

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, DC 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2018

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 August 6, 2018 : 237,643,781

SENIOR HOUSING PROPERTIES TRUST
FORM 10-Q

June 30, 2018

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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)

	June 30, 2018	December 31, 2017
ASSETS		
Real estate properties:		
Land	\$ 847,028	\$ 824,879
Buildings and improvements	7,140,704	6,999,884
	7,987,732	7,824,763
Accumulated depreciation	(1,555,754)	(1,454,477)
	6,431,978	6,370,286
Cash and cash equivalents	30,657	31,238
Restricted cash	108,704	16,083
Acquired real estate leases and other intangible assets, net	472,272	472,265
Other assets, net	392,025	404,147
Total assets	<u>\$ 7,435,636</u>	<u>\$ 7,294,019</u>
LIABILITIES AND EQUITY		
Unsecured revolving credit facility	\$ 64,000	\$ 596,000
Unsecured term loans, net	547,873	547,460
Senior unsecured notes, net	2,214,856	1,725,662
Secured debt and capital leases, net	843,623	805,404
Accrued interest	26,015	17,987
Assumed real estate lease obligations, net	91,080	96,018
Other liabilities	204,616	228,300
Total liabilities	<u>3,992,063</u>	<u>4,016,831</u>
Commitments and contingencies		
Equity:		
Equity attributable to common shareholders:		
Common shares of beneficial interest, \$.01 par value: 300,000,000 shares authorized, 237,643,781 and 237,630,409 shares issued and outstanding at June 30, 2018 and December 31, 2017, respectively	2,376	2,376
Additional paid in capital	4,609,522	4,609,316
Cumulative net income	2,213,533	1,766,495
Cumulative other comprehensive income	(281)	87,231
Cumulative distributions	(3,545,818)	(3,360,468)
Total equity attributable to common shareholders	3,279,332	3,104,950
Noncontrolling interest:		
Total equity attributable to noncontrolling interest	164,241	172,238
Total equity	<u>3,443,573</u>	<u>3,277,188</u>
Total liabilities and equity	<u>\$ 7,435,636</u>	<u>\$ 7,294,019</u>

See accompanying notes.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Revenues:				
Rental income	\$ 174,585	\$ 166,647	\$ 348,313	\$ 333,090
Residents fees and services	102,663	98,366	204,750	196,484
Total revenues	277,248	265,013	553,063	529,574
Expenses:				
Property operating expenses	110,092	102,795	218,235	203,851
Depreciation and amortization	72,300	69,669	142,639	142,844
General and administrative	29,078	22,922	54,196	38,005
Acquisition and certain other transaction related costs	77	—	97	292
Impairment of assets	548	5,082	548	5,082
Total expenses	212,095	200,468	415,715	390,074
Operating income	65,153	64,545	137,348	139,500
Dividend income	659	659	1,318	1,319
Unrealized gains and losses on equity securities, net	23,265	—	50,506	—
Interest and other income	60	76	114	195
Interest expense	(44,813)	(40,800)	(88,365)	(84,289)
Loss on early extinguishment of debt	—	(7,353)	(130)	(7,353)
Income from continuing operations before income tax expense and equity in earnings of an investee	44,324	17,127	100,791	49,372
Income tax expense	(105)	(99)	(365)	(191)
Equity in earnings of an investee	7	374	51	502
Income before gain on sale of properties	44,226	17,402	100,477	49,683
Gain on sale of properties	80,762	—	261,916	—
Net income	124,988	17,402	362,393	49,683
Net income attributable to noncontrolling interest	(1,401)	(1,360)	(2,784)	(1,486)
Net income attributable to common shareholders	\$ 123,587	\$ 16,042	\$ 359,609	\$ 48,197
Other comprehensive income:				
Unrealized gain (loss) on investments in available for sale securities	—	(4,995)	—	19,050
Amounts reclassified from cumulative other comprehensive income to net income	—	5,082	—	5,082
Equity in unrealized (loss) gain of an investee	10	58	(83)	180
Other comprehensive (loss) income	10	145	(83)	24,312
Comprehensive income	124,998	17,547	362,310	73,995
Comprehensive income attributable to noncontrolling interest	(1,401)	(1,360)	(2,784)	(1,486)
Comprehensive income attributable to common shareholders	\$ 123,597	\$ 16,187	\$ 359,526	\$ 72,509
Weighted average common shares outstanding (basic)	237,487	237,399	237,483	237,395
Weighted average common shares outstanding (diluted)	237,529	237,445	237,506	237,433
Per common share amounts (basic and diluted):				
Net income attributable to common shareholders	\$ 0.52	\$ 0.07	\$ 1.51	\$ 0.20

See accompanying notes.

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

	Six Months Ended June 30,	
	2018	2017
Cash flows from operating activities:		
Net income	\$ 362,393	\$ 49,683
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	142,639	142,844
Amortization of debt issuance costs and debt discounts and premiums	2,953	2,803
Straight line rental income	(6,023)	(6,865)
Amortization of acquired real estate leases and other intangible assets	(2,797)	(2,610)
Loss on early extinguishment of debt	130	7,353
Impairment of assets	548	5,082
Gain on sale of properties	(261,916)	—
Unrealized gains and losses on equity securities, net	(50,506)	—
Other non-cash adjustments	(1,886)	(1,887)
Equity in earnings of an investee	(51)	(502)
Change in assets and liabilities:		
Other assets	4,742	7,094
Accrued interest	8,028	(985)
Other liabilities	(19,130)	9,487
Net cash provided by operating activities	179,124	211,497
Cash flows from investing activities:		
Real estate acquisitions and deposits	(129,493)	(15,146)
Real estate improvements	(41,061)	(57,067)
Proceeds from sale of properties	332,389	—
Net cash provided by (used in) investing activities	161,835	(72,213)
Cash flows from financing activities:		
Proceeds from issuance of senior unsecured notes, net	491,560	—
Proceeds from borrowings on revolving credit facility	429,000	501,000
Repayments of borrowings on revolving credit facility	(961,000)	(394,000)
Repayment of other debt	(7,832)	(302,476)
Loss on early extinguishment of debt settled in cash	(130)	(5,485)
Payment of debt issuance costs	(4,296)	—
Repurchase of common shares	(90)	(11)
Proceeds from noncontrolling interest, net	—	255,813
Distributions to noncontrolling interest	(10,781)	(3,483)
Distributions to shareholders	(185,350)	(185,284)
Net cash used in financing activities	(248,919)	(133,926)
Increase in cash and cash equivalents and restricted cash	92,040	5,358
Cash and cash equivalents and restricted cash at beginning of period	47,321	35,578
Cash and cash equivalents and restricted cash at end of period	\$ 139,361	\$ 40,936

See accompanying notes.

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

	Six Months Ended June 30,	
	2018	2017
Supplemental cash flows information:		
Interest paid	\$ 77,385	\$ 82,470
Income taxes paid	\$ 439	\$ 441
Non-cash investing activities:		
Acquisitions funded by assumed debt	\$ (44,386)	\$ —
Non-cash financing activities:		
Assumption of mortgage notes payable	\$ 44,386	\$ —

Supplemental disclosure of cash and cash equivalents and restricted cash:

The following table provides a reconciliation of cash and cash equivalents and restricted cash reported within the condensed consolidated balance sheets to the amount shown in the condensed consolidated statements of cash flows:

	As of June 30,	
	2018	2017
Cash and cash equivalents	\$ 30,657	\$ 27,160
Restricted cash	108,704	13,776
Total cash and cash equivalents and restricted cash shown in the statements of cash flows	<u>\$ 139,361</u>	<u>\$ 40,936</u>

See accompanying notes.

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

Note 1 . Basis of Presentation

The accompanying condensed consolidated financial statements of Senior Housing Properties Trust and its subsidiaries, or we, us, or our, are unaudited. Certain information and disclosures required by U.S. generally accepted accounting principles, or GAAP, for complete financial statements have been condensed or omitted. We believe the disclosures made are adequate to make the information presented not misleading. However, the accompanying condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes contained in our Annual Report on Form 10-K for the year ended December 31, 2017, or our Annual Report.

In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair statement of results for the interim period 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 MOBs (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. We concluded that we must consolidate this VIE because we have 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 \$1,080,268 and \$1,102,986 as of June 30, 2018 and December 31, 2017, respectively, and consist primarily of the net real estate owned by the joint venture. The liabilities of this VIE were \$716,127 and \$720,678 as of June 30, 2018 and December 31, 2017, respectively, and consist primarily of the debt securing the property. The sovereign investor's interest in this consolidated entity is reflected as noncontrolling interest in our condensed consolidated financial statements. See Note 6 for further information about this joint venture.

Note 2 . Recent Accounting Pronouncements

On January 1, 2018, we adopted FASB Accounting Standards Update, or ASU, No. 2014-09 (and related clarifying guidance issued by the FASB), *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. A substantial portion of our total revenues, including residents fees and services which relate to contracts with residents for housing services at properties leased to our taxable REIT subsidiaries, or TRSs, consists of rental income from leasing arrangements, which is specifically excluded from ASU No. 2014-09. Our contracts with residents that are within the scope of ASU No. 2014-09 are generally short term in nature. We have adopted ASU No. 2014-09 using the modified retrospective approach. The adoption of ASU No. 2014-09 did not have a material impact on the amount or timing of our revenue recognition in our condensed consolidated financial statements.

On January 1, 2018, we adopted FASB 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. The implementation of ASU No. 2016-01 resulted in the reclassification of historical changes in the fair value of our available for sale equity securities of \$86,572 from cumulative other comprehensive income to cumulative net income. We also reclassified \$841 from cumulative other comprehensive income to cumulative net income for our share of cumulative other comprehensive income of our equity method investee. Effective January 1, 2018, changes in the fair value of our equity securities are recorded through earnings in accordance with ASU No. 2016-01.

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

On January 1, 2018, we adopted FASB ASU No. 2016-18, *Restricted Cash*, which requires companies to show the changes in the total of cash and cash equivalents and restricted cash and restricted cash equivalents in the statement of cash flows. ASU No. 2016-18 also requires a reconciliation of the totals in the statement of cash flows to the related captions in the balance sheet. As a result, amounts included in restricted cash in our condensed consolidated balance sheets are presented with cash and cash equivalents in our condensed consolidated statements of cash flows to the related captions in the condensed consolidated balance sheets. Restricted cash totaled \$108,704 and \$13,776 as of June 30, 2018 and 2017, respectively. The implementation of ASU No. 2016-18 resulted in a \$9,947 decrease to net cash provided by operating activities for the six months ended June 30, 2017. The adoption of ASU No. 2016-18 did not change our balance sheet presentation.

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. We currently expect to adopt the standard using the modified retrospective approach.

In June 2018, the FASB issued ASU No. 2018-7, *Compensation-Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting*, which aligns the measurement and classification guidance for share-based payments to nonemployees with the guidance for share-based payments to employees, with certain exceptions. ASU No. 2018-7 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. We are currently assessing the potential impact the adoption of ASU No. 2018-7 will have in our condensed consolidated financial statements.

Note 3 . Real Estate Properties

At June 30, 2018, we owned 443 properties (469 buildings) located in 42 states and Washington, D.C.

Acquisitions:

We have accounted for our 2018 acquisitions as acquisitions of assets unless otherwise noted. We funded our 2018 acquisitions using cash on hand and borrowings under our revolving credit facility, unless otherwise noted.

MOBs:

In January 2018, we acquired three MOBs (three buildings) located in Kansas, Missouri and California with a total of approximately 400,000 square feet for an aggregate purchase price of approximately \$91,698, including closing costs of \$544.

In March 2018, we acquired one MOB (one building) located in Virginia with approximately 135,000 square feet for a purchase price of approximately \$23,275, including our assumption of a \$11,050 mortgage note and closing costs of \$525.

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

The table below represents the purchase price allocations (including net closing adjustments) of the MOB acquisitions that closed during the six months ended June 30, 2018, as described above:

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⁾	Assumed Debt
January 2018	3 States	3	3	400	\$ 91,698	\$ 16,873	\$ 54,605	\$ 20,220	\$ —
March 2018	Virginia	1	1	135	23,275	2,863	11,105	9,307	11,050
		<u>4</u>	<u>4</u>	<u>535</u>	<u>\$ 114,973</u>	<u>\$ 19,736</u>	<u>\$ 65,710</u>	<u>\$ 29,527</u>	<u>\$ 11,050</u>

(1) Cash paid plus assumed debt, if any, includes closing costs.

(2) The weighted average amortization period for acquired real estate leases as of the acquisition dates was 5.8 years.

Senior Living Community Acquisitions:

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. In December 2017, we acquired two of these senior living communities located in Alabama and Indiana with a combined 229 living units for \$39,457, including closing costs of \$307. In January 2018, we acquired one of these senior living communities located in Tennessee with 88 living units for \$19,868, including closing costs of \$201. In February 2018, we acquired one of these senior living communities located in Arizona with 127 living units for \$22,622, including our assumption of approximately \$16,748 of mortgage debt principal and closing costs of \$372. In June 2018, we acquired the remaining two of these senior living communities located in Tennessee with a combined 151 living units for \$23,860, including our assumption of approximately \$16,588 of mortgage debt principal and closing costs of \$560. In connection with our acquisitions of these senior living communities, we entered management and pooling agreements with Five Star for Five Star to manage these senior living communities for us.

The table below represents the purchase price allocations (including net closing adjustments) of the senior living community acquisitions that closed during the six months ended June 30, 2018, as described above:

Date	Location	Leased/Managed	Number of Properties	Units	Cash Paid Plus Assumed Debt ⁽¹⁾	Land	Building and Improvements	FF&E	Acquired Real Estate Intangible Assets	Assumed Debt	Premium on Assumed Debt
January 2018	Tennessee	Managed	1	88	\$ 19,868	\$ 580	\$ 14,884	\$ 1,209	\$ 3,195	\$ —	\$ —
February 2018	Arizona	Managed	1	127	22,622	2,017	17,123	390	4,451	16,748	(1,359)
June 2018	Tennessee	Managed	2	151	23,860	965	17,910	1,628	3,843	16,588	(486)
			<u>4</u>	<u>366</u>	<u>\$ 66,350</u>	<u>\$ 3,562</u>	<u>\$ 49,917</u>	<u>\$ 3,227</u>	<u>\$ 11,489</u>	<u>\$ 33,336</u>	<u>\$ (1,845)</u>

(1) Cash paid plus assumed debt, if any, includes closing costs.

Impairment:

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.

During the three months ended June 30, 2018, we recorded an impairment charge of \$548 to write off an acquired lease intangible asset associated with a lease default at one of our triple net leased senior living communities, which was leased to a third party private operator. In June 2018, we reached an agreement with this tenant and its guarantor to settle past due

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

amounts, terminate the lease and transfer operations, and, in connection with this agreement, we received \$2,150. We entered a management agreement with Five Star to operate this community for our account under a TRS structure.

We did not record any impairment charges for our real estate properties during the six months ended June 30, 2017. See Note 5 for further information regarding other than temporary impairment losses recorded in 2017 relating to our investments in equity securities.

Dispositions:

In March 2018, we sold two senior living communities that were leased to Sunrise Senior Living LLC, or Sunrise, for an aggregate sales price of \$217,000, excluding closing costs, resulting in a gain of \$181,154. In May 2018, we sold one senior living community leased to Sunrise for a sales price of \$96,000, excluding closing costs, resulting in a gain of \$78,856. We recognized rental income of \$728 and \$3,505 during the three and six months ended June 30, 2018, respectively, related to these three senior living communities. We currently have \$94,348 of proceeds from the sale of a senior living community in May 2018 that are being held in trust for our benefit to fund future acquisitions by us. These proceeds from the sale are classified as restricted cash in our condensed consolidated balance sheets.

In June 2018, we sold one skilled nursing facility, or SNF, a type of senior living community, that was leased to Five Star and one senior living community that was leased to a private operator, where the tenant exercised its purchase option, for a combined sales price of approximately \$21,865, excluding closing costs, resulting in a net gain of \$1,906. Pursuant to the terms of our lease with Five Star, our annual rental income decreased by \$650 from the sale of the SNF that was previously leased to Five Star. We recognized rental income of \$331 and \$664 during the three and six months ended June 30, 2018, respectively, related to the senior living community that was leased to a private operator.

Note 4. Indebtedness

Our principal debt obligations at June 30, 2018 were: (1) outstanding borrowings under our \$1,000,000 unsecured revolving credit facility; (2) seven 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) \$500,000 principal amount at an annual interest rate of 4.75% due 2028, (f) \$350,000 principal amount at an annual interest rate of 5.625% due 2042 and (g) \$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) \$833,594 aggregate principal amount of mortgages (excluding premiums, discounts and net debt issuance costs) secured by 26 of our properties (27 buildings) with maturity dates between 2018 and 2043. The 26 mortgaged properties (27 buildings) had a carrying value (before accumulated depreciation) of \$1,266,093 at June 30, 2018. We also had two properties subject to capital leases with lease obligations totaling \$10,270 at June 30, 2018; these two properties had a carrying value (before accumulated depreciation) of \$36,248 at June 30, 2018, and the capital leases expire in 2026.

In February 2018, we issued \$500,000 of 4.75% senior unsecured notes due 2028, raising net proceeds of approximately \$487,264 after underwriting discounts and expenses. We used the net proceeds of this offering to reduce amounts outstanding under our revolving credit facility.

In January 2018, we prepaid, at par plus accrued interest, a mortgage note secured by one of our properties with an outstanding principal balance of approximately \$4,338, a maturity date in September 2043 and an annual interest rate of 4.38%. In July 2018, we prepaid, at par plus accrued interest, mortgage notes secured by 12 of our properties with an aggregate outstanding principal balance of approximately \$90,602, maturity dates in October 2018 and a weighted average annual interest rate of 5.0%. In July 2018, we gave notice of our intention to prepay, at par plus accrued interest, a mortgage note secured by one of our properties with an outstanding principal balance of approximately \$6,360, a maturity date in January 2019 and an annual interest rate of 4.69%. We expect to make this prepayment in September 2018.

We have a \$1,000,000 revolving credit facility that is available for general business purposes, including acquisitions. The maturity date of our revolving credit facility is 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. 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. Our revolving credit facility requires annual interest to be paid on borrowings at

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the rate of LIBOR plus a premium of 120 basis points, plus a facility fee of 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. As of June 30, 2018, the annual interest rate payable on borrowings under our revolving credit facility was 3.2%. The weighted average annual interest rates for borrowings under our revolving credit facility were 3.0% and 2.3% for the three months ended June 30, 2018 and 2017, respectively, and 2.7% and 2.2% for the six months ended June 30, 2018 and 2017, respectively. As of June 30, 2018, we had \$64,000 outstanding and \$936,000 available for borrowing, and as of August 6, 2018, we had \$125,000 outstanding and \$875,000 available for borrowing under our revolving credit facility. We incurred interest expense and other associated costs related to our revolving credit facility of \$1,504 and \$3,129 for the three months ended June 30, 2018 and 2017, respectively, and \$5,581 and \$5,959 for the six months ended June 30, 2018 and 2017, respectively. The facility also includes a feature pursuant to which in certain circumstances maximum borrowings under the facility may be increased to up to \$2,000,000.

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, subject to adjustment based upon changes to our credit ratings. At June 30, 2018, the annual interest rate payable on amounts outstanding under this term loan was 3.4%. The weighted average annual interest rate for amounts outstanding under this term loan was 3.4% and 2.5% for the three months ended June 30, 2018 and 2017, respectively, and 3.2% and 2.3% for the six months ended June 30, 2018 and 2017, respectively. We incurred interest expense and other associated costs related to this term loan of \$3,077 and \$2,268 for the three months ended June 30, 2018 and 2017, respectively, and \$5,843 and \$4,311 for the six months ended June 30, 2018 and 2017, 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. This term loan requires annual interest to be paid at the rate of LIBOR plus a premium of 135 basis points, subject to adjustment based upon changes to our credit ratings. At June 30, 2018, the annual interest rate payable on amounts outstanding under this term loan was 3.4%. The weighted average annual interest rate for amounts outstanding under this term loan was 3.3% and 2.9% for the three months ended June 30, 2018 and 2017, respectively, and 3.2% and 2.8% for the six months ended June 30, 2018 and 2017, respectively. We incurred interest expense and other associated costs related to this term loan of \$1,738 and \$1,488 for the three months ended June 30, 2018 and 2017, respectively, and \$3,302 and \$2,847 for the six months ended June 30, 2018 and 2017, respectively. This term loan includes an accordion feature under which maximum borrowings may be increased to up to \$400,000 in certain circumstances.

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 June 30, 2018.

