is, as of the Agreement Date, a complete and correct list of all Subsidiaries of the Borrower setting forth for each such Subsidiary, (i) the jurisdiction of organization of such Subsidiary, (ii) each Person holding any Equity Interest in such Subsidiary, (iii) the nature of the Equity Interests held by each such Person, (iv) the percentage of ownership of such Subsidiary represented by such Equity Interests and (v) whether such Subsidiary is an Excluded Subsidiary and/or a Foreign Subsidiary. As of the Agreement Date, except as disclosed in Part I of Item 6.1.(b) of the Borrower Letter, (A) each of the Borrower and its Subsidiaries owns, free and clear of all Liens, and has the unencumbered right to vote, all outstanding Equity Interests in each Person shown to be held by it in Part I of Item 6.1.(b) of the Borrower Letter, (B) all of the issued and outstanding capital stock of each such Person organized as a corporation is validly issued, fully paid and nonassessable and (C) there are no outstanding subscriptions, options, warrants, commitments, preemptive rights or agreements of any kind (including, without limitation, any stockholders' or voting trust agreements) for the issuance, sale, registration or voting of, or outstanding securities convertible into, any additional shares of capital stock of any class, or partnership or other ownership interests of any type in, any such Person. As of the Agreement Date, Part II of Item 6.1.(b) of the Borrower Letter correctly sets forth all Unconsolidated Affiliates of the Borrower, including the correct legal name of such Person, the type of legal entity which each such Person is, and all Equity Interests in such Person held directly or indirectly by the Borrower.

(c) Authorization of Loan Documents and Borrowings. The Borrower has the right and power, and has taken all necessary action to authorize it, to borrow and obtain other extensions of credit hereunder. The Borrower and each other Loan Party has the right and power, and has taken all necessary action to authorize it, to execute, deliver and perform each of the Loan Documents and the Fee Letter to which it is a party in accordance with their respective terms and to consummate the transactions contemplated hereby and thereby. The Loan Documents and the Fee Letter to which the Borrower or any other Loan Party is a party have been duly executed and delivered by the duly authorized officers of such Person and each is a legal, valid and binding obligation of such Person enforceable against such Person in accordance with its respective terms, except as the same may be limited by bankruptcy, insolvency, and other similar laws affecting the rights of creditors generally and the availability of equitable remedies for the enforcement of certain obligations (other than the payment of principal) contained herein or therein and as may be limited by equitable principles generally.

(d) Compliance of Loan Documents with Laws. The execution, delivery and performance of this Agreement, the other Loan Documents to which any Loan Party is a party and of the Fee Letter in accordance with their respective terms and the borrowings and other extensions of credit hereunder do not and will not, by the passage of time, the giving of notice, or both: (i) require any Governmental Approval or violate any Applicable Law (including all Environmental Laws) relating to the Borrower or any other Loan Party; (ii) conflict with, result in a breach of or constitute a default under the organizational documents of any Loan Party, or any indenture, agreement or other instrument to which the Borrower or any other Loan Party is a party or by which it or any of its respective properties may be bound; or (iii) result in or require the creation or imposition of any Lien upon or with respect to any property now owned or hereafter acquired

by any Loan Party other than in favor of the Administrative Agent for its benefit and the benefit of the Lenders.

(e) Compliance with Law; Governmental Approvals. Each of the Borrower, the other Loan Parties and the other Subsidiaries is in compliance with each Governmental Approval and all other Applicable Laws relating to it except for noncompliances which, and Governmental Approvals the failure to possess which, could not, individually or in the aggregate, reasonably be expected to cause a Default or Event of Default or have a Material Adverse Effect.

(f) Title to Properties; Liens. Part I of Item 6.1.(f) of the Borrower Letter is, as of the Agreement Date, a complete and correct listing of all real estate assets of the Borrower, each other Loan Party and each other Subsidiary. Each of the Borrower, each other Loan Party and each other Subsidiary has good, marketable and legal title to, or a valid leasehold interest in, its respective assets. As of the Agreement Date, there are no Liens against any assets of the Borrower, any Subsidiary or any other Loan Party except for Permitted Liens.

(g) Existing Indebtedness. Item 6.1.(g) of the Borrower Letter is, as of the Agreement Date, a complete and correct listing of all Indebtedness (including all Guarantees) of each of the Borrower, the other Loan Parties and the other Subsidiaries, and if such Indebtedness is secured by any Lien, a description of all of the property subject to such Lien. As of the Agreement Date, the Borrower, the other Loan Parties and the other Subsidiaries have performed and are in compliance with all of the terms of such Indebtedness and all instruments and agreements relating thereto, and no default or event of default, or event or condition which with the giving of notice, the lapse of time, or both, would constitute a default or event of default, exists with respect to any such Indebtedness.

(h) Material Contracts. Item 6.1.(h) of the Borrower Letter is, as of the Agreement Date, a true, correct and complete listing of all Material Contracts.

(i) Litigation. Except as set forth on Schedule 6.1.(i), there are no actions, suits or proceedings pending (nor, to the knowledge of any Loan Party, are there any actions, suits or proceedings threatened, nor is there any basis therefor) against or in any other way relating adversely to or affecting the Borrower, any other Loan Party, any other Subsidiary or any of their respective property in any court or before any arbitrator of any kind or before or by any other Governmental Authority which, (i) could reasonably be expected to have a Material Adverse Effect or (ii) in any manner draws into question the validity or enforceability of any Loan Document or the Fee Letter. There are no strikes, slowdowns, work stoppages or walkouts or other labor disputes in progress or threatened relating to, any Loan Party or any other Subsidiary.

(j) Taxes. All federal, state and other material tax returns of the Borrower, each other Loan Party and each other Subsidiary required by Applicable Law to be filed have been duly filed (after taking into account any extensions of time within which to file such tax returns), and all federal, state and other taxes, assessments and other governmental charges or levies upon, each Loan Party, each other Subsidiary and their respective properties, income, profits and assets which are due and payable have been paid, except any such nonpayment or non-filing which is at the time permitted under Section 7.6. As of the Agreement Date, none of the United States income tax returns of the Borrower, any other Loan Party or any other Subsidiary is under audit. All charges, accruals and reserves on the books of the Borrower, the other Loan Parties and the other Subsidiaries in respect of any taxes or other governmental charges are in accordance with GAAP.

(k) Financial Statements. The Borrower has furnished to each Lender copies of (i) the audited consolidated balance sheet of the Borrower and its consolidated Subsidiaries for the fiscal year ended December 31, 2013, and the related audited consolidated statements of operations, shareholders' equity and cash flow for the fiscal year ended on such date, with the opinion thereon of Ernst & Young LLP and (ii) the unaudited consolidated balance sheet of the Borrower and its consolidated Subsidiaries for the fiscal quarter ended March 31, 2014, and the related unaudited consolidated statements of operations, and cash flow of the Borrower and its consolidated Subsidiaries for the fiscal quarter ended on such date. Such financial statements (including in each case related schedules and notes) are complete and correct in all material respects and present fairly, in accordance with GAAP consistently applied throughout the periods involved, the consolidated financial position of the Borrower and its consolidated Subsidiaries as at their respective dates and the results of operations and the cash flow for such periods (subject, as to interim statements, to changes resulting from normal year-end audit adjustments). Neither the Borrower nor any of its Subsidiaries has on the Agreement Date any material contingent liabilities, liabilities, liabilities for taxes, unusual or long-term commitments or unrealized or forward anticipated losses from any unfavorable commitments that would be required to be set forth in its financial statements or notes thereto, except as referred to or reflected or provided for in said financial statements.

(l) No Material Adverse Change. Since December 31, 2013, there has been no material adverse change in the consolidated financial condition, results of operations or business of the Borrower and its consolidated Subsidiaries taken as a whole. Each of the Borrower, the other Loan Parties, and the Borrower and its Subsidiaries taken as a whole is, and after the making of the Loans to be made on the Effective Date will be, Solvent.

(m) REIT Status. The Borrower qualifies as, and has elected to be treated as, a REIT and is in compliance with all requirements and conditions imposed under the Internal Revenue Code to allow the Borrower to maintain its status as a REIT.

(n) ERISA.

(i) Each Benefit Arrangement is in compliance with the applicable provisions of ERISA, the Internal Revenue Code and other Applicable Laws in all material respects. Except with respect to Multiemployer Plans, each Qualified Plan (A) has received a favorable determination from the Internal Revenue Service applicable to such Qualified Plan's current remedial amendment cycle (as defined in Revenue Procedure 2007-44 or "2007-44" for short), (B) has timely filed for a favorable determination letter from the Internal Revenue Service during its staggered remedial amendment cycle (as defined in 2007-44) and such application is currently being processed by the Internal Revenue Service, (C) had filed for a determination letter prior to its "GUST remedial amendment period" (as defined in 2007-44) and received such determination letter and the staggered remedial amendment cycle first following the GUST remedial amendment period for such Qualified Plan has not yet expired, or (D) is maintained under a prototype plan and may rely upon a favorable opinion letter issued by the Internal Revenue Service with respect to such prototype plan. To the best knowledge of the Borrower, nothing has occurred which would cause the loss of its reliance on each Qualified Plan's favorable determination letter or opinion letter.

(ii) With respect to any Benefit Arrangement that is a retiree welfare benefit arrangement, all amounts have been accrued on the applicable ERISA Group's financial statements in accordance with FASB ASC 715. The "benefit obligation" of all Plans does not exceed the "fair market value of plan assets" for such Plans by more than \$10,000,000 all as determined by and with such terms defined in accordance with FASB ASC 715.

(iii) Except as could not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect: (i) no ERISA Event has occurred or is expected to occur; (ii) there are no pending, or to the best knowledge of the Borrower, threatened, claims, actions or lawsuits or other action by any Governmental Authority, plan participant or beneficiary with respect to a Benefit Arrangement; (iii) there are no violations of the fiduciary responsibility rules with respect to any Benefit Arrangement; and (iv) no member of the ERISA Group has engaged in a non-exempt “prohibited transaction,” as defined in Section 406 of ERISA and Section 4975 of the Internal Revenue Code, in connection with any Plan, that would subject any member of the ERISA Group to a tax on prohibited transactions imposed by Section 502(i) of ERISA or Section 4975 of the Internal Revenue Code.

(o) Absence of Default. None of the Loan Parties or any of the other Subsidiaries is in default under its certificate or articles of incorporation or formation, bylaws, partnership agreement or other similar organizational documents, and no event has occurred, which has not been remedied, cured or waived: (i) which constitutes a Default or an Event of Default; or (ii) which constitutes, or which with the passage of time, the giving of notice, or both, would constitute, a default or event of default by, any Loan Party or any other Subsidiary under any agreement (other than this Agreement) or judgment, decree or order to which any such Person is a party or by which any such Person or any of its respective properties may be bound where such default or event of default could, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(p) Environmental Laws. In the ordinary course of business and from time to time each of the Borrower, each other Loan Party and each other Subsidiary conducts reviews of the effect of Environmental Laws on its respective business, operations and properties, including without limitation, its respective Properties. Each of the Borrower, each other Loan Party and each other Subsidiary: (i) is in compliance with all Environmental Laws applicable to its business, operations and the Properties, (ii) has obtained all Governmental Approvals which are required under Environmental Laws, and each such Governmental Approval is in full force and effect, and (iii) is in compliance with all terms and conditions of such Governmental Approvals, where with respect to each of the immediately preceding clauses (i) through (iii) the failure to obtain or to comply with could reasonably be expected to have a Material Adverse Effect. Except for any of the following matters that could not reasonably be expected to have a Material Adverse Effect, no Loan Party has any knowledge of, or has received notice of, any past, present, or pending releases, events, conditions, circumstances, activities, practices, incidents, facts, occurrences, actions, or plans that, with respect to any Loan Party or any other Subsidiary, their respective businesses, operations or with respect to the Properties, may: (x) cause or contribute to an actual or alleged violation of or noncompliance with Environmental Laws, (y) cause or contribute to any other potential common-law or legal claim or other liability, or (z) cause any of the Properties to become subject to any restrictions on ownership, occupancy, use or transferability under any Environmental Law or require the filing or recording of any notice, approval or disclosure document under any Environmental Law and, with respect to the immediately preceding clauses (x) through (z) is based on or related to the on-site or off-site manufacture, generation, processing, distribution, use, treatment, storage, disposal, transport, removal, clean up or handling, or the emission, discharge, release or threatened release of any wastes or Hazardous Material, or any other requirement under Environmental Law. There is no civil, criminal, or administrative action, suit, demand, claim, hearing, notice, or demand letter, mandate, order, lien, request, investigation, or proceeding pending or, to the Borrower’s knowledge after due inquiry, threatened, against the Borrower, any other Loan Party or any other Subsidiary relating in any way to Environmental Laws which reasonably could be expected to have a Material Adverse Effect. None of the Properties is listed on or proposed for listing on the National Priority List promulgated pursuant to the Comprehensive Environmental Response, Compensation and Liability Act of 1980 and its

implementing regulations, or any state or local priority list promulgated pursuant to any analogous state or local law. No Hazardous Materials have been transported, released, discharged or disposed on any of the Properties other than (x) in compliance with all applicable Environmental Laws or (y) as could not reasonably be expected to have a Material Adverse Effect.

(q) Investment Company. None of the Borrower, any other Loan Party or any other Subsidiary is (i) an “investment company” or a company “controlled” by an “investment company” within the meaning of the Investment Company Act of 1940, as amended, or (ii) subject to any other Applicable Law which purports to regulate or restrict its ability to borrow money or obtain other extensions of credit or to consummate the transactions contemplated by this Agreement or to perform its obligations under any Loan Document to which it is a party.

(r) Margin Stock. None of the Borrower, any other Loan Party or any other Subsidiary is engaged principally, or as one of its important activities, in the business of extending credit for the purpose, whether immediate, incidental or ultimate, of buying or carrying “margin stock” within the meaning of Regulation U of the Board of Governors of the Federal Reserve System.

(s) Affiliate Transactions. Except as permitted by Section 9.8. or as otherwise set forth on Schedule 6.1.(s), none of the Borrower, any other Loan Party or any other Subsidiary is a party to or bound by any agreement or arrangement with any Affiliate.

(t) Intellectual Property. Each of the Loan Parties and each other Subsidiary owns or has the right to use, under valid license agreements or otherwise, all patents, licenses, franchises, trademarks, trademark rights, service marks, service mark rights, trade names, trade name rights, trade secrets and copyrights (collectively, “Intellectual Property”) necessary to the conduct of its businesses, without known conflict with any patent, license, franchise, trademark, trademark right, service mark, service mark right, trade secret, trade name, copyright, or other proprietary right of any other Person except for such Intellectual Property, the absence of which, and for conflicts which, could not reasonably be expected to have a Material Adverse Effect. Each of the Loan Parties and each other Subsidiary has taken all such steps as it deems reasonably necessary to protect its respective rights under and with respect to such Intellectual Property. No material claim has been asserted by any Person with respect to the use of any such Intellectual Property by the Borrower, any other Loan Party or any other Subsidiary, or challenging or questioning the validity or effectiveness of any such Intellectual Property. The use of such Intellectual Property by the Borrower, the other Loan Parties and the other Subsidiaries does not infringe on the rights of any Person, subject to such claims and infringements as do not, in the aggregate, give rise to any liabilities on the part of the Borrower, any other Loan Party or any other Subsidiary that could reasonably be expected to have a Material Adverse Effect.

(u) Business. As of the Agreement Date, the Borrower, its Subsidiaries and the other Loan Parties are engaged primarily in the business of the acquisition, financing (including mortgage financing), and ownership of Senior Housing Assets, medical office buildings and wellness centers, and other businesses activities incidental thereto.

(v) Broker’s Fees. No broker’s or finder’s fee, commission or similar compensation will be payable with respect to the transactions contemplated hereby. No other similar fees or commissions will be payable by any Loan Party for any other services rendered to the Borrower, any other Loan Party or any other Subsidiary ancillary to the transactions contemplated hereby.

(w) Accuracy and Completeness of Information. All written information, reports and other papers and data (other than financial projections and other forward looking statements, and information of a general economic or industry specific nature) furnished to the Administrative Agent or any Lender by, on behalf of, or at the direction of, the Borrower, any other Loan Party or any other Subsidiary were, at the time the same were so furnished, taken as a whole, complete and correct in all material respects, to the extent necessary to give the recipient a true and accurate knowledge of the subject matter, or, in the case of financial statements, present fairly, in accordance with GAAP consistently applied throughout the periods involved, the financial position of the Persons involved as at the date thereof and the results of operations for such periods (subject, as to interim statements, to changes resulting from normal year end audit adjustments and absence of full footnote disclosure). All financial projections and other forward looking statements prepared by or on behalf of the Borrower, any other Loan Party or any other Subsidiary that have been or may hereafter be made available to the Administrative Agent or any Lender were or will be prepared in good faith based on reasonable assumptions. No fact is known to any Loan Party which has had, or may in the future have (so far as any Loan Party can reasonably foresee), a Material Adverse Effect which has not been set forth in the financial statements referred to in Section 6.1(k) or in such information, reports or other papers or data or otherwise disclosed in writing to the Administrative Agent and the Lenders. No document furnished or written statement made to the Administrative Agent or any Lender in connection with the negotiation, preparation or execution of, or pursuant to, this Agreement or any of the other Loan Documents contains or will contain any untrue statement of a material fact, or omits or will omit to state a material fact necessary in order to make the statements contained therein not misleading.

(x) Not Plan Assets; No Prohibited Transactions. None of the assets of the Borrower, any other Loan Party or any other Subsidiary constitutes “plan assets” within the meaning of ERISA, the Internal Revenue Code and the respective regulations promulgated thereunder. Assuming that no Lender funds any amount payable by it hereunder with “plan assets,” as that term is defined in 29 C.F.R. 2510.3-101, the execution, delivery and performance of this Agreement and the other Loan Documents, and the extensions of credit and repayment of amounts hereunder, do not and will not constitute “prohibited transactions” under ERISA or the Internal Revenue Code.

(y) Anti-Corruption Laws and Sanctions; Anti-Terrorism Laws. None of the Borrower, any Subsidiary, any of their respective directors, or officers, or , to the knowledge of the Borrower, any of the Borrower’s or any Subsidiary’s employees and agents (i) is an “enemy” or an “ally of the enemy” within the meaning of Section 2 of the Trading with the Enemy Act of the United States, 50 U.S.C. App. §§ 1 et seq., as amended (the “Trading with the Enemy Act”) or (ii) is in violation of (A) the Trading with the Enemy Act, (B) any of the foreign assets control regulations of the United States Treasury Department or any enabling legislation or executive order relating thereto, including without limitation, Executive Order No. 13224, effective as of September 24, 2001 relating to Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit or Support Terrorism (66 Fed. Reg. 49079 (2001) or (C) the Patriot Act (collectively, the “Anti-Terrorism Laws”). The Borrower has implemented and maintains in effect policies and procedures designed to ensure compliance by the Borrower, its Subsidiaries and their respective directors, officers, employees and agents (in their capacities as such) with Anti-Corruption Laws, Anti-Terrorism Laws and applicable Sanctions, and the Borrower, its Subsidiaries and their respective directors, officers, employees and agents are in compliance with Anti-Corruption Laws, Anti-Terrorism Laws and applicable Sanctions in all material respects. None of the Borrower or any Subsidiary is, or derives any of its assets or operating income from investments in or transactions with, a Sanctioned Person and none of the respective directors, officers , or to the knowledge of the Borrower, employees or agents of the Borrower or any of its Subsidiaries is a Sanctioned Person.

(z) Unencumbered Assets. As of the Agreement Date, Item 6.1.(z) of the Borrower Letter is a correct and complete list of all Unencumbered Assets. Each of the Properties included by the Borrower in calculations of Unencumbered Asset Value satisfies all of the requirements contained in the definition of “Unencumbered Asset”.

Section 6.2. Survival of Representations and Warranties, Etc.

All statements contained in any certificate, financial statement or other instrument delivered by or on behalf of any Loan Party or any other Subsidiary to the Administrative Agent or any Lender pursuant to or in connection with this Agreement or any of the other Loan Documents (including, but not limited to, any such statement made in or in connection with any amendment thereto or any statement contained in any certificate, financial statement or other instrument delivered by or on behalf of any Loan Party prior to the Agreement Date and delivered to the Administrative Agent or any Lender in connection with the underwriting or closing the transactions contemplated hereby) shall constitute representations and warranties made by the Borrower under this Agreement. All representations and warranties made under this Agreement and the other Loan Documents shall be deemed to be made at and as of the Agreement Date, the Effective Date and at and as of the date of the occurrence of each Credit Event, except to the extent that such representations and warranties expressly relate solely to an earlier date (in which case such representations and warranties shall have been true and correct in all material respects (except in the case of a representation or warranty qualified by materiality, in which case such representation or warranty shall be true and correct in all respects) on and as of such earlier date) and except for changes in factual circumstances expressly and specifically permitted hereunder. All such representations and warranties shall survive the effectiveness of this Agreement, the execution and delivery of the Loan Documents and the making of the Loans.

ARTICLE VII. AFFIRMATIVE COVENANTS

For so long as this Agreement is in effect, the Borrower shall comply with the following covenants:

Section 7.1. Preservation of Existence and Similar Matters.

Except as otherwise permitted under Section 9.4., the Borrower shall, and shall cause each other Loan Party and each other Subsidiary to, preserve and maintain its respective existence, rights, franchises, licenses and privileges in the jurisdiction of its incorporation or formation and qualify and remain qualified and authorized to do business in each jurisdiction in which the character of its properties or the nature of its business requires such qualification and authorization and where the failure to be so authorized and qualified could reasonably be expected to have a Material Adverse Effect.

Section 7.2. Compliance with Applicable Law and Material Contracts.

The Borrower shall, and shall cause each other Loan Party and each other Subsidiary to, comply with (a) all Applicable Law, including the obtaining of all Governmental Approvals, the failure with which to comply could reasonably be expected to have a Material Adverse Effect and (b) all terms and conditions of all Material Contracts to which it is a party. The Borrower shall maintain in effect and enforce policies and procedures designed to ensure compliance by the Borrower, its Subsidiaries and their respective directors, officers, employees and agents with Anti-Corruption Laws, Anti-Terrorism Laws and applicable Sanctions.

Section 7.3. Maintenance of Property.

In addition to the requirements of any of the other Loan Documents, the Borrower shall, and shall cause each other Loan Party and each other Subsidiary to, (a) protect and preserve, or cause to be protected and preserved, all of its respective material properties, including, but not limited to, all Intellectual Property necessary to the conduct of its respective business, and maintain, or cause to be maintained, in good repair, working order and condition all tangible properties, ordinary wear and tear excepted, and (b) from time to time make or cause to be made all needed and appropriate repairs, renewals, replacements and additions to such properties, so that the business carried on in connection therewith may be properly and advantageously conducted at all times.

Section 7.4. Conduct of Business.

The Borrower shall, and shall cause each other Loan Party and each other Subsidiary to, carry on its respective businesses as described in Section 6.1.(u).

Section 7.5. Insurance.

In addition to the requirements of any of the other Loan Documents, the Borrower shall, and shall cause each other Loan Party and each other Subsidiary to, maintain, or cause to be maintained, insurance (on a replacement cost basis) with financially sound and reputable insurance companies against such risks and in such amounts as is customarily maintained by Persons engaged in similar businesses or as may be required by Applicable Law. The Borrower shall from time to time deliver to the Administrative Agent upon request a detailed list, together with copies of all policies of the insurance then in effect, stating the names of the insurance companies, the amounts and rates of the insurance, the dates of the expiration thereof and the properties and risks covered thereby.

Section 7.6. Payment of Taxes and Claims.

The Borrower shall, and shall cause each other Loan Party and each other Subsidiary to, pay and discharge, or cause to be paid and discharged, when due (a) all federal and state income, and all other material taxes, assessments and governmental charges or levies imposed upon it or upon its income or profits or upon any properties belonging to it, and (b) all lawful claims of materialmen, mechanics, carriers, warehousemen and landlords for labor, materials, supplies and rentals which, if unpaid, might become a Lien on any properties of such Person; provided, however, that this Section shall not require the payment or discharge of any such tax, assessment, charge, levy or claim which is being contested in good faith by appropriate proceedings which operate to suspend the collection thereof and for which adequate reserves have been established on the books of such Person in accordance with GAAP.

Section 7.7. Books and Records; Inspections.

The Borrower shall, and shall cause each other Loan Party and each other Subsidiary to, keep proper books of record and account in which full, true and correct entries shall be made of all dealings and transactions in relation to its business and activities in accordance with GAAP and Applicable Law. The Borrower shall, and shall cause each other Loan Party and each other Subsidiary to, permit representatives of the Administrative Agent or any Lender to visit and inspect any of their respective properties, to examine and make abstracts from any of their respective books and records and to discuss their respective affairs, finances and accounts with their respective officers, employees and independent public accountants (in the presence of an officer of the Borrower if an Event of Default does not then exist), all at such reasonable times during

business hours and as often as may reasonably be requested and so long as no Event of Default exists, with reasonable prior notice. The Borrower shall be obligated to reimburse the Administrative Agent and the Lenders for their costs and expenses incurred in connection with the exercise of their rights under this Section only if such exercise occurs while a Default or Event of Default exists. If requested by the Administrative Agent, the Borrower shall execute an authorization letter addressed to its accountants authorizing the Administrative Agent or any Lender to discuss the financial affairs of the Borrower, any other Loan Party or any other Subsidiary with the Borrower's accountants.

Section 7.8. Use of Proceeds.

The Borrower will use the proceeds of the Loans only for the repayment of Indebtedness the direct or indirect acquisition of properties, working capital and for other general business purposes.

Section 7.9. Environmental Matters.

The Borrower shall, and shall cause each other Loan Party and each other Subsidiary to, comply, or cause to be complied, with all Environmental Laws the failure with which to comply could reasonably be expected to have a Material Adverse Effect. The Borrower shall comply, and shall cause each other Loan Party and each other Subsidiary to comply, and the Borrower shall use, and shall cause each other Loan Party and each other Subsidiary to use, commercially reasonable efforts to cause all other Persons occupying, using or present on the Properties to comply, with all Environmental Laws the failure with which to comply could reasonably be expected to have a Material Adverse Effect. The Borrower shall, and shall cause each other Loan Party and each other Subsidiary to, promptly take all actions and pay or arrange to pay all costs necessary for it and for the Properties to comply with all Environmental Laws and all Governmental Approvals the failure with which to comply could reasonably be expected to have a Material Adverse Effect, including actions to remove and dispose of all Hazardous Materials and to clean up the Properties as required under Environmental Laws. The Borrower shall, and shall cause each other Loan Party and each other Subsidiary to, promptly take, or cause to be taken, all actions necessary to prevent the imposition of any Liens on any of their respective properties arising out of or related to any Environmental Laws. Nothing in this Section shall impose any obligation or liability whatsoever on the Administrative Agent or any Lender.

Section 7.10. Further Assurances.

At the Borrower's cost and expense and upon request of the Administrative Agent, the Borrower shall, and shall cause each other Loan Party and each other Subsidiary to, duly execute and deliver or cause to be duly executed and delivered, to the Administrative Agent such further instruments, documents and certificates, and do and cause to be done such further acts that may be reasonably necessary or advisable in the reasonable opinion of the Administrative Agent to carry out more effectively the provisions and purposes of this Agreement and the other Loan Documents.

Section 7.11. REIT Status.

The Borrower shall maintain its status as, and election to be treated as, a REIT under the Internal Revenue Code.

Section 7.12. Exchange Listing.

The Borrower shall maintain at least one class of common shares of the Borrower having trading privileges on the New York Stock Exchange or the NYSE MKT LLC Exchange or which is subject to price quotations on The NASDAQ Stock Market's National Market System.

Section 7.13. Guarantors.

(a) Within 10 days after the date on which any of the following conditions first applies to any Subsidiary that is not already a Guarantor, the Borrower shall deliver to the Administrative Agent each of the following in form and substance satisfactory to the Administrative Agent: (i) an Accession Agreement executed by such Subsidiary (or if the Guaranty is not then in existence, a Guaranty executed by such Subsidiary) and (ii) the items that would have been delivered under subsections (iv) through (viii), (x) and (xiv) of Section 5.1.(a) and Section 5.1.(f) if such Subsidiary had been required to be a Guarantor on the Agreement Date:

(x) such Subsidiary Guarantees, or otherwise becomes obligated in respect of, any Indebtedness of the Borrower or any other Subsidiary of the Borrower; provided, that a Subsidiary shall not be required to become a Guarantor under this clause (x) if such Subsidiary is an Excluded Subsidiary that has Guaranteed, or otherwise become obligated in respect of, any Indebtedness of another Excluded Subsidiary; or

(y) such Subsidiary (A) owns an Unencumbered Asset or other asset the value of which is included in the determination of Unencumbered Asset Value and (B) or any other Subsidiary directly or indirectly owning any Equity Interest in such Subsidiary, has incurred, acquired or suffered to exist, any Indebtedness that is not Nonrecourse Indebtedness.

(b) The Borrower may request in writing that the Administrative Agent release, and upon receipt of such request the Administrative Agent shall release, a Guarantor from the Guaranty so long as: (i) either (A) simultaneously with its release from the Guaranty such Subsidiary will cease to be a Subsidiary or (B) such Guarantor is not otherwise required to be a party to the Guaranty under the immediately preceding subsection (a); (ii) no Default or Event of Default shall then be in existence or would occur as a result of such release, including without limitation, a Default or Event of Default resulting from a violation of any of the covenants contained in Section 9.1.; (iii) the representations and warranties made or deemed made by the Borrower and each other Loan Party in the Loan Documents to which any of them is a party, shall be true and correct in all material respects (except in the case of a representation or warranty qualified by materiality, in which case such representation or warranty shall be true and correct in all respects) on and as of the date of such release with the same force and effect as if made on and as of such date except to the extent that such representations and warranties expressly relate solely to an earlier date (in which case such representations and warranties shall have been true and correct in all material respects (except in the case of a representation or warranty qualified by materiality, in which case such representation or warranty shall be true and correct in all respects)) and except for changes in factual circumstances expressly permitted under the Loan Documents; and (iv) the Administrative Agent shall have received such written request at least 10 Business Days (or such shorter period as may be acceptable to the Administrative Agent) prior to the requested date of release. Delivery by the Borrower to the Administrative Agent of any such request shall constitute a representation by the Borrower that the matters set forth in the preceding sentence (both as of the date of the giving of such request and as of the date of the effectiveness of such request) are true and correct with respect to such request.

ARTICLE VIII. INFORMATION

For so long as this Agreement is in effect, the Borrower shall furnish to the Administrative Agent for distribution to each of the Lenders:

Section 8.1. Quarterly Financial Statements.

As soon as available and in any event within 5 days after the same is filed with the Securities and Exchange Commission (but in no event later than 45 days after the close of each of the first, second and third fiscal quarters of the Borrower), the unaudited consolidated balance sheet of the Borrower and its Subsidiaries as at the end of such period and the related unaudited consolidated statements of income, shareholders' equity and cash flows of the Borrower and its Subsidiaries for such period, setting forth in each case in comparative form the figures as of the end of and for the corresponding periods of the previous fiscal year, all of which shall be certified by the chief financial officer or chief accounting officer of the Borrower, in his or her opinion, to present fairly, in accordance with GAAP and in all material respects, the consolidated financial position of the Borrower and its Subsidiaries as at the date thereof and the results of operations for such period (subject to normal year-end audit adjustments). Together with such financial statements, the Borrower shall deliver reports, in form and detail satisfactory to the Administrative Agent, setting forth: (a) a statement of Funds From Operations for the fiscal quarter then ending; (b) a listing of capital expenditures made during the fiscal quarter then ended; and (c) a listing of all Properties acquired during such fiscal quarter, including the net operating income of each such Property, acquisition costs and related mortgage debt, if any.

Section 8.2. Year-End Statements.

As soon as available and in any event within 5 days after the same is filed with the Securities and Exchange Commission (but in no event later than 90 days after the end of each fiscal year of the Borrower), the audited consolidated balance sheet of the Borrower and its Subsidiaries as at the end of such fiscal year and the related audited consolidated statements of income, shareholders' equity and cash flows of the Borrower and its Subsidiaries for such fiscal year, setting forth in comparative form the figures as at the end of and for the previous fiscal year, all of which shall be (a) certified by the chief financial officer or chief accounting officer of the Borrower, in his or her opinion, to present fairly, in accordance with GAAP and in all material respects, the financial position of the Borrower and its Subsidiaries as at the date thereof and the result of operations for such period and (b) accompanied by the report thereon of Ernst & Young LLP or any other independent certified public accountants of recognized national standing reasonably acceptable to the Administrative Agent (it being acknowledged that any of Deloitte, PricewaterhouseCoopers and KPMG shall be acceptable to the Administrative Agent), whose report shall not be subject to (i) any "going concern" or like qualification or exception or (ii) any qualification or exception as to the scope of such audit. Together with such financial statements, the Borrower shall deliver a report, certified by the chief financial officer or chief accounting officer of Borrower, in form and detail reasonably satisfactory to the Administrative Agent, setting forth the Net Operating Income for each Property for such fiscal year.

Section 8.3. Compliance Certificate.

At the time the financial statements are furnished pursuant to the immediately preceding Sections 8.1. and 8.2., and within 5 Business Days of the Administrative Agent's request with respect to any other fiscal period, a certificate substantially in the form of Exhibit H (a "Compliance Certificate") executed on behalf of the Borrower by the chief financial officer or chief accounting officer of the Borrower (a) setting forth in reasonable detail as of the end of such quarterly accounting period or fiscal year, as the case may be, the

calculations required to establish whether the Borrower was in compliance with the covenants contained in Section 9.1.; and (b) stating that, to the best of his or her knowledge, information and belief after due inquiry, no Default or Event of Default exists, or, if such is not the case, specifying such Default or Event of Default and its nature, when it occurred and the steps being taken by the Borrower with respect to such event, condition or failure. The Borrower shall also deliver a certificate (an “Unencumbered Asset Certificate”) executed by the chief financial officer of the Borrower that: (i) sets forth a list of all Unencumbered Assets; and (ii) certifies that all Unencumbered Assets so listed fully qualify as such under the applicable criteria for inclusion as an Unencumbered Assets.

Section 8.4. Other Information.

(a) Promptly upon receipt thereof, copies of all material reports, if any, submitted to the Borrower or its Board of Trustees by its independent public accountants, and in any event, all management reports;

(b) Within five (5) Business Days of the filing thereof, copies of all registration statements (excluding the exhibits thereto (unless requested by the Administrative Agent) and any registration statements on Form S-8 or its equivalent), reports on Forms 10-K, 10-Q and 8-K (or their equivalents) and all other periodic reports which any Loan Party or any other Subsidiary shall file with the Securities and Exchange Commission (or any Governmental Authority substituted therefor) or any national securities exchange;

(c) Promptly upon the mailing thereof to the shareholders of the Borrower generally, copies of all financial statements, reports and proxy statements so mailed and promptly upon the issuance thereof copies of all press releases issued by the Borrower, any Subsidiary or any other Loan Party;

(d) If any ERISA Event shall occur that individually, or together with any other ERISA Event that has occurred, could reasonably be expected to have a Material Adverse Effect, a certificate of the chief executive officer or chief financial officer of the Borrower setting forth details as to such occurrence and the action, if any, which the Borrower or applicable member of the ERISA Group is required or proposes to take;

(e) To the extent any Loan Party or any other Subsidiary is aware of the same, prompt notice of the commencement of any proceeding or investigation by or before any Governmental Authority and any action or proceeding in any court or other tribunal or before any arbitrator against or in any other way relating adversely to, or adversely affecting, any Loan Party or any other Subsidiary or any of their respective properties, assets or businesses which could reasonably be expected to have a Material Adverse Effect;

(f) A copy of any amendment to the certificate or articles of incorporation or formation, bylaws, partnership agreement or other similar organizational documents of the Borrower or any other Loan Party promptly upon the Administrative Agent’s request;

(g) Prompt notice of any change in the senior management of the Borrower, any other Loan Party or any other Subsidiary, and any change in the business, assets, liabilities, financial condition, results of operations or business prospects of any Loan Party or any other Subsidiary which has had, or could reasonably be expected to have, a Material Adverse Effect;

(h) Prompt notice of the occurrence of any of the following promptly upon a Responsible Officer obtaining knowledge thereof: (i) Default or Event of Default or (ii) any event which constitutes or which with the passage of time, the giving of notice, or otherwise, would constitute a default or event of default

by the Borrower, any Subsidiary or any other Loan Party under any Material Contract to which any such Person is a party or by which any such Person or any of its respective properties may be bound;

(i) Prompt notice of any order, judgment or decree in excess of \$10,000,000 having been entered against any Loan Party or any other Subsidiary or any of their respective properties or assets;

(j) Prompt notice if the Borrower, any Subsidiary or any other Loan Party shall receive any notification from any Governmental Authority alleging a violation of any Applicable Law or any inquiry which in either case, could reasonably be expected to have a Material Adverse Effect;

(k) [Intentionally Omitted];

(l) Promptly upon the request of the Administrative Agent, evidence of the Borrower's calculation of the Ownership Share with respect to a Subsidiary or an Unconsolidated Affiliate, such evidence to be in form and detail satisfactory to the Administrative Agent;

(m) Promptly, upon the Borrower becoming aware of any change in the Borrower's Credit Rating, a certificate stating that the Borrower's Credit Rating has changed and the new Credit Rating that is in effect;

(n) Promptly, upon each request, information identifying the Borrower as a Lender may request in order to comply with applicable "know your customer" and anti-money laundering rules and regulations, including without limitation, the Patriot Act;

(o) Promptly, and in any event within 3 Business Days after the Borrower obtains knowledge thereof, written notice of the occurrence of any of the following: (i) the Borrower, any other Loan Party or any other Subsidiary shall receive notice that any violation of or noncompliance with any Environmental Law has or may have been committed or is threatened; (ii) the Borrower, any other Loan Party or any other Subsidiary shall receive notice that any administrative or judicial complaint, order or petition has been filed or other proceeding has been initiated, or is about to be filed or initiated against any such Person alleging any violation of or noncompliance with any Environmental Law or requiring any such Person to take any action in connection with the release or threatened release of Hazardous Materials; (iii) the Borrower, any other Loan Party or any other Subsidiary shall receive any notice from a Governmental Authority or private party alleging that any such Person may be liable or responsible for any costs associated with a response to, or remediation or cleanup of, a release or threatened release of Hazardous Materials or any damages caused thereby; or (iv) the Borrower, any other Loan Party or any other Subsidiary shall receive notice of any other fact, circumstance or condition that could reasonably be expected to form the basis of an environmental claim, in each case, where the matters covered by such notice(s) under clauses (i) through (iv), whether individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect; ~~and~~

(p) [Intentionally Omitted] ~~;~~ and

(q) From time to time and promptly upon each request, such data, certificates, reports, statements, opinions of counsel, documents or further information regarding any Property or the business, assets, liabilities, financial condition, results of operations or business prospects of the Borrower, any of its Subsidiaries, or any other Loan Party as the Administrative Agent or any Lender may reasonably request.

Section 8.5. Electronic Delivery of Certain Information.

(a) Documents required to be delivered pursuant to the Loan Documents shall be delivered by electronic communication and delivery, including, the Internet, e-mail or intranet websites to which the Administrative Agent and each Lender have access (including a commercial, third-party website such as www.Edgar.com < <http://www.Edgar.com> > or a website sponsored or hosted by the Administrative Agent or the Borrower) provided that the foregoing shall not apply to (i) notices to any Lender pursuant to Article II. and (ii) any Lender that has notified the Administrative Agent and the Borrower that it cannot or does not want to receive electronic communications. The Administrative Agent or the Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic delivery pursuant to procedures approved by it for all or particular notices or communications. Documents or notices delivered electronically (other than by e-mail) shall be deemed to have been delivered (A) with respect to deliveries made pursuant to Sections 8.1., 8.2., 8.4.(b) and 8.4.(c) by proper filing with the Securities and Exchange Commission and available on www.sec.gov, on the date of filing thereof and (B) with respect to all other electronic deliveries (other than deliveries made by e-mail), twenty-four (24) hours after the date and time on which the Administrative Agent or the Borrower posts such documents or the documents become available on a commercial website and the Administrative Agent or the Borrower notifies each Lender of said posting and the Borrower notifies Administrative Agent of said posting by causing an e-mail notification to be sent to an e-mail address specified from time to time by the Administrative Agent and provides a link thereto provided (x) if such notice or other communication is not sent or posted during the normal business hours of the recipient, said posting date and time shall be deemed to have commenced as of 10:00 a.m. Eastern time on the next business day for the recipient and (y) if the deemed time of delivery occurs on a day that is not a business day for the recipient, the deemed time of delivery shall be 10:00 a.m. Eastern time on the next business day for the recipient. Notwithstanding anything contained herein, the Borrower shall deliver paper copies of any documents to the Administrative Agent or to any Lender that requests such paper copies until a written request to cease delivering paper copies is given by the Administrative Agent or such Lender. The Administrative Agent shall have no obligation to request the delivery of or to maintain paper copies of the documents delivered electronically, and in any event shall have no responsibility to monitor compliance by the Borrower with any such request for delivery. Each Lender shall be solely responsible for requesting delivery to it of paper copies and maintaining its paper or electronic documents.

(b) Documents required to be delivered pursuant to Article II. may be delivered electronically to a website provided for such purpose by the Administrative Agent pursuant to the procedures provided to the Borrower by the Administrative Agent.

Section 8.6. Public/Private Information.

The Borrower shall cooperate with the Administrative Agent in connection with the publication of certain materials and/or information provided by or on behalf of the Borrower. Documents required to be delivered pursuant to the Loan Documents shall be delivered by or on behalf of the Borrower to the Administrative Agent and the Lenders (collectively, "Information Materials") pursuant to this Article and the Borrower shall designate Information Materials (a) that are either available to the public or not material with respect to the Borrower and its Subsidiaries or any of their respective securities for purposes of United States federal and state securities laws, as "Public Information" and (b) that are not Public Information as "Private Information".

Section 8.7. USA Patriot Act Notice; Compliance.

The Patriot Act and federal regulations issued with respect thereto require all financial institutions to obtain, verify and record certain information that identifies individuals or business entities which open an “account” with such financial institution. Consequently, a Lender (for itself and/or as agent for all Lenders hereunder) may from time-to-time request, and the Borrower shall, and shall cause the other Loan Parties to, provide promptly upon any such request to such Lender, such Loan Party’s name, address, tax identification number and/or such other identification information as shall be necessary for such Lender to comply with federal law. An “account” for this purpose may include, without limitation, a deposit account, cash management service, a transaction or asset account, a credit account, a loan or other extension of credit, and/or other financial services product.

ARTICLE IX. NEGATIVE COVENANTS

For so long as this Agreement is in effect, the Borrower shall comply with the following covenants:

Section 9.1. Financial Covenants.

(a) Leverage Ratio. The Borrower shall not permit the ratio of (i) Total Indebtedness to (ii) Total Asset Value to exceed 0.60 to 1.00 at any time; provided, however, that if such ratio is greater than 0.60 to 1.00 but is not greater than 0.65 to 1.00, then the Borrower shall be deemed to be in compliance with this subsection (a) so long as (i) the Borrower completed a Material Acquisition during the fiscal quarter, or the fiscal quarter immediately preceding the fiscal quarter, in which such ratio first exceeded 0.60 to 1.00, (ii) such ratio does not exceed 0.60 to 1.00 for a period of more than three consecutive fiscal quarters immediately following the fiscal quarter in which such Material Acquisition was completed, (iii) the Borrower has not maintained compliance with this subsection (a) in reliance on this proviso more than two times during the term of this Agreement and (iv) such ratio is not greater than 0.65 to 1.00 at any time.

(b) Minimum Fixed Charge Coverage Ratio. The Borrower shall not permit the ratio of (i) Adjusted EBITDA for the fiscal quarter of the Borrower most recently ending to (ii) Fixed Charges for such period, to be less than 1.50 to 1.00 at any time.

(c) Secured Indebtedness. The Borrower shall not permit the ratio of (i) Secured Indebtedness of the Borrower and its Subsidiaries to (ii) Total Asset Value to be greater than 0.40 to 1.00 at any time.

