

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
FORM 10-K

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

For the fiscal year ended December 31, 2019

or

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

Commission file number 1-15319

DIVERSIFIED HEALTHCARE TRUST

(Exact Name of Registrant as Specified in Its Charter)

Maryland
(State of 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)

Securities registered pursuant to Section 12(b) of the Act:

Title Of Each Class	Trading Symbol(s)	Name Of Each Exchange On Which Registered
Common Shares of Beneficial Interest	DHC	The Nasdaq Stock Market LLC
5.625% Senior Notes due 2042	DHCNI	The Nasdaq Stock Market LLC
6.25% Senior Notes due 2046	DHCNL	The Nasdaq Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a 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 ☐ 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 ☒

The aggregate market value of the voting common shares of beneficial interest, \$.01 par value, or common shares, of the registrant held by non-affiliates was approximately \$1.9 billion based on the \$8.27 closing price per common share on The Nasdaq Stock Market LLC on June 28, 2019. For purposes of this calculation, an aggregate of 2,916,659 common shares held directly by, or by affiliates of, the trustees and the executive officers of the registrant have been included in the number of common shares held by affiliates.

Number of the registrant's common shares outstanding as of February 26, 2020: 237,895,225.

References in this Annual Report on Form 10-K to the Company, DHC, we, us or our mean Diversified Healthcare Trust (formerly known as Senior Housing Properties Trust) and its consolidated subsidiaries unless otherwise expressly stated or the context indicates otherwise.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information required by Items 10, 11, 12, 13 and 14 of Part III of this Annual Report on Form 10-K is incorporated by reference to our definitive Proxy Statement for the 2020 Annual Meeting of Shareholders, to be filed with the Securities and Exchange Commission within 120 days after the fiscal year ended December 31, 2019.

Warning Concerning Forward-Looking Statements

This Annual Report on Form 10-K 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 Annual Report on Form 10-K relate to various aspects of our business, including:

- Our ability to pay distributions to our shareholders and to sustain the amount of such distributions,
- The ability of Five Star Senior Living Inc., or Five Star, the manager of our managed senior living communities, to manage our senior living communities profitably and increase our returns from our managed senior living communities,
- Whether the aging U.S. population and increasing life spans of seniors will increase the demand for senior living communities, wellness centers and other medical and healthcare related properties and healthcare services,
- 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 tenancies and acquisitions effectively,
- Our ability to maintain and increase occupancy, revenues and net operating income, or NOI, at our properties,
- Our acquisitions and sales of properties,
- Our ability to raise debt or equity capital,
- Our ability to complete our target dispositions in accordance with our stated plan,
- 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 relationships with The RMR Group Inc., or RMR Inc.,
- Our qualification for taxation as a real estate investment trust, or REIT, and
- Other matters.

Our actual results may differ materially from those contained in or implied by our forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control. Risks, uncertainties and other factors that could have a material adverse effect on our forward-looking statements and upon our business, results of operations, financial condition, 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, NOI, cash flows, liquidity and prospects include, but are not limited to:

- The impact of conditions 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, particularly in those markets in which our properties are located,
- Actual and potential conflicts of interest with our related parties, including our Managing Trustees, Five Star, The RMR Group LLC, or RMR LLC, RMR Inc. and others affiliated with them, and
- Acts of terrorism, outbreaks of so called pandemics or other manmade or natural disasters beyond our control.

For example:

- The conversion of our previously existing master leases with Five Star to management agreements pursuant to the restructuring of our business arrangements with Five Star was a significant change in our business arrangements with Five Star and may cause us to realize significantly different operating results from our senior living communities operated by Five Star, including increased variability in such results,
- If Five Star fails to provide quality services at our senior living communities, the NOI generated by these communities may be adversely affected,
- Five Star, the manager of our managed senior living communities, has experienced significant operating and financial challenges, resulting from a number of factors, some of which are beyond Five Star's control, and which challenges directly impact our operating results from our managed senior living communities, including, but not limited to:
 - Increases in Five Star's labor costs or in costs Five Star pays for goods and services,
 - Competition within the senior living industry,
 - Seniors delaying or forgoing moving into senior living communities or purchasing healthcare services,
 - The impact of changes in the economy and the capital markets on Five Star and its residents and other customers,
 - Changes in Medicare or Medicaid policies and regulations or the possible future repeal, replacement or modification of these or other existing or proposed legislation or regulations,
 - Increases in compliance costs,
 - Continued efforts by third party payers to reduce healthcare costs,
 - Increases in tort and insurance liability costs, and
 - Five Star's exposure to litigation and regulatory and government proceedings due to the nature of its business.
- If Five Star's other operations are not profitable or if it does not operate our managed senior living communities successfully, it could become insolvent,
- We own a significant number of Five Star's common shares and we expect to own these shares for the foreseeable future. However, we may sell some or all of our Five Star common shares, or our ownership interest in Five Star may otherwise be diluted in the future,
- On April 18, 2019, we lowered our regular quarterly distribution rate to \$0.15 per common share (\$0.60 per common share annually), which was based on a target distribution payout ratio of approximately 80% of projected cash available for distribution after our sale of certain properties and the stabilization of our transitioned senior living communities. Our distribution rate may be set and reset from time to time by our Board of Trustees. Our Board of Trustees will consider many factors when setting or resetting our distribution rate, including our historical and projected net income, Normalized

FFO, our then current and expected needs and availability of cash to pay our obligations, distributions which we may be required to pay to maintain our qualification for taxation as a REIT and other factors deemed relevant by our Board of Trustees in its discretion. Further, our projected cash available for distribution may change and may vary from our expectations. Accordingly, future distributions to our shareholders may be increased or decreased and we cannot be sure as to the rate at which future distributions will be paid,

- 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,
- We plan to selectively sell certain properties from time to time to fund future acquisitions and to strategically update, rebalance and reposition our investment portfolio, which we refer to as our capital recycling program. In addition, to reduce our leverage, we have sold properties and other assets and have identified additional properties to sell. We cannot be sure we will sell any of these properties or what the terms or timing of any such sales may be. In addition, in the case of our capital recycling program, we cannot be sure that we will acquire replacement properties that improve the quality of our portfolio or our ability to increase our distributions to shareholders, and, we may sell properties at prices that are less than expected and less than their carrying values and therefore incur losses,
- Contingencies in our acquisition and sale agreements may not be satisfied and our pending acquisitions and sales and any related management arrangements we expect to enter may not occur, may be delayed or the terms of such transactions or arrangements may change,
- The capital investments we are making at our senior living communities and our plan to invest additional capital into our senior living communities to better position them in their respective markets in order to increase our future returns may not be successful and may not achieve our expected results. Our senior living communities may not be competitive, despite these capital investments,
- Our redevelopment projects may not be successful and may cost more or take longer to complete than we currently expect. In addition, we may not realize the returns we expect from these projects and we may incur losses from these projects,
- We may spend more for capital expenditures than we currently expect,
- Our existing joint venture and any other joint ventures that we may enter may not be successful,
- Our 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 grow our business and maintain or increase our distributions to shareholders 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 and we may fail to reach agreement with the sellers and complete the purchase of any properties we do want to acquire. In addition, any properties we may acquire may not provide us with rents or revenues less property operating costs that exceed our capital costs or achieve our expected returns. If our cash flows are reduced and our leverage increases, we may need to sell additional properties,
- Rents that we can charge at our properties may decline upon renewals or expirations because of changing market conditions or otherwise,
- We expect to enter into additional 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 management or other arrangements or 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 our \$200.0 million term loan may be increased to up to \$2.4 billion on a combined basis in certain circumstances. However, increasing the maximum borrowing availability under our revolving credit facility and this term loan is subject to our obtaining additional commitments from lenders, which may not occur,
- We have the option to extend the maturity date of our revolving credit facility upon payment of a fee and meeting 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. 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 year ended December 31, 2019, 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 managers' 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 December 31, 2019, we had estimated unspent leasing related obligations of \$24.0 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,
- 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 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, 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, worsening or lack of improvement of Five Star's financial condition or changes in our other tenants' 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.

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The information contained elsewhere in this Annual Report on Form 10-K or in our other filings with the Securities and Exchange commission, or 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 Diversified Healthcare Trust (formerly known as 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 Diversified Healthcare Trust shall be held to any personal liability, jointly or severally, for any obligation of, or claim against, Diversified Healthcare Trust. All persons dealing with Diversified Healthcare Trust in any way shall look only to the assets of Diversified Healthcare Trust for the payment of any sum or the performance of any obligation.

DIVERSIFIED HEALTHCARE TRUST
2019 FORM 10-K ANNUAL REPORT

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PART I

Item 1. Business.

The Company

We are a real estate investment trust, or REIT, that was organized under the laws of the State of Maryland in 1998 and which owns healthcare related properties including medical office and life science properties, senior living communities and other healthcare related properties throughout the United States. As of December 31, 2019, we owned 424 properties located in 39 states and Washington, D.C. On that date, the gross book value of our real estate assets at cost plus certain acquisition costs, before depreciation and purchase price allocations and less impairment write downs, was \$8.4 billion.

Our principal executive offices are located at Two Newton Place, 255 Washington Street, Suite 300, Newton, Massachusetts 02458-1634, and our telephone number is (617) 796-8350.

We believe that the aging of the U.S. population will increase demand for existing medical office and life science properties, senior living communities (including active adult rental communities), wellness centers and other medical and healthcare related properties. We plan to profit from this demand by acquiring additional properties and entering into leases and management arrangements with qualified tenants and managers which generate returns to us that exceed our operating and capital costs, including structuring leases that provide for or permit periodic rent increases.

Our business plan focuses primarily on investments in medical office and life science properties, senior living communities (including active adult rental communities) and other healthcare related properties. Some properties may combine more than one type of service in a single building or campus. Our growth strategies are implemented and defined by our investment, operating and financing policies.

We expect to selectively sell properties from time to time when we determine our continued ownership or ongoing required capital expenditures will not achieve desired returns or when we believe we can successfully pursue more desirable opportunities than retaining these properties. We also expect to use sales proceeds to acquire new properties that we believe will help us reduce the average age of our properties, increase our weighted average lease term, reduce our ongoing capital requirements and/or increase our distributions to shareholders. We refer to this as our capital recycling program.

Office Portfolio

Our portfolio of medical office and life science properties, or our Office Portfolio, consists of commercial properties constructed for use or operated as medical office space for physicians and other healthcare personnel, and other businesses in medical related fields, including clinics and life science or laboratory uses. Some of our medical office properties are occupied as administrative facilities for healthcare companies, such as hospitals and healthcare insurance companies.

Senior Living Communities

Independent Living Communities. Independent living communities provide high levels of privacy to residents and require residents to be capable of relatively high degrees of independence. An independent living community usually bundles several services as part of a regular monthly charge. For example, an independent living community may include one or two meals per day in a central dining room, daily or weekly maid service or a social director in the base charge. Additional services are generally available from staff employees on a fee for service basis. In some of our independent living communities, separate parts of the property are dedicated to assisted living and/or nursing services. We also own an active adult rental community, which we have classified as an independent living community.

Assisted Living Communities. Assisted living communities typically have one bedroom or studio units which include private bathrooms and efficiency kitchens. Services bundled within one charge usually include three meals per day in a central dining room, daily housekeeping, laundry, medical reminders and 24 hour availability of assistance with the activities of daily living, such as dressing and bathing. Professional nursing and healthcare services are usually available at the property on call or at regularly scheduled times. In some of our assisted living communities, separate parts of the property are dedicated to independent living and/or nursing services.

Skilled Nursing Facilities. Skilled nursing facilities, or SNFs, generally provide extensive nursing and healthcare services similar to those available in hospitals, without the high costs associated with operating rooms, emergency rooms or intensive care

units. A typical purpose built SNF includes mostly rooms with one or two beds, a separate bathroom and shared dining facilities. Licensed nursing professionals staff SNFs 24 hours per day.

Wellness Centers

Wellness centers typically have gymnasiums, strength and cardiovascular equipment areas, tennis and racquet sports facilities, pools, spas and children's centers. Professional sport training and therapist services are often available. Wellness centers often market themselves as clubs for which members may pay monthly fees plus additional fees for specific services.

Other Types of Real Estate

In the past, we have considered investing in real estate different from our existing property types and some properties located outside the United States. For example, we recently acquired an age restricted active adult rental community, which we have classified as an independent living community, to diversify our portfolio of senior living communities. We may explore these or other alternative investments in the future.

Lease Terms

Our medical office and life science property leases include both "triple net" leases, as described below, and "net" and "modified gross" leases where we are responsible for operating and maintaining the properties and we charge the tenants for some or all of the property operating expenses. A small percentage of our medical office and life science property leases are "full service" leases where we receive fixed rent from the tenants and do not charge the tenants for any property operating expenses. The leases for some of our senior living communities and all of our wellness centers are "triple net" leases.

Triple net leases generally require the tenants to pay rent and all property operating expenses, to indemnify us from liability which may arise by reason of our ownership of the properties, to maintain the properties at their expense, to remove and dispose of hazardous substances on the properties in compliance with applicable law and to maintain insurance on the properties for their and our benefit. In the event of any damage, or immaterial condemnation, of a leased property, the tenants are generally required to rebuild with insurance or condemnation proceeds or, if such proceeds are insufficient, other amounts made available by us, if any, but if other amounts are made available by us, the rent will be increased accordingly. In the event of any material or total condemnation of a leased property, generally the lease will terminate with respect to that leased property, in which event we will be entitled to the condemnation proceeds and the rent will be reduced accordingly. In the event of any material or total destruction of a leased property, in certain cases the applicable tenant may terminate the lease with respect to that leased property, in which event the tenant will be required to pay us any shortfall in the amount of proceeds we receive from insurance compared to the replacement cost of that leased property and the rent will be reduced accordingly.

Events of Default. Under our leases, events of default generally include:

- failure of the tenant to pay rent or any other money when due;
- failure of the tenant to provide periodic financial reports when due;
- failure of the tenant to maintain required insurance coverages;
- revocation of any material license necessary for the operation of our properties; or
- failure of the tenant to perform other terms, covenants or conditions of the lease and the continuance thereof for a specified period after written notice.

Default Remedies. Upon the occurrence of any event of default under our leases, we generally may (subject to applicable law):

- terminate the affected lease and accelerate the rent;
- terminate the tenant's rights to occupy and use the affected property, rent the property to another tenant and recover from the defaulting tenant the difference between the amount of rent which would have been due under the lease and the rent received pursuant to the reletting;
- make any payment or perform any act required to be paid or performed by the tenant under its lease;

- exercise our rights with respect to any collateral securing the lease; and
- require the defaulting tenant to reimburse us for all payments made and all costs and expenses incurred in connection with our exercise of any of the foregoing remedies.

Senior Housing Operating Portfolio Management Agreements

Because we are a REIT for U.S. federal income tax purposes, we generally may not operate our senior living communities. For most of our senior living communities, we use a taxable REIT subsidiary, or TRS, structure authorized by the REIT Investment Diversification and Empowerment Act. Under this structure, we lease certain of our communities to our TRSs and our TRSs enter into long term management agreements with third parties for the operation of such communities. These management agreements provide the manager with a management fee, which is a percentage of the gross revenues realized at the communities, plus reimbursement for the manager's direct costs and expenses related to the communities, and until January 1, 2020, generally provided the manager with an incentive fee equal to a percentage of the annual net operating income, or NOI, of the communities after we realize an annual minimum return.

On April 1, 2019, we entered into a transaction agreement with Five Star, or the Transaction Agreement, to restructure our business arrangements with Five Star, or the Restructuring Transaction. We completed the Restructuring Transaction effective January 1, 2020, as further described elsewhere in this Annual Report on Form 10-K, including in Note 5 to our Consolidated Financial Statements included in Part IV, Item 15 of this Annual Report on Form 10-K. Pursuant to the Restructuring Transaction, among other things, our previously existing master leases with Five Star for 166 of our senior living communities and our previously existing management and pooling agreements for 78 of our senior living communities were terminated and replaced, or the Conversion, with new management agreements and a related omnibus agreement, or collectively, the New Management Agreements. Currently, all of these senior living communities are managed by Five Star pursuant to the New Management Agreements.

Pursuant to the New Management Agreements, Five Star will receive a management fee equal to 5% of the gross revenues realized at the applicable senior living communities plus reimbursement for its direct costs and expenses related to such communities, as well as an annual incentive fee equal to 15% of the amount by which the annual earnings before interest, taxes, depreciation and amortization, or EBITDA, of all communities on a combined basis exceeds the target EBITDA for all communities on a combined basis for such calendar year, provided that in no event shall the incentive fee be greater than 1.5% of the gross revenues realized at all communities on a combined basis for such calendar year.

The New Management Agreements expire in 2034, subject to Five Star's right to extend for two consecutive five year terms if Five Star achieves certain performance targets for the combined managed communities portfolio, unless earlier terminated or timely notice of nonrenewal is delivered. The New Management Agreements also provide us with the right to terminate the New Management Agreement for any community that does not earn 90% of the target EBITDA for such community for two consecutive calendar years or in any two of three consecutive calendar years, with the measurement period commencing January 1, 2021 (and the first termination not possible until the beginning of calendar year 2023); provided we may not in any calendar year terminate communities representing more than 20% of the combined revenues for all communities for the calendar year prior to such termination. Pursuant to a guaranty agreement dated as of January 1, 2020, or the Guaranty, made by Five Star in favor of our applicable subsidiaries, Five Star has guaranteed the payment and performance of each of its applicable subsidiary's obligations under the applicable New Management Agreements.

Although we have various rights as owner under the New Management Agreements, we rely on the manager's personnel, good faith, expertise, performance, technical resources, operating efficiencies, information systems, proprietary information and judgment to manage our managed senior living communities efficiently and effectively. We also rely on the manager to set resident fees and otherwise operate our managed senior living communities in compliance with the New Management Agreements.

Under the New Management Agreements, we assume the operational risks and fund the operations and capital and maintenance requirements for all those senior living communities that Five Star previously leased from us and now manages for our account. As a result, we are required to maintain sufficient funding for these purposes. Further, any funding we maintain for these purposes will not be available for other business purposes, which may limit our ability to pursue other business opportunities and could limit the amount of distributions we can pay to our shareholders. As a result of the Restructuring Transaction and the New Management Agreements, the operating results of our senior living communities that were previously leased from us and operated by Five Star and are now managed by Five Star for our account are now included in our operating results, together with the operating results of our other senior living communities that are managed by Five Star for our account. This is a significant change in our historical arrangements with Five Star and may result in our realizing significantly different operating results from our senior living communities in the future, including increased variability.

For more information about the New Management Agreements, see Note 5 to our Consolidated Financial Statements included in Part IV, Item 15 of this Annual Report on Form 10-K.

Our Investment and Operating Policies

Our investment objectives include increasing cash flows from operations from dependable and diverse sources in order to make distributions to our shareholders. To achieve these objectives, we seek to: maintain a strong capital base of shareholders' equity; invest in strong credit quality properties with strong credit quality tenants and managers; use debt leverage to fund additional investments which increase cash flow from operations because of positive spreads between our cost of investment capital and investment yields; structure investments which generate a minimum return and provide an opportunity to participate in operating growth at our properties; when market conditions permit, refinance debt with additional equity or long term debt; and pursue diversification so that our cash flow from operations comes from diverse properties and tenants.

Our Board of Trustees may change our investment and operating policies at any time without a vote of, or notice to, our shareholders.

Acquisition Policies

Our present acquisition strategy is to acquire additional properties primarily for income and secondarily for appreciation potential. We may purchase individual properties or multiple properties in one portfolio. In implementing this acquisition strategy, we consider a range of factors relating to each proposed acquisition, including, but not limited to:

- the use and size of the property;
- the location of the property;
- the proposed acquisition price;
- the existing or proposed lease or management terms;
- the availability and reputation of an experienced and financially qualified tenants, managers or guarantors;
- the historical and projected cash flows from the operations of the property;
- the estimated replacement cost of the property;
- the design, construction quality, physical condition and age of the property and expected capital expenditures or improvements that may be needed at the property;
- the competitive market environment of the property;
- the growth, tax and regulatory environments of the market in which the property is located;
- the price segment and payment sources in which the property is operated;
- the strategic fit of the property within our portfolio;
- our weighted average long term cost of capital compared to projected returns we may realize by owning the property;
- the level of permitted services and regulatory history of the property and its historical tenants and managers; and
- the existence of alternative sources, uses or needs for capital.

An important part of our acquisition strategy is to identify and select, or create, qualified, experienced and financially stable tenants and managers.

Disposition Policies

In April 2019, we announced our plan to sell properties to reduce our leverage, with a focus on the sale of underperforming senior living communities and non-core assets. We do not believe that the sales of these properties represent a strategic shift in our business. As these planned asset sales are completed, we plan to begin to execute a capital recycling program to accretively grow our portfolio. Pursuant to this capital recycling program, we plan to selectively sell certain properties from time to time to fund future acquisitions and to strategically update, rebalance and reposition our investment portfolio, and to maintain leverage consistent with our investment grade rated peers with a goal of (1) improving the asset quality of our portfolio by reducing the average age, lengthening the weighted average term of our leases and increasing the likelihood of retaining our tenants and (2) increasing our distributions to shareholders.

Other than as described, we generally consider ourselves to be a long term owner of properties and are more interested in the long term earnings potential of our properties and stability of our portfolio than selling properties for short term gains. However, from time to time, we may consider the sale of all or a stake in one or more of our properties or other investments. We make disposition decisions based on a number of factors, including, but not limited to, the following:

- our ability to lease or operate the affected property on terms acceptable to us or have the affected property managed with our realizing acceptable returns;
- the manager's or tenant's desire to acquire or operate the affected property;
- the manager's or tenant's desire to dispose of or cease operating the affected property;
- the proposed sale price;
- the remaining length of the lease relating to the property and its other terms;
- our evaluation of future cash flows which may be achieved from the property;
- the strategic fit of the property or investment within our portfolio;
- the capital required to maintain the property;
- the estimated value we may receive by selling the property;
- our intended use of the proceeds we may realize from the sale of a property; and
- the existence of alternative sources, uses or needs for capital.

Other Investments

We have no policies which specifically limit the percentage of our assets that may be invested in any individual property, in any one type of property, in properties leased to any one tenant or to an affiliated group of tenants or in properties operated by any one tenant or manager or by an affiliated group of tenants or managers or in securities of one or more persons.

We own a significant number of common shares of Five Star and we expect to own these shares for the foreseeable future. However, we may sell some or all of our Five Star common shares, or our ownership interest in Five Star may otherwise be diluted in the future. We may also in the future acquire additional common shares or securities of other entities, including entities engaged in real estate activities. We may invest in the securities of other entities for the purpose of exercising control, or otherwise, make loans to other persons or entities, engage in the sale of investments, offer securities in exchange for property or repurchase or reacquire our securities.

We prefer wholly owned investments in fee interests. However, circumstances may arise in which we may invest in leaseholds, joint ventures, mortgages and other real estate interests. We may invest or enter into real estate joint ventures if we conclude that by doing so we may benefit from the participation of co-venturers or that our opportunity to participate in the investment is contingent on the use of a joint venture structure. For example, in March 2017, we entered a joint venture with a sovereign investor for one of our life science properties located in Boston, Massachusetts. Further, we may acquire interests in joint ventures as part of an acquisition of properties or entities. We may invest in participating, convertible or other types of

mortgages if we conclude that by doing so, we may benefit from the cash flow or appreciation in the value of a property which is not available for purchase.

Mergers and Strategic Combinations

In the past, we have considered the possibility of entering into mergers or strategic combinations with other companies and we may explore such possibilities in the future.

Our Financing Policies

There are no limitations in our organizational documents on the type or amount of indebtedness we may incur. Our revolving credit facility and term loan agreements and our senior unsecured notes indentures and their supplements contain financial covenants which, among other things, restrict our ability to incur indebtedness and require us to maintain financial ratios and a minimum net worth. However, we may seek to amend these covenants or seek replacement financings with less restrictive covenants. In the future, we may decide to seek changes in the financial covenants which currently restrict our debt leverage based upon then current economic conditions, the relative availability and costs of debt versus equity capital and our need for capital to take advantage of acquisition opportunities or otherwise.

We may also seek additional capital through equity offerings, debt financings, retention of cash flows in excess of distributions to shareholders, sales of properties or a combination of these methods or other transactions. To the extent we obtain additional debt financing, we may do so on an unsecured basis or a secured basis. We may seek to obtain lines of credit or to issue securities senior to our common shares, including preferred shares or debt securities, some of which may be convertible into our common shares or be accompanied by warrants to purchase our common shares. We may also finance acquisitions by assuming debt, through an exchange of properties or through the issuance of equity or other securities. The proceeds from any of our financings may be used to pay distributions, to provide working capital, to refinance existing indebtedness or to finance acquisitions and expansions of existing or new properties.

We currently have a \$1.0 billion unsecured revolving credit facility that we use for working capital and general business purposes and for funding acquisitions on an interim basis until we are able to refinance them with equity or long term debt. In some instances, we may assume debt in connection with our acquisition of properties or place new mortgages on properties we own. For more information regarding our financing sources and activities, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Our Investment and Financing Liquidity and Resources” in Part II, Item 7 of this Annual Report on Form 10-K.

Generally, we intend to manage our leverage in a way that may allow us to maintain “investment grade” ratings from nationally recognized statistical rating organizations; however, we cannot be sure that we will be able to maintain our investment grade ratings.

Our Board of Trustees may change our financing policies at any time without a vote of, or notice to, our shareholders.

Our Manager

RMR Inc. is a holding company and substantially all of its business is conducted by its majority owned subsidiary, The RMR Group LLC, or RMR LLC. The Chair of our Board of Trustees and one of our Managing Trustees, Adam D. Portnoy, as the sole trustee of ABP Trust, is the controlling shareholder of RMR Inc. and is a managing director, president and chief executive officer of RMR Inc. and an officer and employee of RMR LLC. Jennifer B. Clark, our other Managing Trustee and our Secretary, also serves as a managing director and as executive vice president, general counsel and secretary of RMR Inc., an officer of ABP Trust and an officer and employee of RMR LLC. Our day to day operations are conducted by RMR LLC. RMR LLC originates and presents investment and divestment opportunities to our Board of Trustees and provides management and administrative services to us. RMR LLC has a principal place of business at Two Newton Place, 255 Washington Street, Suite 300, Newton, Massachusetts, 02458-1634, and its telephone number is (617) 796-8390. RMR LLC or its subsidiaries also acts as the manager to Service Properties Trust (formerly known as Hospitality Properties Trust), or SVC, Industrial Logistics Properties Trust, or ILPT, Office Properties Income Trust, or OPI, and Tremont Mortgage Trust, or TRMT, and provides management and other services to other private and public companies, including Five Star, TravelCenters of America Inc., or TA, and Sonesta International Hotels Corporation, or Sonesta. As of the date of this Annual Report on Form 10-K, the executive officers of RMR LLC are: Adam Portnoy, President and Chief Executive Officer; David M. Blackman, Executive Vice President; Jennifer B. Clark, Executive Vice President, General Counsel and Secretary; Matthew P. Jordan, Executive Vice President, Chief Financial Officer and Treasurer; John G. Murray, Executive Vice President; and Jonathan M. Pertchik, Executive Vice President. Our President and Chief Operating Officer, Jennifer F. Francis, and our Chief Financial Officer and Treasurer, Richard W. Siedel, Jr., are Senior Vice Presidents of

RMR LLC. Mr. Siedel and other officers of RMR LLC also serve as officers of other companies to which RMR LLC or its subsidiaries provides management services.

Employees

We have no employees. Services which would otherwise be provided to us by employees are provided by RMR LLC and by our Managing Trustees and officers. As of December 31, 2019, RMR LLC had more than 600 full time employees in its headquarters and regional offices located throughout the United States.

Government Regulation and Reimbursement

The senior living and healthcare industries are subject to extensive, frequently changing federal, state and local laws and regulations. Although most of these laws and regulations affect the manner in which our tenants and managers operate our properties, some of them also impact us and the values of our properties. Some of the laws that impact or may impact us or our tenants or managers include: state and local licensure laws; laws protecting consumers against deceptive practices; laws relating to the operation of our properties and how our tenants and managers conduct their operations, such as health and safety, fire and privacy laws; federal and state laws affecting assisted living communities that participate in Medicaid and federal and state laws affecting SNFs, clinics and other healthcare facilities that participate in both Medicaid and Medicare that mandate allowable costs, pricing, reimbursement procedures and limitations, quality of services and care, food service and physical plants; resident rights laws (including abuse and neglect laws) and fraud laws; anti-kickback and physician referral laws; the Americans with Disabilities Act and similar state and local laws; and safety and health standards set by the federal Occupational Safety and Health Administration, or OSHA. Medicaid funding is available in some, but not all, states for assisted living services. State licensure standards for assisted living communities, SNFs, clinics and other healthcare facilities typically address facility policies, staffing, quality of services and care, resident rights, fire safety and physical plant matters, and related matters. We are unable to predict the future course of federal, state and local legislation or regulation. Changes in the regulatory framework could have a material adverse effect on the ability of our tenants to pay us rent, the profitability of our managed senior living communities and the values of our properties.

State and local health and social service agencies and other regulatory authorities regulate and license many senior living communities. State health authorities regulate and license clinics and other healthcare facilities. In most states in which we own properties, we and our tenants and managers are prohibited from providing certain services without first obtaining appropriate licenses. In addition, most states require a certificate of need, or CON, before an entity may open a SNF or expand services at an existing community. According to the National Conference of State Legislatures, some states also limit the number of assisted living facilities by requiring CONs. In addition, some states (such as California and Texas) that have eliminated CON laws have retained other means of limiting development of SNFs, including moratoria, licensing laws and limitations upon participation in the state Medicaid program. Senior living communities and certain other healthcare facilities must also comply with applicable state and local building, zoning, fire and food service codes before licensing or Medicare and Medicaid certification are granted. These laws and regulatory requirements could affect our ability and that of our tenants and managers to expand into new markets or to expand communities in existing markets.

In addition, government authorities have been subjecting healthcare facilities such as those that we own to increasing numbers of inspections, surveys, investigations, audits and other potential enforcement actions. We and our tenants and managers expend considerable resources to respond to such actions. Unannounced inspections or surveys may occur annually or biannually, or even more regularly, such as following a regulatory body's receipt of a complaint about a facility. From time to time in the ordinary course of business, we and our tenants and managers receive deficiency reports from state regulatory bodies resulting from those inspections and surveys. We and our tenants and managers seek to resolve most inspection deficiencies through a plan of corrective action relating to the affected facility's operations. If we or our tenants or managers fail to comply with any applicable legal requirements, or are unable to cure deficiencies, certain sanctions may be imposed and, if imposed, may adversely affect the ability of our tenants to pay their rent to us, the profitability of our managed senior living communities and the values of our properties. In addition, government agencies typically have the authority to take or seek further action against a licensed or certified facility, including the ability to impose civil money penalties or fines; suspend, modify, or revoke a license or Medicare or Medicaid participation; suspend or deny admissions of residents; deny payments in full or in part; institute state oversight, temporary management or receivership; and impose criminal penalties. Loss, suspension or modification of a license or certification or the imposition of other sanctions or penalties could adversely affect the values of our properties, the ability of our tenants to pay their rents and the profitability of our managed senior living communities.

The Centers for Medicare and Medicaid Services, or CMS, of the U.S. Department of Health and Human Services, or HHS, has increased its oversight of state survey agencies in recent years, focusing its enforcement efforts on SNFs and chains of SNF operators with findings of substandard care or repeat and continuing deficiencies and violations. CMS has also sought to provide consumers with additional information relating to SNFs. Moreover, state Attorneys General typically enforce consumer

protection laws relating to senior living services, clinics and other healthcare facilities. In addition, state Medicaid fraud control agencies may investigate and prosecute assisted living communities and SNFs, clinics and other healthcare facilities under fraud and patient abuse and neglect laws.

Current state laws and regulations allow enforcement officials to make determinations as to whether the care provided by or on behalf of our tenants or by our managers at our facilities exceeds the level of care for which a particular facility is licensed. A finding that a community is delivering care beyond the scope of its license can result in closure of the community and the immediate discharge and transfer of residents, which could adversely affect the ability of that tenant to pay rent to us, the profitability of our managed senior living communities and the values of our properties. Furthermore, some states and the federal government allow certain citations of one facility to impact other facilities owned or operated by the same entity or a related entity, including facilities in other states. Revocation of a license or certification at one facility could therefore impact our or a tenant's or manager's ability to obtain new licenses or certifications or to maintain or renew existing licenses at other facilities, which could adversely affect the ability of that tenant to pay rent to us, the profitability of that manager, the profitability and values of our properties and trigger defaults under our tenants' leases and managers' management agreements and our or our tenants' or managers' credit arrangements, or adversely affect our or our tenants' or managers' ability to obtain financing in the future. In addition, an adverse finding by state officials could serve as the basis for lawsuits by private plaintiffs and lead to investigations under federal and state laws, which could result in civil and/or criminal penalties against the facility as well as a related entity.

For the year ended December 31, 2019, 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 revenue is dependent upon Medicare and Medicaid programs. Our tenants and managers operate facilities in many states and they and we participate in federal and state healthcare payment programs, including the federal Medicare and state Medicaid benefit programs for services in SNFs and other similar facilities and state Medicaid programs for services in assisted living communities. In light of the current and projected federal budget deficit and challenging state fiscal conditions, there have been numerous recent legislative and regulatory actions or proposed actions with respect to federal Medicare rates and state Medicaid rates and federal payments to states for Medicaid programs, each of which, or in any combination, could have a material adverse effect on the ability of our tenants to pay us rent, the profitability of our managed senior living communities and the values of our properties. Examples include:

- CMS's maintenance and enforcement of Conditions of Participation that healthcare organizations must meet in order to participate in the Medicare and Medicaid programs. These standards are designed to improve the quality of care and protect the health and safety of beneficiaries. In September 2016, CMS released a final rule to comprehensively update the requirements for long term care facilities that participate in Medicare and Medicaid. These requirements will increase the cost of operations for long term care facilities that participate in Medicare and Medicaid, such as SNFs. CMS estimated in the final rule that the cost of complying with all of the new requirements per facility would be approximately \$62,900 in the first year, and approximately \$55,000 each year thereafter. However, we believe new requirements often cost considerably more than CMS estimates.
- In July 2019, CMS announced two rules - one final and one proposed - to further update requirements that long term care facilities that participate in Medicare and Medicaid must meet. Specifically, the final rule repeals the prohibition on the use of pre-dispute, binding arbitration agreements by long term care facilities. The final rule also imposes certain safeguards intended to increase the transparency of arbitration agreements used by long term care facilities, as well as the related arbitration process, including requiring that a facility not require any resident or his or her representative to sign an arbitration agreement as a condition of admission to the facility. Under the proposed rule, CMS proposes to further reform the requirements for long term care facilities by eliminating or reducing certain requirements deemed unnecessary, obsolete, or excessively burdensome. Notably, CMS put forward proposals to modify certain requirements related to grievance policies, infection control staffing, and compliance program requirements, among other changes. We cannot estimate the type or magnitude of the potential Medicare and Medicaid policy changes, but they may be material to and adversely affect our future results of operations.
- Medicare's reimbursement of SNFs under the SNF Prospective Payment System, or SNF PPS, which provides a fixed payment for each day of care provided to a Medicare beneficiary. The SNF PPS payments cover substantially all Medicare Part A services the beneficiary receives. The SNF PPS historically required SNFs to assign each resident to a care group depending on that resident's medical characteristic and service need, known as Resource Utilization Groups, or RUGs.
- On July 31, 2018, CMS finalized its proposal to replace the RUG model, with a revised case-mix methodology called the Patient-Driven Payment Model, or PDPM, which became effective October 1, 2019. The PDPM focuses on clinically relevant factors, rather than volume-based payment, by using ICD-10 diagnosis codes and other patient

characteristics as the basis for patient classification. Therapy reimbursement will be linked to patient diagnoses with higher reimbursements being provided to higher-acuity patients. As a result, initial patient assessments, including obtaining full clinical documentation from hospitals and accurately applying ICD-10 coding to reflect a patient's full clinical status, will become increasingly important factors in reimbursement. CMS estimates that paperwork simplification related to patient assessments will reduce reporting burdens for SNFs by approximately \$2.0 billion over 10 years. With regard to Medicaid, in an update to PDPM guidance issued on April 4, 2019, CMS will permit states to continue reimbursement based on the state's previous Medicaid SNF payment system, rather than requiring conversion to PDPM by October 1, 2020.