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Note 5 . Fair Value of Assets and Liabilities

The table below presents certain of our assets measured at fair value at June 30, 2018 , categorized by the level of inputs as defined in the fair value hierarchy under GAAP, used in the valuation of each asset:

Description	Total	Fair Value at Reporting Date Using		
		Quoted Prices in		Significant
		Active Markets for	Significant Other	Unobservable
		Identical Assets	Observable Inputs	Inputs
		(Level 1)	(Level 2)	(Level 3)
Recurring Fair Value Measurements				
Assets:				
Investment in RMR Inc. ⁽¹⁾	\$ 206,905	\$ 206,905	\$ —	\$ —
Investment in Five Star ⁽²⁾	\$ 6,353	\$ 6,353	\$ —	\$ —

(1) Our 2,637,408 shares of class A common stock of The RMR Group Inc., or RMR Inc., which are included in other assets in our condensed consolidated balance sheets, are reported at fair value which is based on quoted market prices (Level 1 inputs). Our historical cost basis for these shares is \$69,826 as of June 30, 2018 . During the three and six months ended June 30, 2018 , we recorded an unrealized gain of \$22,418 and \$50,506 , respectively, to adjust the carrying value of our investment in RMR Inc. class A common shares to their fair value.

(2) Our 4,235,000 common shares of Five Star, which are included in other assets in our condensed consolidated balance sheets, are reported at fair value which is based on quoted market prices (Level 1 inputs). Our historical cost basis and fair value for these shares is \$6,353 as of June 30, 2018 . During the three and six months ended June 30, 2018 , we recorded an unrealized gain of \$847 and \$0 , respectively, to adjust the carrying value of our investment in Five Star common shares to their fair value. During each of the three and six months ended June 30, 2017, we recorded a loss on impairment of \$5,082 to reduce the carrying value of our Five Star investment to its estimated fair value in accordance with applicable GAAP standards at that time.

In addition to the assets described in the table above, our financial instruments at June 30, 2018 and December 31, 2017 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 June 30, 2018		As of December 31, 2017	
	Carrying Amount ⁽¹⁾	Estimated Fair Value	Carrying Amount ⁽¹⁾	Estimated Fair Value
Senior unsecured notes	\$ 2,214,856	\$ 2,268,429	\$ 1,725,662	\$ 1,810,882
Secured debts ⁽²⁾	833,353	798,986	794,710	783,353
	\$ 3,048,209	\$ 3,067,415	\$ 2,520,372	\$ 2,594,235

(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 secured debts at estimated fair value on the date of assumption and we are amortizing the fair value adjustments, if any, to interest expense over their respective terms to adjust interest expense to the estimated market interest rates as of the date of assumption.

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 Stock Market LLC, or Nasdaq, (a Level 1 input) as of June 30, 2018 . We estimated the fair values of our five issuances of senior unsecured notes due 2019, 2020, 2021, 2024 and 2028 using an average of the bid and ask price on or about June 30, 2018 (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

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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 6. 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 \$261,009 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 \$255,931, 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.

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 \$74,072, was reflected as an increase in additional paid in capital in our condensed consolidated balance sheets upon the closing of the transaction. The portion of the joint venture's net income and comprehensive income not attributable to us, or \$1,401 and \$1,360 for the three months ended June 30, 2018 and 2017, respectively, and \$2,784 and \$1,486 for the six months ended June 30, 2018 and 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 \$5,113 and \$3,483 for the three months ended June 30, 2018 and 2017, respectively, and \$10,781 and \$3,483 for the six months ended June 30, 2018 and 2017, respectively, which are reflected as a decrease in total equity attributable to noncontrolling interest in our condensed consolidated balance sheets. As of June 30, 2018, this joint venture held real estate assets with an aggregate net book value of \$754,732, subject to mortgage notes of \$620,000.

In assessing whether we have a controlling interest in this joint venture arrangement and are required 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 7. Shareholders' Equity

Share Based Compensation:

On January 1, 2018, we purchased 4,628 of our common shares, valued at \$19.15 per share, the closing price of our common shares on Nasdaq on December 29, 2017, from a former employee of RMR LLC in satisfaction of tax withholding and payment obligations in connection with the vesting of awards of our common shares.

On March 29, 2018, in accordance with our Trustee compensation arrangements, and in connection with the election of one of our Managing Trustees, we granted 3,000 of our common shares, valued at \$15.66 per share, the closing price of our common shares on Nasdaq on that day, to the Managing Trustee who was elected as a Managing Trustee on that day.

On May 22, 2018, in accordance with our Trustee compensation arrangements, we granted 3,000 of our common shares, valued at \$16.56 per share, the closing price of our common shares on Nasdaq on that day, to each of our five Trustees as part of their annual compensation.

Distributions:

On February 22, 2018, we paid a regular quarterly distribution to common shareholders of \$0.39 per share, or approximately \$92,674, that was declared on January 19, 2018 and was payable to shareholders of record on January 29, 2018. On May 17, 2018, we paid a regular quarterly distribution to common shareholders of \$0.39 per share, or approximately \$92,676, that was declared on April 19, 2018 and was payable to shareholders of record on April 30, 2018. On July 19, 2018, we declared a regular quarterly distribution payable to common shareholders of record on July 30, 2018, of \$0.39 per share, or approximately \$92,681. We expect to pay this distribution on or about August 16, 2018.

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Note 8 . Segment Reporting

As of June 30, 2018, we have four operating segments, of which three are separate reporting segments. We aggregate the reporting units in each of our MOB's, our triple net leased senior living communities and our managed senior living communities into three reporting segments, based on their similar operating and economic characteristics. The first reporting segment includes MOB's where the tenants pay us rent. The second 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 third 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 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.

	For the Three Months Ended June 30, 2018				
	MOBs	Triple Net Leased Senior Living Communities	Managed Senior Living Communities	All Other Operations	Consolidated
Revenues:					
Rental income	\$ 103,854	\$ 66,113	\$ —	\$ 4,618	\$ 174,585
Residents fees and services	—	—	102,663	—	102,663
Total revenues	103,854	66,113	102,663	4,618	277,248
Expenses:					
Property operating expenses	31,183	—	78,909	—	110,092
Depreciation and amortization	36,326	20,186	14,841	947	72,300
General and administrative	—	—	—	29,078	29,078
Acquisition and certain other transaction related costs	—	—	—	77	77
Impairment of assets	—	548	—	—	548
Total expenses	67,509	20,734	93,750	30,102	212,095
Operating income (loss)	36,345	45,379	8,913	(25,484)	65,153
Dividend income	—	—	—	659	659
Unrealized gains and losses on equity securities, net	—	—	—	23,265	23,265
Interest and other income	—	—	—	60	60
Interest expense	(6,113)	(565)	(1,256)	(36,879)	(44,813)
Income (loss) from continuing operations before income tax expense and equity in earnings of an investee	30,232	44,814	7,657	(38,379)	44,324
Income tax expense	—	—	—	(105)	(105)
Equity in earnings of an investee	—	—	—	7	7
Income (loss) before gain on sale of properties	30,232	44,814	7,657	(38,477)	44,226
Gain on sale of properties	—	80,762	—	—	80,762
Net income (loss)	30,232	125,576	7,657	(38,477)	124,988
Net income attributable to noncontrolling interest	(1,401)	—	—	—	(1,401)
Net income (loss) attributable to common shareholders	\$ 28,831	\$ 125,576	\$ 7,657	\$ (38,477)	\$ 123,587

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For the Six Months Ended June 30, 2018					
	MOBs	Triple Net Leased Senior Living Communities	Managed Senior Living Communities	All Other Operations	Consolidated
Revenues:					
Rental income	\$ 205,005	\$ 134,088	\$ —	\$ 9,220	\$ 348,313
Residents fees and services	—	—	204,750	—	204,750
Total revenues	205,005	134,088	204,750	9,220	553,063
Expenses:					
Property operating expenses	62,121	—	156,114	—	218,235
Depreciation and amortization	70,711	40,381	29,652	1,895	142,639
General and administrative	—	—	—	54,196	54,196
Acquisition and certain other transaction related costs	—	—	—	97	97
Impairment of assets	—	548	—	—	548
Total expenses	132,832	40,929	185,766	56,188	415,715
Operating income (loss)	72,173	93,159	18,984	(46,968)	137,348
Dividend income	—	—	—	1,318	1,318
Unrealized gains and losses on equity securities, net	—	—	—	50,506	50,506
Interest and other income	—	—	—	114	114
Interest expense	(12,022)	(1,136)	(2,583)	(72,624)	(88,365)
Loss on early extinguishment of debt	—	—	(130)	—	(130)
Income (loss) from continuing operations before income tax expense and equity in earnings of an investee	60,151	92,023	16,271	(67,654)	100,791
Income tax expense	—	—	—	(365)	(365)
Equity in earnings of an investee	—	—	—	51	51
Income (loss) before gain on sale of properties	60,151	92,023	16,271	(67,968)	100,477
Gain on sale of properties	—	261,916	—	—	261,916
Net income (loss)	60,151	353,939	16,271	(67,968)	362,393
Net income attributable to noncontrolling interest	(2,784)	—	—	—	(2,784)
Net income (loss) attributable to common shareholders	\$ 57,367	\$ 353,939	\$ 16,271	\$ (67,968)	\$ 359,609

As of June 30, 2018					
	MOBs	Triple Net Leased Senior Living Communities	Managed Senior Living Communities	All Other Operations	Consolidated
Total assets	\$ 3,425,719	\$ 2,138,399	\$ 1,340,992	\$ 530,526	\$ 7,435,636

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For the Three Months Ended June 30, 2017					
	MOBs	Triple Net Leased Senior Living Communities	Managed Senior Living Communities	All Other Operations	Consolidated
Revenues:					
Rental income	\$ 94,651	\$ 67,426	\$ —	\$ 4,570	\$ 166,647
Residents fees and services	—	—	98,366	—	98,366
Total revenues	94,651	67,426	98,366	4,570	265,013
Expenses:					
Property operating expenses	27,646	—	75,149	—	102,795
Depreciation and amortization	31,861	20,470	16,390	948	69,669
General and administrative	—	—	—	22,922	22,922
Impairment of assets	—	—	—	5,082	5,082
Total expenses	59,507	20,470	91,539	28,952	200,468
Operating income (loss)	35,144	46,956	6,827	(24,382)	64,545
Dividend income	—	—	—	659	659
Interest and other income	—	—	—	76	76
Interest expense	(6,250)	(2,211)	(1,176)	(31,163)	(40,800)
Loss on early extinguishment of debt	(59)	(7,294)	—	—	(7,353)
Income (loss) from continuing operations before income tax expense and equity in earnings of an investee	28,835	37,451	5,651	(54,810)	17,127
Income tax expense	—	—	—	(99)	(99)
Equity in earnings of an investee	—	—	—	374	374
Net income (loss)	28,835	37,451	5,651	(54,535)	17,402
Net income attributable to noncontrolling interest	(1,360)	—	—	—	(1,360)
Net income (loss) attributable to common shareholders	\$ 27,475	\$ 37,451	\$ 5,651	\$ (54,535)	\$ 16,042

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For the Six Months Ended June 30, 2017					
	MOBs	Triple Net Leased Senior Living Communities	Managed Senior Living Communities	All Other Operations	Consolidated
Revenues:					
Rental income	\$ 189,297	\$ 134,678	\$ —	\$ 9,115	\$ 333,090
Residents fees and services	—	—	196,484	—	196,484
Total revenues	189,297	134,678	196,484	9,115	529,574
Expenses:					
Property operating expenses	54,823	—	149,028	—	203,851
Depreciation and amortization	63,539	40,804	36,605	1,896	142,844
General and administrative	—	—	—	38,005	38,005
Acquisition and certain other transaction related costs	—	—	—	292	292
Impairment of assets	—	—	—	5,082	5,082
Total expenses	118,362	40,804	185,633	45,275	390,074
Operating income (loss)	70,935	93,874	10,851	(36,160)	139,500
Dividend income	—	—	—	1,319	1,319
Interest and other income	—	—	—	195	195
Interest expense	(12,570)	(7,550)	(2,352)	(61,817)	(84,289)
Loss on early extinguishment of debt	(59)	(7,294)	—	—	(7,353)
Income (loss) from continuing operations before income tax expense and equity in earnings of an investee	58,306	79,030	8,499	(96,463)	49,372
Income tax expense	—	—	—	(191)	(191)
Equity in earnings of an investee	—	—	—	502	502
Net income (loss)	58,306	79,030	8,499	(96,152)	49,683
Net income attributable to noncontrolling interest	(1,486)	—	—	—	(1,486)
Net income (loss) attributable to common shareholders	\$ 56,820	\$ 79,030	\$ 8,499	\$ (96,152)	\$ 48,197
As of December 31, 2017					
	MOBs	Triple Net Leased Senior Living Communities	Managed Senior Living Communities	All Other Operations	Consolidated
Total assets	\$ 3,367,485	\$ 2,251,756	\$ 1,273,757	\$ 401,021	\$ 7,294,019

Note 9 . 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 June 30, 2018 and 2017 , we leased 184 and 185 senior living communities to Five Star, respectively. We lease senior living communities to Five Star pursuant to five leases. We recognized total rental income payable by Five Star of \$51,692 and \$51,123 for the three months ended June 30, 2018 and 2017 , respectively, and \$103,450 and \$102,108 for the six months ended June 30, 2018 and 2017 , respectively. These amounts exclude percentage rent payments we received from Five Star of \$1,289 and \$1,392 for the three months ended June 30, 2018 and 2017 , respectively, and \$2,664 and \$2,837 for the six months ended June 30, 2018 and 2017 , 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 June 30, 2018 and December 31, 2017 , we had rents receivable from Five Star of \$17,198 and \$18,539 , respectively, which amounts are included in other assets in our condensed consolidated balance sheets. Rental income from Five Star represented 18.6% and 18.7% of

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our total revenues for the three and six months ended June 30, 2018, respectively, and the properties Five Star leases from us represented 26.9% of our real estate investments, at cost, as of June 30, 2018.

Pursuant to the terms of our leases with Five Star, for the six months ended June 30, 2018 and 2017, we funded \$8,529 and \$19,308, respectively, of improvements to communities leased to Five Star. As a result, the annual minimum rent payable to us by Five Star increased by approximately \$680 and \$1,547 as of June 30, 2018 and 2017, respectively.

Our Senior Living Communities Managed by Five Star. As of June 30, 2018 and 2017, Five Star managed 75 and 68 senior living communities for our account, respectively. We lease our senior living communities that are managed by Five Star and include assisted living units or SNF units to our TRSs and Five Star manages these communities pursuant to long term management agreements. See Note 3 above for certain senior living communities we acquired since December 2017 and which are managed by Five Star for our account. In addition, in June 2018, Five Star began managing for our account a senior living community we own located in California with 98 living units after the previous tenant defaulted on its lease with us pursuant to a management agreement and our existing Pooling Agreement No. 12 with Five Star, which we and Five Star amended and restated to include that senior living community. Pursuant to the terms of the management agreement for this senior living community and our Amended and Restated Pooling Agreement No. 12 with Five Star, we will pay Five Star a management fee equal to 5% of the gross revenues realized at this community plus reimbursement for Five Star's direct costs and expenses related to its operation of this community, as well as an annual incentive fee equal to 20% of the annual net operating income, or NOI, of the community remaining after we realize an annual minimum return of \$1,000 plus 7% of our invested capital for this community in excess of \$500 made after the date Five Star began managing this community, and that our annual minimum return for this community will not be used in determining whether or not there is a priority return shortfall, as defined, under the pooling agreement until 2019. We incurred management fees payable to Five Star of \$3,533 and \$3,554 for the three months ended June 30, 2018 and 2017, respectively, and \$7,027 and \$7,117 for the six months ended June 30, 2018 and 2017, respectively. These amounts are included in property operating expenses or have been capitalized, as appropriate, in our condensed consolidated financial statements.

Five Star also provides certain other services directly 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 payable to Five Star of \$1,660 and \$1,886 for the three months ended June 30, 2018 and 2017, respectively, and \$3,359 and \$3,868 for the six months ended June 30, 2018 and 2017, respectively, for rehabilitation services Five Star provided at senior living communities it manages for us; we include these amounts in property operating expenses in our condensed consolidated statement of comprehensive income.

Note 10 . 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, 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 \$26,489 and \$20,431 for the three months ended June 30, 2018 and 2017, respectively, and \$49,813 and \$33,212 for the six months ended June 30, 2018 and 2017, respectively. The net business management fees we recognized for the three and six months ended June 30, 2018 include \$725 and \$1,450, respectively, of management fees related to our subsidiary level management agreement with RMR LLC entered in connection with our joint venture arrangement and \$17,610 and \$31,957, respectively, of estimated 2018 incentive fees based on our common share total return, as defined in our business management agreement, as of June 30, 2018. Although we recognized estimated incentive fees in accordance with GAAP, the actual amount of incentive fees for 2018, if any, will be based on our common share total return, as defined in our business management agreement, for the three year period ending December 31, 2018, and will be payable in 2019. The net business management fees for the three and six months ended June 30, 2017, included \$725 and \$787, respectively, of management fees related to our subsidiary level

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management agreement with RMR LLC and \$10,760 and \$14,026, respectively, of estimated 2017 incentive fees based on our common share total return, as defined in our business management agreement, as of June 30, 2017. In January 2018, we paid RMR LLC an incentive fee of \$55,740 for 2017. These amounts are included in general and administrative expenses in our condensed 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 \$2,984 and \$2,708 for the three months ended June 30, 2018 and 2017, respectively, and \$5,805 and \$4,888 for the six months ended June 30, 2018 and 2017, 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 \$3,172 and \$2,383 for property management related expenses for the three months ended June 30, 2018 and 2017, respectively, and \$5,951 and \$4,763 for the six months ended June 30, 2018 and 2017, 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 \$69 and \$67 for the three months ended June 30, 2018 and 2017, respectively, and \$138 and \$134 for the six months ended June 30, 2018 and 2017, respectively, which amounts are included in general and administrative expenses in our condensed consolidated statements of comprehensive income.

Note 11 . 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 June 30, 2018, we owned 4,235,000 of Five Star's common shares, or approximately 8.4% of Five Star's outstanding common shares. Five Star is our largest tenant and the manager of our managed senior living communities. RMR LLC provides management services to both us and Five Star. As of June 30, 2018, a subsidiary of ABP Trust, the controlling shareholder of RMR Inc., owned 35.6% of Five Star's outstanding common shares. Adam D. Portnoy, one of our Managing Trustees, is the sole trustee of ABP Trust and a managing director of Five Star. See Note 9 for further information regarding our relationships, agreements and transactions with Five Star and Note 5 for further information regarding our investment in Five Star.

Our Manager, RMR LLC. We have two agreements with RMR LLC to provide management services to us. See Note 10 for further information regarding our management agreements with RMR LLC.

RMR Inc. RMR LLC is a majority owned subsidiary of RMR Inc. and RMR Inc. is the managing member of RMR LLC. Adam D. Portnoy, one of our Managing Trustees, is the sole trustee, an officer and the controlling shareholder of ABP Trust, which is the controlling shareholder of RMR Inc., a managing director, president and chief executive officer of RMR Inc., and an officer of RMR LLC. Jennifer B. Clark, our other Managing Trustee, also serves as a managing director and as executive vice president, general counsel and secretary of RMR Inc. and an officer of ABP Trust and RMR LLC. Other officers of RMR LLC also serve as our officers. As of June 30, 2018, we owned 2,637,408 shares of class A common stock of RMR Inc. See Note 5 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 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, as of June 30, 2018, aggregate annual premiums, including taxes and fees, of approximately \$4,613 in connection with this insurance program for the policy year ending June 30, 2019, which amount may be adjusted from time to time as we acquire and dispose of properties that are included in this insurance program.

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

As of June 30, 2018 and December 31, 2017, our investment in AIC had a carrying value of \$8,153 and \$8,185, respectively. These amounts are included in other assets in our condensed consolidated balance sheets. We recognized income related to our investment in AIC, which is 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 on securities that are owned by AIC related to our investment in AIC.

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

Note 12 . Income Taxes

We have elected to be taxed as a real estate investment trust, or REIT, under the Internal Revenue Code of 1986, as amended, and as such, are generally not subject to federal and most state income taxation on our operating income provided we distribute our taxable income to our shareholders and meet certain organization and operating requirements. We do, however, lease certain managed senior living communities to our wholly owned TRSs that, unlike most of our subsidiaries, file a separate consolidated 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 June 30, 2018 and 2017, we recognized income tax expense of \$105 and \$99, respectively, and during the six months ended June 30, 2018 and 2017, we recognized income tax expense of \$365 and \$191, respectively.