(d) Unencumbered Leverage Ratio. The Borrower shall not permit the ratio of (i) Unsecured Indebtedness to (ii) Unencumbered Asset Value, to be greater than 0.60 to 1.00 at any time; provided, however, that if such ratio is greater than 0.60 to 1.00 but is not greater than 0.65 to 1.00, then the Borrower shall be deemed to be in compliance with this subsection (a) so long as (i) the Borrower completed a Material Acquisition during the fiscal quarter, or the fiscal quarter immediately preceding the fiscal quarter, in which such ratio first exceeded 0.60 to 1.00, (ii) such ratio does not exceed 0.60 to 1.00 for a period of more than three consecutive fiscal quarters immediately following the fiscal quarter in which such Material Acquisition was completed, (iii) the Borrower has not maintained compliance with this subsection (a) in reliance on this proviso more than two times during the term of this Agreement and (iv) such ratio is not greater than 0.65 to 1.00 at any time.

(e) Unencumbered Interest Coverage Ratio. The Borrower shall not permit the ratio of (i) Unencumbered NOI to (ii) Unsecured Debt Service for the Borrower’s fiscal quarter most recently ending, to be less than 1.75 to 1.00 at any time.

(f) [Intentionally Omitted.]

(g) [Intentionally Omitted.]

(h) [Intentionally Omitted.]

(i) Dividends and Other Restricted Payments. Subject to the following sentence, if an Event of Default exists, the Borrower shall not, and shall not permit any of its Subsidiaries to, declare or make any Restricted Payments except that the Borrower may declare and make cash distributions to its shareholders in an aggregate amount not to exceed the minimum amount necessary for the Borrower to remain in compliance with Section 7.11. and to avoid the imposition of income or excise taxes imposed under Sections 857(b)(1), 857(b)(3) and 4981 of the Internal Revenue Code, and Subsidiaries may pay Restricted Payments to the Borrower or any other Subsidiary. If an Event of Default specified in Section 10.1.(a), Section 10.1.(e) or Section 10.1.(f) shall exist, or if as a result of the occurrence of any other Event of Default any of the Obligations have been accelerated pursuant to Section 10.2.(a), the Borrower shall not, and shall not permit any Subsidiary to, make any Restricted Payments to any Person except that Subsidiaries may pay Restricted Payments to the Borrower or any other Subsidiary and, in the case of SNH Innovation LLC, to each other owner of Equity Interests of SNH Innovation LLC pro rata based on the relative ownership interests.

Section 9.2. Negative Pledge.

(a) The Borrower shall not, and shall not permit any other Loan Party or any other Subsidiary to, create, assume, or incur any Lien (other than Permitted Liens) upon any of its properties, assets, income or profits of any character whether now owned or hereafter acquired if immediately prior to the creation, assumption or incurring of such Lien, or immediately thereafter, a Default or Event of Default is or would be in existence, including without limitation, a Default or Event of Default resulting from a violation of any of the covenants contained in Section 9.1.

(b) The Borrower shall not, and shall not permit any other Loan Party or any other Subsidiary (other than an Excluded Subsidiary) to, enter into, assume or otherwise be bound by any Negative Pledge except for a Negative Pledge contained in (i) an agreement (x) evidencing Indebtedness which (A) the Borrower, such Loan Party or such Subsidiary may create, incur, assume, or permit or suffer to exist without violation of this Agreement and (B) is secured by a Lien permitted to exist under the Loan Documents, and (y) which prohibits the creation of any other Lien on only the property securing such Indebtedness as of the date such agreement was entered into; (ii) the organizational documents or other agreements binding on any Subsidiary that is not a Wholly Owned Subsidiary (but only to the extent such Negative Pledge covers any Equity Interest in such Subsidiary or the property or assets of such Subsidiary); (iii) an agreement relating to the sale of a Subsidiary or assets pending such sale, provided that in any such case the Negative Pledge applies only to the Subsidiary or the assets that are the subject of such sale or (iv) a Negative Pledge contained in any agreement that evidences unsecured Indebtedness which contains restrictions on encumbering assets that are substantially similar to those restrictions contained in the Loan Documents.

Section 9.3. Restrictions on Intercompany Transfers.

The Borrower shall not, and shall not permit any other Loan Party or any other Subsidiary (other than an Excluded Subsidiary) to, create or otherwise cause or suffer to exist or become effective any consensual encumbrance or restriction of any kind on the ability of any Subsidiary (other than an Excluded

Subsidiary) to: (a) pay dividends or make any other distribution on any of such Subsidiary's capital stock or other equity interests owned by the Borrower or any Subsidiary; (b) pay any Indebtedness owed to the Borrower or any Subsidiary; (c) make loans or advances to the Borrower or any Subsidiary; or (d) transfer any of its property or assets to the Borrower or any Subsidiary; other than (i) with respect to clauses (a) through (d) those encumbrances or restrictions contained in (A) any Loan Document, (B) any other agreement evidencing Unsecured Indebtedness that the Borrower, any other Loan Party any other Subsidiary may create, incur, assume or permit or suffer to exist under this Agreement and containing encumbrances and restrictions imposed in connection with such Unsecured Indebtedness that are either substantially similar to, or less restrictive than, the encumbrances and restrictions set forth in Section 9.1.(i) and Section 9.4. of this Agreement and Section 13 of the Guaranty and (C) the organizational documents or other agreements binding on or applicable to any Subsidiary that is not a Wholly Owned Subsidiary (but only to the extent such encumbrance or restriction covers any Equity Interest in such Subsidiary or the property or assets of such Subsidiary), and (ii) with respect to clause (d), (A) customary provisions restricting assignment of any agreement entered into by the Borrower, any other Loan Party or any Subsidiary in the ordinary course of business or (B) transfer restrictions in any agreement relating to the sale of a Subsidiary or assets pending such sale or relating to Indebtedness secured by a Lien on assets that the Borrower or a Subsidiary may create, incur, assume or permit or suffer to exist under Section 9.2.(a); provided that in the case of this clause (B), the restrictions apply only to the Subsidiary or the assets that are the subject of such sale or Lien, as the case may be. Notwithstanding anything to the contrary in the foregoing, the restrictions in this Section shall not apply to any provision of any Guaranty entered into by the Borrower, any other Loan Party or any other Subsidiary relating to the Indebtedness of any Subsidiary permitted to be incurred hereunder, which provision subordinates any rights of Borrower, other Loan Party or any other Subsidiary to payment from such Subsidiary to the payment in full of such Indebtedness.

Section 9.4. Merger, Consolidation, Sales of Assets and Other Arrangements.

The Borrower shall not, and shall not permit any other Loan Party or any other Subsidiary to, (i) enter into any transaction of merger or consolidation; (ii) liquidate, windup or dissolve itself (or suffer any liquidation or dissolution); or (iii) convey, sell, lease, sublease, transfer or otherwise dispose of, in one transaction or a series of transactions, all or any substantial part of its business or assets, or the capital stock of or other Equity Interests in any of its Subsidiaries, whether now owned or hereafter acquired; provided, however, that:

(a) any of the actions described in the immediately preceding clauses (i) through (iii) may be taken with respect to any Subsidiary or any other Loan Party (other than the Borrower), including, for the avoidance of doubt, the sale, transfer or other disposition of the capital stock of or other Equity Interests in any Subsidiary of the Borrower, so long as immediately prior to the taking of such action, and immediately thereafter and after giving effect thereto, no Default or Event of Default is or would be in existence;

(b) the Borrower, its Subsidiaries and the other Loan Parties may lease and sublease their respective assets, as lessor or sublessor (as the case may be), in the ordinary course of their business;

(c) a Person may merge with and into the Borrower so long as (i) the Borrower is the survivor of such merger, (ii) immediately prior to such merger, and immediately thereafter and after giving effect thereto, no Default or Event of Default is or would be in existence; and (iii) the Borrower shall have given the Administrative Agent and the Lenders at least 10 Business Days' prior written notice of such merger (except that such prior notice shall not be required in the case of the merger of a Subsidiary with and into the Borrower); and

(d) the Borrower and each Subsidiary may sell, transfer or dispose of assets among themselves.

Section 9.5. Plans.

The Borrower shall not, and shall not permit any other Loan Party or any other Subsidiary to, permit any of its respective assets to become or be deemed to be “plan assets” within the meaning of ERISA, the Internal Revenue Code and the respective regulations promulgated thereunder. The Borrower shall not cause or permit to occur, and shall not permit any other member of the ERISA Group to cause or permit to occur, any ERISA Event if such ERISA Event could reasonably be expected to have a Material Adverse Effect.

Section 9.6. Fiscal Year.

The Borrower shall not, and shall not permit any other Loan Party or other Subsidiary to, change its fiscal year from that in effect as of the Agreement Date.

Section 9.7. Modifications of Organizational Documents, Business Management Agreement and Property Management Agreement and Other Material Contracts.

(a) The Borrower shall not, and shall not permit any other Loan Party or any other Subsidiary to, amend, supplement, restate or otherwise modify its certificate or articles of incorporation or formation, by-laws, operating agreement, declaration of trust, partnership agreement or other applicable organizational document if such amendment, supplement, restatement or other modification (a) could reasonably be expected to be adverse to the interest of the Lenders in any material respect or (b) could reasonably be expected to have a Material Adverse Effect.

(b) The Borrower shall not, and shall not permit any Subsidiary or other Loan Party to, enter into any amendment or modification to any Material Contract which could reasonably be expected to have a Material Adverse Effect.

Section 9.8. Transactions with Affiliates.

The Borrower shall not permit to exist or enter into, and shall not permit any other Loan Party or any other Subsidiary to permit to exist or enter into, any transaction (including the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate, except (a) as set forth on Schedule 6.1.(s), (b) transactions among the Borrower and any Wholly Owned Subsidiary or among Wholly Owned Subsidiaries or (c) transactions in the ordinary course of and pursuant to the reasonable requirements of the business of the Borrower, such other Loan Party or such other Subsidiary and upon fair and reasonable terms which are no less favorable to the Borrower, such other Loan Party or such other Subsidiary than would be obtained in a comparable arm’s length transaction with a Person that is not an Affiliate.

Section 9.9. Environmental Matters.

The Borrower shall not, and shall not permit any other Loan Party, any other Subsidiary or any other Person to, use, generate, discharge, emit, manufacture, handle, process, store, release, transport, remove, dispose of or clean up any Hazardous Materials on, under or from the Properties in violation of any Environmental Law or in a manner that could lead to any environmental claim or pose a risk to human health, safety or the environment, in each case, that could reasonably be expected to have a Material Adverse Effect.

Nothing in this Section shall impose any obligation or liability whatsoever on the Administrative Agent or any Lender.

Section 9.10. Derivatives Contracts.

The Borrower shall not, and shall not permit any other Loan Party or any other Subsidiary to enter into or become obligated in respect of, Derivatives Contracts, other than Derivatives Contracts entered into by the Borrower, any such Loan Party or any such Subsidiary in the ordinary course of business and which are intended to establish ~~an effective~~ a hedge in respect of liabilities, commitments or assets held or reasonably anticipated by the Borrower, such other Loan Party or such other Subsidiary.

Section 9.11. Use of Proceeds.

The Borrower shall not, and shall not permit any other Loan Party or any other Subsidiary to, use any part of the proceeds of the Loans to (a) purchase or carry, or to reduce or retire or refinance any credit incurred to purchase or carry, any Margin Stock (within the meaning of Regulation U or Regulation X of the Board of Governors of the Federal Reserve System) or (b) to extend credit to others for the purpose of purchasing or carrying any such margin stock. The Borrower shall not, and shall not permit any other Loan Party or Subsidiary to, use any proceeds of any Loan directly or, to the knowledge of the Borrower, indirectly in any manner which would violate Anti-Corruption Laws, Anti-Terrorism Laws or applicable Sanctions.

ARTICLE X. DEFAULT

Section 10.1. Events of Default.

Each of the following shall constitute an Event of Default, whatever the reason for such event and whether it shall be voluntary or involuntary or be effected by operation of Applicable Law or pursuant to any judgment or order of any Governmental Authority:

(a) Default in Payment. The Borrower (i) shall fail to pay when due under this Agreement or any other Loan Document (whether upon demand, at maturity, by reason of acceleration or otherwise) the principal of any of the Loans or (ii) shall fail to pay when due any interest on any of the Loans or any of the other payment Obligations owing by the Borrower under this Agreement, any other Loan Document or the Fee Letter or any other Loan Party shall fail to pay when due any payment Obligation owing by such other Loan Party under any Loan Document to which it is a party, and, in the case of a failure described in this clause (ii), such failure shall continue for a period of 5 Business Days.

(b) Default in Performance.

(i) Any Loan Party shall fail to perform or observe any term, covenant, condition or agreement on its part to be performed or observed and contained in Section 8.4.(h) or Article IX.; or

(ii) Any Loan Party shall fail to perform or observe any term, covenant, condition or agreement contained in this Agreement or any other Loan Document to which it is a party and not otherwise mentioned in this Section, and in the case of this subsection (b) (ii) only, such failure shall continue for a period of 30 days after the earlier of (x) the date upon which a Responsible Officer of the Borrower or such other Loan Party obtains knowledge of such failure or (y) the date upon which the Borrower has received written notice of such failure from the Administrative Agent.

(c) Misrepresentations. Any written statement, representation or warranty made or deemed made by or on behalf of any Loan Party under this Agreement or under any other Loan Document, or any amendment hereto or thereto, or in any other writing or statement at any time furnished by, or at the direction of, any Loan Party to the Administrative Agent or any Lender, shall at any time prove to have been incorrect or misleading, in light of the circumstances in which made or deemed made, in any material respect when furnished or made or deemed made.

(d) Indebtedness Cross-Default.

(i) The Borrower, any other Loan Party or any other Subsidiary shall fail to pay when due and payable (after giving effect to any applicable grace or cure period) the principal of, or interest on, any Indebtedness (other than the Loans) having an aggregate outstanding principal amount (or, in the case of any Derivatives Contract, having a Derivatives Termination Value) of, in each case individually or in the aggregate with all other Indebtedness as to which such a failure exists, of an aggregate outstanding principal amount greater than or equal to (A) \$25,000,000 in the case of Indebtedness that is not Nonrecourse Indebtedness or (B) \$75,000,000 in the case of Indebtedness that is Nonrecourse Indebtedness ("Material Indebtedness"); or

(ii) (x) The maturity of any Material Indebtedness shall have been accelerated in accordance with the provisions of any indenture, contract or instrument evidencing, providing for the creation of or otherwise concerning such Material Indebtedness or (y) any Material Indebtedness shall have been required to be prepaid or repurchased prior to the stated maturity thereof; or

(iii) Any other event shall have occurred and be continuing which, with or without the passage of time, the giving of notice, or otherwise, would permit any holder or holders of any Material Indebtedness, any trustee or agent acting on behalf of such holder or holders or any other Person, to accelerate the maturity of any such Material Indebtedness or require any such Material Indebtedness to be prepaid or repurchased prior to its stated maturity; or

(iv) An Event of Default under and as defined in the Existing Credit Agreement or Other Existing Term Loan Agreement shall occur.

(e) Voluntary Bankruptcy Proceeding. The Borrower, any other Loan Party or any other Subsidiary (other than (x) an Excluded Subsidiary all Indebtedness of which is Nonrecourse Indebtedness, (y) a Guarantor that, together with all other Guarantors then subject to a bankruptcy proceeding or other proceeding or condition described in this subsection or the immediately following subsection, does not account for more than \$25,000,000 of Total Asset Value, or (z) a Subsidiary (other than an Excluded Subsidiary all the Indebtedness of which is Nonrecourse Indebtedness) that, together with all other Subsidiaries then subject to a bankruptcy proceeding or other proceeding or condition described in this subsection or the immediately following subsection, does not account for more than \$50,000,000 of Total Asset Value) shall: (i) commence a voluntary case under the Bankruptcy Code or other federal bankruptcy laws (as now or hereafter in effect); (ii) file a petition seeking to take advantage of any other Applicable Laws, domestic or foreign, relating to bankruptcy, insolvency, reorganization, winding-up, or composition or adjustment of debts; (iii) consent to, or fail to contest in a timely and appropriate manner, any petition filed against it in an involuntary case under such bankruptcy laws or other Applicable Laws or consent to any proceeding or action described in the immediately following subsection (f); (iv) apply for or consent to, or fail to contest in a timely and appropriate manner, the appointment of, or the taking of possession by, a receiver, custodian, trustee, or liquidator of itself or of a substantial part of its property, domestic or foreign; (v) admit in writing

its inability to pay its debts as they become due; (vi) make a general assignment for the benefit of creditors; (vii) make a conveyance fraudulent as to creditors under any Applicable Law; or (viii) take any corporate or partnership action for the purpose of effecting any of the foregoing.

(f) Involuntary Bankruptcy Proceeding. A case or other proceeding shall be commenced against the Borrower, any other Loan Party or any other Subsidiary (other than (x) an Excluded Subsidiary all Indebtedness of which is Nonrecourse Indebtedness, (y) a Guarantor that, together with all other Guarantors then subject to a bankruptcy proceeding or other proceeding or condition described in this subsection or the immediately preceding subsection, does not account for more than \$25,000,000 of Total Asset Value, or (z) a Subsidiary (other than an Excluded Subsidiary all the Indebtedness of which is Nonrecourse Indebtedness) that, together with all other Subsidiaries then subject to a bankruptcy proceeding or other proceeding or condition described in this subsection or the immediately preceding subsection, does not account for more than \$50,000,000 of Total Asset Value) in any court of competent jurisdiction seeking: (i) relief under the Bankruptcy Code or other federal bankruptcy laws (as now or hereafter in effect) or under any other Applicable Laws, domestic or foreign, relating to bankruptcy, insolvency, reorganization, winding-up, or composition or adjustment of debts; or (ii) the appointment of a trustee, receiver, custodian, liquidator or the like of such Person, or of all or any substantial part of the assets, domestic or foreign, of such Person, and in the case of either clause (i) or (ii) such case or proceeding shall continue undismissed or unstayed for a period of 60 consecutive calendar days, or an order granting the remedy or other relief requested in such case or proceeding against the Borrower, such Subsidiary or such other Loan Party (including, but not limited to, an order for relief under such Bankruptcy Code or such other federal bankruptcy laws) shall be entered.

(g) Revocation of Loan Documents. Any Loan Party shall (or shall attempt to) disavow, revoke or terminate any Loan Document or the Fee Letter to which it is a party or shall otherwise challenge or contest in any action, suit or proceeding in any court or before any Governmental Authority the validity or enforceability of any Loan Document or the Fee Letter or any Loan Document or the Fee Letter shall cease to be in full force and effect (except as a result of the express terms thereof).

(h) Judgment. A judgment or order for the payment of money or for an injunction or other non-monetary relief shall be entered against the Borrower, any other Loan Party, or any other Subsidiary by any court or other tribunal and (i) such judgment or order shall continue for a period of 30 days without being paid, stayed or dismissed through appropriate appellate proceedings and (ii) either (A) the amount of such judgment or order (x) for which insurance has not been acknowledged in writing by the applicable insurance carrier (or the amount as to which the insurer has denied liability) or (y) is not otherwise subject to indemnification or reimbursement on reasonable terms and conditions by Persons reasonably likely to honor such indemnification or reimbursement obligations, exceeds, individually or together with all other such judgments or orders entered against (1) the Borrower or any Guarantor \$25,000,000, or (2) any other Subsidiaries, \$50,000,000, or (B) in the case of an injunction or other non-monetary relief, such injunction or judgment or order could reasonably be expected to have a Material Adverse Effect.

(i) Attachment. A warrant, writ of attachment, execution or similar process shall be issued against any property of the Borrower, any other Loan Party or any other Subsidiary, which exceeds, individually or together with all other such warrants, writs, executions and processes, (1) for the Borrower or any Guarantor, \$25,000,000, or (2) for any other Subsidiaries, \$50,000,000, and such warrant, writ, execution or process shall not be paid, discharged, vacated, stayed or bonded for a period of 30 days; provided, however, that if a bond has been issued in favor of the claimant or other Person obtaining such warrant, writ, execution or process, the issuer of such bond shall execute a waiver or subordination agreement in form and substance satisfactory to the Administrative Agent pursuant to which the issuer of such bond subordinates

its right of reimbursement, contribution or subrogation to the Obligations and waives or subordinates any Lien it may have on the assets of the Borrower or any Subsidiary.

(j) ERISA.

(i) Any ERISA Event shall have occurred that results or could reasonably be expected to result in liability to any member of the ERISA Group aggregating in excess of \$10,000,000; or

(ii) The “benefit obligation” of all Plans exceeds the “fair market value of plan assets” for such Plans by more than \$10,000,000, all as determined, and with such terms defined, in accordance with FASB ASC 715.

(k) Loan Documents. An Event of Default (as defined therein) shall occur under any of the other Loan Documents.

(l) Change of Control.

(i) any “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) is or becomes the “beneficial owner” (as defined in Rules 13d-3 and 13d-5 under the Exchange Act, except that a Person will be deemed to have “beneficial ownership” of all securities that such Person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of more than 25% of the total voting power of the then outstanding voting stock of the Borrower; or

(ii) during any period of 12 consecutive months ending after the Agreement Date, individuals who at the beginning of any such 12-month period constituted the Board of Trustees of the Borrower (together with any new trustees whose election by such Board or whose nomination for election by the shareholders of the Borrower was approved by a vote of a majority of the trustees then still in office who were either trustees at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the Board of Trustees of the Borrower then in office; or

(iii) RMR shall cease for any reason to act as the sole business manager and property manager for the Borrower.

Section 10.2. Remedies Upon Event of Default.

Upon the occurrence of an Event of Default the following provisions shall apply:

(a) Acceleration; Termination of Facilities.

(i) Automatic. Upon the occurrence of an Event of Default specified in Sections 10.1.(e) or 10.1.(f), (A) the principal of, and all accrued interest on, the Loans and the Notes at the time outstanding, and (B) all of the other Obligations, including, but not limited to, the other amounts owed to the Lenders and the Administrative Agent under this Agreement, the Notes or any of the other Loan Documents shall become immediately and automatically due and payable without presentment, demand, protest, or other notice of any kind, all of which are expressly waived by the Borrower on behalf of itself and the other Loan Parties.

(ii) Optional. If any other Event of Default shall exist, the Administrative Agent may, and at the direction of the Requisite Lenders shall declare (A) the principal of, and accrued interest on, the Loans and the Notes at the time outstanding, and (B) all of the other Obligations, including, but not limited to, the other amounts owed to the Lenders and the Administrative Agent under this Agreement, the Notes or any of the other Loan Documents to be forthwith due and payable, whereupon the same shall immediately become due and payable without presentment, demand, protest or other notice of any kind, all of which are expressly waived by the Borrower on behalf of itself and the other Loan Parties.

(b) Loan Documents. The Requisite Lenders may direct the Administrative Agent to, and the Administrative Agent if so directed shall, exercise any and all of its rights under any and all of the other Loan Documents.

(c) Applicable Law. The Requisite Lenders may direct the Administrative Agent to, and the Administrative Agent if so directed shall, exercise all other rights and remedies it may have under any Applicable Law.

(d) Appointment of Receiver. To the extent permitted by Applicable Law, the Administrative Agent and the Lenders shall be entitled to the appointment of a receiver for the assets and properties of the Borrower and its Subsidiaries, without notice of any kind whatsoever and without regard to the adequacy of any security for the Obligations or the solvency of any party bound for its payment, to take possession of all or any portion of the property and/or the business operations of the Borrower and its Subsidiaries and to exercise such power as the court shall confer upon such receiver.

(e) Specified Derivatives Contract Remedies. Notwithstanding any other provision of this Agreement or other Loan Document, each Specified Derivatives Provider shall have the right, with prompt notice to the Administrative Agent, but without the approval or consent of or other action by the Administrative Agent or the Lenders, and without limitation of other remedies available to such Specified Derivatives Provider under contract or Applicable Law, in each case, in accordance with the terms of the applicable Specified Derivatives Contract, to undertake any of the following: (a) to declare an event of default, termination event or other similar event under any Specified Derivatives Contract and to create an “Early Termination Date” (as defined therein) in respect thereof, (b) to determine net termination amounts in respect of any and all Specified Derivatives Contracts in accordance with the terms thereof, and to set off amounts among such contracts, (c) to set off or proceed against deposit account balances, securities account balances and other property and amounts held by such Specified Derivatives Provider pursuant to any Derivatives Support Document, including any “Posted Collateral” (as defined in any credit support annex included in any such Derivatives Support Document to which such Specified Derivatives Provider may be a party), and (d) to prosecute any legal action against the Borrower, any other Loan Party or other Subsidiary to enforce or collect net amounts owing to such Specified Derivatives Provider pursuant to any Specified Derivatives Contract.

Section 10.3. [Intentionally Omitted].

Section 10.4. Marshaling; Payments Set Aside.

None of the Administrative Agent, any Lender or any Specified Derivatives Provider shall be under any obligation to marshal any assets in favor of any Loan Party or any other party or against or in payment of any or all of the Obligations or the Specified Derivatives Obligations. To the extent that any Loan Party

makes a payment or payments to the Administrative Agent, any Lender or any Specified Derivatives Provider, or the Administrative Agent, any Lender or any Specified Derivatives Provider enforce their security interests or exercise their rights of setoff, and such payment or payments or the proceeds of such enforcement or setoff or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside and/or required to be repaid to a trustee, receiver or any other party under any bankruptcy law, state or federal law, common law or equitable cause, then to the extent of such recovery, the Obligations or Specified Derivatives Obligations, or part thereof originally intended to be satisfied, and all Liens, rights and remedies therefor, shall be revived and continued in full force and effect as if such payment had not been made or such enforcement or setoff had not occurred.

Section 10.5. Allocation of Proceeds.

If an Event of Default exists, all payments received by the Administrative Agent (or any Lender as a result of its exercise of remedies pursuant to Section 12.3.) under any of the Loan Documents, in respect of any principal of or interest on the Obligations or any other amounts payable by the Borrower hereunder or thereunder, shall be applied in the following order and priority:

- (a) to payment of that portion of the Obligations constituting fees, indemnities, expenses and other amounts, including attorney fees, payable to the Administrative Agent in its capacity as such;
- (b) to payment of that portion of the Obligations constituting fees, indemnities and other amounts (other than principal and interest) payable to the Lenders under the Loan Documents, including attorney fees, ratably among the Lenders in proportion to the respective amounts described in this clause (b) payable to them;
- (c) to payment of that portion of the Obligations constituting accrued and unpaid interest on the Loans, ratably among the Lenders in proportion to the respective amounts described in this clause (c) payable to them;
- (d) to payment of that portion of the Obligations constituting unpaid principal of the Loans, ratably among the Lenders in proportion to the respective amounts described in this clause (d) payable to them; and
- (e) the balance, if any, after all of the Obligations have been indefeasibly paid in full, to the Borrower or as otherwise required by Applicable Law.

Section 10.6. [Intentionally Omitted].

Section 10.7. Performance by Administrative Agent.

If the Borrower or any other Loan Party shall fail to perform any covenant, duty or agreement contained in any of the Loan Documents, the Administrative Agent may, after notice to the Borrower, perform or attempt to perform such covenant, duty or agreement on behalf of the Borrower or such other Loan Party after the expiration of any cure or grace periods set forth herein. In such event, the Borrower shall, at the request of the Administrative Agent, promptly pay any amount reasonably expended by the Administrative Agent in such performance or attempted performance to the Administrative Agent, together with interest thereon at the applicable Post-Default Rate from the date of such expenditure until paid. Notwithstanding the foregoing, neither the Administrative Agent nor any Lender shall have any liability or responsibility

whatsoever for the performance of any obligation of the Borrower under this Agreement or any other Loan Document.

Section 10.8. Rights Cumulative.

(a) The rights and remedies of the Administrative Agent, the Lenders and the Specified Derivatives Providers under this Agreement, each of the other Loan Documents, the Fee Letter and Specified Derivatives Contracts shall be cumulative and not exclusive of any rights or remedies which any of them may otherwise have under Applicable Law. In exercising their respective rights and remedies the Administrative Agent, the Lenders and the Specified Derivatives Providers may be selective and no failure or delay by the Administrative Agent, any of the Lenders or any of the Specified Derivatives Providers in exercising any right shall operate as a waiver of it, nor shall any single or partial exercise of any power or right preclude its other or further exercise or the exercise of any other power or right.

(b) Notwithstanding anything to the contrary contained herein or in any other Loan Document, the authority to enforce rights and remedies hereunder and under the other Loan Documents against the Loan Parties or any of them shall be vested exclusively in, and all actions and proceedings at law in connection with such enforcement shall be instituted and maintained exclusively by, the Administrative Agent in accordance with Article X. for the benefit of all the Lenders; provided that the foregoing shall not prohibit (i) the Administrative Agent from exercising on its own behalf the rights and remedies that inure to its benefit (solely in its capacity as Administrative Agent) hereunder and under the other Loan Documents, (ii) any Lender from exercising setoff rights in accordance with Section 12.3. (subject to the terms of Section 3.3.), or (iii) any Lender from filing proofs of claim or appearing and filing pleadings on its own behalf during the pendency of a proceeding relative to any Loan Party under any Debtor Relief Law; and provided, further, that if at any time there is no Person acting as Administrative Agent hereunder and under the other Loan Documents, then (x) the Requisite Lenders shall have the rights otherwise ascribed to the Administrative Agent pursuant to Article X. and (y) in addition to the matters set forth in clauses (ii) and (iii) of the preceding proviso and subject to Section 3.3., any Lender may, with the consent of the Requisite Lenders, enforce any rights and remedies available to it and as authorized by the Requisite Lenders.

ARTICLE XI. THE ADMINISTRATIVE AGENT

Section 11.1. Appointment and Authorization.

Each Lender hereby irrevocably appoints and authorizes the Administrative Agent to take such action as contractual representative on such Lender's behalf and to exercise such powers under this Agreement and the other Loan Documents as are specifically delegated to the Administrative Agent by the terms hereof and thereof, together with such powers as are reasonably incidental thereto. Not in limitation of the foregoing, each Lender authorizes and directs the Administrative Agent to enter into the Loan Documents for the benefit of the Lenders. Each Lender hereby agrees that, except as otherwise set forth herein, any action taken by the Requisite Lenders in accordance with the provisions of this Agreement or the Loan Documents, and the exercise by the Requisite Lenders of the powers set forth herein or therein, together with such other powers as are reasonably incidental thereto, shall be authorized and binding upon all of the Lenders. Nothing herein shall be construed to deem the Administrative Agent a trustee or fiduciary for any Lender or to impose on the Administrative Agent duties or obligations other than those expressly provided for herein. Without limiting the generality of the foregoing, the use of the terms "Agent", "Administrative Agent", "agent" and similar terms in the Loan Documents with reference to the Administrative Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any Applicable Law. Instead, use of such terms is merely a matter of market custom, and is intended to create or reflect only an

administrative relationship between independent contracting parties. The Administrative Agent shall deliver to each Lender, promptly upon receipt thereof by the Administrative Agent, copies of each of the financial statements, certificates, notices and other documents delivered to the Administrative Agent pursuant to Article VIII. that the Borrower is not otherwise required to deliver directly to the Lenders. The Administrative Agent will furnish to any Lender, upon the request of such Lender, a copy (or, where appropriate, an original) of any document, instrument, agreement, certificate or notice furnished to the Administrative Agent by the Borrower, any other Loan Party or any other Affiliate of the Borrower, pursuant to this Agreement or any other Loan Document not already delivered or otherwise made available to such Lender pursuant to the terms of this Agreement or any such other Loan Document. As to any matters not expressly provided for by the Loan Documents (including, without limitation, enforcement or collection of any of the Obligations), the Administrative Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Requisite Lenders (or all of the Lenders if explicitly required under any other provision of this Agreement), and such instructions shall be binding upon all Lenders and all holders of any of the Obligations; provided, however, that, notwithstanding anything in this Agreement to the contrary, the Administrative Agent shall not be required to take any action which exposes the Administrative Agent to personal liability or which is contrary to this Agreement or any other Loan Document or Applicable Law. Not in limitation of the foregoing, the Administrative Agent may exercise any right or remedy it or the Lenders may have under any Loan Document upon the occurrence of a Default or an Event of Default unless the Requisite Lenders have directed the Administrative Agent otherwise. Without limiting the foregoing, no Lender shall have any right of action whatsoever against the Administrative Agent as a result of the Administrative Agent acting or refraining from acting under this Agreement or any of the other Loan Documents in accordance with the instructions of the Requisite Lenders, or where applicable, all the Lenders.

Section 11.2. Administrative Agent as Lender.

The Lender acting as Administrative Agent shall have the same rights and powers under this Agreement and any other Loan Document as any other Lender and may exercise the same as though it were not the Administrative Agent; and the term “Lender” or “Lenders” shall, unless otherwise expressly indicated, include such Lender in each case in its individual capacity. The Lender acting as Administrative Agent and its Affiliates may each accept deposits from, maintain deposits or credit balances for, invest in, lend money to, act as trustee under indentures of, serve as financial advisor to, and generally engage in any kind of business with the Borrower, any other Loan Party or any other Affiliate thereof as if it were any other bank and without any duty to account therefor to the other Lenders. Further, the Administrative Agent and any Affiliate may accept fees and other consideration from the Borrower for services in connection with this Agreement or otherwise without having to account for the same to the other Lenders. The Lenders acknowledge that, pursuant to such activities, Wells Fargo or its Affiliates may receive information regarding the Borrower, other Loan Parties, other Subsidiaries and other Affiliates (including information that may be subject to confidentiality obligations in favor of such Person) and acknowledge that the Administrative Agent shall be under no obligation to provide such information to them.

Section 11.3. Approvals of Lenders.

All communications from the Administrative Agent to any Lender requesting such Lender’s determination, consent, approval or disapproval (a) shall be given in the form of a written notice to such Lender, (b) shall be accompanied by a description of the matter or issue as to which such determination, approval, consent or disapproval is requested, or shall advise such Lender where information, if any, regarding such matter or issue may be inspected, or shall otherwise describe the matter or issue to be resolved, and (c) shall include, if reasonably requested by such Lender and to the extent not previously provided to such

Lender, written materials provided to the Administrative Agent by the Borrower in respect of the matter or issue to be resolved. Unless a Lender shall give written notice to the Administrative Agent that it specifically objects to the requested determination, consent, approval or disapproval ~~(together with a reasonable written explanation of the reasons behind such objection)~~ within fifteen (15) Business Days (or such lesser or greater period as may be specifically required under the express terms of the Loan Documents) of receipt of such communication, such Lender shall be deemed to have conclusively provided such requested determination, consent, approval or disapproval; provided, however, that this sentence shall not apply to amendments, waivers or consents that require the written consent of each Lender directly and adversely affected thereby pursuant to Section 12.6.(~~b-c~~).

Section 11.4. Notice of Events of Default.

The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of a Default or Event of Default unless the Administrative Agent has received notice from a Lender or the Borrower referring to this Agreement, describing with reasonable specificity such Default or Event of Default and stating that such notice is a “notice of default.” If any Lender (excluding the Lender which is also serving as the Administrative Agent) becomes aware of any Default or Event of Default, it shall promptly send to the Administrative Agent such a “notice of default”; provided, a Lender’s failure to provide such a “notice of default” to the Administrative Agent shall not result in any liability of such Lender to any other party under any of the Loan Documents. Further, if the Administrative Agent receives such a “notice of default,” the Administrative Agent shall give prompt notice thereof to the Lenders.

Section 11.5. Administrative Agent’s Reliance.

Notwithstanding any other provisions of this Agreement or any other Loan Documents, neither the Administrative Agent nor any of its Related Parties shall be liable for any action taken or not taken by it under or in connection with this Agreement or any other Loan Document, except for its or their own gross negligence or willful misconduct in connection with its duties expressly set forth herein or therein as determined by a court of competent jurisdiction in a final non-appealable judgment. Without limiting the generality of the foregoing, the Administrative Agent may consult with legal counsel (including its own counsel or counsel for the Borrower or any other Loan Party), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts. Neither the Administrative Agent nor any of its Related Parties: (a) makes any warranty or representation to any Lender or any other Person, or shall be responsible to any Lender or any other Person for any statement, warranty or representation made or deemed made by the Borrower, any other Loan Party or any other Person in or in connection with this Agreement or any other Loan Document; (b) shall have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement or any other Loan Document or the satisfaction of any conditions precedent under this Agreement or any Loan Document on the part of the Borrower or other Persons, or to inspect the property, books or records of the Borrower or any other Person; (c) shall be responsible to any Lender for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other Loan Document, any other instrument or document furnished pursuant thereto or any collateral covered thereby or the perfection or priority of any Lien in favor of the Administrative Agent on behalf of the Lenders and the Specified Derivatives Providers in any such collateral; (d) shall have any liability in respect of any recitals, statements, certifications, representations or warranties contained in any of the Loan Documents or any other document, instrument, agreement, certificate or statement delivered in connection therewith; and (e) shall incur any liability under or in respect of this Agreement or any other Loan Document by acting upon any notice, consent, certificate or other instrument or writing (which may be by telephone, telecopy or electronic mail) believed by it to be

genuine and signed, sent or given by the proper party or parties. The Administrative Agent may execute any of its duties under the Loan Documents by or through agents, employees or attorneys-in-fact and shall not be responsible for the negligence or misconduct of any agent or attorney-in-fact that it selects in the absence of gross negligence or willful misconduct in the selection of such agent or attorney-in-fact as determined by a court of competent jurisdiction in a final non-appealable judgment.

Section 11.6. Indemnification of Administrative Agent.

Each Lender agrees to indemnify the Administrative Agent (to the extent not reimbursed by the Borrower and without limiting the obligation of the Borrower to do so) pro rata in accordance with such Lender's respective Credit Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, reasonable out-of-pocket costs and expenses of any kind or nature whatsoever which may at any time be imposed on, incurred by, or asserted against the Administrative Agent (in its capacity as Administrative Agent but not as a Lender) in any way relating to or arising out of the Loan Documents, any transaction contemplated hereby or thereby or any action taken or omitted by the Administrative Agent under the Loan Documents (collectively, "Indemnifiable Amounts"); provided, however, that no Lender shall be liable for any portion of such Indemnifiable Amounts to the extent resulting from the Administrative Agent's gross negligence or willful misconduct as determined by a court of competent jurisdiction in a final, non-appealable judgment; provided, however, that no action taken in accordance with the directions of the Requisite Lenders (or all of the Lenders, if expressly required hereunder) shall be deemed to constitute gross negligence or willful misconduct for purposes of this Section. Without limiting the generality of the foregoing, each Lender agrees to reimburse the Administrative Agent (to the extent not reimbursed by the Borrower and without limiting the obligation of the Borrower to do so) promptly upon demand for its Credit Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of any out-of-pocket expenses (including the reasonable fees and expenses of the counsel to the Administrative Agent) incurred by the Administrative Agent in connection with the preparation, negotiation, execution, administration, or enforcement (whether through negotiations, legal proceedings, or otherwise) of, or legal advice with respect to the rights or responsibilities of the parties under, the Loan Documents, any suit or action brought by the Administrative Agent to enforce the terms of the Loan Documents and/or collect any Obligations, any "lender liability" suit or claim brought against the Administrative Agent and/or the Lenders, and any claim or suit brought against the Administrative Agent and/or the Lenders arising under any Environmental Laws. Such out-of-pocket expenses (including counsel fees) shall be advanced by the Lenders on the request of the Administrative Agent notwithstanding any claim or assertion that the Administrative Agent is not entitled to indemnification hereunder upon receipt of an undertaking by the Administrative Agent that the Administrative Agent will reimburse the Lenders if it is actually and finally determined by a court of competent jurisdiction that the Administrative Agent is not so entitled to indemnification. The agreements in this Section shall survive the payment of the Loans and all other amounts payable hereunder or under the other Loan Documents and the termination of this Agreement. If the Borrower shall reimburse the Administrative Agent for any Indemnifiable Amount following payment by any Lender to the Administrative Agent in respect of such Indemnifiable Amount pursuant to this Section, the Administrative Agent shall share such reimbursement on a ratable basis with each Lender making any such payment.

Section 11.7. Lender Credit Decision, Etc.

Each of the Lenders expressly acknowledges and agrees that neither the Administrative Agent nor any of its Related Parties has made any representations or warranties to such Lender and that no act by the Administrative Agent hereafter taken, including any review of the affairs of the Borrower, any other Loan

Party or any other Subsidiary or Affiliate, shall be deemed to constitute any such representation or warranty by the Administrative Agent to any Lender. Each of the Lenders acknowledges that it has made its own credit and legal analysis and decision to enter into this Agreement and the transactions contemplated hereby, independently and without reliance upon the Administrative Agent, any other Lender or counsel to the Administrative Agent, or any of their respective Related Parties, and based on the financial statements of the Borrower, the other Loan Parties, the other Subsidiaries and other Affiliates, and inquiries of such Persons, its independent due diligence of the business and affairs of the Borrower, the other Loan Parties, the other Subsidiaries and other Persons, its review of the Loan Documents, the legal opinions required to be delivered to it hereunder, the advice of its own counsel and such other documents and information as it has deemed appropriate. Each of the Lenders also acknowledges that it will, independently and without reliance upon the Administrative Agent, any other Lender or counsel to the Administrative Agent or any of their respective Related Parties, and based on such review, advice, documents and information as it shall deem appropriate at the time, continue to make its own decisions in taking or not taking action under the Loan Documents. The Administrative Agent shall not be required to keep itself informed as to the performance or observance by the Borrower or any other Loan Party of the Loan Documents or any other document referred to or provided for therein or to inspect the properties or books of, or make any other investigation of, the Borrower, any other Loan Party or any other Subsidiary. Except for notices, reports and other documents and information expressly required to be furnished to the Lenders by the Administrative Agent under this Agreement or any of the other Loan Documents or furnished to the Administrative Agent for distribution to the Lenders, the Administrative Agent shall have no duty or responsibility to provide any Lender with any credit or other information concerning the business, operations, property, financial and other condition or creditworthiness of the Borrower, any other Loan Party or any other Affiliate thereof which may come into possession of the Administrative Agent or any of its Related Parties. Each of the Lenders acknowledges that the Administrative Agent's legal counsel in connection with the transactions contemplated by this Agreement is only acting as counsel to the Administrative Agent and is not acting as counsel to any Lender.

Section 11.8. Successor Administrative Agent.

The Administrative Agent may (a) resign at any time as Administrative Agent under the Loan Documents by giving written notice thereof to the Lenders and the Borrower or (b) be removed as Administrative Agent by all of the Lenders (excluding the Lender then acting as Administrative Agent) and the Borrower upon 30 days' prior written notice if the Administrative Agent is found by a court of competent jurisdiction in a final, non-appealable judgment to have committed gross negligence or willful misconduct in the course of performing its duties hereunder. Upon any such resignation or removal, the Requisite Lenders shall have the right to appoint a successor Administrative Agent which appointment shall, provided no Default or Event of Default exists, be subject to the Borrower's approval, which approval shall not be unreasonably withheld or delayed (except that the Borrower shall, in all events, be deemed to have approved each Lender and any of its Affiliates as a successor Administrative Agent). If no successor Administrative Agent shall have been so appointed in accordance with the immediately preceding sentence, and shall have accepted such appointment, within 30 days after the current Administrative Agent's giving of notice of resignation or giving of notice of removal of the Administrative Agent, then the current Administrative Agent may, on behalf of the Lenders, appoint a successor Administrative Agent, which shall be a Lender, if any Lender shall be willing to serve, and otherwise shall be an Eligible Assignee; provided that if the Administrative Agent shall notify the Borrower and the Lenders that no Lender has accepted such appointment, then such resignation or removal shall nonetheless become effective in accordance with such notice and (1) the Administrative Agent shall be discharged from its duties and obligations hereunder and under the other Loan Documents and (2) all payments, communications and determinations provided to be made by, to or through the Administrative Agent shall instead be made to each Lender directly, until such time as a successor Administrative Agent has been appointed as provided for above in this Section; provided, further that such

Lenders so acting directly shall be and be deemed to be protected by all indemnities and other provisions herein for the benefit and protection of the Administrative Agent as if each such Lender were itself the Administrative Agent. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the current Administrative Agent, and the current Administrative Agent shall be discharged from its duties and obligations under the Loan Documents. After any Administrative Agent's resignation hereunder as Administrative Agent, the provisions of this Article XI. shall continue to inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under the Loan Documents. Notwithstanding anything contained herein to the contrary, the Administrative Agent may assign its rights and duties under the Loan Documents to any of its Affiliates by giving the Borrower and each Lender prior written notice.

Section 11.9. Titled Agents.

Each of the Lead Arrangers, the Syndication Agent and the Documentation Agents (each a "Titled Agent") in each such respective capacity, assumes no responsibility or obligation hereunder, including, without limitation, for servicing, enforcement or collection of any of the Loans, nor any duties as an agent hereunder for the Lenders. The titles given to the Titled Agents are solely honorific and imply no fiduciary responsibility on the part of the Titled Agents to the Administrative Agent, any Lender, the Borrower or any other Loan Party and the use of such titles does not impose on the Titled Agents any duties or obligations greater than those of any other Lender or entitle the Titled Agents to any rights other than those to which any other Lender is entitled.