- On July 30, 2019, CMS issued the latest SNF PPS final rule, which CMS estimates will increase Medicare payments to SNFs by approximately \$851.0 million for federal fiscal year 2020, or 2.4%, compared to federal fiscal year 2019. In addition, CMS has finalized changes to the definition of group therapy performed in a SNF setting in order to align the definition with other post-acute settings. Previously, a group had been defined as having exactly four patients. Under the new definition, a group may have between two and six patients doing the same or similar activities. Further, CMS finalized two new quality measures related to data exchange between SNFs and other providers for inclusion in the SNF Quality Reporting Program.
- The Middle Class Tax Relief and Job Creation Act of 2012, which was enacted in February 2012, incrementally reduced the SNF reimbursement rate for Medicare bad debt from 100% to 65% by federal fiscal year 2015 for beneficiaries dually eligible for Medicare and Medicaid. Because a majority of SNF bad debt has historically been related to dual eligible beneficiaries, this rule has a substantial negative effect on SNFs. The same law also reduced the SNF Medicare bad debt reimbursement rate for Medicare beneficiaries not eligible for Medicaid from 70% to 65% in federal fiscal year 2013 and going forward.
- In addition to the annual changes described above, the Budget Control Act of 2011 and the Bipartisan Budget Act of 2013 allow for automatic reductions in federal spending by means of a process called sequestration, which reduces Medicare payment rates by 2.0% through 2023. In subsequent years, Congress approved additional extensions of Medicare sequestration, through 2029. Medicaid is exempt from the automatic reductions, as are certain Medicare benefits. We are unable to predict the long term financial impact of the automatic payment cuts.

Our tenants' and managers' Medicare Part B outpatient therapy revenue rates are tied to the Medicare Physician Fee Schedule, or MPFS, which has been subject to separate limitations on rate growth:

- In 2006, Medicare payments for outpatient therapies became subject to payment limits. The Deficient Reduction Act of 2005, or the DRA, created an exception process under which beneficiaries could request an exception from the cap and be granted the amount of services deemed medically necessary by Medicare. In April 2014, the Protecting Access to Medicare Act of 2014, or PAMA, extended the Medicare outpatient therapy cap exception process through March 2015, postponing the implementation of firm limits on Medicare payments for outpatient therapies. In April 2015, Congress passed the Medicare Access and CHIP Reauthorization Act of 2015, or MACRA, which extended the outpatient therapy cap exceptions process from March 2015 through December 2017, further postponing the implementation of strict limits on Medicare payments for outpatient therapies. The Bipartisan Budget Act of 2018 permanently repealed the caps, effective January 1, 2018.
- In October 2016, CMS issued a final rule to implement the Merit-Based Incentive Payment System, or MIPS, and Advanced Alternative Payment Models, or APMs, which together CMS calls the Quality Payment Program. These reforms were mandated under MACRA and replace the Sustainable Growth Rate methodology for calculating updates to the MPFS. Starting in 2019, providers may be subject to either MIPS payment adjustments or APM incentive payments. MIPS consolidates the various CMS incentive and quality programs into a single reporting mechanism. Providers will receive either incentive payments or reimbursement cuts based on their compliance with MIPS requirements and their performance against a mean and median threshold of all MIPS eligible providers. APMs are innovative models approved by CMS for paying healthcare providers for services provided to Medicare beneficiaries that draw on existing programs, such as the bundled payment and shared savings models.
- Effective January 1, 2019, CMS eliminated functional status reporting requirements due to the Bipartisan Budget Act of 2018's elimination of statutory caps on outpatient therapy, discussed above. The final rule also introduced a new modifier to identify services performed by physical and occupational therapy assistants in advance of payment reductions under the Bipartisan Budget Act of 2018. However, these reductions will not become effective until January 1, 2022. CMS also expanded the definition of MIPS-eligible clinicians to include physical and occupational therapists.

It is unclear whether these adjustments in Medicare rates will compensate for the increased costs our tenants and managers may incur for services to residents whose services are paid for by Medicare. Current and future programmatic changes to Medicaid eligibility and rates may also impact us:

- The DRA and the ACA also include provisions that encourage states to provide long term care services in home and community based settings rather than in SNFs or other inpatient facilities, including increased federal Medicaid spending for some states through the use of several programs. One such program, the Community First Choice Option, or the CFC Option, grants states that choose to participate in the program a 6% increase in federal matching payments for related medical assistance expenditures. According to CMS, as of May 2017, eight states had currently approved CFC programs. We are unable to predict the effect of the implementation of the CFC Option and other similar programs on the ability of our tenants to pay rent to us, the profitability of our managed senior living communities and the values of our properties.
- The ACA extended and expanded eligibility for a program to award competitive grants to states for demonstration projects to provide home and community based long term care services to qualified individuals relocated from SNFs, providing certain increased federal medical assistance for each qualifying beneficiary. States are also permitted to include home and community based services as optional services under their Medicaid state plans, and states opting to do so may establish more stringent needs based criteria for SNF services than for home and community based services. The ACA also expanded the services that states may provide and limited their ability to set caps on enrollment, waiting lists or geographic limitations on home and community based services. These changes under the ACA may result in reduced payments for services, or the failure of Medicare, Medicaid or insurance payment rates to cover increasing costs.
- In January 2018, CMS issued a letter to State Medicaid Directors announcing that CMS would support state efforts to test incentives that make participation in work or other community engagement a requirement for continued Medicaid eligibility for non-elderly, non-pregnant adults. States would be required to have exemptions for individuals who are classified as “disabled” for Medicaid eligibility purposes, as well those with acute medical conditions or medical frailty that would prevent them from complying with the work requirement. As of December 2019, previously approved work requirements implemented in Arkansas, Kentucky and New Hampshire had been suspended by federal courts. Arkansas’s work requirements were later struck down by a federal appeals court panel and Kentucky’s governor rescinded the state’s work requirement waiver. Arizona, Indiana, Michigan, Ohio, South Carolina, Utah and Wisconsin have received CMS approval but have not yet implemented or have suspended implementation of work requirements. In addition, Alabama, Georgia, Idaho, Mississippi, Montana, Nebraska, Oklahoma, South Dakota, Tennessee and Virginia have submitted requests to modify their respective state Medicaid plans to include work requirements. The implementation of work requirements may reduce the availability of Medicaid coverage within our patient population.
- Some of the states in which our tenants and managers operate have not raised Medicaid rates by amounts sufficient to offset increasing costs or have frozen or reduced such rates. In June 2011, Congress ended certain temporary increases in federal payments to states for Medicaid programs that had been in effect since 2008. Some states are expanding their use of managed care, partly to control Medicaid program costs. Under the ACA, the federal government paid for 100% of a state's Medicaid expansion costs from 2014 to 2016 and gradually reduced its subsidy to 90% for 2020 and future years. We expect that the reduction of the federal subsidy, combined with the anticipated slow recovery of state revenues, may result in increases in state budget deficits, particularly in those states that are not participating in Medicaid expansion. As a result, certain states may continue to reduce Medicaid payments to healthcare service providers including some of our tenants and us, as a part of an effort to balance their budgets.
- In November 2019, CMS proposed new reporting requirements for state supplemental payments to Medicaid providers and limitations on approvals to state plan amendments for payments for services at long term care facilities, including SNFs. The finalization of the proposal could impact the availability of supplemental Medicaid payments to SNFs.

In addition to the programmatic and reimbursement changes discussed above, payments to SNFs will be increasingly determined by the quality of care provided.

- We and some of our tenants and managers are subject to the Improving Medicare Post-Acute Care Transformation Act of 2014, or the IMPACT Act, which requires certain post-acute care providers, including SNFs, to begin collecting and reporting various types of data. Specifically, under the SNF Quality Reporting Program, HHS required SNFs to begin reporting certain quality measures and resource use measures in a standardized and interoperable format as of

October 2016 and to begin reporting certain patient assessment data in such a format by October 2018. Since federal fiscal year 2018, SNFs that fail to comply with the reporting requirements by the established times will be subject to a 2.0% reduction in their Medicare payment rates for that fiscal year. Beginning in October 2018, HHS made this data publicly available.

- PAMA established a SNF Value-Based Purchasing Program, under which HHS will assess SNFs based on hospital readmissions and make these assessments available to the public. In the SNF PPS final rule for fiscal year 2016, CMS adopted a 30 day all-cause, all-condition hospital readmission measure for SNFs, which was replaced with an all-condition, risk-adjusted potentially preventable hospital readmission rate measure in the SNF PPS final rule for fiscal year 2017. Beginning in federal fiscal year 2019, Medicare payment rates are partially based on SNFs' performance scores on this measure. The 2020 federal fiscal year update adopted two new quality measures to assess whether certain health information is provided by the SNF at the time of transfer or discharge. The update also adopted several standardized patient assessment data elements. To fund the program, CMS will reduce Medicare payments to all SNFs by 2.0% through a withhold mechanism starting in October 2018 and then redistribute approximately 60% of the withheld payments as incentive payments to those SNFs with the highest rankings on this measure. CMS estimates that the federal fiscal year 2020 changes to the SNF VBP program will decrease payments to SNFs by an aggregate of approximately \$213.6 million, compared to federal fiscal year 2019.

The ACA has resulted in changes to insurance, payment systems and healthcare delivery systems. The ACA was intended to expand access to health insurance coverage, including expansion of access to Medicaid coverage, and reduce the growth of healthcare expenditures while simultaneously maintaining or improving the quality of healthcare. The ACA also encouraged the development and testing of bundled payment for services models, the development of Medicare value-based purchasing plans as well as several initiatives to encourage states to develop and expand home and community based services under Medicaid. Some of the provisions of the ACA took effect immediately, whereas others took effect or will take effect at later dates. Recently, the ACA has been subject to significant reform, repeal and revision efforts by the executive and legislative branches of the federal government and subject to changes resulting from lawsuits filed with the judicial branch of the federal government. It is unclear what the result of any of these legislative, executive and regulatory reform efforts may be or the effect they may have on us, if any. Examples include:

- In June 2017, HHS solicited suggestions for changes that could be made within the existing ACA legal framework to improve health insurance markets and meet the Trump Administration's reform goals. HHS sought comments from interested parties to inform its ongoing efforts to create a more patient-centered healthcare system that adheres to the key principles of affordability, accessibility, quality, innovation and empowerment.
- On October 12, 2017, President Trump signed an executive order that modified certain aspects of the ACA. Specifically, the executive order directed federal agencies to reduce limits on association health plans and temporary insurance plans, allowing more widespread offerings of plans that do not adhere to all of the ACA's mandates, and to permit workers to use funds from tax advantaged accounts to pay for their own coverage. On October 2, 2018, the U.S. Department of Labor, the U.S. Internal Revenue Service, or the IRS, and CMS issued regulations to permit insurers to sell short-term plans that provide coverage for up to 12 months; previous Obama Administration guidance had limited such plans to 90 days. Short term plans are often less expensive than plans that meet the requirements of the ACA; however, short-term plans are also exempt from the ACA's essential health benefits and other consumer protection requirements. In addition, on October 22, 2018, CMS announced that future Section 1332 of the ACA state health insurance innovation waivers may include short term or association health plans as having coverage comparable to ACA plans.
- On October 12, 2017, the Trump Administration also announced that it would stop paying what are known as cost sharing reduction subsidies to issuers of qualified health plans under the ACA. As a result, in 2018 payors generally increased premiums for plans offered on exchanges in order to make up for termination of federal cost sharing reduction subsidies.
- In 2018, the ACA was also subject to lawsuits that sought to invalidate some or all of its provisions. In February 2018, a lawsuit brought in federal district court in Texas by 18 attorneys general and two governors argued that, following the legislative repeal of the ACA mandate's tax penalties pursuant to the 2017 tax reform legislation, which set the penalty to \$0, the entire ACA should be enjoined as invalid. On December 14, 2018, the district court found that the ACA, following the mandate repeal, was unconstitutional. Following the ruling, additional state attorneys general intervened as defendants in the case and on December 30th the court granted the intervenor defendants' request for a stay pending appeal.

- In January 2019, the Department of Justice, or the DOJ, and the intervenor defendants appealed the district court's 2018 decision to the Fifth Circuit Court of Appeals. On December 18, 2019, a three-judge panel of the Fifth Circuit Court of Appeals held in a 2-1 opinion that the ACA's individual mandate was unconstitutional, but, rather than determining whether the remainder of the ACA is valid, the Fifth Circuit Court of Appeals remanded the case for additional analysis on severability.

If the ACA is repealed, replaced or modified, additional regulatory risks may arise and our future financial results could be adversely and materially affected. We are unable to predict the impact of these or other recent legislative, regulatory or judicial actions or proposed actions with respect to state Medicaid rates, the availability of Medicaid and private insurer coverage and payments to states for Medicaid programs on us.

We are unable to predict the impact of these or other recent legislative and regulatory actions or proposed actions with respect to state Medicaid rates and federal Medicare rates and federal payments to states for Medicaid programs discussed above on us and those of our tenants and managers that derive a portion of their revenues from Medicare, Medicaid and other government programs. The changes implemented or to be implemented as a result of such actions could result in the failure of Medicare, Medicaid or private payment reimbursement rates to cover increasing costs, in a reduction in payments or other circumstances.

Regulatory Reform. In the fall of 2019, the Trump Administration, including HHS, updated its “Unified Agenda of Regulatory and Deregulatory Actions,” which lists the scope and anticipated timing of pending and future regulations. In releasing the agenda, the Administration highlighted its “ongoing progress toward the goals of more effective and less burdensome regulation,” which appears to be consistent with Executive Order 13771's mandate to eliminate two economically significant regulations for every one added. It is unclear how these regulatory reform efforts will impact our tenants' and managers' operations. Some of the regulatory updates described above may in the future be repealed, replaced or modified as a result of these regulatory reform efforts. For instance, in the latest update, HHS and CMS stated their intent to propose changes to the current Conditions of Participation or Conditions for Coverage that healthcare organizations must meet in order to begin and continue participating in the Medicare and Medicaid programs. This may include additional changes to the Conditions of Participation for long term care facilities that participate in Medicare and Medicaid, such as our SNFs. We are unable to predict the impact on us of these or other regulatory reform efforts. While these efforts could ultimately decrease regulatory burden for our operations in the long-term, they may increase regulatory uncertainty in the near-term.

Other Matters. Federal and state efforts to target false claims, fraud and abuse and violations of anti-kickback, physician referral and privacy laws by providers under Medicare, Medicaid and other public and private programs have increased in recent years, as have civil monetary penalties, treble damages, repayment requirements and criminal sanctions for noncompliance. The federal False Claims Act, as amended and expanded by the Fraud Enforcement and Recovery Act of 2009 and the ACA, provides significant civil monetary penalties and treble damages for false claims and authorizes individuals to bring claims on behalf of the federal government for false claims. The federal Civil Monetary Penalties Law authorizes the Secretary of HHS to impose substantial civil penalties, treble damages and program exclusions administratively for false claims or violations of the federal anti-kickback statute. In addition, the ACA increased penalties under federal sentencing guidelines between 20% and 50% for healthcare fraud offenses involving more than \$1.0 million.

Government authorities are devoting increasing attention and resources to the prevention, detection and prosecution of healthcare fraud and abuse. CMS contractors are also expanding the retroactive audits of Medicare claims submitted by SNFs and other providers, and recouping alleged overpayments for services determined by auditors not to have been medically necessary or not to meet Medicare coverage criteria as billed. State Medicaid programs and other third party payers are conducting similar medical necessity and compliance audits. The ACA facilitates the DOJ's ability to investigate allegations of wrongdoing or fraud at SNFs, in part because of increased cooperation and data sharing among CMS, the Office of the Inspector General, the DOJ and the states. In March 2016, the DOJ also announced the launch of 10 regional intergovernmental task forces across the country to identify and take enforcement action against SNFs that provide substandard care to residents. In 2019, the DOJ announced two settlements with SNF facilities and their affiliates for \$2.0 million and \$10.0 million, as well as a \$44.0 million judgment, relating to allegedly unnecessary rehabilitation therapy services or upcoding. In addition, the ACA requires all states to terminate the Medicaid participation of any provider that has been terminated under Medicare or any Medicaid state plan. We and our tenants and managers expend significant resources to comply with these laws and regulations.

Federal and state laws designed to protect the confidentiality and security of individually identifiable information apply to us, our tenants and our managers. Under the federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, and the Health Information Technology for Economic and Clinical Health Act, or the HITECH Act, we, our managers and our tenants that are covered entities or business associates within the meaning of HIPAA must comply with rules adopted by HHS governing the privacy, security, use and disclosure of individually identifiable information, including financial information and protected health information, or PHI, and also with security rules for electronic PHI. There may be both civil monetary penalties

and criminal sanctions for noncompliance with such federal laws. In January 2013, HHS released the HIPAA Omnibus Rule, or the Omnibus Rule, which went into effect in March 2013 and required compliance with most provisions by September 2013. The Omnibus Rule modified various requirements, including the standard for providing breach notices, which was previously to perform an analysis of the harm of any disclosure to a more objective analysis relating to whether any PHI was actually acquired or viewed as a result of the breach. In addition to HIPAA, many states have enacted their own security and privacy laws relating to individually identifiable information. In some states, these laws are more stringent than HIPAA, and we, our tenants and our managers must comply with both the applicable federal and state standards. HIPAA enforcement efforts have increased considerably over the past few years, with HHS, through its Office for Civil Rights, entering into several multi-million dollar HIPAA settlements in 2019 alone. Finally, the Office for Civil Rights and other regulatory bodies have become increasingly focused on cybersecurity risks, including the emerging threat of ransomware and similar cyber attacks. The increasing sophistication of cybersecurity threats presents challenges to the entire healthcare industry.

We require our tenants and managers to comply with all laws that regulate the operation of our senior living communities. Although we do not believe that the costs to comply with these laws will have a material adverse effect on us, those costs may adversely affect the profitability of our managed senior living communities and the ability of our tenants to pay their rent to us. If we, our managers, or any of our tenants were subject to an action alleging violations of such laws or to any adverse determination concerning any of our or our tenants' or managers' licenses or eligibility for Medicare or Medicaid reimbursement or any substantial penalties, repayments or sanctions, these actions could materially and adversely affect the ability of our tenants to pay rent to us, the profitability of our managed senior living communities and the values of our properties. If our managers or any of our tenants becomes unable to operate our properties, or if any of our tenants becomes unable to pay its rent because it has violated government regulations or payment laws, we may experience difficulty in finding a substitute tenant or managers or selling the affected property at a price that provides us with a desirable return, and the value of the affected property may decline materially.

Federal, state and local agencies regulate our medical office and life science property tenants that provide healthcare services. Many states require medical clinics, ambulatory surgery centers, clinical laboratories and other outpatient healthcare facilities to be licensed and inspected for compliance with licensure regulations concerning professional staffing, services, patient rights and physical plant requirements, among other matters. Our tenants must comply with the Americans with Disabilities Act and similar state and local laws to the extent that such facilities are "public accommodations" as defined in those statutes. The obligation to comply with the Americans with Disabilities Act and similar laws is an ongoing obligation, and our tenants expend significant resources to comply with such laws.

Healthcare providers and suppliers, including physicians and other licensed medical practitioners, that receive federal or state reimbursement under Medicare, Medicaid or other federal or state programs must comply with the requirements for their participation in those programs. Our tenants that are healthcare providers or suppliers are subject to reimbursement rates that are increasingly subject to cost control pressures and may be reduced or may not be increased sufficiently to cover their increasing costs, including our rents.

The U.S. Food and Drug Administration, or the FDA, and other federal, state and local authorities extensively regulate our biotechnology laboratory tenants that develop, manufacture, market or distribute new drugs, biologicals or medical devices for human use. The FDA and such other authorities regulate the clinical development, testing, manufacture, quality control, safety, effectiveness, labeling, storage, record keeping, advertising and promotion of those products. Before a new pharmaceutical product or medical device may be marketed and distributed in the United States, the FDA must approve it as safe and effective for human use. Preclinical and clinical studies and documentation in connection with FDA approval of new pharmaceuticals or medical devices involve significant time, expense and risks of failure. Once a product is approved, the FDA maintains oversight of the product and its developer and can withdraw its approval, recall products or suspend their production, impose or seek to impose civil or criminal penalties on the developer or take other actions for the developer's failure to comply with regulatory requirements, including anti-fraud, false claims, anti-kickback or physician referral laws. Other concerns affecting our biotechnology laboratory tenants include the potential for subsequent discovery of safety concerns and related litigation, ensuring that the product qualifies for reimbursement under Medicare, Medicaid or other federal or state programs, cost control initiatives of payment programs, the potential for litigation over the validity or infringement of intellectual property rights related to the product, the eventual expiration of relevant patents and the need to raise additional capital. The cost of compliance with these regulations and the risks described in this paragraph, among others, could adversely affect the ability of our biotechnology laboratory tenants to pay rent to us. In addition, if these laws and regulations are altered, additional regulatory risks may arise. Depending upon what aspects of the laws and regulations are altered, the ability of our biotechnology laboratory tenants to pay rent to us could be adversely and materially affected.

Competition

Investing in medical office and life science properties, senior living communities and wellness centers is a highly competitive business. We compete against other REITs, numerous financial institutions, individuals and other public and private companies who are actively engaged in this business. Also, we compete for tenants and residents and for investments based on a number of factors including location, rents, rates, financings offered, underwriting criteria and reputation. Our ability to successfully compete is also impacted by economic and population trends, availability of acceptable investment opportunities, our ability to negotiate beneficial investment terms, availability and cost of capital and new and existing laws and regulations. Some of our competitors are dominant in selected geographic or property markets, including in markets we operate. Some of our competitors may have greater financial and other resources than we have. We believe the quality and diversity of our investments, the financial strength of many of our tenants and the experience and capabilities of our managers may afford us some competitive advantages and allow us to operate our business successfully despite the competitive nature of our business.

Our tenants and managers compete on a local and regional basis with operators of facilities that provide comparable services. Operators compete for residents and patients based on quality of care, reputation, physical appearance of properties, services offered, family preferences, physicians, staff, price and location. We and our tenants and managers also face competition from other healthcare facilities for qualified personnel, such as physicians and other healthcare providers that provide comparable facilities and services.

For additional information on competition and the risks associated with our business, see “Risk Factors” in Part I, Item 1A of this Annual Report on Form 10-K.

Environmental Matters

Ownership of real estate is subject to risks associated with environmental hazards. Under various laws, owners as well as tenants and operators of real estate may be required to investigate and clean up or remove hazardous substances present at or migrating from properties they own, lease or operate and may be held liable for property damage or personal injuries that result from hazardous substances. These laws also expose us to the possibility that we may become liable to government agencies or third parties for costs and damages they incur in connection with hazardous substances. In addition, these laws also impose various requirements regarding the operation and maintenance of properties and recordkeeping and reporting requirements relating to environmental matters that require us or the tenants or managers of our properties to incur costs to comply with.

We reviewed environmental surveys of the properties we own prior to their purchase. Based upon those surveys, other studies we may have since reviewed and our understanding of the operations of these properties by our tenants and managers, we do not believe that there are environmental conditions at any of our properties that have had or will have a material adverse effect on us. However, we cannot be sure that conditions are not present at our properties or that costs we may be required to incur in the future to remediate contamination will not have a material adverse effect on our business or financial condition or results of operations.

When major weather or climate-related events, such as hurricanes, floods or wildfires, occur near our properties, we, our tenants or our managers may relocate the residents at our senior living properties to alternative locations for their safety and we, our tenants or our managers may close or limit the operations of the impacted senior living community or office property until the event has ended and the property is then ready for operation. We or the tenants or managers of our properties may incur significant costs and losses as a result of these activities, both in terms of operating, preparing and repairing our properties in anticipation of, during and after a severe weather or climate-related event and in terms of potential lost business due to the interruption in operating our properties. Our insurance and our tenants' and managers' insurance may not adequately compensate us or them for these costs and losses.

Concerns about climate change have resulted in various treaties, laws and regulations that are intended to limit carbon emissions and address other environmental concerns. These and other laws may cause energy or other costs at our properties to increase. We do not expect the direct impact of these increases to be material to our results of operations, because the increased costs either would be the responsibility of our tenants directly or in the longer term, passed through and paid by tenants of our leased properties and residents at our managed senior living communities. Although we do not believe it is likely in the foreseeable future, laws enacted to mitigate climate change may make some of our buildings obsolete or cause us to make material investments in our properties, which could materially and adversely affect our financial condition or the financial condition of our tenants or managers and their ability to pay rent or returns to us. For more information regarding climate change and other environmental matters and their possible adverse impact on us, see “Risk Factors—Risks Related to Our Business—Ownership of real estate is subject to environmental risks,” “Risk Factors—Risks Related to Our Business—Ownership of real estate is subject to risks from

adverse weather and climate events” and “Management's Discussion and Analysis of Financial Condition and Results of Operations—Impact of Climate Change”.

Insurance

We or our tenants are generally responsible for the costs of insurance coverage for our properties and the operations conducted on them, including for casualty, liability, fire, extended coverage and rental or business interruption losses. Either we purchase the insurance ourselves and, except in the case of our managed senior living communities, our tenants are required to reimburse us, or the tenants buy the insurance directly and are required to list us as an insured party. We previously participated with other companies to which RMR LLC provides management services in a combined property insurance program through Affiliates Insurance Company, or AIC. The policies under that program expired on June 30, 2019 and we and the other companies to which RMR LLC provides management services elected not to renew the AIC property insurance program; we instead have purchased standalone property insurance coverage with unrelated third party insurance providers. For more information, see “Management's Discussion and Analysis of Financial Condition and Results of Operations—Related Person Transactions” and Note 7 to our Consolidated Financial Statements included in Part IV, Item 15 of this Annual Report on Form 10-K.

Internet Website

Our internet website address is www.dhcreit.com. Copies of our governance guidelines, our code of business conduct and ethics, or our Code of Conduct, and the charters of our audit, compensation and nominating and governance committees are posted on our website and also may be obtained free of charge by writing to our Secretary, Diversified Healthcare Trust, Two Newton Place, 255 Washington Street, Suite 300, Newton, Massachusetts 02458-1634. We also have a policy outlining procedures for handling concerns or complaints about accounting, internal accounting controls or auditing matters and a governance hotline accessible on our website that shareholders can use to report concerns or complaints about accounting, internal accounting controls or auditing matters or violations or possible violations of our Code of Conduct. We make available, free of charge, through the "Investors" section of our website, our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, as soon as reasonably practicable after these forms are filed with, or furnished to, the Securities and Exchange Commission, or SEC. Any material we file with or furnish to the SEC is also maintained on the SEC website, www.sec.gov. Securityholders may send communications to our Board of Trustees or individual Trustees by writing to the party for whom the communication is intended at c/o Secretary, Diversified Healthcare Trust, Two Newton Place, 255 Washington Street, Suite 300, Newton, Massachusetts 02458-1634 or by email at secretary@dhcreit.com. Our website address is included several times in this Annual Report on Form 10-K as a textual reference only. The information on or accessible through our website is not incorporated by reference into this Annual Report on Form 10-K or other documents we file with, or furnish to, the SEC. We intend to use our website as a means of disclosing material non-public information and for complying with our disclosure obligations under Regulation FD. Those disclosures will be included on our website in the “Investors” section. Accordingly, investors should monitor our website, in addition to following our press releases, SEC filings and public conference calls and webcasts.

Segment Information

As of December 31, 2019, we had two reporting segments: Office Portfolio and senior housing operating portfolio, or SHOP. Non-aggregated assets are classified as “non-segment” and include corporate assets and liabilities, certain triple net leased senior living communities leased to third party operators other than Five Star and wellness centers. For further information, see “Management's Discussion and Analysis of Financial Condition and Results of Operations” in Part II, Item 7 of this Annual Report on Form 10-K and our Consolidated Financial Statements included in Part IV, Item 15 of this Annual Report on Form 10-K.

MATERIAL UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following summary of material United States federal income tax considerations is based on existing law, and is limited to investors who own our shares as investment assets rather than as inventory or as property used in a trade or business. The summary does not discuss all of the particular tax considerations that might be relevant to you if you are subject to special rules under federal income tax law, for example if you are:

- a bank, insurance company or other financial institution;
- a regulated investment company or REIT;
- a subchapter S corporation;

- a broker, dealer or trader in securities or foreign currencies;
- a person who marks-to-market our shares for U.S. federal income tax purposes;
- a U.S. shareholder (as defined below) that has a functional currency other than the U.S. dollar;
- a person who acquires or owns our shares in connection with employment or other performance of services;
- a person subject to alternative minimum tax;
- a person who acquires or owns our shares as part of a straddle, hedging transaction, constructive sale transaction, constructive ownership transaction or conversion transaction, or as part of a “synthetic security” or other integrated financial transaction;
- a person who owns 10% or more (by vote or value, directly or constructively under the United States Internal Revenue Code of 1986, as amended, or the IRC) of any class of our shares;
- a U.S. expatriate;
- a non-U.S. shareholder (as defined below) whose investment in our shares is effectively connected with the conduct of a trade or business in the United States;
- a nonresident alien individual present in the United States for 183 days or more during an applicable taxable year;
- a “qualified shareholder” (as defined in Section 897(k)(3)(A) of the IRC);
- a “qualified foreign pension fund” (as defined in Section 897(l)(2) of the IRC) or any entity wholly owned by one or more qualified foreign pension funds;
- a person subject to special tax accounting rules as a result of their use of applicable financial statements (within the meaning of Section 451(b)(3) of the IRC); or
- except as specifically described in the following summary, a trust, estate, tax-exempt entity or foreign person.

The sections of the IRC that govern the federal income tax qualification and treatment of a REIT and its shareholders are complex. This presentation is a summary of applicable IRC provisions, related rules and regulations, and administrative and judicial interpretations, all of which are subject to change, possibly with retroactive effect. Future legislative, judicial or administrative actions or decisions could also affect the accuracy of statements made in this summary. We have not received a ruling from the IRS with respect to any matter described in this summary, and we cannot be sure that the IRS or a court will agree with all of the statements made in this summary. The IRS could, for example, take a different position from that described in this summary with respect to our acquisitions, operations, valuations, restructurings or other matters, which, if a court agreed, could result in significant tax liabilities for applicable parties. In addition, this summary is not exhaustive of all possible tax considerations, and does not discuss any estate, gift, state, local or foreign tax considerations. For all these reasons, we urge you and any holder of or prospective acquiror of our shares to consult with a tax advisor about the federal income tax and other tax consequences of the acquisition, ownership and disposition of our shares. Our intentions and beliefs described in this summary are based upon our understanding of applicable laws and regulations that are in effect as of the date of this Annual Report on Form 10-K. If new laws or regulations are enacted which impact us directly or indirectly, we may change our intentions or beliefs.

Your federal income tax consequences generally will differ depending on whether or not you are a “U.S. shareholder.” For purposes of this summary, a “U.S. shareholder” is a beneficial owner of our shares that is:

- an individual who is a citizen or resident of the United States, including an alien individual who is a lawful permanent resident of the United States or meets the substantial presence residency test under the federal income tax laws;
- an entity treated as a corporation for federal income tax purposes that is created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to federal income taxation regardless of its source; or

- a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or, to the extent provided in Treasury regulations, a trust in existence on August 20, 1996 that has elected to be treated as a domestic trust;

whose status as a U.S. shareholder is not overridden by an applicable tax treaty. Conversely, a “non-U.S. shareholder” is a beneficial owner of our shares that is not an entity (or other arrangement) treated as a partnership for federal income tax purposes and is not a U.S. shareholder.

If any entity (or other arrangement) treated as a partnership for federal income tax purposes holds our shares, the tax treatment of a partner in the partnership generally will depend upon the tax status of the partner and the activities of the partnership. Any entity (or other arrangement) treated as a partnership for federal income tax purposes that is a holder of our shares and the partners in such a partnership (as determined for federal income tax purposes) are urged to consult their own tax advisors about the federal income tax consequences and other tax consequences of the acquisition, ownership and disposition of our shares.

Taxation as a REIT

We have elected to be taxed as a REIT under Sections 856 through 860 of the IRC, commencing with our 1999 taxable year. Our REIT election, assuming continuing compliance with the then applicable qualification tests, has continued and will continue in effect for subsequent taxable years. Although we cannot be sure, we believe that from and after our 1999 taxable year we have been organized and have operated, and will continue to be organized and to operate, in a manner that qualified us and will continue to qualify us to be taxed as a REIT under the IRC.

As a REIT, we generally are not subject to federal income tax on our net income distributed as dividends to our shareholders. Distributions to our shareholders generally are included in our shareholders' income as dividends to the extent of our available current or accumulated earnings and profits. Our dividends are not generally entitled to the preferential tax rates on qualified dividend income, but a portion of our dividends may be treated as capital gain dividends or as qualified dividend income, all as explained below. In addition, for taxable years beginning before 2026 and pursuant to the deduction-without-outlay mechanism of Section 199A of the IRC, our noncorporate U.S. shareholders are generally eligible for lower effective tax rates on our dividends that are not treated as capital gain dividends or as qualified dividend income. No portion of any of our dividends is eligible for the dividends received deduction for corporate shareholders. Distributions in excess of our current or accumulated earnings and profits generally are treated for federal income tax purposes as returns of capital to the extent of a recipient shareholder's basis in our shares, and will reduce this basis. Our current or accumulated earnings and profits are generally allocated first to distributions made on our preferred shares, of which there are none outstanding at this time, and thereafter to distributions made on our common shares. For all these purposes, our distributions include cash distributions, any in kind distributions of property that we might make, and deemed or constructive distributions resulting from capital market activities (such as some redemptions), as described below.

Our counsel, Sullivan & Worcester LLP, is of the opinion that we have been organized and have qualified for taxation as a REIT under the IRC for our 1999 through 2019 taxable years, and that our current and anticipated investments and plan of operation will enable us to continue to meet the requirements for qualification and taxation as a REIT under the IRC. Our counsel's opinions are conditioned upon the assumption that our leases, our declaration of trust, and all other legal documents to which we have been or are a party have been and will be complied with by all parties to those documents, upon the accuracy and completeness of the factual matters described in this Annual Report on Form 10-K and upon representations made by us to our counsel as to certain factual matters relating to our organization and operations and our expected manner of operation. If this assumption or a description or representation is inaccurate or incomplete, our counsel's opinions may be adversely affected and may not be relied upon. The opinions of our counsel are based upon the law as it exists today, but the law may change in the future, possibly with retroactive effect. Given the highly complex nature of the rules governing REITs, the ongoing importance of factual determinations, and the possibility of future changes in our circumstances, neither Sullivan & Worcester LLP nor we can be sure that we will qualify as or be taxed as a REIT for any particular year. Any opinion of Sullivan & Worcester LLP as to our qualification or taxation as a REIT will be expressed as of the date issued. Our counsel will have no obligation to advise us or our shareholders of any subsequent change in the matters stated, represented or assumed, or of any subsequent change in the applicable law. Also, the opinions of our counsel are not binding on either the IRS or a court, and either could take a position different from that expressed by our counsel.

Our continued qualification and taxation as a REIT will depend upon our compliance with various qualification tests imposed under the IRC and summarized below. While we believe that we have satisfied and will satisfy these tests, our counsel does not review compliance with these tests on a continuing basis. If we fail to qualify for taxation as a REIT in any year, we will be subject to federal income taxation as if we were a corporation taxed under subchapter C of the IRC, or a C corporation, and our shareholders will be taxed like shareholders of regular C corporations, meaning that federal income tax generally will be

applied at both the corporate and shareholder levels. In this event, we could be subject to significant tax liabilities, and the amount of cash available for distribution to our shareholders could be reduced or eliminated.

If we continue to qualify for taxation as a REIT and meet the tests described below, we generally will not pay federal income tax on amounts we distribute to our shareholders. However, even if we continue to qualify for taxation as a REIT, we may still be subject to federal tax in the following circumstances, as described below:

- We will be taxed at regular corporate income tax rates on any undistributed “real estate investment trust taxable income,” determined by including our undistributed ordinary income and net capital gains, if any.
- If we have net income from the disposition of “foreclosure property,” as described in Section 856(e) of the IRC, that is held primarily for sale to customers in the ordinary course of a trade or business or other nonqualifying income from foreclosure property, we will be subject to tax on this income at the highest regular corporate income tax rate.
- If we have net income from “prohibited transactions” — that is, dispositions at a gain of inventory or property held primarily for sale to customers in the ordinary course of a trade or business other than dispositions of foreclosure property and other than dispositions excepted by statutory safe harbors — we will be subject to tax on this income at a 100% rate.
- If we fail to satisfy the 75% gross income test or the 95% gross income test discussed below, due to reasonable cause and not due to willful neglect, but nonetheless maintain our qualification for taxation as a REIT because of specified cure provisions, we will be subject to tax at a 100% rate on the greater of the amount by which we fail the 75% gross income test or the 95% gross income test, with adjustments, multiplied by a fraction intended to reflect our profitability for the taxable year.
- If we fail to satisfy any of the REIT asset tests described below (other than a de minimis failure of the 5% or 10% asset tests) due to reasonable cause and not due to willful neglect, but nonetheless maintain our qualification for taxation as a REIT because of specified cure provisions, we will be subject to a tax equal to the greater of \$50,000 or the highest regular corporate income tax rate multiplied by the net income generated by the nonqualifying assets that caused us to fail the test.
- If we fail to satisfy any provision of the IRC that would result in our failure to qualify for taxation as a REIT (other than violations of the REIT gross income tests or violations of the REIT asset tests described below) due to reasonable cause and not due to willful neglect, we may retain our qualification for taxation as a REIT but will be subject to a penalty of \$50,000 for each failure.
- If we fail to distribute for any calendar year at least the sum of 85% of our REIT ordinary income for that year, 95% of our REIT capital gain net income for that year and any undistributed taxable income from prior periods, we will be subject to a 4% nondeductible excise tax on the excess of the required distribution over the amounts actually distributed.
- If we acquire a REIT asset where our adjusted tax basis in the asset is determined by reference to the adjusted tax basis of the asset in the hands of a C corporation, under specified circumstances we may be subject to federal income taxation on all or part of the built-in gain (calculated as of the date the property ceased being owned by the C corporation) on such asset. We generally do not expect to sell assets if doing so would result in the imposition of a material built-in gains tax liability; but if and when we do sell assets that may have associated built-in gains tax exposure, then we expect to make appropriate provision for the associated tax liabilities on our financial statements.
- If we acquire a corporation in a transaction where we succeed to its tax attributes, to preserve our qualification for taxation as a REIT we must generally distribute all of the C corporation earnings and profits inherited in that acquisition, if any, no later than the end of our taxable year in which the acquisition occurs. However, if we fail to do so, relief provisions would allow us to maintain our qualification for taxation as a REIT provided we distribute any subsequently discovered C corporation earnings and profits and pay an interest charge in respect of the period of delayed distribution.
- Our subsidiaries that are C corporations, including our TRSs, generally will be required to pay federal corporate income tax on their earnings, and a 100% tax may be imposed on any transaction between us and one of our TRSs that does not reflect arm's length terms.