Note 13 . 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 June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Weighted average common shares for basic earnings per share	237,487	237,399	237,483	237,395
Effect of dilutive securities: unvested share awards	42	46	23	38
Weighted average common shares for diluted earnings per share	237,529	237,445	237,506	237,433

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

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

We are a REIT organized under Maryland law. At June 30, 2018, we owned 443 properties (469 buildings) located in 42 states and Washington, D.C. At June 30, 2018, the undepreciated carrying value of our properties, which represents the gross book value of our real estate assets before depreciation and purchase price allocations, less impairment write downs, was \$8.7 billion. For the three months ended June 30, 2018, 97% of our NOI came from properties where a majority of the revenues are derived from our tenants' and residents' 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 June 30, 2018)	Number of Properties	Number of Units or Square Feet	Carrying Value of Investment ⁽¹⁾	% of Total Investment	Investment per Unit or Square Foot ⁽²⁾	Q2 2018 Revenues ⁽³⁾	% of Q2 2018 Revenues	Q2 2018 NOI ⁽³⁾⁽⁴⁾	% of Q2 2018 NOI
Facility Type									
Independent living ⁽⁵⁾	68	15,231	\$ 2,350,649	27.1%	\$ 154,333	\$ 89,253	32.5%	\$ 44,209	26.7%
Assisted living ⁽⁵⁾	198	14,564	2,149,968	24.8%	\$ 147,622	73,539	26.6%	39,674	24.0%
Skilled nursing facilities ⁽⁵⁾	38	4,033	184,520	2.1%	\$ 45,753	4,240	1.5%	4,240	2.6%
Subtotal senior living communities	304	33,828	4,685,137	54.0%	\$ 138,499	167,032	60.6%	88,123	53.3%
MOBs ⁽⁶⁾	129	12,599,579 sq. ft.	3,797,362	43.9%	\$ 301	103,854	37.7%	72,671	43.9%
Wellness centers	10	812,000 sq. ft.	178,110	2.1%	\$ 219	4,618	1.7%	4,618	2.8%
Total	443		\$ 8,660,609	100.0%		\$ 275,504	100.0%	\$ 165,412	100.0%

Tenant / Operator / Managed Properties

Five Star	184	20,035	\$ 2,339,324	26.9%	\$ 116,762	\$ 51,630	18.7%	\$ 51,630	31.2%
Brookdale	18	940	69,669	0.8%	\$ 74,116	2,026	0.7%	2,026	1.2%
11 private senior living companies (combined)	27	3,343	536,289	6.2%	\$ 160,421	10,713	3.9%	10,713	6.5%
Subtotal triple net leased senior living communities	229	24,318	2,945,282	33.9%	\$ 121,115	64,369	23.3%	64,369	38.9%
Managed senior living communities ⁽⁷⁾	75	9,510	1,739,855	20.1%	\$ 182,950	102,663	37.3%	23,754	14.4%
Subtotal senior living communities	304	33,828	4,685,137	54.0%	\$ 138,499	167,032	60.6%	88,123	53.3%
MOBs ⁽⁶⁾	129	12,599,579 sq. ft.	3,797,362	43.9%	\$ 301	103,854	37.7%	72,671	43.9%
Wellness centers	10	812,000 sq. ft.	178,110	2.1%	\$ 219	4,618	1.7%	4,618	2.8%
Total	443		\$ 8,660,609	100.0%		\$ 275,504	100.0%	\$ 165,412	100.0%

Tenant / Managed Property Operating Statistics ⁽⁸⁾

	Rent Coverage		Occupancy	
	2018	2017	2018	2017
Five Star	1.12x	1.17x	81.7%	83.3%
Brookdale	2.23x	2.53x	84.4%	83.9%
11 private senior living companies (combined)	1.27x	1.28x	85.8%	88.8%
Subtotal triple net leased senior living communities	1.18x	1.24x	82.4%	84.1%
Managed senior living communities ⁽⁷⁾	NA	NA	85.8%	86.6%
Subtotal senior living communities	1.18x	1.24x	83.3%	84.8%
MOBs ⁽⁶⁾	NA	NA	95.7%	96.5%
Wellness centers	1.88x	1.85x	100.0%	100.0%
Total	1.22x	1.28x		

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- (1) Represents the 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 June 30, 2018 .
- (3) Excludes \$1,744 of revenues and NOI for properties sold or for which there was a transfer of operations during the three months ended June 30, 2018.
- (4) 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".
- (5) Senior living communities are categorized by the type of living units which constitute a majority of the living units at the community.
- (6) These 129 MOB properties are comprised of 155 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 "full-service" leases where we receive fixed rent from our tenants and no reimbursement for our property operating costs.
- (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, June 30, 2018 was 85.9% .
- (8) Operating data for MOBs are presented as of June 30, 2018 and 2017 and include (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 March 31, 2018 and 2017, 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 or classified as held for sale during the periods presented.

[Portfolio Lease Expiration Schedules](#)

The following tables set forth information regarding our lease expirations as of June 30, 2018 (dollars in thousands):

Year	Annualized Rental Income ⁽¹⁾⁽²⁾				Percent of Total Annualized Rental Income Expiring	Cumulative Percentage of Annualized Rental Income Expiring
	Triple Net Senior Living Communities	MOBs	Wellness Centers	Total		
2018	\$ —	\$ 14,412	\$ —	\$ 14,412	2.1%	2.1%
2019	590	46,322	—	46,912	6.8%	8.9%
2020	—	34,241	—	34,241	5.0%	13.9%
2021	1,424	26,408	—	27,832	4.1%	18.0%
2022	—	30,775	—	30,775	4.5%	22.5%
2023	14,037	23,429	7,700	45,166	6.6%	29.1%
2024	64,591	44,326	—	108,917	15.9%	45.0%
2025	—	16,951	—	16,951	2.5%	47.5%
2026	68,626	20,201	—	88,827	13.0%	60.5%
2027 and thereafter	115,936	144,397	10,550	270,883	39.5%	100.0%
Total	\$ 265,204	\$ 401,462	\$ 18,250	\$ 684,916	100.0%	

Average remaining lease term for our triple net leased senior living communities, MOBs and wellness center properties (weighted by annualized rental income): 7.5 years.

- (1) Annualized rental income is based on rents pursuant to existing leases as of June 30, 2018, 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's 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 June 30, 2018, annualized) were included in the foregoing table, the percent of total annualized rental income expiring in each of the following years would be: 2018 — 1.8% ; 2019 — 6.0% ; 2020 — 4.4% ; 2021 — 3.6% ; 2022 — 3.9% ; 2023 — 5.8% ; 2024 — 14.0% ; 2025 — 2.2% ; 2026 — 11.4% ; and thereafter — 46.9% . 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 8.4 years.

Year	Number of Tenants ⁽¹⁾				Percent of Total Tenancies Expiring ⁽¹⁾	Cumulative Percentage of Number of Tenancies Expiring ⁽¹⁾
	Triple Net Senior Living Communities	MOBs	Wellness Centers	Total		
2018	—	85	—	85	11.9%	11.9%
2019	1	104	—	105	14.7%	26.6%
2020	—	103	—	103	14.4%	41.0%
2021	1	90	—	91	12.7%	53.7%
2022	—	91	—	91	12.7%	66.4%
2023	4	55	3	62	8.7%	75.1%
2024	3	46	—	49	6.9%	82.0%
2025	—	35	—	35	4.9%	86.9%
2026	1	24	—	25	3.5%	90.4%
2027 and thereafter	12	55	1	68	9.6%	100.0%
Total	22	688	4	714	100.0%	

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

Year	Living Units ⁽¹⁾			Square Feet ⁽²⁾				
	Triple Net Senior Living Communities	Percent of Total Living Units Expiring	Cumulative Percentage of Total 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
2018	—	—%	—%	525,618	—	525,618	4.1%	4.1%
2019	175	0.7%	0.7%	1,478,280	—	1,478,280	11.5%	15.6%
2020	—	—%	0.7%	1,435,715	—	1,435,715	11.2%	26.8%
2021	361	1.5%	2.2%	831,717	—	831,717	6.5%	33.3%
2022	—	—%	2.2%	1,102,802	—	1,102,802	8.6%	41.9%
2023	697	2.9%	5.1%	1,116,138	354,000	1,470,138	11.4%	53.3%
2024	6,179	25.4%	30.5%	1,700,605	—	1,700,605	13.2%	66.5%
2025	—	—%	30.5%	662,200	—	662,200	5.1%	71.6%
2026	6,857	28.2%	58.7%	664,207	—	664,207	5.2%	76.8%
2027 and thereafter	10,049	41.3%	100.0%	2,541,425	458,000	2,999,425	23.2%	100.0%
Total	24,318	100.0%		12,058,707	812,000	12,870,707	100.0%	

- (1) Excludes 9,510 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: 2018 — 0.0% ; 2019 —

0.5% ; 2020 — 0.0% ; 2021 — 1.1% ; 2022 — 0.0% ; 2023 — 2.1% ; 2024 — 18.4% ; 2025 — 0.0% ; 2026 — 20.4% ; and thereafter — 57.5% .

(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 June 30, 2018 , we entered MOB lease renewals for 87,715 leasable square feet and new leases for 106,340 leasable square feet. The weighted average annual rental rate for leases entered during the quarter was \$29.94 per square foot, and these rental rates were, on a weighted average basis, 0.9% below previous rents charged for the same space. Weighted average lease terms for leases entered during the second quarter of 2018 were 5.5 years. Commitments for tenant improvements, leasing commission costs and concessions for leases we entered during the second quarter of 2018 totaled \$4.6 million, or \$23.57 per square foot on average (approximately \$4.54 per square foot per year of the lease term).

GENERAL INDUSTRY TRENDS

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 practices are being consolidated into hospital systems. This has caused the number of free standing medical practices to decline. At the same time, the number of multi-practice medical office buildings that are anchor leased by hospital systems which employ doctors has increased. We believe hospital systems will continue the trend of providing an increasing amount of services in off campus MOBs away from main hospital campuses in order to reduce costs and serve as many patients as possible.

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.

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, technology 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 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 slowed, the increased supply of senior living communities resulting from recent development activity has increased competitive pressures on our tenants and manager, particularly in certain geographic markets where we own senior living communities, 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 on Form 10-Q as well as in our Annual Report.

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 MOB, triple net leased senior living communities and our managed senior living communities into three reporting segments, based on their similar operating and economic characteristics. The first reporting segment includes MOB where the tenants pay us rent for space in medical offices, life science laboratories and other medical related facilities. The second reporting segment includes triple net leased senior living communities that provide short term and long term residential care and other services for residents and from which we receive rents from the operators. The third 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 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.

The following table summarizes the results of operations of each of our segments for the three and six months ended June 30, 2018 and 2017 :

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Revenues:				
MOBs	\$ 103,854	\$ 94,651	\$ 205,005	\$ 189,297
Triple net leased senior living communities	66,113	67,426	134,088	134,678
Managed senior living communities	102,663	98,366	204,750	196,484
All other operations	4,618	4,570	9,220	9,115
Total revenues	<u>\$ 277,248</u>	<u>\$ 265,013</u>	<u>\$ 553,063</u>	<u>\$ 529,574</u>
Net income (loss) attributable to common shareholders:				
MOBs	\$ 28,831	\$ 27,475	\$ 57,367	\$ 56,820
Triple net leased senior living communities	125,576	37,451	353,939	79,030
Managed senior living communities	7,657	5,651	16,271	8,499
All other operations	(38,477)	(54,535)	(67,968)	(96,152)
Net income attributable to common shareholders	<u>\$ 123,587</u>	<u>\$ 16,042</u>	<u>\$ 359,609</u>	<u>\$ 48,197</u>

The following section analyzes and discusses the results of operations of each of our segments for the periods presented.

Three Months Ended June 30, 2018 Compared to Three Months Ended June 30, 2017 (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 June 30, 2018 to the three months ended June 30, 2017 .

MOBs :

	All Properties		Comparable Properties ⁽¹⁾	
	As of and For the Three Months		As of and For the Three Months	
	Ended June 30,		Ended June 30,	
	2018	2017	2018	2017
Total properties	129	120	120	120
Total buildings	155	146	146	146
Total square feet ⁽²⁾	12,600	11,552	11,551	11,552
Occupancy ⁽³⁾	95.7%	96.5%	95.6%	96.5%

- (1) Consists of MOB we have owned continuously since April 1, 2017 ; includes our MOB (two buildings) that is owned in a joint venture arrangement; 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 June 30,			
	2018	2017	Change	% Change
Rental income	\$ 103,854	\$ 94,651	\$ 9,203	9.7 %
Property operating expenses	(31,183)	(27,646)	3,537	12.8 %
Net operating income (NOI)	72,671	67,005	5,666	8.5 %
Depreciation and amortization expense	(36,326)	(31,861)	4,465	14.0 %
Operating income	36,345	35,144	1,201	3.4 %
Interest expense	(6,113)	(6,250)	(137)	(2.2)%
Loss on early extinguishment of debt	—	(59)	(59)	(100.0)%
Net income	30,232	28,835	1,397	4.8 %
Net income attributable to noncontrolling interest	(1,401)	(1,360)	41	3.0 %
Net income attributable to common shareholders	\$ 28,831	\$ 27,475	\$ 1,356	4.9 %

Rental income. Rental income increased primarily due to rents from MOBs we acquired since April 1, 2017, as well as certain changes at our comparable MOB properties discussed below. Rental income includes non-cash straight line rent adjustments totaling \$2,338 and \$2,520 and net amortization of approximately \$1,361 and \$1,265 of above and below market lease adjustments for the three months ended June 30, 2018 and 2017, respectively.

Property operating expenses. Property operating expenses consist of real estate taxes, utility expenses, property management fees, repairs and maintenance expense, cleaning expense and other direct costs of operating these properties. Property operating expenses increased primarily due to our acquisitions since April 1, 2017, as well as certain changes at our comparable MOB properties discussed below.

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 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 our acquisitions since April 1, 2017, 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.

Interest expense. Interest expense relates to mortgage notes secured by certain of these properties. The decrease in interest expense is the result of our prepayment of \$27,789 in aggregate principal amount of mortgage notes since April 1, 2017 with a weighted average annual interest rate of 6.3%, as well as the regularly scheduled amortization of mortgage notes secured by these properties, partially offset by our assumption of a \$11,050 mortgage note in connection with our acquisition of a MOB in March 2018.

Loss on early extinguishment of debt. We recognized a 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 MOBs (two buildings) through the joint venture agreement we entered in March 2017.

MOBs, comparable properties (MOBs we have owned continuously since April 1, 2017; includes our MOB (two buildings) that is owned in a joint venture arrangement; excludes properties classified as held for sale, if any):

	Three Months Ended June 30,			
	2018	2017	Change	% Change
Rental income	\$ 96,312	\$ 94,652	\$ 1,660	1.8 %
Property operating expenses	(28,465)	(27,645)	820	3.0 %
Net operating income (NOI)	67,847	67,007	840	1.3 %
Depreciation and amortization expense	(31,909)	(31,861)	48	0.2 %
Operating income	35,938	35,146	792	2.3 %
Interest expense	(5,993)	(6,250)	(257)	(4.1)%
Loss on early extinguishment of debt	—	(59)	(59)	(100.0)%
Net income	29,945	28,837	1,108	3.8 %
Net income attributable to noncontrolling interest	(1,401)	(1,360)	41	3.0 %
Net income attributable to common shareholders	\$ 28,544	\$ 27,477	\$ 1,067	3.9 %

Rental income. Rental income increased primarily due to an increase in tax escalation income and other reimbursable expenses at certain of these properties, partially offset by reduced occupancy. Rental income includes non-cash straight line rent adjustments totaling \$2,040 and \$2,522 and net amortization of approximately \$1,424 and \$1,264 of above and below market lease adjustments for the three months ended June 30, 2018 and 2017, respectively.

Property operating expenses. Property operating expenses consist of real estate taxes, utility expenses, 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 increases in real estate taxes 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 includes the depreciation of owned property and equipment as well as the amortization of leasing costs and acquired in place real estate leases that we amortize over the respective lease terms.

Interest expense. Interest expense relates to mortgage notes secured by certain of these properties. The decrease in interest expense is the result of our prepayment of \$27,789 in aggregate principal amount of mortgage notes since April 1, 2017 with an annual interest rate of 6.3%, as well as the regularly scheduled amortization of mortgage notes secured by these properties.

Loss on early extinguishment of debt. We recognized a 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 MOBs (two buildings) through the joint venture agreement we entered in March 2017.

Triple net leased senior living communities :

	All Properties		Comparable Properties ⁽¹⁾	
	As of and For the Three Months		As of and For the Three Months	
	Ended June 30,		Ended June 30,	
	2018	2017	2018	2017
Total properties	229	236	229	229
# of units	24,318	26,220	24,318	24,318
Tenant operating data ⁽²⁾				
Occupancy	82.4%	84.1%	82.4%	84.1%
Rent coverage	1.18x	1.24x	1.18x	1.24x

- (1) Consists of triple net leased senior living communities we have owned continuously since April 1, 2017 ; excludes communities classified as 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 March 31, 2018 and 2017 or the most recent prior period for which tenant operating results are 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 data for properties sold or classified as held for sale during the periods presented.

Triple net leased senior living communities, all properties :

	Three Months Ended June 30,			
	2018	2017	Change	% Change
Rental Income	\$ 66,113	\$ 67,426	\$ (1,313)	(1.9)%
Net operating income (NOI)	66,113	67,426	(1,313)	(1.9)%
Depreciation and amortization expense	(20,186)	(20,470)	(284)	(1.4)%
Impairment of assets	(548)	—	548	100.0 %
Operating income	45,379	46,956	(1,577)	(3.4)%
Interest expense	(565)	(2,211)	(1,646)	(74.4)%
Loss on early extinguishment of debt	—	(7,294)	(7,294)	(100.0)%
Gain on sale of properties	80,762	—	80,762	100.0 %
Net income	\$ 125,576	\$ 37,451	\$ 88,125	235.3 %

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 decreased primarily due to reduced rental income resulting from the sale of six senior living communities and the transfer of one senior living community to our managed communities segment since April 1, 2017 , partially offset by increased rents resulting from our purchase of improvements since April 1, 2017 . Rental income includes non-cash straight line rent adjustments totaling \$555 and \$778 for the three months ended June 30, 2018 and 2017 , respectively. Rental income increased year over year on a comparable property basis by \$1,014 , primarily as a result of our purchase of improvements at certain of these communities that we have owned continuously since April 1, 2017 and the resulting increased rent, pursuant to the terms of the applicable leases.

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 decreased due to the decrease in rental income 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 decreased primarily as a result of the sale of six senior living communities since April 1, 2017, partially offset by our purchase of improvements since April 1, 2017.

Impairment of assets. We recorded an impairment charge of \$548 to write off an acquired lease intangible asset associated with a lease default at one of our senior living communities, which was leased to a third party private operator and was transferred to one of our TRSs in June 2018. The impairment charge represents the unrecoverable acquired in place lease intangible asset after deducting settlement proceeds.

Interest expense. Interest expense relates to mortgage notes secured by certain of these communities. The decrease in interest expense is due to our prepayment of \$277,837 in aggregate principal amount of mortgage notes in April 2017 with a weighted average annual interest rate of 6.7%, as well as regularly scheduled amortization of mortgage notes secured by 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 second quarter of 2017.

Gain on sale of properties. Gain on sale of properties is the result of our sale of three senior living communities during the second quarter of 2018.

Managed senior living communities:

	All Properties		Comparable Properties ⁽¹⁾	
	As of and For the Three Months		As of and For the Three Months	
	Ended June 30,		Ended June 30,	
	2018	2017	2018	2017
Total properties	75	68	68	68
# of units	9,510	8,806	8,817	8,817
Occupancy	86.1%	85.7%	85.8%	85.7%
Average monthly rate ⁽²⁾	\$ 4,246	\$ 4,298	\$ 4,282	\$ 4,298

(1) Consists of managed senior living communities owned and managed by the same operator continuously since April 1, 2017; 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 June 30,			
	2018	2017	Change	% Change
Residents fees and services	\$ 102,663	\$ 98,366	\$ 4,297	4.4 %
Property operating expenses	(78,909)	(75,149)	3,760	5.0 %
Net operating income (NOI)	23,754	23,217	537	2.3 %
Depreciation and amortization expense	(14,841)	(16,390)	(1,549)	(9.5)%
Operating income	8,913	6,827	2,086	30.6 %
Interest expense	(1,256)	(1,176)	80	6.8 %
Net income	\$ 7,657	\$ 5,651	\$ 2,006	35.5 %

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 since April 1, 2017 , as well as an increase in occupancy, partially offset by a decrease in average monthly rates for the three months ended June 30, 2018 compared to the three months ended June 30, 2017 .