ARTICLE XII. MISCELLANEOUS

Section 12.1. Notices.

Unless otherwise provided herein (including without limitation as provided in Section 8.5.), communications provided for hereunder shall be in writing and shall be mailed, telecopied, or delivered as follows:

If to the Borrower:

Senior Housing Properties Trust
Two Newton Place
255 Washington Street, Suite 300
Newton, Massachusetts 02458-1634
Attention: Chief Financial Officer
Telecopy Number: (617) 219-8349
Telephone Number: (617) 796-8350

If to the Administrative Agent:

Wells Fargo Bank, National Association
10 South Wacker Drive, 32nd Floor
Chicago, IL 60606
Attn: Karen Skutt
Telecopier: (312) 782-0969
Telephone: (312) 269-4809

and

Wells Fargo Bank, National Association
550 South Tryon Street
Charlotte, North Carolina 28202
Attn: Kristen Ray
Telecopier: 704-410-0329
Telephone: 704-410-1772

If to the Administrative Agent under Article II.:

Wells Fargo Bank, National Association
Minneapolis Loan Center
600 South 4th Street, 9th Floor
Minneapolis, Minnesota 55415
Attn: Anthony Gangelhoff
Telecopier: (877) 410-5023
Telephone: (612) 316-0109

If to any other Lender:

To such Lender's address or telecopy number as set forth in the applicable Administrative Questionnaire

or, as to each party at such other address as shall be designated by such party in a written notice to the other parties delivered in compliance with this Section; provided, a Lender shall only be required to give notice of any such other address to the Administrative Agent and the Borrower. All such notices and other communications shall be effective (i) if mailed, upon the first to occur of receipt or the expiration of three (3) days after the deposit in the United States Postal Service mail, postage prepaid and addressed to the address of the Borrower or the Administrative Agent and Lenders at the addresses specified; (ii) if telecopied, when transmitted; (iii) if hand delivered or sent by overnight courier, when delivered; or (iv) if delivered in accordance with Section 8.5. to the extent applicable; provided, however, that, in the case of the immediately preceding clauses (i), (ii) and (iii), non-receipt of any communication as of the result of any change of address of which the sending party was not notified or as the result of a refusal to accept delivery shall be deemed receipt of such communication. Notwithstanding the immediately preceding sentence, all notices or communications to the Administrative Agent or any Lender under Article II. shall be effective only when actually received. None of the Administrative Agent or any Lender shall incur any liability to any Loan Party (nor shall the Administrative Agent incur any liability to the Lenders) for acting upon any telephonic notice referred to in this Agreement which the Administrative Agent or such Lender, as the case may be, believes in good faith to have been given by a Person authorized to deliver such notice or for otherwise acting in good faith hereunder. Failure of a Person designated to get a copy of a notice to receive such copy shall not affect the validity of notice properly given to another Person.

Section 12.2. Expenses.

The Borrower agrees (a) to pay or reimburse the Administrative Agent for all of its reasonable out-of-pocket costs and expenses incurred in connection with the preparation, negotiation and execution of, and any amendment, supplement or modification to, any of the Loan Documents (including due diligence expense

and reasonable travel expenses related to closing), and the consummation of the transactions contemplated hereby and thereby, including the reasonable fees and disbursements of counsel to the Administrative Agent and all costs and expenses of the Administrative Agent in connection with the use of IntraLinks, SyndTrak or other similar information transmission systems in connection with the Loan Documents, (b) to pay or reimburse the Administrative Agent and the Lenders for all their reasonable costs and expenses incurred in connection with the enforcement or preservation of any rights under the Loan Documents and the Fee Letter, including the reasonable fees and disbursements of their respective counsel (including the allocated fees and expenses of in-house counsel) and any payments in indemnification or otherwise payable by the Lenders to the Administrative Agent pursuant to the Loan Documents, (c) to pay, and indemnify and hold harmless the Administrative Agent and the Lenders from, any and all recording and filing fees and any and all liabilities with respect to, or resulting from any failure to pay or delay in paying, documentary, stamp, excise and other similar taxes, if any, which may be payable or determined to be payable in connection with the execution and delivery of any of the Loan Documents, or consummation of any amendment, supplement or modification of, or any waiver or consent under or in respect of, any Loan Document and (d) to the extent not already covered by any of the preceding subsections, to pay or reimburse the fees and disbursements of counsel to the Administrative Agent and any Lender incurred in connection with the representation of the Administrative Agent or such Lender in any matter relating to or arising out of any bankruptcy or other proceeding of the type described in Sections 10.1.(e) or 10.1.(f), including, without limitation (i) any motion for relief from any stay or similar order, (ii) the negotiation, preparation, execution and delivery of any document relating to the Obligations and (iii) the negotiation and preparation of any debtor-in-possession financing or any plan of reorganization of the Borrower or any other Loan Party, whether proposed by the Borrower, such Loan Party, the Lenders or any other Person, and whether such fees and expenses are incurred prior to, during or after the commencement of such proceeding or the confirmation or conclusion of any such proceeding. If the Borrower shall fail to pay any amounts required to be paid by it pursuant to this Section, the Administrative Agent and/or the Lenders may pay such amounts on behalf of the Borrower and such amounts shall be deemed to be Obligations owing hereunder.

Section 12.3. Setoff.

Subject to Section 3.3. and in addition to any rights now or hereafter granted under Applicable Law and not by way of limitation of any such rights, the Borrower hereby authorizes the Administrative Agent, each Lender, each Affiliate of the Administrative Agent or any Lender, and each Participant, at any time or from time to time while an Event of Default exists, without notice to the Borrower or to any other Person, any such notice being hereby expressly waived, but in the case of a Lender, an Affiliate of a Lender, or a Participant, subject to receipt of the prior written consent of the Requisite Lenders exercised in their sole discretion, to set off and to appropriate and to apply any and all deposits (general or special, including, but not limited to, indebtedness evidenced by certificates of deposit, whether matured or unmatured) and any other indebtedness at any time held or owing by the Administrative Agent, such Lender, any Affiliate of the Administrative Agent or such Lender, or such Participant, to or for the credit or the account of the Borrower against and on account of any of the Obligations, irrespective of whether or not any or all of the Loans and all other Obligations have been declared to be, or have otherwise become, due and payable as permitted by Section 10.2., and although such Obligations shall be contingent or unmatured. Notwithstanding anything to the contrary in this Section, if any Defaulting Lender shall exercise any such right of setoff, (x) all amounts so set off shall be paid over immediately to the Administrative Agent for further application in accordance with the provisions of Section 3.9. and, pending such payment, shall be segregated by such Defaulting Lender from its other funds and deemed held in trust for the benefit of the Administrative Agent and the Lenders and (y) such Defaulting Lender shall provide promptly to the Administrative Agent a statement describing in reasonable detail the Obligations owing to such Defaulting Lender as to which it exercised such right of setoff.

Section 12.4. Litigation; Jurisdiction; Other Matters; Waivers.

(a) EACH PARTY HERETO ACKNOWLEDGES THAT ANY DISPUTE OR CONTROVERSY BETWEEN OR AMONG THE BORROWER, THE ADMINISTRATIVE AGENT OR ANY OF THE LENDERS WOULD BE BASED ON DIFFICULT AND COMPLEX ISSUES OF LAW AND FACT AND WOULD RESULT IN DELAY AND EXPENSE TO THE PARTIES. ACCORDINGLY, TO THE EXTENT PERMITTED BY APPLICABLE LAW, EACH OF THE LENDERS, THE ADMINISTRATIVE AGENT AND THE BORROWER HEREBY WAIVES ITS RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING OF ANY KIND OR NATURE IN ANY COURT OR TRIBUNAL IN WHICH AN ACTION MAY BE COMMENCED BY OR AGAINST ANY PARTY HERETO ARISING OUT OF THIS AGREEMENT, ANY OTHER LOAN DOCUMENT OR THE FEE LETTER OR BY REASON OF ANY OTHER SUIT, CAUSE OF ACTION OR DISPUTE WHATSOEVER BETWEEN OR AMONG THE BORROWER, THE ADMINISTRATIVE AGENT OR ANY OF THE LENDERS OF ANY KIND OR NATURE RELATING TO ANY OF THE LOAN DOCUMENTS.

(b) THE BORROWER IRREVOCABLY AND UNCONDITIONALLY AGREES THAT IT WILL NOT COMMENCE ANY ACTION, LITIGATION OR PROCEEDING OF ANY KIND OR DESCRIPTION, WHETHER IN LAW OR EQUITY, WHETHER IN CONTRACT OR IN TORT OR OTHERWISE, AGAINST THE ADMINISTRATIVE AGENT, ANY LENDER OR ANY RELATED PARTY OF THE FOREGOING IN ANY WAY RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS RELATING HERETO OR THERETO, IN ANY FORUM OTHER THAN THE COURTS OF THE STATE OF NEW YORK SITTING IN NEW YORK COUNTY, AND OF THE UNITED STATES DISTRICT COURT OF THE SOUTHERN DISTRICT OF NEW YORK, AND ANY APPELLATE COURT FROM ANY THEREOF, AND EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY SUBMITS TO THE JURISDICTION OF SUCH COURTS AND AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION, LITIGATION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE COURT OR, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, IN SUCH FEDERAL COURT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION, LITIGATION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS AGREEMENT OR IN ANY OTHER LOAN DOCUMENT SHALL AFFECT ANY RIGHT THAT THE ADMINISTRATIVE AGENT OR ANY LENDER MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AGAINST THE BORROWER OR ANY OTHER LOAN PARTY OR ITS PROPERTIES IN THE COURTS OF ANY JURISDICTION. EACH PARTY FURTHER WAIVES ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE VENUE OF ANY SUCH ACTION OR PROCEEDING IN ANY SUCH COURT OR THAT SUCH ACTION OR PROCEEDING WAS BROUGHT IN AN INCONVENIENT FORUM AND EACH AGREES NOT TO PLEAD OR CLAIM THE SAME. THE CHOICE OF FORUM SET FORTH IN THIS SECTION SHALL NOT BE DEEMED TO PRECLUDE THE BRINGING OF ANY ACTION BY THE ADMINISTRATIVE AGENT OR ANY LENDER OR THE ENFORCEMENT BY THE ADMINISTRATIVE AGENT OR ANY LENDER OF ANY JUDGMENT OBTAINED IN SUCH FORUM IN ANY OTHER APPROPRIATE JURISDICTION.

(c) THE PROVISIONS OF THIS SECTION HAVE BEEN CONSIDERED BY EACH PARTY WITH THE ADVICE OF COUNSEL AND WITH A FULL UNDERSTANDING OF THE LEGAL CONSEQUENCES THEREOF, AND SHALL SURVIVE THE PAYMENT OF THE LOANS AND ALL

OTHER AMOUNTS PAYABLE HEREUNDER OR UNDER THE OTHER LOAN DOCUMENTS AND THE TERMINATION OF THIS AGREEMENT.

Section 12.5. Successors and Assigns.

(a) Successors and Assigns Generally. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that neither the Borrower nor any other Loan Party may assign or otherwise transfer any of its rights or obligations hereunder or under any other Loan Document without the prior written consent of the Administrative Agent and each Lender and no Lender may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an Eligible Assignee in accordance with the provisions of the immediately following subsection (b), (ii) by way of participation in accordance with the provisions of the immediately following subsection (d) or (iii) by way of pledge or assignment of a security interest subject to the restrictions of the immediately following subsection (f) (and, subject to the last sentence of the immediately following subsection (b), any other attempted assignment or transfer by any party hereto shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in the immediately following subsection (d) and, to the extent expressly contemplated hereby, the Related Parties of the Administrative Agent and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Assignments by Lenders. Any Lender may at any time assign to one or more Eligible Assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it); provided that any such assignment shall be subject to the following conditions:

(i) Minimum Amounts.

(A) in the case of an assignment of the entire remaining amount of an assigning Lender's Commitment and the Loans at the time owing to it, or in the case of an assignment to a Lender, an Affiliate of a Lender or an Approved Fund, no minimum amount need be assigned; and

(B) in any case not described in the immediately preceding subsection (A), the aggregate amount of the Commitment (which for this purpose includes Loans outstanding thereunder) or, if the applicable Commitment is not then in effect, the principal outstanding balance of the Loans of the assigning Lender subject to each such assignment (in each case, determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent or, if "Trade Date" is specified in the Assignment and Assumption, as of the Trade Date) shall not be less than \$5,000,000, unless each of the Administrative Agent and, so long as no Default or Event of Default shall exist, the Borrower otherwise consents (each such consent not to be unreasonably withheld or delayed); provided, however, that if, after giving effect to such assignment, the amount of the Commitment held by such assigning Lender or the outstanding principal balance of the Loans of such assigning Lender, as applicable, would be less than \$5,000,000, then such assigning Lender shall assign the entire amount of its Commitment and the Loans at the time owing to it.

(ii) Proportionate Amounts. Each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement with respect to the Loan or the Commitment assigned.

(iii) Required Consents. No consent shall be required for any assignment except to the extent required by clause (i)(B) of this subsection (b) and, in addition:

(A) the consent of the Borrower (such consent not to be unreasonably withheld or delayed) shall be required unless (x) a Default or Event of Default shall exist at the time of such assignment or (y) such assignment is to a Lender, an Affiliate of a Lender or an Approved Fund; provided that the Borrower shall be deemed to have consented to any such assignment unless it shall object thereto by written notice to the Administrative Agent within 5 Business Days after having received notice thereof; and

(B) the consent of the Administrative Agent (such consent not to be unreasonably withheld or delayed) shall be required for assignments in respect of a Commitment if such assignment is to a Person that is not already a Lender with a Commitment, an Affiliate of such a Lender or an Approved Fund with respect to such a Lender.

(iv) Assignment and Assumption; Notes. The parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee of \$4,500 for each assignment (which fee the Administrative Agent may, in its sole discretion, elect to waive), and the assignee, if it is not a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire. If requested by the transferor Lender or the assignee, upon the consummation of any assignment, the transferor Lender, the Administrative Agent and the Borrower shall make appropriate arrangements so that new Notes are issued to the assignee and such transferor Lender, as appropriate.

(v) No Assignment to Certain Persons. No such assignment shall be made to (A) the Borrower or any of the Borrower's Affiliates or Subsidiaries or (B) to any Defaulting Lender or any of its Subsidiaries, or to any Person who, upon becoming a Lender hereunder, would constitute any of the foregoing Persons described in this clause (B).

(vi) No Assignment to Natural Persons. No such assignment shall be made to a natural person.

(vii) Certain Additional Payments. In connection with any assignment of rights and obligations of any Defaulting Lender hereunder, no such assignment shall be effective unless and until, in addition to the other conditions thereto set forth herein, the parties to such assignment shall make such additional payments to the Administrative Agent in an aggregate amount sufficient, upon distribution thereof as appropriate (which may be outright payment, purchases by the assignee of participations or subparticipations, or other compensating actions, including funding, with the consent of the Borrower and the Administrative Agent, the applicable amount of the Loan previously requested but not funded by the Defaulting Lender, to each of which the applicable assignee and assignor hereby irrevocably consent), to pay and satisfy in full all payment liabilities then owed by such Defaulting Lender to the Administrative Agent and each Lender hereunder (and interest accrued thereon). Notwithstanding the foregoing, in the event that any assignment of rights and obligations of any Defaulting Lender hereunder shall become effective under Applicable Law without

compliance with the provisions of this paragraph, then the assignee of such interest shall be deemed to be a Defaulting Lender for all purposes of this Agreement until such compliance occurs.

Subject to acceptance and recording thereof by the Administrative Agent pursuant to the immediately following subsection (c), from and after the effective date specified in each Assignment and Assumption, the assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto) but shall continue to be entitled to the benefits of Sections 3.10., 4.1., 4.4., 12.2. and 12.9. and the other provisions of this Agreement and the other Loan Documents as provided in Section 12.10. with respect to facts and circumstances occurring prior to the effective date of such assignment; provided, that except to the extent otherwise expressly agreed by the affected parties, no assignment by a Defaulting Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender having been a Defaulting Lender. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this paragraph shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with the immediately following subsection (d).

(c) Register. The Administrative Agent, acting solely for this purpose as a non-fiduciary agent of the Borrower, shall maintain at the Principal Office a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amounts (and stated rates) of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive absent manifest error, and the Borrower, the Administrative Agent and the Lenders shall treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(d) Participations. Any Lender may at any time, without the consent of, or notice to, the Borrower, any other Lender or the Administrative Agent, sell participations to any Person (other than a natural person or the Borrower or any of the Borrower's Affiliates or Subsidiaries or a Defaulting Lender) (each, a "Participant") in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of its Commitment and/or the Loans owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrower, the Administrative Agent and the Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver of any provision of any Loan Document that (w) increases such Lender's Commitment or reduces the principal of any such Lender's Loan, in each case, in which such Participant has a participation, (x) extends the date fixed for the payment of principal on the Loans or portions thereof owing to such Lender, (y) reduces the rate at which interest is payable thereon or (z) releases any Guarantor from its Obligations under the Guaranty except as contemplated by Section 7.13.(b), in each case, as applicable to that portion of such Lender's rights and/or obligations that are subject to the participation. The Borrower agrees that each Participant shall be entitled to the benefits

of Sections 3.10., 4.1., 4.4. (subject to the requirements and limitations therein, including the requirements under Section 3.10.(f) (it being understood that the documentation required under Section 3.10.(f) shall be delivered to the participating Lender)) to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to subsection (b) of this Section; provided that such Participant (A) agrees to be subject to the provisions of Section 4.6. as if it were an assignee under subsection (b) of this Section; and (B) shall not be entitled to receive any greater payment under Sections 4.1. or 3.10., with respect to any participation, than its participating Lender would have been entitled to receive, except to the extent such entitlement to receive a greater payment results from a Regulatory Change that occurs after the Participant acquired the applicable participation. Each Lender that sells a participation agrees, at the Borrower's request and expense, to use reasonable efforts to cooperate with the Borrower to effectuate the provisions of Section 4.6. with respect to any Participant. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 12.3. as though it were a Lender; provided that such Participant agrees to be subject to Section 3.3. as though it were a Lender. Each Lender that sells a participation shall, acting solely for this purpose as a non-fiduciary agent of the Borrower, maintain a register on which it enters the name and address of each Participant and the principal amounts (and stated interest) of each Participant's interest in the Loans or other obligations under the Loan Documents (the "Participant Register"); provided that no Lender shall have any obligation to disclose all or any portion of the Participant Register (including the identity of any Participant or any information relating to a Participant's interest in any commitments, loans or its other obligations under any Loan Document) to any Person except to the extent that such disclosure is necessary to establish that such commitment, loan or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary. For the avoidance of doubt, the Administrative Agent (in its capacity as Administrative Agent) shall have no responsibility for maintaining a Participant Register.

(e) Certain Pledges. Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank; provided that no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

(f) No Registration. Each Lender agrees that, without the prior written consent of the Borrower and the Administrative Agent, it will not make any assignment hereunder in any manner or under any circumstances that would require registration or qualification of, or filings in respect of, any Loan or Note under the Securities Act or any other securities laws of the United States of America or of any other jurisdiction.

(g) USA Patriot Act Notice; Compliance. In order for the Administrative Agent to comply with "know your customer" and anti-money laundering rules and regulations, including without limitation, the Patriot Act, prior to any Lender that is organized under the laws of a jurisdiction outside of the United States of America becoming a party hereto, the Administrative Agent may request, and such Lender shall provide to the Administrative Agent, its name, address, tax identification number and/or such other identification information as shall be necessary for the Administrative Agent to comply with federal law.

Section 12.6. Amendments and Waivers.

(a) Generally. Except as otherwise expressly provided in this Agreement, (i) any consent or approval required or permitted by this Agreement or any other Loan Document to be given by the Lenders

may be given, (ii) any term of this Agreement or of any other Loan Document may be amended, (iii) the performance or observance by the Borrower, any other Loan Party or any other Subsidiary of any terms of this Agreement or such other Loan Document may be waived, and (iv) the continuance of any Default or Event of Default may be waived (either generally or in a particular instance and either retroactively or prospectively) with, but only with, the written consent of the Requisite Lenders (or the Administrative Agent at the written direction of the Requisite Lenders), and, in the case of an amendment to any Loan Document, the written consent of each Loan Party which is party thereto.

(b) ~~Certain Lender Consents~~. Notwithstanding the foregoing, no amendment, waiver or consent shall, unless in writing, and signed by Lenders having at least 66-2/3% of the aggregate amount of the Commitments of all Lenders, or if the Commitments have been terminated or reduced to zero, Lenders holding at least 66-2/3% of the principal amount of the aggregate outstanding Loans, do any of the following: [Intentionally Omitted].

~~(i) amend any of the financial covenants set forth in Section 9.1. or any of the definitions related thereto, waive the performance or observance of any of the financial covenants set forth in Section 9.1. or waive any Default or Event of Default resulting from a breach of any of the financial covenants set forth in Section 9.1.; or~~

~~(ii) amend Section 10.1.(l) or any of the definitions related thereto, or waive any Default or Event of Default occurring under such Section.~~

(c) Consent of Lenders Directly Affected. In addition to the foregoing requirements, no amendment, waiver or consent shall:

(i) increase (or reinstate) the Commitment of a Lender (excluding any increase as a result of an assignment of Commitments permitted under Section 12.5.) or subject such Lender to any additional obligations without the written consent of such Lender;

(ii) reduce the principal of, or interest that has accrued or the rates of interest that will be charged on the outstanding principal amount of, any Loans or other Obligations without the written consent of each Lender directly affected thereby; provided, however, only the written consent of the Requisite Lenders shall be required for the waiver of interest payable at the Post-Default Rate, retraction of the imposition of interest at the Post-Default Rate and amendment of the definition of “Post-Default Rate”;

(iii) reduce the amount of any Fees payable to a Lender without the written consent of such Lender;

(iv) modify the definition of “Termination Date”, or otherwise postpone any date fixed for, or forgive, any payment of principal of, or interest on, any Loans or for the payment of any other Obligations owing to the Lenders, in each case, without the written consent of each Lender;

(v) modify the definition of “Credit Percentage” or amend or otherwise modify the provisions of Section 3.2. without the written consent of each Lender;

(vi) amend this Section or amend any of the other definitions of the terms used in this Agreement or the other Loan Documents insofar as such definitions affect the substance of this Section without the written consent of each Lender;

(vii) modify the definition of the term “Requisite Lenders” or modify in any other manner the number or percentage of the Lenders required to make any determinations or waive any rights hereunder or to modify any provision hereof without the written consent of each Lender;

(viii) release any Guarantor from its obligations under the Guaranty except as contemplated by Section 7.13.(b) without the written consent of each Lender;

(ix) waive a Default or Event of Default under Section 10.1.(a) without the written consent of each Lender; or

(x) amend, or waive the Borrower’s compliance with, Section 2.14. without the written consent of each Lender.

(d) Amendment of Administrative Agent’s Duties, Etc. No amendment, waiver or consent unless in writing and signed by the Administrative Agent, in addition to the Lenders required hereinabove to take such action, shall affect the rights or duties of the Administrative Agent under this Agreement or any of the other Loan Documents. Notwithstanding anything to the contrary herein, no Defaulting Lender shall have any right to approve or disapprove any amendment, waiver or consent hereunder (and any amendment, waiver or consent which by its terms requires the consent of all Lenders or each affected Lender may be effected with the consent of the applicable Lenders other than Defaulting Lenders), except that (x) the Commitment of a Defaulting Lender may not be increased, reinstated or extended without the written consent of such Defaulting Lender and (y) any waiver, amendment or modification requiring the consent of all Lenders or each affected Lender that by its terms affects any Defaulting Lender more adversely than other affected Lenders shall require the written consent of such Defaulting Lender. No waiver shall extend to or affect any obligation not expressly waived or impair any right consequent thereon and any amendment, waiver or consent shall be effective only in the specific instance and for the specific purpose set forth therein. No course of dealing or delay or omission on the part of the Administrative Agent or any Lender in exercising any right shall operate as a waiver thereof or otherwise be prejudicial thereto. Any Event of Default occurring hereunder shall continue to exist until such time as such Event of Default is waived in writing in accordance with the terms of this Section, notwithstanding any attempted cure or other action by the Borrower, any other Loan Party or any other Person subsequent to the occurrence of such Event of Default. Except as otherwise explicitly provided for herein or in any other Loan Document, no notice to or demand upon the Borrower shall entitle the Borrower to other or further notice or demand in similar or other circumstances.

(e) Technical Amendments. Notwithstanding anything to the contrary in this Section 12.6., if the Administrative Agent and the Borrower have jointly identified an ambiguity, omission, mistake or defect in any provision of this Agreement or an inconsistency between provisions of this Agreement, the Administrative Agent and the Borrower shall be permitted to amend such provision or provisions to cure such ambiguity, omission, mistake, defect or inconsistency so long as to do so would not adversely affect the interests of the Lenders. Any such amendment shall become effective without any further action or consent of any of other party to this Agreement and the Administrative Agent will provide a copy of such amendment to the Lenders.

Section 12.7. Nonliability of Administrative Agent and Lenders.

The relationship between the Borrower, on the one hand, and the Lenders and the Administrative Agent, on the other hand, shall be solely that of borrower and lender. None of the Administrative Agent or any Lender shall have any fiduciary responsibilities to the Borrower and no provision in this Agreement or in any of the other Loan Documents, and no course of dealing between or among any of the parties hereto,

shall be deemed to create any fiduciary duty owing by the Administrative Agent or any Lender to any Lender, the Borrower, any Subsidiary or any other Loan Party. None of the Administrative Agent or any Lender undertakes any responsibility to the Borrower to review or inform the Borrower of any matter in connection with any phase of the Borrower's business or operations.

Section 12.8. Confidentiality.

Except as otherwise provided by Applicable Law, the Administrative Agent and each Lender shall maintain the confidentiality of all Information (as defined below) in accordance with its customary procedure for handling confidential information of this nature and in accordance with safe and sound banking practices but in any event may make disclosure: (a) to its Affiliates and to its and its Affiliates' respective Related Parties (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential); (b) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any actual or proposed assignee, Participant or other transferee in connection with a potential transfer of any Commitment or participation therein as permitted hereunder, or (ii) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to the Borrower and its obligations; (c) as required or requested by any Governmental Authority or representative thereof or pursuant to legal process or in connection with any legal proceedings, or as otherwise required by Applicable Law; (d) to the Administrative Agent's or such Lender's independent auditors and other professional advisors (provided they shall be notified of the confidential nature of the information); (e) in connection with the exercise of any remedies under any Loan Document (or any Specified Derivatives Contract) or any action or proceeding relating to any Loan Document (or any such Specified Derivatives Contract) or the enforcement of rights hereunder or thereunder; (f) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section actually known by the Administrative Agent or such Lender to be a breach of this Section or (ii) becomes available to the Administrative Agent, any Lender or any Affiliate of the Administrative Agent or any Lender on a nonconfidential basis from a source other than the Borrower or any Affiliate of the Borrower; (g) to the extent requested by, or required to be disclosed to, any nationally recognized rating agency or regulatory or similar authority (including any self-regulatory authority, such as the National Association of Insurance Commissioners) having or purporting to have jurisdiction over it; (h) to bank trade publications, such information to consist of deal terms and other information customarily found in such publications; (i) to any other party hereto; and (j) with the consent of the Borrower. Notwithstanding the foregoing, the Administrative Agent and each Lender may disclose any such confidential information, without notice to the Borrower or any other Loan Party, to Governmental Authorities in connection with any regulatory examination of the Administrative Agent or such Lender or in accordance with the regulatory compliance policy of the Administrative Agent or such Lender. As used in this Section, the term "Information" means all information received from the Borrower, any other Loan Party, any other Subsidiary or Affiliate relating to any Loan Party or any of their respective businesses, other than any such information that is available to the Administrative Agent or any Lender on a nonconfidential basis prior to disclosure by the Borrower, any other Loan Party, any other Subsidiary or any Affiliate, provided that, in the case of any such information received from the Borrower, any other Loan Party, any other Subsidiary or any Affiliate after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information. None of the Administrative Agent, the Lenders or any of their respective Related Parties shall be liable to the Borrower or any other Loan Party for any damages arising from the use by others of Information or other materials obtained by electronic transmission, except to the extent resulting from the gross negligence or willful

misconduct of such Person, as determined by a court of competent jurisdiction in a final, non-appealable judgment.

Section 12.9. Indemnification.

(a) The Borrower shall and hereby agrees to indemnify, defend and hold harmless the Administrative Agent, the Lenders, all of the Affiliates of each of the Administrative Agent or any of the Lenders, and their respective Related Parties (each referred to herein as an “Indemnified Party”) from and against any and all of the following (collectively, the “Indemnified Costs”): losses, costs, claims, penalties, damages, liabilities, deficiencies, judgments or expenses of every kind and nature (including, without limitation, amounts paid in settlement, court costs and the fees and disbursements of counsel incurred in connection with any litigation, investigation, claim or proceeding or any advice rendered in connection therewith, but excluding Indemnified Costs indemnification in respect of which is specifically covered by Section 3.10. or 4.1. or expressly excluded from the coverage of such Sections) incurred by an Indemnified Party in connection with, arising out of, or by reason of, any suit, cause of action, claim, arbitration, investigation or settlement, consent decree or other proceeding (the foregoing referred to herein as an “Indemnity Proceeding”) which is in any way related directly or indirectly to: (i) this Agreement or any other Loan Document or the transactions contemplated thereby; (ii) the making of any Loans hereunder; (iii) any actual or proposed use by the Borrower of the proceeds of the Loans; (iv) the Administrative Agent’s or any Lender’s entering into this Agreement; (v) the fact that the Administrative Agent and the Lenders have established the credit facility evidenced hereby in favor of the Borrower; (vi) the fact that the Administrative Agent and the Lenders are creditors of the Borrower and have or are alleged to have information regarding the financial condition, strategic plans or business operations of the Borrower and the Subsidiaries; (vii) the fact that the Administrative Agent and the Lenders are material creditors of the Borrower and are alleged to influence directly or indirectly the business decisions or affairs of the Borrower and the Subsidiaries or their financial condition; (viii) the exercise of any right or remedy the Administrative Agent or the Lenders may have under this Agreement or the other Loan Documents; provided, however, that the Borrower shall not be obligated to indemnify any Indemnified Party for any acts or omissions of such Indemnified Party in connection with matters described in this clause (viii) to the extent arising from the gross negligence or willful misconduct of such Indemnified Party, as determined by a court of competent jurisdiction in a final, non-appealable judgment; (ix) any civil penalty or fine assessed by the OFAC against, and all costs and expenses (including counsel fees and disbursements) incurred in connection with defense thereof by, the Administrative Agent or any Lender as a result of conduct of the Borrower, any other Loan Party or any other Subsidiary that violates a sanction administered or enforced by the OFAC; or (x) any violation or non-compliance by the Borrower or any Subsidiary of any Applicable Law (including any Environmental Law) including, but not limited to, any Indemnity Proceeding commenced by (A) the Internal Revenue Service or state taxing authority or (B) any Governmental Authority or other Person under any Environmental Law, including any Indemnity Proceeding commenced by a Governmental Authority or other Person seeking remedial or other action to cause the Borrower or its Subsidiaries (or its respective properties) (or the Administrative Agent and/or the Lenders as successors to the Borrower) to be in compliance with such Environmental Laws.

(b) The Borrower’s indemnification obligations under this Section shall apply to all Indemnity Proceedings arising out of, or related to, the foregoing whether or not an Indemnified Party is a named party in such Indemnity Proceeding. In this connection, this indemnification shall cover all Indemnified Costs of any Indemnified Party in connection with any deposition of any Indemnified Party or compliance with any subpoena (including any subpoena requesting the production of documents). This indemnification shall, among other things, apply to any Indemnity Proceeding commenced by other creditors of the Borrower or any Subsidiary, any shareholder of the Borrower or any Subsidiary (whether such shareholder(s) are

prosecuting such Indemnity Proceeding in their individual capacity or derivatively on behalf of the Borrower), any account debtor of the Borrower or any Subsidiary or by any Governmental Authority.

(c) This indemnification shall apply to any Indemnity Proceeding arising during the pendency of any bankruptcy proceeding filed by or against the Borrower and/or any Subsidiary.

(d) All out-of-pocket fees and expenses of, and all amounts paid to third-persons by, an Indemnified Party shall be advanced by the Borrower at the request of such Indemnified Party notwithstanding any claim or assertion by the Borrower that such Indemnified Party is not entitled to indemnification hereunder upon receipt of an undertaking by such Indemnified Party that such Indemnified Party will reimburse the Borrower if it is actually and finally determined by a court of competent jurisdiction that such Indemnified Party is not so entitled to indemnification hereunder.

(e) An Indemnified Party may conduct its own investigation and defense of, and may formulate its own strategy with respect to, any Indemnity Proceeding covered by this Section and, as provided above, all Indemnified Costs incurred by such Indemnified Party shall be reimbursed by the Borrower. No action taken by legal counsel chosen by an Indemnified Party in investigating or defending against any such Indemnity Proceeding shall vitiate or in any way impair the obligations and duties of the Borrower hereunder to indemnify and hold harmless each such Indemnified Party; provided, however, that if (i) the Borrower is required to indemnify an Indemnified Party pursuant hereto and (ii) the Borrower has provided evidence reasonably satisfactory to such Indemnified Party that the Borrower has the financial wherewithal to reimburse such Indemnified Party for any amount paid by such Indemnified Party with respect to such Indemnity Proceeding, such Indemnified Party shall not settle or compromise any such Indemnity Proceeding without the prior written consent of the Borrower (which consent shall not be unreasonably withheld or delayed). Notwithstanding the foregoing, an Indemnified Party may settle or compromise any such Indemnity Proceeding without the prior written consent of the Borrower where (x) no monetary relief is sought against such Indemnified Party in such Indemnity Proceeding or (y) there is an allegation of a violation of law by such Indemnified Party.

(f) If and to the extent that the obligations of the Borrower under this Section are unenforceable for any reason, the Borrower hereby agrees to make the maximum contribution to the payment and satisfaction of such obligations which is permissible under Applicable Law.

(g) The Borrower's obligations under this Section shall survive any termination of this Agreement and the other Loan Documents and the payment in full in cash of the Obligations, and are in addition to, and not in substitution of, any of the other obligations set forth in this Agreement or any other Loan Document to which it is a party.

References in this Section to "Lender" or "Lenders" shall be deemed to include such Persons (and their Affiliates) in their capacity as Specified Derivatives Providers.

Section 12.10. Termination; Survival.

This Agreement shall terminate at such time as all Obligations (other than obligations which survive as provided in the following sentence) have been paid and satisfied in full. The indemnities to which the Administrative Agent and the Lenders are entitled under the provisions of Sections 3.10., 4.1., 4.4., 11.6., 12.2. and 12.9. and any other provision of this Agreement and the other Loan Documents, and the provisions of Sections 12.4. and 12.12., shall continue in full force and effect and shall protect the Administrative Agent and the Lenders (i) notwithstanding any termination of this Agreement, or of the other Loan Documents,

against events arising after such termination as well as before and (ii) at all times after any such party ceases to be a party to this Agreement with respect to all matters and events existing on or prior to the date such party ceased to be a party to this Agreement.

Section 12.11. Severability of Provisions.

If any provision of this Agreement or the other Loan Documents shall be determined by a court of competent jurisdiction to be invalid or unenforceable, that provision shall be deemed severed from the Loan Documents, and the validity, legality and enforceability of the remaining provisions shall remain in full force as though the invalid, illegal, or unenforceable provision had never been part of the Loan Documents.

Section 12.12. GOVERNING LAW.

THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS EXECUTED, AND TO BE FULLY PERFORMED, IN SUCH STATE.

Section 12.13. Counterparts.

To facilitate execution, this Agreement and any amendments, waivers, consents or supplements may be executed in any number of counterparts as may be convenient or required (which may be effectively delivered by facsimile, in portable document format ("PDF") or other similar electronic means). It shall not be necessary that the signature of, or on behalf of, each party, or that the signature of all persons required to bind any party, appear on each counterpart. All counterparts shall collectively constitute a single document. It shall not be necessary in making proof of this document to produce or account for more than a single counterpart containing the respective signatures of, or on behalf of, each of the parties hereto.

Section 12.14. Obligations with Respect to Loan Parties.

The obligations of the Borrower to direct or prohibit the taking of certain actions by the other Loan Parties as specified herein shall be absolute and not subject to any defense the Borrower may have that the Borrower does not control such Loan Parties.

Section 12.15. Independence of Covenants.

All covenants hereunder shall be given in any jurisdiction independent effect so that if a particular action or condition is not permitted by any of such covenants, the fact that it would be permitted by an exception to, or be otherwise within the limitations of, another covenant shall not avoid the occurrence of a Default or an Event of Default if such action is taken or condition exists.

Section 12.16. Limitation of Liability.

None of the Administrative Agent, any Lender or any of their respective Related Parties shall have any liability with respect to, and the Borrower hereby waives, releases, and agrees not to sue any of them upon, any claim for any special, indirect, incidental, or consequential damages suffered or incurred by the Borrower in connection with, arising out of, or in any way related to, this Agreement, any of the other Loan Documents or the Fee Letter, or any of the transactions contemplated by this Agreement or any of the other Loan Documents. The Borrower hereby waives, releases, and agrees not to sue the Administrative Agent, any Lender or any of their respective Related Parties for punitive damages in respect of any claim in connection

with, arising out of, or in any way related to, this Agreement, any of the other Loan Documents, the Fee Letter, or any of the transactions contemplated by this Agreement or financed hereby.

Section 12.17. Entire Agreement.

This Agreement, the Notes, the other Loan Documents and the Fee Letter embody the final, entire agreement among the parties hereto and supersede any and all prior commitments, agreements, representations, and understandings, whether written or oral, relating to the subject matter hereof and thereof and may not be contradicted or varied by evidence of prior, contemporaneous, or subsequent oral agreements or discussions of the parties hereto. To the extent any term of this Agreement is inconsistent with a term of any other Loan Document to which the parties of this Agreement are party, the term of this Agreement shall control to the extent of such inconsistency. There are no oral agreements among the parties hereto.

Section 12.18. Construction.

The Administrative Agent, the Borrower and each Lender acknowledge that each of them has had the benefit of legal counsel of its own choice and has been afforded an opportunity to review this Agreement and the other Loan Documents with its legal counsel and that this Agreement and the other Loan Documents shall be construed as if jointly drafted by the Administrative Agent, the Borrower and each Lender.

Section 12.19. Headings.

The paragraph and section headings in this Agreement are provided for convenience of reference only and shall not affect its construction or interpretation.

Section 12.20. LIABILITY OF TRUSTEES, ETC.

THE PARTIES HERETO ACKNOWLEDGE AND AGREE AS FOLLOWS:

THE AMENDED AND RESTATED DECLARATION OF TRUST ESTABLISHING THE BORROWER, DATED SEPTEMBER 20, 1999, A COPY OF WHICH, TOGETHER WITH ALL AMENDMENTS THERETO (THE "DECLARATION"), IS DULY FILED IN THE OFFICE OF THE STATE DEPARTMENT OF ASSESSMENTS AND TAXATION OF MARYLAND, PROVIDES THAT THE NAME "SENIOR HOUSING PROPERTIES TRUST" REFERS TO THE TRUSTEES UNDER THE DECLARATION COLLECTIVELY AS TRUSTEES, BUT NOT INDIVIDUALLY OR PERSONALLY, AND THAT NO TRUSTEE, OFFICER, SHAREHOLDER, EMPLOYEE OR AGENT OF THE BORROWER SHALL BE HELD TO ANY PERSONAL LIABILITY, JOINTLY OR SEVERALLY, FOR ANY OBLIGATION OF, OR CLAIM AGAINST, THE BORROWER. ALL PERSONS DEALING WITH THE BORROWER, IN ANY WAY, SHALL LOOK ONLY TO THE ASSETS OF THE BORROWER FOR THE PAYMENT OF ANY SUM OR THE PERFORMANCE OF ANY OBLIGATION. THE PROVISIONS OF THIS SECTION SHALL NOT LIMIT ANY OBLIGATIONS OF ANY LOAN PARTY OTHER THAN THE BORROWER.

Section 12.21. ACKNOWLEDGEMENT AND CONSENT TO BAIL-IN OF EEA FINANCIAL INSTITUTIONS.

Notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any EEA Financial Institution arising under any Loan Document, to the extent such liability is unsecured,

may be subject to the Write-Down and Conversion Powers of an EEA Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

(a) the application of any Write-Down and Conversion Powers by an EEA Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an EEA Financial Institution; and

(b) the effects of any Bail-in Action on any such liability, including, if applicable:

(i) a reduction in full or in part or cancellation of any such liability;

(ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such EEA Financial Institution, its parent entity, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Loan Document; or

(iii) the variation of the terms of such liability in connection with the exercise of the Write-Down and Conversion Powers of any EEA Resolution Authority.

[Signatures on Following Pages]

IN WITNESS WHEREOF, the parties hereto have caused this Term Loan Agreement to be executed by their authorized officers all as of the day and year first above written.

SENIOR HOUSING PROPERTIES TRUST

By:
Name:
Title:

[Signatures Continued on Next Page]

[Signature Page to Term Loan Agreement with Senior Housing Properties Trust]

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Administrative Agent and as a Lender

By:
Name:
Title:

[Signatures Continued on Next Page]

[Signature Page to Term Loan Agreement with Senior Housing Properties Trust]

[LENDER]

By:
Name:
Title:

[Signatures Continued on Next Page]

[Signature Page to Term Loan Agreement with Senior Housing Properties Trust]

[LENDER]

By:
Name:
Title:

SCHEDULE I

Commitments

Lender	Commitment Amount
Wells Fargo Bank, National Association	\$65,000,000.00
Royal Bank of Canada	\$30,000,000.00
Citibank, N.A.	\$30,000,000.00
PNC Bank, National Association	\$30,000,000.00
Mizuho Bank (USA)	\$30,000,000.00
Compass Bank	\$30,000,000.00
Regions Bank	\$30,000,000.00
RBS Citizens, N.A.	\$22,500,000.00
Sumitomo Mitsui Banking Corporation	\$22,500,000.00
Bank Hapoalim B.M.	\$10,000,000.00
Mega International Commercial Bank Co., Ltd. New York Branch	\$10,000,000.00
Bank of Taiwan, Los Angeles Branch	\$10,000,000.00
First Tennessee Bank, National Association	\$10,000,000.00
Land Bank of Taiwan Los Angeles Branch	\$10,000,000.00
First Commercial Bank, New York Branch	\$10,000,000.00
TOTAL	\$350,000,000.00

TRANSACTION AGREEMENT

by and between

FIVE STAR SENIOR LIVING INC.

and

SENIOR HOUSING PROPERTIES TRUST

NOVEMBER 8, 2017

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TRANSACTION AGREEMENT

THIS TRANSACTION AGREEMENT is made as of November 8, 2017, by and between Five Star Senior Living Inc., a Maryland corporation (“FVE”), on behalf of itself and its subsidiaries, and Senior Housing Properties Trust, a Maryland real estate investment trust (“SNH”), on behalf of itself and its subsidiaries.

PRELIMINARY STATEMENTS

FVE, through its subsidiaries, owns the real properties and improvements thereon comprising the Properties (as defined below), which it currently operates through its subsidiaries as senior living communities.

SNH and FVE wish to enter into a sale and manageback transaction with respect to the Properties and to enter into various agreements with respect to the Properties.

NOW, THEREFORE, it is agreed:

SECTION 1 DEFINITIONS

1.1 Definitions. Capitalized terms used in this Agreement shall have the meanings set forth below:

- (1) “AAA”: the meaning given in Section 6.1.
 - (2) “Agreement”: this Transaction Agreement, together with the Schedules and Exhibits hereto, as amended in accordance with the terms hereof.
 - (3) “AL Property”: a Property other than the Granite Gate Lands.
 - (4) “AL Purchase Agreement”: the meaning given in Section 2.1.
 - (5) “Arbitration Award”: the meaning given in Section 6.1.
 - (6) “Assumed Loan”: a Loan to be assumed by the applicable SNH Purchaser at the Closing for the Property as identified on Schedule 2.
 - (7) “Business Day”: any day other than Saturday, Sunday, or any other day on which banking institutions in The Commonwealth of Massachusetts are authorized by Law or executive action to close.
 - (8) “Closing”: with respect to a Property, the “Closing” as defined in the Purchase Agreement for such Property.
 - (9) “Closing Date”: with respect to a Property, the date mutually acceptable to each of FVE and SNH on or after the date that all conditions to the obligations of the parties to consummate the purchase and sale of such Property have been satisfied or
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waived by the party entitled thereto (other than any conditions which by their terms are to be satisfied on the Closing Date), provided, in no event will a Closing Date be later than March 31, 2018.