- As discussed below, we are invested in real estate through a subsidiary that we believe qualifies for taxation as a REIT. If it is determined that this entity failed to qualify for taxation as a REIT, we may fail one or more of the REIT asset tests. In such case, we expect that we would be able to avail ourselves of the relief provisions described below, but would be subject to a tax equal to the greater of \$50,000 or the highest regular corporate income tax rate multiplied by the net income we earned from this subsidiary.

If we fail to qualify for taxation as a REIT in any year, then we will be subject to federal income tax in the same manner as a regular C corporation. Further, as a regular C corporation, distributions to our shareholders will not be deductible by us, nor will distributions be required under the IRC. Also, to the extent of our current and accumulated earnings and profits, all distributions to our shareholders will generally be taxable as ordinary dividends potentially eligible for the preferential tax rates discussed below under the heading “—Taxation of Taxable U.S. Shareholders” and, subject to limitations in the IRC, will be potentially eligible for the dividends received deduction for corporate shareholders. Finally, we will generally be disqualified from taxation as a REIT for the four taxable years following the taxable year in which the termination of our REIT status is effective. Our failure to qualify for taxation as a REIT for even one year could result in us reducing or eliminating distributions to our shareholders, or in us incurring substantial indebtedness or liquidating substantial investments in order to pay the resulting corporate-level income taxes. Relief provisions under the IRC may allow us to continue to qualify for taxation as a REIT even if we fail to comply with various REIT requirements, all as discussed in more detail below. However, it is impossible to state whether in any particular circumstance we would be entitled to the benefit of these relief provisions.

REIT Qualification Requirements

General Requirements. Section 856(a) of the IRC defines a REIT as a corporation, trust or association:

- (1) that is managed by one or more trustees or directors;
- (2) the beneficial ownership of which is evidenced by transferable shares or by transferable certificates of beneficial interest;
- (3) that would be taxable, but for Sections 856 through 859 of the IRC, as a domestic C corporation;
- (4) that is not a financial institution or an insurance company subject to special provisions of the IRC;
- (5) the beneficial ownership of which is held by 100 or more persons;
- (6) that is not “closely held,” meaning that during the last half of each taxable year, not more than 50% in value of the outstanding shares are owned, directly or indirectly, by five or fewer “individuals” (as defined in the IRC to include specified tax-exempt entities); and
- (7) that meets other tests regarding the nature of its income and assets and the amount of its distributions, all as described below.

Section 856(b) of the IRC provides that conditions (1) through (4) must be met during the entire taxable year and that condition (5) must be met during at least 335 days of a taxable year of 12 months, or during a proportionate part of a taxable year of less than 12 months. Although we cannot be sure, we believe that we have met conditions (1) through (7) during each of the requisite periods ending on or before the close of our most recently completed taxable year, and that we will continue to meet these conditions in our current and future taxable years.

To help comply with condition (6), our declaration of trust restricts transfers of our shares that would otherwise result in concentrated ownership positions. These restrictions, however, do not ensure that we have previously satisfied, and may not ensure that we will in all cases be able to continue to satisfy, the share ownership requirements described in condition (6). If we comply with applicable Treasury regulations to ascertain the ownership of our outstanding shares and do not know, or by exercising reasonable diligence would not have known, that we failed condition (6), then we will be treated as having met condition (6). Accordingly, we have complied and will continue to comply with these regulations, including by requesting annually from holders of significant percentages of our shares information regarding the ownership of our shares. Under our declaration of trust, our shareholders are required to respond to these requests for information. A shareholder that fails or refuses to comply with the request is required by Treasury regulations to submit a statement with its federal income tax return disclosing its actual ownership of our shares and other information.

For purposes of condition (6), an “individual” generally includes a natural person, a supplemental unemployment compensation benefit plan, a private foundation, or a portion of a trust permanently set aside or used exclusively for charitable purposes, but does not include a qualified pension plan or profit-sharing trust. As a result, REIT shares owned by an entity that is not an “individual” are considered to be owned by the direct and indirect owners of the entity that are individuals (as so defined), rather than to be owned by the entity itself. Similarly, REIT shares held by a qualified pension plan or profit-sharing trust are treated as held directly by the individual beneficiaries in proportion to their actuarial interests in such plan or trust. Consequently, five or fewer such trusts could own more than 50% of the interests in an entity without jeopardizing that entity’s qualification for taxation as a REIT.

The IRC provides that we will not automatically fail to qualify for taxation as a REIT if we do not meet conditions (1) through (6), provided we can establish that such failure was due to reasonable cause and not due to willful neglect. Each such excused failure will result in the imposition of a \$50,000 penalty instead of REIT disqualification. This relief provision may apply to a failure of the applicable conditions even if the failure first occurred in a year prior to the taxable year in which the failure was discovered.

Our Wholly Owned Subsidiaries and Our Investments Through Partnerships. Except in respect of a TRS as discussed below, Section 856(i) of the IRC provides that any corporation, 100% of whose stock is held by a REIT and its disregarded subsidiaries, is a qualified REIT subsidiary and shall not be treated as a separate corporation for U.S. federal income tax purposes. The assets, liabilities and items of income, deduction and credit of a qualified REIT subsidiary are treated as the REIT’s. We believe that each of our direct and indirect wholly owned subsidiaries, other than the TRSs discussed below (and entities owned in whole or in part by the TRSs), will be either a qualified REIT subsidiary within the meaning of Section 856(i)(2) of the IRC or a noncorporate entity that for federal income tax purposes is not treated as separate from its owner under Treasury regulations issued under Section 7701 of the IRC, each such entity referred to as a QRS. Thus, in applying all of the REIT qualification requirements described in this summary, all assets, liabilities and items of income, deduction and credit of our QRSs are treated as ours, and our investment in the stock and other securities of such QRSs will be disregarded.

We have invested and may in the future invest in real estate through one or more entities that are treated as partnerships for federal income tax purposes. In the case of a REIT that is a partner in a partnership, Treasury regulations under the IRC provide that, for purposes of the REIT qualification requirements regarding income and assets described below, the REIT is generally deemed to own its proportionate share, based on respective capital interests, of the income and assets of the partnership (except that for purposes of the 10% value test, described below, the REIT’s proportionate share of the partnership’s assets is based on its proportionate interest in the equity and specified debt securities issued by the partnership). In addition, for these purposes, the character of the assets and items of gross income of the partnership generally remains the same in the hands of the REIT. In contrast, for purposes of the distribution requirements discussed below, we must take into account as a partner our share of the partnership’s income as determined under the general federal income tax rules governing partners and partnerships under Subchapter K of the IRC.

Subsidiary REITs. We indirectly own real estate through a subsidiary that we believe has qualified and will remain qualified for taxation as a REIT under the IRC, and we may in the future invest in real estate through one or more other subsidiary entities that are intended to qualify for taxation as REITs. When a subsidiary qualifies for taxation as a REIT separate and apart from its REIT parent, the subsidiary’s shares are qualifying real estate assets for purposes of the REIT parent’s 75% asset test described below. However, failure of the subsidiary to separately satisfy the various REIT qualification requirements described in this summary or that are otherwise applicable (and failure to qualify for the applicable relief provisions) would generally result in (a) the subsidiary being subject to regular U.S. corporate income tax, as described above, and (b) the REIT parent’s ownership in the subsidiary (i) ceasing to be qualifying real estate assets for purposes of the 75% asset test, (ii) becoming subject to the 5% asset test, the 10% vote test and the 10% value test generally applicable to a REIT’s ownership in corporations other than REITs and TRSs, and (iii) thereby jeopardizing the REIT parent’s own REIT qualification and taxation on account of the subsidiary’s failure cascading up to the REIT parent, all as described under “—Asset Tests” below.

We joined with our subsidiary REIT in filing a protective TRS election, effective for the first quarter of 2017, and we have reaffirmed this protective election with this subsidiary every January thereafter, and we may continue to do so unless and until our ownership of this subsidiary falls below 10%. Pursuant to this protective TRS election, we believe that if our subsidiary is not a REIT for some reason, then it would instead be considered one of our TRSs, and as such its value would fit within our REIT gross asset tests described below. We expect to make similar protective TRS elections with respect to any other subsidiary REIT that we form or acquire. We do not expect protective TRS elections to impact our compliance with the 75% and 95% gross income tests described below, because we do not expect our gains and dividends from a subsidiary REIT’s shares to jeopardize compliance with these tests even if for some reason the subsidiary is not a REIT.

Taxable REIT Subsidiaries. As a REIT, we are permitted to own any or all of the securities of a TRS, provided that no more than 20% of the total value of our assets, at the close of each quarter, is comprised of our investments in the stock or other securities of our TRSs. Very generally, a TRS is a subsidiary corporation other than a REIT in which a REIT directly or indirectly holds stock and that has made a joint election with its affiliated REIT to be treated as a TRS. Our ownership of stock and other securities in our TRSs is exempt from the 5% asset test, the 10% vote test and the 10% value test discussed below. Among other requirements, a TRS of ours must:

- (1) not directly or indirectly operate or manage a lodging facility or a health care facility; and
- (2) not directly or indirectly provide to any person, under a franchise, license or otherwise, rights to any brand name under which any lodging facility or health care facility is operated, except that in limited circumstances a subfranchise, sublicense or similar right can be granted to an independent contractor to operate or manage a lodging facility or a health care facility.

In addition, any corporation (other than a REIT) in which a TRS directly or indirectly owns more than 35% of the voting power or value of the outstanding securities is automatically a TRS. Subject to the discussion below, we believe that we and each of our TRSs have complied with, and will continue to comply with, the requirements for TRS status at all times during which we intend for the subsidiary's TRS election to be in effect, and we believe that the same will be true for any TRS that we later form or acquire.

As discussed below, TRSs can perform services for our tenants without disqualifying the rents we receive from those tenants under the 75% gross income test or the 95% gross income test discussed below. Moreover, because our TRSs are taxed as C corporations that are separate from us, their assets, liabilities and items of income, deduction and credit generally are not imputed to us for purposes of the REIT qualification requirements described in this summary. Therefore, our TRSs may generally conduct activities that would be treated as prohibited transactions or would give rise to nonqualified income if conducted by us directly. Additionally, while a REIT is generally limited in its ability to earn qualifying rental income from a TRS, a REIT can earn qualifying rental income from the lease of a qualified health care property to a TRS if an eligible independent contractor operates the facility, as discussed more fully below. As regular C corporations, TRSs may generally utilize net operating losses and other tax attribute carryforwards to reduce or otherwise eliminate federal income tax liability in a given taxable year. Net operating losses and other carryforwards are subject to limitations, however, including limitations imposed under Section 382 of the IRC following an "ownership change" (as defined in applicable Treasury regulations) and a limitation providing that carryforwards of net operating losses arising in taxable years beginning after 2017 generally cannot offset more than 80% of the current year's taxable income. Moreover, net operating losses arising in taxable years beginning after 2017 may not be carried back, but may be carried forward indefinitely. As a result, we cannot be sure that our TRSs will be able to utilize, in full or in part, any net operating losses or other carryforwards that they have generated or may generate in the future.

Restrictions and sanctions are imposed on TRSs and their affiliated REITs to ensure that the TRSs will be subject to an appropriate level of federal income taxation. For example, if a TRS pays interest, rent or other amounts to its affiliated REIT in an amount that exceeds what an unrelated third party would have paid in an arm's length transaction, then the REIT generally will be subject to an excise tax equal to 100% of the excessive portion of the payment. Further, if in comparison to an arm's length transaction, a third party tenant has overpaid rent to the REIT in exchange for underpaying the TRS for services rendered, and if the REIT has not adequately compensated the TRS for services provided to or on behalf of the third party tenant, then the REIT may be subject to an excise tax equal to 100% of the undercompensation to the TRS. A safe harbor exception to this excise tax applies if the TRS has been compensated at a rate at least equal to 150% of its direct cost in furnishing or rendering the service. Finally, the 100% excise tax also applies to the underpricing of services provided by a TRS to its affiliated REIT in contexts where the services are unrelated to services for REIT tenants. We cannot be sure that arrangements involving our TRSs will not result in the imposition of one or more of these restrictions or sanctions, but we do not believe that we or our TRSs are or will be subject to these impositions.

Income Tests. We must satisfy two gross income tests annually to maintain our qualification for taxation as a REIT. First, at least 75% of our gross income for each taxable year must be derived from investments relating to real property, including "rents from real property" within the meaning of Section 856(d) of the IRC, interest and gain from mortgages on real property or on interests in real property, income and gain from foreclosure property, gain from the sale or other disposition of real property (including specified ancillary personal property treated as real property under the IRC), or dividends on and gain from the sale or disposition of shares in other REITs (but excluding in all cases any gains subject to the 100% tax on prohibited transactions). When we receive new capital in exchange for our shares or in a public offering of our five-year or longer debt instruments, income attributable to the temporary investment of this new capital in stock or a debt instrument, if received or accrued within one year of our receipt of the new capital, is generally also qualifying income under the 75% gross income test. Second, at least 95% of our gross income for each taxable year must consist of income that is qualifying income for purposes of the 75% gross income test,

other types of interest and dividends, gain from the sale or disposition of stock or securities, or any combination of these. Gross income from our sale of property that we hold primarily for sale to customers in the ordinary course of business, income and gain from specified “hedging transactions” that are clearly and timely identified as such, and income from the repurchase or discharge of indebtedness is excluded from both the numerator and the denominator in both gross income tests. In addition, specified foreign currency gains will be excluded from gross income for purposes of one or both of the gross income tests.

In order to qualify as “rents from real property” within the meaning of Section 856(d) of the IRC, several requirements must be met:

- The amount of rent received generally must not be based on the income or profits of any person, but may be based on a fixed percentage or percentages of receipts or sales.
- Rents generally do not qualify if the REIT owns 10% or more by vote or value of stock of the tenant (or 10% or more of the interests in the assets or net profits of the tenant, if the tenant is not a corporation), whether directly or after application of attribution rules. We generally do not intend to lease property to any party if rents from that property would not qualify as “rents from real property,” but application of the 10% ownership rule is dependent upon complex attribution rules and circumstances that may be beyond our control. In this regard, prior to the termination of our leases with Five Star, we owned close to, but less than, 10% of the outstanding common shares of Five Star. Our declaration of trust generally disallows transfers or purported acquisitions, directly or by attribution, of our shares to the extent necessary to maintain our qualification for taxation as a REIT under the IRC. Nevertheless, we cannot be sure that these restrictions will be effective to prevent our qualification for taxation as a REIT from being jeopardized under the 10% affiliated tenant rule. Furthermore, we cannot be sure that we will be able to monitor and enforce these restrictions, nor will our shareholders necessarily be aware of ownership of our shares attributed to them under the IRC’s attribution rules.
- There is a limited exception to the above prohibition on earning “rents from real property” from a 10% affiliated tenant where the tenant is a TRS. If at least 90% of the leased space of a property is leased to tenants other than TRSs and 10% affiliated tenants, and if the TRS’s rent to the REIT for space at that property is substantially comparable to the rents paid by nonaffiliated tenants for comparable space at the property, then otherwise qualifying rents paid by the TRS to the REIT will not be disqualified on account of the rule prohibiting 10% affiliated tenants.
- There is an additional exception to the above prohibition on earning “rents from real property” from a 10% affiliated tenant. For this additional exception to apply, a real property interest in a “qualified health care property” must be leased by the REIT to its TRS, and the facility must be operated on behalf of the TRS by a person who is an “eligible independent contractor,” all as described in Sections 856(d)(8)-(9) and 856(e)(6)(D) of the IRC. As described below, we believe our leases with our TRSs have satisfied and will continue to satisfy these requirements.
- In order for rents to qualify, a REIT generally must not manage the property or furnish or render services to the tenants of the property, except through an independent contractor from whom it derives no income or through one of its TRSs. There is an exception to this rule permitting a REIT to perform customary management and tenant services of the sort that a tax-exempt organization could perform without being considered in receipt of “unrelated business taxable income” as defined in Section 512(b)(3) of the IRC, or UBTI. In addition, a *de minimis* amount of noncustomary services provided to tenants will not disqualify income as “rents from real property” as long as the value of the impermissible tenant services does not exceed 1% of the gross income from the property.
- If rent attributable to personal property leased in connection with a lease of real property is 15% or less of the total rent received under the lease, then the rent attributable to personal property will qualify as “rents from real property”; if this 15% threshold is exceeded, then the rent attributable to personal property will not so qualify. The portion of rental income treated as attributable to personal property is determined according to the ratio of the fair market value of the personal property to the total fair market value of the real and personal property that is rented.
- In addition, “rents from real property” includes both charges we receive for services customarily rendered in connection with the rental of comparable real property in the same geographic area, even if the charges are separately stated, as well as charges we receive for services provided by our TRSs when the charges are not separately stated. Whether separately stated charges received by a REIT for services that are not geographically customary and provided by a TRS are included in “rents from real property” has not been addressed clearly by the IRS in published authorities; however, our counsel, Sullivan & Worcester LLP, is of the opinion that, although the matter is not free from doubt, “rents from real property” also includes charges we receive for services provided by our TRSs when the charges are separately stated, even if the services are not geographically customary. Accordingly, we believe that our revenues from TRS-provided services,

whether the charges are separately stated or not, qualify as “rents from real property” because the services satisfy the geographically customary standard, because the services have been provided by a TRS, or for both reasons.

We believe that all or substantially all of our rents and related service charges have qualified and will continue to qualify as “rents from real property” for purposes of Section 856 of the IRC.

Absent the “foreclosure property” rules of Section 856(e) of the IRC, a REIT's receipt of active, nonrental gross income from a property would not qualify under the 75% and 95% gross income tests. But as foreclosure property, the active, nonrental gross income from the property would so qualify. Foreclosure property is generally any real property, including interests in real property, and any personal property incident to such real property:

- that is acquired by a REIT as a result of the REIT having bid on such property at foreclosure, or having otherwise reduced such property to ownership or possession by agreement or process of law, after there was a default or when default was imminent on a lease of such property or on indebtedness that such property secured;
- for which any related loan acquired by the REIT was acquired at a time when the default was not imminent or anticipated; and
- for which the REIT makes a proper election to treat the property as foreclosure property.

Any gain that a REIT recognizes on the sale of foreclosure property held as inventory or primarily for sale to customers, plus any income it receives from foreclosure property that would not otherwise qualify under the 75% gross income test in the absence of foreclosure property treatment, reduced by expenses directly connected with the production of those items of income, would be subject to income tax at the highest regular corporate income tax rate under the foreclosure property income tax rules of Section 857(b)(4) of the IRC. Thus, if a REIT should lease foreclosure property in exchange for rent that qualifies as “rents from real property” as described above, then that rental income is not subject to the foreclosure property income tax.

Property generally ceases to be foreclosure property at the end of the third taxable year following the taxable year in which the REIT acquired the property, or longer if an extension is obtained from the IRS. However, this grace period terminates and foreclosure property ceases to be foreclosure property on the first day:

- on which a lease is entered into for the property that, by its terms, will give rise to income that does not qualify for purposes of the 75% gross income test (disregarding income from foreclosure property), or any nonqualified income under the 75% gross income test is received or accrued by the REIT, directly or indirectly, pursuant to a lease entered into on or after such day;
- on which any construction takes place on the property, other than completion of a building or any other improvement where more than 10% of the construction was completed before default became imminent and other than specifically exempted forms of maintenance or deferred maintenance; or
- which is more than 90 days after the day on which the REIT acquired the property and the property is used in a trade or business which is conducted by the REIT, other than through an independent contractor from whom the REIT itself does not derive or receive any income or a TRS.

Other than sales of foreclosure property, any gain that we realize on the sale of property held as inventory or other property held primarily for sale to customers in the ordinary course of a trade or business, together known as dealer gains, may be treated as income from a prohibited transaction that is subject to a penalty tax at a 100% rate. The 100% tax does not apply to gains from the sale of property that is held through a TRS, although such income will be subject to tax in the hands of the TRS at regular corporate income tax rates; we may therefore utilize our TRSs in transactions in which we might otherwise recognize dealer gains. Whether property is held as inventory or primarily for sale to customers in the ordinary course of a trade or business is a question of fact that depends on all the facts and circumstances surrounding each particular transaction. Sections 857(b)(6)(C) and (E) of the IRC provide safe harbors pursuant to which limited sales of real property held for at least two years and meeting specified additional requirements will not be treated as prohibited transactions. However, compliance with the safe harbors is not always achievable in practice. We attempt to structure our activities to avoid transactions that are prohibited transactions, or otherwise conduct such activities through TRSs; but, we cannot be sure whether or not the IRS might successfully assert that one or more of our dispositions is subject to the 100% penalty tax. Gains subject to the 100% penalty tax are excluded from the 75% and 95% gross income tests, whereas real property gains that are not dealer gains or that are exempted from the 100% penalty tax on account of the safe harbors are considered qualifying gross income for purposes of the 75% and 95% gross income tests.

We believe that any gain from dispositions of assets that we have made, or that we might make in the future, including through any partnerships, will generally qualify as income that satisfies the 75% and 95% gross income tests, and will not be dealer gains or subject to the 100% penalty tax. This is because our general intent has been and is to: (a) own our assets for investment with a view to long-term income production and capital appreciation; (b) engage in the business of developing, owning, leasing and managing our existing properties and acquiring, developing, owning, leasing and managing new properties; and (c) make occasional dispositions of our assets consistent with our long-term investment objectives.

If we fail to satisfy one or both of the 75% gross income test or the 95% gross income test in any taxable year, we may nevertheless qualify for taxation as a REIT for that year if we satisfy the following requirements: (a) our failure to meet the test is due to reasonable cause and not due to willful neglect; and (b) after we identify the failure, we file a schedule describing each item of our gross income included in the 75% gross income test or the 95% gross income test for that taxable year. Even if this relief provision does apply, a 100% tax is imposed upon the greater of the amount by which we failed the 75% gross income test or the amount by which we failed the 95% gross income test, with adjustments, multiplied by a fraction intended to reflect our profitability for the taxable year. This relief provision may apply to a failure of the applicable income tests even if the failure first occurred in a year prior to the taxable year in which the failure was discovered.

Based on the discussion above, we believe that we have satisfied, and will continue to satisfy, the 75% and 95% gross income tests outlined above on a continuing basis beginning with our first taxable year as a REIT.

Asset Tests. At the close of each calendar quarter of each taxable year, we must also satisfy the following asset percentage tests in order to qualify for taxation as a REIT for federal income tax purposes:

- At least 75% of the value of our total assets must consist of “real estate assets,” defined as real property (including interests in real property and interests in mortgages on real property or on interests in real property), ancillary personal property to the extent that rents attributable to such personal property are treated as rents from real property in accordance with the rules described above, cash and cash items, shares in other REITs, debt instruments issued by “publicly offered REITs” as defined in Section 562(c)(2) of the IRC, government securities and temporary investments of new capital (that is, any stock or debt instrument that we hold that is attributable to any amount received by us (a) in exchange for our stock or (b) in a public offering of our five-year or longer debt instruments, but in each case only for the one-year period commencing with our receipt of the new capital).
- Not more than 25% of the value of our total assets may be represented by securities other than those securities that count favorably toward the preceding 75% asset test.
- Of the investments included in the preceding 25% asset class, the value of any one non-REIT issuer's securities that we own may not exceed 5% of the value of our total assets. In addition, we may not own more than 10% of the vote or value of any one non-REIT issuer's outstanding securities, unless the securities are “straight debt” securities or otherwise excepted as discussed below. Our stock and other securities in a TRS are exempted from these 5% and 10% asset tests.
- Not more than 20% of the value of our total assets may be represented by stock or other securities of our TRSs.
- Not more than 25% of the value of our total assets may be represented by “nonqualified publicly offered REIT debt instruments” as defined in Section 856(c)(5)(L)(ii) of the IRC.

Our counsel, Sullivan & Worcester LLP, is of the opinion that, although the matter is not free from doubt, our investments in the equity or debt of a TRS of ours, to the extent that and during the period in which they qualify as temporary investments of new capital, will be treated as real estate assets, and not as securities, for purposes of the above REIT asset tests.

The above REIT asset tests must be satisfied at the close of each calendar quarter of each taxable year as a REIT. After a REIT meets the asset tests at the close of any quarter, it will not lose its qualification for taxation as a REIT in any subsequent quarter solely because of fluctuations in the values of its assets. This grandfathering rule may be of limited benefit to a REIT such as us that makes periodic acquisitions of both qualifying and nonqualifying REIT assets. When a failure to satisfy the above asset tests results from an acquisition of securities or other property during a quarter, the failure can be cured by disposition of sufficient nonqualifying assets within thirty days after the close of that quarter.

In addition, if we fail the 5% asset test, the 10% vote test or the 10% value test at the close of any quarter and we do not cure such failure within thirty days after the close of that quarter, that failure will nevertheless be excused if (a) the failure is de minimis and (b) within six months after the last day of the quarter in which we identify the failure, we either dispose of the assets

causing the failure or otherwise satisfy the 5% asset test, the 10% vote test and the 10% value test. For purposes of this relief provision, the failure will be de minimis if the value of the assets causing the failure does not exceed \$10,000,000. If our failure is not de minimis, or if any of the other REIT asset tests have been violated, we may nevertheless qualify for taxation as a REIT if (a) we provide the IRS with a description of each asset causing the failure, (b) the failure was due to reasonable cause and not willful neglect, (c) we pay a tax equal to the greater of (1) \$50,000 or (2) the highest regular corporate income tax rate imposed on the net income generated by the assets causing the failure during the period of the failure, and (d) within six months after the last day of the quarter in which we identify the failure, we either dispose of the assets causing the failure or otherwise satisfy all of the REIT asset tests. These relief provisions may apply to a failure of the applicable asset tests even if the failure first occurred in a year prior to the taxable year in which the failure was discovered.

The IRC also provides an excepted securities safe harbor to the 10% value test that includes among other items (a) “straight debt” securities, (b) specified rental agreements in which payment is to be made in subsequent years, (c) any obligation to pay “rents from real property,” (d) securities issued by governmental entities that are not dependent in whole or in part on the profits of or payments from a nongovernmental entity, and (e) any security issued by another REIT. In addition, any debt instrument issued by an entity classified as a partnership for federal income tax purposes, and not otherwise excepted from the definition of a security for purposes of the above safe harbor, will not be treated as a security for purposes of the 10% value test if at least 75% of the partnership's gross income, excluding income from prohibited transactions, is qualifying income for purposes of the 75% gross income test.

We have maintained and will continue to maintain records of the value of our assets to document our compliance with the above asset tests and intend to take actions as may be required to cure any failure to satisfy the tests within thirty days after the close of any quarter or within the six month periods described above.

Based on the discussion above, we believe that we have satisfied, and will continue to satisfy, the REIT asset tests outlined above on a continuing basis beginning with our first taxable year as a REIT.

Our Relationships with Five Star. Prior to January 1, 2020, we owned a significant percentage (but less than 10%) of the outstanding common shares of Five Star. Commencing with our 2002 taxable year and through and including our 2019 taxable year, we expect that the rental income we received from Five Star and its subsidiaries constituted “rents from real property” under Section 856(d) of the IRC, and therefore qualifying income under the 75% and 95% gross income tests described above. From and after January 1, 2020, we have come to own (directly and indirectly through one of our TRSs) just under 35% of the outstanding common shares of Five Star. We have not elected to treat Five Star as a TRS and it is not otherwise an automatic TRS because no TRS of ours owns more than 35% of Five Star. This structure for our Five Star ownership permits our continued engagement of a corporate subsidiary of Five Star to manage health care facilities leased to our TRSs, as described below in greater detail.

Our Relationship with Our Taxable REIT Subsidiaries. We currently own properties that we purchased to be leased to our TRSs or which are being leased to our TRSs as a result of modifications to, or expirations of, a prior lease, all as agreed to by applicable parties. For example, in connection with past lease defaults and expirations, we have terminated occupancy of some of our health care properties by the defaulting or expiring tenants and immediately leased these properties to our TRSs and entered into new third party management agreements for these properties. We may from time to time lease additional health care properties to our TRSs.

In lease transactions involving our TRSs, our general intent is for the rents paid to us by the TRS to qualify as “rents from real property” under the REIT gross income tests summarized above. In order for this to be the case, the manager operating the leased property on behalf of the applicable TRS must be an “eligible independent contractor” within the meaning of Section 856(d)(9)(A) of the IRC, and the properties leased to the TRS must be “qualified health care properties” within the meaning of Section 856(e)(6)(D) of the IRC. Qualified health care properties are defined as health care facilities and other properties necessary or incidental to the use of a health care facility.

For these purposes, a contractor qualifies as an “eligible independent contractor” if it is less than 35% affiliated with the REIT and, at the time the contractor enters into the agreement with the TRS to operate the qualified health care property, that contractor or any person related to that contractor is actively engaged in the trade or business of operating qualified health care properties for persons unrelated to the TRS or its affiliated REIT. For these purposes, an otherwise eligible independent contractor is not disqualified from that status on account of (a) the TRS bearing the expenses of the operation of the qualified health care property, (b) the TRS receiving the revenues from the operation of the qualified health care property, net of expenses for that operation and fees payable to the eligible independent contractor, or (c) the REIT receiving income from the eligible independent contractor pursuant to a preexisting or otherwise grandfathered lease of another property.

We have engaged as an intended eligible independent contractor a particular corporate subsidiary of Five Star. This contractor and its affiliates at Five Star are actively engaged in the trade or business of operating qualified health care properties for their own accounts, including pursuant to management contracts among themselves; however, this contractor and its affiliates have few if any management contracts for qualified health care properties with third parties other than us and our TRSs. Based on a plain reading of the statute as well as applicable legislative history, our counsel, Sullivan & Worcester LLP, has opined that this intended eligible independent contractor should in fact so qualify. If the IRS or a court determines that this opinion is incorrect, then the rental income we receive from our TRSs in respect of properties managed by this particular contractor would be nonqualifying income for purposes of the 75% and 95% gross income tests, possibly jeopardizing our compliance with one or both of these gross income tests. Under those circumstances, however, we expect we would qualify for the gross income tests' relief provision described above, and thereby would preserve our qualification for taxation as a REIT. If the relief provision were to apply to us, we would be subject to tax at a 100% rate upon the greater of the amount by which we failed the 75% gross income test or the amount by which we failed the 95% gross income test, with adjustments, multiplied by a fraction intended to reflect our profitability for the taxable year; even though we have little or no nonqualifying income from other sources in a typical taxable year, imposition of this 100% tax in this circumstance could be material because to date most of the properties leased to our TRSs are managed for the TRSs by this contractor.

As explained above, we will be subject to a 100% tax on the rents paid to us by any of our TRSs if the IRS successfully asserts that those rents exceed an arm's length rental rate. Although there is no clear precedent to distinguish for federal income tax purposes among leases, management contracts, partnerships, financings, and other contractual arrangements, we believe that our leases and our TRSs' management agreements will be respected for purposes of the requirements of the IRC discussed above. Accordingly, we expect that the rental income from our current and future TRSs will qualify as "rents from real property," and that the 100% tax on excessive rents from a TRS will not apply.

Annual Distribution Requirements. In order to qualify for taxation as a REIT under the IRC, we are required to make annual distributions other than capital gain dividends to our shareholders in an amount at least equal to the excess of:

- (1) the sum of 90% of our "real estate investment trust taxable income" and 90% of our net income after tax, if any, from property received in foreclosure, over
- (2) the amount by which our noncash income (e.g., imputed rental income or income from transactions inadvertently failing to qualify as like-kind exchanges) exceeds 5% of our "real estate investment trust taxable income."

For these purposes, our "real estate investment trust taxable income" is as defined under Section 857 of the IRC and is computed without regard to the dividends paid deduction and our net capital gain and will generally be reduced by specified corporate-level income taxes that we pay (e.g., taxes on built-in gains or foreclosure property income).

The IRC generally limits the deductibility of net interest expense paid or accrued on debt properly allocable to a trade or business to 30% of "adjusted taxable income," subject to specified exceptions. Any deduction in excess of the limitation is carried forward and may be used in a subsequent year, subject to that year's 30% limitation. Provided a taxpayer makes an election (which is irrevocable), the 30% limitation does not apply to a trade or business involving real property development, redevelopment, construction, reconstruction, acquisition, conversion, rental, operation, management, leasing, or brokerage, within the meaning of Section 469(c)(7)(C) of the IRC. While legislative history and proposed Treasury regulations indicate that a real property trade or business includes a trade or business conducted by a corporation or a REIT, we have not yet made an election to be treated as a real property trade or business.

Distributions must be paid in the taxable year to which they relate, or in the following taxable year if declared before we timely file our federal income tax return for the earlier taxable year and if paid on or before the first regular distribution payment after that declaration. If a dividend is declared in October, November or December to shareholders of record during one of those months and is paid during the following January, then for federal income tax purposes such dividend will be treated as having been both paid and received on December 31 of the prior taxable year to the extent of any undistributed earnings and profits.

The 90% distribution requirements may be waived by the IRS if a REIT establishes that it failed to meet them by reason of distributions previously made to meet the requirements of the 4% excise tax discussed below. To the extent that we do not distribute all of our net capital gain and all of our "real estate investment trust taxable income," as adjusted, we will be subject to federal income tax at regular corporate income tax rates on undistributed amounts. In addition, we will be subject to a 4% nondeductible excise tax to the extent we fail within a calendar year to make required distributions to our shareholders of 85% of our ordinary income and 95% of our capital gain net income plus the excess, if any, of the "grossed up required distribution" for the preceding calendar year over the amount treated as distributed for that preceding calendar year. For this purpose, the term "grossed up required distribution" for any calendar year is the sum of our taxable income for the calendar year without regard to

the deduction for dividends paid and all amounts from earlier years that are not treated as having been distributed under the provision. We will be treated as having sufficient earnings and profits to treat as a dividend any distribution by us up to the amount required to be distributed in order to avoid imposition of the 4% excise tax.

If we do not have enough cash or other liquid assets to meet the 90% distribution requirements, or if we so choose, we may find it necessary or desirable to arrange for new debt or equity financing to provide funds for required distributions in order to maintain our qualification for taxation as a REIT. We cannot be sure that financing would be available for these purposes on favorable terms, or at all.

We may be able to rectify a failure to pay sufficient dividends for any year by paying “deficiency dividends” to shareholders in a later year. These deficiency dividends may be included in our deduction for dividends paid for the earlier year, but an interest charge would be imposed upon us for the delay in distribution. While the payment of a deficiency dividend will apply to a prior year for purposes of our REIT distribution requirements and our dividends paid deduction, it will be treated as an additional distribution to the shareholders receiving it in the year such dividend is paid.

In addition to the other distribution requirements above, to preserve our qualification for taxation as a REIT we are required to timely distribute all C corporation earnings and profits that we inherit from acquired corporations, as described below.

Acquisitions of C Corporations

We have engaged in and may in the future engage in transactions where we acquire all of the outstanding stock of a C corporation. Upon these acquisitions, except to the extent we have made or do make an applicable TRS election, each of our acquired entities and their various wholly-owned corporate and noncorporate subsidiaries generally became or will become our QRSs. Thus, after such acquisitions, all assets, liabilities and items of income, deduction and credit of the acquired and then disregarded entities have been and will be treated as ours for purposes of the various REIT qualification tests described above. In addition, we generally have been and will be treated as the successor to the acquired (and then disregarded) entities' federal income tax attributes, such as those entities' (a) adjusted tax bases in their assets and their depreciation schedules; and (b) earnings and profits for federal income tax purposes, if any. The carryover of these attributes creates REIT implications such as built-in gains tax exposure and additional distribution requirements, as described below. However, when we make an election under Section 338(g) of the IRC with respect to corporations that we acquire, as we have done from time to time in the past, we generally will not be subject to such attribute carryovers in respect of attributes existing prior to such election.