Property operating expenses. Property operating expenses consist of management fees, real estate taxes, utility expenses, 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 since April 1, 2017, increased room turnover and maintenance costs and increased costs associated with staffing.

Net operating income. The increase 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 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 April 1, 2017 , partially offset by an increase in depreciation expense due to our acquisitions and purchase of improvements since April 1, 2017 .

Interest expense. Interest expense relates to mortgage notes secured by certain of these communities. The increase in interest expense is due to our assumption of a \$16,748 mortgage note in connection with our acquisition of a senior living community in February 2018 and our assumption of a \$16,588 mortgage note in connection with our acquisition of two senior living communities in June 2018, partially offset by our prepayment of a \$4,330 mortgage note in January 2018, as well as the regularly scheduled amortization of mortgage notes secured by these communities.

Managed senior living communities, comparable properties (managed senior living communities owned and managed by the same operator continuously since April 1, 2017 ; excludes communities classified as held for sale, if any):

	Three Months Ended June 30,			
	2018	2017	Change	% Change
Residents fees and services	\$ 98,292	\$ 98,366	\$ (74)	(0.1)%
Property operating expenses	(76,052)	(75,052)	1,000	1.3 %
Net operating income (NOI)	22,240	23,314	(1,074)	(4.6)%
Depreciation and amortization expense	(12,448)	(16,387)	(3,939)	(24.0)%
Operating income	9,792	6,927	2,865	41.4 %
Interest expense	(1,036)	(1,176)	(140)	(11.9)%
Net income	\$ 8,756	\$ 5,751	\$ 3,005	52.3 %

Residents fees and services. Residents fees and services are the revenues earned at our managed senior living communities. We recognize these revenues as services are provided and related fees are accrued. Residents fees and services decreased modestly year over year primarily due to a decrease in average monthly rates, partially offset by a modest increase in occupancy for the three months ended June 30, 2018 compared to the three months ended June 30, 2017 .

Property operating expenses. Property operating expenses consist of management fees, real estate taxes, utility expenses, 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 room turnover and maintenance costs and increased costs associated with staffing.

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 April 1, 2017, partially offset by an increase in depreciation expense due to our purchases of improvements since April 1, 2017.

Interest expense. Interest expense relates to mortgage notes secured by certain of these communities. The decrease in interest expense is due to our prepayment of a \$4,330 mortgage note in January 2018, as well as the regularly scheduled amortization of mortgage notes secured by these communities.

All other operations ⁽¹⁾:

	Three Months Ended June 30,			
	2018	2017	Change	% Change
Rental income	\$ 4,618	\$ 4,570	\$ 48	1.1 %
Expenses:				
Depreciation and amortization expense	(947)	(948)	(1)	— %
General and administrative	(29,078)	(22,922)	6,156	26.9 %
Acquisition and certain other transaction related costs	(77)	—	77	100.0 %
Impairment of assets	—	(5,082)	(5,082)	(100.0)%
Total expenses	(30,102)	(28,952)	1,150	4.0 %
Operating loss	(25,484)	(24,382)	1,102	4.5 %
Dividend income	659	659	—	— %
Unrealized gains and losses on equity securities, net	23,265	—	23,265	100.0 %
Interest and other income	60	76	(16)	(21.1)%
Interest expense	(36,879)	(31,163)	5,716	18.3 %
Loss before income tax expense and equity in earnings of an investee	(38,379)	(54,810)	(16,431)	(30.0)%
Income tax expense	(105)	(99)	6	6.1 %
Equity in earnings of an investee	7	374	(367)	(98.1)%
Net loss	\$ (38,477)	\$ (54,535)	\$ (16,058)	(29.4)%

- (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 \$137 for each of the three months ended June 30, 2018 and 2017. Rental income also includes net amortization of approximately \$55 of acquired real estate leases and obligations for each of the three months ended June 30, 2018 and 2017.

Depreciation and amortization expense. Depreciation and amortization expense remained consistent as we had no acquisitions or capital expenditures in this segment since April 1, 2017. 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 agreement, legal and accounting fees, fees and expenses of our Trustees, equity compensation expense and other costs relating to our status as a publicly traded company. General and administrative expense increased primarily due to \$17,610 of estimated business management incentive fees that we recognized for the three months ended June 30, 2018 as a result of our total shareholder return exceeding the returns for the SNL U.S. REIT Healthcare index over the applicable measurement period by 38.3%, compared to \$10,760 of business management incentive fees that we recognized for the three months ended June 30, 2017. This increase was partially offset by a decrease in business management fees as a result of lower market prices for our common shares during the three months ended June 30, 2018 compared to the three months ended June 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.

Impairment of assets . At June 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 in accordance with GAAP standards at that time.

Dividend income. Dividend income reflects cash dividends received from our investment in RMR Inc.

Unrealized gains and losses on equity securities, net. Unrealized gains and losses on equity securities, net, represents the net unrealized gains to adjust our investments in RMR Inc. and Five Star to their fair value as of June 30, 2018 in accordance with a change in GAAP standards effective January 1, 2018.

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

Interest expense. Interest expense increased primarily due to our February 2018 issuance of \$500,000 of 4.75% senior unsecured notes due 2028 and increases in LIBOR rates, resulting in an increase in interest expense on our revolving credit facility and term loans, partially offset by a lower balance on our revolving credit facility.

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.

Six Months Ended June 30, 2018 Compared to Six Months Ended June 30, 2017 (dollars in thousands, except average monthly rate):

Unless otherwise indicated, references in this section to changes or comparisons of results, income or expenses refer to comparisons of the results for the six months ended June 30, 2018 to the six months ended June 30, 2017 .

MOBs :

	All Properties		Comparable Properties ⁽¹⁾	
	As of and For the Six Months Ended June 30,		As of and For the Six Months Ended June 30,	
	2018	2017	2018	2017
Total properties	129	120	119	119
Total buildings	155	146	145	145
Total square feet ⁽²⁾	12,600	11,552	11,434	11,434
Occupancy ⁽³⁾	95.7%	96.5%	95.6%	96.4%

(1) Consists of MOBs we have owned continuously since January 1, 2017; includes our MOB (two buildings) that is owned in a joint venture arrangement; 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 :

	Six Months Ended June 30,			
	2018	2017	Change	% Change
Rental income	\$ 205,005	\$ 189,297	\$ 15,708	8.3 %
Property operating expenses	(62,121)	(54,823)	7,298	13.3 %
Net operating income (NOI)	142,884	134,474	8,410	6.3 %
Depreciation and amortization expense	(70,711)	(63,539)	7,172	11.3 %
Operating income	72,173	70,935	1,238	1.7 %
Interest expense	(12,022)	(12,570)	(548)	(4.4)%
Loss on early extinguishment of debt	—	(59)	(59)	(100.0)%
Net income	60,151	58,306	1,845	3.2 %
Net income attributable to noncontrolling interest	(2,784)	(1,486)	1,298	87.3 %
Net income attributable to common shareholders	\$ 57,367	\$ 56,820	\$ 547	1.0 %

Rental income. Rental income increased primarily due to rents from MOBs we acquired since January 1, 2017, as well as certain changes at our comparable MOB properties discussed below. Rental income includes non-cash straight line rent adjustments totaling \$4,574 and \$5,035 and net amortization of approximately \$2,687 and \$2,500 of above and below market lease adjustments for the six months ended June 30, 2018 and 2017 , respectively.

Property operating expenses. Property operating expenses consist of real estate taxes, utility expenses, property management fees, 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, 2017, as well as certain changes at our comparable MOB properties discussed below.

Net operating income. NOI increased due to the increase in rental income, partially offset by the increase 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 our acquisitions since January 1, 2017, 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.

Interest expense. Interest expense relates to mortgage notes secured by certain of these properties. The decrease in interest expense is the result of our prepayment of \$27,789 in aggregate principal amount of mortgage notes since January 1, 2017 with a weighted average annual interest rate of 6.3%, as well as the regularly scheduled amortization of mortgage notes secured by these properties, partially offset by our assumption of a \$11,050 mortgage note in connection with our acquisition of a MOB in March 2018.

Loss on early extinguishment of debt. We recognized a 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 MOBs (two buildings) through the joint venture agreement we entered in March 2017.

MOBs, comparable properties (MOBs we have owned continuously since January 1, 2017; includes our MOB (two buildings) that is owned in a joint venture arrangement; excludes properties classified as held for sale, if any):

	Six Months Ended June 30,			
	2018	2017	Change	% Change
Rental income	\$ 189,965	\$ 188,250	\$ 1,715	0.9 %
Property operating expenses	(56,840)	(54,295)	2,545	4.7 %
Net operating income (NOI)	133,125	133,955	(830)	(0.6)%
Depreciation and amortization expense	(62,984)	(63,100)	(116)	(0.2)%
Operating income	70,141	70,855	(714)	(1.0)%
Interest expense	(11,899)	(12,571)	(672)	(5.3)%
Loss on early extinguishment of debt	—	(59)	(59)	(100.0)%
Net income	58,242	58,225	17	— %
Net income attributable to noncontrolling interest	(2,784)	(1,486)	1,298	87.3 %
Net income attributable to common shareholders	\$ 55,458	\$ 56,739	\$ (1,281)	(2.3)%

Rental income. Rental income increased primarily due to an increase in tax escalation income and other reimbursable expenses at certain of these properties, partially offset by reduced occupancy. Rental income includes non-cash straight line rent adjustments totaling \$3,951 and \$4,975 and net amortization of approximately \$2,798 and \$2,505 of above and below market lease adjustments for the six months ended June 30, 2018 and 2017, respectively.

Property operating expenses. Property operating expenses consist of real estate taxes, utility expenses, 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 increases in real estate taxes 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 decreased primarily due to a reduction in amortization of acquired in place real estate leases that we amortize over the respective lease terms, partially offset by an increase in depreciation expense on fixed assets acquired since January 1, 2017.

Interest expense. Interest expense relates to mortgage notes secured by certain of these properties. The decrease in interest expense is the result of our prepayment of \$27,789 in aggregate principal amount of mortgage notes since January 1, 2017 with an annual interest rate of 6.3%, as well as the regularly scheduled amortization of mortgage notes secured by these properties.

Loss on early extinguishment of debt. We recognized a 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 MOBs (two buildings) through the joint venture agreement we entered in March 2017.

Triple net leased senior living communities :

	All Properties		Comparable Properties ⁽¹⁾	
	As of and For the Six Months Ended June 30,		As of and For the Six Months Ended June 30,	
	2018	2017	2018	2017
Total properties	229	236	229	229
# of units	24,318	26,220	24,318	24,318
Tenant operating data ⁽²⁾				
Occupancy	82.4%	84.1%	82.4%	84.1%
Rent coverage	1.18x	1.24x	1.18x	1.24x

(1) Consists of triple net leased senior living communities we have owned continuously since January 1, 2017; excludes communities classified as 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 March 31, 2018 and 2017 or the most recent prior period for which tenant operating results are 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 data for properties sold or classified as held for sale during the periods presented.

Triple net leased senior living communities, all properties :

	Six Months Ended June 30,			
	2018	2017	Change	% Change
Rental Income	\$ 134,088	\$ 134,678	\$ (590)	(0.4)%
Net operating income (NOI)	134,088	134,678	(590)	(0.4)%
Depreciation and amortization expense	(40,381)	(40,804)	(423)	(1.0)%
Impairment of assets	(548)	—	548	100.0 %
Operating income	93,159	93,874	(715)	(0.8)%
Interest expense	(1,136)	(7,550)	(6,414)	(85.0)%
Loss on early extinguishment of debt	—	(7,294)	(7,294)	(100.0)%
Gain on sale of properties	261,916	—	261,916	100.0 %
Net income	\$ 353,939	\$ 79,030	\$ 274,909	347.9 %

Except as noted below under “Rental income,” we have not included a discussion and analysis of the results of our comparable properties data for the triple net leased senior living communities segment as we believe that 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 decreased primarily due to reduced rental income resulting from the sale of six senior living communities and the transfer of one senior living community to our managed communities segment since January 1, 2017, partially offset by increased rents resulting from our purchase of improvements since January 1, 2017. Rental income includes non-cash straight line rent adjustments totaling \$1,174 and \$1,554 for the six months ended June 30, 2018 and 2017, respectively. Rental income increased year over year on a comparable property basis by \$2,192, primarily as a result of our purchase of improvements at certain of these communities that we have owned continuously since January 1, 2017 and the resulting increased rent, pursuant to the terms of the applicable leases.

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 decreased due to the decrease in rental income 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 decreased primarily as a result of the sale of six senior living communities since January 1, 2017, partially offset by our purchase of improvements since January 1, 2017.

Impairment of assets. We recorded an impairment charge of \$548 to write off an acquired lease intangible asset associated with a lease default at one of our senior living communities, which was leased to a third party private operator and was transferred to one of our TRSs in June 2018. The impairment charge represents the unrecoverable acquired in place lease intangible asset after deducting settlement proceeds.

Interest expense. Interest expense relates to mortgage notes secured by certain of these communities. The decrease in interest expense is due to our prepayment of \$277,837 in aggregate principal amount of mortgage notes in April 2017 with a weighted average annual interest rate of 6.7%, as well as regularly scheduled amortization of mortgage notes secured by 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 second quarter of 2017.

Gain on sale of properties. Gain on sale of properties is the result of our sale of five senior living communities during the six months ended June 30, 2018.

Managed senior living communities :

	All Properties		Comparable Properties ⁽¹⁾	
	As of and For the Six Months Ended June 30,		As of and For the Six Months Ended June 30,	
	2018	2017	2018	2017
Total properties	75	68	68	68
# of units	9,510	8,806	8,817	8,817
Occupancy	86.0%	85.8%	85.8%	85.8%
Average monthly rate ⁽²⁾	\$ 4,278	\$ 4,310	\$ 4,310	\$ 4,311

(1) Consists of managed senior living communities owned and managed by the same operator continuously since January 1, 2017; 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 :

	Six Months Ended June 30,			
	2018	2017	Change	% Change
Residents fees and services	\$ 204,750	\$ 196,484	\$ 8,266	4.2 %
Property operating expenses	(156,114)	(149,028)	7,086	4.8 %
Net operating income (NOI)	48,636	47,456	1,180	2.5 %
Depreciation and amortization expense	(29,652)	(36,605)	(6,953)	(19.0)%
Operating income	18,984	10,851	8,133	75.0 %
Interest expense	(2,583)	(2,352)	231	9.8 %
Loss on early extinguishment of debt	(130)	—	130	100.0 %
Net income	\$ 16,271	\$ 8,499	\$ 7,772	91.4 %

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 since January 1, 2017, as well as an increase in occupancy, partially offset by a decrease in average monthly rates for the six months ended June 30, 2018 compared to the six months ended June 30, 2017.

Property operating expenses. Property operating expenses consist of management fees, real estate taxes, utility expenses, 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 since January 1, 2017, increased room turnover and maintenance costs and increased costs associated with staffing.

Net operating income. The increase 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 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, 2017, partially offset by an increase in depreciation expense due to our acquisitions and purchase of improvements since January 1, 2017.

Interest expense. Interest expense relates to mortgage notes secured by certain of these communities. The increase in interest expense is due to our assumption of a \$16,748 mortgage note in connection with our acquisition of a senior living community in February 2018 and our assumption of a \$16,588 mortgage note in connection with our acquisition of two senior living communities in June 2018, partially offset by our prepayment of a \$4,330 mortgage note in January 2018, as well as the regularly scheduled amortization of mortgage notes secured by these communities.

Loss on early extinguishment of debt. We recognized a loss on early extinguishment of debt in connection with our prepayment of a \$4,330 mortgage note in January 2018.

Managed senior living communities, comparable properties (managed senior living communities owned and managed by the same operator continuously since January 1, 2017; excludes communities classified as held for sale, if any):

Six Months Ended June 30,				
	2018	2017	Change	% Change
Residents fees and services	\$ 196,699	\$ 196,484	\$ 215	0.1 %
Property operating expenses	(150,602)	(148,936)	1,666	1.1 %
Net operating income (NOI)	46,097	47,548	(1,451)	(3.1)%
Depreciation and amortization expense	(25,230)	(36,599)	(11,369)	(31.1)%
Operating income	20,867	10,949	9,918	90.6 %
Interest expense	(2,214)	(2,352)	(138)	(5.9)%
Loss on early extinguishment of debt	130	—	(130)	100.0 %
Net income	\$ 18,783	\$ 8,597	\$ 10,186	118.5 %

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 modestly year over year. Occupancy and average monthly rates remained consistent year over year.

Property operating expenses. Property operating expenses consist of management fees, real estate taxes, utility expenses, 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 room turnover and maintenance costs and increased costs associated with staffing.

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, 2017, partially offset by an increase in depreciation expense due to our purchases of improvements since January 1, 2017.

Interest expense. Interest expense relates to mortgage notes secured by certain of these communities. The decrease in interest expense is due to our prepayment of a \$4,330 mortgage note in January 2018, as well as the regularly scheduled amortization of mortgage notes secured by these communities.

Loss on early extinguishment of debt. We recognized a loss on early extinguishment of debt in connection with our prepayment of a \$4,330 mortgage note in January 2018.

All other operations ⁽¹⁾:

	Six Months Ended June 30,			
	2018	2017	Change	% Change
Rental income	\$ 9,220	\$ 9,115	\$ 105	1.2 %
Expenses:				
Depreciation and amortization expense	(1,895)	(1,896)	1	— %
General and administrative	(54,196)	(38,005)	16,191	42.6 %
Acquisition and certain other transaction related costs	(97)	(292)	(195)	(66.8)%
Impairment of assets	—	(5,082)	5,082	(100.0)%
Total expenses	(56,188)	(45,275)	10,913	24.1 %
Operating loss	(46,968)	(36,160)	10,808	29.9 %
Dividend income	1,318	1,319	(1)	(0.1)%
Unrealized gains and losses on equity securities, net	50,506	—	50,506	100.0 %
Interest and other income	114	195	(81)	(41.5)%
Interest expense	(72,624)	(61,817)	10,807	17.5 %
Loss before income tax expense and equity in earnings of an investee	(67,654)	(96,463)	(28,809)	(29.9)%
Income tax expense	(365)	(191)	174	91.1 %
Equity in earnings of an investee	51	502	(451)	(89.8)%
Net loss	\$ (67,968)	\$ (96,152)	\$ (28,184)	(29.3)%

(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 \$275 for each of the six months ended June 30, 2018 and 2017. Rental income also includes net amortization of approximately \$110 of acquired real estate leases and obligations for each of the six months ended June 30, 2018 and 2017.

Depreciation and amortization expense. Depreciation and amortization expense remained consistent as we had no acquisitions or capital expenditures in this segment since January 1, 2017. 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 agreement, legal and accounting fees, fees and expenses of our Trustees, equity compensation expense and other costs relating to our status as a publicly traded company. General and administrative expense increased primarily due to \$31,957 of estimated business management incentive fees that we recognized for the six months ended June 30, 2018 as a result of our total shareholder return exceeding the returns for the SNL U.S. REIT Healthcare index over the applicable measurement period by 38.3%, compared to \$14,026 of business management incentive fees that we recognized for the six months ended June 30, 2017. This increase was partially offset by a decrease in business management fees as a result of lower market prices for our common shares during the six months ended June 30, 2018 compared to the six months ended June 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.

Impairment of assets. At June 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 in accordance with GAAP standards at that time.

Dividend income. Dividend income reflects cash dividends received from our investment in RMR Inc.

Unrealized gains and losses on equity securities, net. Unrealized gains and losses on equity securities, net, represents the net unrealized gains to adjust our investments in RMR Inc. and Five Star to their fair value as of June 30, 2018 in accordance with a change in GAAP standards effective January 1, 2018.

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

Interest expense. Interest expense increased primarily due to our February 2018 issuance of \$500,000 of 4.75% senior unsecured notes due 2028 and increases in LIBOR rates, resulting in an increase in interest expense on our revolving credit facility and term loans, partially offset by a lower balance on our revolving credit facility.

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 attributable to common shareholders, or FFO attributable to common shareholders, normalized funds from operations attributable to common shareholders, or Normalized FFO attributable to common shareholders, and NOI for the three and six months ended June 30, 2018 and 2017. 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 Attributable to Common Shareholders

We calculate FFO attributable to common shareholders and Normalized FFO attributable to common shareholders as shown below. FFO attributable to common shareholders 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 real estate and loss on impairment of real estate assets, if any, 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 attributable to common shareholders 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, unrealized gains and losses on equity securities, net, if any, and Normalized FFO from noncontrolling interest, net of FFO, if any. We consider FFO attributable to common shareholders and Normalized FFO attributable to common shareholders 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 attributable to common shareholders and Normalized FFO attributable to common shareholders provide useful information to investors, because by excluding the effects of certain historical amounts, such as depreciation and amortization expense, FFO attributable to common shareholders and Normalized FFO attributable to common shareholders may facilitate a comparison of our operating performance between periods and with other REITs. FFO attributable to common shareholders and Normalized FFO attributable to common shareholders 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 for and availability of cash to pay our obligations.