(10) “ Community ”: a senior living community operated on a Property.

(11) “ Contracts ”: all contracts and other third party agreements related to the ownership, operation, maintenance, repair, construction or development of a Property, excluding any management agreement previously entered into by a FVE Seller as the owner of a Property.

(12) “ Discharged Loan ”: a Loan to be paid off at the Closing for the Property subject to such Loan as identified on Schedule 2.

(13) “ Disputes ”: the meaning given in Section 6.1.

(14) “ Entity ”: any corporation, general or limited partnership, limited liability company or partnership, stock company or association, joint venture, association, company, trust, bank, trust company, land trust, business trust, real estate investment trust, cooperative, any government or agency, authority or political subdivision thereof or any other entity.

(15) “ Existing Pooling Agreements ”: Pooling Agreements Nos. 1 through 11 among FVE Managers and various subsidiaries of SNH each as in effect as of the date hereof.

(16) “ FVE’s Knowledge ”: the actual knowledge of Bruce J. Mackey Jr., Richard A. Doyle, Jr., R. Scott Herzig, Stephen McCray and Katherine E. Potter.

(17) “ FVE ”: the meaning given in the preamble to this Agreement.

(18) “ FVE Managers ”: FVE Managers, Inc., a Maryland corporation.

(19) “ FVE Parties ”: FVE, FVE Managers, the FVE Sellers and any other subsidiaries of FVE that are a party to a Transaction Document.

(20) “ FVE Sellers ”: the subsidiaries of FVE listed on Schedule 2 as a FVE Seller.

(21) “ Granite Gate Facility ”: the Property identified as the “Granite Gate Facility” on Schedule 1.

(22) “ Granite Gate Lands ”: the Property identified as the “Granite Gate Lands” on Schedule 1.

(23) “ Granite Gate Lands Purchase Agreement ”: the meaning given in Section 2.1.

- (24) “ Governmental Authority ”: any court, agency, authority, board (including environmental protection, planning and zoning), bureau, commission, department, office or instrumentality of any nature whatsoever of any governmental or quasi-governmental unit of the United States or any state or any county or any political subdivision of any of the foregoing, whether now or hereafter in existence, having jurisdiction over any SNH Party or FVE Party or any Property, or any portion thereof or the business conducted thereon.
- (25) “ Laws ”: all laws, ordinances, statutes, codes, rules, regulations, agreements, judgments, orders and decrees now or hereafter enacted, promulgated, or amended, of any Governmental Authority.
- (26) “ Lender Consents ”: the meaning given in Section 3.5.
- (27) “ Licenses and Permits ”: all licenses, permits, consents, authorizations, approvals, registrations and certificates issued by any Governmental Authority with respect to a Property or the construction, development, use, operation, or occupancy of a Property (or any portion thereof).
- (28) “ Loan ”: any loan, indebtedness or mortgage encumbering any Property.
- (29) “ Normalized Return Date ”: the earlier to occur of (a) the first anniversary of the first day of the month during which all certificates of occupancy have been issued for the Tellico Village Construction Work or (b) the third anniversary of the Closing Date for the Tellico Village Property.
- (30) “ Management Agreement ”: the meaning given in Section 2.3.
- (31) “ Permitted Exceptions ”: with respect to a Property, the “Permitted Exceptions” as defined in the Purchase Agreement for such Property.
- (32) “ Person ”: any individual or Entity, and the heirs, executors, administrators, legal representatives, successors and assigns of such Person where the context so admits.
- (33) “ Pooling Agreement ”: the meaning given in Section 2.4.
- (34) “ Pooling Agreement Amendment ”: the meaning given in Section 2.4.
- (35) “ Pooling Agreement No. 12 ”: the meaning given in Section 2.4.
- (36) “ Pooling Agreement No. 13 ”: the meaning given in Section 2.4.
- (37) “ Properties ”: collectively, the real properties identified on Schedule 1, all easements, rights of way, licenses and appurtenances thereto and all buildings, fixtures and other improvements thereon, together with such other assets to be conveyed to the applicable SNH Purchaser as contemplated by the Purchase Agreements.

- (38) “Purchase Agreements”: collectively, the AL Purchase Agreements and the Granite Gate Lands Purchase Agreement.
- (39) “Purchase Price”: with respect to a Property, the amount set forth on Schedule 2 for such Property, subject to such adjustments and prorations as may be provided in the applicable Purchase Agreement for such Property.
- (40) “Required Licenses”: the meaning given in Section 3.4.
- (41) “Rules”: the meaning given in Section 6.1.
- (42) “SNH”: the meaning given in the preamble to this Agreement.
- (43) “SNH Parties”: SNH, the SNH Purchasers and any other subsidiaries of SNH that are a party to a Transaction Document.
- (44) “SNH Purchasers”: the subsidiaries of SNH identified on Schedule 2 as the SNH Purchasers.
- (45) “Tellico Village Construction Amount”: the sum of (1) a portion of the Purchase Price for the Tellico Village Property equal to \$1,900,000 plus (2) all costs and expenses of the Tellico Village Construction Work funded by an SNH Party (including (and for the avoidance of doubt, in addition to the amount set forth in clause (1) of this definition) such costs and expenses reimbursed to the applicable FVE Seller as part of the Purchase Price for the Tellico Village Property).
- (46) “Tellico Village Construction Contracts”: (1) that certain AIA Document A102-2007 dated as of May 31, 2017 by and between FSQC Tellico Village LLC and Messer Construction Co., as amended by that certain GMP Amendment dated as November 3, 2017, and (2) that certain AIA Document B103-2007 dated as of November 3, 2014 by and between FSQC Tellico Village LLC and Luckett & Farley Architects, Engineers and Construction Managers, Inc.
- (47) “Tellico Village Construction Work”: the meaning given in Section 5.6.
- (48) “Tellico Village Property”: the Property identified as the “Neighborhood at Tellico Village” on Schedule 1.
- (49) “Transaction Documents”: this Agreement, the Purchase Agreements, the Pooling Agreements, the Management Agreements, the Pooling Agreement Amendment and all other documents executed in connection therewith or at a Closing.
- (50) “TRS”: the meaning given in Section 2.2.
- (51) “TRS Lease”: the meaning given in Section 2.2.

SECTION 2 TRANSACTIONS

2.1 Purchase and Sale of Properties. On the terms and conditions of this Agreement and the other Transaction Documents, in consideration of the payment by the applicable SNH Purchaser of the Purchase Price for such Property, on the applicable Closing Date, SNH shall cause the applicable SNH Purchaser to purchase, and FVE will cause the applicable FVE Seller to sell, such Property to such SNH Purchaser. The SNH Purchaser, the FVE Seller and the Purchase Price for each Property are as set forth on Schedule 2. Contemporaneously with the execution of this Agreement, the applicable SNH Purchaser and FVE Seller will enter into a purchase agreement for the purchase and sale of each AL Property in the form of Exhibit A-1 (each an “AL Purchase Agreement”) and a purchase agreement for the Granite Gate Lands in the form of Exhibit A-2 (the “Granite Gate Lands Purchase Agreement”).

2.2 TRS Lease. The parties acknowledge that upon conveyance of each Property to the applicable SNH Purchaser, such SNH Purchaser intends to enter into a lease of such Property with a subsidiary of SNH (such subsidiary, a “TRS” and such lease, a “TRS Lease”).

2.3 Manageback of Properties. At the Closing for a Property, FVE Managers and the applicable TRS will enter into a management agreement for such Property in the form of Exhibit B (a “Management Agreement”).

2.4 Pooling Agreements. Contemporaneously herewith, the applicable SNH Parties and FVE Managers will execute and deliver a First Amendment to Pooling Agreements with respect to the Existing Pooling Agreements in the form of Exhibit C-1 (the “Pooling Agreement Amendment”). Contemporaneously with the execution of a Management Agreement, such Management Agreement and the applicable Property will be made subject to a pooling agreement in the form of Exhibit C-2 (a “Pooling Agreement”) with all Properties other than the Tellico Village Property under one Pooling Agreement (“Pooling Agreement No. 12”) and the Tellico Village Property under a separate Pooling Agreement (“Pooling Agreement No. 13”). To the extent necessary, each SNH Purchaser and TRS, and FVE Managers will execute and deliver the applicable Pooling Agreement or amendments thereto necessary to reflect the addition of such Management Agreement and Property to such Pooling Agreement on the applicable Closing Date.

SECTION 3 CONDITIONS TO TRANSACTIONS

The obligation of the parties to consummate the purchase and sale of a Property as described in Section 2.1 is subject to the satisfaction of the following conditions on the Closing Date for such Property:

3.1 Transaction Documents. All Transaction Documents required to have been entered into as of such Closing Date with respect to such Property shall have been entered into and any applicable conditions therein to the consummation of the transactions described in

Section 2 with respect to such Property shall have been satisfied or waived by the party entitled to do so thereunder.

3.2 Representations. With respect to the FVE Parties, all representations and warranties of the SNH Parties in this Agreement and in each other Transaction Document entered into, or to be entered into at such Closing, with respect to such Property shall be true, correct and complete in all material respects (or in all respects to the extent qualified by materiality) on and as of such Closing Date, and the SNH Parties shall have performed in all material respects all covenants and obligations required to be performed by them under this Agreement and such Transaction Documents on or before such Closing Date; and, with respect to the SNH Parties, all representations and warranties of the FVE Parties in this Agreement and in each other Transaction Document entered into, or to be entered into at such Closing, with respect to such Property shall be true, correct and complete in all material respects (or in all respects to the extent qualified by materiality) on and as of such Closing Date, and the FVE Parties shall have performed in all material respects all covenants and obligations required to be performed by them under this Agreement and such Transaction Documents on or before such Closing Date.

3.3 Title Policy. With respect to the SNH Parties, the applicable SNH Purchaser shall have received a title policy, or an irrevocable commitment to issue upon payment of the applicable premiums therefor, a title policy, for such Property from Stewart Title Company, insuring fee simple title to such Property is vested in such SNH Purchaser, subject only to the Permitted Exceptions for such Property, with such endorsements as may be reasonably required by SNH and available in the state in which such Property is located.

3.4 Licensing Approval. The applicable SNH Purchaser or TRS shall have obtained all Licenses and Permits from all applicable Governmental Authorities that are required to operate the Community on such Property as currently operated (the “Required Licenses”) or such assurances as may be satisfactory to SNH in its discretion that the Required Licenses will be issued by the applicable Governmental Authority on, or retroactively to, the Closing Date for such Property, which Required Licenses shall be satisfactory to SNH in its reasonable discretion.

3.5 Lender Consents / Payoffs. With respect to a Property subject to an Assumed Loan, all required consents of the applicable lender to the transfer of such Property to the applicable SNH Purchaser and the assumption by such SNH Purchaser of the Assumed Loan shall have been obtained on terms and conditions reasonably satisfactory to SNH (the “Lender Consents”). With respect to a Property subject to a Discharged Loan, the applicable SNH Purchaser shall have received a pay off letter as of the applicable Closing Date from the lender for such Discharged Loan in form and substance reasonably acceptable to SNH and FVE and the applicable FVE Seller shall apply the Purchase Price received by it to the repayment of such Discharged Loan at the applicable Closing.

3.6 Condition of Property. With respect to the SNH Parties, such Property shall be in substantially the same physical condition as it was in on the date of this Agreement, ordinary wear and tear, and in the case of the Tellico Village Property, the Tellico Village Construction Work, excepted.

3.7 No Material Adverse Change. With respect to the SNH Parties, no material adverse change shall have occurred at such Property or in the operation of the Community operated at such Property since the date of this Agreement.

3.8 Closing on Granite Gate Facility and Granite Gate Lands. Notwithstanding anything contained in this Agreement or another Transaction Document to the contrary, the Closings for the Granite Gate Facility and the Granite Gate Lands shall occur simultaneously.

SECTION 4 REPRESENTATIONS AND WARRANTIES

4.1 FVE Representations and Warranties. FVE represents and warrants to SNH that:

(1) **Organization**. Each FVE Party is duly organized, validly existing and in good standing under the Laws of the state of its jurisdiction of organization or formation and has the requisite power and authority under the laws of such state and its organization documents to conduct its business as now being conducted, to own, operate and lease its properties and assets, and to enter into and perform its obligations under the Transaction Documents to which it is a party and consummate the transactions contemplated by the Transaction Documents.

(2) **Authorization**. The execution and delivery by the FVE Parties of the Transaction Documents and the consummation of the transactions contemplated by the Transaction Documents have been duly authorized by all necessary trust, corporate or limited liability company, as applicable, action on the part of the FVE Parties. Each of the Transaction Documents, upon execution and delivery by a FVE Party, will be duly and validly executed by such FVE Party and will constitute its legal, valid and binding obligation, enforceable against it in accordance with its terms, except as such enforcement may be subject to (a) bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer or other similar Laws relating to creditors' rights generally, (b) general principles of equity (whether applied in a proceeding at Law or in equity) and (c) any implied covenant of good faith and fair dealing.

(3) **No Violation**. The execution and delivery of the Transaction Documents by the FVE Parties does not, and the consummation of the transactions contemplated by the Transaction Documents will not (a) conflict with, or result in any violation of or default under, any provision of any FVE Party's organizational documents, (b) conflict with or result in any violation of or default under, any Law or judgment applicable to any FVE Party, or to which any of their properties or assets are subject, or (c) conflict with, or, with or without notice or the lapse of time, result in a breach, termination (or right of termination) or violation of or default under the terms of any agreement, contract, indenture or other instrument to which any FVE Party is a party or subject, or to which any of their properties are subject, except, with respect to the foregoing clauses (b) and (c), as set forth in Section 4.1(3) of Schedule 3 or as would not have a material adverse effect on any FVE Party or Property or impair or delay the consummation of any of the transactions contemplated by the Transaction Documents.

(4) Approvals. The execution and delivery by the FVE Parties of the Transaction Documents and the consummation of the transactions contemplated by the Transaction Documents do not require the consent, approval, order or authorization of any Person under any agreement, contract, indenture or other instrument or applicable Laws to which any FVE Party is a party or to which any FVE Party or any of their properties or assets are subject, except (a) as set forth in Section 4.1(4) of Schedule 3, (b) filings required under securities Laws, and (c) those the failure of which to receive would not have a material adverse effect on any FVE Party or Property or impair or delay the consummation of any of the transactions contemplated by the Transaction Documents. No declaration, filing or registration with any Governmental Authority is required by any FVE Party in connection with the execution and delivery by the FVE Parties of the Transaction Documents or the consummation of the transactions contemplated by the Transaction Documents, except (a) as set forth in Section 4.1(4) of Schedule 3, (b) filings required under securities Laws, and (c) those the failure of which to make or file would not have a material adverse effect on any FVE Party or Property or impair or delay the consummation of any of the transactions contemplated by the Transaction Documents.

(5) Litigation. No investigation, action or proceeding is pending and, to FVE's Knowledge, no action or proceeding is threatened and no investigation looking toward such an action or proceeding has begun, in respect of FVE or any of its subsidiaries which (a) questions the validity of any of the Transaction Documents or any action taken or to be taken pursuant thereto, (b) will result in any material adverse change in the business, operation, affairs or condition of any FVE Party or any Property, (c) will result in or subject any FVE Party or any Property to a material liability, or (d) involves condemnation or eminent domain proceedings against any Property.

4.2 SNH Representations and Warranties. SNH represents and warrants to FVE that:

(1) Organization. Each SNH Party is (or will be as of the applicable Closing Date) duly organized, validly existing and in good standing under the Laws of the state of its jurisdiction of organization and with requisite power and authority under the Laws of such state and its organization documents to conduct its business as it is now being conducted and to own, operate or lease its properties and assets and to execute and deliver the Transaction Documents to which it is a party and to perform its obligations thereunder and consummate the transactions contemplated by the Transaction Documents.

(2) Authorization. The execution and delivery by the SNH Parties of the Transaction Documents and the consummation of the transactions contemplated by the Transaction Documents have been duly authorized by all necessary trust, corporate or limited liability company, as applicable, action. Each of the Transaction Documents, upon execution and delivery by an SNH Party, will be duly and validly executed by such SNH Party and will constitute its legal, valid and binding obligation, enforceable against it in accordance with its terms, except as such enforcement may be subject to (a) bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer or other

similar Laws relating to creditors' rights generally, (b) general principles of equity (whether applied in a proceeding at Law or in equity) and (c) any implied covenant of good faith and fair dealing.

(3) No Violation. The execution and delivery of the Transaction Documents by the SNH Parties does not, and the consummation of the transactions contemplated by the Transaction Documents will not (a) conflict with, or result in any violation of or default under, any provision of any SNH Party's organizational documents, (b) conflict with, or result in any violation of or default under, any Law or judgment applicable to any SNH Party or to which any of their properties are subject, or (c) conflict with, or, with or without notice or the lapse of time, result in a breach, termination (or right of termination) or violation of or default under the terms of any agreement, contract, indenture or other instrument to which any SNH Party is a party or subject or to which any of their properties or assets are subject, except, with respect to the foregoing clauses (b) and (c), as would not have a material adverse effect on any SNH Party or impair or delay the consummation of the transactions contemplated by the Transaction Documents.

(4) Approvals. The execution and delivery by the SNH Parties of the Transaction Documents and the consummation of the transactions contemplated by the Transaction Documents do not require the consent, approval, order or authorization of any Person under any agreement, contract, indenture or other instrument or applicable Laws to which any SNH Party is a party or which any SNH Party or any of their properties or assets are subject, except (a) as set forth in Section 4.2(4) of Schedule 4, (b) filings required under securities Laws, and (c) those the failure of which to receive would not have a material adverse effect on any SNH Party or impair or delay the consummation of the transactions contemplated by the Transaction Documents. No declaration, filing or registration with any Governmental Authority is required by any SNH Party in connection with the execution and delivery of the Transaction Documents by the SNH Parties and the consummation of the transactions contemplated by the Transaction Documents except (a) as set forth in Section 4.2(4) of Schedule 4, (b) filings required under securities Laws, and (c) those the failure of which to make or file would not have a material adverse effect on any SNH Party or impair or delay the consummation of the transactions contemplated by the Transaction Documents.

(5) Litigation. No investigation, action or proceeding is pending and, to SNH's knowledge, no action or proceeding is threatened and no investigation looking toward such an action or proceeding has begun, in respect of SNH or any of its subsidiaries which questions the validity of the Transaction Documents or any action taken or to be taken pursuant thereto.

SECTION 5

ADDITIONAL AGREEMENTS

5.1 Operation and Maintenance. From and after the date of this Agreement until the Closing Date for a Property, the FVE Parties shall (a) operate each Property in a manner consistent with past practices, (b) maintain each Property in good working order and condition in a manner consistent with past practices (subject, in the case of the Tellico Village Property, to the Tellico Village Construction Work), and (c) maintain insurance coverages on each Property of the types, in the amounts and with the deductibles as in effect as of the date of this Agreement (including, in the case of the Tellico Village Property, such commercially reasonable insurance as is customarily carried by owners of property undergoing construction similar in scope to the Tellico Village Construction Work).

5.2 Notices. FVE will promptly notify SNH of (a) any material change in any condition with respect to any Property or of any event or circumstance which could reasonably be expected to make any representation or warranty of any FVE Party under a Transaction Document untrue or misleading in any material respect; and (b) any survey, inspection, audit or other investigation of any Property commenced or threatened by any Governmental Authority.

5.3 Employees. No SNH Party will have any obligation to hire any Person employed by any FVE Party at any Community nor is any SNH Party assuming any liability or obligation for, or expense (except for expense reimbursements expressly contemplated by a Management Agreement) with respect to, and the FVE Parties shall indemnify, defend and hold harmless the SNH Parties from and against, any wages, severance or other employment related obligations, benefits or claims with respect to any employee or former employee of any FVE Party related to, or arising out of, any such person's employment at a Property prior to the Closing Date with respect to such Property.

5.4 Cooperation. The FVE Parties shall reasonably cooperate with the SNH Parties in connection with obtaining any Required Licenses, the Lender Consents and any other third party consent requested by an SNH Party.

5.5 Access and Information. The FVE Parties shall make available to SNH upon request copies of all files and records relating to the Properties and their operation in their possession or control, including, to the extent permitted by applicable Law, employee, tenant and resident records, Licenses and Permits, title commitments, title reports, title policies and exception documents, surveys, environmental reports or assessments, and tax bills. The FVE Parties shall permit the SNH Parties and their representatives to inspect and perform due diligence with respect to all aspects of the Properties, including, without limitation, inspection of roofs, electrical, mechanical and structural elements, and HVAC systems and soil analysis and environmental investigations; provided, the SNH Parties shall not conduct any invasive or destructive testing without FVE's prior written consent. Any such inspections shall be performed during normal business hours, with at least one business day's prior notice, and so as not to unreasonably interfere with the operations of the applicable Communities. FVE or a representative of FVE may accompany the SNH Parties and their representatives during any on site inspection of the Properties. To the extent that an SNH Party or its representatives damage

any Property during any such on site inspections, such SNH Party shall return such Property to substantially the same condition that it was in immediately prior to such damage. FVE may require an SNH Party to provide evidence of commercial general liability insurance in amounts acceptable to FVE prior to any entry by an SNH Party onto any Property and to require FVE and any other FVE Party to be named as an additional insured on such insurance policy.

5.6 Tellico Village Construction Work. FVE shall use commercially reasonable efforts to cause all activities undertaken and all construction work performed in connection with the construction and development of 91 independent living units in a new three-story building at the Tellico Village Property on the previously undeveloped land adjacent to the existing assisted living and memory care community located on the Tellico Village Property (the “Tellico Village Construction Work”) to be performed in accordance with the Tellico Village Construction Contracts and in all material respects with all applicable laws. Without limiting the foregoing, the Tellico Village Construction Work shall be performed in all material respects in accordance with the budget, plans and specifications that were previously delivered to the SNH Parties or as amended with the consent of the SNH Parties.

5.7 Agreements Related to the Pooling Agreements and Management Agreements.

(1) Capitalized terms used in this Section 5.7 and not otherwise defined in this Agreement are used with the meanings given in the applicable Pooling Agreement and / or Management Agreement.

(2) Notwithstanding anything in the applicable Management Agreement or Pooling Agreement to the contrary, the out of pocket transaction costs and expenses paid by SNH pursuant to Section 6.10 shall not be included in Invested Capital under a Management Agreement or Aggregate Invested Capital under a Pooling Agreement.

(3) Notwithstanding anything in the applicable Management Agreement or Pooling Agreement No. 12 to the contrary, with respect to any Management Agreement for a Property that is to be made subject to Pooling Agreement No. 12, if such Management Agreement is entered into after January 1, 2018, the SNH TRS Priority Return due under such Management Agreement for such Property for 2018 shall be pro rated for the actual number of days in 2018 that such Property was subject to such Management Agreement and the Aggregate TRS Priority Return under Pooling Agreement No. 12 due for 2018 shall be determined by including the pro rated amount. For example, if the full year SNH TRS Priority Return for a Property made subject to a Management Agreement on March 31, 2018 were \$100, the SNH TRS Priority Return due under the Management Agreement for 2018 would be \$75, and \$75 would be included in determining the Aggregate TRS Priority Return due under Pooling Agreement No. 12 for 2018.

(4) Notwithstanding anything in the applicable Management Agreement or Pooling Agreement No. 13 to the contrary,

(A) the percentage applicable for determining the SNH TRS Priority Return payable under the Management Agreement for the Tellico Village Property on Invested Capital represented by the Tellico Village Construction Amount shall be the annual interest rate payable by SNH under its revolving credit facility as of the date such amount was paid by the applicable TRS or SNH plus two hundred (200) basis points and for periods commencing on or after the Normalized Return Date, seven percent (7%). The percentage applicable for determining the SNH TRS Priority Return on all other Invested Capital with respect the Tellico Village Property shall be seven percent (7%) as provided in the applicable Management Agreement;

(B) the first calendar year that may be considered for purposes of determining whether there is a Priority Return Shortfall under of Section 5.01 of Pooling Agreement No. 13 shall be the calendar year commencing on the January 1st following the Normalized Return Date; and

(C) the first calendar year that may be considered for the purposes of determining whether FVE Managers has the right to designate the Tellico Village Property as a Non-Economic Facility under Section 5.02 of the Pooling Agreement shall be the calendar year commencing on the January 1st following the Normalized Return Date.

SECTION 6 MISCELLANEOUS

6.1 Disputes.

(1) Disputes. Any disputes, claims or controversies between the parties (a) arising out of or relating to the Transaction Documents or the transactions contemplated thereby, or (b) brought by or on behalf of any shareholder of any party or a direct or indirect parent of a party (which, for purposes of this Section 6.1, shall mean any shareholder of record or any beneficial owner of shares of any party, or any former shareholder of record or beneficial owner of shares of any party), either on his, her or its own behalf, on behalf of any party or on behalf of any series or class of shares of any party or shareholders of any party against any party or any member, trustee, director, officer, manager (including The RMR Group LLC or its successor), agent or employee of any party, including disputes, claims or controversies relating to the meaning, interpretation, effect, validity, performance or enforcement of the Transaction Documents, including this arbitration provision, or the declarations of trust, limited liability company agreements, charters, bylaws or other governing documents of any party hereto (all of which are referred to as “Disputes”), or relating in any way to such a Dispute or Disputes shall, on the demand of any party to such Dispute be resolved through binding and final arbitration in accordance with the Commercial Arbitration Rules (the “Rules”) of the American Arbitration Association (“AAA”) then in effect, except as those Rules may be modified in this Section 6.1. For the avoidance of doubt, and not as a limitation, Disputes are intended to include derivative actions against

trustees, directors, officers or managers of any party and class actions by a shareholder against those individuals or entities and any party. For the avoidance of doubt, a Dispute shall include a Dispute made derivatively on behalf of one party against another party. For purposes of this Section 6.1, the term “party” shall include any direct or indirect parent of a party.

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

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

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

(5) Arbitration Award. In rendering an award or decision (the “Arbitration Award”), the arbitrators shall be required to follow the Laws of the State of Maryland.

Any arbitration proceedings or Arbitration Award rendered hereunder and the validity, effect and interpretation of this arbitration provision shall be governed by the Federal Arbitration Act, 9 U.S.C. §1 et seq. The Arbitration Award shall be in writing and may, but shall not be required to, briefly state the findings of fact and conclusions of Law on which it is based. Any monetary Arbitration Award shall be made and payable in U.S. dollars free of any tax, deduction or offset. Subject to Section 6.1(7), each party against which an Arbitration Award assesses a monetary obligation shall pay that obligation on or before the thirtieth (30th) day following the date of such Arbitration Award or such other date as such Arbitration Award may provide.

(6) Costs. Except to the extent expressly provided by this Agreement or as otherwise agreed by the parties, to the maximum extent permitted by Maryland law, each party involved in a Dispute shall bear its own costs and expenses (including attorneys' fees), and the arbitrators shall not render an Arbitration Award that would include shifting of any such costs or expenses (including attorneys' fees) or, in a derivative case or class action, award any portion of a party's Arbitration Award to the claimant or the claimant's attorneys. Each party (or, if there are more than two (2) parties to the Dispute, all claimants, on the one hand, and all respondents, on the other hand, respectively) shall bear the costs and expenses of its (or their) selected arbitrator and the parties (or, if there are more than two (2) parties to the Dispute, all claimants, on the one hand, and all respondents, on the other hand) shall equally bear the costs and expenses of the third (3rd) appointed arbitrator.

(7) Appeals. Notwithstanding any language to the contrary in this Agreement, any Arbitration Award, including but not limited to any interim Arbitration Award, may be appealed pursuant to the AAA's Optional Appellate Arbitration Rules ("Appellate Rules"). An Arbitration Award shall not be considered final until after the time for filing the notice of appeal pursuant to the Appellate Rules has expired. Appeals must be initiated within thirty (30) days of receipt of an Arbitration Award by filing a notice of appeal with any AAA office. Following the appeal process, the decision rendered by the appeal tribunal may be entered in any court having jurisdiction thereof. For the avoidance of doubt, and despite any contrary provision of the Appellate Rules, the above paragraph relating to costs and expenses shall apply to any appeal pursuant to this Section 6.1 and the appeal tribunal shall not render an Arbitration Award that would include shifting of any costs or expenses (including attorneys' fees) of any party.

(8) Final Judgment. Following the expiration of the time for filing the notice of appeal, or the conclusion of the appeal process set forth in Section 6.1(7), an Arbitration Award shall be final and binding upon the parties thereto and shall be the sole and exclusive remedy between those parties relating to the Dispute, including any claims, counterclaims, issues or accounting presented to the arbitrators. Judgment upon an Arbitration Award may be entered in any court having jurisdiction. To the fullest extent permitted by law, no application or appeal to any court of competent jurisdiction may be made in connection with any question of law arising in the course of arbitration or with respect to any Arbitration Award made, except for actions relating to enforcement of this

Section 6.1 or any arbitral award issued hereunder, and except for actions seeking interim or other provisional relief in aid of arbitration proceedings in any court of competent jurisdiction.

(9) Intended Beneficiaries. This Section 6.1 is intended to benefit and be enforceable by the parties and their respective shareholders, members, direct and indirect parents, trustees, directors, officers, managers (including The RMR Group Inc. and The RMR Group LLC), agents or employees of any party and their respective successors and assigns and shall be binding on the shareholders of any party and the parties, as applicable, and shall be in addition to, and not in substitution for, any other rights to indemnification or contribution that such individuals or entities may have by contract or otherwise.

6.2 Confidentiality. Each party shall use commercially reasonable efforts to maintain the confidentiality of any information concerning the parties or any subsidiary of another party provided to or discovered by it or its representatives as a result of the transaction contemplated by the Transaction Documents and which is not otherwise available on a nonconfidential basis to such party and shall not (except as may otherwise be appropriate or required under applicable Law or the rules and regulations of the National Association of Securities Dealers Automated Quotations System or The Nasdaq Stock Market LLC) disclose such information, subject to the provisions of this Section, to anyone other those persons who have a need to know such information in connection with the conduct of such party's business, including its attorneys, accountants and other representatives and agents or during the course of or in connection with any litigation or other action, arbitration, investigation or other proceeding based upon or in connection with the subject matter of this Agreement or the transactions contemplated hereby.

6.3 Publicity. The parties agree that, except as may be appropriate or required under applicable Law (including, without limitation, the rules and regulations of the National Association of Securities Dealers, The Nasdaq Stock Market LLC), no party shall, with respect to this Agreement and the transactions contemplated hereby, contact or conduct negotiations with public officials, make any public pronouncements, issue press releases or otherwise furnish information regarding this Agreement or the transactions contemplated hereby to any third party without the consent of the other party, which consent shall not be unreasonably withheld or delayed. No FVE Party shall trade in the securities of any SNH Party or any of their affiliates, and no SNH Party shall trade in the securities of any FVE Party or any of their affiliates, until a public announcement of the transactions contemplated by this Agreement has been made. No party shall record this Agreement or any notice thereof.

6.4 Notices.

(1) All notices required or permitted to be sent hereunder shall be deemed to have been given for all purposes of this Agreement upon the date of electronic confirmation of delivery sent by the sender's machine or computer, in the case of a notice by telecopier or electronic mail, and, in all other cases, upon the date of receipt or refusal, except that whenever under this Agreement a notice is either received on a day which is not a Business Day or is required to be delivered on or before a specific day which is not

a Business Day, the day of receipt or required delivery shall automatically be extended to the next Business Day.

(2) All such notices shall be addressed,

if to any FVE Party, to:

Five Star Senior Living Inc.
400 Centre Street
Newton, Massachusetts 02458
Attn: Mr. Bruce J. Mackey Jr.
Telecopier No. (617) 796-8385
E-Mail: bmackey@5ssl.com

with a copy to:

Ropes & Gray LLP
1211 Avenue of the Americas
New York, New York 10036-8704
Attn: David C. Djaha
Telecopier No. (646) 728-2936
E-Mail: david.djaha@ropesgray.com

If to any SNH Party, to:

Senior Housing Properties Trust
Two Newton Place, Suite 300
255 Washington Street
Newton, Massachusetts 02458
Attn: Mr. David J. Hegarty
Telecopier No. (617) 796-8349
E-Mail: dhegarty@rmrgroup.com

with a copy to:

Sullivan & Worcester LLP
One Post Office Square
Boston, Massachusetts 02109
Attn: Nicole Rives
Telecopier No. (617) 338-2880
E-Mail: nrives@sandw.com

(3) By notice given as herein provided, the parties and their respective successors and assigns shall have the right from time to time and at any time during the term of this Agreement to change their respective addresses effective upon receipt by the other Parties of such notice.

6.5 Waivers, Etc. No provision of this Agreement may be waived except by a written instrument signed by the party waiving compliance. No waiver by any party hereto of any of the requirements hereof or of any of such party's rights hereunder shall release the other parties from full performance of their remaining obligations stated herein. No failure to exercise or delay in exercising on the part of any party hereto any right, power or privilege of such party shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege by such party. This Agreement may not be amended, nor shall any waiver, change, modification, consent or discharge be effected, except by an instrument in writing executed by or on behalf of the party against whom enforcement of any amendment, waiver, change, modification, consent or discharge is sought.

6.6 Assignment, Successors and Assigns; Third Party Beneficiaries . This Agreement and all rights and obligations hereunder shall not be assignable by any party without the written consent of the other parties, except to a successor to such party by merger or consolidation or an assignee of substantially all of the assets of such party. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns. This Agreement is not intended and shall not be construed to create any rights in or to be enforceable in any part by any other Person.

6.7 Severability . If any provision of this Agreement shall be held or deemed to be, or shall in fact be, invalid, inoperative or unenforceable as applied to any particular case in any jurisdiction or jurisdictions, or in all jurisdictions or in all cases, because of the conflict of any provision with any constitution or statute or rule of public policy or for any other reason, such circumstance shall not have the effect of rendering the provision or provisions in question invalid, inoperative or unenforceable in any other jurisdiction or in any other case or circumstance or of rendering any other provision or provisions herein contained invalid, inoperative or unenforceable to the extent that such other provisions are not themselves actually in conflict with such constitution, statute or rule of public policy, but this Agreement shall be reformed and construed in any such jurisdiction or case as if such invalid, inoperative or unenforceable provision had never been contained herein and such provision reformed so that it would be valid, operative and enforceable to the maximum extent permitted in such jurisdiction or in such case.

6.8 Counterparts, Etc. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

6.9 Governing Law . This Agreement shall be interpreted, construed, applied and enforced in accordance with the Laws of The Commonwealth of Massachusetts applicable to contracts between residents of Massachusetts which are to be performed entirely within Massachusetts subject to the provisions of Section 6.1.

6.10 Expenses . Except as otherwise set forth in this Section 6.10, the SNH Parties shall be responsible for all out of pocket costs and expenses incurred in connection with the consummation of the transactions contemplated by this Agreement, including, without limitation,

all title and survey charges, transfer taxes, recording fees and consultant fees (including, without limitation, all appraisal costs and other costs incurred in connection with conducting due diligence with respect to the Properties), in an amount not to exceed \$850,000, and the FVE Parties shall be responsible for all such out of pocket costs and expenses in excess of \$850,000. Notwithstanding the foregoing, the SNH Parties and the FVE Parties shall each bear their own attorneys' fees incurred by any of them in connection with the Transaction Documents and the consummation of the transactions contemplated thereby.

6.11 Section and Other Headings; Interpretation. The headings contained in this Agreement are for reference purposes only and shall not in any way affect the meaning or interpretation of this Agreement. The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement; and Section, subsection, Schedule and Exhibit references are to this Agreement, unless otherwise specified. The singular and plural use of a defined term shall have the correlative meaning. The words "including" and "include" shall be deemed to be followed by the words "without limitation."

6.12 SNH NON-LIABILITY OF TRUSTEES. THE AMENDED AND RESTATED DECLARATION OF TRUST ESTABLISHING SNH, 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 SNH SHALL BE HELD TO ANY PERSONAL LIABILITY, JOINTLY OR SEVERALLY, FOR ANY OBLIGATION OF, OR CLAIM AGAINST, SNH. ALL PERSONS DEALING WITH SNH IN ANY WAY SHALL LOOK ONLY TO THE ASSETS OF SNH FOR THE PAYMENT OF ANY SUM OR THE PERFORMANCE OF ANY OBLIGATION.

6.13 Entire Agreement. This Agreement and the other Transaction Documents constitute the entire agreement of the parties hereto with respect to the subject matter hereof and thereof and supersede all previous contracts and understandings between the parties with respect to the subject matter hereof and thereof.

6.14 Survival. The provisions of Section 3, Section 5, and this Section 6 shall survive each Closing (provided, Section 3 and Sections 5.1 and 5.2 shall only apply to Properties as to which the Closing has not occurred). The representations of FVE in Sections 4.1(1) and 4.1(2) and of SNH in Section 4.2(1) and 4.2(2) and the indemnity set forth in Section 5.3 and Section 5.5 shall survive indefinitely and all other representations and warranties of the parties set forth in a Transaction Document shall survive the final Closing Date for a period of one (1) year unless a longer period for survival is otherwise specified in the applicable Transaction Document.

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

SNH PARTIES: SENIOR HOUSING PROPERTIES TRUST, on behalf of itself and its subsidiaries

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

FVE PARTIES: FIVE STAR SENIOR LIVING INC., on behalf of itself and its subsidiaries

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

EXHIBIT A-1

FORM OF AL PURCHASE AGREEMENT

PURCHASE AND SALE AGREEMENT

BY AND BETWEEN

**[INSERT SNH PURCHASER],
AS PURCHASER,**

and

**[INSERT FVE SELLER],
AS SELLER**

NOVEMBER 8, 2017

PURCHASE AND SALE AGREEMENT

THIS PURCHASE AND SALE AGREEMENT is made as of November 8, 2017, by and between [●], a [●], as purchaser (the “Purchaser”), and [●], a [●], as seller (the “Seller”).

WITNESSETH:

WHEREAS, the Seller owns and operates certain real property and related property comprising the senior living community known as [INSERT COMMUNITY NAME] and having an address at [INSERT COMMUNITY ADDRESS] (the “Community”); and

WHEREAS, the Purchaser desires to purchase the Community and the other Property (as defined below) from the Seller, and the Seller desires to sell the Property (including, without limitation, the Community) to the Purchaser, subject to and upon the terms and conditions hereinafter set forth;

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, the Purchaser and the Seller hereby agree as follows:

SECTION I DEFINITIONS

Capitalized terms used in this Agreement shall have the meanings set forth below or in the section of this Agreement referred to below:

1.1 “Agreement”: this Purchase and Sale Agreement, together with all of the Exhibits and Schedules attached hereto, as it and they may be amended from time to time as herein provided. All references to a Schedule or an Exhibit are references to a Schedule or an Exhibit attached to this Agreement unless otherwise indicated.

1.2 “Business Day”: any day other than a Saturday, Sunday or any other day on which banking institutions in The Commonwealth of Massachusetts are authorized by law or executive action to close.

1.3 “Closing”: the meaning given in Section 2.2.

1.4 “Closing Conditions”: the conditions to closing with respect to the Property as set forth in the Transaction Agreement.

1.5 “Closing Date”: a date mutually acceptable to the Purchaser and the Seller on or after the date that all Closing Conditions have been satisfied, provided, in no event will the Closing Date be later than March 31, 2018.

1.6 “Community”: the meaning given such term in the recitals to this Agreement.

1.7 “Contracts”: collectively, all of the Seller’s right, title and interest in and to all contracts and other third party agreements related to the construction, development, ownership, operation, maintenance or repair of the Community, excluding any management agreement previously entered into by the Seller as owner of the Community. [For the avoidance of doubt, the Contracts include the Tellico Village Construction Contracts.]

1.8 “Governmental Authority”: any court, agency, authority, board (including environmental protection, planning and zoning), bureau, commission, department, office or instrumentality of any nature whatsoever of any governmental or quasi-governmental unit of the United States or any state or any county or any political subdivision of any of the foregoing, whether now or hereafter in existence, having jurisdiction over the Seller or the Property, or any portion thereof or the business conducted thereon.

1.9 “Improvements”: the buildings, fixtures and other improvements situated on, or affixed to, the Land.

1.10 “Intangible Property”: collectively, all of the Seller’s right, title and interest in and to the intangible property related to the Community, excluding the Contracts, the Licenses and Permits, [the Loan Documents,] the Resident Agreements and the Warranties.

1.11 “Land”: the parcel or parcels of land described on Exhibit A, together with all easements, rights of way, licenses and appurtenances which the Seller may now own or hereafter acquire with respect thereto.

1.12 “Laws”: all laws, ordinances, statutes, codes, rules, regulations, agreements, judgments, orders and decrees now or hereafter enacted, promulgated, or amended, of any Governmental Authority.

1.13 [“Lender”: [●], the current lender under the Loan Documents.]

1.14 “Licenses and Permits”: collectively, all of the Seller’s right, title and interest in and to all licenses, permits, consents, authorizations, approvals, registrations and certificates issued by any Governmental Authority with respect to the Property, including, without limitation, all such licenses, permits, consents, authorizations, approvals, registrations and certificates issued by any Governmental Authority necessary for the construction, development, use, operation, or occupancy of the Property (or any portion thereof) or the Community.

1.15 [“Loan Documents”: those certain agreements, documents and other instruments evidencing or securing the Loan and further described on Exhibit B.]

1.16 [“Loan”: that certain loan in the original principal amount of \$[●], which was made by the Lender (or its predecessor) to the Seller (or its predecessor) on or about [●].]

1.17 “Permitted Exceptions”: collectively, (a) rights of Residents, as residents only, with no purchase options or rights of first refusal, under Resident Agreements, (b) liens for taxes,

assessments and governmental charges not yet due and payable or due and payable but not yet delinquent, and (c) the liens, encumbrances and other matters identified on Exhibit [B/C].

1.18 “Personal Property”: collectively, all of the Seller’s right, title and interest in and to all furniture, fixtures, equipment, books, files, records, inventories, stocks, supplies, machinery, tools, appliances and other tangible personal property owned by the Seller, located at the Community and used in connection with the Community.

1.19 “Property”: collectively, the Real Property, the Personal Property, the Contracts, the Licenses and Permits to the extent transferable, [the Loan Documents,] the Resident Agreements, the Resident Deposits (if any), the Warranties and the Intangible Property.

1.20 “Purchase Price”: [●] and 00/100 Dollars (\$[●].00)[, plus any costs and expenses paid for by Seller in connection with the Tellico Village Construction Work from and after September 1, 2017 through the Closing Date in accordance with Section 5.6 of the Transaction Agreement].

1.21 “Purchaser”: the meaning given in the preamble to this Agreement, together with its permitted successors and assigns.

1.22 “Real Property”: collectively, the Land and the Improvements.

1.23 “Resident”: any individual residing at the Community.

1.24 “Resident Agreements”: collectively, all resident agreements, tenant leases and other agreements or arrangements for the use or occupancy of any units, beds or other facilities provided, meals served, goods sold or services provided, in each case, on or at the Community, or any portion thereof, or in connection with the operation of the Community.

1.25 “Resident Deposit”: any refundable deposit or other refundable security provided to the Seller by a Resident or a prospective resident of the Community.

1.26 “Seller’s Knowledge”: the actual knowledge of Bruce J. Mackey Jr., Richard A. Doyle, Jr., R. Scott Herzig, Stephen McCray and Katherine E. Potter.

1.27 “Seller”: the meaning given in the preamble to this Agreement, together with its permitted successors and assigns.

1.28 [“Tellico Village Construction Contracts”: the meaning given in the Transaction Agreement.]

1.29 [“Tellico Village Construction Work”: the meaning given in the Transaction Agreement.]

1.30 “Title Company”: Stewart Title Guaranty Company.

1.31 “Transaction Agreement”: that certain Transaction Agreement, dated as of the date hereof, between Senior Housing Properties Trust and Five Star Senior Living Inc.

1.32 “Warranties”: collectively, all assignable warranties or guaranties, if any, presently in effect from contractors, suppliers or manufacturers of Improvements and Personal Property installed in, or used in connection with the Community.