Built-in Gains from C Corporations. Notwithstanding our qualification and taxation as a REIT, under specified circumstances we may be subject to corporate income taxation if we acquire a REIT asset where our adjusted tax basis in the asset is determined by reference to the adjusted tax basis of the asset as owned by a C corporation. For instance, we may be subject to federal income taxation on all or part of the built-in gain that was present on the last date an asset was owned by a C corporation, if we succeed to a carryover tax basis in that asset directly or indirectly from such C corporation and if we sell the asset during the five year period beginning on the day the asset ceased being owned by such C corporation. To the extent of our income and gains in a taxable year that are subject to the built-in gains tax, net of any taxes paid on such income and gains with respect to that taxable year, our taxable dividends paid in the following year will be potentially eligible for taxation to noncorporate U.S. shareholders at the preferential tax rates for “qualified dividends” as described below under the heading “—Taxation of Taxable U.S. Shareholders”. We generally do not expect to sell assets if doing so would result in the imposition of a material built-in gains tax liability; but if and when we do sell assets that may have associated built-in gains tax exposure, then we expect to make appropriate provision for the associated tax liabilities on our financial statements.

Earnings and Profits. Following a corporate acquisition, we must generally distribute all of the C corporation earnings and profits inherited in that transaction, if any, no later than the end of our taxable year in which the transaction occurs, in order to preserve our qualification for taxation as a REIT. However, if we fail to do so, relief provisions would allow us to maintain our qualification for taxation as a REIT provided we distribute any subsequently discovered C corporation earnings and profits and pay an interest charge in respect of the period of delayed distribution. C corporation earnings and profits that we inherit are, in general, specially allocated under a priority rule to the earliest possible distributions following the event causing the inheritance, and only then is the balance of our earnings and profits for the taxable year allocated among our distributions to the extent not already treated as a distribution of C corporation earnings and profits under the priority rule. The distribution of these C corporation earnings and profits is potentially eligible for taxation to noncorporate U.S. shareholders at the preferential tax rates for “qualified dividends” as described below under the heading “—Taxation of Taxable U.S. Shareholders”.

Depreciation and Federal Income Tax Treatment of Leases

Our initial tax bases in our assets will generally be our acquisition cost. We will generally depreciate our depreciable real property on a straight-line basis over forty years and our personal property over the applicable shorter periods. These depreciation schedules, and our initial tax bases, may vary for properties that we acquire through tax-free or carryover basis acquisitions, or that are the subject of cost segregation analyses.

We are entitled to depreciation deductions from our facilities only if we are treated for federal income tax purposes as the owner of the facilities. This means that the leases of our facilities must be classified for U.S. federal income tax purposes as true leases, rather than as sales or financing arrangements, and we believe this to be the case.

Distributions to our Shareholders

General. As described above, we expect to make distributions to our shareholders from time to time. These distributions may include cash distributions, in kind distributions of property (such as our pro rata distribution that we paid on January 1, 2020, to our shareholders of record as of December 13, 2019, of the right to receive an aggregate number of Five Star common shares that equaled approximately 51% of Five Star's outstanding common shares, or the FVE Distribution), and deemed or constructive distributions resulting from capital market activities. The U.S. federal income tax treatment of our distributions will vary based on the status of the recipient shareholder as more fully described below under the headings "—Taxation of Taxable U.S. Shareholders," "—Taxation of Tax-Exempt U.S. Shareholders," and "—Taxation of Non-U.S. Shareholders."

Section 302 of the IRC treats a redemption of our shares for cash only as a distribution under Section 301 of the IRC, and hence taxable as a dividend to the extent of our available current or accumulated earnings and profits, unless the redemption satisfies one of the tests set forth in Section 302(b) of the IRC enabling the redemption to be treated as a sale or exchange of the shares. The redemption for cash only will be treated as a sale or exchange if it (a) is "substantially disproportionate" with respect to the surrendering shareholder's ownership in us, (b) results in a "complete termination" of the surrendering shareholder's entire share interest in us, or (c) is "not essentially equivalent to a dividend" with respect to the surrendering shareholder, all within the meaning of Section 302(b) of the IRC. In determining whether any of these tests have been met, a shareholder must generally take into account shares considered to be owned by such shareholder by reason of constructive ownership rules set forth in the IRC, as well as shares actually owned by such shareholder. In addition, if a redemption is treated as a distribution under the preceding tests, then a shareholder's tax basis in the redeemed shares generally will be transferred to the shareholder's remaining shares in us, if any, and if such shareholder owns no other shares in us, such basis generally may be transferred to a related person or may be lost entirely. Because the determination as to whether a shareholder will satisfy any of the tests of Section 302(b) of the IRC depends upon the facts and circumstances at the time that our shares are redeemed, we urge you to consult your own tax advisor to determine the particular tax treatment of any redemption.

FVE Distribution. The FVE Distribution is treated as a 2020 distribution by us to our common shareholders in the amount of the fair market value of the Five Star common shares that a shareholder ultimately received (including any fractional shares deemed to have been received, as described in the next sentence). Any cash received by a shareholder in lieu of a fractional Five Star common share is treated as if such fractional Five Star common share had been (i) received by such shareholder and then (ii) sold for the amount of cash received. Because we expect the value of our total 2020 distributions to exceed our 2020 current and accumulated earnings and profits, we expect that a portion of each distribution in 2020 (including the FVE Distribution) will be taxable to each of our common shareholders as a dividend and a portion will be treated as a return of capital that reduces such shareholder's adjusted tax basis in our common shares. A shareholder's tax basis in the Five Star common shares received equals the fair market value of such shares on the issuance date, and the holding period for such Five Star common shares began the day after the issuance date.

Because of the factual nature of value determinations, Sullivan & Worcester LLP is unable to render an opinion on the fair market value of the Five Star common shares received by our common shareholders. Nevertheless, we believe that the fair market value of the Five Star common shares may be properly determined for federal income tax purposes as the closing price of the Five Star common shares in the public market on December 31, 2019 (the last trading day before issuance), or \$3.71 per share. Accordingly, we will perform all federal income tax reporting, including statements supplied to shareholders and to the IRS, on the basis of this price.

For additional considerations applicable to a shareholder that received the FVE Distribution, see the information set forth below under the headings "—Taxation of Taxable U.S. Shareholders," "—Taxation of Tax-Exempt U.S. Shareholders," and "—Taxation of Non-U.S. Shareholders."

Taxation of Taxable U.S. Shareholders

For noncorporate U.S. shareholders, to the extent that their total adjusted income does not exceed applicable thresholds, the maximum federal income tax rate for long-term capital gains and most corporate dividends is generally 15%. For those noncorporate U.S. shareholders whose total adjusted income exceeds the applicable thresholds, the maximum federal income tax rate for long-term capital gains and most corporate dividends is generally 20%. However, because we are not generally subject to federal income tax on the portion of our “real estate investment trust taxable income” distributed to our shareholders, dividends on our shares generally are not eligible for these preferential tax rates, except that any distribution of C corporation earnings and profits and taxed built-in gain items will potentially be eligible for these preferential tax rates. As a result, our ordinary dividends generally are taxed at the higher federal income tax rates applicable to ordinary income (subject to the lower effective tax rates applicable to qualified REIT dividends via the deduction-without-outlay mechanism of Section 199A of the IRC, which is generally available to our noncorporate U.S. shareholders for taxable years before 2026). To summarize, the preferential federal income tax rates for long-term capital gains and for qualified dividends generally apply to:

- (1) long-term capital gains, if any, recognized on the disposition of our shares;
- (2) our distributions designated as long-term capital gain dividends (except to the extent attributable to real estate depreciation recapture, in which case the distributions are subject to a maximum 25% federal income tax rate);
- (3) our dividends attributable to dividend income, if any, received by us from C corporations such as TRSs;
- (4) our dividends attributable to earnings and profits that we inherit from C corporations; and
- (5) our dividends to the extent attributable to income upon which we have paid federal corporate income tax (such as taxes on foreclosure property income or on built-in gains), net of the corporate income taxes thereon.

As long as we qualify for taxation as a REIT, a distribution to our U.S. shareholders that we do not designate as a capital gain dividend generally will be treated as an ordinary income dividend to the extent of our available current or accumulated earnings and profits (subject to the lower effective tax rates applicable to qualified REIT dividends via the deduction-without-outlay mechanism of Section 199A of the IRC, which is available to our noncorporate U.S. shareholders for taxable years before 2026). Distributions made out of our current or accumulated earnings and profits that we properly designate as capital gain dividends generally will be taxed as long-term capital gains, as discussed below, to the extent they do not exceed our actual net capital gain for the taxable year. However, corporate shareholders may be required to treat up to 20% of any capital gain dividend as ordinary income under Section 291 of the IRC.

In addition, we may elect to retain net capital gain income and treat it as constructively distributed. In that case:

- (1) we will be taxed at regular corporate capital gains tax rates on retained amounts;
- (2) each of our U.S. shareholders will be taxed on its designated proportionate share of our retained net capital gains as though that amount were distributed and designated as a capital gain dividend;
- (3) each of our U.S. shareholders will receive a credit or refund for its designated proportionate share of the tax that we pay;
- (4) each of our U.S. shareholders will increase its adjusted basis in our shares by the excess of the amount of its proportionate share of these retained net capital gains over the U.S. shareholder's proportionate share of the tax that we pay; and
- (5) both we and our corporate shareholders will make commensurate adjustments in our respective earnings and profits for federal income tax purposes.

If we elect to retain our net capital gains in this fashion, we will notify our U.S. shareholders of the relevant tax information within sixty days after the close of the affected taxable year.

If for any taxable year we designate capital gain dividends for our shareholders, then a portion of the capital gain dividends we designate will be allocated to the holders of a particular class of shares on a percentage basis equal to the ratio of the amount of the total dividends paid or made available for the year to the holders of that class of shares to the total dividends paid or made available for the year to holders of all outstanding classes of our shares. We will similarly designate the portion of any dividend

that is to be taxed to noncorporate U.S. shareholders at preferential maximum rates (including any qualified dividend income and any capital gains attributable to real estate depreciation recapture that are subject to a maximum 25% federal income tax rate) so that the designations will be proportionate among all outstanding classes of our shares.

Distributions in excess of our current or accumulated earnings and profits will not be taxable to a U.S. shareholder to the extent that they do not exceed the shareholder's adjusted tax basis in our shares, but will reduce the shareholder's basis in such shares. To the extent that these excess distributions exceed a U.S. shareholder's adjusted basis in such shares, they will be included in income as capital gain, with long-term gain generally taxed to noncorporate U.S. shareholders at preferential maximum rates. No U.S. shareholder may include on its federal income tax return any of our net operating losses or any of our capital losses. In addition, no portion of any of our dividends is eligible for the dividends received deduction for corporate shareholders.

If a dividend is declared in October, November or December to shareholders of record during one of those months and is paid during the following January, then for federal income tax purposes the dividend will be treated as having been both paid and received on December 31 of the prior taxable year.

A U.S. shareholder will generally recognize gain or loss equal to the difference between the amount realized and the shareholder's adjusted basis in our shares that are sold or exchanged. This gain or loss will be capital gain or loss, and will be long-term capital gain or loss if the shareholder's holding period in our shares exceeds one year. In addition, any loss upon a sale or exchange of our shares held for six months or less will generally be treated as a long-term capital loss to the extent of any long-term capital gain dividends we paid on such shares during the holding period.

U.S. shareholders who are individuals, estates or trusts are generally required to pay a 3.8% Medicare tax on their net investment income (including dividends on our shares (without regard to any deduction allowed by Section 199A of the IRC) and gains from the sale or other disposition of our shares), or in the case of estates and trusts on their net investment income that is not distributed, in each case to the extent that their total adjusted income exceeds applicable thresholds. U.S. shareholders are urged to consult their tax advisors regarding the application of the 3.8% Medicare tax.

If a U.S. shareholder recognizes a loss upon a disposition of our shares in an amount that exceeds a prescribed threshold, it is possible that the provisions of Treasury regulations involving "reportable transactions" could apply, with a resulting requirement to separately disclose the loss-generating transaction to the IRS. These Treasury regulations are written quite broadly, and apply to many routine and simple transactions. A reportable transaction currently includes, among other things, a sale or exchange of our shares resulting in a tax loss in excess of (a) \$10.0 million in any single year or \$20.0 million in a prescribed combination of taxable years in the case of our shares held by a C corporation or by a partnership with only C corporation partners or (b) \$2.0 million in any single year or \$4.0 million in a prescribed combination of taxable years in the case of our shares held by any other partnership or an S corporation, trust or individual, including losses that flow through pass through entities to individuals. A taxpayer discloses a reportable transaction by filing IRS Form 8886 with its federal income tax return and, in the first year of filing, a copy of Form 8886 must be sent to the IRS's Office of Tax Shelter Analysis. The annual maximum penalty for failing to disclose a reportable transaction is generally \$10,000 in the case of a natural person and \$50,000 in any other case.

Noncorporate U.S. shareholders who borrow funds to finance their acquisition of our shares could be limited in the amount of deductions allowed for the interest paid on the indebtedness incurred. Under Section 163(d) of the IRC, interest paid or accrued on indebtedness incurred or continued to purchase or carry property held for investment is generally deductible only to the extent of the investor's net investment income. A U.S. shareholder's net investment income will include ordinary income dividend distributions received from us and, only if an appropriate election is made by the shareholder, capital gain dividend distributions and qualified dividends received from us; however, distributions treated as a nontaxable return of the shareholder's basis will not enter into the computation of net investment income.

Taxation of Tax-Exempt U.S. Shareholders

The rules governing the federal income taxation of tax-exempt entities are complex, and the following discussion is intended only as a summary of material considerations of an investment in our shares relevant to such investors. If you are a tax-exempt shareholder, we urge you to consult your own tax advisor to determine the impact of federal, state, local and foreign tax laws, including any tax return filing and other reporting requirements, with respect to your acquisition of or investment in our shares.

Our distributions made to shareholders that are tax-exempt pension plans, individual retirement accounts or other qualifying tax-exempt entities should not constitute UBTI, provided that the shareholder has not financed its acquisition of our shares with "acquisition indebtedness" within the meaning of the IRC, that the shares are not otherwise used in an unrelated trade or business of the tax-exempt entity, and that, consistent with our present intent, we do not hold a residual interest in a real estate

mortgage investment conduit or otherwise hold mortgage assets or conduct mortgage securitization activities that generate “excess inclusion” income.

Taxation of Non-U.S. Shareholders

The rules governing the U.S. federal income taxation of non-U.S. shareholders are complex, and the following discussion is intended only as a summary of material considerations of an investment in our shares relevant to such investors. If you are a non-U.S. shareholder, we urge you to consult your own tax advisor to determine the impact of U.S. federal, state, local and foreign tax laws, including any tax return filing and other reporting requirements, with respect to your acquisition of or investment in our shares.

We expect that a non-U.S. shareholder's receipt of (a) distributions from us, and (b) proceeds from the sale of our shares, will not be treated as income effectively connected with a U.S. trade or business and a non-U.S. shareholder will therefore not be subject to the often higher federal tax and withholding rates, branch profits taxes and increased reporting and filing requirements that apply to income effectively connected with a U.S. trade or business. This expectation and a number of the determinations below are predicated on our shares being listed on a U.S. national securities exchange, such as The Nasdaq Stock Market LLC, or Nasdaq. Each class of our shares has been listed on a U.S. national securities exchange; however, we cannot be sure that our shares will continue to be so listed in future taxable years or that any class of our shares that we may issue in the future will be so listed.

Distributions. A distribution by us to a non-U.S. shareholder that is not designated as a capital gain dividend will be treated as an ordinary income dividend to the extent that it is made out of our current or accumulated earnings and profits. A distribution of this type will generally be subject to U.S. federal income tax and withholding at the rate of 30%, or at a lower rate if the non-U.S. shareholder has in the manner prescribed by the IRS demonstrated to the applicable withholding agent its entitlement to benefits under a tax treaty. Because we cannot determine our current and accumulated earnings and profits until the end of the taxable year, withholding at the statutory rate of 30% or applicable lower treaty rate will generally be imposed on the gross amount of any distribution to a non-U.S. shareholder that we make and do not designate as a capital gain dividend. Notwithstanding this potential withholding on distributions in excess of our current and accumulated earnings and profits, these excess portions of distributions are a nontaxable return of capital to the extent that they do not exceed the non-U.S. shareholder's adjusted basis in our shares, and the nontaxable return of capital will reduce the adjusted basis in these shares. To the extent that distributions in excess of our current and accumulated earnings and profits exceed the non-U.S. shareholder's adjusted basis in our shares, the distributions will give rise to U.S. federal income tax liability only in the unlikely event that the non-U.S. shareholder would otherwise be subject to tax on any gain from the sale or exchange of these shares, as discussed below under the heading “—Dispositions of Our Shares.” A non-U.S. shareholder may seek a refund from the IRS of amounts withheld on distributions to it in excess of such shareholder's allocable share of our current and accumulated earnings and profits.

For so long as a class of our shares is listed on a U.S. national securities exchange, capital gain dividends that we declare and pay to a non-U.S. shareholder on those shares, as well as dividends to a non-U.S. shareholder on those shares attributable to our sale or exchange of “United States real property interests” within the meaning of Section 897 of the IRC, or USRPIs, will not be subject to withholding as though those amounts were effectively connected with a U.S. trade or business, and non-U.S. shareholders will not be required to file U.S. federal income tax returns or pay branch profits tax in respect of these dividends. Instead, these dividends will generally be treated as ordinary dividends and subject to withholding in the manner described above.

Tax treaties may reduce the withholding obligations on our distributions. Under some treaties, however, rates below 30% that are applicable to ordinary income dividends from U.S. corporations may not apply to ordinary income dividends from a REIT or may apply only if the REIT meets specified additional conditions. A non-U.S. shareholder must generally use an applicable IRS Form W-8, or substantially similar form, to claim tax treaty benefits. If the amount of tax withheld with respect to a distribution to a non-U.S. shareholder exceeds the shareholder's U.S. federal income tax liability with respect to the distribution, the non-U.S. shareholder may file for a refund of the excess from the IRS. Treasury regulations also provide special rules to determine whether, for purposes of determining the applicability of a tax treaty, our distributions to a non-U.S. shareholder that is an entity should be treated as paid to the entity or to those owning an interest in that entity, and whether the entity or its owners are entitled to benefits under the tax treaty.

If, contrary to our expectation, a class of our shares was not listed on a U.S. national securities exchange and we made a distribution on those shares that was attributable to gain from the sale or exchange of a USRPI, then a non-U.S. shareholder holding those shares would be taxed as if the distribution was gain effectively connected with a trade or business in the United States conducted by the non-U.S. shareholder. In addition, the applicable withholding agent would be required to withhold from a distribution to such a non-U.S. shareholder, and remit to the IRS, up to 21% of the maximum amount of any distribution that was or could have been designated as a capital gain dividend. The non-U.S. shareholder also would generally be subject to the

same treatment as a U.S. shareholder with respect to the distribution (subject to any applicable alternative minimum tax and a special alternative minimum tax in the case of a nonresident alien individual), would be subject to fulsome U.S. federal income tax return reporting requirements, and, in the case of a corporate non-U.S. shareholder, may owe the up to 30% branch profits tax under Section 884 of the IRC (or lower applicable tax treaty rate) in respect of these amounts.

Dispositions of Our Shares. If as expected our shares are not USRPIs, then a non-U.S. shareholder's gain on the sale of these shares generally will not be subject to U.S. federal income taxation or withholding. We expect that our shares will not be USRPIs because one or both of the following exemptions will be available at all times.

First, for so long as a class of our shares is listed on a U.S. national securities exchange, a non-U.S. shareholder's gain on the sale of those shares will not be subject to U.S. federal income taxation as a sale of a USRPI. Second, our shares will not constitute USRPIs if we are a "domestically controlled" REIT. We will be a "domestically controlled" REIT if less than 50% of the value of our shares (including any future class of shares that we may issue) is held, directly or indirectly, by non-U.S. shareholders at all times during the preceding five years, after applying specified presumptions regarding the ownership of our shares as described in Section 897(h)(4)(E) of the IRC. For these purposes, we believe that the statutory ownership presumptions apply to validate our status as a "domestically controlled" REIT. Accordingly, we believe that we are and will remain a "domestically controlled" REIT.

If, contrary to our expectation, a gain on the sale of our shares is subject to U.S. federal income taxation (for example, because neither of the above exemptions were then available, *i.e.*, that class of our shares were not then listed on a U.S. national securities exchange and we were not a "domestically controlled" REIT), then (a) a non-U.S. shareholder would generally be subject to the same treatment as a U.S. shareholder with respect to its gain (subject to any applicable alternative minimum tax and a special alternative minimum tax in the case of nonresident alien individuals), (b) the non-U.S. shareholder would also be subject to fulsome U.S. federal income tax return reporting requirements, and (c) a purchaser of that class of our shares from the non-U.S. shareholder may be required to withhold 15% of the purchase price paid to the non-U.S. shareholder and to remit the withheld amount to the IRS.

Information Reporting, Backup Withholding, and Foreign Account Withholding

Information reporting, backup withholding, and foreign account withholding may apply to distributions or proceeds paid to our shareholders under the circumstances discussed below. If a shareholder is subject to backup or other U.S. federal income tax withholding, then the applicable withholding agent will be required to withhold the appropriate amount with respect to a deemed or constructive distribution or a distribution in kind even though there is insufficient cash from which to satisfy the withholding obligation. To satisfy this withholding obligation, the applicable withholding agent may collect the amount of U.S. federal income tax required to be withheld by reducing to cash for remittance to the IRS a sufficient portion of the property that the shareholder would otherwise receive or own, and the shareholder may bear brokerage or other costs for this withholding procedure.

Amounts withheld under backup withholding are generally not an additional tax and may be refunded by the IRS or credited against the shareholder's federal income tax liability, provided that such shareholder timely files for a refund or credit with the IRS. A U.S. shareholder may be subject to backup withholding when it receives distributions on our shares or proceeds upon the sale, exchange, redemption, retirement or other disposition of our shares, unless the U.S. shareholder properly executes, or has previously properly executed, under penalties of perjury an IRS Form W-9 or substantially similar form that:

- provides the U.S. shareholder's correct taxpayer identification number;
- certifies that the U.S. shareholder is exempt from backup withholding because (a) it comes within an enumerated exempt category, (b) it has not been notified by the IRS that it is subject to backup withholding, or (c) it has been notified by the IRS that it is no longer subject to backup withholding; and
- certifies that it is a U.S. citizen or other U.S. person.

If the U.S. shareholder has not provided and does not provide its correct taxpayer identification number and appropriate certifications on an IRS Form W-9 or substantially similar form, it may be subject to penalties imposed by the IRS, and the applicable withholding agent may have to withhold a portion of any distributions or proceeds paid to such U.S. shareholder. Unless the U.S. shareholder has established on a properly executed IRS Form W-9 or substantially similar form that it comes within an enumerated exempt category, distributions or proceeds on our shares paid to it during the calendar year, and the amount of tax withheld, if any, will be reported to it and to the IRS.

Distributions on our shares to a non-U.S. shareholder during each calendar year and the amount of tax withheld, if any, will generally be reported to the non-U.S. shareholder and to the IRS. This information reporting requirement applies regardless of whether the non-U.S. shareholder is subject to withholding on distributions on our shares or whether the withholding was reduced or eliminated by an applicable tax treaty. Also, distributions paid to a non-U.S. shareholder on our shares will generally be subject to backup withholding, unless the non-U.S. shareholder properly certifies to the applicable withholding agent its non-U.S. shareholder status on an applicable IRS Form W-8 or substantially similar form. Information reporting and backup withholding will not apply to proceeds a non-U.S. shareholder receives upon the sale, exchange, redemption, retirement or other disposition of our shares, if the non-U.S. shareholder properly certifies to the applicable withholding agent its non-U.S. shareholder status on an applicable IRS Form W-8 or substantially similar form. Even without having executed an applicable IRS Form W-8 or substantially similar form, however, in some cases information reporting and backup withholding will not apply to proceeds that a non-U.S. shareholder receives upon the sale, exchange, redemption, retirement or other disposition of our shares if the non-U.S. shareholder receives those proceeds through a broker's foreign office.

Non-U.S. financial institutions and other non-U.S. entities are subject to diligence and reporting requirements for purposes of identifying accounts and investments held directly or indirectly by U.S. persons. The failure to comply with these additional information reporting, certification and other requirements could result in a 30% U.S. withholding tax on applicable payments to non-U.S. persons, notwithstanding any otherwise applicable provisions of an income tax treaty. In particular, a payee that is a foreign financial institution that is subject to the diligence and reporting requirements described above must enter into an agreement with the U.S. Department of the Treasury requiring, among other things, that it undertake to identify accounts held by "specified United States persons" or "United States owned foreign entities" (each as defined in the IRC and administrative guidance thereunder), annually report information about such accounts, and withhold 30% on applicable payments to noncompliant foreign financial institutions and account holders. Foreign financial institutions located in jurisdictions that have an intergovernmental agreement with the United States with respect to these requirements may be subject to different rules. The foregoing withholding regime generally applies to payments of dividends on our shares. In general, to avoid withholding, any non-U.S. intermediary through which a shareholder owns our shares must establish its compliance with the foregoing regime, and a non-U.S. shareholder must provide specified documentation (usually an applicable IRS Form W-8) containing information about its identity, its status, and if required, its direct and indirect U.S. owners. Non-U.S. shareholders and shareholders who hold our shares through a non-U.S. intermediary are encouraged to consult their own tax advisors regarding foreign account tax compliance.

Other Tax Considerations

Our tax treatment and that of our shareholders may be modified by legislative, judicial or administrative actions at any time, which actions may have retroactive effect. The rules dealing with federal income taxation are constantly under review by the U.S. Congress, the IRS and the U.S. Department of the Treasury, and statutory changes, new regulations, revisions to existing regulations and revised interpretations of established concepts are issued frequently. Likewise, the rules regarding taxes other than U.S. federal income taxes may also be modified. No prediction can be made as to the likelihood of passage of new tax legislation or other provisions, or the direct or indirect effect on us and our shareholders. Revisions to tax laws and interpretations of these laws could adversely affect our ability to qualify and be taxed as a REIT, as well as the tax or other consequences of an investment in our shares. We and our shareholders may also be subject to taxation by state, local or other jurisdictions, including those in which we or our shareholders transact business or reside. These tax consequences may not be comparable to the U.S. federal income tax consequences discussed above.

ERISA PLANS, KEOGH PLANS AND INDIVIDUAL RETIREMENT ACCOUNTS

General Fiduciary Obligations

The Employee Retirement Income Security Act of 1974, as amended, or ERISA, the IRC and similar provisions to those described below under applicable foreign or state law, individually and collectively, impose certain duties on persons who are fiduciaries of any employee benefit plan subject to Title I of ERISA, or an ERISA Plan, or an individual retirement account or annuity, or an IRA, a Roth IRA, a tax-favored account (such as an Archer MSA, Coverdell education savings account or health savings account), a Keogh plan or other qualified retirement plan not subject to Title I of ERISA, each a Non-ERISA Plan. Under ERISA and the IRC, any person who exercises any discretionary authority or control over the administration of, or the management or disposition of the assets of, an ERISA Plan or Non-ERISA Plan, or who renders investment advice for a fee or other compensation to an ERISA Plan or Non-ERISA Plan, is generally considered to be a fiduciary of the ERISA Plan or Non-ERISA Plan.

Fiduciaries of an ERISA Plan must consider whether:

- their investment in our shares or other securities satisfies the diversification requirements of ERISA;
- the investment is prudent in light of possible limitations on the marketability of our shares;
- they have authority to acquire our shares or other securities under the applicable governing instrument and Title I of ERISA; and
- the investment is otherwise consistent with their fiduciary responsibilities.

Fiduciaries of an ERISA Plan may incur personal liability for any loss suffered by the ERISA Plan on account of a violation of their fiduciary responsibilities. In addition, these fiduciaries may be subject to a civil penalty of up to 20% of any amount recovered by the ERISA Plan on account of a violation. Fiduciaries of any Non-ERISA Plan should consider that the Non-ERISA Plan may only make investments that are authorized by the appropriate governing instrument and applicable law.

Fiduciaries considering an investment in our securities should consult their own legal advisors if they have any concern as to whether the investment is consistent with the foregoing criteria or is otherwise appropriate. The sale of our securities to an ERISA Plan or Non-ERISA Plan is in no respect a representation by us or any underwriter of the securities that the investment meets all relevant legal requirements with respect to investments by the arrangements generally or any particular arrangement, or that the investment is appropriate for arrangements generally or any particular arrangement.

Prohibited Transactions

Fiduciaries of ERISA Plans and persons making the investment decision for Non-ERISA Plans should consider the application of the prohibited transaction provisions of ERISA and the IRC in making their investment decision. Sales and other transactions between an ERISA Plan or a Non-ERISA Plan and disqualified persons or parties in interest, as applicable, are prohibited transactions and result in adverse consequences absent an exemption. The particular facts concerning the sponsorship, operations and other investments of an ERISA Plan or Non-ERISA Plan may cause a wide range of persons to be treated as disqualified persons or parties in interest with respect to it. A non-exempt prohibited transaction, in addition to imposing potential personal liability upon ERISA Plan fiduciaries, may also result in the imposition of an excise tax under the IRC or a penalty under ERISA upon the disqualified person or party in interest. If the disqualified person who engages in the transaction is the individual on behalf of whom an IRA, Roth IRA or other tax-favored account is maintained (or his beneficiary), the IRA, Roth IRA or other tax-favored account may lose its tax-exempt status and its assets may be deemed to have been distributed to the individual in a taxable distribution on account of the non-exempt prohibited transaction, but no excise tax will be imposed. Fiduciaries considering an investment in our securities should consult their own legal advisors as to whether the ownership of our securities involves a non-exempt prohibited transaction.

“Plan Assets” Considerations

The U.S. Department of Labor has issued a regulation defining “plan assets.” The regulation, as subsequently modified by ERISA, generally provides that when an ERISA Plan or a Non-ERISA Plan otherwise subject to Title I of ERISA and/or Section 4975 of the IRC acquires an interest in an entity that is neither a “publicly offered security” nor a security issued by an investment company registered under the Investment Company Act of 1940, as amended, the assets of the ERISA Plan or Non-ERISA Plan include both the equity interest and an undivided interest in each of the underlying assets of the entity, unless it is established

either that the entity is an operating company or that equity participation in the entity by benefit plan investors is not significant. We are not an investment company registered under the Investment Company Act of 1940, as amended.

Each class of our equity (that is, our common shares and any other class of equity that we may issue) must be analyzed separately to ascertain whether it is a publicly offered security. The regulation defines a publicly offered security as a security that is “widely held,” “freely transferable” and either part of a class of securities registered under the Exchange Act, or sold under an effective registration statement under the Securities Act of 1933, as amended, or the Securities Act, provided the securities are registered under the Exchange Act within 120 days after the end of the fiscal year of the issuer during which the offering occurred. Each class of our outstanding shares has been registered under the Exchange Act within the necessary time frame to satisfy the foregoing condition.

The regulation provides that a security is “widely held” only if it is part of a class of securities that is owned by 100 or more investors independent of the issuer and of one another. However, a security will not fail to be “widely held” because the number of independent investors falls below 100 subsequent to the initial public offering as a result of events beyond the issuer's control. Although we cannot be sure, we believe our common shares have been and will remain widely held, and we expect the same to be true of any future class of equity that we may issue.

The regulation provides that whether a security is “freely transferable” is a factual question to be determined on the basis of all relevant facts and circumstances. The regulation further provides that, where a security is part of an offering in which the minimum investment is \$10,000 or less, some restrictions on transfer ordinarily will not, alone or in combination, affect a finding that these securities are freely transferable. The restrictions on transfer enumerated in the regulation as not affecting that finding include:

- any restriction on or prohibition against any transfer or assignment that would result in a termination or reclassification for federal or state tax purposes, or would otherwise violate any state or federal law or court order;
- any requirement that advance notice of a transfer or assignment be given to the issuer and any requirement that either the transferor or transferee, or both, execute documentation setting forth representations as to compliance with any restrictions on transfer that are among those enumerated in the regulation as not affecting free transferability, including those described in the preceding clause of this sentence;
- any administrative procedure that establishes an effective date, or an event prior to which a transfer or assignment will not be effective; and
- any limitation or restriction on transfer or assignment that is not imposed by the issuer or a person acting on behalf of the issuer.

We believe that the restrictions imposed under our declaration of trust on the transfer of shares do not result in the failure of our shares to be “freely transferable.” Furthermore, we believe that there exist no other facts or circumstances limiting the transferability of our shares that are not included among those enumerated as not affecting their free transferability under the regulation, and we do not expect or intend to impose in the future, or to permit any person to impose on our behalf, any limitations or restrictions on transfer that would not be among the enumerated permissible limitations or restrictions.

Assuming that each class of our shares will be “widely held” and that no other facts and circumstances exist that restrict transferability of these shares, our counsel, Sullivan & Worcester LLP, is of the opinion that our shares will not fail to be “freely transferable” for purposes of the regulation due to the restrictions on transfer of our shares in our declaration of trust and that under the regulation each class of our currently outstanding shares is publicly offered and our assets will not be deemed to be “plan assets” of any ERISA Plan or Non-ERISA Plan that acquires our shares in a public offering. This opinion is conditioned upon certain assumptions and representations, as discussed above in “Material United States Federal Income Tax Considerations—Taxation as a REIT.”

Item 1A. Risk Factors.

Our business is subject to a number of risks and uncertainties. Investors and prospective investors should carefully consider the risks described below, together with all of the other information in this Annual Report on Form 10-K. The risks described below may not be the only risks we face but are risks we believe may be material at this time. Additional risks that we do not yet know of, or that we currently think are immaterial, also may impair our business operations or financial results. If any of the events or circumstances described below occurs, our business, financial condition, results of operations or ability to make or sustain distributions to our shareholders and the value of our securities could be adversely affected. Investors and prospective investors

should consider the following risks, the information contained under the heading “Warning Concerning Forward-Looking Statements” and the risks described elsewhere in this Annual Report on Form 10-K before deciding whether to invest in our securities.

Risks Related to Our Business

Following the completion of the Restructuring Transaction, the results of operations for our senior living communities that Five Star manages for us will be directly reflected and included in our operating results and will represent a significant part of our consolidated operating results and a substantial majority of the operating results of our senior housing operating portfolio.

As of January 1, 2020, we and Five Star completed the Restructuring Transaction, pursuant to which, among other things, our previously existing master leases and management and pooling agreements with Five Star were terminated and replaced with the New Management Agreements for all of our senior living communities operated by Five Star. Unlike a lease structure, the operating results of the managed communities are directly reflected and included in our operating results. As a result, our results of operations will be directly impacted by the operating results of our senior living communities that Five Star manages. If Five Star does not manage our senior living communities profitably and in accordance with our expectations, our results of operations, financial condition and prospects, and the value of our senior living communities, may be materially adversely affected.

We are dependent on Five Star for the operation of most of our senior living communities.

The senior living communities that Five Star manages for us represent most of our senior living communities. Five Star manages our senior living communities pursuant to the New Management Agreements. As a result, the success of our senior living communities will depend upon Five Star's ability to efficiently and effectively operate them. Our ability to terminate the New Management Agreements is limited to the termination rights provided under such agreements or as may otherwise be recognized under law. As a result, we may be limited in our ability to replace Five Star as a manager if we determine it is in our best interests to do so, and we may be required to pay Five Star a significant termination fee if we terminate the New Management Agreements. In addition, if Five Star were to cease managing our senior living communities, we may not be able to obtain a replacement manager as qualified as Five Star or at all and we may incur significant expenses in connection with any replacement manager, including transitioning operational costs, capital expenditures to renovate our senior living communities to the replacement manager's practices and standards and declines in residents fees and services revenue. Although we have various rights as owner under the New Management Agreements, we rely on the manager's personnel, good faith, expertise, performance, technical resources, operating efficiencies, information systems, proprietary information and judgment to manage our managed senior living communities efficiently and effectively. We also rely on the manager to set resident fees and otherwise operate our managed senior living communities in compliance with the New Management Agreements.

We assume the operational risks and fund the operations and capital and maintenance requirements for all of our senior living communities that Five Star manages, which may require us to fund significant amounts and require us to maintain sufficient funding for those managed senior living communities.

Under the New Management Agreements, we assume the operational risks and fund the operations and capital and maintenance requirements for all those senior living communities that Five Star previously leased from us and now manages for us. As a result, we are required to maintain sufficient funding for these purposes. We cannot be sure that we will be able to maintain sufficient funding for these purposes. Further, any funding we do maintain for these purposes will not be available for other business purposes, which may limit our ability to pursue other business opportunities and could limit the amount of distributions we can pay to our shareholders.

The current trend for seniors to delay moving to senior living communities until they require greater care or to forgo moving to senior living communities altogether could have a material adverse effect on our business, financial condition and results of operations.