Our calculations of FFO attributable to common shareholders and Normalized FFO attributable to common shareholders for the three and six months ended June 30, 2018 and 2017 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 attributable to common shareholders and Normalized FFO attributable to common shareholders appear in

the following table. This table also provides a comparison of distributions to shareholders, FFO attributable to common shareholders and Normalized FFO attributable to common shareholders and net income attributable to common shareholders per share for these periods.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net income attributable to common shareholders	\$ 123,587	\$ 16,042	\$ 359,609	\$ 48,197
Depreciation and amortization expense	72,300	69,669	142,639	142,844
FFO allocated to noncontrolling interest	(5,300)	(5,305)	(10,600)	(5,761)
Gain on sale of properties	(80,762)	—	(261,916)	—
Impairment of assets	548	5,082	548	5,082
FFO attributable to common shareholders	110,373	85,488	230,280	190,362
Estimated business management incentive fees ⁽¹⁾	17,610	10,760	31,957	14,026
Acquisition and certain other transaction related costs	77	—	97	292
Loss on early extinguishment of debt	—	7,353	130	7,353
Unrealized gains and losses on equity securities, net	(23,265)	—	(50,506)	—
Normalized FFO attributable to common shareholders	\$ 104,795	\$ 103,601	\$ 211,958	\$ 212,033
Weighted average common shares outstanding (basic)	237,487	237,399	237,483	237,395
Weighted average common shares outstanding (diluted)	237,529	237,445	237,506	237,433
Per common share data (basic and diluted):				
Net income attributable to common shareholders	\$ 0.52	\$ 0.07	\$ 1.51	\$ 0.20
FFO attributable to common shareholders	\$ 0.46	\$ 0.36	\$ 0.97	\$ 0.80
Normalized FFO attributable to common shareholders	\$ 0.44	\$ 0.44	\$ 0.89	\$ 0.89
Distributions declared per common share	\$ 0.39	\$ 0.39	\$ 0.78	\$ 0.78

- (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 attributable to common shareholders 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 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 six months ended June 30, 2018 and 2017 .

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Reconciliation of Net Income to NOI:				
Net income	\$ 124,988	\$ 17,402	\$ 362,393	\$ 49,683
Gain on sale of properties	(80,762)	—	(261,916)	—
Income before gain on sale of properties	44,226	17,402	100,477	49,683
Equity in earnings of an investee	(7)	(374)	(51)	(502)
Income tax expense	105	99	365	191
Income from continuing operations before income tax expense and equity in earnings of an investee	44,324	17,127	100,791	49,372
Loss on early extinguishment of debt	—	7,353	130	7,353
Interest expense	44,813	40,800	88,365	84,289
Interest and other income	(60)	(76)	(114)	(195)
Unrealized gains and losses on equity securities, net	(23,265)	—	(50,506)	—
Dividend income	(659)	(659)	(1,318)	(1,319)
Operating income	65,153	64,545	137,348	139,500
Impairment of assets	548	5,082	548	5,082
Acquisition and certain other transaction related costs	77	—	97	292
General and administrative expense	29,078	22,922	54,196	38,005
Depreciation and amortization expense	72,300	69,669	142,639	142,844
Total NOI	\$ 167,156	\$ 162,218	\$ 334,828	\$ 325,723
MOB NOI	\$ 72,671	\$ 67,005	\$ 142,884	\$ 134,474
Triple net leased communities NOI	66,113	67,426	134,088	134,678
Managed communities NOI	23,754	23,217	48,636	47,456
All other operations NOI	4,618	4,570	9,220	9,115
Total NOI	\$ 167,156	\$ 162,218	\$ 334,828	\$ 325,723

LIQUIDITY AND CAPITAL RESOURCES

Our principal sources of funds to meet operating and capital expenses, pay debt service obligations and make distributions to our shareholders 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, pay debt service obligations and make distributions to our shareholders 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 and capital 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 from our tenants monthly or quarterly, we receive percentage rents from our senior living community tenants monthly, quarterly or annually and we receive residents fees and services revenues, net of expenses, from our managed senior living communities monthly. Our changes in cash flows for the six months ended June 30, 2018 compared to the six months ended June 30, 2017 were as follows: (1) cash provided by operating activities decreased to \$179.1 million in 2018 from \$211.5 million in 2017 ; (2) cash provided by investing activities increased to \$161.8 million in 2018 from

cash used in investing activities of \$72.2 million in 2017 ; and (3) cash used in financing activities increased to \$248.9 million in 2018 from \$133.9 million in 2017 .

The decrease in cash provided by operating activities for the six months ended June 30, 2018 compared to the prior year was primarily due to the payment of business management incentive fee expense of \$55.7 million in January 2018. Cash provided by investing activities increased in 2018 primarily due to proceeds from the sale of properties during the six months ended June 30, 2018 , partially offset by acquisitions during the six months ended June 30, 2018 . The increase in cash used in financing activities for the six months ended June 30, 2018 compared to the prior year was due primarily to repayments of amounts outstanding under our revolving credit facility during the six months ended June 30, 2018 , partially offset by net proceeds from our February 2018 issuance of senior unsecured notes.

Our Investment and Financing Liquidity and Resources

As of June 30, 2018 , we had \$30.7 million of cash and cash equivalents and \$936.0 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. We currently have \$94.3 million of proceeds from our sale of a senior living community in May 2018 that are being held in trust for our benefit to fund future acquisitions by us. These proceeds from the sale are classified as restricted cash in our condensed consolidated balance sheets.

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. The maturity date of our revolving credit facility is 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. 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. The facility also includes a feature pursuant to which in certain circumstances maximum borrowings under the facility may be increased to up to \$2.0 billion. Our revolving credit facility requires annual interest to be paid on borrowings at the rate of LIBOR plus a premium (currently 120 basis points per annum) that is subject to adjustment based upon changes to our credit ratings, plus a facility fee of 25 basis points per annum on the total amount of lending commitments. As of June 30, 2018 , the annual interest rate required on borrowings under our revolving credit facility was 3.2% . As of June 30, 2018 and August 6, 2018 , we had \$64.0 million and \$125.0 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 debt in connection with our acquisitions of properties or place new debt 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 June 30, 2018 , the annual interest rate payable on amounts outstanding under this term loan was 3.4% .

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. This term loan requires interest to be paid at the rate of LIBOR plus a premium (currently 135 basis points per annum) that is subject to adjustment based upon changes to our credit ratings. As of June 30, 2018 , the annual interest rate payable on amounts outstanding under this term loan was 3.4% .

In January 2018, we prepaid, at par plus accrued interest, a mortgage note secured by one of our properties with an outstanding principal balance of approximately \$4.3 million, a maturity date in September 2043 and an annual interest rate of 4.4%. In July 2018, we prepaid, at par plus accrued interest, mortgage notes secured by 12 of our properties with an aggregate outstanding principal balance of approximately \$90.6 million , maturity dates in October 2018 and a weighted average annual interest rate of 5.0%. In July 2018, we gave notice of our intention to prepay, at par plus accrued interest, a mortgage note secured by one of our properties with an outstanding principal balance of approximately \$6.4 million , a maturity date in January 2019 and an annual interest rate of 4.7% . We expect to make this prepayment in September 2018.

In February 2018, we issued \$500.0 million of 4.75% senior unsecured notes due 2028. We used the net proceeds of this offering to reduce amounts outstanding under our revolving credit facility.

In January 2018, we acquired three MOB (three buildings) located in Kansas, Missouri and California with a total of approximately 400,000 square feet for an aggregate purchase price of approximately \$91.2 million, excluding closing costs. We funded these acquisitions with cash on hand and borrowings under our revolving credit facility.

In March 2018, we acquired one MOB (one building) located in Virginia with approximately 135,000 square feet for a purchase price of approximately \$22.8 million, including our assumption of a \$11.1 million mortgage note and excluding closing costs. We funded this acquisition with cash on hand, borrowings under our revolving credit facility and the assumption of the mortgage note described above.

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. In December 2017, we acquired two of these senior living communities for approximately \$39.2 million, excluding closing costs. In January 2018, we acquired one of these senior living communities for approximately \$19.7 million, excluding closing costs. In February 2018, we acquired one of these senior living communities for approximately \$22.3 million, including our assumption of a \$16.7 million mortgage note and excluding closing costs. In June 2018, we acquired the remaining two of these senior living communities for approximately \$23.3 million, including our assumption of a \$16.6 million mortgage note and excluding closing costs. We funded these acquisitions with cash on hand, borrowings under our revolving credit facility and the assumption of the mortgage notes described above. In connection with our acquisitions of these senior living communities, we entered management and pooling agreements with Five Star for Five Star to manage these senior living communities for us.

In March 2018, we sold two triple net leased senior living communities that were leased to Sunrise for an aggregate sales price of \$217.0 million, excluding closing costs, resulting in a gain of approximately \$181.2 million. In May 2018, we sold one triple net leased senior living community that was leased to Sunrise for an aggregate sales price of \$96.0 million, excluding closing costs, resulting in a gain of approximately \$78.9 million. We recognized rental income of \$0.7 million and \$3.5 million during the three and six months ended June 30, 2018 related to these three communities.

In June 2018, we sold one SNF that was leased to Five Star and one senior living community that was leased to a private operator, where the tenant exercised its purchase option for the property, for a combined sales price of approximately \$21.9 million, excluding closing costs, resulting in a net gain of approximately \$1.9 million. Rental income was reduced by \$0.7 million in accordance with our lease with Five Star upon the sale of the SNF that was previously leased to Five Star. We recognized rental income of \$0.3 million and \$0.7 million during the three and six months ended June 30, 2018 related to the senior living community that was leased to a private operator.

During the three and six months ended June 30, 2018 and 2017, 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 June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
MOB tenant improvements ⁽¹⁾	\$ 1,089	\$ 1,575	\$ 2,689	\$ 3,840
MOB leasing costs ⁽²⁾	1,225	2,108	1,647	3,198
MOB building improvements ⁽³⁾	3,127	3,689	5,683	5,272
Managed senior living communities capital improvements	3,355	3,150	5,762	6,936
Recurring capital expenditures	\$ 8,796	\$ 10,522	\$ 15,781	\$ 19,246
Development, redevelopment and other activities - MOB ⁽⁴⁾	1,549	352	1,946	2,617
Development, redevelopment and other activities - Managed senior living communities ⁽⁴⁾	8,109	7,178	10,933	14,405
Total development, redevelopment and other activities	\$ 9,658	\$ 7,530	\$ 12,879	\$ 17,022

(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 and six months ended June 30, 2018, we invested \$10.1 million and \$12.3 million in revenue producing capital improvements at certain of our triple net leased senior living communities, and, as a result, annual rents payable to us increased by approximately \$0.8 million and \$0.9 million, respectively, pursuant to the terms of the applicable leases. We used cash on hand and borrowings under our revolving credit facility to fund these purchases. These capital improvement amounts are not included in the table above.

During the three months ended June 30, 2018, 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	106	88	194
Total leasing costs and concession commitments ⁽¹⁾	\$ 2,381	\$ 2,193	\$ 4,574
Total leasing costs and concession commitments per square foot ⁽¹⁾	\$ 22.39	\$ 25.00	\$ 23.57
Weighted average lease term (years) ⁽²⁾	4.5	6.2	5.5
Total leasing costs and concession commitments per square foot per year ⁽¹⁾	\$ 5.01	\$ 4.12	\$ 4.54

(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 June 30, 2018, 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 June 30, 2018, we have estimated unspent leasing related obligations at our triple net leased senior living communities and our MOBs of approximately \$23.3 million.

On February 22, 2018, we paid a regular quarterly distribution to common shareholders of \$0.39 per share, or approximately \$92.7 million, that was declared on January 19, 2018 and was payable to shareholders of record on January 29, 2018. On May 17, 2018, we paid a regular quarterly distribution to common shareholders of \$0.39 per share, or approximately \$92.7 million, that was declared on April 19, 2018 and was payable to shareholders of record on April 30, 2018. On July 19, 2018, we declared a regular quarterly distribution payable to common shareholders of record on July 30, 2018 of \$0.39 per share, or approximately \$92.7 million. We expect to pay this distribution on or about August 16, 2018 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 June 30, 2018, 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 June 30, 2018 were: (1) borrowings under our \$1.0 billion unsecured revolving credit facility, of which \$64.0 million was outstanding at June 30, 2018; (2) seven 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) \$500.0 million principal amount at an annual interest rate of 4.75% due 2028, (f) \$350.0 million principal amount at an annual interest rate of 5.625% due 2042 and (g) \$250.0 million principal amount at an annual interest rate of 6.25% due 2046; (3) our \$350.0 million principal amount unsecured term loan due 2020; (4) our \$200.0 million principal amount unsecured term loan due 2022; and (5) \$833.6 million aggregate principal amount of mortgage notes secured by 26 of our properties (27 buildings) with maturity dates between 2018 and 2043. We also have two properties subject to capital leases with lease obligations totaling \$10.3 million at June 30, 2018; these capital leases expire, and our purchase option commences, beginning in 2026. 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 contain covenants which restrict our ability to make distributions to our shareholders in certain circumstances. As of June 30, 2018, 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 on the property owned by our joint venture 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 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 business and property management agreements with RMR LLC; RMR Inc. is the managing member of RMR LLC; Adam D. Portnoy, one of our Managing Trustees, is the sole trustee, an officer and controlling shareholder of ABP Trust, which 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 or its subsidiaries provide 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 owned, as of June 30, 2018, 8.4% of its outstanding common shares and Adam D. Portnoy, beneficially owned, as of June 30, 2018, directly and indirectly as sole trustee of ABP Trust, 35.6% of its outstanding common shares; 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 3, 9, 10 and 11 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 2018 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 subsidiaries provide management services.

Impact of Government Reimbursement

For the six months ended June 30, 2018, 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.

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.

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, 2017. 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 June 30, 2018, 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	\$ 500,000	4.75%	\$ 23,750	2028	Semi-Annually
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⁾	12,436	6.31%	785	2018	Monthly
Mortgage notes ⁽²⁾	11,750	6.24%	733	2018	Monthly
Mortgage notes ⁽²⁾	66,609	4.47%	2,977	2018	Monthly
Mortgage note ⁽³⁾	6,360	4.69%	298	2019	Monthly
Mortgage notes	43,090	3.79%	1,633	2019	Monthly
Mortgage note	2,325	7.49%	174	2022	Monthly
Mortgage note	13,448	6.28%	845	2022	Monthly
Mortgage note	11,288	4.85%	547	2022	Monthly
Mortgage note	16,588	5.75%	954	2022	Monthly
Mortgage note	16,624	6.64%	1,104	2023	Monthly
Mortgage note ⁽⁴⁾	620,000	3.53%	21,886	2026	Monthly
Mortgage note	2,074	6.25%	130	2033	Monthly
Mortgage note	11,002	4.44%	488	2043	Monthly
	<u>\$ 3,083,594</u>		<u>\$ 150,259</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) In July 2018, we prepaid these secured debts, at par plus accrued interest.

(3) In July 2018, we gave notice of our intention to prepay, at par plus accrued interest, this secured debt. We expect to make this prepayment in September 2018.

(4) The property encumbered by these mortgages is subject to a joint venture in which we own a 55% equity interest.

No principal repayments are due under our unsecured notes until maturity. Our mortgage notes 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 one percentage point higher or lower than shown above, our annual interest cost would increase or decrease by approximately \$30.8 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 June 30, 2018, 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 one percentage point change in interest rates would change the fair value of those obligations by approximately \$46.4 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 June 30, 2018, our floating rate debt obligations consisted of our \$1.0 billion revolving credit facility under which we had \$64.0 million outstanding, our \$350.0 million term loan and our \$200.0 million term loan. Our revolving credit facility matures on January 15, 2022 and subject to our payment of an extension fee and our meeting other conditions, we have the option to extend the stated maturity date by one year to January 2023. 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 repayable 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 one percentage point increase in interest rates would have on our annual floating rate interest expense as of June 30, 2018 (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 June 30, 2018	3.38%	\$ 614,000	\$ 20,753	\$ 0.09
One percentage point increase	4.38%	\$ 614,000	\$ 26,893	\$ 0.11

(1) Weighted based on the respective interest rates and outstanding borrowings under our credit facility and term loans as of June 30, 2018.

(2) Based on weighted average number of shares outstanding (diluted) for the six months ended June 30, 2018.

The following table presents the impact a one percentage point increase in interest rates would have on our annual floating rate interest expense as of June 30, 2018 if we were fully drawn on our revolving credit facility and our term loans 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 June 30, 2018	3.26%	\$ 1,550,000	\$ 50,530	\$ 0.21
One percentage point increase	4.26%	\$ 1,550,000	\$ 66,030	\$ 0.28

(1) Weighted based on the respective interest rates and outstanding borrowings under our credit facility (assuming fully drawn) and term loans as of June 30, 2018.

(2) Based on weighted average number of shares outstanding (diluted) for the six months ended June 30, 2018.

The foregoing tables show the impact of an immediate increase in floating interest rates. If interest rates were to increase 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 amount of our borrowings outstanding under our revolving credit facility or other floating rate debt.

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

Item 4. Controls and Procedures.

As of the end of the period covered by this Quarterly Report on Form 10-Q, 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 June 30, 2018 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 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 TO SUSTAIN THE AMOUNT OF SUCH DISTRIBUTIONS,
- OUR ABILITY TO RAISE DEBT OR EQUITY CAPITAL,
- THE FUTURE AVAILABILITY OF BORROWINGS UNDER OUR REVOLVING CREDIT FACILITY,
- OUR POLICIES AND PLANS REGARDING INVESTMENTS, FINANCINGS AND DISPOSITIONS,
- 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 INTEREST IN AND OTHER RELATIONSHIPS WITH RMR INC.,
- OUR EXPECTATION THAT WE BENEFIT FROM OUR OWNERSHIP INTEREST IN AND OTHER RELATIONSHIPS WITH 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, WELLNESS CENTERS AND OTHER MEDICAL AND HEALTHCARE RELATED PROPERTIES,
- 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 SATISFACTORILY, 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 ATTRIBUTABLE TO COMMON SHAREHOLDERS, NORMALIZED FFO ATTRIBUTABLE TO COMMON SHAREHOLDERS, 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,
- 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,
- 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,
- ACTS OF TERRORISM, OUTBREAKS OF SO CALLED PANDEMICS OR OTHER MANMADE OR NATURAL DISASTERS BEYOND OUR CONTROL, AND
- THE IMPACT OF THE PATIENT PROTECTION AND AFFORDABLE CARE ACT, AS AMENDED BY THE HEALTH CARE AND EDUCATION RECONCILIATION ACT, OR COLLECTIVELY, THE ACA, OR THE POSSIBLE FUTURE REPEAL, REPLACEMENT OR MODIFICATION OF THE ACA AND OTHER EXISTING OR PROPOSED LEGISLATION OR REGULATIONS ON US, ON OUR TENANTS AND MANAGERS, AND ON THEIR ABILITY TO PAY OUR RENTS AND RETURNS.

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 OR THE POSSIBLE FUTURE REPEAL, REPLACEMENT OR MODIFICATION OF 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 TORT AND INSURANCE 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 CONTRACTS 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 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 DEBT WILL BE HIGHER THAN LIBOR PLUS A PREMIUM BECAUSE OF FEES AND EXPENSES ASSOCIATED WITH SUCH DEBT,
- 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,
- WE INTEND TO CONDUCT OUR BUSINESS ACTIVITIES IN A MANNER THAT WILL AFFORD US REASONABLE ACCESS TO CAPITAL FOR INVESTMENT AND FINANCING ACTIVITIES. HOWEVER, WE MAY NOT SUCCEED IN THIS REGARD AND WE MAY NOT HAVE REASONABLE ACCESS TO CAPITAL,
- FOR THE THREE MONTHS ENDED JUNE 30, 2018 , 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 JUNE 30, 2018 , WE HAD ESTIMATED UNSPENT LEASING RELATED OBLIGATIONS OF \$23.3 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 MAY DETERMINE TO OFFER FOR SALE ON TERMS ACCEPTABLE TO US OR OTHERWISE, AND WE MAY INCUR LOSSES ON ANY SUCH SALES OR IN CONNECTION WITH DECISIONS TO PURSUE SELLING OUR PROPERTIES,
- 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,
- 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, 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 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 OTHER 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 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	Articles Supplementary, dated June 30, 2017. (Incorporated by reference to the Company's Current Report on Form 8-K dated June 30, 2017.)
3.5	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	Second Supplemental Indenture, dated as of February 12, 2018, between the Company and U.S. Bank National Association, related to 4.75% Senior Notes due 2028, including form thereof. (Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 2017.)
4.11	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.)
10.1	Summary of Trustee Compensation. (Incorporated by reference to the Company's Current Report on Form 8-K dated May 22, 2018.)
10.2	Form of Indemnification Agreement.(+) (Filed herewith.)
10.3	Eleventh Amendment to Amended and Restated Master Lease Agreement (Lease No. 2), dated as of July 31, 2018, among certain subsidiaries of the Company, as Landlord, and certain subsidiaries of Five Star Senior Living Inc., as Tenant. (Filed herewith.)