SECTION II PURCHASE AND SALE; CLOSING

2.1 Purchase and Sale. In consideration of the payment of the Purchase Price by the Purchaser to the Seller and for other good and valuable consideration, the Seller hereby agrees to sell to the Purchaser, and the Purchaser hereby agrees to purchase from the Seller, the Property for the Purchase Price, subject to and in accordance with the terms and conditions of this Agreement.

2.2 Closing. The purchase and sale of the Property shall be consummated at a closing (the “Closing”) to be held at the offices of Sullivan & Worcester LLP, One Post Office Square, Boston, Massachusetts, or at such other location as the Seller and the Purchaser may agree, at 10:00 a.m., local time, on the Closing Date.

2.3 Purchase Price.

(a) The purchase price to be paid for the Property shall be the Purchase Price. The Purchase Price shall be paid by the Purchaser to or at the direction of the Seller at the Closing.

(b) The Purchase Price shall be payable in immediately available federal funds by wire transfer to an account or accounts to be designated by the Seller.

SECTION III CLOSING DELIVERABLES

3.1 Seller’s Closing Deliverables. At the Closing, the Seller shall deliver to the Purchaser the following:

(a) A deed, in substantially the same form as the deed by which the Seller took title to the Real Property, duly executed and acknowledged by the Seller, conveying title to the Real Property, free from all liens and encumbrances other than Permitted Exceptions;

(b) One or more bills of sale and assignment and assumption agreements, in the form of Exhibit [C/D], duly executed and acknowledged by the Seller, with respect to the assignment and assumption of all of the Personal Property, the Contracts, the Licenses and Permits (to the extent transferable), [the Loan Documents,] the Resident Agreements, the Warranties and the Intangible Property (it being understood and agreed that no portion of the Purchase Price is allocated to any of the foregoing) (the “Assignment Agreements”);

- (c) [A loan assumption agreement and such other documents reasonably required by Lender to evidence the assumption of the Loan by the Purchaser, each duly executed and acknowledged by the Seller;]
- (d) A notice addressed to the Residents concerning the sale of the Community and directing that future rents be paid to the Purchaser, which notice shall be in a form mutually acceptable to the Seller and the Purchaser; provided, however, this notice shall be provided prior to Closing if required by applicable law;
- (e) A settlement statement, duly executed and acknowledged by the Seller, setting forth all of the adjustments and prorations with respect to the Purchase Price as described in Section V;
- (f) To the extent the same are in the Seller's possession or control, original, fully executed copies of all Contracts, Licenses and Permits, [Loan Documents,] Resident Agreements and all other material documents and agreements, plans and specifications pertaining to such Property;
- (g) An affidavit dated as of the Closing Date, in respect of Section 1445 of the Internal Revenue Code of 1986, as amended, sufficient to provide an exemption under subdivision (b) thereof; and
- (h) A parties in possession affidavit, mechanic's lien affidavit, a gap indemnity and such other affidavits, conveyance documents, certificates, deeds and other instruments as the Purchaser or the Title Company may reasonably require.

3.2 Purchaser's Closing Deliverables. At the Closing, the Purchaser shall deliver to the Seller the Purchase Price payable hereunder and counterparts of the Assignment Agreements and any other applicable closing documents to be delivered by the Seller pursuant to Section 3.1, each duly executed and acknowledged by the Purchaser.

SECTION IV REPRESENTATIONS AND WARRANTIES OF SELLER

4.1 Seller's Representations. To induce the Purchaser to enter into this Agreement, the Seller represents and warrants to the Purchaser as follows:

(a) Compliance With Law and Permitted Exceptions. To Seller's Knowledge, the Property and the operation thereof complies in all material respects with all applicable Laws and all Permitted Exceptions, including, without limitation, any applicable licensing requirements related thereto. The Seller has not received, within the last three (3) years prior to the date of this Agreement, any written notice of any violation of any Law with respect to the Property or Permitted Exception which has not been corrected, or of any threatened request, application, proceeding, plan or study in writing which would reasonably be expected to materially and adversely affect the use or zoning of the Property or which would modify or

realign any street or highway adjacent to the Property in a way which materially and adversely affect the Property.

(b) Licenses and Permits. The Seller possesses all Licenses and Permits necessary for the operation of the Property as currently operated. Each of such Licenses and Permits is in full force and effect and in good standing and to Seller's Knowledge, no action or omission has occurred which would reasonably be expected to jeopardize the effectiveness or good standing of any of such Licenses and Permits. To the Seller's Knowledge, there are no unresolved material complaints, surveys or audit deficiencies or code violations raised or compliance actions taken by any Governmental Authority with regard to the Property or any Licenses and Permits relating to the Property or the operation thereof.

(c) Loan Documents. The Seller has delivered to the Purchaser true and complete (in all material respects) copies of the Loan Documents. The Loan Documents are all of the agreements, instruments or other documents evidencing, securing or governing the terms and conditions of the Loan. To Seller's Knowledge, each Loan Document is in full force and effect on the terms set forth therein, and there are no defaults or circumstances (other than the proposed sale of the Property subject thereto) which, with the giving of notice, the passage of time or both, would constitute a default by the Seller under any such Loan Document and the Seller has received any written notice from Lender alleging any default under any Loan Document.

(d) Other Agreements, Etc. Other than the Resident Agreements, the Contracts, the Loan Documents and the Permitted Exceptions, there are no other material agreements, contracts or other instruments with respect to or otherwise affecting the Property that will be binding on the Purchaser after the Closing.

(e) Utilities, Etc. To Seller's Knowledge, all utilities and services necessary for the current [and proposed] use and operation of the Property (including, without limitation, road access, gas, water, electricity and telephone) are available thereto. To Seller's Knowledge, no fact, condition or proceeding exists which would result in the termination or impairment of the furnishing of such utilities to the Property.

(f) Taxes. To Seller's Knowledge, other than the amounts disclosed by tax bills, no taxes or special assessments of any kind (special, bond or otherwise) are or have been levied with respect to the Property, or any portion thereof, which are outstanding or unpaid, other than amounts not yet due and payable or, if due and payable, not yet delinquent, and, to Seller's Knowledge, no such levies are pending or threatened in writing.

(g) Hazardous Substances. To Seller's Knowledge, none of the Seller nor any tenant or other occupant or user of any of the Property, or any portion thereof, has stored or disposed of (or engaged in the business of storing or disposing of) or has released or caused the release of any hazardous waste, contaminants, oil, radioactive or other material on the Property, or any portion thereof, in violation of any applicable Federal, state or local statutes, laws, ordinances, rules or regulations, and, to Seller's Knowledge, except as disclosed in writing to the

Purchaser, the Property is free from any such hazardous waste, contaminants, oil, radioactive and other materials, except any such materials maintained in accordance with applicable law.

(h) Not a Foreign Person. The Seller is not a “foreign person” within the meaning of Section 1445 of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

(i) [Construction Project. The Seller has received all required final certificates of occupancy from the appropriate Governmental Authorities for all alterations and improvements related to the assisted living and memory care units at the Community. The Tellico Village Construction Contracts are the only agreements or contracts entered into by the Seller with respect to the Tellico Village Construction Work. The Seller has delivered to the Purchaser true and complete (in all material respects) copies of the budget and construction documents and plans related to the Tellico Village Construction Work (including, without limitation, the Tellico Village Construction Contracts).]

4.2 Survival of Seller’s Representations. All representations and warranties made in this Agreement by the Seller shall survive the Closing for a period of one (1) year.

4.3 AS-IS. Except as otherwise expressly provided in this Agreement (including any exhibit or schedule) or in any other documents executed and delivered at or before the Closing, the Seller has not made (and the Purchaser has not relied upon), any promise, representation or warranty, express or implied, regarding the Property, whether made by the Seller, on the Seller’s behalf or otherwise. The Purchaser acknowledges that, except as otherwise expressly provided in this Agreement or in any documents executed and delivered at or before the Closing, the Purchaser (a) has entered into this Agreement with the intention of making and relying upon its own investigation or that of third parties with respect to the physical, environmental, economic and legal condition of the Property and (b) is not relying upon any statements, representations or warranties of any kind by the Seller or anyone acting or claiming to act on the Seller’s behalf.

SECTION V APPORTIONMENTS

5.1 Apportionments.

(a) Closing Apportionments. The following items shall be apportioned at the Closing as of 12:01 a.m., local time at the Property, on the Closing Date, such that all items of income and expense for the Property prior to the Closing Date shall be for the account of the Seller and all items of income and expense for the Property from and after the Closing Date shall be for the account of the Purchaser:

(i) rents and all other fixed and unfixed charges payable under the Resident Agreements to the extent the same have been collected;

(ii) fuel, electric, water and other utility costs;

(iii) real estate taxes and assessments and personal property taxes which have accrued with respect to the Property (regardless of when such taxes or assessments are due and payable);

(iv) amounts paid or payable under Contracts being assumed by the Purchaser and/or Permitted Exceptions; [provided, however, (X) there shall be no proration hereunder with respect to the Tellico Village Construction Contracts for costs incurred thereunder prior to September 1, 2017, (Y) any amounts paid by the Seller under the Tellico Village Construction Contracts from and after September 1, 2017 through the Closing Date shall be paid for by the Purchaser as part of the Purchase Price and (Z) the Purchaser shall assume and be responsible for any amounts incurred under the Tellico Village Construction Contracts from and after September 1, 2017 and not paid for by the Seller as of the Closing Date;] and

(v) all other items of income and expense normally apportioned in sales of property in similar situations in the areas in which the Property is located.

If any of the foregoing cannot be apportioned at the Closing because of the unavailability of the amounts which are to be apportioned, such items shall be apportioned on the basis of good faith estimates by the parties and reconciled as soon as practicable after the Closing Date but, in any event, no later than one (1) year after the Closing Date, which obligation shall survive the Closing.

(b) Past Due Rents. If, on the Closing Date, there are any rents or any other charges which are then due and payable by any Resident under any Resident Agreement (collectively, “Past Due Rents”), then any rents thereafter collected by the Purchaser from any Resident owing Past Due Rents shall be applied to rents due to the Purchaser for the period from and after the Closing Date and, thereafter to any additional Past Due Rents in inverse order of maturity.

(c) Resident Deposits. At the Closing, the Purchaser shall receive a credit for the amount of all Resident Deposits (if any).

(d) [Loan. At the Closing, the Purchaser shall receive a credit in an amount equal to the outstanding principal balance under the Loan and any interest and other charges accrued thereon which have not been paid as of the Closing Date and which relate to any period of time prior to the Closing Date (regardless of when such payment is due), as such amounts shall be determined by a written statement of Lender or such other evidence reasonably satisfactory to the Purchaser, and the Seller shall receive a credit in the amount of any outstanding escrow balances held by Lender to the extent transferred to the Purchaser.]

(e) Allocation of Closing Apportionments. As between the Purchaser and any affiliate of the Purchaser who leases the Community from the Purchaser, all of the items of income and expense which are apportioned under this Section 5.1 [, other than the loan balance under Section 5.1(d).], shall be for the account of such affiliate of the Purchaser who leases the Community from the Purchaser.

SECTION VI MISCELLANEOUS

6.1 Allocation of Liability. It is expressly understood and agreed that the Seller shall be liable to third parties for, and shall indemnify, defend and hold harmless the Purchaser from and against, any and all obligations, claims, losses, damages, liabilities and expenses arising out of events, contractual obligations, acts, or omissions of the Seller that occurred in connection with the ownership or operation of, or conduct of business on, the Property prior to the Closing.

6.2 Brokers. Each of the parties hereto represents to the other party that it dealt with no broker, finder or like agent in connection with this Agreement or the transactions contemplated hereby. Each party shall indemnify and hold harmless the other party and their respective legal representatives, heirs, successors and assigns from and against any loss, liability or expense, including, reasonable attorneys' fees, arising out of any claim or claims for commissions or other compensation for bringing about this Agreement or the transactions contemplated hereby made by any other broker, finder or like agent, if such claim or claims are based in whole or in part on dealings with the indemnifying party.

6.3 Financials. The Seller shall provide the Purchaser with access to the books and records of the Seller for the purpose of preparing audited financial statements for the Property with respect to the last three (3) calendar years immediately preceding the Closing Date and the stub period for the calendar year in which the Closing Date occurs, such financial statements to be prepared at the Purchaser's sole cost and expense. The Seller shall provide the Purchaser and its accountants with such certifications with respect to such financials as they shall from time to time reasonably require.

6.4 Notices. All notices required or permitted to be sent hereunder shall be deemed to have been given for all purposes of this Agreement upon the date of electronic confirmation of delivery sent by the sender's machine or computer, in the case of a notice by telecopier or electronic mail, and, in all other cases, upon the date of receipt or refusal, except that whenever under this Agreement a notice is either received on a day which is not a Business Day or is required to be delivered on or before a specific day which is not a Business Day, the day of receipt or required delivery shall automatically be extended to the next Business Day.

All such notices shall be addressed,

if to the Seller, to:

c/o Five Star Senior Living Inc.
400 Centre Street
Newton, Massachusetts 02458
Attn: Mr. Bruce J. Mackey Jr.

Telecopier No. (617) 796-8385
E-Mail: bmackey@5ssl.com

with a copy to:

Ropes & Gray LLP
1211 Avenue of the Americas
New York, New York 10036-8704
Attn: David C. Djaha
Telecopier No. (646) 728-2936
E-Mail: david.djaha@ropesgray.com

If to the Purchaser, to:

c/o Senior Housing Properties Trust
Two Newton Place, Suite 300
255 Washington Street
Newton, Massachusetts 02458
Attn: Mr. David J. Hegarty
Telecopier No. (617) 796-8349
E-Mail: dhegarty@rmrgroup.com

with a copy to:

Sullivan & Worcester LLP
One Post Office Square
Boston, Massachusetts 02109
Attn: Nicole Rives
Telecopier No. (617) 338-2880
E-Mail: nrives@sandw.com

By notice given as herein provided, the parties and their respective successors and assigns shall have the right from time to time and at any time during the term of this Agreement to change their respective addresses effective upon receipt by the other party of such notice.

6.5 Waivers, Etc. Any waiver of any term or condition of this Agreement, or of the breach of any covenant, representation or warranty contained herein, in any one instance, shall not operate as or be deemed to be or construed as a further or continuing waiver of any other breach of such term, condition, covenant, representation or warranty or any other term, condition, covenant, representation or warranty, nor shall any failure at any time or times to enforce or require performance of any provision hereof operate as a waiver of or affect in any manner such party's right at a later time to enforce or require performance of such provision or any other provision hereof. This Agreement may not be amended, nor shall any waiver, change, modification, consent or discharge be effected, except by an instrument in writing executed by or on behalf of the party against whom enforcement of any amendment, waiver, change, modification, consent or discharge is sought.

6.6 Assignment; Successors and Assigns. This Agreement and all rights and obligations hereunder shall not be assignable (a) by the Seller without the written consent of the

Purchaser; or (b) by the Purchaser without the written consent of the Seller, except that the Purchaser may assign this Agreement, in whole or in part, to one or more entities wholly owned, directly or indirectly, by the Purchaser or the ultimate parent of the Purchaser; provided, however, that, in the event this Agreement shall be assigned to one or more entities wholly owned, directly or indirectly, by the Purchaser or the ultimate parent of the Purchaser, the Purchaser named herein shall remain liable for the obligations of the “Purchaser” hereunder. In addition, the Purchaser, without the consent of the Seller but after having given written notice to the Seller, may elect to vest title in certain assets comprising the Property to one or more designees of the Purchaser, which election shall not be deemed an assignment and the Purchaser shall remain liable for the obligations of the “Purchaser” hereunder; provided, however, that all such designees shall be affiliates or subsidiaries of the Purchaser. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective legal representatives, successors and permitted assigns.

6.7 Severability. If any provision of this Agreement shall be held or deemed to be, or shall in fact be, invalid, inoperative or unenforceable as applied to any particular case in any jurisdiction or jurisdictions, or in all jurisdictions or in all cases, because of the conflict of any provision with any constitution or statute or rule of public policy or for any other reason, such circumstance shall not have the effect of rendering the provision or provisions in question invalid, inoperative or unenforceable in any other jurisdiction or in any other case or circumstance or of rendering any other provision or provisions herein contained invalid, inoperative or unenforceable to the extent that such other provisions are not themselves actually in conflict with such constitution, statute or rule of public policy, but this Agreement shall be reformed and construed in any such jurisdiction or case as if such invalid, inoperative or unenforceable provision had never been contained herein and such provision reformed so that it would be valid, operative and enforceable to the maximum extent permitted in such jurisdiction or in such case.

6.8 Counterparts, Etc. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

6.9 Performance on Business Days. In the event the date on which performance or payment of any obligation of a party required hereunder is other than a Business Day, the time for payment or performance shall automatically be extended to the first Business Day following such date.

6.10 Section and Other Headings. The headings contained in this Agreement are for reference purposes only and shall not in any way affect the meaning or interpretation of this Agreement.

6.11 Time of Essence. Time shall be of the essence with respect to the performance of each and every covenant and obligation, and the giving of all notices, under this Agreement.

6.12 Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of The Commonwealth of Massachusetts and the parties hereby

consent to the jurisdiction of the courts of The Commonwealth of Massachusetts with respect to any disagreement as between the parties hereto, subject to the provisions of the Transaction Agreement.

6.13 [NO TRUSTEE LIABILITY]. THE DECLARATION OF TRUST ESTABLISHING THE PURCHASER, DATED SEPTEMBER 15, 2017, 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 THE PURCHASER SHALL BE HELD TO ANY PERSONAL LIABILITY, JOINTLY OR SEVERALLY, FOR ANY OBLIGATION OF, OR CLAIM AGAINST, THE PURCHASER. ALL PERSONS DEALING WITH THE PURCHASER IN ANY WAY SHALL LOOK ONLY TO THE ASSETS OF THE PURCHASER FOR THE PAYMENT OF ANY SUM OR THE PERFORMANCE OF ANY OBLIGATION.]

6.14 Survival. The provisions of this Section VI shall survive the Closing under this Agreement or the earlier termination of this Agreement.

[Signature Page Follows.]

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

SELLER:

[●],
a [●]

By: _____
Bruce J. Mackey Jr.
President

PURCHASER:

[●],
a [●]

By: _____
David J. Hegarty
President

EXHIBIT A

THE LAND

[See attached copy.]

[EXHIBIT B]

[LOAN DOCUMENTS]

EXHIBIT [B/C]

PERMITTED EXCEPTIONS

[See attached copy.]

EXHIBIT [C/D]

FORM OF ASSIGNMENT AGREEMENT

[See attached copy.]

**GENERAL BILL OF SALE AND
ASSIGNMENT AND ASSUMPTION AGREEMENT**

THIS GENERAL BILL OF SALE AND ASSIGNMENT AND ASSUMPTION AGREEMENT (this “ Agreement ”) is made and entered into as of [●], [2017/2018], by and between [●], a [●] (the “ Grantor ”), and [●], a [●] (the “ Grantee ”).

WITNESSETH:

WHEREAS, the Grantor and the Grantee are parties to that certain Purchase and Sale Agreement dated as of November 8, 2017 (the “ Purchase Agreement ”) with respect to the senior living Community known as _____ and having an address at _____ (the “ Community ”); and

NOW, THEREFORE, for and 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, the Grantor and the Grantee hereby agree as follows:

1. All capitalized terms used but not otherwise defined in this Agreement shall have the meanings given such terms in the Purchase Agreement.
 2. The Grantor does hereby grant, bargain, sell, assign, transfer, deliver and convey unto the Grantee, all of the Grantor’s right, title and interest in and to the Personal Property, the Contracts, the Licenses and Permits to the extent transferable, [the Loan Documents,] the Resident Agreements, the Resident Deposits (if any), the Warranties and the Intangible Property. (collectively, the “ Transferred Assets ”).
 3. The Grantee hereby assumes and agrees to observe and perform all of the covenants, conditions and agreements to be performed on the part of the Grantor under or with respect to the Transferred Assets on and after the date hereof.
 4. The Grantor agrees to indemnify and hold harmless the Grantee from and against any and all obligations, claims, losses, damages, liabilities, and expenses (including, without limitation, reasonable attorneys’ and accountants’ fees and disbursements) directly or indirectly arising out of or related to any of the Transferred Assets prior to the date hereof.
 5. The Grantee agrees to indemnify and hold harmless the Grantor from and against any and all obligations, claims, losses, damages, liabilities, and expenses (including, without limitation, reasonable attorneys’ and accountants’ fees and disbursements) directly or indirectly arising out of or related to any of the Transferred Assets on and after the date hereof.
 6. Notwithstanding anything contained in this Agreement to the contrary, the Grantee shall assume and be responsible for any amounts incurred under the Tellico Village Construction Contracts from and after September 1, 2017 and not paid for by the Grantor as of the Closing Date.
-

7. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective legal representatives, successors and permitted assigns.

8. This Agreement shall be interpreted, construed, applied and enforced in accordance with the laws of The Commonwealth of Massachusetts.

9. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

10. [THE DECLARATION OF TRUST ESTABLISHING THE GRANTEE, DATED [●], 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 THE GRANTEE SHALL BE HELD TO ANY PERSONAL LIABILITY, JOINTLY OR SEVERALLY, FOR ANY OBLIGATION OF, OR CLAIM AGAINST, THE GRANTEE. ALL PERSONS DEALING WITH THE GRANTEE IN ANY WAY SHALL LOOK ONLY TO THE ASSETS OF THE GRANTEE FOR THE PAYMENT OF ANY SUM OR THE PERFORMANCE OF ANY OBLIGATION.]

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the Grantor and the Grantee have caused this Agreement to be duly executed under seal as of the date first written above.

GRANTOR:

[●],
a [●]

By: _____
Bruce J. Mackey Jr.
President

GRANTEE:

[●],
a [●]

By: _____
David J. Hegarty
President

EXHIBIT A-2

FORM OF GRANITE GATE LANDS PURCHASE AGREEMENT

PURCHASE AND SALE AGREEMENT

BY AND BETWEEN

**SNH GRANITE GATE LANDS TRUST,
AS PURCHASER,**

AND

**FIVE STAR QUALITY CARE – OBX OWNER, LLC,
AS SELLER**

NOVEMBER 8, 2017

PURCHASE AND SALE AGREEMENT

THIS PURCHASE AND SALE AGREEMENT is made as of November 8, 2017, by and between SNH GRANITE GATE LANDS TRUST, a Maryland real estate investment trust, as purchaser (the “Purchaser”), and FIVE STAR QUALITY CARE – OBX OWNER, LLC, a Maryland limited liability company, as seller (the “Seller”).

WITNESSETH:

WHEREAS, the Seller owns certain vacant land and other real property adjacent to the senior living community known as Granite Gate and having an address at 3850 North US Highway 89, Prescott, Arizona 86301 (the “Granite Gate Community”); and

WHEREAS, the Purchaser desires to purchase the Property (as defined below) from the Seller, and the Seller desires to sell the Property to the Purchaser, subject to and upon the terms and conditions hereinafter set forth;

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, the Purchaser and the Seller hereby agree as follows:

SECTION I DEFINITIONS

Capitalized terms used in this Agreement shall have the meanings set forth below or in the section of this Agreement referred to below:

1.1 “Agreement”: this Purchase and Sale Agreement, together with all of the Exhibits and Schedules attached hereto, as it and they may be amended from time to time as herein provided. All references to a Schedule or an Exhibit are references to a Schedule or an Exhibit attached to this Agreement unless otherwise indicated.

1.2 “Business Day”: any day other than a Saturday, Sunday or any other day on which banking institutions in The Commonwealth of Massachusetts are authorized by law or executive action to close.

1.3 “Closing”: the meaning given in Section 2.2.

1.4 “Closing Date”: the meaning given such term in the Granite Gate Community Purchase Agreement.

1.5 “Governmental Authority”: any court, agency, authority, board (including environmental protection, planning and zoning), bureau, commission, department, office or instrumentality of any nature whatsoever of any governmental or quasi-governmental unit of the United States or any state or any county or any political subdivision of any of the foregoing, whether now or hereafter in existence, having jurisdiction over Seller or the Property, or any portion thereof or the business conducted thereon.

- 1.6 “Granite Gate Community”: the meaning given such term in the recitals to this Agreement.
- 1.7 “Granite Gate Community Purchase Agreement”: the Purchase and Sale Agreement, dated as of the date hereof, between Five Star Quality Care – Granite Gate, LLC and SNH Granite Gate Inc. for the Granite Gate Community, as it may be amended from time to time.
- 1.8 “Improvements”: the improvements situated on, or affixed to, the Land.
- 1.9 “Intangible Property”: collectively, all of the Seller’s right, title and interest in and to the intangible property related to the Real Property, if any.
- 1.10 “Land”: the parcel or parcels of land described on Exhibit A, together with all easements, rights of way, licenses and appurtenances which the Seller may now own or hereafter acquire with respect thereto.
- 1.11 “Laws”: all laws, ordinances, statutes, codes, rules, regulations, agreements, judgments, orders and decrees now or hereafter enacted, promulgated, or amended, of any Governmental Authority.
- 1.12 “Permitted Exceptions”: collectively, (a) liens for taxes, assessments and governmental charges not yet due and payable or due and payable but not yet delinquent, and (b) the liens, encumbrances and other matters identified on Exhibit B.
- 1.13 “Personal Property”: collectively, all of the Seller’s right, title and interest in and to all personal property related to the Real Property, if any.
- 1.14 “Property”: collectively, the Real Property, the Personal Property and the Intangible Property.
- 1.15 “Purchase Price”: Two Million One Hundred Fifty Thousand and 00/100 Dollars (\$2,150,000.00).
- 1.16 “Purchaser”: the meaning given in the preamble to this Agreement, together with its permitted successors and assigns.
- 1.17 “Real Property”: collectively, the Land and the Improvements.
- 1.18 “Seller’s Knowledge”: the actual knowledge of Bruce J. Mackey Jr., Richard A. Doyle, Jr., R. Scott Herzig, Stephen McCray and Katherine E. Potter.
- 1.19 “Seller”: the meaning given in the preamble to this Agreement, together with its permitted successors and assigns.
- 1.20 “Title Company”: Stewart Title Guaranty Company.

SECTION II PURCHASE AND SALE; CLOSING

2.1 Purchase and Sale. In consideration of the payment of the Purchase Price by the Purchaser to the Seller and for other good and valuable consideration, the Seller hereby agrees to sell to the Purchaser, and the Purchaser hereby agrees to purchase from the Seller, the Property for the Purchase Price, subject to and in accordance with the terms and conditions of this Agreement.

2.2 Closing. The purchase and sale of the Property shall be consummated at a closing (the “Closing”) to be held at the offices of Sullivan & Worcester LLP, One Post Office Square, Boston, Massachusetts, or at such other location as the Seller and the Purchaser may agree, at 10:00 a.m., local time, on the Closing Date.

2.3 Purchase Price.

(a) The purchase price to be paid for the Property shall be the Purchase Price. The Purchase Price shall be paid by the Purchaser to or at the direction of the Seller at the Closing.

(b) The Purchase Price shall be payable in immediately available federal funds by wire transfer to an account or accounts to be designated by the Seller.

SECTION III CLOSING DELIVERABLES

3.1 Seller’s Closing Deliverables. At the Closing, the Seller shall deliver to the Purchaser the following:

(a) A deed, in substantially the same form as the deed by which the Seller took title to the Real Property, duly executed and acknowledged by the Seller, conveying title to the Real Property, free from all liens and encumbrances other than Permitted Exceptions;

(b) A bill of sale and assignment agreement, in the form of Exhibit C, duly executed and acknowledged by the Seller, with respect to the assignment of all of the Personal Property and the Intangible Property (it being understood and agreed that no portion of the Purchase Price is allocated to any of the foregoing) (the “Assignment Agreements”);

(c) A settlement statement, duly executed and acknowledged by the Seller, setting forth all of the adjustments and proration with respect to the Purchase Price as described in Section V;

(d) An affidavit dated as of the Closing Date, in respect of Section 1445 of the Internal Revenue Code of 1986, as amended, sufficient to provide an exemption under subdivision (b) thereof; and

(e) A parties in possession affidavit, mechanic's lien affidavit, a gap indemnity and such other affidavits, conveyance documents, certificates, deeds and other instruments as the Purchaser or the Title Company may reasonably require.

3.2 Purchaser's Closing Deliverables. At the Closing, the Purchaser shall deliver to the Seller the Purchase Price payable hereunder and a counterpart of the settlement statement, duly executed and acknowledged by the Purchaser.

SECTION IV REPRESENTATIONS AND WARRANTIES OF SELLER

4.1 Seller's Representations. To induce the Purchaser to enter into this Agreement, the Seller represents and warrants to the Purchaser as follows:

(a) Compliance With Law and Permitted Exceptions. To Seller's Knowledge, the Property and the operation thereof complies in all material respects with all applicable Laws and all Permitted Exceptions, including, without limitation, any applicable licensing requirements related thereto. The Seller has not received, within the last three (3) years prior to the date of this Agreement, any written notice of any violation of any Law with respect to the Property or Permitted Exception which has not been corrected, or of any threatened request, application, proceeding, plan or study in writing which would reasonably be expected to materially and adversely affect the use or zoning of the Property or which would modify or realign any street or highway adjacent to the Property in a way which materially and adversely affect the Property.

(b) No Licenses and Permits. The Seller does not hold any licenses, permits or other governmental approvals with respect to the Property.

(c) Other Agreements, Etc. Other than the Permitted Exceptions, there are no other material agreements, contracts or other instruments with respect to or otherwise affecting the Property that will be binding on the Purchaser after the Closing.

(d) Taxes. To Seller's Knowledge, other than the amounts disclosed by tax bills, no taxes or special assessments of any kind (special, bond or otherwise) are or have been levied with respect to the Property, or any portion thereof, which are outstanding or unpaid, other than amounts not yet due and payable or, if due and payable, not yet delinquent, and, to Seller's Knowledge, no such levies are pending or threatened in writing.

(e) Hazardous Substances. To Seller's Knowledge, none of the Seller nor any tenant or other occupant or user of any of the Property, or any portion thereof, has stored or disposed of (or engaged in the business of storing or disposing of) or has released or caused the release of any hazardous waste, contaminants, oil, radioactive or other material on the Property, or any portion thereof, in violation of any applicable Federal, state or local statutes, laws, ordinances, rules or regulations, and, to Seller's Knowledge, except as disclosed in writing to the Purchaser, the Property is free from any such

hazardous waste, contaminants, oil, radioactive and other materials, except any such materials maintained in accordance with applicable law.

(f) Not a Foreign Person. The Seller is not a “foreign person” within the meaning of Section 1445 of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

4.2 Survival of Seller’s Representations. All representations and warranties made in this Agreement by the Seller shall survive the Closing for a period of one (1) year.

4.3 AS-IS. EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THIS AGREEMENT (INCLUDING ANY EXHIBIT OR SCHEDULE) OR IN ANY OTHER DOCUMENTS EXECUTED AND DELIVERED AT OR BEFORE THE CLOSING, THE SELLER HAS NOT MADE (AND THE PURCHASER HAS NOT RELIED UPON), ANY PROMISE, REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, REGARDING THE PROPERTY, WHETHER MADE BY THE SELLER, ON THE SELLER’S BEHALF OR OTHERWISE. THE PURCHASER ACKNOWLEDGES THAT, EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THIS AGREEMENT OR IN ANY DOCUMENTS EXECUTED AND DELIVERED AT OR BEFORE THE CLOSING, THE PURCHASER (A) HAS ENTERED INTO THIS AGREEMENT WITH THE INTENTION OF MAKING AND RELYING UPON ITS OWN INVESTIGATION OR THAT OF THIRD PARTIES WITH RESPECT TO THE PHYSICAL, ENVIRONMENTAL, ECONOMIC AND LEGAL CONDITION OF THE PROPERTY AND (B) IS NOT RELYING UPON ANY STATEMENTS, REPRESENTATIONS OR WARRANTIES OF ANY KIND BY THE SELLER OR ANYONE ACTING OR CLAIMING TO ACT ON THE SELLER’S BEHALF.

SECTION V APPORTIONMENTS

5.1 Apportionments.

(a) Closing Apportionments. The following items shall be apportioned at the Closing as of 12:01 a.m., local time at the Property, on the Closing Date, such that all items of income and expense for the Property prior to the Closing Date shall be for the account of the Seller and all items of income and expense for the Property from and after the Closing Date shall be for the account of the Purchaser:

- (i) real estate taxes and assessments and personal property taxes which have accrued with respect to the Property (regardless of when such taxes or assessments are due and payable);
- (ii) amounts paid or payable under Permitted Exceptions; and
- (iii) all other items of income and expense normally apportioned in sales of property in similar situations in the areas in which the Property is located.

If any of the foregoing cannot be apportioned at the Closing because of the unavailability of the amounts which are to be apportioned, such items shall be apportioned on the basis of good faith estimates by the parties and reconciled as soon as practicable after the Closing Date but, in any event, no later than one (1) year after the Closing Date, which obligation shall survive the Closing.

SECTION VI MISCELLANEOUS

6.1 Allocation of Liability. It is expressly understood and agreed that the Seller shall be liable to third parties for, and shall indemnify, defend and hold harmless the Purchaser from and against, any and all obligations, claims, losses, damages, liabilities and expenses arising out of events, contractual obligations, acts, or omissions of the Seller that occurred in connection with the ownership or operation of the Property prior to the Closing.

6.2 Brokers. Each of the parties hereto represents to the other party that it dealt with no broker, finder or like agent in connection with this Agreement or the transactions contemplated hereby. Each party shall indemnify and hold harmless the other party and their respective legal representatives, heirs, successors and assigns from and against any loss, liability or expense, including, reasonable attorneys' fees, arising out of any claim or claims for commissions or other compensation for bringing about this Agreement or the transactions contemplated hereby made by any other broker, finder or like agent, if such claim or claims are based in whole or in part on dealings with the indemnifying party.

6.3 Notices. All notices required or permitted to be sent hereunder shall be deemed to have been given for all purposes of this Agreement upon the date of electronic confirmation of delivery sent by the sender's machine or computer, in the case of a notice by telecopier or electronic mail, and, in all other cases, upon the date of receipt or refusal, except that whenever under this Agreement a notice is either received on a day which is not a Business Day or is required to be delivered on or before a specific day which is not a Business Day, the day of receipt or required delivery shall automatically be extended to the next Business Day.

All such notices shall be addressed,

if to the Seller, to:

c/o Five Star Senior Living Inc.
400 Centre Street
Newton, Massachusetts 02458
Attn: Mr. Bruce J. Mackey Jr.
Telecopier No. (617) 796-8385
E-Mail: bmackey@5ssl.com

with a copy to:

Ropes & Gray LLP
1211 Avenue of the Americas
New York, New York 10036-8704
Attn: David C. Djaha
Telecopier No. (646) 728-2936
E-Mail: david.djaha@ropesgray.com

If to the Purchaser, to:

c/o Senior Housing Properties Trust
Two Newton Place, Suite 300
255 Washington Street
Newton, Massachusetts 02458
Attn: Mr. David J. Hegarty
Telecopier No. (617) 796-8349
E-Mail: dhegarty@rmrgroup.com

with a copy to:

Sullivan & Worcester LLP
One Post Office Square
Boston, Massachusetts 02109
Attn: Nicole Rives
Telecopier No. (617) 338-2880
E-Mail: nrives@sandw.com

By notice given as herein provided, the parties and their respective successors and assigns shall have the right from time to time and at any time during the term of this Agreement to change their respective addresses effective upon receipt by the other party of such notice.

6.4 Waivers, Etc. Any waiver of any term or condition of this Agreement, or of the breach of any covenant, representation or warranty contained herein, in any one instance, shall not operate as or be deemed to be or construed as a further or continuing waiver of any other breach of such term, condition, covenant, representation or warranty or any other term, condition, covenant, representation or warranty, nor shall any failure at any time or times to enforce or require performance of any provision hereof operate as a waiver of or affect in any manner such party's right at a later time to enforce or require performance of such provision or any other provision hereof. This Agreement may not be amended, nor shall any waiver, change, modification, consent or discharge be effected, except by an instrument in writing executed by or on behalf of the party against whom enforcement of any amendment, waiver, change, modification, consent or discharge is sought.

6.5 Assignment; Successors and Assigns. This Agreement and all rights and obligations hereunder shall not be assignable (a) by the Seller without the written consent of the

Purchaser; or (b) by the Purchaser without the written consent of the Seller, except that the Purchaser may assign this Agreement, in whole or in part, to one or more entities wholly owned, directly or indirectly, by the Purchaser or the ultimate parent of the Purchaser; provided, however, that, in the event this Agreement shall be assigned to one or more entities wholly owned, directly or indirectly, by the Purchaser or the ultimate parent of the Purchaser, the Purchaser named herein shall remain liable for the obligations of the “Purchaser” hereunder. In addition, the Purchaser, without the consent of the Seller but after having given written notice to the Seller, may elect to vest title in certain assets comprising the Property to one or more designees of the Purchaser, which election shall not be deemed an assignment and the Purchaser shall remain liable for the obligations of the “Purchaser” hereunder; provided, however, that all such designees shall be affiliates or subsidiaries of the Purchaser. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective legal representatives, successors and permitted assigns.

6.6 Severability. If any provision of this Agreement shall be held or deemed to be, or shall in fact be, invalid, inoperative or unenforceable as applied to any particular case in any jurisdiction or jurisdictions, or in all jurisdictions or in all cases, because of the conflict of any provision with any constitution or statute or rule of public policy or for any other reason, such circumstance shall not have the effect of rendering the provision or provisions in question invalid, inoperative or unenforceable in any other jurisdiction or in any other case or circumstance or of rendering any other provision or provisions herein contained invalid, inoperative or unenforceable to the extent that such other provisions are not themselves actually in conflict with such constitution, statute or rule of public policy, but this Agreement shall be reformed and construed in any such jurisdiction or case as if such invalid, inoperative or unenforceable provision had never been contained herein and such provision reformed so that it would be valid, operative and enforceable to the maximum extent permitted in such jurisdiction or in such case.

6.7 Counterparts, Etc. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

6.8 Performance on Business Days. In the event the date on which performance or payment of any obligation of a party required hereunder is other than a Business Day, the time for payment or performance shall automatically be extended to the first Business Day following such date.

6.9 Section and Other Headings. The headings contained in this Agreement are for reference purposes only and shall not in any way affect the meaning or interpretation of this Agreement.

6.10 Time of Essence. Time shall be of the essence with respect to the performance of each and every covenant and obligation, and the giving of all notices, under this Agreement.

6.11 Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of The Commonwealth of Massachusetts and the parties hereby

consent to the jurisdiction of the courts of The Commonwealth of Massachusetts with respect to any disagreement as between the parties hereto, , subject to the provisions of the Transaction Agreement, dated as of the date hereof, between Senior Housing Properties Trust and Five Star Senior Living Inc.

6.12 NO LIABILITY OF TRUSTEES. THE DECLARATION OF TRUST ESTABLISHING THE PURCHASER, DATED SEPTEMBER 15, 2017, 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 THE PURCHASER SHALL BE HELD TO ANY PERSONAL LIABILITY, JOINTLY OR SEVERALLY, FOR ANY OBLIGATION OF, OR CLAIM AGAINST, THE PURCHASER. ALL PERSONS DEALING WITH THE PURCHASER IN ANY WAY SHALL LOOK ONLY TO THE ASSETS OF THE PURCHASER FOR THE PAYMENT OF ANY SUM OR THE PERFORMANCE OF ANY OBLIGATION.

6.13 Survival. The provisions of this Section VI shall survive the Closing under this Agreement or the earlier termination of this Agreement.

[Signature Page Follows.]

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

SELLER:

FIVE STAR QUALITY CARE - OBX OWNER, LLC ,
a Maryland limited liability company

By: _____
Bruce J. Mackey Jr.
President

PURCHASER:

SNH GRANITE GATE LANDS TRUST ,
a Maryland real estate investment trust

By: _____
David J. Hegarty
President

EXHIBIT A

THE LAND

[See attached copy.]

EXHIBIT B

PERMITTED EXCEPTIONS

[See attached copy.]

EXHIBIT C

FORM OF ASSIGNMENT AGREEMENT

[See attached copy.]

**GENERAL BILL OF SALE
AND ASSIGNMENT AGREEMENT**

THIS GENERAL BILL OF SALE AND ASSIGNMENT AGREEMENT (this “Agreement”) is made and entered into as of [●], [2017/2018], by FIVE STAR QUALITY CARE – OBX OWNER, LLC, a Maryland limited liability company (the “Grantor”), to and for the benefit of SNH GRANITE GATE LANDS TRUST, a Maryland real estate investment trust (the “Grantee”).

W I T N E S S E T H:

WHEREAS, the Grantor and the Grantee are parties to that certain Purchase and Sale Agreement dated as of November 8, 2017 (the “Purchase Agreement”) with respect to certain real property located adjacent to the assisted living community known as Granite Gate and having an address at 3850 North US Highway 89, Prescott, Arizona 86301; and

NOW, THEREFORE, for and 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, the Grantor and the Grantee hereby agree as follows:

1. The Grantor does hereby grant, bargain, sell, assign, transfer, deliver and convey unto the Grantee, all of the Grantor’s right, title and interest in and to the Personal Property and the Intangible Property (as such terms are defined in the Purchase Agreement).

2. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective legal representatives, successors and permitted assigns.

3. This Agreement shall be interpreted, construed, applied and enforced in accordance with the laws of The Commonwealth of Massachusetts.

4. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the Grantor has caused this Agreement to be duly executed under seal as of the date first written above.

GRANTOR:

FIVE STAR QUALITY CARE - OBX OWNER, LLC ,
a Maryland limited liability company

By: _____
Bruce J. Mackey Jr.
President

EXHIBIT B
FORM OF MANAGEMENT AGREEMENT

MANAGEMENT AGREEMENT

FOR

[_____]

[•] [•], 201 [•]

MANAGEMENT AGREEMENT

THIS MANAGEMENT AGREEMENT (“Agreement”) is entered into as of [●] [●], 201[●], by and between FVE Managers, Inc., a Maryland corporation (“Manager”), and [TRS] a Maryland corporation (“SNH TRS”).

RECITALS:

WHEREAS, [Owner] (“Owner”) owns certain real property and improvements thereon described in Exhibit A attached hereto (collectively, the “Facility”), which Owner leases to SNH TRS and which is [adjacent to a property owned by an Affiliate of Owner and] operated as an [independent / assisted] living facility; and

WHEREAS, SNH TRS wishes to appoint Manager as manager of the Facility and Manager desires to accept such appointment and manage the Facility, all on the terms and conditions herein provided;

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE I DEFINITIONS

The following terms shall have the following meanings when used in this Agreement:

Section 1.01 “AAA” is defined in Section 15.02(a).

Section 1.02 “Accountants” means RSM US LLP or such other firm of independent certified public accountants as may be approved by SNH TRS and Manager.

Section 1.03 “Adverse Regulatory Event” is defined in Section 8.04(b).

Section 1.04 “Affiliate” means with respect to any Person, (i) any Person who directly or indirectly through one or more intermediaries controls, is controlled by or is under common control with a Person or (ii) any Person of which a Person is the beneficial owner of a twenty-five percent (25%) or greater interest or (iii) any Person who acquires all or substantially all of the assets of a Person. A Person shall be deemed to control another Person if such Person, directly or indirectly, has the power to direct the management, operations or business of such Person. The term “beneficial owner” for this and other definitions, having the meaning given such term in Rule 13d-3 under the Securities Exchange Act of 1934, as amended.

Section 1.05 “Agreement” means this Management Agreement between SNH TRS and Manager, and any amendments hereto.

Section 1.06 “Annual Operating Budget” is defined in Section 7.01.

Section 1.07 “Appellate Rules” is defined in Section 15.02(g).

Section 1.08 “Approved Budget” is defined in Section 7.01.

Section 1.09 “Award” is defined in Section 15.02(e)

Section 1.10 “Bankruptcy” means, with reference to either party:

(a) the filing by a party of a voluntary petition in bankruptcy or insolvency or a petition for reorganization under any bankruptcy law, or the admission by a party that it is unable to pay its debts as they become due, or the institution of any proceeding by a party for its dissolution;

(b) the consent by a party to an involuntary petition in bankruptcy or the party’s failure to vacate, within ninety (90) days from the date of entry thereof, any order approving an involuntary petition with respect to such party; or

(c) the entering of an order, judgment or decree by any court of competent jurisdiction, on the application of a creditor, adjudicating a party as bankrupt or insolvent or approving a petition seeking reorganization or appointing a receiver, trustee, or liquidator of all or a substantial part of a party’s assets, and such order, judgment or decree’s continuing unstayed and in effect for an aggregate of sixty (60) days (whether or not consecutive) in any 12 month period.

Section 1.11 “Base Fee” is defined in Section 3.01.