Seniors have been increasingly delaying their moves to senior living communities, until they require greater care, and they have been increasingly forgoing moving to senior living communities altogether. Further, rehabilitation therapy and other services are increasingly being provided to seniors on an outpatient basis or in seniors' personal residences in response to market demand and government regulation, which may increase the trend for seniors to delay moving to senior living communities. Such delays may cause decreases in occupancy rates and increases in resident turnover rates at our senior living communities. Moreover, older aged persons may have greater care needs and require higher acuity services, which may increase our managers' and tenants' cost of business, expose our managers and tenants to additional liability or result in lost business and shorter stays at our senior living communities if our managers and tenants are not able to provide the requisite care services or fail to adequately provide

those services. These trends may negatively impact the occupancy rates, revenues and cash flows at our senior living communities and our tenants' results of operations. Further, if any of our managers or tenants is unable to offset lost revenues from these trends by providing and growing other revenue sources, such as new or increased service offerings to seniors, our senior living communities may be unprofitable and we may receive lower returns and rent and the value of our senior living communities may decline.

Increases in labor costs at our managed senior living communities may have a material adverse effect on us.

Wages and employee benefits associated with the operations of our managed senior living communities represent a significant part of our managed senior living communities' operating expenses. The U.S. labor market has been experiencing an extended period of low unemployment. Further, there has been recent legislation enacted and proposed legislation to increase the minimum wage in certain jurisdictions. This, in turn, has put upward pressure on wages. Our managers compete with other senior living community operators, among others, to attract and retain qualified personnel responsible for the day to day operations of our managed senior living communities. The market for qualified nurses, therapists and other healthcare professionals is highly competitive, and periodic or geographic area shortages of such healthcare professionals may require our managers to increase the wages and benefits they offer to their employees in order to attract and retain such personnel or to utilize temporary personnel at an increased cost. Moreover, the low level of unemployment in the United States currently may result in our managers being unable to fully staff its senior living communities or having to pay overtime to adequately staff its senior living communities. In addition, employee benefit costs, including health insurance and workers' compensation insurance costs, have materially increased in recent years.

We have been experiencing increasing labor costs at our managed senior living communities. We cannot be sure that labor costs at our managed senior living communities will not continue to increase or that any increases will eventually be recovered by corresponding increases in the rates charged to residents or otherwise. Any significant failure by our managers to prudently control labor costs or to pass any increases on to residents through rate increases could have a material adverse effect on our business, financial condition and results of operations. Five Star, like most senior living operators, often experiences staffing turnover, which may increase in the current competitive labor market and the competitive environment in the senior living industry. Heightened levels of staffing turnover for Five Star, particularly for key and skilled positions, such as management, its regional and executive directors and other skilled and qualified personnel who provide services with respect to our senior living communities that Five Star manages for us may disrupt operations, limit or slow Five Star's ability to execute its business strategies, decrease our revenues and increase our costs at our managed senior living communities, which may have a material adverse effect on our business, financial condition, results of operations and prospects.

If we, our managers and our tenants fail to identify and successfully act upon changes and trends in the healthcare industry and seniors' needs and preferences, our business, financial condition, results of operations and prospects will be adversely impacted.

The healthcare industry is a dynamic industry. The needs and preferences of seniors have generally changed over the past several years, including preferences to reside in their homes longer or permanently, as well as changes in services and offerings, including delivery of home healthcare services and for service offerings that address their desire to maintain active lifestyles. If we, our managers and our tenants fail to identify and successfully act upon and address changes and trends in the healthcare industry and seniors' needs and preferences, our business, financial condition, results of operations and prospects will be adversely impacted.

Federal, state and local employment related laws and regulations could increase our cost of doing business at our managed senior living communities, and our managers may fail to comply with such laws and regulations.

The operations at our managed senior living communities are subject to a variety of federal, state and local employment related laws and regulations, including, but not limited to, the U.S. Fair Labor Standards Act, which governs such matters as minimum wages, the Family and Medical Leave Act, overtime pay, compensable time, recordkeeping and other working conditions, and a variety of similar laws that govern these and other employment related matters. Because labor represents a significant portion of our managed senior living communities' operating expenses, compliance with these evolving laws and regulations could substantially increase the cost of doing business at our managed senior living communities, while failure to do so could subject our managers to significant back pay awards, fines and lawsuits. Our managers' failure to comply with federal, state and local employment related laws and regulations could have a material adverse effect on our business, financial condition and results of operations.

The nature of our managers' and tenants' business exposes us and them to litigation and regulatory and government proceedings.

Our managers and tenants have been, are currently, and expect in the future to be involved in claims, lawsuits and regulatory and government audits, investigations and proceedings arising in the ordinary course of their and our business, some of which may involve material amounts, and we may also be involved in such claims, lawsuits and regulatory and government audits, investigations and proceedings at our managed communities. The defense and resolution of such claims, lawsuits and other proceedings may require our managers and tenants or us to incur significant expenses. In several well publicized instances, private litigation by residents of senior living communities for alleged abuses has resulted in large damage awards against senior living companies. Some lawyers and law firms specialize in bringing litigation against senior living community operators. As a result of this litigation and potential litigation, the cost of liability insurance continues to increase. Medical liability insurance reform has at times been a topic of political debate, and some states have enacted legislation to limit future liability awards. However, such reforms have not generally been adopted, and we expect that insurance costs may continue to increase. Further, although Five Star determines its self insurance reserves with guidance from third party professionals, its reserves may nonetheless be inadequate. Insurance costs related to our managed senior living communities are, and the costs, claims, lawsuits and regulatory and government audits, investigations and proceedings related to our managed senior living communities may be, included as operating expenses of those communities, which reduce our returns from those communities. Increasing liability insurance costs and the need to increase self insurance reserves could have a material adverse effect on our and our managers' and tenants' businesses, financial condition and results of operations.

Depressed U.S. housing market conditions may reduce the willingness or ability of seniors to relocate to our senior living communities.

Downturns or stagnation in the U.S. housing market could adversely affect the ability, or perceived ability, of seniors to afford our managers' and tenants' entrance fees and resident fees as prospective residents frequently use the proceeds from the sale of their homes to cover the cost of such fees. If seniors have a difficult time selling their homes, their ability to relocate to our managed and leased senior living communities or finance their stays at our managed and leased senior living communities with private resources could be adversely affected. If U.S. housing market conditions reduce seniors' willingness or ability to relocate to our managed and leased senior living communities, the occupancy rates, revenues and cash flows at our managed and leased senior living communities and our results of operations could be negatively impacted.

Our managers or tenants may fail to comply with laws relating to the operation of our managed and leased senior living communities.

We and our managers and tenants are subject to, or impacted by, extensive and frequently changing federal, state and local laws and regulations, including: licensure laws; laws protecting consumers against deceptive practices; laws relating to the operation of our properties and how our managers and tenants conduct their operations, such as with respect to health and safety, fire and privacy matters; laws affecting communities that participate in Medicaid; laws affecting SNFs, clinics and other healthcare facilities that participate in both Medicare and Medicaid which mandate allowable costs, pricing, reimbursement procedures and limitations, quality of services and care, food service and physical plants; resident rights laws (including abuse and neglect laws) and fraud laws; anti-kickback and physician referral laws; the Americans with Disabilities Act and similar laws; and safety and health standards established by OSHA. We and our managers and tenants are also required to comply with federal and state laws governing the privacy, security, use and disclosure of individually identifiable information, including financial information and protected health information. Under HIPAA, we and our managers and tenants are required to comply with the HIPAA privacy rule, security standards and standards for electronic healthcare transactions. State laws also govern the privacy of individual health information, and these laws are, in some jurisdictions, more stringent than HIPAA.

We and our managers and tenants expend significant resources to maintain compliance with these laws and regulations. However, if we or our managers or tenants are alleged to fail, or do fail, to comply with applicable legal requirements, we or they may have to expend significant resources to respond to such allegations, and if we or they are unable to cure deficiencies, certain sanctions may be imposed which may adversely affect the ability of our tenants to pay us rent, the profitability of our managed senior living communities and our ability to obtain, renew or maintain licenses at those communities and the values of our properties. Changes in applicable regulatory frameworks could also have similar adverse effects.

The failure of Medicare and Medicaid rates to match our costs will reduce our income or create losses.

Some of our managed senior living communities, especially those with skilled nursing units, may receive significant revenues from Medicare and Medicaid. Although we have made efforts to increasingly transition our business away from government payer sources, such as Medicare and Medicaid, these programs still comprise part of our business and their direct

impact will likely increase as a result of the Conversion (as defined above in "Business—Senior Housing Operating Portfolio Managements" in Part I, Item 1 of this Annual Report on Form 10-K). Payments under Medicare and Medicaid are set by government policy, laws and regulations. The rates and amounts of these payments are subject to periodic adjustment. Current and projected federal budget deficits, federal spending priorities and challenging state fiscal conditions have resulted in numerous recent legislative and regulatory actions or proposed actions with respect to Medicare and Medicaid payments, insurance and healthcare delivery. For further information regarding these matters and developments, see "Business—Government Regulation and Reimbursement" in Part I, Item 1 of this Annual Report on Form 10-K. These matters could result in the failure of Medicare or Medicaid payment rates to cover our costs of providing required services to residents, or in reductions in payments to us or other circumstances that could have a material adverse effect on our business, results of operations and financial condition. Further, certain tenants of our properties receive some of their revenues from government paying sources. If they were to experience these pressures, their ability to pay rent to us may be adversely impacted.

Private third party payers continue to try to reduce healthcare costs.

Private third party payers such as insurance companies continue their efforts to control healthcare costs through direct contracts with healthcare providers, increased utilization review practices and greater enrollment in managed care programs and preferred provider organizations. These third party payers increasingly demand discounted fee structures and the assumption by healthcare providers of all or a portion of the financial risk. These efforts to limit the amount of payments we receive for healthcare services could adversely affect us. Reimbursement payments under third party payer programs may not remain at levels comparable to present levels or be sufficient to cover the costs allocable to patients participating in such programs. Future changes in, or renegotiations of, the reimbursement rates or methods of third party payers, or the implementation of other measures to reduce payments for our services could result in a substantial reduction in our NOI with respect to our managed senior living communities. At the same time, as a result of competitive pressures, our managers' ability to maintain operating margins at our managed senior living communities through price increases to private pay residents may be limited. Further certain tenants of our properties face similar payment and pricing pressures and their ability to pay rent to us may be adversely impacted as a result.

If Five Star faces financial and other difficulties again in the future, we may be adversely affected.

In the fourth quarter of 2018, Five Star announced that the conditions in the senior living industry, its recurring operating losses, the expected continued industry challenges and the risk that it may not be able to obtain sufficient funding, gave rise to a substantial doubt about its ability to continue as a going concern. In response, in April 2019, we and Five Star entered into the Transaction Agreement, and Five Star has since then determined that a substantial doubt no longer existed about its ability to continue as a going concern. The Restructuring Transaction significantly reduced Five Star's operating leverage and cash and other working capital needs for the senior living communities it operates because under the New Management Arrangements, unlike the prior lease arrangements, we, not Five Star, fund the operations and capital requirements of the senior living communities, and Five Star is no longer obligated to pay us rent. Despite these changes, we cannot be sure that Five Star will not face financial and other difficulties in the future. Although Five Star will be relieved of the obligation to fund the operations and capital for our senior living communities, Five Star owns its own senior living communities and it may purchase additional senior living communities or enter into lease arrangements to operate additional senior living communities in the future. Further, Five Star will still have to fund its other business expenses and commitments. In addition, Five Star could elect to grow or develop its business beyond its management arrangements with us in the future. If Five Star is not profitable, our business may be materially adversely affected.

Termination of assisted living resident agreements and resident attrition could adversely affect revenues and earnings at our managed and leased senior living communities.

State regulations governing assisted living communities typically require a written resident agreement with each resident. Most of these regulations also require that each resident have the right to terminate these assisted living resident agreements for any reason on reasonable notice. Consistent with these regulations, most of our tenants' and managers' resident agreements allow residents to terminate their agreements on 30 days' notice. Thus, our managers and tenants may be unable to contract with assisted living residents to stay for longer periods of time, unlike typical apartment leasing arrangements that involve lease agreements with terms of up to a year or longer. If a large number of residents elected to terminate their resident agreements at or around the same time, revenues and earnings at our managed and leased senior living communities could be materially and adversely affected. In addition, the advanced ages of residents at our managed and leased senior living communities make resident turnover rates difficult to predict.

Provisions of the ACA and efforts to repeal, replace or modify the ACA could adversely affect us or our managers and tenants.

The ACA contains insurance changes, payment changes and healthcare delivery systems changes that have affected, and will continue to affect, us, our managers and tenants. Changes implemented under the ACA caused or may cause in the future reduced payments for services, as enforcement reforms and Medicare and Medicaid program integrity control initiatives, new compliance, ethics and public disclosure requirements, initiatives to encourage the development of home and community based long term care services rather than institutional services under Medicaid, value based purchasing plans and a Medicare post-acute care pilot program to develop and evaluate making a bundled payment for services, including hospital, physician and SNF services, provided during an episode of care. Since enactment in 2011, the ACA has been the subject of partial or complete repeal through legislation, administrative action and judicial opinions. Information regarding the ACA is provided under the caption “Business—Government Regulation and Reimbursement” in Part I, Item 1 of this Annual Report on Form 10-K and under the caption “Management's Discussion and Analysis of Financial Condition and Results of Operations—Impact of Government Reimbursement” in Part II, Item 7 of this Annual Report on Form 10-K.

We are unable to predict how potential Medicare rate reductions under the ACA will affect our managers' and tenants' future financial results of operations; however, the effect may be adverse and material and hence adverse and material to our future financial condition and results of operations. If some or all of the ACA is repealed, replaced or modified, additional risks and regulatory uncertainty may arise. Depending upon what aspects of the ACA are repealed, replaced or modified, our future financial results could be adversely and materially affected.

We may not succeed in selling any properties we identify for sale, the proceeds we may receive for any such sales may be less than we expect and we may incur losses with respect to these sales.

To reduce our leverage, we have sold properties and other assets and have identified additional properties to sell, with a focus on the sale of underperforming senior living communities and non-core assets. Although we have sold or agreed to sell a significant number of properties in furtherance of this plan, we cannot be sure that we will be able to find attractive sales opportunities for additional properties or that any sale will be completed in a timely manner, if at all. Our ability to sell these or any of our other properties, and the prices we receive upon a sale, may be affected by many factors, and we may be unable to execute our strategy. In particular, these factors could arise from weakness in or the lack of an established market for properties, changes in the financial condition or prospects of prospective purchasers and the tenants of the properties, the terms of the leases with tenants at the properties, the characteristics, quality and prospects of the properties, and the availability of financing to potential purchasers on reasonable terms, the number of prospective purchasers, the number of competing properties in the market, unfavorable local, national or international economic conditions, industry trends and changes in laws, regulations or fiscal policies of jurisdictions in which the properties are located. We may not succeed in selling properties that we have identified, or in the future identify, for sale, the terms of any such sales may not meet our expectations, prospective buyers may fail to perform their obligations under the terms of agreements for the sale of our properties, requiring us to find new buyers for such properties, and we may incur losses in connection with these potential sales. In addition, we may elect to change the amount or mix of properties we may seek to sell or to otherwise change or abandon the plan. If we are unable to realize proceeds from the sale of properties sufficient to allow us to reduce our leverage to a level we believe appropriate or which ratings agencies and possible financing sources believe appropriate, our credit ratings may be further lowered, we may reduce our acquisition activity, we may reduce the amount we invest in our properties or pay for expenses and we may reduce the amount of distributions we pay to our shareholders.

REIT distribution requirements and limitations on our ability to access reasonably priced capital may adversely impact our ability to carry out our business plan.

To maintain our qualification for taxation as a REIT under the IRC, we are required to satisfy distribution requirements imposed by the IRC. See “Material United States Federal Income Tax Considerations—REIT Qualification Requirements—Annual Distribution Requirements.” Accordingly, we may not be able to retain sufficient cash to fund our operations, repay our debts, invest in our properties or fund our acquisitions or development or redevelopment efforts. Our business strategies therefore depend, in part, upon our ability to raise additional capital at reasonable costs. The volatility in the availability of capital to businesses on a global basis in most debt and equity markets generally may limit our ability to raise reasonably priced capital. We may also be unable to raise reasonably priced capital because of reasons related to our business, market perceptions of our prospects, the terms of our indebtedness, the extent of our leverage, or for reasons beyond our control, such as market conditions. Because the earnings we are permitted to retain are limited by the rules governing REIT qualification and taxation, if we are unable to raise reasonably priced capital, we may not be able to carry out our business plan.

Changes in market interest rates, including changes that may result from the expected phase out of LIBOR, may adversely affect us.

Since the most recent U.S. recession, the Board of Governors of the U.S. Federal Reserve System, or the U.S. Federal Reserve, has taken actions which have resulted in low interest rates prevailing in the marketplace for a historically long period of time. The U.S. Federal Reserve steadily increased the targeted federal funds rate over the last several years, but recently took action to decrease the federal funds rate and may continue to make adjustments in the near future. In addition, as noted in Part II, Item 7A of this Annual Report on Form 10-K, LIBOR is expected to be phased out in 2021. The interest rates under our revolving credit facility and term loans are based on LIBOR and future debt we may incur may also be based on LIBOR. We currently expect that the determination of interest under our revolving credit facility and term loan agreements would be based on the alternative rates provided under those agreements or would be revised to provide for an interest rate that approximates the existing interest rate as calculated in accordance with LIBOR. Despite our current expectations, we cannot be sure that, if LIBOR is phased out or transitioned, the changes to the determination of interest under our revolving credit facility and term loan agreements would approximate the current calculation in accordance with LIBOR. An alternative interest rate index that may replace LIBOR may result in our paying increased interest. Interest rate increases may materially and negatively affect us in several ways, including:

- Investors may consider whether to buy or sell our common shares based upon the distribution rate on our common shares relative to the then prevailing market interest rates. If market interest rates go up, investors may expect a higher distribution rate than we are able to pay, which may increase our cost of capital, or they may sell our common shares and seek alternative investments that offer higher distribution rates. Sales of our common shares may cause a decline in the value of our common shares.
- Property values are often determined, in part, based upon a capitalization of rental income formula. When market interest rates increase, property investors often demand higher capitalization rates and that causes property values to decline. Increases in interest rates could lower the value of our properties and cause the value of our securities to decline.
- Amounts outstanding under our revolving credit facility and term loans require interest to be paid at floating interest rates. When interest rates increase, our interest costs will increase, which could adversely affect our cash flows, our ability to pay principal and interest on our debt, our cost of refinancing our fixed rate debts when they become due and our ability to make or sustain distributions to our shareholders. Additionally, if we choose to hedge our interest rate risk, we cannot be sure that the hedge will be effective or that our hedging counterparty will meet its obligations to us.

Low market interest rates, particularly if they remain over a sustained period, may increase our use of debt capital to fund property acquisitions, lower capitalization rates for property purchases and increased competition for property purchases, which may reduce our ability to acquire new properties.

We are limited in our ability to operate or manage our properties and are thus dependent on our managers and tenants.

Because federal income tax laws restrict REITs and their subsidiaries from operating or managing healthcare facilities, we do not operate or manage our senior living communities. Instead, we lease our senior living communities to operating companies or to our subsidiaries that qualify as TRSs under the IRC. We have retained a third party manager to manage our senior living communities that are leased to our subsidiaries. Our income from our properties may be adversely affected if our managers or tenants fail to provide quality services and amenities to residents or if they fail to maintain quality services. While we monitor the performance of our managers and tenants and apply asset management strategies and discipline, we have limited recourse under our leases and management agreements if we believe that our managers or tenants are not performing adequately. Any failure by our managers or tenants to fully perform the duties agreed to in our leases and management agreements could adversely affect our results of operations. In addition, our managers and tenants operate, and in some cases own or have invested in, properties that compete with our properties, which may result in conflicts of interest. As a result, our managers and tenants have made, and may in the future make, decisions regarding competing properties or our properties' operations that may not be in our best interests and which may result in a reduction of our returns.

Our properties and their operations are subject to extensive regulations.

Various government authorities mandate certain physical characteristics of senior housing properties, clinics, other healthcare communities and biotechnology laboratories. Changes in laws and regulations relating to these matters may require significant expenditures. Our leases, other than our medical office and life science property leases, and our management agreements generally require our tenants or managers to maintain our properties in compliance with applicable laws and regulations, and we

expend resources to monitor their compliance. However, our tenants or managers may neglect maintenance of our properties if they suffer financial distress. Under some of our leases, we have agreed to fund capital expenditures in return for rent increases and, with respect to our managed senior living communities, the target EBITDA that Five Star must generate in order to earn incentive fees increases by a percentage of the amount of capital expenditures we fund in excess of target amounts. Our available financial resources or those of our tenants or managers may be insufficient to fund the expenditures required to operate our properties in accordance with applicable laws and regulations. If we fund these expenditures, our tenants' financial resources may be insufficient to satisfy their increased rental payments to us or our managed senior living communities may fail to generate profits sufficient to provide us with our expected returns on our capital investments at those managed senior living communities.

Licensing, Medicare and Medicaid laws also require our managers and tenants who operate senior living communities, clinics and other healthcare communities to comply with extensive standards governing their operations. In addition, certain laws prohibit fraud by senior living operators, and other healthcare communities, including civil and criminal laws that prohibit false claims in Medicare, Medicaid and other programs and that regulate patient referrals. In recent years, the federal and state governments have devoted increasing resources to monitoring the quality of care at senior living communities and to anti-fraud investigations in healthcare operations generally. The ACA also facilitates the DOJ's ability to investigate allegations of wrongdoing or fraud at SNFs. When violations of anti-fraud, false claims, anti-kickback or physician referral laws are identified, federal or state authorities may impose civil monetary damages, treble damages, repayment requirements and criminal sanctions. Healthcare communities may also be subject to license revocation or conditional licensure and exclusion from Medicare and Medicaid participation or conditional participation. When quality of care deficiencies or improper billing are identified, various laws may authorize civil money penalties or fines; the suspension, modification or revocation of a license or Medicare/Medicaid participation; the suspension or denial of admissions of residents; the denial of payments in full or in part; the implementation of state oversight, temporary management or receivership; and the imposition of criminal penalties. We, our tenants and our managers receive notices of potential sanctions from time to time, and government authorities impose such sanctions from time to time on our communities which our managers and tenants operate. If our managers or tenants are unable to cure deficiencies which have been identified or which are identified in the future, these sanctions may be imposed, and if imposed, may adversely affect our tenants' ability to pay rents to us, our returns and our ability to identify substitute managers or tenants. Federal and state requirements for change in control of healthcare communities, including, as applicable, approvals of the proposed operator for licensure, CONs, and Medicare and Medicaid participation, may also limit or delay our ability to find substitute managers or tenants. If any of our managers or tenants becomes unable to operate our properties, or if any of our tenants becomes unable to pay its rent or generate sufficient returns for us because it has violated government regulations or payment laws, such incidents may trigger a default or termination right under their leases and management agreements with us and our or our managers' or tenants' credit agreements, and we may experience difficulty in finding a substitute tenant or managers or selling the affected property for a fair and commercially reasonable price, and the value of an affected property may decline materially.

Various laws administered by the FDA and other agencies regulate the operations of our tenants that operate biotechnology laboratories that develop, manufacture, market or distribute pharmaceuticals or medical devices. Once a product is approved, the FDA maintains oversight of the product and its developer and can withdraw its approval, recall products or suspend their production, impose or seek to impose civil or criminal penalties on the developer or take other actions for the developer's failure to comply with regulatory requirements, including anti-fraud, false claims, anti-kickback or physician referral laws. Other concerns affecting our biotechnology laboratory tenants include the potential for subsequent discovery of safety concerns and related litigation, ensuring that the product qualifies for reimbursement under Medicare, Medicaid or other federal or state programs, cost control initiatives of payment programs, the potential for litigation over the validity or infringement of intellectual property rights related to the product, the eventual expiration of relevant patents and the need to raise additional capital. The cost of compliance with these regulations and the risks described in this paragraph, among others, could adversely affect the ability of our biotechnology laboratory tenants to pay rent to us.

We may be unable to grow our business by acquisitions of additional properties.

Our business plans involve the acquisition of additional properties. Our ability to make profitable acquisitions is subject to risks, including, but not limited to, risks associated with:

- competition from other investors, including publicly traded and private REITs, numerous financial institutions, individuals, foreign investors and other public and private companies;
- our long term cost of capital;
- contingencies in our acquisition agreements; and
- the availability and terms of financing.

We might encounter unanticipated difficulties and expenditures relating to our acquired properties. For example:

- we do not believe that it is possible to understand fully a property before it is owned and operated for a reasonable period of time, and, notwithstanding pre-acquisition due diligence, we could acquire a property that contains undisclosed defects in design or construction;
- the market in which an acquired property is located may experience unexpected changes that adversely affect the property's value;
- the occupancy of and rents from properties that we acquire may decline during our ownership;
- property operating costs for our acquired properties may be higher than anticipated, and our acquired properties may not yield expected returns; and
- we may acquire properties subject to unknown liabilities and without any recourse, or with limited recourse, such as liability for the cleanup of undisclosed environmental contamination or for claims by residents, tenants, vendors or other persons related to actions taken by former owners of the properties.

For these reasons, among others, we might not realize the anticipated benefits of our acquisitions, and our business plan to acquire additional properties may not succeed or may cause us to experience losses.

We and our managers and tenants face significant competition.

We face significant competition for acquisition opportunities from other investors, including publicly traded and private REITs, numerous financial institutions, individuals, foreign investors and other public and private companies. Because of competition, we may be unable to acquire, or may pay a significantly increased purchase price for, a desired property, which would reduce our expected returns from that property. Some of our competitors may have greater financial and other resources than us. Further, during prior periods of economic recession, some investors have focused on healthcare real estate investments because of a belief that these types of investments may be less affected by general economic circumstances than most other investments. Low historical market interest rates and increased leverage utilized by financial and other buyers have caused purchase prices for healthcare real estate investments to increase, therefore decreasing rates of returns. Such conditions have resulted in increased competition for investments, fewer available investment opportunities and lower spreads over the cost of capital. If such conditions continue for a protracted period, our ability to grow our business and improve our financial results may be materially and adversely affected.

We also face competition for tenants at our properties, particularly at our medical office and life science properties. Some competing properties may be newer, better located or more attractive to tenants. Competing properties may have lower rates of occupancy than our properties, which may result in competing owners offering available space at lower rents than we offer at our properties. Development activities may increase the supply of properties of the type we own in the leasing markets in which we own properties and increase the competition we face. Competition may make it difficult for us to attract and retain tenants and may reduce the rents we are able to charge.

Further, our managers and tenants compete with numerous other senior living community operators, as well as companies that provide senior living services, such as home healthcare companies and other real estate based service providers. Some of our managers' and tenants' existing competitors are larger and have greater financial resources than they do and some of their competitors are not for profit entities which have endowment income and may not face the same financial pressures that they do. We cannot be sure that our managers and tenants will be able to attract a sufficient number of residents to our managed and leased senior living communities at rates that will generate acceptable returns or that they will be able to attract employees and keep wages and other employee benefits, insurance costs and other operating expenses at levels which will allow them to compete successfully and operate our senior living communities profitably.

Competition from newly developed senior living communities may adversely affect the profitability of our senior living communities.

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 may be slowing, the increased supply of senior living communities that has resulted from recent development activity has increased competitive pressures on our managers and tenants, 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 managers and tenants 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 managed and leased senior living communities and adversely affect the profitability of our senior living communities, and may cause the value of our properties to decline.

We may be unable to lease our properties when our leases expire.

Although we typically will seek to renew our leases with current tenants when they expire, we cannot be sure that we will be successful in doing so. If our tenants do not renew their leases, we may be unable to obtain new tenants to maintain or increase the historical occupancy rates of, or rents from, our properties.

We may experience declining rents or incur significant costs to renew our leases with current tenants or to lease our properties to new tenants.

When we renew our leases with current tenants or lease to new tenants, we may experience rent decreases, and we may have to spend substantial amounts for leasing commissions, tenant improvements or other tenant inducements. Moreover, many of our medical office and life science properties have been specially designed for the particular businesses of our tenants; if the current leases for such properties are terminated or are not renewed, we may be required to renovate such properties at substantial costs, decrease the rents we charge or provide other concessions in order to lease such properties to new tenants.

Current office space utilization trends may adversely impact our business.

There is a general trend in office real estate for companies to decrease the space they occupy per employee. This increase in office utilization rates may result in our medical office and life science property tenants renewing their leases for less area than they currently occupy, which could increase the vacancy and decrease rental income at our medical office and life science properties. The need to reconfigure leased office space to increase utilization also may require us to spend increased amounts for tenant improvements.

Ownership of real estate is subject to environmental risks and liabilities.

Ownership of real estate is subject to risks associated with environmental hazards. Under various laws, owners as well as tenants and operators of real estate may be required to investigate and clean up or remove hazardous substances present at or migrating from properties they own, lease or operate and may be held liable for property damage or personal injuries that result from hazardous substances. These laws also expose us to the possibility that we may become liable to government agencies or third parties for costs and damages they incur in connection with hazardous substances. The costs and damages that may arise from environmental hazards may be substantial and are difficult to assess and estimate for numerous reasons, including uncertainty about the extent of contamination, alternative treatment methods that may be applied, the location of the property which subjects it to differing local laws and regulations and their interpretations, as well as the time it may take to remediate contamination. In addition, these laws also impose various requirements regarding the operation and maintenance of properties and recordkeeping and reporting requirements relating to environmental matters that require us or the managers or tenants of our properties to incur costs to comply with.

We may incur substantial liabilities and costs for environmental matters.

Ownership of real estate is subject to risks from adverse weather and climate events.

Severe weather may have an adverse effect on certain properties we own. Flooding caused by rising sea levels and severe weather events, including hurricanes, tornadoes and widespread fires, may have an adverse effect on properties we own and result in significant losses to us and interruption of our business. When major weather or climate-related events, such as hurricanes, floods and wildfires, occur near our properties, we, our tenants or our managers may relocate the residents at our senior living properties to alternative locations for their safety and we, our tenants or our managers may close or limit the operations of the impacted senior living community or medical office or life science property until the event has ended and the property is then ready for operation. We or the managers or tenants of our properties may incur significant costs and losses as a result of these activities, both in terms of operating, preparing and repairing our properties in anticipation of, during and after a severe weather or climate-related event and in terms of potential lost business due to the interruption in operating our properties. Our insurance and our managers' and tenants' insurance may not adequately compensate us or them for these costs and losses.

Also, concerns about climate change have resulted in various treaties, laws and regulations that are intended to limit carbon emissions and address other environmental concerns. These and other laws may cause energy or other costs at our properties to increase. Laws enacted to mitigate climate change may make some of our buildings obsolete or cause us to make material

investments in our properties which could materially and adversely affect our financial condition or the financial condition of our managers or tenants and their ability to pay rent to, or generate sufficient returns for, us and cause the value of our securities to decline. In addition, concerns about climate change and increasing storm intensities may increase the cost of our insurance for our properties or potentially render it unavailable to obtain.

Real estate ownership creates risks and liabilities.

In addition to the risks discussed above, our business is subject to other risks associated with real estate ownership, including:

- the illiquid nature of real estate markets, which limits our ability to sell our assets rapidly to respond to changing market conditions;
- the subjectivity of real estate valuations and changes in such valuations over time;
- current and future adverse national real estate trends, including increasing vacancy rates, declining rental rates and general deterioration of market conditions;
- costs that may be incurred relating to property maintenance and repair, and the need to make expenditures due to changes in government regulations; and
- liabilities and litigations arising from injuries on our properties or otherwise incidental to the ownership of our properties.

We have debt and we may incur additional debt.

As of December 31, 2019, our consolidated indebtedness was \$3.5 billion, our consolidated net debt to total gross assets ratio was 42.5% and we had \$462.5 million available for borrowing under our \$1.0 billion revolving credit facility. The agreements governing our \$1.0 billion revolving credit facility and our \$200.0 million term loan include a feature under which the maximum aggregate borrowing availability may be increased to up to \$2.0 billion and \$400.0 million, respectively.

We are subject to numerous risks associated with our debt, including the risk that our cash flows could be insufficient for us to make required payments on our debt. There are no limits in our organizational documents on the amount of debt we may incur, and we may incur substantial debt. Our debt obligations could have important consequences to our securityholders. Our incurring debt may increase our vulnerability to adverse economic, market and industry conditions, limit our flexibility in planning for, or reacting to, changes in our business, and place us at a disadvantage in relation to competitors that have lower debt levels. Our incurrence of debt could also increase the costs to us of incurring additional debt, increase our exposure to floating interest rates or expose us to potential events of default (if not cured or waived) under covenants contained in debt instruments that could have a material adverse effect on our business, financial condition and operating results. Excessive debt could reduce the available cash flow to fund, or limit our ability to obtain financing for, working capital, capital expenditures, acquisitions, construction projects, refinancing, lease obligations or other purposes and hinder our ability to maintain investment grade ratings from nationally recognized credit rating agencies or to make or sustain distributions to our shareholders. Following our announcement of the Restructuring Transaction, in April 2019, Standards and Poor's Global, or S&P, downgraded our issuer credit rating to BB+ and reaffirmed the ratings on our senior notes at BBB-, and in May 2019, Moody's Investors Service downgraded our unsecured credit rating to Ba1. The interest rate premiums on our revolving credit facility and our \$200.0 million term loan were not changed by these changes to our ratings, but if our ratings further decline, our interest rates would likely increase.

If we default under any of our debt obligations, we may be in default under the agreements governing other debt obligations of ours which have cross default provisions, including our revolving credit facility and term loan agreements and our senior unsecured notes indentures and their supplements. In such case, our lenders may demand immediate payment of any outstanding indebtedness and we could be forced to liquidate our assets for less than the values we would receive in a more orderly process.

We may fail to comply with the terms of our revolving credit facility and term loan agreements and our senior unsecured notes indentures and their supplements, which could adversely affect our business and may prevent our making distributions to our shareholders.

Our revolving credit facility and term loan agreements and our senior unsecured notes indentures and their supplements include various conditions, covenants and events of default. We may not be able to satisfy all of these conditions or may default on some of these covenants for various reasons, including for reasons beyond our control. For example, our revolving credit facility

and term loan agreements and our senior unsecured notes indentures and their supplements require us to maintain certain debt service ratios. Our ability to comply with such covenants will depend upon the net rental income and returns we receive from our properties. If the occupancy at our properties declines or if our rents or returns decline, we may be unable to borrow under our revolving credit facility. Complying with these covenants may limit our ability to take actions that may be beneficial to us and our securityholders.

If we are unable to borrow under our revolving credit facility, we may be unable to meet our obligations or grow our business by acquiring additional properties. If we default under our revolving credit facility or term loan agreements, our lenders may demand immediate payment and may elect not to fund future borrowings. During the continuance of any event of default under our revolving credit facility or term loan agreements, we may be limited or in some cases prohibited from making distributions to our shareholders. Any default under our revolving credit facility or term loan agreements that results in acceleration of our obligations to repay outstanding indebtedness or in our no longer being permitted to borrow under our revolving credit facility would likely have serious adverse consequences to us and would likely cause the value of our securities to decline.

In the future, we may obtain additional debt financing, and the covenants and conditions which apply to any such additional debt may be more restrictive than the covenants and conditions that are contained in our revolving credit facility or term loan agreements or our senior unsecured notes indentures and their supplements.

RMR LLC and Five Star rely on information technology and systems in their operations, and any material failure, inadequacy, interruption or security failure of that technology or those systems could materially and adversely affect us.

RMR LLC and Five Star rely on information technology and systems, including the Internet and cloud-based infrastructures, commercially available software and their internally developed applications, to process, transmit, store and safeguard information and to manage or support a variety of their business processes (including managing our building systems), including financial transactions and maintenance of records, which may include personal identifying information of employees, residents and tenants and lease data. If either of RMR LLC or Five Star experiences material security or other failures, inadequacies or interruptions of its information technology, it could incur material costs and losses and our operations could be disrupted as a result. Further, third party vendors could experience similar events with respect to their information technology and systems that impact the products and services they provide to RMR LLC, Five Star or us. RMR LLC and Five Star rely on commercially available systems, software, tools and monitoring, as well as their internally developed applications and internal procedures and personnel, to provide security for processing, transmitting, storing and safeguarding confidential resident, tenant, customer and vendor information, such as personally identifiable information related to their employees and others, including in Five Star's case, residents, and information regarding their and our financial accounts. Each of RMR LLC and Five Star takes various actions, and incurs significant costs, to maintain and protect the operation and security of its information technology and systems, including the data maintained in those systems. However, it is possible that these measures will not prevent the systems' improper functioning or a compromise in security, such as in the event of a cyberattack or the improper disclosure of personally identifiable information.