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10.4	<u>Partial Termination of and Sixteenth Amendment to Amended and Restated Master Lease Agreement (Lease No. 1), dated as of June 1, 2018, among certain subsidiaries of the Company, as Landlord, and certain subsidiaries of Five Star Senior Living Inc., as Tenant. (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>
99.1	<u>Amended and Restated Pooling Agreement No. 12, dated as of June 28, 2018, between FVE Managers, Inc. and certain subsidiaries of the Company. (Incorporated by reference to the Company's Current Report on Form 8-K dated July 3, 2018.)</u>
99.2	<u>Accession Agreement to Amended and Restated Pooling Agreement No. 12, dated as of June 29, 2018, between FVE Managers, Inc. and certain subsidiaries of the Company. (Incorporated by reference to the Company's Current Report on Form 8-K dated July 3, 2018.)</u>
99.3	<u>Pooling Agreement No. 13, dated as of January 19, 2018, between FVE Managers, Inc. and SNH Tellico Tenant LLC. (Filed herewith.)</u>
101.1	The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2018 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/ Jennifer F. (Francis) Mintzer
Jennifer F. (Francis) Mintzer
President and Chief Operating Officer

Dated: August 7, 2018

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

Dated: August 7, 2018

SENIOR HOUSING PROPERTIES TRUST
FORM OF [AMENDED AND RESTATED] INDEMNIFICATION AGREEMENT

THIS [AMENDED AND RESTATED] INDEMNIFICATION AGREEMENT (this “*Agreement*”), effective as of [**DATE**] (the “*Effective Date*”), by and between Senior Housing Properties Trust, a Maryland real estate investment trust (the “*Company*”), and [**TRUSTEE/OFFICER**] (“*Indemnitee*”).

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

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

WHEREAS, the parties [are currently parties to an Indemnification Agreement dated as of [**DATE**] (the “*Prior Indemnification Agreement*”) and] desire to [amend and restate the Prior Indemnification Agreement and] set forth their agreement regarding indemnification and advancement of expenses [as reflected herein];

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

Section 1. Definitions. For purposes of this Agreement:

(a) “*Board*” means the board of trustees of the Company.

(b) “*Bylaws*” means the bylaws of the Company, as they may be amended from time to time.

(c) “*Change in Control*” means a change in control of the Company occurring after the Effective Date of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or in response to any similar item on any similar schedule or form) promulgated under the Securities Exchange Act of 1934, as amended (the “*Act*”), whether or not the Company is then subject to such reporting requirement; *provided, however*, that, without limitation, such a Change in Control shall be deemed to have occurred if after the Effective Date:

(i) any “person” (as such term is used in Sections 13(d) and 14(d) of the Act) is or becomes the “beneficial owner” (as defined in Rule 13d-3 under the Act), directly or indirectly, of securities of the Company representing 10% or more of the combined voting power of all the Company’s then outstanding securities entitled to vote generally in the election of trustees without the prior approval of at least two-thirds of the members of the Board in office immediately prior to such person attaining such percentage interest;

(ii) there occurs a proxy contest, or the Company is a party to a merger, consolidation, sale of assets, plan of liquidation or other reorganization not approved by at least two-thirds of the members of the Board then in office, as a consequence of which members of the Board in office immediately prior to such transaction or event constitute less than a majority of the Board thereafter; or

(iii) during any period of two consecutive years, other than as a result of an event described in clause (a)(ii) of this Section 1, individuals who at the beginning of such period constituted the Board (including for this purpose any new trustee whose election or nomination for election by the Company’s shareholders was approved by a vote of at least two-thirds of the trustees then still in office who were trustees at the beginning of such period) cease for any reason to constitute at least a majority of the Board.

(d) “*Company Status*” means the status of a Person who is or was a trustee, director, manager, officer, partner, employee, agent or fiduciary of the Company or any predecessor of the Company or any of their majority owned subsidiaries and the status of a Person who, while a trustee, director, manager, officer, partner, employee, agent or fiduciary of the Company or any predecessor of the Company or any of their majority owned subsidiaries, is or was serving at the request of the Company or any predecessor of the Company or any of their majority owned subsidiaries as a trustee,

director, manager, officer, partner, employee, agent or fiduciary of another real estate investment trust, corporation, partnership, limited liability company, joint venture, trust, employee benefit plan or any other Enterprise.

(e) “**control**” of an entity, shall mean the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of such entity, whether through ownership of voting securities, by contract or otherwise.

(f) “**Declaration of Trust**” means the declaration of trust (as defined in the Maryland REIT Law) of the Company, as it may be in effect from time to time.

(g) “**Disinterested Trustee**” means a trustee of the Company who is not and was not a party to the Proceeding in respect of which indemnification or advance of Expenses is sought by Indemnatee.

(h) “**Enterprise**” shall mean the Company and any other real estate investment trust, corporation, partnership, limited liability company, joint venture, trust, employee benefit plan or other enterprise that Indemnatee is or was serving at the express written request of the Company as a trustee, director, manager, officer, partner, employee, agent or fiduciary.

(i) “**Expenses**” means all expenses, including, but not limited to, all attorneys’ fees and costs, retainers, court or arbitration costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, participating, or being or preparing to be a witness in a Proceeding, or responding to, or objecting to, a request to provide discovery in any Proceeding. Expenses also shall include Expenses incurred in connection with any appeal resulting from any Proceeding, including without limitation the premium, security for, and other costs relating to any cost bond or other appeal bond or its equivalent.

(j) “**Independent Counsel**” means a law firm, or a member of a law firm, selected by the Company and acceptable to Indemnatee, that is experienced in matters of business law. If, within twenty (20) days after submission by Indemnatee of a written demand for indemnification pursuant to Section 7(a) hereof, no Independent Counsel shall have been selected and agreed to by Indemnatee, either the Company or Indemnatee may petition a Chosen Court (as defined in Section 18) for the appointment as Independent Counsel of a person selected by the court or by such other person as the court shall designate, and the person so appointed shall act as Independent Counsel hereunder.

(k) “**MGCL**” means the Maryland General Corporation Law.

(l) “**Maryland REIT Law**” means Title 8 of the Corporations and Associations Article of the Annotated Code of Maryland.

(m) “**Person**” means an individual, a corporation, a general or limited partnership, an association, a limited liability company, a governmental entity, a trust, a joint venture, a joint stock company or another entity or organization.

(n) “**Proceeding**” means any threatened, pending or completed claim, demand, action, suit, arbitration, alternate dispute resolution mechanism, investigation, inquiry, administrative hearing or any other proceeding, whether civil, criminal, administrative or investigative (including on appeal), whether or not by or in the right of the Company, except one initiated by an Indemnatee pursuant to Section 9.

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

Section 3. Proceedings Other Than Derivative Proceedings by or in the Right of the Company. Indemnatee shall be entitled to the rights of indemnification provided in this Section 3 if, by reason of Indemnatee’s Company Status, Indemnatee is, or is threatened to be, made a party to any Proceeding, other than a derivative Proceeding by or in the right of the

Company (or, if applicable, such other Enterprise at which Indemnitee is or was serving at the request of the Company or a predecessor of the Company or any of their majority owned subsidiaries). Pursuant to this Section 3, Indemnitee shall be indemnified against all judgments, penalties, fines and amounts paid in settlement and all Expenses incurred by Indemnitee or on Indemnitee's behalf in connection with a Proceeding by reason of Indemnitee's Company Status unless it is finally determined that such indemnification is not permitted by the MGCL, the Declaration of Trust or the Bylaws.

Section 4. Derivative Proceedings by or in the Right of the Company. Indemnitee shall be entitled to the rights of indemnification provided in this Section 4 if, by reason of Indemnitee's Company Status, Indemnitee is, or is threatened to be, made a party to any derivative Proceeding brought by or in the right of the Company (or, if applicable, such other Enterprise at which Indemnitee is or was serving at the request of the Company or a predecessor of the Company or any of their majority owned subsidiaries). Pursuant to this Section 4, Indemnitee shall be indemnified against all judgments, penalties, fines and amounts paid in settlement and all Expenses incurred by Indemnitee or on Indemnitee's behalf in connection with such Proceeding unless it is finally determined that such indemnification is not permitted by the MGCL, the Declaration of Trust or the Bylaws.

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

Section 6. Advancement of Expenses. The Company, without requiring a preliminary determination of Indemnitee's ultimate entitlement to indemnification hereunder, shall advance all Expenses incurred by or on behalf of Indemnitee in connection with any Proceeding in which Indemnitee may be involved, or is threatened to be involved, including as a party, a witness or otherwise, by reason of Indemnitee's Company Status, within ten (10) days after the receipt by the Company of a statement or statements from Indemnitee requesting such advance or advances from time to time, whether prior to or after final disposition of such Proceeding. Such statement or statements shall reasonably evidence the Expenses incurred by Indemnitee and shall be preceded or accompanied by a written affirmation by Indemnitee of Indemnitee's good faith belief that the standard of conduct necessary for indemnification by the Company as authorized by the MGCL, the Declaration of Trust and the Bylaws has been met and a written undertaking by or on behalf of Indemnitee, in substantially the form of Exhibit A hereto or in such other form as may be required under applicable law as in effect at the time of the execution thereof, to reimburse the portion of any Expenses advanced to Indemnitee relating to any claims, issues or matters in the Proceeding as to which it shall be finally determined that the standard of conduct has not been met and which have not been successfully resolved as described in Section 5. For the avoidance of doubt, the Company shall advance Expenses incurred by Indemnitee or on Indemnitee's behalf in connection with such a Proceeding pursuant to this Section 6 until it is finally determined that Indemnitee is not entitled to indemnification under the MGCL, the Declaration of Trust or the Bylaws in respect of such Proceeding. To the extent that Expenses advanced to Indemnitee do not relate to a specific claim, issue or matter in the Proceeding, such Expenses shall be allocated on a reasonable and proportionate basis. The undertaking required by this Section 6 shall be an unlimited general obligation by or on behalf of Indemnitee and shall be accepted without reference to Indemnitee's financial ability to repay such advanced Expenses and without any requirement to post security therefor. At Indemnitee's request, advancement of any such Expense shall be made by the Company's direct payment of such Expense instead of reimbursement of Indemnitee's payment of such Expense.

Section 7. Procedure for Determination of Entitlement to Indemnification.

(a) To obtain indemnification under this Agreement, Indemnitee shall submit to the Company a written demand therefor. The Secretary of the Company shall, promptly upon receipt of such a demand for indemnification, provide copies of the demand to the Board.

(b) Upon written request by Indemnitee for indemnification pursuant to the first sentence of Section 7(a), a determination, if required by applicable law, with respect to Indemnitee's entitlement thereto shall promptly be made in the specific case: (i) if a Change in Control shall have occurred, by Independent Counsel in a written opinion to the Board, a copy of which shall be delivered to Indemnitee; or (ii) if a Change in Control shall not have occurred or if, after a Change in Control, Indemnitee shall so request, (A) by the Board (or a duly authorized committee thereof) by a majority vote of a quorum consisting of Disinterested Trustees, or (B) if a quorum of the Board consisting of Disinterested Trustees is not obtainable or, even if obtainable, such quorum of Disinterested Trustees so directs, by Independent Counsel in a written opinion to the Board, a copy of which shall be delivered to Indemnitee, or (C) if so directed by a majority of the members of the Board, by the shareholders of the Company; and, if it is so determined that Indemnitee is entitled to indemnification, payment to

Indemnatee shall be made within ten (10) days after such determination. Any Independent Counsel, member of the Board or shareholder of the Company shall act reasonably and in good faith in making a determination regarding Indemnatee's entitlement to indemnification under this Agreement.

(c) The Company shall pay the fees and expenses of Independent Counsel, if one is appointed, and shall agree to fully indemnify such Independent Counsel against any and all expenses, claims, liabilities and damages arising out of or relating to this Agreement or the Independent Counsel's engagement as such pursuant hereto.

Section 8. Presumptions and Effect of Certain Proceedings.

(a) In making a determination with respect to entitlement to indemnification hereunder, the Person or Persons making such determination shall presume that Indemnatee is entitled to indemnification under this Agreement. Anyone seeking to overcome this presumption shall have the burden of proof and the burden of persuasion by clear and convincing evidence.

(b) It shall be presumed that Indemnatee has at all times acted in good faith and in a manner Indemnatee reasonably believed to be in or not opposed to the best interests of the Company. Anyone seeking to overcome this presumption shall have the burden of proof and the burden of persuasion by clear and convincing evidence. Without limitation of the foregoing, Indemnatee shall be deemed to have acted in good faith if Indemnatee's action is based on the records or books of account of the Enterprise, including financial statements, or on information supplied to Indemnatee by officers of the Enterprise in the course of their duties, or on the advice of legal counsel for the Enterprise or on information or records given or reports made to the Enterprise by an independent certified public accountant or by an appraiser or other expert selected with reasonable care by the Enterprise. In addition, the knowledge or actions, or failure to act, of any trustee, director, manager, officer, partner, employee, agent or fiduciary of the Enterprise shall not be imputed to Indemnatee for purposes of determining the right to indemnification under this Agreement.

(c) Neither the failure to make a determination pursuant to Section 7(b) as to whether indemnification is proper in the circumstances because Indemnatee has met any particular standard of conduct, nor an actual determination by the Company (including by the Board or Independent Counsel) pursuant to Section 7(b) that Indemnatee has not met such standard of conduct, shall be a defense to Indemnatee's claim that indemnification is proper in the circumstances or create a presumption that Indemnatee has not met any particular standard of conduct.

(d) The termination of any Proceeding by judgment, order, settlement, conviction, a plea of *nolo contendere* or its equivalent, or an entry of an order of probation prior to judgment, shall not in and of itself adversely affect the right of Indemnatee to indemnification or create a presumption that Indemnatee did not meet the standard of conduct required for indemnification. The Company acknowledges that a settlement or other disposition short of final judgment may be successful if it permits a party to avoid expense, delay, distraction, disruption and uncertainty. In the event that any Proceeding to which Indemnatee is a party is resolved in any manner other than by adverse judgment against Indemnatee (including, without limitation, settlement of such action, claim or proceeding with or without payment of money or other consideration), it shall be presumed that Indemnatee has been successful on the merits or otherwise in such Proceeding. Anyone seeking to overcome this presumption shall have the burden of proof and the burden of persuasion by clear and convincing evidence.

Section 9. Remedies of Indemnatee.

(a) If (i) a determination is made pursuant to Section 7(b) that Indemnatee is not entitled to indemnification under this Agreement, (ii) advance of Expenses is not timely made pursuant to Section 6, (iii) no determination of entitlement to indemnification shall have been made pursuant to Section 7(b) within thirty (30) days after receipt by the Company of the request for indemnification, (iv) payment of indemnification is not made pursuant to Section 5 within ten (10) days after receipt by the Company of a written request therefor, or (v) payment of indemnification is not made within ten (10) days after a determination has been made that Indemnatee is entitled to indemnification, Indemnatee shall (A) unless the Company demands arbitration as provided by Section 17, be entitled to an adjudication in a Chosen Court or (B) be entitled to seek an award in arbitration as provided by Section 17, in each case of Indemnatee's entitlement to such indemnification or advance of Expenses.

(b) In any judicial proceeding or arbitration commenced pursuant to this Section 9, the Company shall have the burden of proving that Indemnatee is not entitled to indemnification or advance of Expenses, as the case may be. In the event that a determination shall have been made pursuant to Section 7(b) that Indemnatee is not entitled to indemnification, any judicial proceeding or arbitration commenced pursuant to this Section 9 shall be conducted in all respects

as a de novo trial on the merits, and Indemnatee shall not be prejudiced by reason of the adverse determination under Section 7(b).

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

(d) In the event that Indemnatee, pursuant to this Section 9, seeks a judicial adjudication of or an award in arbitration as provided by Section 17 to enforce Indemnatee's rights under, or to recover damages for breach of, this Agreement by the Company, or to recover under any directors' and officers' liability insurance policies maintained by the Company, the Company shall indemnify Indemnatee against any and all Expenses incurred by Indemnatee in such judicial adjudication or arbitration and, if requested by Indemnatee, the Company shall (within ten (10) days after receipt by the Company of a written demand therefor) advance, to the extent not prohibited by law, the Declaration of Trust or the Bylaws, any and all such Expenses.

(e) The Company shall be precluded from asserting in any judicial proceeding or arbitration commenced pursuant to this Section 9 that the procedures and presumptions of this Agreement are not valid, binding and enforceable and shall stipulate in any such judicial proceeding or arbitration that the Company is bound by all the provisions of this Agreement.

(f) To the extent requested by Indemnatee and approved by the Board, the Company may at any time and from time to time provide security to Indemnatee for the Company's obligations hereunder through an irrevocable bank line of credit, funded trust or other collateral. Any such security, once provided to Indemnatee, may not be revoked or released without the prior written consent of Indemnatee.

(g) Interest shall be paid by the Company to Indemnatee at the maximum rate allowed to be charged for judgments under the Courts and Judicial Proceedings Article of the Annotated Code of Maryland for amounts which the Company pays or is obligated to pay for the period (i) commencing with either the tenth (10th) day after the date on which the Company was requested to advance Expenses in accordance with Section 6 of this Agreement or the thirtieth (30th) day after the date on which the Company was requested to make the determination of entitlement to indemnification under Section 7(b) of this Agreement, as applicable, and (ii) ending on the date such payment is made to Indemnatee by the Company.

Section 10. Defense of the Underlying Proceeding.

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

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

(c) Notwithstanding the provisions of Section 10(b), if in a Proceeding to which Indemnatee is a party by reason of Indemnatee's Company Status, (i) Indemnatee reasonably concludes, based upon an opinion of counsel approved by the Company, which approval shall not be unreasonably withheld, that Indemnatee may have separate defenses or counterclaims to assert with respect to any issue which may not be consistent with other defendants in such Proceeding, (ii) Indemnatee reasonably concludes, based upon an opinion of counsel approved by the Company, which approval shall not be

unreasonably withheld, that an actual or apparent conflict of interest or potential conflict of interest exists between Indemnitee and the Company, or (iii) the Company fails to assume the defense of such Proceeding in a timely manner, Indemnitee shall be entitled to be represented by separate legal counsel of Indemnitee's choice, subject to the prior approval of the Company, which shall not be unreasonably withheld, at the expense of the Company. In addition, if the Company fails to comply with any of its obligations under this Agreement or in the event that the Company or any other Person takes any action to declare this Agreement void or unenforceable, or institutes any Proceeding to deny or to recover from Indemnitee the benefits intended to be provided to Indemnitee hereunder, Indemnitee shall have the right to retain counsel of Indemnitee's choice, at the expense of the Company (subject to Section 9(d)), to represent Indemnitee in connection with any such matter.

Section 11. Liability Insurance.

(a) To the extent the Company maintains an insurance policy or policies providing liability insurance for any of its trustees or officers, Indemnitee shall be covered by such policy or policies, in accordance with its or their terms, to the maximum extent of the coverage available for any Company trustee or officer during Indemnitee's tenure as a trustee or officer and, following a termination of Indemnitee's service in connection with a Change in Control, for a period of six (6) years thereafter.

(b) If, at the time of the receipt of a notice of a claim pursuant to the terms hereof, the Company has directors' and officers' liability insurance in effect, the Company shall give prompt notice of the commencement of such proceeding to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of Indemnitee, all amounts payable as a result of such proceeding in accordance with the terms of such policies.

(c) In the event of any payment by the Company under this Agreement the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee with respect to any insurance policy. Indemnitee shall take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Company to bring suit to enforce such rights in accordance with the terms of such insurance policy. The Company shall pay or reimburse all expenses actually and reasonably incurred by Indemnitee in connection with such subrogation.

Section 12. Non-Exclusivity; Survival of Rights.