Section 1.12 “Business Day” means any day other than a Saturday, Sunday or other day on which commercial banks in the Commonwealth of Massachusetts are authorized to close.

Section 1.13 “Capital Replacements” means replacements and renewals of FF&E at the Facility and such repairs, maintenance, alterations, improvements, renewals and replacements to the Facility building and its mechanical systems which are classified as capital expenditures under GAAP.

Section 1.14 “Change in Control” means (a) the acquisition by any Person, or two or more Persons acting in concert, of beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission) of 9.8% or more, or rights, options or warrants to acquire 9.8% or more, of the outstanding shares of voting stock or other voting interests of Manager or SNH TRS, as the case may be (either, a “Relevant Person”) or of any direct or indirect parent of a Relevant Person (“Parent”), or the power to direct the management and policies of a Relevant Person or Parent, directly or indirectly, (b) the merger or consolidation of a Relevant Person or Parent with and into any Person or the merger or consolidation of any Person with and into a Relevant Person or any Parent (other than the merger or consolidation of any Person into a Relevant Person or Parent that does not result in a Change in Control of a Relevant Person or Parent under clauses (a), (c), (d), (e) or (f) of this definition), (c) any one or more sales, conveyances, dividends or distributions to any Person of all or any material portion of the assets (including capital stock or other equity interests) or business of a Relevant Person or Parent, whether or not otherwise a Change in Control, (d) the cessation, for any reason, of the individuals who at the beginning of any twenty-four (24)

consecutive month period (commencing on the date hereof) constituted the board of directors of a Relevant Person or any Parent (together with any new directors whose election by such board or whose nomination for election by the shareholders of a Relevant Person or any Parent was approved by a vote of a majority of the directors then still in office who were either directors at the beginning of any such period or whose election or nomination for election was previously so approved, but excluding any individual whose initial nomination for, or assumption of, office as a member of such board of directors occurs as a result of an actual or threatened solicitation of proxies or consents for the election or removal of one or more directors by any Person other than a solicitation for the election of one or more directors by or on behalf of the board of directors) to constitute a majority of the board of directors of a Relevant Person or any Parent then in office, or (e) the adoption of any proposal (other than a precatory proposal) by a Relevant Person or any Parent not approved by vote of a majority of the directors of a Relevant Person or any Parent, as the case may be, in office immediately prior to the making of such proposal, or (f) the election to the board of directors of a Relevant Person or any Parent of any individual not nominated or appointed by vote of a majority of the directors of a Relevant Person or any Parent in office immediately prior to the nomination or appointment of such individual.

Section 1.15 “Code” means the Internal Revenue Code of 1986, as amended.

Section 1.16 “Condemnation” means a taking by Governmental Authority in an eminent domain, condemnation, compulsory acquisition or similar proceeding for any public or quasi-public use or purpose.

Section 1.17 “Construction Supervision Fee” means an amount equal to three percent (3%) of the amount funded by SNH TRS for Capital Replacements which SNH TRS is required to fund pursuant to Section 3.03 less the amount of any construction supervision (or similar) fees paid to any third party in connection with such Capital Replacements which are funded by SNH TRS.

Section 1.18 “Discount Rate” means the yield reported as of 10:00 A.M. on the Business Day prior to the date of termination of this Agreement on the display designated as “Page PX1” (or such other display as may replace Page PX1 on Bloomberg Financial Markets (“Bloomberg”) or, if Page PX1 (or its successor screen on Bloomberg) is unavailable, the Telerate Access Service screen which corresponds most closely to Page PX1) for the most recently issued actively traded U.S. Treasury securities having a maturity equal to the number of years between the date of termination and the scheduled expiration date of the Term (including any extension of the Term, but not in excess of twenty (20) years in any event), plus 300 basis points, or if such yields shall not be reported as of such time or the yields reported as of such time shall not be ascertainable (including by way of interpolation), the Treasury Constant Maturity Series Yields reported for the latest day for which such yields shall have been so reported as of the Business Day prior to the date of termination of this Agreement in Federal Reserve Statistical Release H.15 (519) (or any comparable successor publication) for actively traded U.S. Treasury securities having the same maturity, plus 300 basis points. If necessary, U.S. Treasury bill quotations shall be converted to bond equivalent yields in accordance with accepted financial practice and interpolating linearly between reported yields.

Section 1.19 “Disputes” is defined in Section 15.02(a).

Section 1.20 “Event of Default” is defined in Section 14.01, as to Manager, and in Section 14.02, as to SNH TRS.

Section 1.21 “Facility” is defined in the recitals to this Agreement.

Section 1.22 “Facility Expenses” means all costs and expenses related to the maintenance, operation, repair, renovation, replacement and staffing of the Facility that are normally charged as operating expense under GAAP, including: (a) costs of inventory and supplies (including Household Replacements) used in the operation of the Facility; (b) amounts payable to third parties or expenses otherwise incurred with respect to the marketing, advertising, leasing, use, repair or maintenance of the Facility and any expense incurred in order to obtain or maintain any operating permits, licenses, approvals or certifications, including any licensing or registration fees and expenses associated therewith; (c) amounts payable to third parties for billing and collections of amounts due for goods and services provided to patients and Residents, including for the collection of delinquent rentals and other costs required in connection with the enforcement of any lease or resident agreement; (d) amounts payable to third parties under service contracts; (e) amounts payable to third parties for auditing (including any audits that may be required pursuant to Section 6.02), tax preparation, accounting and risk management services and legal fees; (f) all Personnel Costs incurred by Manager for all personnel employed, and independent contractors who provide services, at the Facility or whose services are entirely allocable to the Facility (or a pro rata share of such Personnel Costs in the case of services provided by a regional business manager or a Shared Employee (defined below)); (g) costs of all utilities serving the Facility; (h) costs of insurance premiums for insurance at the Facility; (i) the Base Fee payable to Manager; (j) costs incurred by Manager for electronic data processing equipment, systems, software or services used at the Facility; (k) all Impositions and all related costs (subject to the requirements of Section 5.05); (l) all expenses, including settlement payments, penalties, fines, repayments, consultant or legal fees and any other costs incurred, related to audits, investigations, inquiries or reviews of the Facility or SNH TRS or Owner by a Governmental Authority, accreditation body or a contractor of a Governmental Authority; (m) any other recoupments, repayments, adjustments, reconciliations or other payments made or returned to Residents or third party payors of the Facility and any related consultant and legal fees; (n) costs payable to prevent, cure or correct any violation of Legal Requirements with respect to the Facility or SNH TRS or Owner; and (o) costs incurred to litigate, negotiate and/or settle any civil claim, action or litigation, including any amounts payable pursuant to a settlement, judgment or damages award and related legal fees.

If any Facility Expenses (e.g., advertising, information technology, reporting and other systems for the operation of the Facility and personnel training), but not including Personnel Costs, are shared with other senior housing facilities managed or operated by Manager or its Affiliates (the “Shared Expenses”), whether owned by SNH TRS or its Affiliates or other parties, Manager shall identify such Shared Expenses in the Annual Operating Budget and the basis for allocation. In addition, Manager may allocate as a Facility Expense a pro rata share of the Personnel Costs Manager incurs with respect to any employee or independent contractor, including for Home Office Personnel to the extent allowed by Section 4.03, who provides services at the Facility and at other

senior housing facilities managed or operated by Manager (a “Shared Employee”) in accordance with an allocation formula approved by SNH TRS, which approval shall not be unreasonably withheld, conditioned or delayed.

Facility Expenses shall not include, unless otherwise approved by SNH TRS: costs for Home Office Personnel (except as allowed by Section 4.03), costs for Manager’s in-house accounting and reporting systems, software or services to the extent used exclusively at Manager’s home office, other home office and corporate level expenses and travel expenses of personnel assigned to work exclusively at the Facility, except for such Facility related travel expenses as are generally reimbursed or paid pursuant to the Facility’s policies and procedures.

Section 1.23 “FF&E” means furniture, fixtures, furnishings, soft goods, case goods, vehicles, systems and equipment.

Section 1.24 “GAAP” means generally accepted accounting principles as adopted by the American Institute of Certified Public Accountants.

Section 1.25 “Governmental Authority” means any United States federal, state or local government or political subdivision thereof, or any court, administrative agency or commission or other quasi-governmental authority or instrumentality or any subdivision thereof.

Section 1.26 [“Granite Gate Facility” means the independent living facility owned by an Affiliate of Owner and managed by Manager which is adjacent to the Facility.]

Section 1.27 [“Granite Gate Facility Management Agreement” means the Management Agreement dated [●], 2017 by and between Manager and SNH Granite Gate Tenant LLC pursuant to which Manager manages the Granite Gate Facility.]

Section 1.28 [“Granite Gate Lands” means the real property located adjacent to the Facility which is owned by an Affiliate of Owner and managed by Manager.]

Section 1.29 Gross Revenues” means all revenues derived from operating the Facility, determined in accordance with GAAP, including: income (from both cash and credit transactions, net of any fee therefor and net of any contractual allowances granted to third party payors) from community fees, monthly occupancy fees, health care fees, third party reimbursement or payments and any and all other fees and payments received from or on behalf of Residents; income from food and beverage and catering sales; income from vending machines, and proceeds, if any, from business interruption insurance and all other revenues from the operation of the Facility; provided that, Gross Revenues shall not include: (i) gratuities to employees at the Facility, (ii) federal, state or municipal excise, sales or use taxes or similar taxes imposed at the point of sale and collected directly from Residents or guests of the Facility or included as part of the sales price of any goods or services, (iii) proceeds from the sale of FF&E and any other capital asset, (iv) interest received or accrued with respect to the monies in any accounts referred to in Section 5.04, (v) proceeds of any financing or refinancing of the Facility, (vi) proceeds of any insurance policy (except business interruption insurance) or condemnation or other taking, (vii) any cash refunds, rebates or discounts to Residents of the Facility, cash discounts and credits of a similar nature, given, paid or returned in the course

of obtaining Gross Revenues or components thereof to the extent not reflected in contractual allowances, (viii) proceeds from any sale of the Facility or any other capital transaction, (ix) Resident funds on deposit or security deposits until such time and to the extent as the same are applied to current fees due for services rendered, (x) awards of damages, settlement proceeds and other payments received by SNH TRS in respect of any litigation other than litigation to collect fees due for services rendered at the Facility and (xi) payments under any policy of title insurance. Any community fees or deposits that are refunded to a Resident shall be deducted from Gross Revenues during the month in which such refunds are made, if previously included in Gross Revenues.

Section 1.30 “Home Office Personnel” is defined in Section 4.03.

Section 1.31 “Household Replacements” means supply items including linen, china, glassware, silver, uniforms, and similar items.

Section 1.32 “Impositions” means all levies, assessments and similar charges, including: all water, sewer or similar fees, rents, rates, charges, excises or levies, vault license fees or rentals; license and regulatory approval fees; inspection fees and other authorization fees and other governmental charges of any kind or nature whatsoever (and all interest and penalties thereon), which at any time during or in respect of the Term may be assessed, levied, confirmed or imposed on the Facility, SNH TRS or Manager with respect to the Facility or the operation thereof, or otherwise in respect of or be a lien upon the Facility (including, on any of the inventories or Household Replacements now or hereafter located therein). Impositions shall not include (i) any income or franchise taxes payable by SNH TRS or Manager or (ii) any franchise, corporate, capital levy or transfer tax imposed on SNH TRS or Manager.

Section 1.33 “Incentive Fee” is defined in Section 5.01.

Section 1.34 “Intellectual Property” means (i) all software developed and owned by Manager or an Affiliate of Manager; and (ii) all written manuals, instructions, policies, procedures and directives issued by Manager to its employees at the Facility regarding the procedures and techniques to be used in operation of the Facility.

Section 1.35 “Interest Rate” means an annual rate of 8%, but not higher than the highest rate permitted by law.

Section 1.36 “Invested Capital” means an amount equal to the purchase price of the Facility paid by Owner (including acquisition expenses and the principal amount of any indebtedness secured by a Mortgage and any refinancing thereof), increased by any amounts paid by SNH TRS, or Owner, for Capital Replacements (and excluding amounts funded by SNH TRS for Working Capital) as reflected on the books and records of Owner and SNH TRS, less any amounts representing proceeds from the sale of Capital Replacements or any other capital asset, and in all events, subject to adjustment based on any audit conducted pursuant to Section 6.03(b).

Section 1.37 “Lease” is defined in Section 8.02(a).

Section 1.38 “Legal Requirements” means any permit, license, certificate, law, code, rule, ordinance, regulation or order of any Governmental Authority, Board of Fire Underwriters or any body similar to any of the foregoing having jurisdiction over the business or operation of the Facility or the matters which are the subject of this Agreement, including any Resident care or health care, building, zoning or use laws, ordinances, regulations or orders, environmental protection laws and fire department rules.

Section 1.39 “Manager” is defined in the initial paragraph of this Agreement.

Section 1.40 “Management Fees” means the Base Fee and the Incentive Fee.

Section 1.41 “Mortgage” means any mortgage or deed of trust recorded against the Facility.

Section 1.42 “Owner” is defined in the Recitals to this Agreement.

Section 1.43 “Person” means any natural person, corporation, limited liability company, trust, joint venture, partnership, Governmental Authority or other entity.

Section 1.44 “Personnel Costs” means total cash compensation, costs of training programs, hiring expenses, severance payments, payroll taxes, workers’ compensation, travel expenses, incentive programs (e.g., workers’ compensation and risk management related incentive programs) and employee fringe benefits payable to such personnel.

Section 1.45 “Proprietary Marks” means all trademarks, trade names, symbols, logos, slogans, designs, insignia, emblems, devices and service marks which are used by Manager to identify the Facility, whether they are now or hereafter owned by Manager or any of its Affiliates, and whether or not they are registered under the laws of the United States.

Section 1.46 “Residents” means the individuals residing at the Facility.

Section 1.47 “Rules” is defined in Section 15.02(a).

Section 1.48 “SNH TRS” is defined in the initial paragraph to this Agreement.

Section 1.49 “SNH TRS Priority Return” means an annual amount equal to seven percent (7%) of Invested Capital.

Section 1.50 “State” means the state in which the Facility is located and any regulatory agencies within the State with overview authority or other authority over the Facility, and any other state that asserts regulatory authority over the Facility or with respect to its Residents, to the extent thereof.

Section 1.51 “Term” is defined in Section 12.01.

Section 1.52 “Termination Fee” means an amount equal to the present value of the payments that would have been made to Manager between the date of termination and the scheduled

expiration date of the Term (including any extension of the Term, but not for a period in excess of twenty (20) years in any event) as Management Fees if this Agreement had not been terminated, calculated based upon the average of the Management Fees earned in each of the three (3) calendar years ended prior to the Termination Date, discounted at an annual rate equal to the Discount Rate.

Section 1.53 “Unsuitable for Use” means, as a result of damage, destruction or partial Condemnation, the Facility cannot be reasonably expected to be restored to its prior condition within nine (9) months and/or, in the good faith judgment of Manager, after restoration or partial Condemnation the Facility cannot be operated on a commercially practicable basis.

Section 1.54 “Working Capital” means funds used in the day-to-day operation of the Facility.

ARTICLE II APPOINTMENT OF MANAGER

Section 2.01 Appointment of Manager. SNH TRS hereby appoints Manager as the sole and exclusive Manager for the daily operation and management of the Facility. Manager accepts such appointment and further agrees to:

- (a) perform the duties of Manager under this Agreement in compliance with this Agreement, including Section 4.06;
- (b) (i) supervise and direct the management and operation of the Facility in a financially sound, cost-effective and efficient manner; and (ii) establish and maintain programs to promote the most effective utilization of the Facility’s services and maximize occupancy and Gross Revenues;
- (c) provide quality services to Residents in a manner complying with all Legal Requirements and the form of resident agreement in use at the Facility;
- (d) establish appropriate marketing programs;
- (e) maintain well trained, quality staff, in sufficient number, at the Facility;
- (f) institute (i) a sound financial accounting system for the Facility, (ii) adequate internal fiscal controls through proper budgeting, accountant procedures and timely financial performance and (iii) sound billing and collection procedures and methods; and
- (g) diligently monitor and assure physical plant maintenance and housekeeping consistent with a first class independent or assisted living facility (or such other type of senior living facility as the Facility may then be operated as).

ARTICLE III
PAYMENTS TO MANAGER; WORKING CAPITAL; CAPITAL REPLACEMENTS; INSUFFICIENT FUNDS

Section 3.01 Management Fees. As compensation for the services to be rendered by Manager under this Agreement, Manager shall receive a management fee (“Base Fee”) during the Term equal to five percent (5%) of the Gross Revenues of the Facility and, if applicable, the Incentive Fee. No amount paid hereunder is intended to be, nor shall it be construed to be, an inducement or payment for referral of patients by either party or any of its Affiliates to the other party or any of its Affiliates. The compensation being paid constitutes the fair market value of the services being provided in light of the costs being incurred and the time, energy, training, expertise and skills required therefor, and is consistent with amounts that would result from arm’s-length negotiations between unrelated parties.

Section 3.02 Working Capital. Upon execution of this Agreement, SNH TRS will advance to Manager, as Working Capital, an amount equal to \$1,500, multiplied by the number of units at the Facility. Manager may, from time to time, request SNH TRS to fund additional amounts as Working Capital to pay Facility Expenses and if the parties do not agree on such additional amounts, the matter shall be referred to arbitration.

Section 3.03 Capital Replacements. The cost of all Capital Replacements in an Approved Budget shall be funded by SNH TRS. Funding will be made by SNH TRS from time to time, after receipt by SNH TRS of such information from Manager regarding the acquisition, initiation or implementation of any Capital Replacements and the progress and performance thereof as SNH TRS may reasonably require. In consideration of Manager’s management of Capital Replacements, SNH TRS shall pay Manager a Construction Supervision Fee for any Capital Replacements required to be made or approved by SNH TRS hereunder. Manager shall include the Construction Supervision Fee in the budget for the Capital Replacement for approval by SNH TRS. The Construction Supervision Fee will be paid monthly in arrears based on Capital Replacements made in such month.

Section 3.04 Insufficient Funds. If at any time available Working Capital is insufficient to pay Facility Expenses and SNH TRS has not timely funded additional amounts for such purpose or SNH TRS has not timely funded Capital Replacements, Manager shall have no obligation to advance its own funds therefor and is relieved of any obligation to pay Facility Expenses or the cost of Capital Replacements to such extent. If Manager does advance its own funds, at such time as SNH TRS advances funds to reimburse Manager, whether by agreement or pursuant to an Award, SNH TRS shall pay Manager interest on such amounts at the Interest Rate from the date of Manager’s advance of funds to the date of reimbursement. If the Award includes interest, SNH TRS shall be entitled to offset such interest against its obligation under this Section 3.04.

ARTICLE IV
MANAGEMENT SERVICES

Section 4.01 Authority of Manager and Management Services. Subject to the terms of this Agreement, Manager shall have discretion and control, free from interference, interruption or disturbance from SNH TRS or those claiming by, through or under SNH TRS, in all matters relating

to the day-to-day management and operation of the Facility. Such discretion and control shall include the authority to negotiate and execute contracts in its own name, in the name of and on behalf of SNH TRS and/or the Facility, in each case, subject to the terms of this Agreement. Manager shall implement all aspects of the operation of the Facility in accordance with the terms of this Agreement, and shall have responsibility and commensurate authority for all such activities. Without limiting the generality of the foregoing, in addition to any other services set forth in this Agreement, Manager shall, consistent with the Approved Budget:

- (a) enter into all contracts, leases and agreements required in the ordinary course of business for the supply, operation, maintenance of and provision of services to the Facility (including food procurement, building services (including cleaning, trash removal, snow plowing, landscaping, carpet cleaning and pest control), utilities and licenses and concessions for commercial space in the Facility); provided that, unless specifically set forth in the Approved Budget, Manager shall obtain the written consent of SNH TRS before entering into any contract, lease or agreement not terminable on ninety (90) days notice without payment of premium or penalty, which consent shall not be unreasonably withheld, conditioned or delayed;
- (b) purchase such inventories, provisions, food, supplies, Household Replacements and other expendable items as are necessary to operate and maintain the Facility in the manner required pursuant to this Agreement;
- (c) provide care to Residents in compliance with the resident agreements in use at the Facility and set all Resident fees and charges including those for accommodation, food services and care services;
- (d) in its own name and on behalf of and, with the consent of SNH TRS, in the name of SNH TRS, which consent shall not be unreasonably withheld, conditioned or delayed, to institute and/or defend, as the case may be, any and all legal actions or proceedings relating to the management and operation of the Facility;
- (e) prepare a marketing plan and direct all the marketing efforts; and
- (f) oversee, manage and direct all day-to-day operations.

Section 4.02 Hiring and Training of Staff. Manager shall have in its employ or under contract at all times a sufficient number of capable employees or independent contractors meeting all Legal Requirements, to enable it to properly, adequately, safely and economically manage, operate, maintain and account for the Facility. All matters pertaining to the retention, employment, supervision, compensation, training, promotion and discharge of such employees or independent contractors are the responsibility of Manager. All such individuals shall be employees or independent contractors of Manager. Manager shall comply with all applicable Legal Requirements having to do with employers including, worker's compensation, unemployment insurance, hours of labor, wages, working conditions and withholding of taxes from employee wages. Manager shall have the power to hire, dismiss or transfer the executive director at the Facility, provided Manager shall keep SNH TRS informed with respect to Manager's intentions to transfer or terminate the executive director and shall consult with SNH TRS with respect to the hiring of a replacement, it

being understood that any final decision shall be made by Manager. If SNH TRS becomes dissatisfied with the performance of the executive director, SNH TRS shall have the right to confer with representatives of Manager to discuss the replacement of the executive director or other action, which shall be within the discretion of Manager.

Section 4.03 Manager's Home Office Personnel. Manager may, in its discretion, provide its services under this Agreement through its Home Office Personnel, provided that the Personnel Costs for such Home Office Personnel shall not be a Facility Expense unless agreed to in advance by SNH TRS. Manager shall further make its Home Office Personnel available for consultation and advice related to the Facility without charge other than its Management Fee. If SNH TRS requests a type, form or level of service from Manager's Home Office Personnel of a nature that would otherwise be a Facility Expense, Manager shall provide such services by Home Office Personnel for an additional cost to be agreed to in advance by Manager and SNH TRS, which shall be a Facility Expense. The term "Home Office Personnel" shall include Manager's home office staff with experience in areas such as accounting, budgeting, finance, legal, human resources, construction, development, marketing, food service and purchasing, among other areas.

Section 4.04 Resident Agreements. Manager shall submit any forms of resident agreements or other occupancy agreements used in conjunction with the Facility for SNH TRS's approval before they are used. Manager shall act as an authorized representative of SNH TRS in executing resident agreements and occupancy agreements, but Manager shall not enter into such agreements for a duration of more than one year without the prior consent of SNH TRS, which consent shall not be unreasonably withheld, conditioned or delayed.

Section 4.05 Contracts with Affiliates. Except for those Affiliates listed on Schedule 4.05, Manager shall not engage or pay any compensation to any Affiliate of Manager for the provision of services in connection with this Agreement unless (a) such party is fully qualified and experienced to provide the required services, (b) both the scope of services and the compensation payable to such Affiliate for the services are consistent with then current market standards or comparable arm's-length transactions, and (c) Manager discloses such engagement to SNH TRS as a transaction with an Affiliate of Manager.

Section 4.06 Legal Requirements.

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

(b) SNH TRS agrees: (i) to sign promptly all applications for permits, licenses, and certificates necessary for the use, operation and management of the Facility required by any Governmental Authority and all cost reports and other submissions for reimbursement or other payments related to the goods and services furnished to patients and Residents at the Facility and (ii) to provide promptly such information and perform such acts as

are required in order for Manager to complete any such application and/or obtain and/or maintain any such permits, licenses, or certificates and/or prepare, complete and/or file any such cost reports or other submissions for payments related to the goods and services furnished to patients and Residents at the Facility.

(c) Manager shall cause all things to be done in and about the Facility as may be reasonably necessary to comply with all applicable Legal Requirements respecting the use, operation and management of the Facility. Manager shall keep its corporate organization in good standing in the State and shall maintain all corporate permits and licenses required by the State.

(d) If either party receives any written notice, report or other correspondence from a Governmental Authority which asserts a deficiency relating to the operation of the Facility or otherwise relates to the actual or threatened suspension, revocation, or any other action adverse to any permit, license or certificate required or necessary to use, operate or maintain the Facility, such party shall give the other party prompt notice thereof and not later than three (3) Business Days after receipt.

ARTICLE V COLLECTIONS AND PAYMENTS

Section 5.01 Collection and Priorities for Distribution of Gross Revenues. Manager shall collect all Gross Revenues and shall apply the Gross Revenues in the following order of priority:

- (1) First, to pay all Facility Expenses (excluding the Base Fee),
- (2) Second, to Manager, to pay the Base Fee and any interest that may have accrued pursuant to Section 5.02,
- (3) Third, to SNH TRS, to pay an amount equal to the SNH TRS Priority Return, and
- (4) Fourth, of the balance, to pay twenty percent (20%) (the “ Incentive Fee”) to Manager and eighty percent (80%) to SNH TRS.

Section 5.02 Timing of Payments. Payment of the Facility Expenses, excluding the Base Fee, shall be made in the ordinary course of business to the extent of available Gross Revenues and Working Capital. The Base Fee and accrued interest, if any, shall be paid on the first Business Day of each calendar month, in advance, based upon Manager’s then estimate of the prior month’s Gross Revenues. The SNH TRS Priority Return and accrued interest, if any, shall be paid on the first Business Day of each calendar month, in advance in approximately equal monthly installments, based upon Invested Capital most recently reported to Manager by SNH TRS. The Base Fee and SNH TRS Priority Return shall be subject to adjustment by increasing or decreasing the payment due in the following month based upon the Gross Revenues reflected in the monthly financial statements and increases or decreases in Invested Capital reported to Manager by SNH TRS, as the case may be. If the Base Fee is not paid in full for any calendar year, the unpaid amount shall bear interest at the Interest Rate and such unpaid amount

and accrued interest shall continue to be payable pursuant to clause (2) of Section 5.01 in subsequent years until paid in full. If the SNH TRS Priority Return is not paid in full for any calendar year, the unpaid amount shall not continue to be payable pursuant to clause (3) of Section 5.01 in subsequent years. Amounts payable pursuant to clause (4) of Section 5.01 shall be paid on the last Business Day of the January following the end of each calendar year, in arrears, and shall be based upon SNH TRS's annual financial statement for such calendar year. Additional adjustments to all payments will be made on an annual basis based upon any audits conducted pursuant to Section 6.03.

Section 5.03 Credits and Collections. Manager shall adopt credit and collection policies and procedures. Manager shall institute monthly billing by the Facility and take all steps necessary to collect accounts and monies owed to the Facility, which may include the institution of legal proceedings.

Section 5.04 Depositories for Funds. Manager shall maintain one or more accounts in the name of SNH TRS in one or more banks selected by Manager and approved by SNH TRS and may deposit therein all Gross Revenues and other funds collected or received by Manager and due to SNH TRS as owner of the Facility. Manager shall be authorized to access the accounts without the approval of SNH TRS, subject to any limitation on the maximum amount of any check, if any, established between Manager and SNH TRS as part of the Annual Operating Budget. SNH TRS shall be a signatory on all accounts maintained with respect to the Facility, and SNH TRS shall have the right to require that SNH TRS's signature be required on all checks/withdrawals after the occurrence of an Event of Default by Manager under this Agreement. SNH TRS shall provide such instructions to the applicable bank(s) as are necessary to permit Manager to implement Manager's rights and obligations under this Agreement, provided the failure of SNH TRS to provide such instructions shall relieve Manager of its obligations hereunder until such time as such failure is cured.

Section 5.05 Impositions. All Impositions which accrue during the Term (or are properly allocable to such Term under GAAP) shall be paid by Manager before any fine, penalty or interest is added thereto or lien placed upon the Facility or this Agreement, unless payment thereof is stayed. SNH TRS shall within five (5) Business Days after the receipt of any invoice, bill, assessment, notice or other correspondence relating to any Imposition, furnish Manager with a copy thereof. Either SNH TRS or Manager may initiate proceedings to contest any Imposition (in which case each party agrees to sign the required applications and otherwise cooperate with the other party in expediting the matter). Unless part of an Approved Budget, incurrence of all costs by Manager of any negotiations or proceedings with respect to any such contest shall be subject to SNH TRS's prior consent, which shall not be unreasonably withheld, conditioned or delayed. Nothing in this Agreement is intended to modify the respective responsibility that the parties would otherwise have to pay such Impositions as may be due and payable.

ARTICLE VI

ACCOUNTING; FINANCIAL STATEMENTS; AUDIT

Section 6.01 Accounting. Manager shall establish and administer accounting procedures and controls and systems for the development, preparation and safekeeping of records and books

of accounting relating to the business and financial affairs of the Facility, including payroll, accounts receivable and accounts payable.

Section 6.02 Financial Statements and Reports. Not later than ten (10) Business Days after the end of each calendar month, Manager shall prepare and deliver to SNH TRS a balance sheet and related statement of income and expense for such calendar month and for the then current calendar year to date, certified by Manager's Controller on a monthly basis and by Manager's Chief Financial Officer on a quarterly basis as being true and correct to the best of his/her knowledge, with a comparison to the Approved Budget.

The monthly financial statements shall be in such format as SNH TRS may reasonably require. Manager shall provide such other financial statements as SNH TRS may from time to time reasonably request. In addition, at the request of SNH TRS, any or all of the financial statements shall be audited by the Accountants as soon as practicable after such request.

Upon request, Manager shall also provide SNH TRS with information relating to the Facility, Manager and its Affiliates that (i) may be required in order for SNH TRS or its Affiliates to prepare financial statements and to comply with any applicable tax and securities laws and regulations, (ii) may be required for SNH TRS or any of its Affiliates to prepare federal, state, provincial or local tax returns or (iii) is of the type that Manager customarily prepares for other owners of facilities it manages, and such other or special reports as Manager may from time to time determine are necessary or as SNH TRS may reasonably request.

Section 6.03 Audit Rights.

(a) SNH TRS and its representatives shall have the right at all reasonable times during usual business hours to audit, examine, and make copies of books of account (including copying any records contained in electronic media) maintained by Manager with respect to the Facility, which audit or examination may cover any time period during the Term at SNH TRS's discretion. Such right may be exercised through any agent or employee designated by SNH TRS or by an independent public accountant designated by SNH TRS.

(b) Manager and its representatives shall have the right at all reasonable times during usual business hours to audit, examine, and make copies of books of account (including copying any records contained in electronic media) maintained by SNH TRS with respect to the Invested Capital and Capital Requirements, which audit or examination may cover any time period during the Term at Manager's discretion. Such right may be exercised through any agent or employee designated by Manager or by an independent public accountant designated by Manager.

ARTICLE VII
ANNUAL OPERATING BUDGET

Section 7.01 Annual Operating Budget. Manager shall, on or before December 20 in each calendar year during the Term, deliver to SNH TRS for SNH TRS's approval, an annual operating budget for the Facility for the next calendar year (the "Annual Operating Budget") which shall

include separate line items for Capital Replacements and set forth an estimate, on a monthly basis, of Gross Revenues and Facility Expenses, together with an explanation of anticipated changes to Resident charges, payroll rates and positions, non-wage cost increases, the proposed methodology and formula employed by Manager in allocating shared Facility Expenses, and all other factors differing from the then current calendar year. The Annual Operating Budget shall be accompanied by a narrative description of operating objectives and assumptions. If SNH TRS does not approve an Annual Operating Budget or any portion thereof, it shall do so, to the extent practicable, on a line item basis. Manager and SNH TRS shall cooperate to resolve disputed items, provided if the Annual Operating Budget is not approved by SNH TRS within thirty (30) days of SNH TRS's receipt, Manager shall operate under the expired Annual Operating Budget until a new Annual Operating Budget is approved, provided that line items for Impositions, insurance premiums and utilities shall be the amounts actually incurred for such items. If agreement on the Annual Operating Budget cannot be reached within forty-five (45) days of SNH TRS's receipt (which time may be extended upon mutual agreement of the parties), the matter shall be resolved by arbitration. The Annual Operating Budget as approved by SNH TRS, or as resolved by arbitration, will be the "Approved Budget" for the applicable calendar year. Manager will obtain SNH TRS's prior approval for any expenditure which will, or is reasonably expected to, result in a variance of five percent (5%) or more of any Approved Budget. For that portion of the Term ending December 31, [2017], except as otherwise agreed by SNH TRS and Manager, the Approved Budget will be the budget of the prior manager of the Facility, a copy of which has been previously provided to Manager.

ARTICLE VIII

TAX MATTERS; REIT QUALIFICATION

Section 8.01 Tax Matters. Manager shall use commercially reasonable efforts to operate the Facility in a manner to best assure that SNH TRS and the Facility receive all benefits of applicable tax exemptions and/or credits available thereto from any Governmental Authority. Manager will prepare or cause to be prepared all tax returns required in the operation of the Facility, which include payroll, sales and use tax returns, personal property tax returns and business, professional and occupational license tax returns. Manager shall timely file or cause to be filed such returns as required by the State; provided that, SNH TRS shall promptly provide all relevant information to Manager upon request, and any late fees or penalties resulting from delays caused by SNH TRS shall be borne by SNH TRS. Manager shall not be responsible for the preparation of SNH TRS's federal or state income tax returns, provided Manager shall cooperate fully with SNH TRS as may be necessary to enable SNH TRS to file such federal or state income tax returns, including by preparing data reasonably requested by SNH TRS and submitting it to SNH TRS as soon as reasonably practicable following such request.

Section 8.02 REIT Qualification.

(a) Manager shall take all commercially reasonable actions reasonably requested by SNH TRS or Owner for the purpose of qualifying Owner's rental income from SNH TRS under the lease between Owner and SNH TRS for the Facility ("Lease") as "rents from real property" pursuant to Sections 856(d)(2), 856(d)(8)(B) and 856(d)(9) of the Code. Manager shall not be liable if such reasonably requested actions, once implemented, fail to have

the desired result of qualifying Owner's rental income from SNH TRS under the Lease as "rents from real property" pursuant to Sections 856(d)(2), 856(d)(8)(B) and 856(d)(9) of the Code. This Section 8.02 shall not apply in situations where an Adverse Regulatory Event has occurred; instead, Section 8.04 shall apply.

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

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

Section 8.03 Further Compliance with Section 856(d) of the Code. Commencing with the date of this Agreement and continuing throughout the Term, Manager intends to qualify as an "eligible independent contractor" as defined in Section 856(d)(9)(A) of the Code, and:

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

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

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

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

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

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

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

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

Section 8.04 Adverse Regulatory Event.

(a) In the event of an Adverse Regulatory Event arising from or in connection with this Agreement, SNH TRS and Manager shall work together in good faith to amend this Agreement to eliminate the impact of such Adverse Regulatory Event; provided, however, Manager shall have no obligation to materially reduce its rights or materially increase its obligations under this Agreement, all taken as a whole, or to bear any out-of-pocket costs or expenses under this Section 8.04. Manager shall not be liable if any such amendment, once operative, fails to have the desired result of eliminating the impact of an Adverse Regulatory Event.

(b) For purposes of this Agreement, the term “Adverse Regulatory Event” means any time that a new law, statute, ordinance, code, rule, regulation or an administrative or judicial ruling imposes, or could impose in Owner’s or SNH TRS’s reasonable opinion, any material threat to Senior Housing Properties Trust’s qualification for taxation as a “real estate investment trust” under the Code or to the treatment of amounts paid to Owner under the Lease as “rents from real property” under Section 856(d) of the Code.

(c) SNH TRS shall promptly inform Manager of any Adverse Regulatory Event of which it is aware and which it believes likely to impair compliance with respect to Section 856(d) of the Code.

ARTICLE IX FINANCING; INSPECTION

Section 9.01 Financing of the Facility. Manager shall cooperate with Owner and SNH TRS in connection with any financing by Owner of the Facility.

Section 9.02 SNH TRS's Right To Inspect. SNH TRS or its employees, representatives, lenders or agents shall have access to the Facility and the files, books, accounts, and records of Manager related to the Facility at any and all reasonable times during usual business hours for the purpose of inspection or showing the Facility to prospective purchasers, investors, Residents or mortgagees.

ARTICLE X REPAIRS AND MAINTENANCE

Section 10.01 Repairs, Maintenance and Capital Replacements. Manager shall maintain the Facility in good, orderly, clean and safe repair and condition consistent with a first class independent or assistant living facility (or such other type of senior living facility as the Facility may then be operated as), and in conformity with Legal Requirements. Manager shall make such routine and preventive maintenance, repairs and minor alterations, the cost of which can be expensed under GAAP, as it, from time to time, deems necessary for such purposes, consistent with the Approved Budget. The cost of such maintenance, repairs and alterations shall be paid from Gross Revenues. Manager shall make such Capital Replacements as are contemplated by the Approved Budget and funded by SNH TRS. The cost of such Capital Replacements shall be funded by SNH TRS.

Section 10.02 Emergency Repairs. If either party has actual knowledge of, or receives a written order or notice from a Governmental Authority, pertaining to a violation or potential violation of any Legal Requirement relating to the physical condition of the Facility or the continued safe operation of the Facility, such party shall give the other party prompt notice thereof and not later than three (3) Business Days after obtaining such knowledge or in the case of an order or notice from a Governmental Authority, receipt. Manager shall recommend appropriate remedial action to SNH TRS and subject to SNH TRS's consent (which shall not be unreasonably withheld, conditioned or delayed), take such remedial action, provided Manager shall be authorized to take appropriate remedial action consisting of repairs or maintenance to the Facility without receiving SNH TRS's prior consent: (a) in an emergency threatening the safety of such Facility or its Residents, invitees or employees or imminent material physical damage to the Facility, or (b) if the continuation of the given condition will subject Manager and/or SNH TRS to regulatory, civil, or criminal liability or result in the suspension or revocation of a material permit, license or certificate. Any disagreement regarding the necessity of taking such remedial action and/or the funding of the cost thereof that is not resolved by the parties within ten (10) Business Days shall be resolved by arbitration.

Section 10.03 Liens. Manager shall use commercially reasonable efforts to prevent any liens from being filed against the Facility which arise from any maintenance, repairs, alterations, improvements, renewals or replacements in or to the Facility. Manager shall not file any lien against the Facility.

Section 10.04 Ownership. All repairs, replacements, alterations and additions shall be the property of Owner or SNH TRS, as may be provided in the lease of the Facility.

Section 10.05 Casualty or Condemnation. If, during the Term, the Facility is (a) totally destroyed by fire or other casualty or there is a Condemnation or (b) partially destroyed by fire or other casualty or there is a partial Condemnation and as a result the Facility is Unsuitable for Use, either Manager or SNH TRS may terminate this Agreement by sixty (60) days written notice to the other and SNH TRS and/or Owner shall be entitled to retain the insurance proceeds or Condemnation award, as the case may be.

If, as a result of partial destruction or partial Condemnation, the Facility is not rendered Unsuitable for Use, SNH TRS shall (or shall cause the Owner to) make the insurance proceeds or award received by SNH TRS and/or Owner available to Manager as necessary to repair or restore the destroyed or untaken portion of the Facility to the same condition as existed previously, provided Manager shall have the right to discontinue operating all or a portion of the Facility pending completion of the repairs or restoration as necessary to comply with Legal Requirements or for the safe and orderly operation of the Facility.

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

Any obligation of SNH TRS and/or Owner to make funds available to Manager to repair or restore the Facility is subject to the requirements of any Mortgage.

Notwithstanding any provisions of this Section 10.05 to the contrary, if partial destruction or a partial Condemnation occurs during the last twelve (12) months of the Term (including any renewal) and if full repair and restoration would not reasonably be expected to be completed prior to the date that is nine (9) months prior to the end of the Term (including any renewal), the provisions of this Section 10.05 shall apply as if the Facility had been rendered Unsuitable for Use.

ARTICLE XI INSURANCE

Section 11.01 General Insurance Requirements. Manager shall, at all times during the Term, keep (or cause to be kept) the Facility and all property located therein or thereon, insured

against the risks and in such amounts as is against such risks and in such amounts as SNH TRS shall reasonably require and as may be commercially reasonable. Any disputes regarding such matters not resolved by the parties within ten (10) Business Days (which period may be extended upon mutual agreement of the parties) shall be resolved by arbitration.

Section 11.02 Waiver of Subrogation. SNH TRS and Manager agree that (insofar as and to the extent that such agreement may be effective without invalidating or making it impossible to secure insurance coverage from responsible insurance companies doing business in the State) with respect to any property loss which is covered by insurance then being carried by SNH TRS or Manager, the party carrying such insurance and suffering said loss releases the others of and from any and all claims with respect to such loss; and they further agree that their respective insurance companies (and, if SNH TRS or Manager shall self insure in accordance with the terms hereof, SNH TRS or Manager, as the case may be) shall have no right of subrogation against the other on account thereof, even though extra premium may result therefrom. If any extra premium is payable by Manager as a result of this provision, SNH TRS shall not be liable for reimbursement to Manager for such extra premium.

Section 11.03 Risk Management. Manager shall be responsible for the provision of risk management oversight at the Facility.

ARTICLE XII TERM AND TERMINATION

Section 12.01 Term. The Term of this Agreement shall begin on the date hereof and end December 31, 2040 (“Term”); provided the Term will be automatically extended for two consecutive periods of fifteen (15) years each unless notice of non-renewal is given by Manager at least twenty-four (24) months prior to the end of the then current Term, unless sooner terminated as provided in this Agreement. [Notwithstanding the foregoing, this Agreement shall terminate contemporaneously with the termination of the Granite Gate Facility Agreement.]

ARTICLE XIII TRANSITION ON TERMINATION

Section 13.01 Termination. Upon any termination of this Agreement, except as otherwise provided in Section 14.04, Manager shall be compensated for its services only through the date of termination and all amounts remaining in any accounts maintained by Manager pursuant to Section 5.04, after payment of such amounts as may be due to Manager hereunder, shall be distributed to SNH TRS. In the event of any termination, both parties shall fully cooperate with one another to ensure a smooth transition of management. Upon termination, Manager will deliver to SNH TRS the following:

(a) a final accounting, reflecting the balance of income and expenses of the Facility as of the date of termination, to be delivered as soon as reasonably possible but not later than sixty (60) days after such termination,

(b) after payment of any amounts as may be due to Manager hereunder, any balance of monies of SNH TRS or Resident deposits, or both, held by Manager with respect to the Facility, to be delivered as soon as reasonably possible, but not later than sixty (60) days after such termination,

(c) all records, contracts, leases, resident agreements, tenant correspondence, files, receipts for deposits, unpaid bills and other papers, documents or computer disks or information which pertain in any way to the Facility to be delivered as soon as reasonably possible, but not later than sixty (60) days after such termination, and

(d) Manager shall cooperate reasonably in all respects to achieve a transfer of any license and/or certificate (or to obtain a new license and/or certificate, if necessary) required in connection with the operation of the Facility, but shall not be required to incur any monetary expenditures in connection therewith (unless SNH TRS agrees to reimburse Manager therefor).

ARTICLE XIV DEFAULTS

Section 14.01 Default by Manager. An Event of Default with respect to Manager shall occur in the event of any of the following:

(a) the Bankruptcy of Manager,

(b) the gross negligence or willful misconduct of Manager with respect to its duties and obligations under this Agreement,

(c) the permit(s), license(s) or certificate(s) required for use, operation or management of the Facility are at any time suspended, terminated or revoked and not reinstated within the applicable appeal period, if any, for any reason due solely to the acts or omissions of Manager,

(d) Manager's failure to keep, observe or perform any material covenant, agreement, term or provision of this Agreement to be kept, observed or performed by Manager, which failure shall continue (i) for a period of five (5) Business Days after Manager receives notice from SNH TRS in case of monetary defaults or (ii) for a period of twenty (20) Business Days after Manager receives notice from SNH TRS in the case of non-monetary defaults, in each case, specifying the default; provided, however, that if such non-monetary default cannot be cured within such twenty (20) Business Day period, then Manager shall be entitled to such additional time as shall be reasonable, provided the default is curable and Manager has promptly proceeded to commence cure of such default within said period, and thereafter diligently prosecutes the cure to completion; provided, however, that in no event shall such additional time exceed ninety (90) days,

(e) a Change in Control of Manager to which SNH TRS does not consent, and

(f) a default by Manager or any Affiliate of Manager under any other agreement between Manager or an Affiliate of Manager and SNH TRS or an Affiliate of SNH TRS, which continues beyond any applicable notice and cure period.