Security breaches, computer viruses, attacks by hackers, online fraud schemes and similar breaches can create significant system disruptions, shutdowns, fraudulent transfer of assets or unauthorized disclosure of confidential information. The cybersecurity risks to RMR LLC, Five Star, us and third party vendors are heightened by, among other things, the evolving nature of the threats faced, advances in computer capabilities, new discoveries in the field of cryptography and new and increasingly sophisticated methods used to perpetrate illegal or fraudulent activities against RMR LLC or Five Star, including cyberattacks, email or wire fraud and other attacks exploiting security vulnerabilities in RMR LLC's, Five Star's or other third parties' information technology networks and systems or operations. Any failure to maintain the security, proper function and availability of RMR LLC's or Five Star's information technology and systems, or certain third party vendors' failure to similarly protect their information technology and systems that are relevant to RMR LLC's, Five Star's or our operations, or to safeguard RMR LLC's, Five Star's or our business processes, assets and information could result in financial losses, interrupt RMR LLC's or Five Star's operations, damage RMR LLC's or Five Star's reputation, cause RMR LLC or Five Star to be in default of material contracts and subject RMR LLC or Five Star to liability claims or regulatory penalties, any of which could materially and adversely affect our business and the value of our securities.

Real estate construction and redevelopment creates risks.

Our business plans involve the development of new properties or the redevelopment of some of our existing properties as the existing leases expire, as our managers' or tenants' needs change or to pursue any other opportunities that we believe are desirable. The development and redevelopment of new and existing buildings involves significant risks in addition to those involved in the ownership and operation of leased properties, including the risks that construction may not be completed on schedule or within budget, resulting in increased construction costs and delays in leasing such properties and generating cash flows. Development activities are also subject to risks relating to the inability to obtain, or delays in obtaining, all necessary zoning, land

use, building, occupancy, and other required government permits and authorizations. Once completed, any new properties may perform below anticipated financial results. The occurrence of one or more of these circumstances in connection with our development or redevelopment activities could have an adverse effect on our financial condition, results of operations and the value of our securities.

Insurance may not adequately cover our losses, and the cost of obtaining such insurance may continue to increase.

We or our tenants are generally responsible for the costs of insurance coverage for our properties and the operations conducted on them, including for casualty, liability, malpractice at managed properties, fire, extended coverage and rental or business interruption loss insurance. Recently, the costs of insurance have increased significantly, and these increased costs have had an adverse effect on us and our managers and tenants. Increased insurance costs may adversely affect our managers' ability to operate our properties profitably and provide us with desirable returns and our tenants' ability to pay us rent or result in downward pressure on rents we can charge under new or renewed leases. In the future, we may acquire additional properties for which we are responsible for the costs of insurance. Losses of a catastrophic nature, such as those caused by hurricanes, flooding, volcanic eruptions and earthquakes, among other things, or losses from terrorism, may be covered by insurance policies with limitations such as large deductibles or co-payments that we or a responsible tenant may not be able to pay. Insurance proceeds may not be adequate to restore an affected property to its condition prior to a loss or to compensate us for our losses, including the loss of future revenues from an affected property. Similarly, our other insurance, including our general liability insurance, may not provide adequate insurance to cover our losses. In addition, we do not have any insurance to limit losses that we may incur as a result of known or unknown environmental conditions. Further, we cannot be sure that certain types of risks that are currently insurable will continue to be insurable on an economically feasible basis, and we may discontinue, or agree to our managers' and tenants' discontinuing, certain insurance coverage on some or all of our properties in the future if the cost of premiums for any of these policies exceeds the value of the coverage. If we determine that an uninsured loss or a loss in excess of insured limits occurs and if we are not able to recover amounts from our applicable managers and tenants from certain losses, we may have to incur uninsured costs to mitigate such losses or lose all or a portion of the capital invested in a property, as well as the anticipated future revenue from the property. We might also remain obligated for any financial obligations related to the property, even if the property is irreparably damaged. In addition, future changes in the insurance industry's risk assessment approach and pricing structure could further increase the cost of insuring our properties or decrease the scope of insurance coverage, either of which could have an adverse effect on our financial condition, results of operations, liquidity and ability to pay distributions to our shareholders.

Our use of joint ventures may limit our flexibility with jointly owned investments.

We are party to a joint venture with a sovereign investor for one of our life science properties located in Boston, Massachusetts, and we may in the future acquire, develop or recapitalize properties in joint ventures with other persons or entities. Our participation in these joint ventures is subject to risks, including the following:

- we may share approval rights over major decisions affecting the ownership or operation of the joint venture and any property owned by the joint venture;
- we may be required to contribute additional capital if our partners fail to fund their share of any required capital contributions;
- our joint venture partners may have economic or other business interests or goals that are inconsistent with our business interests or goals and that could affect our ability to lease or release the property, operate the property or maintain our qualification for taxation as a REIT;
- our joint venture partners may be subject to different laws or regulations than us, or may be structured differently than us for tax purposes, which could create conflicts of interest and/or affect our ability to maintain our qualification for taxation as a REIT;
- our ability to sell the interest on advantageous terms when we so desire may be limited or restricted under the terms of the applicable joint venture agreements; and
- disagreements with our joint venture partners could result in litigation or arbitration that could be expensive and distracting to management and could delay important decisions.

Any of the foregoing risks could have a material adverse effect on our business, financial condition and results of operations.

Bankruptcy law may adversely impact us.

The occurrence of a tenant bankruptcy could reduce the rent we receive from such tenant's lease. If a tenant becomes bankrupt, federal law may prohibit us from evicting such tenant based solely upon its bankruptcy. In addition, a bankrupt tenant may be authorized to reject and terminate its lease with us. Any claims against a bankrupt tenant for unpaid future rent would be subject to statutory limitations that may be substantially less than the contractually specified rent we are owed under the lease, and any claim we have for unpaid past rent may not be paid in full. Further, if a manager files for bankruptcy, we may experience delays in enforcing our rights, may be limited in our ability to replace the manager and may incur substantial costs in protecting our investment and re-leasing or finding a replacement manager for the property.

We may incur significant costs complying with the Americans with Disabilities Act and similar laws.

Under the Americans with Disabilities Act and certain similar state statutes, many commercial properties must meet specified requirements related to access and use by disabled persons. In addition, our properties are subject to various laws and regulations relating to fire, safety and other regulations. We may be required to make substantial capital expenditures at our properties to comply with these laws.

Our business could be adversely impacted if there are deficiencies in our disclosure controls and procedures or our internal control over financial reporting.

The design and effectiveness of our disclosure controls and procedures and our internal control over financial reporting may not prevent all errors, misstatements or misrepresentations. While management will continue to review the effectiveness of our disclosure controls and procedures and our internal control over financial reporting, we cannot guarantee that our disclosure controls and procedures and internal control over financial reporting will be effective in accomplishing all control objectives all of the time. Deficiencies, including any material weaknesses, in our disclosure controls and procedures or internal control over financial reporting could result in misstatements of our results of operations or our financial statements or could otherwise materially and adversely affect our business, reputation, results of operations, financial condition or liquidity.

We and our managers and tenants may fail to comply with laws governing the privacy and security of personal information, including relating to health.

We and our managers and tenants are required to comply with federal and state laws governing the privacy, security, use and disclosure of personally identifiable information and protected health information. Under HIPAA and the HITECH Act, as updated by the Omnibus Rule, we and our managers and tenants are required to comply with the HIPAA privacy rule, security standards and standards for electronic healthcare transactions. State laws also govern protected health information, and rules regarding state privacy rights may be more stringent than HIPAA. Other federal and state laws govern the privacy of other personally identifiable information. If we or our managers or tenants fail to comply with applicable federal or state standards, we or they could be subject to civil sanctions and criminal penalties, and our and our managers' and tenants' reputations could be adversely impacted, which could materially and adversely affect our and their business, financial condition and results of operations and our tenants' ability to pay us rent.

A severe cold and flu season, epidemics or any other widespread illnesses could adversely affect the occupancy of our senior living communities.

Our revenues and our managers' and tenants' revenues with respect to our senior living communities are dependent on occupancy. If a severe cold and flu season, an epidemic or any other widespread illnesses occurred in locations where our senior living communities are located, our and our applicable managers' and tenants' revenues from those communities would likely be significantly and negatively impacted. During such occasions, we and our managers and tenants may experience a decline in occupancy due to residents leaving our communities and, we, our managers or our tenants may be required, or we, our managers or our tenants may otherwise determine that it would be prudent, to quarantine some or all of the senior living community and not to permit new residents during that time. Further, depending on the severity of the occurrence, we, our managers or our tenants may be required to incur costs to identify, contain and remedy the impacts of those occurrences at those senior living communities. As a result, these occurrences could significantly and adversely affect our and our managers' and tenants' results of operations and adversely affect the ability of our applicable tenants to pay us rent.

If our managers and tenants do not achieve and maintain high quality care, payments through pay for performance and value based purchasing programs may be reduced, and the overall attractiveness of our senior living communities to potential residents could decrease as more quality data becomes publicly available.

CMS is moving towards pay for performance programs, such as value based payment, as an alternative to fee for service reimbursement. In October 2016, CMS issued a final rule to implement the Quality Payment Program. Starting in 2019, providers may be subject to either MIPS payment adjustments or APM incentive payments. Under PAMA, beginning in federal fiscal year 2019, Medicare payment rates are now partially based on SNFs' performance scores on a hospital readmissions measure as part of CMS's new SNF Value Based Purchasing Program. Moreover, under the IMPACT Act, SNFs are required to report certain quality measures, resource use measures and certain patient assessment data in a standardized and interoperable format. SNFs that fail to comply with the reporting requirements are subject to a 2.0% reduction in their Medicare payment rates. Beginning in October 2018, HHS made SNF reported data publicly available on its Nursing Home Compare website. We cannot predict the impact of these quality driven payment reforms, but they may be material to and adversely affect our and our managers' and tenants' future results of operations. In addition, we cannot predict the impact of more quality data becoming publicly available, but if we and our managers and tenants of our senior living communities do not achieve and maintain high quality of care, the overall attractiveness of our communities to potential residents could decrease.

Risks Related to Our Relationships with RMR Inc., RMR LLC and Five Star

We are dependent upon RMR LLC to manage our business and implement our growth strategy and Five Star to manage our senior living communities.

We have no employees. Personnel and services that we require are provided to us by RMR LLC pursuant to our management agreements with RMR LLC. Our ability to achieve our business objectives depends on RMR LLC and its ability to effectively manage our properties, to appropriately identify and complete our acquisitions and dispositions and to execute our growth strategy. Accordingly, our business is dependent upon RMR LLC's business contacts, its ability to successfully hire, train, supervise and manage its personnel and its ability to maintain its operating systems. If we lose the services provided by RMR LLC or its key personnel, our business and growth prospects may decline. We may be unable to duplicate the quality and depth of management available to us by becoming internally managed or by hiring another manager. In the event RMR LLC is unwilling or unable to continue to provide management services to us, our cost of obtaining substitute services may be greater than the fees we pay RMR LLC under our management agreements, and as a result our expenses may increase. In addition, we depend on Five Star to manage our senior living communities. See “—Risks Related to our Business—We are dependent on Five Star for the operation of most of our senior living communities.”

RMR LLC has broad discretion in operating our day to day business.

Our manager, RMR LLC, is authorized to follow broad operating and investment guidelines and, therefore, has discretion in identifying the properties that will be appropriate investments for us, as well as our individual operating and investment decisions. Our Board of Trustees periodically reviews our operating and investment guidelines and our operating activities and investments but it does not review or approve each decision made by RMR LLC on our behalf. In addition, in conducting periodic reviews, our Board of Trustees relies primarily on information provided to it by RMR LLC. RMR LLC may exercise its discretion in a manner that results in investment returns that are substantially below expectations or that results in losses.

Our management structure and agreements and relationships with RMR LLC and RMR LLC's and its controlling shareholder's relationships with others may create conflicts of interest, or the perception of such conflicts, and may restrict our investment activities.

RMR LLC is a subsidiary of RMR Inc. The Chair of our Board of Trustees and one of our Managing Trustees, Adam D. Portnoy, as the sole trustee of ABP Trust, is the controlling shareholder of RMR Inc. and is a managing director and the president and chief executive officer of RMR Inc. and an officer and employee of RMR LLC. RMR LLC or its subsidiary also acts as the manager for four other Nasdaq listed REITs: OPI, which primarily owns office properties leased to single tenants and high credit quality tenants, including government tenants; ILPT, which owns industrial and logistics properties; SVC, which owns a diverse portfolio of hotels and net lease service and necessity based retail properties; and TRMT, which primarily originates and invests in first mortgage loans secured by middle market and transitional commercial real estate. RMR LLC also provides services to other publicly and privately owned companies, including: Five Star, the manager of our managed senior living communities and of which we own 33.9% of its outstanding common shares as of January 1, 2020; TA, which operates and franchises travel centers, truck repair facilities and restaurants; and Sonesta, which operates, manages and franchises hotels, resorts and cruise boats. A subsidiary of RMR LLC is an investment adviser to the RMR Real Estate Income Fund, or RIF, a closed end investment company listed on the NYSE American, which invests in securities of real estate companies that are not managed by RMR LLC. Mr. Portnoy

serves as chair of the board of trustees or board of directors, as applicable, of OPI, ILPT, SVC, Five Star and TA and as managing director, managing trustee, director or trustee, as applicable, of the companies managed by RMR LLC or its subsidiaries.

Jennifer F. Francis, our President and Chief Operating Officer, Richard W. Siedel, Jr., our Chief Financial Officer and Treasurer, and Jennifer B. Clark, our Secretary and one of our Managing Trustees, are also officers and employees of RMR LLC. Mr. Siedel is also the chief financial officer and treasurer of ILPT. Mses. Francis and Clark and Mr. Siedel have duties to RMR LLC, and Mr. Siedel has duties to ILPT, as well as to us, and we do not have their undivided attention. They and other RMR LLC personnel may have conflicts in allocating their time and resources between us and RMR LLC and other companies to which RMR LLC or its subsidiaries provide services. Our Independent Trustees also serve as independent directors or independent trustees of other public companies to which RMR LLC or its subsidiaries provide management services.

In addition, we may in the future enter into additional transactions with RMR LLC, its affiliates, or entities managed by it or its subsidiaries. In addition to his investments in RMR Inc. and RMR LLC, Adam Portnoy holds equity investments in other companies to which RMR LLC or its subsidiaries provide management services and some of these companies have significant cross ownership interests, including, for example: as of December 31, 2019, Adam Portnoy beneficially owned, in aggregate, 1.1% of our outstanding common shares, 35.3% of outstanding Five Star common shares (6.3% as of January 1, 2020) (including through ABP Trust), 1.2% of ILPT's outstanding common shares, 1.5% of OPI's outstanding common shares, 2.3% of RIF's outstanding common shares, 1.1% of SVC's outstanding common shares, 4.0% of TA's outstanding common shares (including through RMR LLC) and 19.5% of TRMT's outstanding common shares (including through Tremont Realty Advisors LLC); and we owned 8.2% of outstanding Five Star common shares (33.9% as of January 1, 2020). Our executive officers may also own equity investments in other companies to which RMR LLC or its subsidiaries provide management services. These multiple responsibilities, relationships and cross ownerships could give rise to conflicts of interest or the perception of such conflicts of interest with respect to matters involving us, RMR Inc., RMR LLC, our Managing Trustees, the other companies to which RMR LLC or its subsidiaries provide management services and their related parties. Conflicts of interest or the perception of conflicts of interest could have a material adverse impact on our reputation, business and the market price of our common shares and other securities and we may be subject to increased risk of litigation as a result.

In our management agreements with RMR LLC, we acknowledge that RMR LLC may engage in other activities or businesses and act as the manager to any other person or entity (including other REITs) even though such person or entity has investment policies and objectives similar to our policies and objectives and we are not entitled to preferential treatment in receiving information, recommendations and other services from RMR LLC. Accordingly, we may lose investment opportunities to, and may compete for tenants with, other businesses managed by RMR LLC or its subsidiaries. We cannot be sure that our Code of Conduct or our governance guidelines, or other procedural protections we adopt will be sufficient to enable us to identify, adequately address or mitigate actual or alleged conflicts of interest or ensure that our transactions with related persons are made on terms that are at least as favorable to us as those that would have been obtained with an unrelated person.

Our management agreements were not negotiated on an arm's length basis and their fee and expense structure may not create proper incentives for RMR LLC, which may increase the risk of an investment in our common shares.

As a result of our relationships with RMR LLC and its current and former controlling shareholder(s), our management agreements were not negotiated on an arm's length basis between unrelated parties, and therefore, while such agreements were negotiated with the use of a special committee and disinterested Trustees, the terms, including the fees payable to RMR LLC, may not be as favorable to us as they would have been if they were negotiated on an arm's length basis between unrelated parties. Our property management fees are calculated based on rents we receive and construction supervision fees for construction at our properties overseen and managed by RMR LLC, and our base business management fee is calculated based upon the lower of the historical costs of our real estate investments and our market capitalization. We pay RMR LLC substantial base management fees regardless of our financial results. These fee arrangements could incentivize RMR LLC to pursue acquisitions, capital transactions, tenancies and construction projects or to avoid disposing of our assets in order to increase or maintain its management fees and might reduce RMR LLC's incentive to devote its time and effort to seeking investments that provide attractive returns for us. If we do not effectively manage our investment, disposition and capital transactions and leasing, construction and other property management activities, we may pay increased management fees without proportional benefits to us. In addition, we are obligated under our management agreements to reimburse RMR LLC for employment and related expenses of RMR LLC's employees assigned to work exclusively or partly at our properties, our share of the wages, benefits and other related costs of RMR LLC's centralized accounting personnel and our share of RMR LLC's costs for providing our internal audit function. We are also required to pay for third party costs incurred with respect to us. Our obligation to reimburse RMR LLC for certain of its costs and to pay third party costs may reduce RMR LLC's incentive to efficiently manage those costs, which may increase our costs.

The termination of our management agreements may require us to pay a substantial termination fee, including in the case of a termination for unsatisfactory performance, which may limit our ability to end our relationship with RMR LLC.

The terms of our management agreements with RMR LLC automatically extend on December 31st of each year so that such terms thereafter end on the 20th anniversary of the date of the extension. We have the right to terminate these agreements: (1) at any time on 60 days' written notice for convenience, (2) immediately upon written notice for cause, as defined in the agreements, (3) on written notice given within 60 days after the end of any applicable calendar year for a performance reason, as defined in the agreements, and (4) by written notice during the 12 months following a manager change of control, as defined in the agreements. However, if we terminate a management agreement for convenience, or if RMR LLC terminates a management agreement with us for good reason, as defined in such agreement, we are obligated to pay RMR LLC a termination fee in an amount equal to the sum of the present values of the monthly future fees, as defined in the applicable agreement, payable to RMR LLC for the term that was remaining before such termination, which, depending on the time of termination, would be between 19 and 20 years. Additionally, if we terminate a management agreement for a performance reason, as defined in the agreement, we are obligated to pay RMR LLC the termination fee calculated as described above, but assuming a remaining term of 10 years. These provisions substantially increase the cost to us of terminating the management agreements without cause, which may limit our ability to end our relationship with RMR LLC as our manager. The payment of the termination fee could have a material adverse effect on our financial condition, including our ability to pay dividends to our shareholders.

Our management arrangements with RMR LLC may discourage a change of control of us.

Our management agreements with RMR LLC have continuing 20 year terms that renew annually. As noted in the preceding risk factor, if we terminate either of these management agreements other than for cause or upon a change of control of our manager, we are obligated to pay RMR LLC a substantial termination fee. For these reasons, our management agreements with RMR LLC may discourage a change of control of us, including a change of control which might result in payment of a premium for our common shares.

Our business dealings with Five Star comprise a significant part of our business and operations and they may create conflicts of interest or the perception of such conflicts of interest.

Five Star was originally organized as our subsidiary. We distributed substantially all of our Five Star common shares to our shareholders on December 31, 2001. RMR LLC provides management services to both us and Five Star. Adam Portnoy, the Chair of our Board and one of our Managing Trustees, as the sole trustee of ABP Trust, is a significant stockholder of Five Star, beneficially owning 6.3% of outstanding Five Star common shares as of January 1, 2020. Five Star manages most of our senior living communities. In addition, Mr. Portnoy is the chair of Five Star's board of directors and one of its managing directors and our other Managing Trustee, Jennifer B. Clark, is Five Star's other managing director and secretary.

The historical and continuing relationships which we, RMR LLC and Adam Portnoy have with Five Star could create, or appear to create, conflicts of interest with respect to matters involving us, the other companies to which RMR LLC or its subsidiaries provide management services and their related parties. As a result of these relationships, our agreements with Five Star were not negotiated on an arm's length basis between unrelated parties, and therefore may not be as favorable to us as they would have been if they were negotiated on an arm's length basis between unrelated parties. Conflicts of interest or the perception of conflicts of interest could have a material adverse impact on our reputation, business and the market price of our common shares and other securities and we may be subject to increased risk of litigation as a result.

We may not realize the benefits we expect from our investment in Five Star common shares.

Pursuant to the Transaction Agreement, we received additional Five Star common shares as of January 1, 2020, that increased our percentage ownership of Five Star common shares to 33.9%, up from our previous percentage ownership of 8.2%. We paid \$75.0 million to Five Star for those additional shares by assuming certain of Five Star's working capital liabilities. Our investment in Five Star is subject to various risks, including, among others, the highly competitive nature of the senior living industry; medical advances and healthcare services that allow some potential residents to defer the time when they require the special services available at senior living communities that Five Star manages; low unemployment in the United States combined with a competitive labor market within the senior living industry that are increasing our and Five Star's employment costs, including labor costs that Five Star incurs and which we are not obligated to fund or reimburse; significant regulatory requirements imposed on Five Star's business; and other factors. Many of these factors are beyond our and Five Star's control. As a result, we may not realize the benefits we expect from our investment in Five Star common shares, and we could incur losses from our investment.

We may be required to pay a substantial termination fee to Five Star if Five Star terminates the New Management Agreements due to our default.

Under the New Management Agreements, if Five Star terminates such management agreements due to certain defaults by us, we are required to pay Five Star a termination fee equal to the present value of the base management fees that we would have paid to Five Star and the allocated incentive fee for the applicable communities, if any, between the date of termination and the scheduled initial expiration date of such management agreements (but not for a period exceeding 10 years), with such amounts determined based on the average base management and incentive fees for the applicable communities for each of the three calendar years ended prior to the date of termination. Further, the payment of the termination fee could have a material adverse effect on our financial condition, including our ability to pay distributions to our shareholders.

We are party to transactions with related parties that may increase the risk of allegations of conflicts of interest, and such allegations may impair our ability to realize the benefits we expect from these transactions.

We are party to transactions with related parties, including with entities controlled by Adam Portnoy or to which RMR LLC or its subsidiaries provide management services. Our agreements with related parties or in respect of transactions among related parties may not be on terms as favorable to us as they would have been if they had been negotiated among unrelated parties. We are subject to the risk that our shareholders or the shareholders of Five Star, RMR Inc. or other related parties may challenge any such related party transactions and the agreements entered into as part of them. If such a challenge were to be successful, we might not realize the benefits expected from the transactions being challenged. Moreover, any such challenge could result in substantial costs and a diversion of our management's attention, could have a material adverse effect on our reputation, business and growth and could adversely affect our ability to realize the benefits expected from the transactions, whether or not the allegations have merit or are substantiated.

We may be at an increased risk for dissident shareholder activities due to perceived conflicts of interest arising from our management structure and relationships.

Companies with business dealings with related persons and entities may more often be the target of dissident shareholder trustee nominations, dissident shareholder proposals and shareholder litigation alleging conflicts of interest in their business dealings. Our relationships with RMR Inc., RMR LLC, Five Star, the other companies to which RMR LLC or its subsidiaries provide management services, Adam Portnoy and other related persons of RMR LLC may precipitate such activities. Certain proxy advisory firms which have significant influence over the voting by shareholders of public companies have, in the past, recommended, and in the future may recommend, that shareholders withhold votes for the election of our incumbent Trustees, vote against our say on pay vote or other management proposals or vote for shareholder proposals that we oppose. These recommendations by proxy advisory firms have affected the outcomes of past Board of Trustees elections and votes on our say on pay, and similar recommendations in the future would likely affect the outcome of future Board of Trustees elections and votes on our say on pay, which may increase shareholder activism and litigation. These activities, if instituted against us, could result in substantial costs and diversion of our management's attention and could have a material adverse impact on our reputation and business.

Risks Related to Our Organization and Structure

Ownership limitations and certain provisions in our declaration of trust, bylaws and agreements, as well as certain provisions of Maryland law, may deter, delay or prevent a change in our control or unsolicited acquisition proposals.

Our declaration of trust prohibits any shareholder other than RMR LLC and its affiliates (as defined under Maryland law) and certain persons who have been exempted by our Board of Trustees from owning, directly and by attribution, more than 9.8% of the number or value of shares (whichever is more restrictive) of any class or series of our outstanding shares of beneficial interest, including our common shares. This provision of our declaration of trust is intended to, among other purposes, assist with our REIT compliance under the IRC and otherwise promote our orderly governance. However, this provision may also inhibit acquisitions of a significant stake in us and may deter, delay or prevent a change in control of us or unsolicited acquisition proposals that a shareholder may consider favorable. Additionally, provisions contained in our declaration of trust and bylaws or under Maryland law may have a similar impact, including, for example, provisions relating to:

- the division of our Trustees into three classes, with the term of one class expiring each year, which could delay a change of control of us;
- limitations on shareholder voting rights with respect to certain actions that are not approved by our Board of Trustees;

- the authority of our Board of Trustees, and not our shareholders, to adopt, amend or repeal our bylaws and to fill vacancies on our Board of Trustees;
- shareholder voting standards which require a supermajority for approval of certain actions;
- the fact that only our Board of Trustees, or, if there are no Trustees, our officers, may call shareholder meetings and that shareholders are not entitled to act without a meeting;
- required qualifications for an individual to serve as a Trustee and a requirement that certain of our Trustees be “Managing Trustees” and other Trustees be “Independent Trustees,” as defined in our governing documents;
- limitations on the ability of our shareholders to propose nominees for election as Trustees and propose other business to be considered at a meeting of our shareholders;
- limitations on the ability of our shareholders to remove our Trustees;
- the authority of our Board of Trustees to create and issue new classes or series of shares (including shares with voting rights and other rights and privileges that may deter a change in control) and issue additional common shares;
- restrictions on business combinations between us and an interested shareholder that have not first been approved by our Board of Trustees (including a majority of Trustees not related to the interested shareholder); and
- the authority of our Board of Trustees, without shareholder approval, to implement certain takeover defenses.

Our rights and the rights of our shareholders to take action against our Trustees and officers are limited.

Our declaration of trust limits the liability of our Trustees and officers to us and our shareholders for money damages to the maximum extent permitted under Maryland law. Under current Maryland law, our Trustees and officers will not have any liability to us and our shareholders for money damages other than liability resulting from:

- actual receipt of an improper benefit or profit in money, property or services; or
- active and deliberate dishonesty by the Trustee or officer that was established by a final judgment as being material to the cause of action adjudicated.

Our declaration of trust and indemnification agreements require us to indemnify, to the maximum extent permitted by Maryland law, any present or former Trustee or officer who is made or threatened to be made a party to a proceeding by reason of his or her service in these and certain other capacities. In addition, we may be obligated to pay or reimburse the expenses incurred by our present and former Trustees and officers without requiring a preliminary determination of their ultimate entitlement to indemnification. As a result, we and our shareholders may have more limited rights against our present and former Trustees and officers than might otherwise exist absent the provisions in our declaration of trust and indemnification agreements or that might exist with other companies, which could limit our shareholders' recourse in the event of actions not in their best interest.

Shareholder litigation against us or our Trustees, officers, employees, managers or other agents may be referred to mandatory arbitration proceedings, which follow different procedures than in-court litigation and may be more restrictive to shareholders asserting claims than in-court litigation.

Our shareholders agree, by virtue of becoming shareholders, that they are bound by our governing documents, including the arbitration provisions of our bylaws, as they may be amended from time to time. Our bylaws provide that certain actions by one or more of our shareholders against us or any of our Trustees, officers, employees, managers or other agents, other than disputes, or any portion thereof, regarding the meaning, interpretation or validity of any provision of our declaration of trust or bylaws, will be referred to mandatory, binding and final arbitration proceedings if we, or any other party to such dispute, including any of our Trustees, officers, employees, managers or other agents, unilaterally so demands. As a result, we and our shareholders would not be able to pursue litigation in state or federal court against us or our Trustees, officers, employees, managers or other agents, including, for example, claims alleging violations of federal securities laws or breach of fiduciary duties or similar director or officer duties under Maryland law, if we or any of our Trustees, officers, employees, managers or other parties against whom the claim is made unilaterally demands the matter be resolved by arbitration. Instead, our shareholders would be required to pursue such claims through binding and final arbitration.

Our bylaws provide that such arbitration proceedings would be conducted in accordance with the procedures of the Commercial Arbitration Rules of the American Arbitration Association, as modified in our bylaws. These procedures may provide materially more limited rights to our shareholders than litigation in a federal or state court. For example, arbitration in accordance with these procedures does not include the opportunity for a jury trial, document discovery is limited, arbitration hearings generally are not open to the public, there are no witness depositions in advance of arbitration hearings and arbitrators may have different qualifications or experiences than judges. In addition, although our bylaws' arbitration provisions contemplate that arbitration may be brought in a representative capacity or on behalf of a class of our shareholders, the rules governing such representation or class arbitration may be different from, and less favorable to shareholders than, the rules governing representative or class action litigation in courts. Our bylaws also generally provide that each party to such an arbitration is required to bear its own costs in the arbitration, including attorneys' fees, and that the arbitrators may not render an award that includes shifting of such costs or, in a derivative or class proceeding, award any portion of our award to any shareholder or such shareholder's attorneys. The arbitration provisions of our bylaws may discourage our shareholders from bringing, and attorneys from agreeing to represent our shareholders wishing to bring, litigation against us or our Trustees, officers, employees, managers or other agents. Our agreements with Five Star and RMR LLC have similar arbitration provisions to those in our bylaws.

We believe that the arbitration provisions in our bylaws are enforceable under both state and federal law, including with respect to federal securities laws claims. We are a Maryland real estate investment trust and Maryland courts have upheld the enforceability of arbitration bylaws. In addition, the United States Supreme Court has repeatedly upheld agreements to arbitrate other federal statutory claims, including those that implicate important federal policies. However, some academics, legal practitioners and others are of the view that charter or bylaw provisions mandating arbitration are not enforceable with respect to federal securities laws claims. It is possible that the arbitration provisions of our bylaws may ultimately be determined to be unenforceable.

By agreeing to the arbitration provisions of our bylaws, shareholders will not be deemed to have waived compliance by us with federal securities laws and the rules and regulations thereunder.

Our bylaws designate the Circuit Court for Baltimore City, Maryland as the sole and exclusive forum for certain actions and proceedings that may be initiated by our shareholders, which could limit our shareholders' ability to obtain a favorable judicial forum for disputes with us or our Trustees, officers, employees, managers or agents.

Our bylaws currently provide that, unless the dispute has been referred to binding arbitration, the Circuit Court for Baltimore City, Maryland will be the sole and exclusive forum for: (1) any derivative action or proceeding brought on our behalf; (2) any action asserting a claim for breach of a fiduciary duty owed by any Trustee, officer, manager, agent or employee of ours to us or our shareholders; (3) any action asserting a claim against us or any Trustee, officer, manager, agent or employee of ours arising pursuant to Maryland law, our declaration of trust or bylaws brought by or on behalf of a shareholder, either on his, her or its own behalf, on our behalf or on behalf of any series or class of shares of beneficial interest of ours or by shareholders against us or any Trustee, officer, manager, agent or employee of ours, including any disputes, claims or controversies relating to the meaning, interpretation, effect, validity, performance or enforcement of our declaration of trust or bylaws; or (4) any action asserting a claim against us or any Trustee, officer, manager, agent or employee of ours that is governed by the internal affairs doctrine. Our bylaws currently also provide that the Circuit Court for Baltimore City, Maryland will be the sole and exclusive forum for any dispute, or portion thereof, regarding the meaning, interpretation or validity of any provision of our declaration of trust or bylaws. The exclusive forum provision of our bylaws does not apply to any action for which the Circuit Court for Baltimore City, Maryland does not have jurisdiction or to a dispute that has been referred to binding arbitration in accordance with our bylaws. The exclusive forum provision of our bylaws does not establish exclusive jurisdiction in the Circuit Court for Baltimore City, Maryland for claims that arise under the Securities Act, the Exchange Act or other federal securities laws if there is exclusive or concurrent jurisdiction in the federal courts. Any person or entity purchasing or otherwise acquiring or holding any interest in our shares of beneficial interest shall be deemed to have notice of and to have consented to these provisions of our bylaws, as they may be amended from time to time. The arbitration and exclusive forum provisions of our bylaws may limit a shareholder's ability to bring a claim in a judicial forum that the shareholder believes is favorable for disputes with us or our Trustees, officers, employees, managers or agents, which may discourage lawsuits against us and our Trustees, officers, employees, managers or agents.

We may change our operational, financing and investment policies without shareholder approval and we may become more highly leveraged, which may increase our risk of default under our debt obligations.

Our Board of Trustees determines our operational, financing and investment policies and may amend or revise our policies, including our policies with respect to our intention to remain qualified for taxation as a REIT, acquisitions, dispositions, growth, operations, indebtedness, capitalization and distributions, or approve transactions that deviate from these policies, without a vote of, or notice to, our shareholders. Policy changes could adversely affect the market price of our common shares and our ability to make distributions to our shareholders. Further, our organizational documents do not limit the amount or percentage of indebtedness,

funded or otherwise, that we may incur. Our Board of Trustees may alter or eliminate our current policy on borrowing at any time without shareholder approval. If this policy changes, we could become more highly leveraged, which could result in an increase in our debt service costs. Higher leverage also increases the risk of default on our obligations. In addition, a change in our investment policies, including the manner in which we allocate our resources across our portfolio or the types of assets in which we seek to invest, may increase our exposure to interest rate risk, real estate market fluctuations and liquidity risk.

Risks Related to Our Taxation

Our failure to remain qualified for taxation as a REIT under the IRC could have significant adverse consequences.

As a REIT, we generally do not pay federal or most state income taxes as long as we distribute all of our REIT taxable income and meet other qualifications set forth in the IRC. However, actual qualification for taxation as a REIT under the IRC depends on our satisfying complex statutory requirements, for which there are only limited judicial and administrative interpretations. We believe that we have been organized and have operated, and will continue to be organized and to operate, in a manner that qualified and will continue to qualify us to be taxed as a REIT under the IRC. However, we cannot be sure that the IRS, upon review or audit, will agree with this conclusion. Furthermore, we cannot be sure that the federal government, or any state or other taxation authority, will continue to afford favorable income tax treatment to REITs and their shareholders.

Maintaining our qualification for taxation as a REIT under the IRC will require us to continue to satisfy tests concerning, among other things, the nature of our assets, the sources of our income and the amounts we distribute to our shareholders. In order to meet these requirements, it may be necessary for us to sell or forgo attractive investments.

If we cease to qualify for taxation as a REIT under the IRC, then our ability to raise capital might be adversely affected, we will be in breach under our revolving credit facility and term loan agreements, we may be subject to material amounts of federal and state income taxes, our cash available for distribution to our shareholders could be reduced, and the market price of our common shares could decline. In addition, if we lose or revoke our qualification for taxation as a REIT under the IRC for a taxable year, we will generally be prevented from requalifying for taxation as a REIT for the next four taxable years.

Distributions to shareholders generally will not qualify for reduced tax rates applicable to “qualified dividends.”

Dividends payable by U.S. corporations to noncorporate shareholders, such as individuals, trusts and estates, are generally eligible for reduced federal income tax rates applicable to “qualified dividends.” Distributions paid by REITs generally are not treated as “qualified dividends” under the IRC and the reduced rates applicable to such dividends do not generally apply. However, for tax years beginning before 2026, REIT dividends paid to noncorporate shareholders are generally taxed at an effective tax rate lower than applicable ordinary income tax rates due to the availability of a deduction under the IRC for specified forms of income from passthrough entities. More favorable rates will nevertheless continue to apply to regular corporate “qualified” dividends, which may cause some investors to perceive that an investment in a REIT is less attractive than an investment in a non-REIT entity that pays dividends, thereby reducing the demand and market price of our common shares.

REIT distribution requirements could adversely affect us and our shareholders.

We generally must distribute annually at least 90% of our REIT taxable income, subject to specified adjustments and excluding any net capital gain, in order to maintain our qualification for taxation as a REIT under the IRC. To the extent that we satisfy this distribution requirement, federal corporate income tax will not apply to the earnings that we distribute, but if we distribute less than 100% of our REIT taxable income, then we will be subject to federal corporate income tax on our undistributed taxable income. We intend to make distributions to our shareholders to comply with the REIT requirements of the IRC. In addition, we will be subject to a 4% nondeductible excise tax if the actual amount that we pay out to our shareholders in a calendar year is less than a minimum amount specified under federal tax laws.