(a) The rights of indemnification and advance of Expenses as provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnitee may at any time be entitled under applicable law, the Declaration of Trust or the Bylaws, any agreement or a resolution of the shareholders entitled to vote generally in the election of trustees or of the Board, or otherwise. No amendment, alteration or repeal of this Agreement or of any provision hereof shall limit or restrict any right of Indemnitee under this Agreement in respect of any action taken or omitted by Indemnitee in Indemnitee's Company Status prior to such amendment, alteration or repeal. To the extent that a change in the Maryland REIT Law or the MGCL permits greater indemnification to Indemnitee than would be afforded currently under the Maryland REIT Law or the MGCL, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change if permitted by the Maryland REIT Law or the MGCL. No right or remedy herein conferred is intended to be exclusive of any other right or remedy, and every other right and remedy shall be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other right or remedy.

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

Section 13. Binding Effect.

(a) The indemnification and advance of Expenses provided by, or granted pursuant to, this Agreement shall be binding upon and be enforceable by the parties hereto and their respective successors and assigns (including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business or assets of the Company), shall continue as to an Indemnitee who has ceased to be a trustee, director, manager, officer, partner, employee, agent or fiduciary of the Company or a trustee, director, manager, officer, partner, employee, agent or fiduciary of another Enterprise which such Person is or was serving at the request of the Company or a predecessor of the Company or any of their majority owned subsidiaries, and shall inure to the benefit of Indemnitee and Indemnitee's spouse, assigns, heirs, devisees, executors and administrators and other legal representatives.

(b) Any successor of the Company (whether direct or indirect by purchase, merger, consolidation or otherwise) to all, substantially all, or a substantial part of, the business or assets of the Company shall be automatically deemed to have assumed and agreed to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place, provided that no such assumption shall relieve the Company of its obligations hereunder. To the extent required by applicable law to give effect to the foregoing sentence and to the extent requested by Indemnitee, the Company shall require and cause any such successor to expressly assume and agree to perform this Agreement by written agreement in form and substance satisfactory to Indemnitee.

Section 14. Severability. If any provision or provisions of this Agreement shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (a) the validity, legality and enforceability of the remaining provisions of this Agreement (including, without limitation, each portion of any section of this Agreement containing any such provision held to be invalid, illegal or unenforceable that is not itself invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby; and (b) to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of any section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested thereby.

Section 15. Limitation and Exception to Right of Indemnification or Advance of Expenses. Notwithstanding any other provision of this Agreement, (a) any indemnification or advance of Expenses to which Indemnitee is otherwise entitled under the terms of this Agreement shall be made only to the extent such indemnification or advance of Expenses does not conflict with applicable Maryland law and (b) Indemnitee shall not be entitled to indemnification or advance of Expenses under this Agreement with respect to any Proceeding brought by Indemnitee, unless (i) the Proceeding is brought to enforce rights under this Agreement, the Declaration of Trust, the Bylaws, liability insurance policy or policies, if any, or otherwise or (ii) the Declaration of Trust, the Bylaws, a resolution of the shareholders entitled to vote generally in the election of trustees or of the Board or an agreement approved by the Board to which the Company is a party expressly provides otherwise. Notwithstanding any other provision of this Agreement, a court of appropriate jurisdiction, upon application of Indemnitee and such notice as the court shall require, may order indemnification of Indemnitee by the Company in the following circumstances: (a) if such court determines that Indemnitee is entitled to reimbursement under Section 2-418(d)(1) of the MGCL, the court shall order indemnification, in which case Indemnitee shall be entitled to recover the Expenses of securing such reimbursement; or (b) if such court determines that Indemnitee is fairly and reasonably entitled to indemnification in view of all the relevant circumstances, whether or not Indemnitee (i) has met the standard of conduct set forth in Section 2-418(b) of the MGCL or (ii) has been adjudged liable for receipt of an improper personal benefit under Section 2-418(c) of the MGCL, the court may order such indemnification as the court shall deem proper without regard to any limitation on such court-ordered indemnification contemplated by Section 2-418(d)(2)(ii) of the MGCL.

Section 16. Specific Performance, Etc. The parties hereto recognize that if any provision of this Agreement is violated by the Company, Indemnitee may be without an adequate remedy at law. Accordingly, in the event of any such violation, Indemnitee shall be entitled, if Indemnitee so elects, to institute proceedings, either in law or at equity, to obtain damages, to enforce specific performance, to enjoin such violation, or to obtain any relief or any combination of the foregoing as Indemnitee may elect to pursue.

Section 17. Arbitration.

(a) Any disputes, claims or controversies regarding Indemnitee's entitlement to indemnification or advancement of Expenses hereunder or otherwise arising out of or relating to this Agreement, including any disputes, claims or controversies brought by or on behalf of a party hereto or any holder of equity interests (which, for purposes of this Section 17, shall mean any holder of record or any beneficial owner of equity interests or any former holder of record or beneficial owner of equity interests) of a party, either on his, her or its own behalf, on behalf of a party or on behalf of any series or class of equity interests of a party or holders of equity interests of a party against a party or any of their respective trustees, directors, members, officers, managers, agents or employees, including any disputes, claims or controversies relating to the meaning, interpretation, effect, validity, performance or enforcement of this Agreement, including this Section 17 or the governing documents of a party (all of which are referred to as "**Disputes**"), or relating in any way to such a Dispute or Disputes, shall, on the demand of any party to such Dispute or Disputes, be resolved through binding and final arbitration in accordance with the Commercial Arbitration Rules (the "**Rules**") of the American Arbitration Association ("**AAA**") then in effect, except as those Rules may be modified in this Section 17. For the avoidance of doubt, and not as a limitation, Disputes are intended to include derivative actions against the trustees, directors, officers or managers of a party and class actions by a holder of equity interests against those individuals or entities and a 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 17, the term "equity interest" shall mean (i) in respect of the Company, shares of beneficial interest of the Company, (ii) shares of "membership

interests” in an entity that is a limited liability company, (iii) general partnership interests in an entity that is a partnership, (iv) shares of capital stock of an entity that is a corporation and (v) similar equity ownership interests in other entities.

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

(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 (an “**Award**”), the arbitrators shall be required to follow the laws of the State of Maryland without regard to principles of conflicts of law. Any arbitration proceedings or award rendered hereunder and the validity, effect and interpretation of this arbitration agreement shall be governed by the Federal Arbitration Act, 9 U.S.C. §1 et seq. An Award shall be in writing and shall state the findings of fact and conclusions of law on which it is based. Any monetary Award shall be made and payable in U.S. dollars free of any tax, deduction or offset. Subject to Section 17(g), 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 the Award may provide.

(f) Except to the extent expressly provided by this Agreement or as otherwise agreed by the parties hereto, each party and each Person acting or seeking to act in a representative capacity (such Person, a “**Named Representative**”) 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 its attorneys, a Named Representative or any attorney of a Named Representative. 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, an Award, including but not limited to any interim Award, may be appealed pursuant to the AAA’s Optional Appellate Arbitration Rules (the “**Appellate Rules**”). An Award shall not be considered final until after the time for filing the notice of appeal pursuant to the Appellate Rules has expired. Appeals must be initiated within thirty (30) days of receipt of an Award by filing a notice of appeal with any AAA office. Following the appeal process, the decision rendered by the appeal tribunal may be entered in any court having jurisdiction thereof. For the avoidance of doubt, and despite any contrary provision of the Appellate Rules, Section 17(f) shall apply to any appeal pursuant to this Section 17 and the appeal tribunal shall not render an Award that would include shifting of any costs or expenses (including attorneys’ fees) of any party or Named Representative or the payment of such costs and expenses, and all costs and expenses of a party or Named Representative shall be its sole responsibility.

(h) Following the expiration of the time for filing the notice of appeal, or the conclusion of the appeal process set forth in Section 17(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 agreement to arbitrate or any arbitral award issued hereunder and except for actions seeking interim or other provisional relief in aid of arbitration proceedings in any court of competent jurisdiction.

(i) This Section 17 is intended to benefit and be enforceable by the parties hereto and their respective holders of equity interests, trustees, directors, officers, managers, agents or employees, and their respective successors and assigns, and shall be binding upon all such parties and their respective holders of equity interests, and be in addition to, and not in substitution for, any other rights to indemnification or contribution that such individuals or entities may have by contract or otherwise.

Section 18. Venue. Each party hereto agrees that it shall bring any Proceeding in respect of any claim arising out of or related to this Agreement exclusively in the courts of the State of Maryland and the Federal courts of the United States, in each case, located in the City of Baltimore (the “***Chosen Courts***”). Solely in connection with claims arising under this Agreement, each party irrevocably and unconditionally (i) submits to the exclusive jurisdiction of the Chosen Courts, (ii) agrees not to commence any such Proceeding except in such courts, (iii) waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any such Proceeding in the Chosen Courts, (iv) waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such Proceeding, (v) agrees that service of process upon such party in any such Proceeding shall be effective if notice is given in accordance with Section 24 and (vi) agrees to request and/or consent to the assignment of any dispute arising out of this Agreement or the transactions contemplated by this Agreement to the Chosen Courts’ Business and Technology Case Management Program, or similar program. Nothing in this Agreement will affect the right of any party hereto to serve process in any other manner permitted by law. A final judgment in any such Proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. EACH PARTY HERETO IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS. Notwithstanding anything herein to the contrary, if a demand for arbitration of a Dispute is made pursuant to Section 17, this Section 18 shall not preempt resolution of the Dispute pursuant to Section 17.

Section 19. Adverse Settlement. The Company shall not seek, nor shall it agree to or support, or agree not to contest any settlement or other resolution of any matter that has the actual or purported effect of extinguishing, limiting or impairing Indemnitee’s rights hereunder, including without limitation the entry of any bar order or other order, decree or stipulation, pursuant to 15 U.S.C. § 78u-4 (the Private Securities Litigation Reform Act), or any similar foreign, federal or state statute, regulation, rule or law.

Section 20. Period of Limitations. To the fullest extent permitted by law, no legal action shall be brought, and no cause of action shall be asserted, by or on behalf of the Company or any controlled affiliate of the Company against Indemnitee, Indemnitee’s spouse, heirs, executors or personal or legal representatives after the expiration of two years from the date of accrual of such cause of action, and any claim or cause of action of the Company or its controlled affiliate shall be extinguished and deemed released unless asserted by the timely filing of a legal action within such two-year period; *provided, however*, if any shorter period of limitations is otherwise applicable to any such cause of action, such shorter period shall govern.

Section 21. Counterparts. This Agreement may be executed in any number of counterparts, all of which shall be considered one and the same agreement and shall become effective when counterparts have been signed by each of the parties hereto and delivered to the other party (including via facsimile or other electronic transmission), it being understood that each party hereto need not sign the same counterpart.

Section 22. Delivery by Electronic Transmission. This Agreement and any signed agreement or instrument entered into in connection with this Agreement or contemplated hereby, and any amendments hereto or thereto, to the extent signed and delivered by means of an electronic transmission, including by a facsimile machine or via email, shall be treated in all manner and respects as an original agreement or instrument and shall be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person. At the request of any party hereto or to any such agreement or instrument, each other party hereto or thereto shall re-execute original forms thereof and deliver them to the other parties. No party hereto or to any such agreement or instrument shall raise the use of electronic transmission by a facsimile machine or via

email to deliver a signature or the fact that any signature or agreement or instrument was transmitted or communicated through electronic transmission as a defense to the formation of a contract and each such party forever waives any such defense.

Section 23. Modification and Waiver. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed to, or shall, constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

Section 24. Notices. Any notice, report or other communication required or permitted to be given hereunder shall be in writing unless some other method of giving such notice, report or other communication is accepted by the party to whom it is given, and shall be given by being delivered at the following addresses to the parties hereto:

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

Senior Housing Properties Trust
Two Newton Place
255 Washington Street, Suite 300
Newton, Massachusetts 02458-1634
Attn: Secretary

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

Section 25. Governing Law. The provisions of this Agreement and any Dispute, whether in contract, tort or otherwise, shall be governed by and construed in accordance with the laws of the State of Maryland without regard to its conflicts of laws rules.

Section 26. Interpretation.

(a) *Generally*. Unless the context otherwise requires, as used in this Agreement: (a) words defined in the singular have the parallel meaning in the plural and vice versa; (b) "Articles," "Sections," and "Exhibits" refer to Articles, Sections and Exhibits of this Agreement unless otherwise specified; and (c) "hereto" and "hereunder" and words of like import used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement.

(b) *Additional Interpretive Provisions*. The headings in this Agreement are for reference purposes only and shall not in any way affect the meaning or interpretation of this Agreement. Any capitalized term used in any Exhibit to this Agreement, but not otherwise defined therein, shall have the meaning as defined in this Agreement. References to any statute shall be deemed to refer to such statute as amended from time to time and to any rules or regulations promulgated thereunder and any successor statute or statutory provision. References to any agreement are to that agreement as amended, modified or supplemented from time to time in accordance with the terms hereof and thereof. References to any Person include the successors and permitted assigns of that Person. Reference to any agreement, document or instrument means the agreement, document or instrument as amended or otherwise modified from time to time in accordance with the terms thereof, and if applicable hereof.

(c) [*Expansion of Indemnification* . This amendment and restatement of the Prior Indemnification Agreement is intended to expand, and not to limit, the scope of indemnification provided to Indemnitee under the Prior Indemnification Agreement, and this Agreement shall be interpreted consistent with such intent.]

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned have executed or caused to be executed on their behalf this Agreement as of the date first written above.

SENIOR HOUSING PROPERTIES TRUST

By: _____
Name: _____
Title: _____

[INDEMNITEE]

Indemnitee's Address:

[]

[Signature Page to [Amended and Restated] Indemnification Agreement]

EXHIBIT A

FORM OF AFFIRMATION AND
UNDERTAKING TO REPAY EXPENSES ADVANCED

To the Board of Trustees of Senior Housing Properties Trust:

This affirmation and undertaking is being provided pursuant to that certain [Amended and Restated] Indemnification Agreement dated _____, 20__ (the “**Indemnification Agreement**”), by and between Senior Housing Properties Trust, a Maryland real estate investment trust (the “**Company**”), and the undersigned Indemnitee, pursuant to which Indemnitee is entitled to advancement of expenses in connection with [Description of **Claims/Proceeding**] (together, the “**Claims**”). Terms used, and not otherwise defined, herein shall have the meanings specified in the Indemnification Agreement.

Indemnitee is subject to the Claims by reason of Indemnitee's Company Status or by reason of alleged actions or omissions by Indemnitee in such capacity.

Indemnitee hereby affirms Indemnitee's good faith belief that the standard of conduct necessary for Indemnitee's indemnification has been met.

In consideration of the advancement of Expenses by the Company for attorneys' fees and related expenses incurred by Indemnitee in connection with the Claims (the “**Advanced Expenses**”), Indemnitee hereby agrees that if, in connection with a proceeding regarding the Claim, it is ultimately determined that Indemnitee is not entitled to indemnification under law, the Declaration of Trust, the Bylaws or the Indemnification Agreement with respect to an act or omission by Indemnitee, then Indemnitee shall promptly reimburse the portion of the Advanced Expenses relating to the Claim(s) as to which the foregoing findings have been established and which have not been successfully resolved as described in Section 5 of the Indemnification Agreement. To the extent that Advanced Expenses do not relate to specific Claims, Indemnitee agrees that such Advanced Expenses may be allocated on a reasonable and proportionate basis.

IN WITNESS WHEREOF, the undersigned Indemnitee has executed this Affirmation and Undertaking to Repay Expenses Advanced on

WITNESS:

Print name of witness

Print name of Indemnitee

Schedule to Exhibit 10.2

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

Name of Signatory	Date
Jennifer B. Clark	May 22, 2018
Jennifer F. Francis	May 22, 2018
John L. Harrington	May 22, 2018
Lisa Harris Jones	May 22, 2018
Adam D. Portnoy	May 22, 2018
Richard W. Siedel, Jr.	May 22, 2018
Jeffrey P. Somers	May 22, 2018

ELEVENTH AMENDMENT TO
AMENDED AND RESTATED MASTER LEASE AGREEMENT

(LEASE NO. 2)

THIS ELEVENTH AMENDMENT TO AMENDED AND RESTATED MASTER LEASE AGREEMENT (LEASE NO. 2) (this “Amendment”) is made and entered into as of July 31, 2018, by and among each of the parties identified on the signature pages hereof as a landlord (collectively, “Landlord”) and each of the parties identified on the signature pages hereof as a tenant (jointly and severally, “Tenant”).

WITNESSETH:

WHEREAS, pursuant to the terms of that certain Amended and Restated Master Lease Agreement (Lease No. 2), dated as of August 4, 2009, as amended by that certain Partial Termination of and First Amendment to Amended and Restated Master Lease Agreement (Lease No. 2), dated as of November 1, 2009, that certain Partial Termination of and Second Amendment to Amended and Restated Master Lease Agreement (Lease No. 2), dated as of August 1, 2010, that certain Third Amendment to Amended and Restated Master Lease Agreement (Lease No. 2), dated as of June 20, 2011, that certain Fourth Amendment to Amended and Restated Master Lease Agreement (Lease No. 2), dated as of July 22, 2011, that certain Fifth Amendment to Amended and Restated Master Lease Agreement (Lease No. 2), dated as of August 31, 2012, that certain Partial Termination of and Sixth Amendment to Amended and Restated Master Lease Agreement (Lease No. 2), dated as of September 19, 2013, that certain Partial Termination of and Seventh Amendment to Amended and Restated Master Lease Agreement (Lease No. 2), dated as of June 1, 2014, that certain Partial Termination of and Eighth Amendment to Amended and Restated Master Lease Agreement (Lease No. 2), dated as of July 20, 2015, that certain Partial Termination of and Ninth Amendment to Amended and Restated Master Lease Agreement (Lease No. 2), dated as of September 30, 2016, and that certain Tenth Amendment to Amended and Restated Master Lease Agreement (Lease No. 2), dated as of August 1, 2017 (as so amended, “Master Lease No. 2”), Landlord leases to Tenant, and Tenant leases from Landlord, the Leased Property (this and other capitalized terms used but not otherwise defined herein having the meanings given such terms in Master Lease No. 2), all as more particularly described in Master Lease No. 2;

WHEREAS, one of the Facilities leased pursuant to Master Lease No. 2 is the senior living facility known as Palms at St. Lucie West and located at 501 N.W. Cashmere Boulevard, Port St. Lucie, Florida (the “Palms at St. Lucie Property”), which is comprised of an assisted living building and individual villas and independent living units that are part of a condominium; and

WHEREAS, SNH/LTA Properties Trust, a Maryland real estate investment trust (“SNH/LTA”), has acquired the remaining condominium units comprising the villas and independent living units associated with the Palms at St. Lucie Property and has dissolved the condominium; and

WHEREAS, SNH/LTA and the other entities comprising Landlord, and FSQC Trust and the other entities comprising Tenant, wish to amend Master Lease No. 2 to reflect the acquisition of the remaining condominium units and the dissolution of the condominium relating to the Palms at St. Lucie Property;

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

1. Minimum Rent. For the avoidance of doubt, the current Minimum Rent (after taking into consideration the acquisition of the remaining condominium units comprising the villas and independent living units associated with the Palms at St. Lucie Property) is Sixty Six Million Seven Hundred Twenty Eight Thousand Eight Hundred Forty and 34/100 Dollars (\$66,728,840.34) per annum.
2. Exhibit A. Exhibit A to Master Lease No. 2 is amended by deleting Exhibit A-52 therefrom in its entirety and replacing it with Exhibit A-52 attached hereto.
3. Ratification. As amended hereby, Master Lease No. 2 is ratified and confirmed.

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

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

LANDLORD:

**CCC FINANCING I TRUST,
CCC INVESTMENTS I, L.L.C.,
CCC OF KENTUCKY TRUST,
CCC PUEBLO NORTE TRUST,
CCDE SENIOR LIVING LLC,
CCOP SENIOR LIVING LLC,
O.F.C. CORPORATION,
SNH CHS PROPERTIES TRUST,
SNH/LTA PROPERTIES GA LLC,
SNH/LTA PROPERTIES TRUST,
SNH SOMERFORD PROPERTIES TRUST,
SPTIHS PROPERTIES TRUST, and
SPTMNR PROPERTIES TRUST**

By: /s/ Jennifer F. Francis
Jennifer F. Francis
President of each of the foregoing entities

CCC FINANCING LIMITED, L.P.

By: CCC Retirement Trust,
its General Partner

By: /s/ Jennifer F. Francis
Jennifer F. Francis
President

CCC RETIREMENT COMMUNITIES II, L.P.