Section 14.02 Default by SNH TRS. An Event of Default with respect to SNH TRS shall occur in the event of any of the following:

- (a) the Bankruptcy of SNH TRS,
- (b) the gross negligence or willful misconduct of SNH TRS with respect to its obligations under this Agreement,
- (c) the permit(s), license(s) or certificate(s) required for use, operation or management of the Facility are at any time suspended, terminated or revoked and not reinstated within the applicable appeal period, if any, for any reason due solely to the acts or omissions of SNH TRS or one of its Affiliates, and

(d) SNH TRS shall fail to (i) timely fund Working Capital or to fund Capital Replacements pursuant to an Approved Budget and such failure shall continue for a period of ten (10) Business Days after notice thereof by Manager or (ii) keep, observe or perform any other material covenant, agreement, term or provision of this Agreement to be kept, observed or performed by SNH TRS and such failure shall continue (x) for a period of five (5) Business Days after SNH TRS receives notice from Manager in case of monetary defaults or (y) for a period of twenty (20) Business Days after SNH TRS receives notice from Manager in the case of non-monetary defaults, in each case specifying the default; provided, however, if such default cannot be cured within such twenty (20) Business Day period, then SNH TRS shall be entitled to such additional time as shall be reasonable, provided the default is curable, SNH TRS has promptly proceeded to commence cure of such non-monetary default within said period, and thereafter diligently prosecutes the cure to completion; provided, however, that in no event shall such additional time to cure non-monetary defaults exceed ninety (90) days.

Section 14.03 Remedies of SNH TRS. Upon the occurrence of an Event of Default by Manager, SNH TRS may terminate this Agreement immediately upon notice and shall be entitled to exercise any other rights at law or in equity.

Section 14.04 Remedies of Manager. Upon the occurrence of an Event of Default by SNH TRS, Manager may terminate this Agreement on thirty (30) days notice and SNH TRS shall pay Manager the Termination Fee within thirty (30) days of the effective date of termination, as liquidated damages and in lieu of any other remedy of Manager at law or in equity, as well as any accrued but unpaid fees owed to Manager pursuant to Section 5.01.

Section 14.05 No Waiver of Default. The failure by SNH TRS or Manager to insist upon the strict performance of any one of the terms or conditions of this Agreement or to exercise any right, remedy or election herein contained or permitted by law shall not constitute or be construed as a waiver or relinquishment for the future of such term, condition, right, remedy or election, but the same shall continue and remain in full force and effect. All rights and remedies that SNH TRS

or Manager may have at law, in equity or otherwise for any breach of any term or condition of this Agreement shall be distinct, separate and cumulative rights and remedies and no one of them, whether or not exercised by SNH TRS or Manager, shall be deemed to be in exclusion of any right or remedy of SNH TRS or Manager.

ARTICLE XV

GOVERNING LAW, ARBITRATION, LIABILITY OF MANAGER AND INDEMNITY

Section 15.01 Governing Law, Etc. This Agreement shall be interpreted, construed, applied and enforced in accordance with the laws of the Commonwealth of Massachusetts applicable to contracts between residents of Massachusetts which are to be performed entirely within Massachusetts, regardless of (i) where this Agreement is executed or delivered; or (ii) where any payment or other performance required by this Agreement is made or required to be made; or (iii) where any breach of any provision of this Agreement occurs, or any cause of action otherwise accrues; or (iv) where any action or other proceeding is instituted or pending; or (v) the nationality, citizenship, domicile, principal place of business, or jurisdiction of organization or domestication of any party; or (vi) whether the laws of the forum jurisdiction otherwise would apply the laws of a jurisdiction other than Massachusetts; or (vii) any combination of the foregoing.

Section 15.02 Arbitration.

(a) Any disputes, claims or controversies between the parties (i) arising out of or relating to this Agreement, or (ii) brought by or on behalf of any shareholder of any party or a direct or indirect parent of a party (which, for purposes of this Section 15.02, shall mean any shareholder of record or any beneficial owner of shares of any party, or any former shareholder of record or beneficial owner of shares of any party), either on his, her or its own behalf, on behalf of any party or on behalf of any series or class of shares of any party or shareholders of any party against any party or any member, trustee, director, officer, manager (including The RMR Group LLC or its successor), agent or employee of any party, including disputes, claims or controversies relating to the meaning, interpretation, effect, validity, performance or enforcement of this Agreement, including this arbitration provision, or the declarations of trust, limited liability company agreements, charters, bylaws or other governing documents of any party hereto (all of which are referred to as “Disputes”), or relating in any way to such a Dispute or Disputes shall, on the demand of any party to such Dispute be resolved through binding and final arbitration in accordance with the Commercial Arbitration Rules (the “Rules”) of the American Arbitration Association (“AAA”) then in effect, except as those Rules may be modified in this Section 15.02. For the avoidance of doubt, and not as a limitation, Disputes are intended to include derivative actions against trustees, directors, officers or managers of any party and class actions by a shareholder against those individuals or entities and any party. For the avoidance of doubt, a Dispute shall include a Dispute made derivatively on behalf of one party against another party. For purposes of this Section 15.02, the term “party” shall include any direct or indirect parent of a party.

(b) There shall be three (3) arbitrators. If there are only two (2) parties to the Dispute, each party shall select one arbitrator within fifteen (15) days after receipt of a demand for arbitration. Such arbitrators may be affiliated or interested persons of such parties. If there

are more than two (2) parties to the Dispute, all claimants, on the one hand, and all respondents, on the other hand, shall each select, by the vote of a majority of the claimants or the respondents, as the case may be, one arbitrator within fifteen (15) days after receipt of a demand for arbitration. Such arbitrators may be affiliated or interested persons of the claimants or the respondents, as the case may be. If either a claimant (or all claimants) or a respondent (or all respondents) fail to timely select an arbitrator, then the party (or parties) who has selected an arbitrator may request the AAA to provide a list of three (3) proposed arbitrators in accordance with the Rules (each of whom shall be neutral, impartial and unaffiliated with any party) and the party (or parties) that failed to timely appoint an arbitrator shall have ten (10) days from the date the AAA provides such list to select one of the three (3) arbitrators proposed by AAA. If such party (or parties) fail to select such arbitrator by such time, the party (or parties) who have appointed the first arbitrator shall then have ten (10) days to select one of the three (3) arbitrators proposed by AAA to be the second arbitrator; and, if he/they should fail to select such arbitrator by such time, the AAA shall select, within fifteen (15) days thereafter, one of the three (3) arbitrators it had proposed as the second arbitrator. The two (2) arbitrators so appointed shall jointly appoint the third and presiding arbitrator (who shall be neutral, impartial and unaffiliated with any party) within fifteen (15) days of the appointment of the second arbitrator. If the third arbitrator has not been appointed within the time limit specified herein, then the AAA shall provide a list of proposed arbitrators in accordance with the Rules, and the arbitrator shall be appointed by the AAA in accordance with a listing, striking and ranking procedure, with each party having a limited number of strikes, excluding strikes for cause.

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

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

(e) In rendering an award or decision (the “Award”), the arbitrators shall be required to follow the laws of the State of Maryland. Any arbitration proceedings or Award rendered hereunder and the validity, effect and interpretation of this arbitration provision shall be governed by the Federal Arbitration Act, 9 U.S.C. §1 et seq. The Award shall be in writing and may, but shall not be required to, briefly state the findings of fact and conclusions of law on which it is based. Any monetary Award shall be made and payable in U.S. dollars free of any tax, deduction or offset. Subject to Section 15.02(h), each party against which an Award assesses a monetary obligation shall pay that obligation on or before the thirtieth (30th) day following the date of such Award or such other date as such Award may provide.

(f) Except to the extent expressly provided by this Agreement or as otherwise agreed by the parties, to the maximum extent permitted by Maryland law, each party involved in a Dispute shall bear its own costs and expenses (including attorneys’ fees), and the arbitrators shall not render an Award that would include shifting of any such costs or expenses (including attorneys’ fees) or, in a derivative case or class action, award any portion of a party’s Award to

the claimant or the claimant's attorneys. Each party (or, if there are more than two (2) parties to the Dispute, all claimants, on the one hand, and all respondents, on the other hand, respectively) shall bear the costs and expenses of its (or their) selected arbitrator and the parties (or, if there are more than two (2) parties to the Dispute, all claimants, on the one hand, and all respondents, on the other hand) shall equally bear the costs and expenses of the third (3rd) appointed arbitrator.

(g) Notwithstanding any language to the contrary in this Agreement, any Award, including but not limited to any interim Award, may be appealed pursuant to the AAA's Optional Appellate Arbitration Rules (" Appellate Rules "). An Award shall not be considered final until after the time for filing the notice of appeal pursuant to the Appellate Rules has expired. Appeals must be initiated within thirty (30) days of receipt of an Award by filing a notice of appeal with any AAA office. Following the appeal process, the decision rendered by the appeal tribunal may be entered in any court having jurisdiction thereof. For the avoidance of doubt, and despite any contrary provision of the Appellate Rules, the above paragraph relating to costs and expenses shall apply to any appeal pursuant to this Section 15.02(g) and the appeal tribunal shall not render an Award that would include shifting of any costs or expenses (including attorneys' fees) of any party.

(h) Following the expiration of the time for filing the notice of appeal, or the conclusion of the appeal process set forth in Section 15.02(g), an Award shall be final and binding upon the parties thereto and shall be the sole and exclusive remedy between those parties relating to the Dispute, including any claims, counterclaims, issues or accounting presented to the arbitrators. Judgment upon an Award may be entered in any court having jurisdiction. To the fullest extent permitted by law, no application or appeal to any court of competent jurisdiction may be made in connection with any question of law arising in the course of arbitration or with respect to any Award made, except for actions relating to enforcement of this Section 15.02 or any arbitral award issued hereunder, and except for actions seeking interim or other provisional relief in aid of arbitration proceedings in any court of competent jurisdiction.

(i) This Section 15.02 is intended to benefit and be enforceable by the parties and their respective shareholders, members, direct and indirect parents, trustees, directors, officers, managers (including The RMR Group Inc. and The RMR Group LLC), agents or employees of any party and their respective successors and assigns and shall be binding on the shareholders of any party and the parties, as applicable, and shall be in addition to, and not in substitution for, any other rights to indemnification or contribution that such individuals or entities may have by contract or otherwise.

Section 15.03 Consent to Jurisdiction and Forum. This Section 15.03 is subject to, and shall not in any way limit the application of, Section 15.02; in case of any conflict between this Section 15.03 and Section 15.02, Section 15.02 shall govern. Notwithstanding anything to the contrary in Section 15.02, the exclusive jurisdiction and venue in any action brought by any party hereto pursuant to this Agreement shall lie in any federal or state court located in Boston, Massachusetts. By execution and delivery of this Agreement, each party hereto irrevocably submits to the jurisdiction of such courts for itself and in respect of its property with respect to such action. The parties irrevocably agree that venue would be proper in such court, and hereby waive any

objection that such court is an improper or inconvenient forum for the resolution of such action. The parties further agree and consent to the service of any process required by any such court by delivery of a copy thereof in accordance with Section 17.01 and that any such delivery shall constitute valid and lawful service of process against it, without necessity for service by any other means provided by statute or rule of court.

Section 15.04 Standard of Care. Manager shall discharge its duties in good faith, and agrees to exercise, with respect to all services provided by Manager under this Agreement, a standard of care, skill, prudence and diligence under the circumstances then existing as is consistent with the prevailing practices of institutional property managers that manage properties comparable to the Facility in the same market and in no event with less care, skill, prudence or diligence as Manager would customarily utilize in the conduct of its business, and as is necessary to comply with all Legal Requirements.

Section 15.05 Indemnity. In any action, proceeding or claim brought or asserted by a third party, Manager will defend, indemnify and hold SNH TRS (and any of its Affiliates, their respective directors, trustees, officers, shareholders, employees and agents) harmless from and against any claims, losses, expenses, costs, suits, actions, proceedings, demands or liabilities that are asserted against, or sustained or incurred by them because of Manager's breach of any material term of this Agreement, or arising from Manager's failure to act or not act in accordance with SNH TRS's reasonable instructions or gross negligence, fraud, or willful misconduct, except to the extent caused by SNH TRS's breach of any material term of this Agreement, gross negligence, fraud or willful misconduct. SNH TRS will defend, indemnify, and hold Manager (and any of its Affiliates, their respective directors, trustees, officers, shareholders, employees and agents) harmless, from and against any and all claims, expenses, costs, suits, actions, proceedings, demands, or liabilities that are asserted against, or sustained or incurred by them in connection with the performance of Manager's duties under this Agreement or otherwise while acting within the scope of the agency established by the parties to this Agreement and in accordance with Section 15.04, or in the case of an action, proceeding or claim brought or asserted by a third party against any of them as a result of SNH TRS's breach of any material term of this Agreement, violation of Legal Requirements, instructions to Manager to act or not act with respect to the relevant matter or gross negligence, fraud or willful misconduct, except to the extent caused by Manager's breach of any material term of this Agreement, failure to act or not act in accordance with SNH TRS's reasonable instructions, gross negligence, fraud or willful misconduct. The scope of the foregoing indemnities includes any and all costs and expenses properly incurred in connection with any proceedings to defend any indemnified claim, or to enforce the indemnity, or both. Recovery upon an indemnity contained in this Agreement shall be reduced dollar-for-dollar by any applicable insurance collected by the indemnified party with respect to the claims covered by such indemnity.

Section 15.06 Limitation of Liability. To the maximum extent permitted by applicable law, no shareholder, member, officer, director, trustee, employee or agent of any party to this Agreement (and of any Affiliate of such party that is not a party to this Agreement) shall have any personal liability with respect to the liabilities or obligations of such party under this Agreement or any document executed by such party pursuant to this Agreement.

ARTICLE XVI
PROPRIETARY MARKS; INTELLECTUAL PROPERTY

Section 16.01 Proprietary Marks. During the Term of this Agreement, the Facility shall be known as a “Five Star Senior Living” community, with such additional identification as may be necessary and agreed to by SNH TRS and Manager to provide local identification or to comply with local licensing or consumer protection laws.

Section 16.02 Ownership of Proprietary Marks. The Proprietary Marks shall in all events remain the exclusive property of Manager, and except as expressly set forth in this Agreement, nothing contained herein shall confer on SNH TRS the right to use the Proprietary Marks. Except as provided below in this section, upon termination, any use of or right to use the Proprietary Marks by SNH TRS shall cease forthwith, and SNH TRS shall promptly remove, at Manager’s expense, from the Facility any signs or similar items that contain the Proprietary Marks. Upon termination, SNH TRS shall have the right to use any inventory or Household Replacement items marked with the Proprietary Marks exclusively in connection with the Facility until they are consumed.

Section 16.03 Intellectual Property. All Intellectual Property shall at all times be proprietary to Manager or its Affiliates, and shall be the exclusive property of Manager or its Affiliates. During the Term, Manager shall be entitled to take all reasonable steps to ensure that the Intellectual Property remains confidential. Upon termination, all Intellectual Property shall be removed from the Facility by Manager, without compensation to SNH TRS.

ARTICLE XVII
MISCELLANEOUS PROVISIONS

Section 17.01 Notices. All notices, demands, consents, approvals, and requests given by either party to the other hereunder shall be in writing and shall be deemed to have been duly given when delivered in person, upon confirmation of receipt when transmitted by facsimile transmission, or on the next business day if transmitted by nationally recognized overnight courier, to the parties at the following addresses:

[•]
c/o Senior Housing Properties Trust
Two Newton Place
255 Washington Street, Suite 300
Newton, Massachusetts 02458
Attn: David J. Hegarty
Telephone: (617) 796-8104
Facsimile: (617) 796-8349

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

Facsimile: (617) 796-8243

or to such other address and to the attention of such other person as either party may from time to time designate in writing. Notices properly given as described above shall be effective upon receipt.

Section 17.02 Severability. If any term or provision of this Agreement or the application thereof in any circumstance is held invalid, illegal or unenforceable in any respect for any reason, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions hereof shall not be in any way impaired, unless the provisions held invalid, illegal or unenforceable shall substantially impair the benefits of the remaining provisions hereof.

Section 17.03 Gender and Number. Whenever the context of this Agreement requires, the gender of all words herein shall include the masculine, feminine, and neuter, and the number of all words herein shall include the singular and plural.

Section 17.04 Headings and Interpretation. The descriptive headings in this Agreement are for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement. References to "Section" in this Agreement shall be a reference to a Section of this Agreement unless otherwise indicated. Whenever the words "include," "includes" or "including" are used in this Agreement they shall be deemed to be followed by "without limitation." The words "hereof," "herein," "hereby," and "hereunder," when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision unless otherwise indicated. The word "or" shall not be exclusive. This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting.

Section 17.05 Estoppel Certificates. Each party to this Agreement shall at any time and from time to time, upon not less than thirty (30) day's prior notice from the other party, execute, acknowledge and deliver to such other party, or to any third party specified by such other party, a statement in writing: (i) certifying that this Agreement is unmodified and in full force and effect (or if there have been modifications, that the same, as modified, is in full force and effect and stating the modifications); (ii) stating whether or not to the best knowledge of the certifying party: (x) there is a continuing default by the non-certifying party in the performance or observation of any covenant, agreement or condition contained in this Agreement; or (y) there shall have occurred any event which, with the giving of Notice or the passage of time or both, would become such a default, and, if so, specifying such default or occurrence of which the certifying party may have knowledge; and (iii) stating such other information as the non-certifying party may reasonably request. Such statement shall be binding upon the certifying party and may be relied upon by the non-certifying party and/or such third party specified by the non-certifying party as aforesaid. The obligations set forth in this Section 17.05 shall survive Termination (that is, each party shall, on request, within the time period described above, execute and deliver to the non-certifying party and to any such third party a statement certifying that this Agreement has been terminated).

Section 17.06 Confidentiality of Business Information. Manager and SNH TRS agree to keep confidential and not to use or to disclose to others, any of their respective secrets or confidential or proprietary information, customer lists, or trade secrets, or any matter or items relating to this Agreement, the management of the Facility or their association with each other except (a) to their

respective Affiliates, which may in turn disclose to any holder of a Mortgage, any prospective lender, purchaser or prospective purchaser of the Facility, (b) to any rating agencies, lenders, stock analysts, accountants, lawyers and other like professionals, (c) as expressly consented to in writing by the other party, (d) as required by law or the rules of any national securities exchange or automated quotation system to which SNH TRS or Manager, or any Affiliate of either, is or becomes subject, or (e) as required by law or the applicable regulators with respect to any initial, renewal or other required application for licensure, Medicare or Medicaid participation or other approval or certification of the Facility.

Section 17.07 Confidentiality of Patient Information. The parties shall only use or disclose patient information, including Protected Health Information (as such term is defined by the Standards for Privacy of Individually Identifiable Health Information, 45 C.F.R. Part 160 and Subparts A and E of Part 164, as promulgated from time to time by the Department of Health and Human Services (the “Privacy Standards”)), in compliance with the Privacy Standards and other applicable law. The parties shall further reasonably safeguard the confidentiality, integrity and availability of patient information, including Protected Health Information, as required by applicable law, including the Privacy Standards and the Security Standards (45 C.F.R. Part 160 and Subparts A and E of Part 164). In the event that patient information (including Protected Health Information) is disclosed by a party or its agents to the other party, its employees, contractors, subcontractors or agents, such other party agrees to take reasonable steps to maintain, and to require its employees, contractors, subcontractors and agents receiving such information to maintain, the privacy and confidentiality of such information consistent with applicable law. In connection with Manager’s services hereunder, the parties shall enter into a Business Associate Agreement in a form acceptable to both parties.

Section 17.08 Assignment. SNH TRS may assign this Agreement to any Affiliate (but only as such term is defined in Section 1.04(i) or (iii)) of SNH TRS without Manager’s consent. Manager shall not assign or transfer its interest in this Agreement without the prior written consent of SNH TRS which may be withheld in SNH TRS’s sole and absolute discretion. If SNH TRS consents to an assignment of this Agreement by Manager, no further assignment shall be made without the express consent in writing of SNH TRS.

Section 17.09 Amendment. This Agreement may not be modified, altered or amended in any manner except by an amendment in writing, duly executed by the parties hereto.

Section 17.10 Third Party Beneficiaries. The terms and conditions of this Agreement shall inure to the benefit of, and be binding upon, the respective successors, heirs, legal representatives or permitted assigns of each of the parties hereto and except for Owner, which is an intended third party beneficiary, and as otherwise provided in Section 15.05, no Person other than the parties hereto and their successors and permitted assigns is intended to be a beneficiary of this Agreement.

Section 17.11 Survival. The following provisions shall survive termination or expiration of this Agreement: Sections 11.02, 13.01, 14.03, 14.04 and 14.05, Article XV and Article XVII.

Section 17.12 Relationship Between the Parties. The relationship between SNH TRS and Manager pursuant to this Agreement shall not be one of general agency, but shall be that of an

independent contractor relationship, provided with respect to those specific and limited circumstances in which (a) Manager is holding funds for the account of SNH TRS or (b) Manager is required or authorized to act as authorized representative for SNH TRS with respect to agreements with Residents, filings with and applications to governmental bodies or pursuant to licenses or Legal Requirements, the relationship between SNH TRS and Manager shall be that of trustee and authorized representative (with limited agency), respectively. Neither this Agreement nor any agreements, instruments, documents or transactions contemplated hereby shall in any respect be interpreted, deemed or construed as making SNH TRS a partner or joint venturer with Manager or as creating any similar relationship or entity, and each party agrees that it will not make any contrary assertion, contention, claim or counterclaim in any action, suit or other legal proceeding involving the other.

Section 17.13 [Acknowledgement Regarding Operations]. [SNH TRS and Manager acknowledge that as of the date hereof the Facility does not have any buildings and there are no Residents living at the Facility. As a result, certain provisions of this Agreement will not be currently applicable to the Facility.] SNH TRS and Manager [also] acknowledge that Owner and the owner of the Granite Gate [Facility / Lands] desire that the Granite Gate [Facility / Lands] and the Facility be operated as an integrated unit. At such time as no indebtedness encumbers the [Granite Gate] Facility, SNH TRS and Manager will cooperate with Owner and the owner of the Granite Gate [Facility / Lands] to combine the ownership and management of the Facility and the Granite Gate [Facility / Lands.]

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed under seal by their duly authorized officers, all as of the day and year first above written.

Manager:

FVE Managers, Inc.

By: _____
Richard A. Doyle
Chief Financial Officer and
Treasurer

SNH TRS:

[TRS]

By: _____
Richard W. Siedel, Jr.
Chief Financial Officer and
Treasurer

Exhibit A

Facility

Schedule 4.05

EXHIBIT C-1

FORM OF POOLING AGREEMENT AMENDMENT

FIRST AMENDMENT TO POOLING AGREEMENTS

(NOS. 1 THROUGH 11)

THIS FIRST AMENDMENT TO POOLING AGREEMENTS (this “Amendment”) is made as of November 8, 2017 by and among FVE Managers, Inc. (“Manager”) and the other parties listed on the signature pages hereto (each a “TRS” and collectively, “TRSES”).

RECITALS:

Manager and TRSES are parties to those certain Pooling Agreements identified with respect to such TRSES on the signature pages hereto (collectively, the “Pooling Agreements”). Capitalized terms used in this Amendment without definition have the meaning given therefor in the Pooling Agreements.

Manager and TRSES are entering into this Amendment pursuant to that certain Transaction Agreement dated November 8, 2017 by and between Senior Housing Properties Trust and Five Star Senior Living Inc.

NOW, THEREFORE, the parties agree as follows:

1. Section 5.01. Section 5.01 of each of the Pooling Agreements is amended and restated as follows:

“5.01 Shortfall. If in any period consisting of three (3) consecutive calendar years (commencing with calendar year 2017) the Aggregate TRS Priority Return for each of such three (3) years has not been paid in full (the aggregate amount of such shortfall, the “Priority Return Shortfall”), by notice given within sixty (60) days after receipt of the Aggregate Annual Statement for such third (3rd) year, TRSES may terminate all, but not less than all, of the Management Agreements identified on Schedule C. Prior to exercising the right to terminate, TRSES shall give Manager notice and, if within ten (10) days thereafter, Manager funds the Priority Return Shortfall together with interest accrued thereon at the Interest Rate (a “Manager Shortfall Advance”), TRSES shall not exercise the right to terminate, provided Manager may not exercise its right to fund the Priority Return Shortfall more frequently than once every four (4) years. Manager may recover any amounts paid by it as a Manager Shortfall Advance as provided in Section 3.01, provided that amounts not recovered during the four (4) calendar years following the year in which payment of a Manager Shortfall Advance was made shall be deemed waived and shall not be payable in any subsequent year.”

2. Remainder of the Pooling Agreements Not Affected. The terms and provisions of each of the Pooling Agreements, as amended by this Amendment, remain in full force and effect without change.

[Signatures begin on the following page.]

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

FVE MANAGERS, INC.

By: _____
Bruce J. Mackey Jr.
President

With respect to Pooling Agreement No. 1 dated as of June 29, 2016 with an effective date of July 1, 2016:

**SNH SE ASHLEY RIVER TENANT LLC
SNH SE KINGS MTN TENANT LLC
SNH SE TENANT TRS, INC.**

By: _____
Richard W. Siedel, Jr.
President

With respect to Pooling Agreement No. 2 dated as of June 29, 2016 with an effective date of July 1, 2016:

**SNH SE BURLINGTON TENANT LLC
SNH SE HABERSHAM SAVANNAH TENANT LLC
SNH SE HOLLY HILL TENANT LLC
SNH SE MOORESVILLE TENANT LLC
SNH SE N. MYRTLE BEACH TENANT LLC
SNH SE TENANT TRS, INC.**

By: _____
Richard W. Siedel, Jr.
President

With respect to Pooling Agreement No. 3 dated as of June 29, 2016 (as amended to date) with an effective date of July 1, 2016:

**SNH BRFL TENANT LLC
SNH CALI TENANT LLC
SNH CCMD TENANT LLC
SNH PLFL TENANT LLC
SNH SE BARRINGTON BOYNTON TENANT LLC
SNH SE TENANT TRS, INC.**

By: _____
Richard W. Siedel, Jr.
President

With respect to Pooling Agreement No. 4 dated as of June 29, 2016 with an effective date of July 1, 2016:

**SNH SE DANIEL ISLAND TENANT LLC
SNH SE SG TENANT LLC
SNH SE TENANT TRS, INC.
SNH TEANECK TENANT LLC**

By: _____
Richard W. Siedel, Jr.
President

With respect to Pooling Agreement No. 5, Pooling Agreement No. 6, and Pooling Agreement No. 7 each dated as of June 29, 2016 with an effective date of July 1, 2016:

SNH SE TENANT TRS, INC.

By: _____
Richard W. Siedel, Jr.
President

With respect to Pooling Agreement No. 8 dated as of June 29, 2016 with an effective date of July 1, 2016:

SNH AL AIMO TENANT, INC.

By: _____
Richard W. Siedel, Jr.
President

With respect to Pooling Agreement No. 9 dated as of June 29, 2016 with an effective date of July 1, 2016:

**SNH AL AIMO TENANT, INC.
SNH AL AIMO TENANT II, INC.
SNH AL TRS, INC.**

By: _____
Richard W. Siedel, Jr.
President

With respect to Pooling Agreement No. 10 dated as of June 29, 2016 with an effective date of July 1, 2016:

**SNH AL CRIMSON TENANT INC.
SNH AL TRS, INC.
SNH AL WILMINGTON TENANT INC.
SNH SE TENANT TRS, INC.
SNH AL CUMMING TENANT LLC**

By: _____
Richard W. Siedel, Jr.
President

With respect to Pooling Agreement No. 11 with an effective date of December 15, 2016:

SNH AL GEORGIA TENANT LL C

By: _____
Richard W. Siedel, Jr.
President

EXHIBIT C-2
FORM OF POOLING AGREEMENT

POOLING AGREEMENT No. [●]

THIS POOLING AGREEMENT No. [●] (this “Agreement”) is made as of [●] [●], 201[●] with an effective date of [●] [●], 201[●] (the “Effective Date”), by and among FVE Managers, Inc. (“Manager”) and the parties listed on Schedule A (each a “TRS” and collectively, “TRSES”).

RECITALS:

Each TRS has entered into a Management Agreement with Manager (each a “Management Agreement” and collectively, the “Management Agreements”) with respect to each senior living facility or property set forth for such TRS on Schedule B (each a “Facility” and collectively, the “Facilities”), which Management Agreements are listed on Schedule C.

The parties desire that the working capital of each of the Facilities and all revenues from operation of each of the Facilities be pooled for purposes of paying the aggregate operating expenses of the Facilities, and fees and other amounts due to Manager and TRSES and to modify the amount of such fees and other amounts due to Manager and TRSES as set forth in this Agreement.

NOW, THEREFORE, the parties agree as follows:

ARTICLE I DEFINED TERMS

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

“Additional Facility” is defined in Section 7.01.

“Additional Management Agreement” is defined in Section 7.01.

“Additional TRS” is defined in Section 7.01.

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

“Aggregate Base Fee” means for any period, an amount equal to five percent (5%) of the Aggregate Gross Revenues for such period.

“Aggregate Facility Expenses” means for any period, the sum of Facility Expenses of the Facilities for such period.

“Aggregate Gross Revenues” means for any period the sum of Gross Revenues of the Facilities for such period.

“Aggregate Invested Capital” means the sum of the Invested Capital for each of the Facilities at the time of determination.

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

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

“Aggregate TRS Priority Return” means an annual amount equal to seven percent (7%) of Aggregate Invested Capital.

“Agreement” is defined in the Preamble.

“Construction Supervision Fee” means an amount equal to three percent (3%) of the amount funded by a TRS for Capital Replacements which such TRS is required to fund pursuant to Section 3.03 of its Management Agreement, if applicable, less the amount of any construction supervision (or similar) fees paid to any third party in connection with such Capital Replacements which are funded by such TRS.

“Effective Date” is defined in the Preamble.

[“Granite Gate Facility” means the Facility identified on Schedule B as the Granite Gate Facility.

“Granite Gate Lands” means the Facility identified on Schedule B as the Granite Gate Lands.]

“Facility” and “Facilities” is defined in the Recitals and such terms shall include any Additional Facility(ies).

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

“Manager” is defined in the Preamble.

“Manager Shortfall Advance” is defined in Section 5.01.

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

“Other Requirement” is defined in Section 9.01.

“Priority Return Shortfall” is defined in Section 5.01.

“Transaction Agreement” is defined in Section 9.04.

“TRS” is defined in the Preamble.

ARTICLE II GENERAL

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

2.02. Construction Supervision Fee. In consideration of Manager's management of Capital Replacements, each TRS shall pay Manager a Construction Supervision Fee for any Capital Replacements required to be made or approved by a TRS. Manager shall include the Construction Supervision Fee in the budget for the Capital Replacement for approval by the TRS. The Construction Supervision Fee will be paid monthly in arrears based on Capital Replacements made in such month.

ARTICLE III PRIORITIES FOR DISTRIBUTION OF AGGREGATE GROSS REVENUES

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

- (1) First, to pay Aggregate Facility Expenses (which shall not include the Aggregate Base Fee).
- (2) Second, to Manager, to pay the Aggregate Base Fee and any interest that may have accrued pursuant to Section 3.02.
- (3) Third, to TRSes, in an amount equal to the Aggregate TRS Priority Return.
- (4) Fourth, to Manager, to reimburse it for payment of any Manager Shortfall Advance, plus applicable interest calculated at the Interest Rate, subject to Section 5.01.
- (5) Fifth, of the balance, eighty percent (80%) to Manager and twenty percent (20%) to TRSes.

3.02. Timing of Payments. Payment of the Aggregate Facility Expenses, excluding the Aggregate Base Fee, shall be made in the ordinary course of business. The Aggregate Base Fee and accrued interest, if any, shall be paid on the first Business Day of each calendar month, in advance, based upon Manager's then estimate of the prior month's Aggregate Gross Revenues. The Aggregate TRS Priority Return and accrued interest, if any, shall be paid on the first Business Day of each calendar month, in advance in approximately equal monthly installments,

based upon Aggregate Invested Capital most recently reported to Manager by TRSes. The Aggregate Base Fee and Aggregate TRS Priority Return shall be subject to adjustment by increasing or decreasing the payment due in the following month based upon Aggregate Gross Revenues reflected in the Aggregate Monthly Financial Statements and increases or decreases in Aggregate Invested Capital reported to Manager by TRSes, as the case may be. If the Aggregate Base Fee is not paid in full for any calendar year, the unpaid amount shall bear interest at the Interest Rate and such unpaid amount and accrued interest shall continue to be payable pursuant to clause (2) of Section 3.01 in subsequent years until paid in full. If the Aggregate TRS Priority Return is not paid in full for any calendar year, the unpaid amount shall not continue to be payable pursuant to clause (3) of Section 3.01 in subsequent years, but shall continue to be due and bear interest at the Interest Rate for the purposes of Section 5.01. Amounts payable pursuant to clause (5) of Section 3.01 shall be paid on the last Business Day of the January following the end of each calendar year, in arrears, and shall be based upon the Aggregate Annual Statement for such calendar year. Additional adjustments to all payments will be made on an annual basis based upon any audits conducted pursuant to Section 6.03 of the Management Agreements. The Aggregate TRS Priority Return and payments to TRSes pursuant to clause (5) of Section 3.01 shall be allocated among TRSes as TRSes shall determine in their sole discretion, and Manager shall have no responsibility or liability in connection therewith.

3.03. Relationship with Management Agreements. For as long as this Agreement is in effect with respect to a Facility, the provisions of Section 3.01 and 3.02 shall supersede Sections 5.01 and 5.02 of the Management Agreement then in effect for such Facility, and fees payable to Manager pursuant Sections 3.01 and 3.02 shall be in lieu of the fees payable under the first sentence of Section 3.01 of the Management Agreements.

ARTICLE IV FINANCIAL STATEMENTS

4.01. Pooling Agreement Financial Statements. Manager shall prepare and deliver the following financial statements to TRSes:

(a) not later than ten (10) Business Days after the end of each calendar month, a consolidated balance sheet and related statement of income and expense of all of the Facilities for such calendar month and for the then current calendar year to date, certified by Manager's Controller on a monthly basis and by Manager's Chief Financial Officer on a quarterly basis as being true and correct to the best of his/her knowledge (" Aggregate Monthly Statement ").

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

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

ARTICLE V
SHORTFALL; NON-ECONOMIC FACILITIES

5.01. Shortfall. If in any period consisting of three (3) consecutive calendar years (commencing with calendar year 2018) the Aggregate TRS Priority Return for each of such three (3) years has not been paid in full (the aggregate amount of such shortfall, the “Priority Return Shortfall”), by notice given within sixty (60) days after receipt of the Aggregate Annual Statement for such third (3rd) year, TRSes may terminate all, but not less than all, of the Management Agreements identified on Schedule C. Prior to exercising the right to terminate, TRSes shall give Manager notice and if within ten (10) days thereafter, Manager funds the Priority Return Shortfall together with interest accrued thereon at the Interest Rate (a “Manager Shortfall Advance”), TRSes shall not exercise the right to terminate, provided Manager may not exercise its right to fund the Priority Return Shortfall more frequently than once every four (4) years. Manager may recover any amounts paid by it as a Manager Shortfall Advance as provided in Section 3.01, provided that amounts not recovered during the four (4) calendar years following the year in which payment of a Manager Shortfall Advance was made shall be deemed waived and shall not be payable in any subsequent year.

5.01. Non-Economic Facilities. If the Gross Revenues of any Facility are insufficient to pay all Facility Expenses and the Base Fee for such Facility in full during each of two (2) consecutive calendar years (commencing with calendar year 2018, or if later, the calendar year following the year in which such Facility is made subject to this Agreement), Manager shall be entitled, upon thirty (30) days notice to the relevant TRS, to designate such Facility as a “Non-Economic Facility.” Notwithstanding the foregoing, Manager shall not be entitled, without the relevant Owner’s consent, to designate a Facility for which Invested Capital exceeds twenty percent (20%) of Aggregate Invested Capital as a Non-Economic Facility, nor shall Manager be entitled to designate a Facility as a Non-Economic Facility at any time that there are less than six (6) Facilities subject to this Agreement. For purposes of this Section 5.02 only, Aggregate Invested Capital shall be determined without giving effect to the termination of the Management Agreement for a Non-Economic Facility and without reduction for proceeds from the sale, or deemed sale, of any Non-Economic Facility. Manager may request an increase in the foregoing twenty percent (20%) threshold at any time, which the relevant Owner may accept or reject in its sole discretion.

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

[Notwithstanding the foregoing, the Granite Gate Lands may not be designated as a Non-Economic Facility separate from the Granite Gate Facility.]

5.02. Sale Process. If a Non-Economic Facility is marketed for sale in accordance with Section 5.02 and Manager receives an offer therefor which it wishes to accept on behalf of the relevant TRS and Owner, Manager shall give the relevant TRS prompt notice thereof, which

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

ARTICLE VI ACCOUNTS

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

ARTICLE VII ADDITION AND REMOVAL OF FACILITIES

7.01. Addition of Facilities. At any time and from time to time, any TRS or any Affiliate of a TRS (an “Additional TRS”) which enters into a management agreement with Manager (an “Additional Management Agreement”) for the operation of an additional senior living facility (an “Additional Facility”), may, with the consent of Manager and TRSes become a

party to this Agreement with respect to such Additional Facility by signing an accession agreement confirming the applicability of this Agreement to such Additional Facility. If an Additional Facility is made subject to this Agreement other than on the first day of a calendar month, the parties shall include such prorated amounts of the Gross Revenues and Facility Expenses (and such other amounts as may be necessary) applicable to such Additional Facility for such calendar month, as mutually agreed in their reasonable judgment, in the calculation of Aggregate Gross Revenues and Aggregate Facility Expenses (and such other amounts as may be necessary) for the calendar month in which the Additional Facility became subject to this Agreement and shall make any other prorations, adjustments, allocations and changes as may be required. Except as set forth in this Section 7.01, the Gross Revenues and Facility Expenses of the Additional Facility earned or incurred prior to the date that an Additional Facility was made subject to this Agreement will be excluded from Aggregate Gross Revenues and Aggregate Facility Expenses unless otherwise agreed by TRSes and Manager. Additionally, any amounts held as Working Capital or for Capital Replacements at such Additional Facility shall be held by Manager under this Agreement.

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

ARTICLE VIII TERM AND TERMINATION

8.01. Term.

- (a) The Term of each Management Agreement shall end on December 31, 2041.
- (b) This Agreement shall continue and remain in effect indefinitely unless terminated pursuant to Section 8.02.

8.02. Termination.

This Agreement may be terminated as follows:

(a) By the mutual consent of Manager and TRSes.

(b) Automatically, if all Management Agreements terminate or expire for any reason.

(c) By Manager, if any or all TRSes do not cure a material breach of this Agreement by any TRS or Owner within thirty (30) days of written notice of such breach from Manager, and if such breach is not cured, it shall be an Event of Default under the Management Agreements.

(d) By TRSes, if Manager does not cure a material breach of this Agreement by Manager within thirty (30) days of written notice of such breach from any TRS.

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

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

ARTICLE IX MISCELLANEOUS PROVISIONS

9.01. Conflicts with Loan Documentation. The terms and conditions of this Agreement are subject to the requirements set forth in any Mortgage or other loan documentation applicable to any Facility and to applicable law (collectively, “Other Requirements”). To the extent there is any conflict between the terms and conditions of this Agreement and any Other Requirements, the provisions of the Other Requirements shall control with respect to the applicable Facility and Management Agreement and neither Manager nor any TRS or Owner shall take, or be required to take as a result of this Agreement, any action that would cause Manager or the relevant TRS or Owner to be in breach of such Other Requirement. TRS will provide Manager with notice of any loan documents applicable to a Facility, which notice will be given prior to such loan documents becoming applicable to the extent practicable.

9.02. Adjustments and Contributions. If, as a result of an Other Requirement, any Gross Revenues of a Facility are not available to be held and applied as contemplated by Sections 3.01 and 3.02 of this Agreement: (i) the Gross Revenues and Facility Expenses of, and the Invested Capital related to, such Facility shall nonetheless be taken into account in determining the amounts required to be paid pursuant to Sections 3.01 and 3.02; (ii) any payments by or to a TRS pursuant to the Management Agreement related to such Facility shall offset any payments required to be made pursuant to Sections 3.01 and 3.02; and (iii) any direct or indirect parent of such TRS shall permit distributions of Gross Revenues of such Facility

received by it to be held and applied as Gross Revenues under this Agreement. Any distributions so provided by a direct or indirect parent shall be accounted for between such parent and TRSes as determined by them. Notwithstanding the foregoing, in no event shall the fees paid to Manager and the TRSes pursuant to this Agreement and the Management Agreements exceed in the aggregate the amounts required to be paid pursuant to this Agreement.

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

To TRS :

Two Newton Place
255 Washington Street, Suite 300
Newton, Massachusetts 02458-1634
Attn: David J. Hegarty
Telephone: (617) 796-8104
Facsimile: (617) 796-8349

To Manager :

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

9.04. Applicable Law; Arbitration. This Agreement shall be interpreted, construed, applied and enforced in accordance with the laws of the Commonwealth of Massachusetts, with regard to its “choice of law” rules. Any “Dispute” (as such term is defined in the that certain Transaction Agreement dated November 8, 2017 by and between Senior Housing Properties Trust and Five Star Senior Living Inc. (the “Transaction Agreement”) under this Agreement shall be resolved through final and binding arbitration conducted in accordance with the procedures and with the effect of, arbitration as provided for in the Transaction Agreement.

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

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

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

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

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

9.10. Entire Agreement; Construction; Amendment.

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

(b) In the event of any conflict between the provisions of this Agreement or the Management Agreements on the one hand, and the provisions of the Transaction Agreement on the other hand, the provisions of the Transaction Agreement shall control, and the provisions of this Agreement or the Management Agreements, as applicable, are

deemed amended and modified, in each case as required to give effect to the intent of the parties hereunder. All other terms and conditions of this Agreement and the Management Agreements, as applicable, shall remain in full force and effect.

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

[Signatures page follows]

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

FVE MANAGERS, INC.

By: _____
Richard A. Doyle
Chief Financial Officer and Treasurer

[TRSeS]

Schedule A

TRSeS

Schedule B

Facilities

Schedule C

Management Agreements

SCHEDULE 1

PROPERTIES

- 1 Terrace at Grove Park
101 Tulip Lane
Dothan, Alabama 36305

For legal description see Schedule 1-A

- 2 Granite Gate Community – Parcel 2
3850 North US Highway 89
Prescott, AZ 86301

“Granite Gate Facility”

For legal description see Schedule 1-B

- 3 Granite Gate Community – Parcels 1 and 3 (Parking)
3850 North US Highway 89
Prescott, AZ 86301

“Granite Gate Lands”

For legal description see Schedule 1-C

- 4 Northwoods Commons
2501 Friendship Boulevard
Kokomo, Indiana 46227

For legal description see Schedule 1-D

- 5 5 Plex
Mallard Court
Kokomo, Indiana 46227

For legal description see Schedule 1-E

- 6 Park Place of Fountain City
3030 Holbrook Drive
5405 Colonial Circle
Knoxville, Tennessee 37918

For legal description see Schedule 1-F

- 7 Park Place of West Knoxville
10914 Kingston Pike
Knoxville, Tennessee 37934

For legal description see Schedule 1-G

- 8 The Neighborhood at Tellico Village
100 Chatuga Drive West
Loudon, Tennessee 37774

For legal description see Schedule 1-H

SCHEDULE 1-A

*Terrace at Grove Park
101 Tulip Lane
Dothan, Alabama 36305*

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE COUNTY OF HOUSTON, STATE OF ALABAMA, AND IS DESCRIBED AS FOLLOWS:

Parcel 1 (Fee Simple)

Lot 1 according to the Final Plat of The Terrace at Grove Park, as recorded in Plat Book 13, Page 99, on March 17, 2014 in the Office of the Judge of Probate of Houston County, Alabama.

The above-referenced property being the same property described in deed recorded May 14, 2014 in Deed Book 736, Page 641 in the Office of the Judge of Probate of Houston County, Alabama.

Parcel 2

Easement rights as set forth in Declaration of Easements recorded August 16, 2001 in Deed Book 580, Page 246, in the Probate Records of Houston County, Alabama.

Parcel 3

Easement rights as set forth in Non-Exclusive Easement for Ingress/Egress recorded May 23, 2006, in Deed Book 639, Page 799, in the Probate Records of Houston County, Alabama.