From time to time, we may generate taxable income greater than our income for financial reporting purposes prepared in accordance with U.S. generally accepted accounting principles, or GAAP, or differences in timing between the recognition of taxable income and the actual receipt of cash may occur. If we do not have other funds available in these situations, among other things, we may borrow funds on unfavorable terms, sell investments at disadvantageous prices or distribute amounts that would otherwise be invested in future acquisitions in order to make distributions sufficient to enable us to pay out enough of our taxable income to satisfy the REIT distribution requirement and to avoid corporate income tax and the 4% excise tax in a particular year.

These alternatives could increase our costs or reduce our shareholders' equity. Thus, compliance with the REIT distribution requirements may hinder our ability to grow, which could cause the market price of our common shares to decline.

Even if we remain qualified for taxation as a REIT under the IRC, we may face other tax liabilities that reduce our cash flow.

Even if we remain qualified for taxation as a REIT under the IRC, we may be subject to federal, state and local taxes on our income and assets, including taxes on any undistributed income, excise taxes, state or local income, property and transfer taxes, and other taxes. Also, some jurisdictions may in the future limit or eliminate favorable income tax deductions, including the dividends paid deduction, which could increase our income tax expense. In addition, in order to meet the requirements for qualification and taxation as a REIT under the IRC, prevent the recognition of particular types of non-cash income, or avert the imposition of a 100% tax that applies to specified gains derived by a REIT from dealer property or inventory, we may hold or dispose of some of our assets and conduct some of our operations through our TRSs or other subsidiary corporations that will be subject to corporate level income tax at regular rates. In addition, while we intend that our transactions with our TRSs will be conducted on arm's length bases, we may be subject to a 100% excise tax on a transaction that the IRS or a court determines was not conducted at arm's length. Any of these taxes would decrease cash available for distribution to our shareholders.

If arrangements involving our TRSs fail to comply as intended with the REIT qualification and taxation rules, we may fail to qualify for taxation as a REIT under the IRC or be subject to significant penalty taxes.

We lease most of our properties to our TRSs pursuant to arrangements that, under the IRC, are intended to qualify the rents we receive from our TRSs as income that satisfies the REIT gross income tests. We also intend that our transactions with our TRSs be conducted on arm's length bases so that we and our TRSs will not be subject to penalty taxes under the IRC applicable to mispriced transactions. While relief provisions can sometimes excuse REIT gross income test failures, significant penalty taxes may still be imposed.

For those TRS arrangements intended to comply with the REIT qualification and taxation rules under the IRC, a number of requirements must be satisfied, including:

- our TRSs may not directly or indirectly operate or manage a healthcare facility, as defined by the IRC;
- the leases to our TRSs must be respected as true leases for federal income tax purposes and not as service contracts, partnerships, joint ventures, financings or other types of arrangements;
- the leased properties must constitute qualified healthcare properties (including necessary or incidental property) under the IRC;
- our leased properties must be managed and operated on behalf of the TRSs by independent contractors who are less than 35% affiliated with us and who are actively engaged (or have affiliates so engaged) in the trade or business of managing and operating qualified healthcare properties for any person unrelated to us; and
- the rental and other terms of the leases must be arm's length.

We cannot be sure that the IRS or a court will agree with our assessment that our TRS arrangements comply as intended with REIT qualification and taxation rules. If arrangements involving our TRSs fail to comply as we intended, we may fail to qualify for taxation as a REIT under the IRC or be subject to significant penalty taxes.

Legislative or other actions affecting REITs could materially and adversely affect us and our shareholders.

The rules dealing with U.S. federal, state, and local taxation are constantly under review by persons involved in the legislative process and by the IRS, the U.S. Department of the Treasury, and other taxation authorities. Changes to the tax laws, with or without retroactive application, could materially and adversely affect us and our shareholders. We cannot predict how changes in the tax laws might affect us or our shareholders. New legislation, Treasury regulations, administrative interpretations or court decisions could significantly and negatively affect our ability to remain qualified for taxation as a REIT or the tax consequences of such qualification to us and our shareholders.

Risks Related to Our Securities

Our distributions to our shareholders may decline.

Following entry into the Transaction Agreement with Five Star, due to the lower cash flow we received, or expect to receive, from our senior living communities operated by Five Star, on April 18, 2019, we lowered our regular quarterly distribution rate to \$0.15 per common share, or at an annual rate of \$0.60 per common share. We intend to continue to make regular quarterly distributions to our shareholders. However:

- our ability to make or sustain the rate of distributions will be adversely affected if any of the risks described in this Annual Report on Form 10-K occur;
- our making of distributions is subject to compliance with restrictions contained in our credit facility and term loan agreements and may be subject to restrictions in future debt obligations we may incur; and
- the timing and amount of any distributions will be determined at the discretion of our Board of Trustees and will depend on various factors that our Board of Trustees deems relevant, including our financial condition, our results of operations, our liquidity, our capital requirements, our funds from operations attributable to common shareholders, or FFO attributable to common shareholders, our normalized funds from operations attributable to common shareholders, or Normalized FFO attributable to common shareholders, restrictive covenants in our financial or other contractual arrangements, general economic conditions in the United States, requirements under the IRC to remain qualified for taxation as a REIT and restrictions under the laws of Maryland.

For these reasons, among others, our distribution rate may continue to decline or we may cease making distributions to our shareholders.

Changes in market conditions could adversely affect the value of our securities.

As with other publicly traded equity securities and REIT securities, the value of our common shares and other securities depends on various market conditions that are subject to change from time to time, including:

- the extent of investor interest in our securities;
- the general reputation of REITs and externally managed companies and the attractiveness of our equity securities in comparison to other equity securities, including securities issued by other real estate based companies or by other issuers less sensitive to rises in interest rates;
- our underlying asset value;
- investor confidence in the stock and bond markets, generally;
- market interest rates;
- national economic conditions;
- changes in tax laws;
- changes in our credit ratings; and
- general market conditions.

We believe that one of the factors that investors consider important in deciding whether to buy or sell equity securities of a REIT is the distribution rate, considered as a percentage of the price of the equity securities, relative to market interest rates. Interest rates have been at historically low levels for an extended period of time. There is a general market perception that REIT shares outperform in low interest rate environments and underperform in rising interest rate environments when compared to the broader market. The U.S. Federal Reserve steadily increased the targeted federal funds rate over the last several years, but recently took action to decrease its federal funds rate and may continue to make adjustments in the near future. If the U.S. Federal Reserve increases interest rates or if there is a market expectation of such increases, prospective purchasers of REIT equity securities may

want to achieve a higher distribution rate. Thus, higher market interest rates, or the expectation of higher interest rates, could cause the value of our securities to decline.

Further issuances of equity securities may be dilutive to current shareholders.

The interests of our existing shareholders could be diluted if we issue additional equity securities to finance future acquisitions, to repay indebtedness or for other reasons. Our ability to execute our business strategy depends on our access to an appropriate blend of debt financing, which may include secured and unsecured debt, and equity financing, which may include common and preferred shares.

The Notes are structurally subordinated to the payment of all indebtedness and other liabilities and any preferred equity of our subsidiaries.

We are the sole obligor on our outstanding senior unsecured notes, and our outstanding senior unsecured notes and any notes or other debt securities we may issue in the future, or, together with our outstanding senior unsecured notes, the Notes, and such Notes are not, and any Notes we may issue in the future may not be guaranteed by any of our subsidiaries. Our subsidiaries are separate and distinct legal entities and have no obligation, contingent or otherwise, to pay any amounts due on the Notes, or to make any funds available therefor, whether by dividend, distribution, loan or other payments. The rights of holders of Notes to benefit from any of the assets of our subsidiaries are subject to the prior satisfaction of claims of our subsidiaries' creditors and any preferred equity holders. As a result, the Notes are, and, except to the extent that future Notes are guaranteed by our subsidiaries, will be, structurally subordinated to all of the debt and other liabilities and obligations of our subsidiaries, including guarantees of other indebtedness of ours, payment obligations under lease agreements, trade payables and preferred equity. As of December 31, 2019, our subsidiaries had total indebtedness and other liabilities (excluding security and other deposits and guaranties) of \$880.0 million.

The Notes are unsecured and effectively subordinated to all of our existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness.

The outstanding Notes are not secured and any Notes we may issue in the future may not be secured. Upon any distribution to our creditors in a bankruptcy, liquidation, reorganization or similar proceeding relating to us or our property, the holders of our secured debt will be entitled to exercise the remedies available to a secured lender under applicable law and pursuant to the instruments governing such debt and to be paid in full, from the assets securing that secured debt before any payment may be made with respect to Notes that are not secured by those assets. In that event, because such Notes will not be secured by any of our assets, it is possible that there will be no assets from which claims of holders of such Notes can be satisfied or, if any assets remain, that the remaining assets will be insufficient to satisfy those claims in full. If the value of such remaining assets is less than the aggregate outstanding principal amount of such Notes and accrued interest and all future debt ranking equally with such Notes, we will be unable to fully satisfy our obligations under such Notes. In addition, if we fail to meet our payment or other obligations under our secured debt, the holders of that secured debt would be entitled to foreclose on our assets securing that secured debt and liquidate those assets. Accordingly, we may not have sufficient funds to pay amounts due on such Notes. As a result, noteholders may lose a portion or the entire value of their investment in such Notes. Further, the terms of the outstanding Notes permit, and the terms of any Notes we may issue in the future may permit, us to incur additional secured indebtedness subject to compliance with certain debt ratios. The Notes that are not secured will be effectively subordinated to any such additional secured indebtedness. As of December 31, 2019, we had \$694.7 million in secured debt, net of unamortized debt issuance costs, premiums and discounts.

There may be no public market for certain of the Notes, and one may not develop, be maintained or be liquid.

We have not applied for listing of certain of the Notes on any securities exchange or for quotation on any automatic dealer quotation system, and we may not do so for Notes issued in the future. We can give no assurances concerning the liquidity of any market that may develop for such Notes, the ability of any holder to sell such Notes or the price at which holders would be able to sell such Notes. If a market for such Notes does not develop, holders may be unable to resell such Notes for an extended period of time, if at all. If a market for such Notes does develop, it may not continue or it may not be sufficiently liquid to allow holders to resell such Notes. Consequently, holders of the Notes may not be able to liquidate their investment readily, and lenders may not readily accept such Notes as collateral for loans.

The Notes may trade at a discount from their initial issue price or principal amount, depending upon many factors, including prevailing interest rates, the ratings assigned by rating agencies, the market for similar securities and other factors, including general economic conditions and our financial condition, performance and prospects. Any decline in market prices, regardless of cause, may adversely affect the liquidity and trading markets for the Notes.

A downgrade in credit ratings could materially adversely affect the market price of the Notes and may increase our cost of capital.

The outstanding Notes are rated by two rating agencies and any Notes we may issue in the future may be rated by one or more rating agencies. These credit ratings are continually reviewed by rating agencies and may change at any time based upon, among other things, our results of operations and financial condition. In May 2019, our senior unsecured debt rating was downgraded by Moody's Investors Service following our announcement of the Restructuring Transaction. Negative changes in the ratings assigned to our debt securities could have an adverse effect on the market price of the Notes and our cost and availability of capital, which could in turn have a material adverse effect on our results of operations and our ability to satisfy our debt service obligations.

Redemption may adversely affect noteholders' return on the Notes.

We have the right to redeem some or all of the outstanding Notes prior to maturity and may have such a right with respect to any Notes we issue in the future. We may redeem such Notes at times when prevailing interest rates may be relatively low compared to the interest rate of such Notes. Accordingly, noteholders may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the Notes.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

At December 31, 2019, we had real estate investments in 424 properties. These investments represent gross book value of real estate assets at cost plus certain acquisition costs, before depreciation and purchase price allocations and less impairment write downs, totaling \$8.4 billion at December 31, 2019. As of December 31, 2019, 11 properties with gross book value of real estate assets of \$1.3 billion and a net book value of \$859.0 million were subject to secured financing and capital lease obligations with an aggregate principal balance of \$698.2 million, of which \$620.0 million is related to a joint venture arrangement in which we own a 55% equity interest.

The following table summarizes certain information about our properties as of December 31, 2019. All dollar amounts are in thousands:

State	Office Portfolio			Senior Housing Operating Portfolio			All Other			Consolidated		
	Number of Properties	Gross Book Value of Real Estate Assets(1)	Net Book Value	Number of Properties	Gross Book Value of Real Estate Assets(1)	Net Book Value	Number of Properties	Gross Book Value of Real Estate Assets(1)	Net Book Value	Number of Properties	Gross Book Value of Real Estate Assets(1)	Net Book Value
AL	—	\$ —	\$ —	8	\$ 94,554	\$ 73,102	—	\$ —	\$ —	8	\$ 94,554	\$ 73,102
AR	—	—	—	3	42,184	27,777	—	—	—	3	42,184	27,777
AZ	4	63,980	49,241	6	134,403	87,010	1	3,510	2,196	11	201,893	138,447
CA	12	566,456	438,387	12	233,389	177,273	1	7,279	5,048	25	807,124	620,708
CO	2	20,118	13,548	1	51,095	44,295	2	18,555	13,896	5	89,768	71,739
CT	1	7,474	5,364	—	—	—	—	—	—	1	7,474	5,364
DC	2	99,392	82,024	—	—	—	—	—	—	2	99,392	82,024
DE	—	—	—	6	97,365	65,143	—	—	—	6	97,365	65,143
FL	7	39,519	29,154	17	541,811	377,471	2	12,326	11,247	26	593,656	417,872
GA	5	73,378	50,716	22	283,385	198,674	5	96,853	76,923	32	453,616	326,313
HI	1	77,308	61,464	—	—	—	—	—	—	1	77,308	61,464
ID	—	—	—	—	—	—	2	21,340	16,407	2	21,340	16,407
IL	4	68,994	47,929	11	175,501	113,226	1	20,641	15,073	16	265,136	176,228
IN	1	21,972	13,747	11	166,789	125,433	2	68,767	55,070	14	257,528	194,250
KS	2	61,388	41,847	3	58,439	39,272	—	—	—	5	119,827	81,119
KY	—	—	—	9	101,352	61,200	—	—	—	9	101,352	61,200
MA	10	1,295,579	860,634	1	31,853	20,739	—	—	—	11	1,327,432	881,373
MD	3	45,784	32,355	11	240,932	178,609	1	20,964	16,253	15	307,680	227,217
MI	—	—	—	—	—	—	5	15,942	10,018	5	15,942	10,018
MN	9	115,138	86,108	1	50,881	36,206	2	6,319	3,991	12	172,338	126,305
MO	3	138,081	98,592	5	68,678	48,803	—	—	—	8	206,759	147,395
MS	—	—	—	2	2,601	2,601	—	—	—	2	2,601	2,601
MT	—	—	—	—	—	—	1	32,582	25,996	1	32,582	25,996
NC	2	60,078	46,216	16	223,693	179,121	1	6,839	4,291	19	290,610	229,628
NE	—	—	—	1	7,568	5,219	1	26,702	20,440	2	34,270	25,659
NJ	—	—	—	4	113,387	80,246	—	—	—	4	113,387	80,246
NM	2	38,846	29,892	1	32,655	21,287	3	33,303	23,533	6	104,804	74,712
NV	—	—	—	2	82,643	63,082	—	—	—	2	82,643	63,082
NY	3	84,478	61,585	1	113,955	90,312	—	—	—	4	198,433	151,897
OH	3	27,703	19,725	1	44,608	29,201	1	4,204	1,850	5	76,515	50,776
OR	—	—	—	1	45,825	45,256	—	—	—	1	45,825	45,256
PA	6	73,521	55,133	9	95,061	63,350	2	3,535	2,255	17	172,117	120,738
SC	3	22,191	14,970	18	184,040	137,670	2	3,935	2,529	23	210,166	155,169
TN	1	9,491	6,585	14	162,745	131,992	2	15,667	12,050	17	187,903	150,627
TX	11	242,255	172,296	13	344,425	248,928	1	20,502	15,408	25	607,182	436,632
VA	8	121,094	84,955	12	141,075	100,928	—	—	—	20	262,169	185,883
WA	2	38,226	26,515	—	—	—	4	33,585	24,268	6	71,811	50,783
WI	10	169,236	128,620	10	134,334	101,015	—	—	—	20	303,570	229,635
Total	117	3,581,680	2,557,602	232	4,101,226	2,974,441	42	473,350	358,742	391	8,156,256	5,890,785
Held for Sale	21	158,572	133,124	12	105,795	63,218	—	—	—	33	264,367	196,342
Grand Total	138	\$ 3,740,252	\$ 2,690,726	244	\$ 4,207,021	\$ 3,037,659	42	\$ 473,350	\$ 358,742	424	\$ 8,420,623	\$ 6,087,127

(1) Represents the gross book value of real estate assets at cost plus certain acquisition costs, before depreciation and purchase price allocations and less impairment write downs, if any.

Item 3. Legal Proceedings.

From time to time, we may become involved in litigation matters incidental to the ordinary course of our business. Although we are unable to predict with certainty the eventual outcome of any litigation, we are currently not a party to any litigation which we expect to have a material adverse effect on our business.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II**Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.**

Our common shares are traded on Nasdaq (symbol: DHC).

As of February 26, 2020, there were 1,586 shareholders of record of our common shares, although there is a larger number of beneficial owners.

Issuer purchases of equity securities. The following table provides information about our purchases of our equity securities during the three months ended December 31, 2019:

Calendar Month	Number of Shares Purchased ⁽¹⁾	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
December 2019	234	\$ 7.44	—	\$ —
Total	234	\$ 7.44	—	\$ —

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

Item 6. Selected Financial Data.

The following table sets forth selected financial data for the periods and dates indicated. Comparative results are affected by property acquisitions and dispositions during the periods shown. This data should be read in conjunction with, and is qualified in its entirety by reference to “Management's Discussion and Analysis of Financial Condition and Results of Operations” in Part II, Item 7 of this Annual Report on Form 10-K and to our Consolidated Financial Statements included in Part IV, Item 15 of this Annual Report on Form 10-K. Amounts in the table below (but not the footnotes to the table) are in thousands, except per share data.

	Year Ended December 31,				
	2019	2018	2017	2016	2015
Income (Loss) Statement Data:					
Rental income	\$ 606,558	\$ 700,641	\$ 681,022	\$ 666,200	\$ 630,899
Residents fees and services ⁽¹⁾	\$ 433,597	\$ 416,523	\$ 393,707	\$ 391,822	\$ 367,874
Net (loss) income ⁽²⁾⁽³⁾	\$ (82,878)	\$ 292,414	\$ 151,803	\$ 141,295	\$ 123,968
Net (loss) income attributable to common shareholders	\$ (88,234)	\$ 286,872	\$ 147,610	\$ 141,295	\$ 123,968
Common distributions declared ⁽⁴⁾	\$ (199,719)	\$ 370,786	\$ 370,641	\$ 370,518	\$ 369,468
Weighted average shares outstanding (basic)	237,604	237,511	237,420	237,345	232,931
Weighted average shares outstanding (diluted)	237,604	237,546	237,452	237,382	232,963
Basic and Diluted Per Common Share Data:					
Net (loss) income ⁽²⁾⁽³⁾	\$ (0.37)	\$ 1.21	\$ 0.62	\$ 0.60	\$ 0.53
Cash distributions declared to common shareholders ⁽⁴⁾	\$ 0.84	\$ 1.56	\$ 1.56	\$ 1.56	\$ 1.56 ⁽⁵⁾
Balance Sheet Data:					
Real estate properties, at undepreciated cost, net of impairment losses	\$ 7,461,586	\$ 7,876,300	\$ 7,824,763	\$ 7,617,547	\$ 7,456,940
Total assets ⁽⁶⁾	\$ 6,653,826	\$ 7,160,426	\$ 7,294,019	\$ 7,227,754	\$ 7,160,090
Total indebtedness ⁽⁶⁾	\$ 3,501,661	\$ 3,648,417	\$ 3,674,526	\$ 3,714,465	\$ 3,479,136
Total equity	\$ 2,877,050	\$ 3,179,870	\$ 3,277,188	\$ 3,199,405	\$ 3,359,760

- (1) Includes residents fees and services primarily earned from the provision of housing and services to the residents of our third party managed senior living communities. We recognize residents fees and services as the housing and services are provided.
- (2) Includes asset impairment charges of \$115.2 million (\$0.48 per basic and diluted share) and losses on equity securities, net, of \$41.9 million (\$0.18 per basic and diluted share) in 2019. Includes asset impairment charges of \$66.3 million (\$0.28 per basic and diluted share) and losses on equity securities, net of \$20.7 million (\$0.09 per basic and diluted share) in 2018. Includes asset impairment charges of \$5.1 million (\$0.02 per basic and diluted share) and losses on early extinguishment of debt of \$7.6 million (\$0.03 per basic and diluted share) in 2017. Includes asset impairment charges of \$18.7 million (\$0.08 per basic and diluted share) in 2016. Includes a loss on distribution to common shareholders of RMR Inc. common stock of \$38.4 million (\$0.16 per basic and diluted share), asset impairment charges of \$0.2 million (less than \$0.01 per basic and diluted share) and losses on early extinguishment of debt of \$1.9 million (\$0.01 per basic and diluted share) in 2015.
- (3) Includes gain on sale of properties of \$39.7 million (\$0.17 per basic and diluted share) in 2019. Includes gain on sale of properties of \$261.9 million (\$1.10 per basic and diluted share) in 2018. Includes gain on sale of properties of \$46.1 million (\$0.19 per basic and diluted share) in 2017. Includes gain on sale of properties of \$4.1 million (\$0.02 per basic and diluted share) in 2016.
- (4) On January 16, 2020, we declared a regular quarterly distribution payable to common shareholders of record on January 27, 2020 in the amount of \$0.15 per share, or approximately \$35.7 million. We paid this distribution on February 20, 2020.
- (5) Excludes a \$0.13 per share non-cash distribution of RMR Inc. class A common stock to our common shareholders on December 14, 2015.
- (6) The periods presented have been restated to reflect the adoption of Accounting Standards Update No. 2015-03, *Debt Issuance Costs*, which requires the reclassification of certain debt issuance costs as an offset to the associated debt liability in our consolidated balance sheets. We adopted this standard on January 1, 2016.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion should be read in conjunction with our Consolidated Financial Statements included in Part IV, Item 15 of this Annual Report on Form 10-K.

We are a REIT organized under Maryland law. As of December 31, 2019, we owned 424 properties, including 33 properties classified as held for sale, located in 39 states and Washington, D.C., including one life science property owned in a joint venture arrangement in which we own a 55% equity interest. At December 31, 2019, the gross book value of our real estate assets at cost plus certain acquisition costs, before depreciation and purchase price allocations and less impairment write downs, was \$8.4 billion, including \$264.4 million of gross book value classified as held for sale in our consolidated balance sheet.

PORTFOLIO OVERVIEW

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

(As of December 31, 2019)	Number of Properties	Square Feet or Number of Units		Gross Book Value of Real Estate Assets ⁽¹⁾	% of Total Gross Book Value of Real Estate Assets	Investment per Square Foot or Unit ⁽²⁾	2019 Revenues ⁽³⁾	% of 2019 Revenues	2019 NOI ⁽³⁾⁽⁴⁾	% of 2019 NOI
Office Portfolio ⁽⁵⁾	138	11,878,421 sq. ft.		\$ 3,740,252	44.4%	\$ 315	\$ 405,016	38.9%	\$ 272,668	49.5%
SHOP ⁽⁶⁾	244	29,013 units		4,207,021	50.0%	\$ 145,005	571,495	54.9%	214,773	39.0%
Other triple net leased senior living communities ⁽⁷⁾	32	2,605 units		295,240	3.5%	\$ 113,336	44,919	4.3%	44,919	8.2%
Wellness centers	10	812,000 sq. ft.		178,110	2.1%	\$ 219	18,725	1.9%	18,725	3.3%
Total	424			\$ 8,420,623	100.0%		\$ 1,040,155	100.0%	\$ 551,085	100.0%

Occupancy		
As of and for the Year Ended December 31,		
	2019	2018
Office Portfolio ⁽⁸⁾	92.2%	94.5%
SHOP ⁽⁶⁾⁽⁹⁾	85.1%	86.2%
Other triple net leases senior living communities ⁽⁹⁾⁽¹⁰⁾	88.2%	88.4%
Wellness centers	100.0%	100.0%

- (1) Represents gross book value of real estate assets at cost plus certain acquisition costs, before depreciation and purchase price allocations and less impairment writedowns, if any. Amounts include \$264,367 of gross book value of 33 properties classified as held for sale as of December 31, 2019, which amounts are included in assets of properties held for sale in our consolidated balance sheet.
- (2) Represents gross book value of real estate assets divided by number of rentable square feet or living units, as applicable, at December 31, 2019.
- (3) Includes \$23,802 of revenues and \$22,699 of NOI from properties sold during the year ended December 31, 2019 and \$53,223 of revenues and \$24,165 of NOI from properties classified as held for sale as of December 31, 2019.
- (4) NOI is defined and calculated by reportable segment. Our definition of NOI and our reconciliation of net income (loss) attributable to common shareholders to NOI are included below under the heading "Non-GAAP Financial Measures".
- (5) Our medical office and life science property 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 medical office and life science property leases are full-service leases where we receive fixed rent from our tenants and no reimbursement for our property operating costs.

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- (6) Includes communities that were leased to Five Star and communities that were managed by Five Star for our account as of December 31, 2019. Pursuant to the Restructuring Transaction, our previously existing master leases and management and pooling agreements with Five Star were terminated and replaced with new management and omnibus agreements, or the New Management Agreements, as of January 1, 2020, for all of our senior living communities operated by Five Star.
- (7) Triple net leased senior living communities that were leased to Five Star as of December 31, 2019 are included in our SHOP segment.
- (8) Medical office and life science property occupancy data is as of December 31, 2019 and includes (i) out of service assets undergoing redevelopment, (ii) space which is leased but is not occupied or is being offered for sublease by tenants and (iii) space being fitted out for occupancy.
- (9) Excludes data for periods prior to our ownership of certain properties, data for properties sold or classified as held for sale and data for which there was a transfer of operations during the periods presented.
- (10) Operating data for other triple net leased senior living communities leased to third party operators other than Five Star and wellness centers are presented based upon the operating results provided by our tenants and managers for the 12 months ended September 30, 2019 and 2018, or the most recent prior period for which tenant operating results are made available to us. We have not independently verified tenant operating data. Excludes data for periods prior to our ownership of certain properties, data for properties sold or classified as held for sale, and data for which there was a transfer of operations during the periods presented.

In connection with the Restructuring Transaction, as discussed below, we determined to redefine our reportable segments to better reflect our current operating environment. As of December 31, 2019, we report under the following two segments: Office Portfolio and SHOP. Our Office Portfolio segment consists of medical office properties leased to medical providers and other medical related businesses, as well as life science properties leased to biotech laboratories and other similar tenants. Our SHOP segment consists of 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. In addition, our SHOP 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 received rents from Five Star until January 1, 2020. Pursuant to the Restructuring Transaction, effective January 1, 2020, our previously existing master leases and management and pooling agreements with Five Star were terminated and replaced with the New Management Agreements for all of our senior living communities operated by Five Star.

We also continue to report “non-segment” operations, which consists of triple net leased senior living communities that are leased to operators other than Five Star from which we receive rents and wellness centers.

Office Portfolio

As of December 31, 2019, we owned 138 medical office and life science properties located in 27 states and Washington, D.C. These properties have a total of 11.9 million square feet. During the year ended December 31, 2019, we entered into lease renewals for 1,255,512 square feet and new leases for 261,960 square feet at our medical office and life science properties. The weighted average annual rental rate for leases entered during 2019 was \$29.64 per square foot, which was 5.1% higher than the previous weighted average annual rental rate for the same space. Weighted (by annualized rental income) average lease term for leases entered during 2019 was 10.2 years. Commitments for tenant improvements, leasing commission costs and concessions for leases we entered during 2019 totaled \$37.4 million, or \$24.66 per square foot on average (approximately \$2.69 per square foot per year of the lease term).

As of December 31, 2019, lease expirations at our medical office and life science properties in our Office Portfolio segment are as follows (dollars in thousands):

Year	Number of Tenants	Square Feet ⁽¹⁾	Percent of Total	Cumulative Percent of Total	Annualized Rental Income ⁽²⁾	Percent of Total	Cumulative Percent of Total
2020	135	1,035,986	9.5%	9.5%	\$ 29,387	7.7%	7.7%
2021	97	889,029	8.1%	17.6%	29,203	7.7%	15.4%
2022	109	1,289,076	11.8%	29.4%	36,459	9.6%	25.0%
2023	58	1,038,299	9.5%	38.9%	20,610	5.4%	30.4%
2024	82	1,839,074	16.8%	55.7%	50,404	13.3%	43.7%
2025	53	920,957	8.4%	64.1%	21,612	5.7%	49.4%
2026	34	695,274	6.3%	70.4%	21,243	5.6%	55.0%
2027	27	470,907	4.3%	74.7%	11,255	3.0%	58.0%
2028	17	1,440,951	13.2%	87.9%	113,790	30.0%	88.0%
2029 and thereafter	52	1,332,849	12.1%	100.0%	45,909	12.0%	100.0%
Total	664	10,952,402	100.0%		\$ 379,872	100.0%	

Weighted average remaining lease term (in years)	5.5	6.4
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(1) Includes 100% of square feet from a property owned in a joint venture arrangement in which we own a 55% equity interest.

(2) Annualized rental income is based on rents pursuant to existing leases as of December 31, 2019, including straight line rent adjustments, estimated recurring expense reimbursements for certain net and modified gross leases and excluding lease value amortization at certain of our medical office and life science properties. Annualized rental income also includes 100% of rental income as reported under GAAP from a property owned in a joint venture arrangement in which we own a 55% equity interest.

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The following table presents information concerning our medical office and life science property tenants that represent 1% or more of total medical office and life science property annualized rental income as of December 31, 2019 (dollars in thousands):

Tenant	Square Feet Leased	Percent of Total Square Feet Leased	Annualized Rental Income ⁽¹⁾	Percent of Total Annualized Rental Income ⁽¹⁾	Lease Expiration
Vertex Pharmaceuticals Inc. ⁽²⁾	1,082,417	9.9%	\$ 94,956	25.0%	2028
Advocate Aurora Health	643,499	5.9%	16,896	4.4%	2024
Cedars-Sinai Medical Center	145,065	1.3%	15,265	4.0%	2020 - 2032
Ology Bioservices, Inc.	165,586	1.5%	8,324	2.2%	2041
HCA Holdings, LLC	226,603	2.1%	7,182	1.9%	2020 - 2029
Medtronic, Inc.	376,828	3.4%	6,983	1.8%	2020 - 2022
Iqvia Holdings Inc.	176,839	1.6%	5,379	1.4%	2023
Magellan Health Inc.	232,521	2.1%	4,496	1.2%	2025
Sonova Holding AG	146,385	1.3%	4,459	1.2%	2024
Boston Children's Hospital	99,063	0.9%	4,456	1.2%	2028
Abbvie Inc.	197,976	1.8%	4,395	1.2%	2021
Seattle Genetics, Inc.	144,900	1.3%	4,037	1.1%	2024
Tokio Marine Holdings Inc.	81,072	0.7%	3,949	1.0%	2020 - 2033
Cigna Holding Co.	219,644	2.0%	3,914	1.0%	2024
United Healthcare Services, Inc.	149,719	1.4%	3,898	1.0%	2026
Duke University	126,225	1.2%	3,686	1.0%	2024
PerkinElmer, Inc.	105,462	1.0%	3,681	1.0%	2028
New York University	115,303	1.1%	3,654	1.0%	2020 - 2027
All other	6,517,295	59.5%	180,262	47.4%	2020 - 2035
Totals	10,952,402	100.0%	\$ 379,872	100.0%	

- (1) Annualized rental income is based on rents pursuant to existing leases as of December 31, 2019, including straight line rent adjustments and estimated recurring expense reimbursements for certain net and modified gross leases and excluding lease value amortization at certain of our medical office and life science properties.
- (2) The property leased by this tenant is owned by a joint venture arrangement in which we own a 55% equity interest. Rental income presented includes 100% of rental income as reported under GAAP.

Senior Housing Operating Portfolio

As of December 31, 2019, Five Star operated 244 of our senior living communities in our SHOP segment, of which 166 communities were leased to Five Star and 78 communities were managed by Five Star for our account. Pursuant to the Restructuring Transaction, effective January 1, 2020, or the Conversion Time, our previously existing master leases and management and pooling agreements with Five Star were terminated and replaced with the New Management Agreements for all of our senior living communities operated by Five Star. The Conversion is a significant change in our historical arrangements with Five Star and may result in our realizing significantly different operating results from our senior living communities in the future, including increased variability.

Also pursuant to the Restructuring Transaction, for the period beginning February 1, 2019 through December 31, 2019, the aggregate amount of monthly minimum rent payable to us by Five Star was reduced to \$11.0 million as of February 1, 2019, which amount was then reduced during such period to approximately \$10.8 million as a result of dispositions, and no additional rent was payable to us by Five Star for the period beginning February 1, 2019 to the Conversion Time. For further information regarding the Restructuring Transaction, the Transaction Agreement and our other business arrangements with Five Star, see Note 5 to our Consolidated Financial Statements included in Part IV, Item 15 of this Annual Report on Form 10-K.

- Pursuant to the New Management Agreements, Five Star will receive
- a management fee equal to 5% of the gross revenues realized at the applicable senior living communities
- plus reimbursement for its direct costs and expenses related to such communities,
- as well as an annual incentive fee equal to 15% of the amount by which the annual EBITDA of all communities on a combined basis exceeds the target EBITDA for all communities on a combined basis for such calendar year, provided that in no event shall the incentive fee be greater than 1.5% of the gross revenues realized at all communities on a combined basis for such calendar year.

The New Management Agreements expire in 2034, subject to Five Star's right to extend for two consecutive five year terms if Five Star achieves certain performance targets for the combined managed communities portfolio, unless earlier terminated or timely notice of nonrenewal is delivered. The New Management Agreements also provide us with the right to terminate the New Management Agreement for any community that does not earn 90% of the target EBITDA for such community for two consecutive calendar years or in any two of three consecutive calendar years, with the measurement period commencing January 1, 2021 (and the first termination not possible until the beginning of calendar year 2023); provided we may not in any calendar year terminate communities representing more than 20% of the combined revenues for all communities for the calendar year prior to such termination. Pursuant to the Guaranty made by Five Star in favor of our applicable subsidiaries, Five Star has guaranteed the payment and performance of each of its applicable subsidiary's obligations under the applicable New Management Agreements.

For more information regarding our leases and management arrangements with Five Star, see Note 5 to our Consolidated Financial Statements included in Part IV, Item 15 of this Annual Report on Form 10-K, and for more information about our dealings and relationships with Five Star generally, and the risks which may arise as a result of these related person transactions, see "Risk Factors—Risks Related to Our Relationships with RMR Inc., RMR LLC and Five Star" in Part I, Item 1A of this Annual Report on Form 10-K, "Management's Discussion and Analysis of Financial Condition and Results of Operations—Related Person Transactions" in Part II, Item 7 of this Annual Report on Form 10-K and Note 7 to our Consolidated Financial Statements included in Part IV, Item 15 of this Annual Report on Form 10-K.

All Other

As of December 31, 2019, lease expirations at our other triple net leased senior living communities leased to third party operators other than Five Star and wellness centers are as follows (dollars in thousands):

Year	Number of Properties	Number of Units or Square Feet	Annualized Rental Income ⁽¹⁾	Percent of Total	Cumulative Percent of Total
2020	—	—	\$ —	—%	—%
2021	—	—	—	—%	—%
2022	—	—	—	—%	—%
2023	7	131 units and 354,000 sq. ft.	10,591	21.5%	21.5%
2024	4	288 units	4,062	8.3%	29.8%
2025	—	—	—	—%	29.8%
2026	—	—	—	—%	29.8%
2027	4	511 units	4,161	8.5%	38.3%
2028	4	458,000 sq. ft.	10,550	21.4%	59.7%
2029 and thereafter	23	1,675 units	19,847	40.3%	100.0%
Total	42		\$ 49,211	100.0%	

- (1) Annualized rental income is based on rents pursuant to existing leases as of December 31, 2019. Annualized rental income includes estimated percentage rents and straight line rent adjustments and excludes lease value amortization.

GENERAL INDUSTRY TRENDS

Our medical office and life science properties 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 who employ doctors has increased. We believe hospital systems will continue the trend of providing an increasing amount of services in off campus medical offices away from main hospital campuses in order to reduce costs and serve as many patients as possible, which is reinforced by consumers' preference for healthcare services to be provided away from hospital campuses and closer to their residence or work locations.

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 our Office Portfolio segment 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 and housing to increase for the foreseeable future. Despite this trend, future economic downturns, softness in the U.S. housing market, higher levels of unemployment among our potential residents' family members, lower levels of consumer confidence, stock market volatility and/or changes in demographics could adversely affect the ability of seniors to afford the resident fees at our senior living communities.

The medical advances which are increasing average life spans are also causing some seniors to delay moving to senior living communities until they require greater care or to forgo moving to senior living communities altogether, but we do not believe this factor is sufficient to offset the long term positive demographic trends causing increased demand for senior living communities for the foreseeable future.