By: Crestline Ventures LLC,
its General Partner

By: /s/ Jennifer F. Francis
Jennifer F. Francis
President

LEISURE PARK VENTURE LIMITED PARTNERSHIP

By: CCC Leisure Park Corporation,
its General Partner

By: /s/ Jennifer F. Francis
Jennifer F. Francis
President

TENANT:

FIVE STAR QUALITY CARE TRUST

By: /s/ Richard A. Doyle

Richard A. Doyle

Treasurer

FS TENANT HOLDING COMPANY TRUST

By: /s/ Richard A. Doyle

Richard A. Doyle

Treasurer

EXHIBIT A-52

**Palms at St Lucie West
501 N.W. Cashmere Boulevard
Port St. Lucie, Florida**

LEGAL DESCRIPTION

Assisted Living :

Lot 1, of ST. LUCIE WEST PLAT NO. 137, according to the Plat thereof, recorded in Plat Book 39, pages 26 and 26A, of the Public Records of St. Lucie County, Florida

and

Villas and Independent Living :

All of Lot 2, ST. LUCIE WEST PLAT NO. 149, according to the Plat thereof, as recorded in Plat Book 40, at Pages 17 and 17A, of the Public Records of St. Lucie County Florida.

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

THIS PARTIAL TERMINATION OF AND SIXTEENTH AMENDMENT TO AMENDED AND RESTATED MASTER LEASE AGREEMENT (LEASE NO. 1) (this "Amendment") is made and entered into as of June 1, 2018 by and among each of the parties identified on the signature pages hereof as a landlord (collectively, "Landlord") and each of the parties identified on the signature pages hereof as a tenant (jointly and severally, "Tenant").

WITNESSETH:

WHEREAS, pursuant to the terms of that certain Amended and Restated Master Lease Agreement (Lease No. 1), dated as of August 4, 2009, as amended by that certain Partial Termination of and First Amendment to Amended and Restated Master Lease Agreement (Lease No. 1), dated as of October 1, 2009, that certain Second Amendment to Amended and Restated Master Lease Agreement (Lease No. 1), dated as of November 17, 2009, that certain Third Amendment to Amended and Restated Master Lease Agreement (Lease No. 1), dated as of December 10, 2009, that certain Partial Termination of and Fourth Amendment to Amended and Restated Master Lease Agreement (Lease No. 1), dated as of August 1, 2010, that certain Fifth Amendment to Amended and Restated Master Lease Agreement (Lease No. 1), dated as of May 1, 2011, that certain Partial Termination of and Sixth Amendment to Amended and Restated Master Lease Agreement (Lease No. 1), dated as of June 1, 2011, that certain Seventh Amendment to Amended and Restated Master Lease Agreement (Lease No. 1), dated as of June 20, 2011, that certain Eighth Amendment to Amended and Restated Master Lease Agreement (Lease No. 1), dated as of August 31, 2012, that certain Partial Termination of and Ninth Amendment to Amended and Restated Master Lease Agreement (Lease No. 1), dated as of August 1, 2013, that certain Partial Termination of and Tenth Amendment to Amended and Restated Master Lease Agreement (Lease No. 1), dated as of January 22, 2014, that certain Partial Termination of and Eleventh Amendment to Amended and Restated Master Lease Agreement (Lease No. 1), dated as of October 1, 2014, that certain Partial Termination of and Twelfth Amendment to Amended and Restated Master Lease Agreement (Lease No. 1), dated as of October 31, 2014, that certain Partial Termination of and Thirteenth Amendment to Amended and Restated Master Lease Agreement (Lease No. 1), dated as of February 17, 2015, that certain Partial Termination of and Fourteenth Amendment to Amended and Restated Master Lease Agreement (Lease No. 1), dated as of August 1, 2015, and that certain Partial Termination of and Fifteenth Amendment to Amended and Restated Master Lease Agreement (Lease No. 1), dated as of December 29, 2015 (as so amended, "Amended Lease No. 1"), Landlord leases to Tenant, and Tenant leases from Landlord, the Leased Property (this and other capitalized terms used but not otherwise defined herein having the meanings given such terms in Amended Lease No. 1), all as more particularly described in Amended Lease No. 1; and

WHEREAS, simultaneously herewith, SPTMNR Properties Trust is selling the Property consisting of the real property and related improvements known as Lancaster Healthcare Center and located at 1642 West Avenue J, Lancaster, California, as more particularly described on Exhibit A-5 to Amended Lease No. 1 (the "Lancaster Property"); and

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

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

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

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

" **Minimum Rent** " shall mean the sum of Fifty-Nine Million Twenty Thousand Five Hundred Three and 42/100 Dollars (\$59,020,503.42) per annum.

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

4. Exhibit A. Exhibit A to Amended Lease No. 1 is amended by deleting the text of Exhibit A-5 attached thereto in their entirety and replacing it with "Intentionally Deleted".

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

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

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

LANDLORD:

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

By: /s/ Jennifer F. Francis
Jennifer F. Francis
President and Chief Operating Officer of each
of the foregoing entities

TENANT:

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

By: /s/ Bruce J. Mackey Jr.
Bruce J. Mackey Jr.
President and Chief Executive Officer of each
of the foregoing entities

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

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

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

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

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

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

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

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

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

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

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

MORNINGSIDE OF BOWLING GREEN, LLC
MORNINGSIDE OF PADUCAH, LLC

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

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

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

MORNINGSIDE OF CONYERS, LLC
MORNINGSIDE OF GAINESVILLE, LLC

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

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

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

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

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

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

SCHEDULE 1**PROPERTY-SPECIFIC INFORMATION**

Exhibit	Property Address	Base Gross Revenues (Calendar Year)	Base Gross Revenues (Dollar Amount)	Commencement Date	Interest Rate
A-1	Intentionally Deleted.	N/A	N/A	N/A	N/A
A-2	Intentionally Deleted.	N/A	N/A	N/A	N/A
A-3	Somerford Place - Encinitas 1350 South El Camino Real Encinitas, CA 92024	2009	\$3,092,467	03/31/2008	8%
A-4	Somerford Place - Fresno 6075 North Marks Avenue Fresno, CA 93711	2009	\$3,424,896	03/31/2008	8%
A-5	Intentionally Deleted.	N/A	N/A	N/A	N/A
A-6	Somerford Place - Redlands 1319 Brookside Avenue Redlands, CA 92373	2009	\$3,065,084	03/31/2008	8%
A-7	Somerford Place - Roseville 110 Sterling Court Roseville, CA 95661	2009	\$2,802,082	03/31/2008	8%
A-8	Leisure Pointe 1371 Parkside Drive San Bernardino, CA 92404	2007	\$1,936,220	09/01/2006	8.25%
A-9	Van Nuys Health Care Center 6835 Hazeltine Street Van Nuys, CA 91405	2005	\$3,626,353	12/31/2001	10%
A-10	Mantey Heights Rehabilitation & Care Center 2825 Patterson Road Grand Junction, CO 81506	2005	\$5,564,949	12/31/2001	10%
A-11	Cherrelyn Healthcare Center 5555 South Elati Street Littleton, CO 80120	2005	\$12,574,200	12/31/2001	10%
A-12	Somerford House and Somerford Place - Newark I & II 501 South Harmony Road and 4175 Ogletown Road Newark, DE 19713	2009	\$6,341,636	03/31/2008	8%
A-13	Tuscany Villa Of Naples (aka Buena Vida) 8901 Tamiami Trail East Naples, FL 34113	2008	\$2,157,675	09/01/2006	8.25%
A-14	Intentionally Deleted.	N/A	N/A	N/A	N/A
A-15	Morningside of Columbus 7100 South Stadium Drive Columbus, GA 31909	2006	\$1,381,462	11/19/2004	9%
A-16	Morningside of Dalton 2470 Dug Gap Road Dalton, GA 30720	2006	\$1,196,357	11/19/2004	9%
A-17	Morningside of Evans 353 North Belair Road Evans, GA 30809	2006	\$1,433,421	11/19/2004	9%

A-18	Vacant Land Adjacent to Morningside of Macon 6191 Peake Road Macon, GA 31220	2006	N/A	11/19/2004	9%
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A-19	Intentionally Deleted.	N/A	N/A	N/A	N/A
A-20	Union Park Health Services 2401 East 8 th Street Des Moines, IA 50316	2005	\$4,404,678	12/31/2001	10%
A-21	Intentionally Deleted.	N/A	N/A	N/A	N/A
A-22	Prairie Ridge Care & Rehabilitation 608 Prairie Street Mediapolis, IA 52637	2005	\$3,234,505	12/31/2001	10%
A-23	Ashwood Place 102 Leonardwood Frankfort, KY 40601	2007	\$1,769,726	09/01/2006	8.25%
A-24	Somerford Place - Annapolis 2717 Riva Road Annapolis, MD 21401	2009	\$3,917,902	03/31/2008	8%
A-25	Somerford Place - Columbia 8220 Snowden River Parkway Columbia, MD 21045	2009	\$3,221,426	03/31/2008	8%
A-26	Somerford Place - Frederick 2100 Whittier Drive Frederick, MD 21702	2009	\$5,088,592	03/31/2008	8%
A-27	Somerford Place - Hagerstown 10114 & 10116 Sharpsburg Pike Hagerstown, MD 21740	2009	\$4,066,761	03/31/2008	8%
A-28	The Wellstead of Rogers 20500 and 20600 South Diamond Lake Road Rogers, MN 55374	2009	\$12,646,616	03/01/2008	8%
A-29	Intentionally Deleted.	N/A	N/A	N/A	N/A
A-30	Hermitage Gardens of Oxford 1488 Belk Boulevard Oxford, MS 38655	2007	\$1,816,315	10/01/2006	8.25%
A-31	Hermitage Gardens of Southaven 108 Clarington Drive Southaven, MS 38671	2007	\$1,527,068	10/01/2006	8.25%
A-32	Ashland Care Center 1700 Furnace Street Ashland, NE 68003	2005	\$4,513,891	12/31/2001	10%
A-33	Blue Hill Care Center 414 North Wilson Street Blue Hill, NE 68930	2005	\$2,284,065	12/31/2001	10%
A-34	Central City Care Center 2720 South 17 th Avenue Central City, NE 68462	2005	\$2,005,732	12/31/2001	10%
A-35	Intentionally Deleted.	N/A	N/A	N/A	N/A
A-36	Gretna Community Living Center 700 South Highway 6 Gretna, NE 68028	2005	\$3,380,356	12/31/2001	10%
A-37	Sutherland Care Center 333 Maple Street Sutherland, NE 69165	2005	\$2,537,340	12/31/2001	10%
	Waverly Care Center 11041 North 137 th Street				

A-38	Waverly, NE 68462	2005	\$3,066,135	12/31/2001	10%
A-39	Intentionally Deleted.	N/A	N/A	N/A	N/A
A-40	Intentionally Deleted.	N/A	N/A	N/A	N/A

A-41	Mount Vernon of South Park 1400 Riggs Road South Park, PA 15129	2006	\$2,718,057	10/31/2005	9%
A-42	Morningside of Gallatin 1085 Hartsville Pike Gallatin, TN 37066	2006	\$1,343,801	11/19/2004	9%
A-43	Walking Horse Meadows 207 Uffelman Drive Clarksville, TN 37043	2007	\$1,471,410	01/01/2007	8.25%
A-44	Morningside of Belmont 1710 Magnolia Boulevard Nashville, TN 37212	2006	\$3,131,648	06/03/2005	9%
A-45	Dominion Village at Chesapeake 2856 Forehand Drive Chesapeake, VA 23323	2005	\$1,416,951	05/30/2003	10%
A-46	Dominion Village at Williamsburg 4132 Longhill Road Williamsburg, VA 23188	2005	\$1,692,753	05/30/2003	10%
A-47	Intentionally Deleted.	N/A	N/A	N/A	N/A
A-48	Brookfield Rehabilitation and Specialty Care (aka Woodland Healthcare Center) 18741 West Bluemound Road Brookfield, WI 53045	2005	\$13,028,846	12/31/2001	10%
A-49	Meadowmere - Southport Assisted Living 8350 and 8351 Sheridan Road Kenosha, WI 53143	2009	\$2,170,645	01/04/2008	8%
A-50	Meadowmere - Madison Assisted Living 5601 Burke Road Madison, WI 53718	2009	\$2,136,654	01/04/2008	8%
A-51	Intentionally Deleted.	N/A	N/A	N/A	N/A
A-52	Mitchell Manor Senior Living 5301 West Lincoln Avenue West Allis, WI 53219	2009	\$12,348,104	01/04/2008	8%
A-53	Laramie Care Center 503 South 18 th Street Laramie, WY 82070	2005	\$4,473,949	12/31/2001	10%
A-54	Haven in Highland Creek 5920 McChesney Drive Charlotte, NC 28269 Laurels in Highland Creek 6101 Clark Creek Parkway Charlotte, NC 28269	2010	\$6,454,157	11/17/2009	8.75%
	Haven in the Village at Carolina Place 13150 Dorman Road Pineville, NC 28134 Laurels in the Village at Carolina Place 13180 Dorman Road				

A-55	Pineville, NC 28134	2010	\$7,052,425	11/17/2009	8.75%
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A-56	Haven in the Summit 3 Summit Terrace Columbia, SC 29229	2010	\$2,308,737	11/17/2009	8.75%
A-57	Haven in the Village at Chanticleer 355 Berkman's Lane Greenville, SC 29605	2010	\$2,197,919	11/17/2009	8.75%
A-58	Intentionally Deleted	N/A	N/A	N/A	N/A
A-59	Haven in Stone Oak 511 Knights Cross Drive San Antonio, TX 78258 Laurels in Stone Oak 575 Knights Cross Drive San Antonio, TX 78258	2010	\$6,584,027	11/17/2009	8.75%
A-60	Eastside Gardens 2078 Scenic Highway North Snellville, GA 30078	2010	\$1,766,628	12/10/2009	8.75%
A-61	Crimson Pointe 7130 Crimson Ridge Drive Rockford, IL 61107	2012	\$2,568,827	05/01/2011	8%
A-62	Talbot Park 6311 Granby Street Norfolk, VA 23305	2012	\$3,866,871	06/20/2011	7.5%
A-63	The Landing at Parkwood Village 1720 Parkwood Boulevard Wilson, NC 27893	2012	\$4,318,990	06/20/2011	7.5%
A-64	Aspenwood 14400 Homecrest Road Silver Spring, MD 20906	2005	\$4,470,354	10/25/2002	10%
A-65	HeartFields at Easton 700 Port Street Easton, MD 21601	2005	\$2,545,887	10/25/2002	10%
A-66	Morningside of Macon 6191 Peake Road Macon, GA 31220	2006	\$1,298,541	11/19/2004	9%
A-67	Morningside of Beaufort 109 Old Salem Road Beaufort, SC 29902	2006	\$1,337,453	11/19/2004	9%
A-68	Morningside of Camden 719 Kershaw Highway Camden, SC 29020	2006	\$1,595,035	11/19/2004	9%
A-69	Morningside of Hartsville 1901 West Carolina Avenue Hartsville, SC 29550	2006	\$1,507,131	11/19/2004	9%
A-70	Morningside of Lexington 218 Old Chapin Road Lexington, SC 29072	2006	\$1,638,422	11/19/2004	9%
A-71	Morningside of Orangeburg 2306 Riverbank Drive Orangeburg, SC 29118	2006	\$1,129,764	11/19/2004	9%
	Morningside of Seneca 15855 Wells Highway				

A-72	Seneca, SC 29678	2006	\$1,684,477	11/19/2004	9%
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A-73	Morningside of Cullman 2021 Dahlke Dr. NE Cullman, AL 32058	2006	\$1,413,633	11/19/2004	9%
A-74	Morningside of Madison 49 Hughes Road Madison, AL 35758	2006	\$1,531,206	11/19/2004	9%
A-75	Morningside of Sheffield 413 D. D. Cox Boulevard Sheffield, AL 35660	2006	\$1,495,038	11/19/2004	9%
A-76	Morningside of Bowling Green 981 Campbell Lane Bowling Green, KY 42104	2006	\$1,458,781	11/19/2004	9%
A-77	Morningside of Paducah 1700 Elmdale Road Paducah, KY 42003	2006	\$2,012,245	11/19/2004	9%
A-78	Morningside of Conyers 1352 Wellbrook Circle Conyers, GA 30012	2006	\$1,646,910	11/19/2004	9%
A-79	Morningside of Gainesville 2435 Limestone Parkway Gainesville, GA 30501	2006	\$1,453,250	11/19/2004	9%
A-80	Morningside of Cleveland 2900 Westside Drive, N.W. Cleveland, TN 37312	2006	\$1,212,846	11/19/2004	9%
A-81	Morningside of Cookeville 1010 East Spring Street Cookeville, TN 38501	2006	\$1,513,932	11/19/2004	9%
A-82	Morningside of Jackson 1200 North Parkway Jackson, TN 38305	2006	\$1,787,155	11/19/2004	9%
A-83	Williamsburg Villas A Morningside Community 3020 Heatherton Way Knoxville, TN 37920	2006	\$2,728,841	11/19/2004	9%
A-84	Morningside of Franklin 105 Sunrise Circle Franklin, TN 37067	2006	\$1,582,509	11/19/2004	9%
A-85	Morningside of Hopkinsville 4190 Lafayette Road Hopkinsville, KY 42240	2006	\$1,444,246	11/19/2004	9%
A-86	Parkwood Village 1730 Parkwood Boulevard Wilson, NC 27893	2012	\$4,318,990	06/23/2011	7.5%

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

	Six Months Ended June 30,	Year Ended December 31,				
	2018	2017	2016	2015	2014	2013
Earnings:						
Income from continuing operations (including gains on sales of properties, if any) before income tax expense and equity in earnings of an investee	\$362,707	\$ 151,649	\$ 141,582	\$ 125,474	\$ 162,141	\$ 183,997
Fixed charges	88,365	165,019	167,574	150,881	135,114	117,819
Adjusted earnings	\$451,072	\$ 316,668	\$ 309,156	\$ 276,355	\$ 297,255	\$ 301,816
Fixed charges:						
Interest expense (including net amortization of debt premiums and discounts and debt issuance costs)	\$ 88,365	\$ 165,019	\$ 167,574	\$ 150,881	\$ 135,114	\$ 117,819
Ratio of Earnings to Fixed Charges	5.1x	1.9x	1.8x	1.8x	2.2x	2.6x

CERTIFICATION PURSUANT TO EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a)

I, Adam D. Portnoy, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Senior Housing Properties Trust;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2018

/s/ Adam D. Portnoy

Adam D. Portnoy

Managing Trustee

CERTIFICATION PURSUANT TO EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a)

I, Jennifer B. Clark, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Senior Housing Properties Trust;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2018

/s/ Jennifer B. Clark

Jennifer B. Clark

Managing Trustee

CERTIFICATION PURSUANT TO EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a)

I, Jennifer F. (Francis) Mintzer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Senior Housing Properties Trust;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2018

/s/ Jennifer F. (Francis) Mintzer

Jennifer F. (Francis) Mintzer

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: August 7, 2018

/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 June 30, 2018 (the “Report”), each of the undersigned hereby certifies, to the best of his or her 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/ Adam D. Portnoy

Adam D. Portnoy

Managing Trustee

/s/ Jennifer F. (Francis) Mintzer

Jennifer F. (Francis) Mintzer

President and Chief Operating Officer

/s/ Jennifer B. Clark

Jennifer B. Clark

Managing Trustee

/s/ Richard W. Siedel, Jr.

Richard W. Siedel, Jr.

Chief Financial Officer and Treasurer

Date: August 7, 2018

POOLING AGREEMENT No. 13

THIS POOLING AGREEMENT No. 13 (this “Agreement”) is made as of January 19, 2018 (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.

“ 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:

- Section 3.02.
- (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
 - (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, twenty percent (20%) to Manager and eighty percent (80%) 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.

5.03. Sale Process. If a Non-Economic Facility is marketed for sale in accordance with Section 5.02 and Manager receives an offer therefor which it wishes to accept on behalf of the 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: /s/ Richard A. Doyle
Richard A. Doyle
Chief Financial Officer and Treasurer

SNH TELLICO TENANT LLC

By: /s/ Richard W. Siedel, Jr.
Richard W. Siedel, Jr.
President and Treasurer

Schedule A

TRSeS

SNH Tellico Tenant LLC

Schedule B

Facilities

SNH Tellico Tenant LLC

The Neighborhood at Tellico Village
100 Chatuga Drive West
Loudon, Tennessee 37774

Schedule C

Management Agreements

1. Management Agreement dated as of January 19, 2018 between FVE Managers, Inc. and SNH Tellico Tenant LLC (The Neighborhood at Tellico Village).