Parcel 4

Easement rights as set forth in Reciprocal Easement Agreement recorded June 14, 1990 in Deed Book 558, Page 216, in the Probate Records of Houston County, Alabama, and as amended by Amendment 1 to Reciprocal Easement Agreement recorded February 26, 2008 in Misc. Book 260, Page 287, in the Probate Records of Houston County, Alabama.

Parcel ID Nos.: 0904170000005004 and 0904170000005004A

SCHEDULE 1-B

***Granite Gate Community
3850 North US Highway 89
Prescott, AZ 86301***

Parcel 1 :

Intentionally omitted.

Parcel 2 :

That portion of Section 12, Township 14 North, Range 2 West of the Gila and Salt River Base and Meridian, Yavapai County, Arizona, being a portion of that parcel recorded in Book 4307 of Official Records, Page 613, formerly recorded in Book 2382 of Official Records, Page 95, and depicted on the Record of Survey recorded in Book 13 of Land Surveys, Page 68-69, records of Yavapai County, Arizona, described as follows:

COMMENCING at a found PK nail with tag "LS 17564" marking the Easterly most corner of said parcel;

Thence South 28 degrees, 35 minutes, 28 seconds West, a distance of 164.52 feet along the Westerly right of way of State Highway 89, to a nail and brass tag "LS 16921" (recorded South 28 degrees, 25 minutes, 40 seconds West);

Thence North 61 degrees, 06 minutes, 35 seconds West, a distance of 100.97 feet to a found nail and brass tag "LS 17353";

Thence North 79 degrees, 15 minutes, 28 seconds West, a distance of 290.91 feet to a found 1/2 inch rebar capped "LS 17353";

Thence Northwesterly 416.61 feet along a curve to the right having a radius of 1085.82 feet and a chord of 413.87 feet, bearing North 88 degrees, 10 minutes, 54 seconds West, to a found nail and tag "LS 17353";

Thence North 35 degrees, 35 minutes, 37 seconds East, a distance of 150.88 feet to a nail and tag "LS 16921";

Thence North 53 degrees, 51 minutes, 51 seconds West, a distance of 60.60 feet parallel to an existing building to a nail and tag "LS 16921";

Thence North 32 degrees, 04 minutes, 03 seconds East, a distance of 10.11 feet to a point on the face of an existing building;

Thence North 53 degrees, 51 minutes, 51 seconds West, a distance of 25.09 feet along the face of an existing building to a point;

Thence South 32 degrees, 04 minutes, 03 seconds West, a distance of 10.11 feet to a nail and tag “LS 16921”;

Thence North 53 degrees, 51 minutes, 51 seconds West, a distance of 8.88 feet to a 1/2 inch rebar capped “LS 16921”;

Thence South 80 degrees, 35 minutes, 30 seconds West, a distance of 10.79 feet to a 1/2 inch rebar capped “LS 16921”;

Thence North 53 degrees, 55 minutes, 57 seconds West, parallel to an existing building, a distance of 92.61 feet to a 1/2 inch rebar capped “LS 16921”;

Thence South 36 degrees, 16 minutes, 23 seconds West, a distance of 147.72 feet to a nail and brass tag “LS 16921”;

Thence North 53 degrees, 55 minutes, 57 seconds West, a distance of 142.84 feet to a point on the West boundary of said parcel, being the meander line of Willow Creek as shown on said Record of Survey;

Thence North 26 degrees, 38 minutes, 25 seconds East, a distance of 126.33 feet to a point (recorded as North 26 degrees, 24 minutes, 30 seconds East);

Thence North 22 degrees, 59 minutes, 24 seconds East, a distance of 223.65 feet to the Southerly right of way of Entrance Road, a nail and tag “LS 16921” (recorded as North 22 degrees, 45 minutes, 30 seconds East, a distance of 223.67 feet);

Thence South 69 degrees, 32 minutes, 06 seconds East, a distance of 71.18 feet along the Southerly right of way of Entrance Road to a 1/2 inch rebar capped “LS 16921” (recorded as South 69 degrees, 46 minutes, 22 seconds East, a distance of 71.18 feet);

Thence South 57 degrees, 04 minutes, 18 seconds East, a distance of 183.19 feet along the Southerly right of way of Entrance Road to a found 1/2 inch rebar tagged “LS 17564” (recorded as South 57 degrees, 18 minutes, 34 seconds East, a distance of 183.19 feet);

Thence South 64 degrees, 34 minutes, 05 seconds East, a distance of 46.76 feet along the Southerly right of way of Entrance Road to a found 1/2 inch rebar tagged “LS 17564” (recorded as South 64 degrees, 47 minutes, 53 seconds East, a distance of 46.73 feet);

Thence South 68 degrees, 42 minutes, 11 seconds East, a distance of 104.84 feet along the Southerly right of way of Entrance Road to a found rebar capped “LS 23383” (recorded as South 68 degrees, 53 minutes, 09 seconds East, a distance of 104.77 feet);

Thence South 87 degrees, 33 minutes, 54 seconds East, a distance of 102.24 feet along the Southerly right of way of Entrance Road to a found 1/2 inch rebar capped “LS 17564” (recorded as South 87 degrees, 50 minutes, 05 seconds East, a distance of 102.39 feet);

Thence South 75 degrees, 41 minutes, 11 seconds East, a distance of 95.50 feet along the Southerly right of way of Entrance Road to a found nail and brass tag "LS 17564" (recorded as South 75 degrees, 50 minutes, 50 seconds East, 95.41 feet);

Thence South 65 degrees, 54 minutes, 41 seconds East, a distance of 29.17 feet along the Southerly right of way of Entrance Road to a found 1/2 inch rebar tagged "LS 17564" (recorded as South 66 degrees, 16 minutes, 32 seconds East, a distance of 29.25 feet);

Thence South 60 degrees, 46 minutes, 18 seconds East, a distance of 346.02 feet along the Southerly right of way of Entrance Road to a found 1/2 inch rebar tagged "LS 17564" (recorded as South 60 degrees, 59 minutes, 30 seconds East, a distance of 345.97 feet);

Thence South 56 degrees, 37 minutes, 33 seconds East, a distance of 95.65 feet along the Southerly right of way of Entrance Road to a found Y2 inch rebar tagged "LS 17564" (recorded as South 56 degrees, 59 minutes, 07 seconds East, a distance of 95.68 feet);

Thence South 40 degrees, 18 minutes, 35 seconds East, a distance of 34.02 feet along the Southerly right of way of Entrance Road to a found nail and brass tag "LS 17564" (recorded as South 40 degrees, 09 minutes, 59 seconds East, a distance of 34.22 feet);

Thence South 39 degrees, 59 minutes, 32 seconds East, a distance of 21.82 feet along the Southerly right of way of Entrance Road to the POINT OF BEGINNING (recorded as South 40 degrees, 09 minutes, 59 seconds East, a distance of 21.88 feet)

(Also being Parcel 1 on Land Survey recorded in Book 176 of Land Surveys, Page 82 and as shown on Land Survey recorded in Book 178 of Land Surveys, Pages 66-67)

Parcel 3 :

Intentionally omitted.

Parcel 4 :

An Easement for ingress and egress for a Service Road, as described in Northern Service Road Easement Agreement recorded July 30, 1991 in Book 2382 of official Records, Page 110.

Parcel 5 :

An Easement for ingress and egress for utilities as described in Utility Easement Agreement recorded July 30, 1991 in Book 2382 of Official Records, Page 126.

Parcel 6 :

An Easement for containment of rock rip rap fill as described in Willow Creek Rip-Rap Easement Agreement recorded July 30, 1991 in Book 2382 of Official Records, Page 162.

Parcel 7 :

An Easement for ingress, egress and parking as described in that Cross-Access, Parking and Maintenance Easement Agreement recorded in Book 4594 of Official Records, Page 550.

SCHEDULE 1-C

***Granite Gate Lands
3850 North US Highway 89
Prescott, AZ 86301***

Parcel 1 :

That portion of Section 12, Township 14 North, Range 2 West of the Gila and Salt River Base and Meridian, Yavapai County, Arizona, being a portion of that parcel recorded in Book 4307 of Official Records, Page 613, formerly recorded in Book 2382 of Official Records, Page 95, and depicted on the Record of Survey recorded in Book 13 of Land Surveys, Page 68-69, records of Yavapai County, Arizona, described as follows:

COMMENCING at a found PK nail with tag “LS 17564” marking the Easterly most corner of said parcel;

Thence South 28 degrees, 35 minutes, 28 seconds West, a distance of 164.52 feet along the Westerly right of way of State Highway 89, to a nail and brass tag “LS 16921” (recorded South 28 degrees, 25 minutes, 40 seconds West);

Thence continuing South 28 degrees, 35 minutes, 28 seconds West, a distance of 510.09 feet along the Westerly right of way of State Highway 89, to a nail and brass tag “LS 16921” (recorded South 28 degrees, 25 minutes, 40 seconds West);

Thence along a highway spiral, concave to the Northeast, having an “a” value of 1-1/4 and a chord bearing South 28 degrees, 22 minutes, 19 seconds West, a distance of 25.01 feet to a found 1/2 inch rebar tagged “LS 17564”;

Thence leaving the right of way of State Highway 89, bearing North 84 degrees, 04 minutes, 32 seconds West, a distance of 822.95 feet to a mag nail and washer stamped “LS 16921” in the asphalt of Twisted Trail, a roadway of the Granite Park Subdivision recorded in Book 61 of Maps, Pages 39-47, Yavapai County Recorder’s Office, said point being the TRUE POINT OF BEGINNING (recorded as North 84 degrees, 10 minutes, 35 seconds West);

Thence North 84 degrees, 04 minutes, 32 seconds West, a distance of 101.61 feet to a point on the meander line of Willow Creek, as shown on said Record of Survey, a nail and tag “LS 16921” (recorded as North 84 degrees, 10 minutes, 35 seconds West);

Thence North 41 degrees, 42 minutes, 47 seconds East along the meander line of Willow Creek, a distance of 41.97 feet to a ½ inch rebar capped “LS 16921” (set 0.1 feet behind the Northerly curb line of said Twisted Trail) (recorded as North 41 degrees, 41 minutes, 09 seconds East, a distance of 41.99 feet);

Thence North 08 degrees, 30 minutes, 37 seconds West along the meander line of Willow Creek, a distance of 63.06 feet to a nail and tag “LS 16921” (recorded as North 8 degrees, 32 minutes, 30 seconds West, a distance of 63.03 feet);

Thence North 41 degrees, 31 minutes, 37 seconds East along the meander line of Willow Creek, a distance of 83.67 feet to a found 1/2 inch rebar tagged "LS 17564" (recorded as North 41 degrees, 29 minutes, 30 seconds East, a distance of 83.71 feet);

Thence North 16 degrees, 23 minutes, 52 seconds East along the meander line of Willow Creek, a distance of 101.94 feet to a found 1/2 inch rebar tagged "LS 17564" (recorded as North 16 degrees, 06 minutes, 00 seconds East, a distance of 101.94 feet);

Thence North 28 degrees, 56 minutes, 21 seconds West along the meander line of Willow Creek, a distance of 183.37 feet to a calculated point (recorded as North 29 degrees, 10 minutes, 00 seconds West, a distance of 183.38 feet);

Thence North 01 degrees, 31 minutes, 44 seconds West along the meander line of Willow Creek, a distance of 187.28 feet to a calculated point (recorded as North 01 degrees, 45 minutes, 30 seconds West, a distance of 187.30 feet);

Thence North 56 degrees, 59 minutes, 21 seconds East along the meander line of Willow Creek, a distance of 104.48 feet to a calculated point (recorded as North 56 degrees, 45 minutes, 16 seconds East, a distance of 104.49 feet);

Thence North 26 degrees, 38 minutes, 25 seconds East along the meander line of Willow Creek, a distance of 31.42 feet to a calculated point (recorded as North 26 degrees, 24 minutes, 30 seconds East);

Thence leaving the meander line of Willow Creek, South 53 degrees, 55 minutes, 57 seconds East, a distance of 142.84 feet to a nail and tag "LS 16921";

Thence North 36 degrees, 16 minutes, 23 seconds East, a distance of 147.72 feet to a 1/2 inch rebar capped "LS 16921";

Thence South 53 degrees, 55 minutes, 57 seconds East, parallel to the face of an existing building, a distance of 92.61 feet to a 1/2 inch rebar capped "LS 16921";

Thence North 80 degrees, 35 minutes, 30 seconds East, a distance of 10.79 feet to a 1/2 inch rebar capped "LS 16921";

Thence South 53 degrees, 51 minutes, 51 seconds East, a distance of 8.88 feet to a nail and tag "LS 16921";

Thence North 32 degrees, 04 minutes, 03 seconds East, a distance of 10.11 feet to a calculated point on an existing building;

Thence South 53 degrees, 51 minutes, 51 seconds East, along an existing building, a distance of 25.09 feet to a calculated point on the building line;

Thence South 32 degrees, 04 minutes, 03 seconds West, leaving the building line, a distance of 10.11 feet to a nail and tag "LS 16921";

Thence South 53 degrees, 51 minutes, 51 seconds East, parallel to an existing building, a distance of 60.60 feet to a nail and tag “LS 16921”;

Thence South 35 degrees, 35 minutes, 37 seconds West, a distance of 150.88 feet to a found nail and washer “LS 17353”;

Thence South 35 degrees, 35 minutes, 37 seconds West, a distance of 383.08 feet to a nail and tag “LS 16921”;

Thence South 18 degrees, 34 minutes, 29 seconds West, a distance of 200.00 feet to the TRUE POINT OF BEGINNING.

(Also being Parcel 3 on Land Survey recorded in Book 176 of Land Surveys, Page 82)

Parcel 2 :

Intentionally deleted.

Parcel 3 :

That portion of Section 12, Township 14 North, Range 2 West of the Gila and Salt River Base and Meridian, Yavapai County, Arizona, being a portion of that parcel recorded in Book 4307 of Official Records, Page 613, formerly recorded in Book 2382 of Official Records, Page 95 and depicted on the Record of Survey recorded in Book 13 of Land Surveys, Pages 68-69, records of Yavapai County, Arizona, described as follows:

COMMENCING at a found PK nail with tag “LS 17564” marking the Easterly most corner of said parcel;

Thence South 28 degrees, 35 minutes, 28 seconds West, a distance of 164.52 feet along the Westerly right of way of State Highway 89 to a nail and tag “LS 16921” said point being the TRUE POINT OF BEGINNING (recorded South 28 degrees, 25 minutes, 40 seconds West);

Thence continuing South 28 degrees, 35 minutes, 28 seconds West, a distance of 510.09 feet along the Westerly right of way of State Highway 89 to a nail and tag “LS 16921” (recorded South 28 degrees, 25 minutes, 40 seconds West);

Thence along a highway spiral, concave to the Northeast, having an “a” value of 1-1/4 and a chord bearing South 28 degrees, 22 minutes, 19 seconds West, a distance of 25.01 feet to a found 1/2 inch rebar tagged “LS 17564” (recorded South 28 degrees, 12 minutes, 34 seconds West, a distance of 25.09 feet);

Thence leaving the right of way of State Highway 89 bearing North 84 degrees, 04 minutes, 32 seconds West, a distance of 822.95 feet to a mag nail and washer stamped “LS 16921” in the asphalt of Twisted Trail, a roadway of the Granite Park subdivision recorded in Book 61 of Maps, Pages 39-47, Yavapai County Recorder’s Office (recorded North 84 degrees, 10 minutes, 35 seconds West);

Thence North 18 degrees, 34 minutes, 29 seconds East, a distance of 200.00 feet to a nail and tag "LS 16921";

Thence North 35 degrees, 35 minutes, 37 seconds East, a distance of 383.08 feet to a found nail and washer "LS 17353";

Thence along a non-tangential curve to the left having a radius of 1085.82 feet, a length of 416.41 feet and a chord bearing South 88 degrees, 10 minutes, 54 seconds East, a distance of 413.87 feet to a found 1/2 inch rebar capped "LS 17353";

Thence South 79 degrees, 15 minutes, 28 seconds East, a distance of 290.91 feet to a found nail and washer "LS 17353";

Thence South 61 degrees, 06 minutes, 35 seconds East, a distance of 100.97 feet to the Westerly right of way of State Highway 89 and the TRUE POINT OF BEGINNING.

(Also being Parcel 2 on Land Survey recorded in Book 176 of Land Surveys, Page 82)

Parcel 4 :

An Easement for ingress and egress for a Service Road, as described in Northern Service Road Easement Agreement recorded July 30, 1991 in Book 2382 of official Records, Page 110.

Parcel 5 :

An Easement for ingress and egress for utilities as described in Utility Easement Agreement recorded July 30, 1991 in Book 2382 of Official Records, Page 126.

Parcel 6 :

An Easement for containment of rock rip rap fill as described in Willow Creek Rip-Rap Easement Agreement recorded July 30, 1991 in Book 2382 of Official Records, Page 162.

Parcel 7 :

An Easement for ingress, egress and parking as described in that Cross-Access, Parking and Maintenance Easement Agreement recorded in Book 4594 of Official Records, Page 550.

SCHEDULE 1-D

***Northwoods Commons
2501 Friendship Boulevard
Kokomo, Indiana 46227***

Parcel 1

All that certain plot, piece or parcel of land, lying and situate in Center Township, City of Kokomo, County of Howard, State of Indiana, being more particularly described as follows:

Lot 1 in North Woods Commons Minor, Section One (1), recorded in Plat Book 10, page 301, an addition to Center Township, City of Kokomo, Howard County, Indiana, as amended by a Certificate of Correction recorded at Instrument No. 9934007439.

Parcel 2 (Easements)

Easements for a perpetual drainage easement and right to install and maintain said drain to Turtle Creek Management, Inc., dated January 14, 1997, recorded January 14, 1997 in Miscellaneous Record 87, page 39 and Miscellaneous Record 87, page 40 and Miscellaneous Record 87, page 41; all in the Office of the Recorder of Howard County, Indiana.

SCHEDULE 1-E

***5 Plex
Mallard Court
Kokomo, Indiana 46227***

Parcel 3

All that certain plot, piece or parcel of land, lying and situate in Center Township, City of Kokomo, County of Howard, State of Indiana, being more particularly described as follows:

Lot Number 2 in North Woods Commons Minor Subdivision, Section Two, an Addition to Center Township, City of Kokomo, Howard County, Indiana, as per plat thereof recorded as Instrument No. 0234001154.

Also described according to the Surveyor's Affidavit of Scrivener's Error dated August 31, 2011 and recorded October 5, 2011 as Instrument No. 1134017992, as follows:

Part of Tract A in Friendship Village P.U.D. Section 2, Replat, an addition to Center Township, Howard County, Indiana recorded in Plat Book 9, page 272, described as follows:

Beginning at the southeast corner of Lot 66 in North Woods Estates Subdivision, Section One, an addition to Center Township, city of Kokomo, Howard County, Indiana recorded in Plat Book 9, page 173 marked by a 5/8 inch diameter rebar with a yellow cap marked "S0302"; thence North 164.23 feet along the east line of said Lot and the east line of Lots 65 and 64 in North Woods Estates Subdivision, Section Two, an addition to Center Township, City of Kokomo, Howard County, Indiana recorded in Plat Book 10, page 309 to a 5/8 inch diameter rebar; thence N 88° 05' 12" E 185.44 feet along the south line of Tract "C" in Friendship Village P.U.D., Section Two Replat, an addition to Center Township, Howard County; Indiana recorded in Plat Book 9, page 272 to the west right-of-way of a Vehicular Access and Utility Easement created by said Friendship Village P.U.D.; thence S 29° 32' 10" W 200.94 feet along said west line; thence southwest, west and northwest 28.18 feet along a 20 foot radius curve to the right, the long chord of which bears S 69° 53' 51" W 25.90 feet through a clockwise central angle of 80° 43' 23"; thence northwest and west 63.60 feet along a 225 foot radius curve to the left, the long chord of which bears N 77° 52' 00" W 63.39 feet to the point of beginning, containing 0.54 acres, more or less.

Parcel 4

TOGETHER WITH a beneficial easement for ingress and egress as described in the Declaration of Right of Way of Ingress and Egress for vehicular and pedestrian traffic, by Turtle Creek Management, Inc., dated May 14, 1993, recorded May 17, 1993 in Deed Record 257, page 1341.

SCHEDULE 1-F

***Park Place of Fountain City
3030 Holbrook Drive
5405 Colonial Circle
Knoxville, Tennessee 37918***

TRACT I: (5405 Colonial Circle)

SITUATED in District Seven (7) of Knox County, Tennessee, and within the 36th Ward of the City of Knoxville, Tennessee, and being known and designated as all of Lot 2, of the Resubdivision of Parkview, as shown by map recorded as Instrument No. 200306190118015, in the Register's Office for Knox County, Tennessee; said lot being more particularly bounded and described by map aforesaid, to which map specific reference is hereby made for a more particular description.

TOGETHER WITH easements set forth in Declaration of Easements dated as of June 6, 2003, recorded as Instrument No. 200306190118016, in the Register's Office for Knox County, Tennessee.

Parcel ID No.: 058FB-004

TRACT II: (3030 Holbrook Drive)

SITUATED in District No. Seven (7) of Knox County, Tennessee, and within the 36th Ward of the City of Knoxville, Tennessee, and being known and designated as all of Lot 1, of the Resubdivision of Parkview, as shown by map recorded as Instrument No. 200306190118015, in the Register's Office for Knox County, Tennessee; said lot being more particularly bounded and described by map aforesaid, to which map specific reference is hereby made for a more particular description.

TOGETHER WITH easements set forth in Declaration of Easements dated as of June 6, 2003, recorded as Instrument No. 200306190118016, in the Register's Office for Knox County, Tennessee.

Parcel ID No.: 058FB-003

BEING a portion of the same property conveyed to FVE Parkview Properties Inc., a Maryland corporation, by Special Warranty Deed from Parkview Independent Living, LLC, a Tennessee limited liability company, dated November 2, 2015 and recorded as Instrument No. 201511050028515, in the Register's Office for Knox County, Tennessee.

SCHEDULE 1-G

***Park Place of West Knoxville
10914 Kingston Pike
Knoxville, Tennessee 37934***

SITUATED in District No. Six (6) of Knox County, Tennessee, being all of Lot 1R-1, of the Resubdivision of Lots I R, 2R-1 and 3R-1, H. R. Thornton Subdivision, as shown on the plat of record as Instrument No. 200809110017900, in the Register's Office for Knox County, Tennessee; to which plat specific reference is hereby made for a more particular description.

TOGETHER WITH a permanent non-exclusive easement for ingress and egress over and across that certain strip of land 50 feet in width and 250 feet in length further described in deeds of record in Warranty Book 1942, page 135, Warranty Book 2059, page 864, Instrument No. 200610200034698 and Instrument No. 200612120048962 (as corrected).

TOGETHER WITH rights set forth in that Declaration of Easements and Maintenance Agreement dated October 12, 2007, of record as Instrument No. 200710180032528, in the Register's Office for Knox County, Tennessee.

TOGETHER WITH all of their rights, title and interest in and to any real estate lying adjacent to the boundaries of the Premises, including, but not limited to, that real estate now or previously encumbered by the platted right of ways for Kingston Pike and Thornton Road.

TOGETHER WITH sewer easement as shown on plat of record as Instrument No. 200809110017900, in the Register's Office for Knox County, Tennessee.

Parcel ID No.: 143HB-042

BEING a portion of the same property conveyed to FVE Parkview Properties Inc., a Maryland corporation, by Special Warranty Deed from Parkview Independent Living, LLC, a Tennessee limited liability company, dated November 2, 2015 and recorded as Instrument No. 201511050028515, in the Register's Office for Knox County, Tennessee.

SCHEDULE 1-H

*The Neighborhood at Tellico Village
100 Chatuga Drive West
Loudon, Tennessee 37774*

A Parcel of land lying in the First Civil District of Loudon County, Tennessee, lying about 677 feet westerly of the Tellico Reservation property line and adjacent to the westerly right of way of the Tellico Parkway, now State Route 444, approximately one half mile northeast of the intersection of the state Route 444 and the State Route 72, being more particularly described as follows:

BEGINNING at a point 3,866.47 north and 576.01 feet west of TVA monument 52-51A, a metal marker (Tennessee State Plane coordinates of north 465,136 feet and east 2,510,195 feet) in the 820 foot (MSL) contour on the east shore of the Fork Creek Embayment of Tellico Reservoir; thence S. 01 deg. 01 min. 23 sec. E. 328.80 feet; thence, 16.50 feet along the arc of a 50.00 foot radius curve to the right, said arc having a chord of S. 08 deg. 25 min. 42 sec. W. 16.42 feet; thence S. 89 deg. 40 min. 48 sec. W. 643.85 feet; thence N. 00 deg. 13 min. 03 sec. W. 345.00 feet; thence N. 89 deg. 40 min. 48 sec. E, 641.69 feet to the point of BEGINNING, containing 5.10 acres more or less.

Prepared from a survey by Jimmy D. Ogle being titled "Tellico Senior Living, LLC" Job No. 3627, dated April 28, 1998, revised June 4, 1998, January 17, 2000, February 1, 2000, March 8, 2000 and October 19, 2000 signed by Jimmy D. Ogle, Tennessee Registered Land Surveyor No. 1371, 100 Chota Center, Loudon, TN 37774 on October 26, 2000.

Tract I

CONDOMINIUM PROPERTY :

The land ("Land") situated in District No. One (1) of Loudon County, Tennessee and being known and designated as all of the Tellico Senior Living Neighborhood at Tellico Village Condominiums and all common elements of the project, as shown on the Plat of said Condominiums of record in Plat Cabinet C, Page 85 in the Register's Office of Loudon County, Tennessee, a Horizontal Property Regime described in Master Deed of record in Deed Book 282, Page 433 et seq.; in Amended Master Deed recorded in Deed Book 284, Page 528 et seq., in the Register's Office for Loudon County, Tennessee; and as further amended by that certain Partial Termination of and Amendment to Amended Master Deed and Declaration of Condominium Regime for Tellico Senior Living Neighborhood at Tellico Village dated October 28, 2013 of record in the Register's Office for Loudon County , Tennessee in Deed Book 366, page 661, ("Partial Termination") and the easement for ingress and egress across the roadways shown on the Plat, less and except Units 13, 14, 15, 16, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 90, 91, 92, 93, 94, 99, 100 (collectively the "Sold Units") and the undivided interest appurtenant to such Sold Units, in the common elements of the project as described in the Master Deed and Amended Master Deed. The easements, restrictive covenants, conditions and regulations imposed upon and

relating to the property units, co-owners, and tenants of the aforesaid condominiums contained in the Master Deed of record in Deed Book 282, Page 433 et seq.; in the Amended Master Deed recorded in Deed Book 284, Page 528 et seq., and the Partial Termination are incorporated herein by reference and made a part hereof, the same as though copied herein. The Land is more particularly described as follows:

BEGINNING AT A SET IRON PIN LOCATED N22°35'15"W 162.26' FROM THE INTERSECTION OF CHATUGA DR. AND LINDEN LN.

THENCE; S12°20'07"E A DISTANCE OF 273.52' TO A CHISELED X IN THE SIDEWALK. THENCE; S74°56'12"W A DISTANCE OF 118.00' TO AN IRON PIN SET. THENCE; N67°40'18"W A DISTANCE OF 26.20' TO AN IRON PIN SET. THENCE; N08°55'38"W A DISTANCE OF 95.00' TO AN IRON PIN SET. THENCE; WITH A CURVE TO THE RIGHT WITH A RADIUS OF 539.99', A LENGTH OF 45.26', A COURSE OF S87°21'32"W, AND A CHORD OF 45.24' TO A POINT. THENCE; S89°45'35"W A DISTANCE OF 159.05' TO AN IRON PIN SET. THENCE; S00°01'57"W A DISTANCE OF 101.33' TO AN IRON PIN SET. THENCE; S58°09'17"W A DISTANCE OF 50.89' TO AN IRON PIN SET. THENCE; S00°06'03"W A DISTANCE OF 50.00' TO AN EXISTING IRON PIN. THENCE; S00°06'03"W A DISTANCE OF 45.46' TO AN IRON PIN SET. THENCE; S89°03'05"W A DISTANCE OF 114.23' TO AN IRON PIN SET. THENCE; S00°07'01"W A DISTANCE OF 84.47' TO A POINT. THENCE; WITH A CURVE TO THE RIGHT WITH A RADIUS OF 72.08', A LENGTH OF 52.31', A COURSE OF S20°54'07"W, AND A CHORD OF 51.17' TO AN IRON PIN SET. THENCE; S00°45'34"E A DISTANCE OF 130.93' TO AN IRON PIN SET. THENCE; N89°39'57"E A DISTANCE OF 60.98' TO AN IRON PIN SET. THENCE; S00°20'03"E A DISTANCE OF 94.92' TO AN IRON PIN SET. THENCE; S89°38'52"W A DISTANCE OF 296.25' TO A POINT. THENCE; WITH A CURVE TO THE RIGHT WITH A RADIUS OF 96.00', A LENGTH OF 90.31', A COURSE OF N63°24'13"W, AND A CHORD OF 87.01' TO AN IRON PIN SET. THENCE; N89°54'10"W A DISTANCE OF 174.87' TO AN IRON PIN SET. THENCE; N00°08'32"E A DISTANCE OF 627.67' TO AN EXISTING IRON PIN. THENCE; N31°09'21"W A DISTANCE OF 151.25' TO AN EXISTING IRON PIN. THENCE; S76°50'17"W A DISTANCE OF 117.06' TO AN EXISTING IRON PIN. THENCE; N01°18'33"W A DISTANCE OF 389.18' TO AN EXISTING IRON PIN. THENCE; N89°38'02"E A DISTANCE OF 56.16' TO A MAG NAIL SET. THENCE; S14°18'06"E A DISTANCE OF 51.49' TO AN IRON PIN SET. THENCE; N89°31'41"E A DISTANCE OF 51.49' TO AN IRON PIN SET. THENCE; S14°17'46"E A DISTANCE OF 293.11' TO AN EXISTING METAL PIPE. THENCE; S31°11'58"E A DISTANCE OF 140.19' TO AN EXISTING METAL PIPE. THENCE; N79°58'20"E A DISTANCE OF 199.06' TO AN EXISTING METAL PIPE. THENCE; N89°10'14"E A DISTANCE OF 396.57' TO AN EXISTING METAL PIPE. THENCE; N83°14'01"E A DISTANCE OF 288.74' TO AN EXISTING METAL PIPE. THENCE; N83°22'27"E A DISTANCE OF 15.50' TO THE POINT OF BEGINNING. CONTAINING 12.60 ACRES AS SURVEYED BY VISION ENGINEERING AND DEVELOPMENT SERVICES, INC., H. WADE LOVIN RLS#2151 ON SEPTEMBER 30, 2013.

LESS AND EXCEPTED FROM THIS TRACT ARE PREVIOUSLY PURCHASED PARCELS 13-16, 74-83, 90-94, 99, AND 100 OF TAX MAP 68G GROUP E RECORDED AT THE REGISTER'S OFFICE OF LOUDON COUNTY, TENNESSEE.

TRACT II

TRACT 1R

TRACT 1R AS SHOWN ON THE "RESUBDIVISION OF TELlico SENIOR LIVING, LLC LOTS 1 AND 2, AND CONDO UNITS: 25-61, 86-89, AND 95-98 PLAT CABINET C PG 85. AND TRACT ONE PLAT CABINET C PG. 84" RECORDED WITH THE REGISTER'S OFFICE FOR LOUDON COUNTY, TENNESSEE IN PLAT CABINET I, SLIDES 166 AND 167.

TRACT III

LOT 2R

LOT 2R AS SHOWN ON THE "RESUBDIVISION OF TELlico SENIOR LIVING, LLC LOTS 1 AND 2, AND CONDO UNITS: 25-61, 86-89, AND 95-98 PLAT CABINET C PG 85. AND TRACT ONE PLAT CABINET C PG. 84" RECORDED WITH THE REGISTER'S OFFICE FOR LOUDON COUNTY, TENNESSEE IN PLAT CABINET I, SLIDES 166 AND 167.

TRACT IV (EASEMENT)

TOGETHER WITH JOINT (NON-EXCLUSIVE) EASEMENT AND MAINTENANCE AGREEMENT DATED NOVEMBER 18, 2002 RECORDED WITH THE REGISTER'S OFFICE FOR LOUDON COUNTY, TENNESSEE IN TRUST BOOK 616, PAGE 259.

TOGETHER WITH RECIPROCAL EASEMENT AGREEMENT DATED OCTOBER 28, 2013, RECORDED WITH THE REGISTER'S OFFICE FOR LOUDON COUNTY, TENNESSEE IN DEED BOOK 366, PAGE 687.

TOGETHER WITH ALL RIGHTS AND EASEMENTS IN THE DECLARATION OF COVENANTS AND RESTRICTIONS DATED DECEMBER 16, 1985 AND RECORDED WITH THE REGISTER'S OFFICE FOR LOUDON COUNTY, TENNESSEE IN TRUST BOOK 209, PAGE 96, AS AMENDED OF RECORD.

TOGETHER WITH ALL RIGHTS AND EASEMENT IN THE AMENDED AND RESTATED MASTER DEED RECORDED WITH THE REGISTER'S OFFICE FOR LOUDON COUNTY, TENNESSEE IN DEED BOOK D284, PAGE 528 AS AMENDED OF RECORD.

BEING the same property conveyed to FSQC Tellico Village LLC by Special Warranty Deed dated December 20, 2013, of record in Deed Book 366, page 674, and by Quit Claim Deed dated December 20, 2013, of record in Deed Book 366, page 680, in the Register's Office for Loudon County, Tennessee.

SCHEDULE 2

FVE SELLERS, SNH PURCHASERS AND PURCHASE PRICES

<u>Property</u>	<u>FVE Seller</u>	<u>SNH Purchaser</u>	<u>Purchase Price</u>	<u>Loan Status</u>
<u>Terrace at Grove Park</u> 101 Tulip Lane Dothan, Alabama 36305	Five Star Quality Care-Grove Park, LLC (MD)	SNH Grove Park Trust (MD)	\$22,250,000	N/A
<u>Granite Gate Community – Parcel 2</u> 3850 North US Highway 89 Prescott, AZ 86301	Five Star Quality Care-Granite Gate, LLC (DE)	SNH Granite Gate Inc. (MD)	\$ 20,100,000	Assume
<u>Granite Gate Community – Parcels 1 and 3 (Parking)</u> 3850 North US Highway 89 Prescott, AZ 86301	Five Star Quality Care - OBX Owner, LLC (MD)	SNH Granite Gate Lands Trust (MD)	\$2,150,000	N/A
<u>Northwoods Commons</u> 2501 Friendship Boulevard Kokomo, Indiana 46227	Five Star Northwoods LLC (DE)	SNH Northwoods LLC (MD)	\$16,900,000 (inclusive of 5 Plex)	Prepay
<u>5 Plex</u> Mallard Court Kokomo, Indiana 46227	Five Star Quality Care - OBX Operator, LLC (MD)	SNH Northwoods LLC (MD)	(see above)	N/A
<u>Park Place of Fountain City</u> 3030 Holbrook Drive 5405 Colonial Circle Knoxville, Tennessee 37918	FVE Parkview Properties Inc. (MD)	SNH Park Place I Inc. (MD)	\$8,500,000	Assume
<u>Park Place of West Knoxville</u> 10914 Kingston Pike Knoxville, Tennessee 37934	FVE Parkview Properties Inc. (MD)	SNH Park Place II Inc. (MD)	14,800,000	Assume
<u>The Neighborhood at Tellico Village</u> 100 Chatuga Drive West Loudon, Tennessee 37774	FSQC Tellico Village LLC (MD)	SNH Tellico Trust (MD)	\$19,300,000 (plus costs and expenses paid by Seller in connection with the Tellico Village Construction Work from and after September 1, 2017 and prior to Closing as set forth in the Purchase Agreement for the Tellico Village Property)	N/A

SCHEDULE 3

FVE DISCLOSURE SCHEDULE

Section 4.1(3): No Violations

Section 4.1 (4): Approvals

- Alabama State Health Planning & Development Agency: Certificate of Need Change of Ownership Approval for The Terrace at Grove Park Specialty Care Assisted Living Facility
 - Alabama Department of Public Health: Licensing Change of Ownership Approval for The Terrace at Grove Park Specialty Care Assisted Living Facility
 - Alabama Department of Public Health: Licensing Change of Ownership Approval for The Terrace at Grove Park
 - Arizona Department of Health Services: Licensing Change of Ownership Approval for the Granite Gate Community
 - Tennessee Department of Health: Licensing Change of Ownership Approval for The Neighborhood at Tellico Village
 - The Lender Consents with respect to the Assumed Loans
-

SCHEDULE 4

SNH DISCLOSURE SCHEDULE

Section 4.2(4): Approvals

- Alabama State Health Planning & Development Agency: Certificate of Need Change of Ownership Approval for The Terrace at Grove Park Specialty Care Assisted Living Facility
- Alabama Department of Public Health: Licensing Change of Ownership Approval for The Terrace at Grove Park Specialty Care Assisted Living Facility
- Alabama Department of Public Health: Licensing Change of Ownership Approval for The Terrace at Grove Park
- Arizona Department of Health Services: Licensing Change of Ownership Approval for the Granite Gate Community
- Tennessee Department of Health: Licensing Change of Ownership Approval for The Neighborhood at Tellico Village
- The Lender Consents with respect to the Assumed Loans

FIRST AMENDMENT TO POOLING AGREEMENTS

(NOS. 1 THROUGH 11)

THIS FIRST AMENDMENT TO POOLING AGREEMENTS (this “Amendment”) is made as of November 8, 2017 by and among FVE Managers, Inc. (“Manager”) and the other parties listed on the signature pages hereto (each a “TRS” and collectively, “TRSES”).

RECITALS:

Manager and TRSES are parties to those certain Pooling Agreements identified with respect to such TRSES on the signature pages hereto (collectively, the “Pooling Agreements”). Capitalized terms used in this Amendment without definition have the meaning given therefor in the Pooling Agreements.

Manager and TRSES are entering into this Amendment pursuant to that certain Transaction Agreement dated November 8, 2017 by and between Senior Housing Properties Trust and Five Star Senior Living Inc.

NOW, THEREFORE, the parties agree as follows:

1. Section 5.01. Section 5.01 of each of the Pooling Agreements is amended and restated as follows:

“5.01 Shortfall. If in any period consisting of three (3) consecutive calendar years (commencing with calendar year 2017) the Aggregate TRS Priority Return for each of such three (3) years has not been paid in full (the aggregate amount of such shortfall, the “Priority Return Shortfall”), by notice given within sixty (60) days after receipt of the Aggregate Annual Statement for such third (3rd) year, TRSES may terminate all, but not less than all, of the Management Agreements identified on Schedule C. Prior to exercising the right to terminate, TRSES shall give Manager notice and, if within ten (10) days thereafter, Manager funds the Priority Return Shortfall together with interest accrued thereon at the Interest Rate (a “Manager Shortfall Advance”), TRSES shall not exercise the right to terminate, provided Manager may not exercise its right to fund the Priority Return Shortfall more frequently than once every four (4) years. Manager may recover any amounts paid by it as a Manager Shortfall Advance as provided in Section 3.01, provided that amounts not recovered during the four (4) calendar years following the year in which payment of a Manager Shortfall Advance was made shall be deemed waived and shall not be payable in any subsequent year.”

2. Remainder of the Pooling Agreements Not Affected. The terms and provisions of each of the Pooling Agreements, as amended by this Amendment, remain in full force and effect without change.

[Signatures begin on the following page.]

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

FVE MANAGERS, INC.

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

With respect to Pooling Agreement No. 1 dated as of June 29, 2016 with an effective date of July 1, 2016:

**SNH SE ASHLEY RIVER TENANT LLC
SNH SE KINGS MTN TENANT LLC
SNH SE TENANT TRS, INC.**

By: /s/ Richard W. Siedel, Jr. _____
Richard W. Siedel, Jr.
President

With respect to Pooling Agreement No. 2 dated as of June 29, 2016 with an effective date of July 1, 2016:

**SNH SE BURLINGTON TENANT LLC
SNH SE HABERSHAM SAVANNAH TENANT LLC
SNH SE HOLLY HILL TENANT LLC
SNH SE MOORESVILLE TENANT LLC
SNH SE N. MYRTLE BEACH TENANT LLC
SNH SE TENANT TRS, INC.**

By: /s/ Richard W. Siedel, Jr. _____
Richard W. Siedel, Jr.
President

With respect to Pooling Agreement No. 3 dated as of June 29, 2016 (as amended to date) with an effective date of July 1, 2016:

**SNH BRFL TENANT LLC
SNH CALI TENANT LLC
SNH CCMD TENANT LLC
SNH PLFL TENANT LLC
SNH SE BARRINGTON BOYNTON TENANT LLC
SNH SE TENANT TRS, INC.**

By: /s/ Richard W. Siedel, Jr. _____
Richard W. Siedel, Jr.
President

With respect to Pooling Agreement No. 4 dated as of June 29, 2016 with an effective date of July 1, 2016:

**SNH SE DANIEL ISLAND TENANT LLC
SNH SE SG TENANT LLC
SNH SE TENANT TRS, INC.
SNH TEANECK TENANT LLC**

By: /s/ Richard W. Siedel, Jr. _____
Richard W. Siedel, Jr.
President

With respect to Pooling Agreement No. 5, Pooling Agreement No. 6, and Pooling Agreement No. 7 each dated as of June 29, 2016 with an effective date of July 1, 2016:

SNH SE TENANT TRS, INC.

By: /s/ Richard W. Siedel, Jr. _____
Richard W. Siedel, Jr.
President

With respect to Pooling Agreement No. 8 dated as of June 29, 2016 with an effective date of July 1, 2016:

SNH AL AIMO TENANT, INC.

By: /s/ Richard W. Siedel, Jr.
Richard W. Siedel, Jr.
President

With respect to Pooling Agreement No. 9 dated as of June 29, 2016 with an effective date of July 1, 2016:

**SNH AL AIMO TENANT, INC.
SNH AL AIMO TENANT II, INC.
SNH AL TRS, INC.**

By: /s/ Richard W. Siedel, Jr.
Richard W. Siedel, Jr.
President

With respect to Pooling Agreement No. 10 dated as of June 29, 2016 with an effective date of July 1, 2016:

**SNH AL CRIMSON TENANT INC.
SNH AL TRS, INC.
SNH AL WILMINGTON TENANT INC.
SNH SE TENANT TRS, INC.
SNH AL CUMMING TENANT LLC**

By: /s/ Richard W. Siedel, Jr.
Richard W. Siedel, Jr.
President

With respect to Pooling Agreement No. 11 with an effective date of December 15, 2016:

SNH AL GEORGIA TENANT LL C

By: /s/ Richard W. Siedel, Jr. _____
Richard W. Siedel, Jr.
President

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

	Nine Months Ended September 30,	Year Ended December 31,				
	2017	2016	2015	2014	2013	2012
Earnings:						
Income from continuing operations (including gains on sales of properties, if any) before income tax expense and equity in earnings of an investee	\$ 85,242	\$ 141,582	\$ 125,474	\$ 162,141	\$ 183,997	\$ 131,882
Fixed charges	124,394	167,574	150,881	135,114	117,819	117,240
Adjusted earnings	\$ 209,636	\$ 309,156	\$ 276,355	\$ 297,255	\$ 301,816	\$ 249,122
Fixed charges:						
Interest expense (including net amortization of debt premiums and discounts and debt issuance costs)	\$ 124,394	\$ 167,574	\$ 150,881	\$ 135,114	\$ 117,819	\$ 117,240
Ratio of Earnings to Fixed Charges	1.7x	1.8x	1.8x	2.2x	2.6x	2.1x

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 9, 2017

/s/ Barry M. Portnoy

Barry M. Portnoy

Managing Trustee

CERTIFICATION PURSUANT TO EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a)

I, Adam D. Portnoy, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Senior Housing Properties Trust;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2017

/s/ Adam D. Portnoy

Adam D. Portnoy

Managing Trustee

CERTIFICATION PURSUANT TO EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a)

I, David J. Hegarty, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Senior Housing Properties Trust;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2017

/s/ David J. Hegarty

David J. Hegarty

President and Chief Operating Officer

CERTIFICATION PURSUANT TO EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a)

I, Richard W. Siedel, Jr., 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 9, 2017

/s/ Richard W. Siedel, Jr.

Richard W. Siedel, Jr.

Chief Financial Officer and Treasurer

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, 2017 (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 W. Siedel, Jr.

Richard W. Siedel, Jr.

Chief Financial Officer and Treasurer

Date: November 9, 2017