In recent years, a significant number of new senior living communities have been developed and continue to be developed. Although there are indications that the rate of newly started developments has recently declined, the increased supply of senior living communities that has resulted from recent development activity has increased competitive pressures on our managers and tenants, 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 managers and tenants 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.

Recently, the costs of insurance have increased significantly, and these increased costs have had an adverse effect on us and our managers and tenants. Increased insurance costs may adversely affect our managers' ability to operate our properties profitably and provide us with desirable returns and our tenants' ability to pay us rent or result in downward pressure on rents we can charge under new or renewed leases.

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 "Business—Government Regulation and Reimbursement" in Part I, Item 1 of this Annual Report on Form 10-K.

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

The following table summarizes the results of operations of each of our segments for the years ended December 31, 2019, 2018 and 2017:

	For the Year Ended December 31,		
	2019	2018	2017
Revenues:			
Office Portfolio	\$ 405,016	\$ 412,813	\$ 382,127
SHOP	571,495	629,145	604,246
Non-Segment	63,644	75,206	88,356
Total revenues	\$ 1,040,155	\$ 1,117,164	\$ 1,074,729
Net (loss) income attributable to common shareholders:			
Office Portfolio	\$ 68,884	\$ 66,905	\$ 111,199
SHOP	28,446	182,380	162,539
Non-Segment	(185,564)	37,587	(126,128)
Net (loss) income attributable to common shareholders	\$ (88,234)	\$ 286,872	\$ 147,610

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

Year Ended December 31, 2019 Compared to Year Ended December 31, 2018:

Unless otherwise indicated, references in this section to changes or comparisons of results, income or expenses refer to comparisons of the results for the year ended December 31, 2019 to the year ended December 31, 2018. Our definition of NOI and our reconciliation of net income (loss) attributable to common shareholders to NOI and a description of why we believe NOI is an appropriate supplemental measure is included below under the heading “Non-GAAP Financial Measures.”

	For the Year Ended December 31,			
	2019	2018	\$ Change	% Change
NOI by segment:				
Office Portfolio	\$ 272,668	\$ 285,081	\$ (12,413)	(4.4)%
SHOP	214,773	305,296	(90,523)	(29.7)%
Non-Segment	63,644	75,206	(11,562)	(15.4)%
Total NOI	551,085	665,583	(114,498)	(17.2)%
Depreciation and amortization	289,025	286,235	2,790	1.0 %
General and administrative	37,028	85,885	(48,857)	(56.9)%
Acquisition and certain other transaction related costs	13,102	194	12,908	nm
Impairment of assets	115,201	66,346	48,855	73.6 %
Gain on sale of properties	39,696	261,916	(222,220)	(84.8)%
Dividend income	1,846	2,901	(1,055)	(36.4)%
Losses on equity securities, net	(41,898)	(20,724)	21,174	100.0 %
Interest and other income	941	667	274	41.1 %
Interest expense	(180,112)	(179,287)	825	0.5 %
Loss on early extinguishment of debt	(44)	(22)	22	100.0 %
(Loss) income from continuing operations before income tax expense and equity in earnings of an investee	(82,842)	292,374	(375,216)	(128.3)%
Income tax expense	(436)	(476)	(40)	(8.4)%
Equity in earnings of an investee	400	516	(116)	(22.5)%
Net (loss) income	(82,878)	292,414	(375,292)	(128.3)%
Net income attributable to noncontrolling interest	(5,356)	(5,542)	(186)	(3.4)%
Net (loss) income attributable to common shareholders	\$ (88,234)	\$ 286,872	\$ (375,106)	(130.8)%

nm - not meaningful

Office Portfolio:

	Comparable Properties ⁽¹⁾		All Properties	
	As of December 31,		As of December 31,	
	2019	2018	2019	2018
Total buildings	110	110	138	155
Total square feet ⁽²⁾	10,303	10,291	11,878	12,600
Occupancy ⁽³⁾	93.9%	94.9%	92.2%	94.5%

- (1) Consists of medical office and life science properties that we have owned and which have been in service continuously since January 1, 2018, including our life science property owned in a joint venture arrangement in which we own a 55% equity interest; excludes properties classified as held for sale, if any.
- (2) Prior periods exclude space remeasurements made subsequent to those periods.
- (3) Medical office and life science property occupancy includes (i) out of service assets undergoing redevelopment, (ii) space which is leased but is not occupied or is being offered for sublease by tenants, and (iii) space being fitted out for occupancy. Comparable property occupancy excludes out of service assets undergoing redevelopment.

	Year Ended December 31,									
	Comparable ⁽¹⁾				Non-Comparable					
	Properties Results				Properties Results		Consolidated Properties Results			
	2019	2018	\$ Change	% Change	2019	2018	2019	2018	\$ Change	% Change
Rental income	\$ 352,002	\$ 352,089	\$ (87)	0.0 %	\$ 53,014	\$ 60,724	\$ 405,016	\$ 412,813	\$ (7,797)	(1.9)%
Property operating expenses	(116,794)	(111,697)	5,097	4.6 %	(15,554)	(16,035)	(132,348)	(127,732)	4,616	3.6 %
NOI	\$ 235,208	\$ 240,392	\$ (5,184)	(2.2)%	\$ 37,460	\$ 44,689	\$ 272,668	\$ 285,081	\$ (12,413)	(4.4)%

- (1) Consists of medical office and life science properties that we have owned and which have been in service continuously since January 1, 2018, including our life science property owned in a joint venture arrangement in which we own a 55% equity interest; excludes properties classified as held for sale, if any.

Rental income. Rental income decreased primarily due to our disposition of 17 properties since January 1, 2018 and a decrease in rental income at our comparable properties, partially offset by an increase in rental income from our acquisitions of four properties since January 1, 2018. Rental income at our comparable properties decreased primarily due to reduced occupancy, partially offset by an increase in tax escalation income and other expense reimbursement income and higher average rents achieved from our new and renewal leasing activity at certain of our comparable properties.

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. The increase in property operating expenses is primarily the result of increases in real estate taxes and property operating expenses at our comparable properties and the net effect of our property acquisitions and dispositions since January 1, 2018. Property operating expenses at our comparable properties increased primarily due to increases in real estate taxes, insurance expense, salaries and benefit costs and other direct costs of operating our comparable properties.

Net operating income. The change in NOI reflects the net changes in rental income and property operating expenses described above.

SHOP:

	Comparable Properties ⁽¹⁾		All Properties	
	As of and For the Year Ended December 31,		As of and For the Year Ended December 31,	
	2019	2018	2019	2018
Total properties	224	224	244	260
# of units	26,065	26,065	29,013	29,745
Occupancy ⁽²⁾	85.7%	86.3%	85.0%	86.1%
Average monthly rate ⁽²⁾⁽³⁾	4,276	4,270	4,179	4,214

- (1) Consists of senior living communities that we have owned and which have been operated by the same operator continuously since January 1, 2018; excludes communities classified as held for sale, if any.
- (2) Occupancy and average monthly rate exclude data for senior living communities that were leased prior to January 1, 2020.

- (3) 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.

	Year Ended December 31,									
	Comparable ⁽¹⁾				Non-Comparable					
	Properties Results				Properties Results		Consolidated Properties Results			
	2019	2018	\$ Change	% Change	2019	2018	2019	2018	\$ Change	% Change
Rental income	\$ 129,449	\$ 205,185	\$ (75,736)	(36.9)%	\$ 8,449	\$ 7,437	\$ 137,898	\$ 212,622	\$ (74,724)	(35.1)%
Residents fees and services	377,782	379,340	(1,558)	(0.4)%	55,815	37,183	433,597	416,523	17,074	4.1 %
Property operating expenses	(299,825)	(291,580)	8,245	2.8 %	(56,897)	(32,269)	(356,722)	(323,849)	32,873	10.2 %
NOI	<u>\$ 207,406</u>	<u>\$ 292,945</u>	<u>\$ (85,539)</u>	<u>(29.2)%</u>	<u>\$ 7,367</u>	<u>\$ 12,351</u>	<u>\$ 214,773</u>	<u>\$ 305,296</u>	<u>\$ (90,523)</u>	<u>(29.7)%</u>

- (1) Consists of senior living communities that we have owned and which have been operated by the same operator continuously since January 1, 2018; excludes communities classified as held for sale, if any.

Rental income. Rental income decreased primarily due to a decrease in rental income at our comparable properties and our disposition of 19 properties since January 1, 2018. Rental income decreased at our comparable properties primarily due to the reduction in the aggregate amount of rent payable to us by Five Star during the year ended December 31, 2019 pursuant to the Restructuring Transaction. See Note 5 to our Consolidated Financial Statements included in Part IV, Item 15 of this Annual Report on Form 10-K for information regarding the Restructuring Transaction.

Residents fees and services. Residents fees and services increased primarily due to our acquisition of five properties and the transfer of certain senior living communities we own from triple net leased senior living communities to managed senior living communities since January 1, 2018, partially offset by decreases in residents fees and services at our comparable properties. Residents fees and services at our comparable properties decreased primarily due to a decrease in occupancy at certain of our managed senior living communities.

Property operating expenses. Property operating expenses increased primarily due to our acquisitions and the transfer of certain senior living communities we own from triple net leased senior living communities to managed senior living communities since January 1, 2018 as well as an increase in property operating expenses at our comparable properties. Property operating expenses at our comparable properties increased primarily due to increased costs associated with staffing and increased maintenance, room turnover and other costs. Low unemployment and a competitive labor market are expected to continue to increase our staffing costs in 2020.

Net operating income. The change in NOI reflects the net changes in rental income, residents fees and services and property operating expenses described above.

Non-Segment⁽¹⁾:

	Comparable Properties ⁽²⁾		All Properties	
	As of and For the Year Ended December 31,		As of and For the Year Ended December 31,	
	2019	2018	2019	2018
Total properties:				
Other triple net leased senior living communities	32	32	32	44
Wellness centers	10	10	10	10
Rent coverage:				
Other triple net leased senior living communities ⁽³⁾	1.65x	1.74x	1.65x	1.74x
Wellness centers ⁽³⁾	1.83x	2.03x	1.83x	2.03x

- (1) Non-segment operations include all of our other operations, including certain senior living communities leased to third party operators other than Five Star, as well as wellness centers, 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.
- (2) Comparable properties consists of properties that we have owned and which have been leased to the same operator continuously since January 1, 2018; excludes properties classified as held for sale, if any.
- (3) All tenant operating data presented is based upon the operating results provided by our tenants for the 12 months ended September 30, 2019 and 2018 or the most recent prior period for which tenant operating results are available to us. Rent coverage is calculated using the 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.

	Year Ended December 31,									
	Comparable ⁽¹⁾					Non-Comparable				
	Properties Results					Properties Results		Consolidated Properties Results		
	2019	2018	\$ Change	% Change		2019	2018	2019	2018	\$ Change
										% Change
Rental income	\$ 49,446	\$ 48,928	\$ 518	1.1%	\$ 14,198	\$ 26,278	\$ 63,644	\$ 75,206	\$ (11,562)	(15.4)%
NOI	\$ 49,446	\$ 48,928	\$ 518	1.1%	\$ 14,198	\$ 26,278	\$ 63,644	\$ 75,206	\$ (11,562)	(15.4)%

(1) Comparable properties consists of properties that we have owned and which have been leased to the same operator continuously since January 1, 2018; excludes properties classified as held for sale, if any.

Rental income. Rental income decreased primarily due to the sale of 15 senior living communities leased to private operators and the transfer of certain senior living communities we own from triple net leased senior living communities to managed senior living communities since January 1, 2018, partially offset by increased rents resulting from our purchase of improvements at our comparable properties since January 1, 2018 and increased rents due to consumer price index adjustments pursuant to leases at certain of our wellness centers.

Net operating income. The change in NOI reflects the net changes in rental income described above.

References to changes in the income and expense categories below relate to the comparison of consolidated results for the year ended December 31, 2019, compared to the year ended December 31, 2018.

Depreciation and amortization expense. Depreciation and amortization expense increased primarily due to our acquisitions of nine properties and the purchase of capital improvements at certain of our properties since January 1, 2018, partially offset by our disposition of 51 properties, certain depreciable leasing related assets becoming fully depreciated and certain of our acquired resident agreements becoming fully amortized since January 1, 2018.

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 decreased primarily due to a decrease in business management incentive fees as a result of no incentive fees recognized for 2019, compared to \$40,642 of business management incentive fees that we recognized during 2018. In addition, we recognized a decrease in our base business management fees expense as a result of lower trading prices for our common shares during 2019 compared to 2018.

Acquisition and certain other transaction related costs. Acquisition and certain other transaction related costs primarily represents costs incurred in connection with the Restructuring Transaction.

Impairment of assets. For further information about our asset impairment charges, see Note 3 to our Consolidated Financial Statements included in Part IV, Item 15 of this Annual Report on Form 10-K.

Gain on sale of properties. Gain on sale of properties is the result of our sale of certain office properties and senior living communities during 2019 and 2018. For further information regarding gain on sale of properties, see Note 3 to our Consolidated Financial Statements included in Part IV, Item 15 of this Annual Report on Form 10-K.

Dividend income. The decrease in dividend income is the result of our sale of all of the RMR Inc. class A common stock that we owned on July 1, 2019, partially offset by an increase in dividends per share paid by RMR Inc. during 2019 compared to 2018.

Losses on equity securities, net. Losses on equity securities, net, represents the net unrealized gains and losses to adjust our investment in Five Star and RMR Inc. to their fair values.

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

Interest expense. Interest expense increased primarily due to an increase in borrowings under our revolving credit facility and changes in LIBOR, resulting in an increase in interest expense with respect to our floating rate debt. In addition, interest expense increased due to our February 2018 issuance of \$500,000 of 4.75% senior unsecured notes due 2028. These increases were partially offset by our redemption in May 2019 of our \$400,000 of 3.25% senior unsecured notes due 2019, our prepayment in December 2019 of our \$350,000 term loan and a lower interest rate on our new \$250,000 term loan obtained in December 2019.

Loss on early extinguishment of debt. We recognized a loss on early extinguishment of debt in connection with our prepayment of mortgage debts and of our \$350,000 term loan.

Income tax expense. Income tax expense is the result of operating income we earned in certain jurisdictions that is subject to state income taxes.

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

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017:

Unless otherwise indicated, references in this section to changes or comparisons of results, income or expenses refer to comparisons of the results for the year ended December 31, 2018 to the year ended December 31, 2017. Our definition of NOI and our reconciliation of net income (loss) to NOI and a description of why we believe NOI is an appropriate supplemental measure is included below under the heading “Non-GAAP Financial Measures.”

	For the Year Ended December 31,			
	2018	2017	\$ Change	% Change
NOI by segment:				
Office Portfolio	\$ 285,081	\$ 269,197	\$ 15,884	5.9 %
SHOP	305,296	303,684	1,612	0.5 %
Non-Segment	75,206	88,356	(13,150)	(14.9)%
Total NOI	665,583	661,237	4,346	0.7 %
Depreciation and amortization	286,235	276,861	9,374	3.4 %
General and administrative	85,885	103,694	(17,809)	(17.2)%
Acquisition and certain other transaction related costs	194	403	(209)	(51.9)%
Impairment of assets	66,346	5,082	61,264	nm
Gain on sale of properties	261,916	46,055	215,861	nm
Dividend income	2,901	2,637	264	10.0 %
Unrealized losses on equity securities, net	(20,724)	—	20,724	100.0 %
Interest and other income	667	406	261	64.3 %
Interest expense	(179,287)	(165,019)	(14,268)	8.6 %
Loss on early extinguishment of debt	(22)	(7,627)	7,605	(99.7)%
Income from continuing operations before income tax expense and equity in earnings of an investee	292,374	151,649	140,725	92.8 %
Income tax expense	(476)	(454)	22	4.8 %
Equity in earnings of an investee	516	608	(92)	(15.1)%
Net income	292,414	151,803	140,611	92.6 %
Net income attributable to noncontrolling interest	(5,542)	(4,193)	1,349	32.2 %
Net income attributable to common shareholders	\$ 286,872	\$ 147,610	\$ 139,262	94.3 %

nm - not meaningful

Office Portfolio:

	Comparable Properties ⁽¹⁾		All Properties	
	As of December 31,		As of December 31,	
	2018	2017	2018	2017
Total buildings	143	143	155	151
Total square feet ⁽²⁾	11,402	11,402	12,600	12,066
Occupancy ⁽³⁾	94.1%	94.9%	94.5%	95.0%

- (1) Consists of medical office and life science properties that we have owned and which have been in service continuously since January 1, 2017, including our life science property owned in a joint venture arrangement in which we own a 55% equity interest; excludes properties classified as held for sale, if any.
- (2) Prior periods exclude space remeasurements made subsequent to those periods.
- (3) Medical office and life science property occupancy includes (i) out of service assets undergoing redevelopment, (ii) space which is leased but is not occupied or is being offered for sublease by tenants, and (iii) space being fitted out for occupancy.

	Year Ended December 31,									
	Comparable ⁽¹⁾				Non-Comparable					
	Properties Results				Properties Results		Consolidated Properties Results			
	2018	2017	\$ Change	% Change	2018	2017	2018	2017	\$ Change	% Change
Rental income	\$ 380,937	\$ 375,999	\$ 4,938	1.3 %	\$ 31,876	\$ 6,128	\$ 412,813	\$ 382,127	\$ 30,686	8.0%
Property operating expenses	(116,147)	(110,618)	5,529	5.0 %	(11,585)	(2,312)	(127,732)	(112,930)	14,802	13.1%
NOI	\$ 264,790	\$ 265,381	\$ (591)	(0.2)%	\$ 20,291	\$ 3,816	\$ 285,081	\$ 269,197	\$ 15,884	5.9%

- (1) Consists of medical office and life science properties that we have owned and which have been in service continuously since January 1, 2017, including our life science property owned in a joint venture arrangement in which we own a 55% equity interest; excludes properties classified as held for sale, if any.

Rental income. Rental income increased primarily due to rental income from the ten medical office and life science properties we acquired since January 1, 2017 and an increase in rental income at our comparable properties. Rental income at our comparable properties increased primarily due to an increase in tax escalation income and other expense reimbursement income at certain of our comparable properties, partially offset by a decrease in occupancy at certain of our comparable properties.

Property operating expenses. The increase in property operating expenses is primarily the result of our property acquisitions and an increase in property operating expenses at our comparable properties. Property operating expenses at our comparable properties increased primarily due to increases in real estate taxes and other direct costs of operating these properties.

Net operating income. The change in NOI reflects the net changes in rental income and property operating expenses described above.

SHOP:

	Comparable Properties ⁽¹⁾		All Properties	
	As of and For the Year Ended December 31,		As of and For the Year Ended December 31,	
	2018	2017	2018	2017
Total properties	252	252	260	255
# of units	28,809	28,809	29,745	29,176
Occupancy ⁽²⁾	86.0%	85.8%	86.1%	85.8%
Average monthly rate ^{(2) (3)}	4,266	4,279	4,214	4,279

- (1) Consists of senior living communities that we have owned and which have been operated by the same operator continuously since January 1, 2017; excludes communities classified as held for sale, if any.
- (2) Occupancy and average monthly rate exclude data for senior living communities that were leased prior to January 1, 2020.
- (3) 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.

	Year Ended December 31,									
	Comparable ⁽¹⁾				Non-Comparable					
	Properties Results				Properties Results		Consolidated Properties Results			
	2018	2017	\$ Change	% Change	2018	2017	2018	2017	\$ Change	% Change
Rental income	\$ 212,467	\$ 210,155	\$ 2,312	1.1 %	\$ 155	\$ 384	\$ 212,622	\$ 210,539	\$ 2,083	1.0%
Residents fees and services	393,759	393,602	157	0.0 %	22,764	105	416,523	393,707	22,816	5.8%
Property operating expenses	(306,886)	(300,347)	6,539	2.2 %	(16,963)	(215)	(323,849)	(300,562)	23,287	7.7%
NOI	\$ 299,340	\$ 303,410	\$ (4,070)	(1.3)%	\$ 5,956	\$ 274	\$ 305,296	\$ 303,684	\$ 1,612	0.5%

- (1) Consists of senior living communities that we have owned and which have been operated by the same operator continuously since January 1, 2017; excludes communities classified as held for sale, if any.

Rental income. Rental income increased primarily due to an increase in rents at our comparable properties, partially offset by the sale of one senior living community previously leased to Five Star since January 1, 2017. Rental income at our comparable properties increased primarily due to increased rents resulting from our purchase of capital improvements since January 1, 2017.

Residents fees and services. Residents fees and services increased primarily due to our acquisition of four properties and the transfer of certain senior living communities we own from triple net leased senior living communities to managed senior living communities since January 1, 2017 as well as increases in residents fees and services at our comparable properties. Residents fees and services at our comparable properties increased modestly year over year on a comparable property basis primarily due to an increase in occupancy, partially offset by a decline in average monthly rates.

Property operating expenses. Property operating expenses increased primarily due to our acquisitions and the transfer of certain senior living communities we own from triple net leased senior living communities to managed senior living communities since January 1, 2017 as well as increases at our comparable properties. Property operating expenses at our comparable properties increased primarily due to increased costs associated with staffing and increased room turnover and maintenance costs.

Net operating income. The change in NOI reflects the net changes in rental income, residents fees and services and property operating expenses described above.

Non-Segment⁽¹⁾:

	Comparable Properties ⁽²⁾		All Properties	
	As of and For the Year Ended December 31,		As of and For the Year Ended December 31,	
	2018	2017	2018	2017
Total properties:				
Other triple net leased senior living communities	44	44	44	50
Wellness centers	10	10	10	10
Rent coverage:				
Other triple net leased senior living communities ⁽³⁾	1.42x	1.50x	1.42x	1.50x
Wellness centers ⁽³⁾	2.01x	1.76x	2.01x	1.76x

- (1) Non-segment operations include all of our other operations, including certain senior living communities leased to third party operators other than Five Star, as well as wellness centers, 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.
- (2) Comparable properties consists of properties that we have owned and which have been leased to the same operator continuously since January 1, 2017; excludes properties classified as held for sale, if any.
- (3) All tenant operating data presented is based upon the operating results provided by our tenants for the 12 months ended September 30, 2018 and 2017 or the most recent prior period for which tenant operating results was available to us as of the date we filed our Annual Report on Form 10-K for the year ended December 31, 2018. Rent coverage is calculated using the 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.

	Year Ended December 31,									
	Comparable ⁽¹⁾				Non-Comparable					
	Properties Results				Properties Results		Consolidated Properties Results			
	2018	2017	\$ Change	% Change	2018	2017	2018	2017	\$ Change	% Change
Rental income	\$ 67,366	\$ 67,027	\$ 339	0.5%	\$ 7,840	\$ 21,329	\$ 75,206	\$ 88,356	\$ (13,150)	(14.9)%
NOI	\$ 67,366	\$ 67,027	\$ 339	0.5%	\$ 7,840	\$ 21,329	\$ 75,206	\$ 88,356	\$ (13,150)	(14.9)%

(1) Comparable properties consists of properties that we have owned and which have been leased to the same operator continuously since January 1, 2017; excludes properties classified as held for sale, if any.

Rental income. Rental income decreased primarily due to reduced rental income resulting from the sale of five senior living communities leased to private operators and the transfer of certain senior living communities we own from triple net leased senior living communities to managed senior living communities since January 1, 2017, partially offset by increased rents resulting from our acquisition of two properties and the purchase improvements at our comparable properties since January 1, 2017.

References to changes in the income and expense categories below relate to the comparison of consolidated results for the year ended December 31, 2018, compared to the year ended December 31, 2017.

Depreciation and amortization expense. Depreciation and amortization expense increased primarily due to our acquisitions of 16 properties and the purchase of capital improvements since January 1, 2017, partially offset by our disposition of six senior living communities since January 1, 2017.

General and administrative expense. General and administrative expense decreased primarily due to a decrease in business management incentive fees. We recognized business management incentive fees of \$40,642 during 2018 as a result of our total shareholder return, as defined, exceeding the returns for the SNL U.S. REIT Healthcare index over the applicable measurement period by 9.6%, compared to \$55,740 of business management incentive fees recognized during 2017. In addition, we recognized a decrease in our base business management fees expense as a result of lower trading prices for our common shares during 2018 compared to 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 transaction activities that we expensed under GAAP.

Impairment of assets. For further information about our asset impairment charges, see Note 3 to our Consolidated Financial Statements included in Part IV, Item 15 of this Annual Report on Form 10-K.

Gain on sale of properties. Gain on sale of properties is the result of our sale of five senior living communities during 2018 and one senior living community in December 2017 and a permanent land eminent domain taking at our wellness center in Romeoville, Illinois that occurred in 2017.

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

Unrealized losses on equity securities. Unrealized losses on equity securities represents the net unrealized losses to adjust our investments in RMR Inc. and Five Star to their fair value as of December 31, 2018 in accordance with a change in GAAP standards effective January 1, 2018. We sold our investment in RMR Inc. on July 1, 2019.

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

Interest expense. Interest expense increased primarily due to our February 2018 issuance of \$500,000 of 4.75% senior unsecured notes due 2028, changes in LIBOR impacting our floating rate debt and our assumption of certain mortgage notes in connection with our acquisitions since January 1, 2017. These increases were partially offset by lower borrowings under our revolving credit facility and our prepayment of certain mortgage debts since January 1, 2017.

Loss on early extinguishment of debt. We recognized a loss on early extinguishment of debt in connection with our prepayment of mortgage debts and in connection with the amendments to the agreements governing our revolving credit facility and our \$200,000 term loan.

Income tax expense. Income tax expense is the result of operating income we earned in certain jurisdictions that is subject to state income taxes.

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

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

We present certain "non-GAAP financial measures" within the meaning of applicable SEC rules, including FFO attributable to common shareholders, Normalized FFO attributable to common shareholders and NOI for the years ended December 31, 2019, 2018 and 2017. These measures do not represent cash generated by operating activities in accordance with GAAP and should not be considered alternatives to net income (loss) or net income (loss) attributable to common shareholders as indicators of our operating performance or as measures of our liquidity. These measures should be considered in conjunction with net income (loss) and net income (loss) attributable to common shareholders as presented in our consolidated statements of comprehensive income (loss). We consider these non-GAAP measures to be appropriate supplemental measures of operating performance for a REIT, along with net income (loss) and net income (loss) attributable to common shareholders. We believe these measures provide useful information to investors because by excluding the effects of certain historical amounts, such as depreciation and amortization, they may facilitate a comparison of our operating performance between periods and with other REITs and, in the case of NOI, reflecting only those income and expense items that are generated and incurred at the property level may help both investors and management to understand the operations at our properties.

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, which is net income (loss) attributable to common shareholders, calculated in accordance with GAAP, excluding any gain or loss on sale of properties, loss on impairment of real estate assets and gains or losses on equity securities, net, if any, plus real estate depreciation and amortization and minus FFO attributable to noncontrolling interest, as well as certain other adjustments currently not applicable to us. In calculating Normalized FFO attributable to common shareholders, we adjust for the items shown below and 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. 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. Other real estate companies and REITs may calculate FFO attributable to common shareholders and Normalized FFO attributable to common shareholders differently than we do.

Our calculations of FFO attributable to common shareholders and Normalized FFO attributable to common shareholders for the years ended December 31, 2019, 2018 and 2017 and reconciliations of net income (loss) attributable to common shareholders, the most directly comparable financial measure under GAAP reported in our 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 (loss) attributable to common shareholders per share for these periods.

	For the Year Ended December 31,		
	2019	2018	2017
Net (loss) income attributable to common shareholders	\$ (88,234)	\$ 286,872	\$ 147,610
Depreciation and amortization	289,025	286,235	276,861
FFO attributable to noncontrolling interest	(21,147)	(21,200)	(16,370)
Gain on sale of properties	(39,696)	(261,916)	(46,055)
Impairment of assets	115,201	66,346	5,082
Losses on equity securities, net	41,898	20,724	—
FFO attributable to common shareholders	297,047	377,061	367,128
Acquisition and certain other transaction related costs	13,102	194	403
Loss on early extinguishment of debt	44	22	7,627
Normalized FFO attributable to common shareholders	\$ 310,193	\$ 377,277	\$ 375,158
Weighted average common shares outstanding (basic)	237,604	237,511	237,420
Weighted average common shares outstanding (diluted)	237,604	237,546	237,452
Per common share data (basic and diluted):			
Net (loss) income attributable to common shareholders	\$ (0.37)	\$ 1.21	\$ 0.62
FFO attributable to common shareholders	\$ 1.25	\$ 1.59	\$ 1.55
Normalized FFO attributable to common shareholders	\$ 1.31	\$ 1.59	\$ 1.58
Distributions declared	\$ 0.84	\$ 1.56	\$ 1.56

Property Net Operating Income (NOI)

We calculate NOI as shown below. The calculation of NOI excludes certain components of net income (loss) 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 use NOI to evaluate individual and company wide property level performance. Other real estate companies and REITs may calculate NOI differently than we do.

The calculation of NOI by reportable segment is included above in this Item 7. The following table includes the reconciliation of net income (loss) to NOI for the years ended December 31, 2019, 2018 and 2017.

	For the Year Ended December 31,		
	2019	2018	2017
<u>Reconciliation of Net Income (Loss) to NOI:</u>			
Net (loss) income	\$ (82,878)	\$ 292,414	\$ 151,803
Equity in earnings of an investee	(400)	(516)	(608)
Income tax expense	436	476	454
(Loss) income from continuing operations before income tax expense and equity in earnings of an investee	(82,842)	292,374	151,649
Loss on early extinguishment of debt	44	22	7,627
Interest expense	180,112	179,287	165,019
Interest and other income	(941)	(667)	(406)
Losses on equity securities, net	41,898	20,724	—
Dividend income	(1,846)	(2,901)	(2,637)
Gain on sale of properties	(39,696)	(261,916)	(46,055)
Impairment of assets	115,201	66,346	5,082
Acquisition and certain other transaction related costs	13,102	194	403
General and administrative	37,028	85,885	103,694
Depreciation and amortization	289,025	286,235	276,861
Total NOI	<u>\$ 551,085</u>	<u>\$ 665,583</u>	<u>\$ 661,237</u>
Office Portfolio NOI	\$ 272,668	\$ 285,081	\$ 269,197
SHOP NOI	214,773	305,296	303,684
Non-Segment NOI	63,644	75,206	88,356
Total NOI	<u>\$ 551,085</u>	<u>\$ 665,583</u>	<u>\$ 661,237</u>

LIQUIDITY AND CAPITAL RESOURCES

Our principal sources of cash 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, proceeds from the disposition of certain properties and borrowings under our revolving credit facility. To reduce our leverage, we have sold properties and other assets and have identified additional properties to sell, with a focus on the sale of underperforming senior living communities and non-core assets. 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.

Following entry into the Transaction Agreement, due to the lower cash flows we would receive from our senior living communities operated by Five Star, on April 18, 2019, we lowered our regular quarterly distribution rate to \$0.15 per common share (\$0.60 per common share annually), which was based on a target distribution payout ratio of approximately 80% of projected cash available for distribution after the disposition of certain properties and the stabilization of our transitioned senior living communities.

Pursuant to the Restructuring Transaction, on January 1, 2020, Five Star issued 10,268,158 Five Star common shares to us and an aggregate of 16,118,849 Five Star common shares to our shareholders of record as of December 13, 2019. In consideration

of these share issuances, we assumed \$75.0 million of Five Star's working capital liabilities related to our senior living communities that were previously leased to Five Star. For further information regarding the Restructuring Transaction, see Note 5 to our Consolidated Financial Statements included in Part IV, Item 15 of this Annual Report on Form 10-K.

The following is a summary of our sources and uses of cash flows for the periods presented (dollars in thousands):

	Year Ended December 31,	
	2019	2018
Cash and cash equivalents and restricted cash at beginning of period	\$ 70,071	\$ 47,321
Net cash provided by (used in):		
Operating activities	265,845	392,840
Investing activities	86,171	99,091
Financing activities	(369,863)	(469,181)
Cash and cash equivalents and restricted cash at end of period	\$ 52,224	\$ 70,071

Our Operating Liquidity and Resources

We generally receive minimum rents from our tenants monthly or quarterly, we receive residents fees and services revenues, net of expenses, from our managed senior living communities monthly and we receive percentage rents from certain of our senior living community tenants monthly, quarterly or annually.

The decrease in cash provided by operating activities for the year ended December 31, 2019 compared to the prior year was primarily due to the reduction in the aggregate amount of rent payable to us by Five Star during 2019 pursuant to the Restructuring Transaction, as described in Note 5 to our Consolidated Financial Statements included in Part IV, Item 15 of this Annual Report on Form 10-K, and reduced NOI as a result of dispositions of properties during 2019, partially offset by a decrease in business management fees expense in 2019 compared to 2018.

Our Investing Liquidity and Resources

The decrease in cash provided by investing activities for the year ended December 31, 2019 compared to the prior year was primarily due to an increase in purchases of fixed assets and improvements and lower proceeds from the sale of real estate properties during 2019 compared to 2018, partially offset by the proceeds from our sale of all of the RMR Inc. class A common stock that we owned in July 2019 and a decrease in real estate acquisitions in 2019 compared to 2018.

The following is a summary of cash used for capital expenditures, development, redevelopment and other activities for the periods presented (dollars in thousands):

	For the Year Ended December 31,	
	2019	2018
Office Portfolio segment capital expenditures:		
Tenant improvements ⁽¹⁾	\$ 14,920	\$ 12,045
Leasing costs ⁽²⁾	11,617	6,178
Building improvements ⁽³⁾	17,099	16,402
SHOP segment fixed assets and capital improvements	17,196	13,001
Recurring capital expenditures	\$ 60,832	\$ 47,626
Development, redevelopment and other activities - Office Portfolio segment ⁽⁴⁾	30,763	9,942
Development, redevelopment and other activities - SHOP segment ^{(4) (5) (6)}	144,957	45,084
Total development, redevelopment and other activities	\$ 175,720	\$ 55,026

- (1) Office Portfolio segment tenant improvements generally include capital expenditures to improve tenants' space or amounts paid directly to tenants to improve their space.
- (2) Office Portfolio segment leasing costs generally include leasing related costs, such as brokerage commissions and tenant inducements.
- (3) Office Portfolio segment building improvements generally include expenditures to replace obsolete building components that extend the useful life of existing assets.

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- (4) Development, redevelopment and other activities generally include capital expenditures that reposition a property or result in new sources of revenue.
- (5) Includes capital improvements for communities leased to Five Star and for communities managed by Five Star for our account.
- (6) Pursuant to the Restructuring Transaction, we purchased \$49,155 of fixed assets and capital improvements related to certain of our senior living communities that were leased to Five Star during 2019.

During the year ended December 31, 2019, we invested \$1.7 million in revenue producing capital improvements at certain of our triple net leased senior living communities leased to private operators, and, as a result, annual rents payable to us increased by approximately \$0.09 million 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 year ended December 31, 2019, commitments made for expenditures in connection with leasing space in our medical office and life science properties, 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 year	262	1,256	1,518
Total leasing costs and concession commitments ⁽¹⁾	\$ 14,044	\$ 23,374	\$ 37,418
Total leasing costs and concession commitments per square foot ⁽¹⁾	\$ 53.61	\$ 18.62	\$ 24.66
Weighted average lease term (years) ⁽²⁾	8.1	10.6	10.2
Total leasing costs and concession commitments per square foot per year ⁽¹⁾	\$ 6.67	\$ 1.98	\$ 2.69

- (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 December 31, 2019, including straight line rent adjustments and estimated recurring expense reimbursements, and excluding lease value amortization.

In July 2019, we completed our sale of 2,637,408 shares of class A common stock of RMR Inc. in an underwritten public offering at a price to the public of \$40.00 per common share. We received \$98.6 million in net proceeds after deducting underwriting discounts and commissions and other offering expenses, which we used to repay amounts outstanding under our revolving credit facility.

Also in July 2019, a tenant in our Office Portfolio segment vacated three buildings with an aggregate of 164,091 square feet in California. We have evaluated our options and have begun a full redevelopment of these buildings. The redevelopment of these buildings may take significant capital expenditures and time.

Following the Conversion, we plan to invest capital into our senior living communities to better position these communities in their respective markets in order to increase our returns in future years.

For further information regarding our acquisitions and dispositions, see Note 3 to our Consolidated Financial Statements included in Part IV, Item 15 of this Annual Report on Form 10-K.

Our Financing Liquidity and Resources

The decrease in cash used in financing activities for the year ended December 31, 2019 compared to the prior year was primarily due to higher repayments of debt in 2018 related to our sale of real estate properties discussed above and a reduction in distributions paid to our shareholders in 2019.

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 interest to

be paid on borrowings at the annual 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 December 31, 2019, the annual interest rate required on borrowings under our revolving credit facility was 2.8%. As of December 31, 2019 and February 28, 2020, we had \$537.5 million and \$593.0 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 \$250.0 million term loan that matures on June 12, 2020. Subject to the satisfaction of certain conditions, including the payment of an extension fee, we have the option to extend the maturity date by six months. We obtained this term loan in December 2019. This term loan requires annual interest to be paid at the rate of LIBOR plus a premium of 125 basis points that is subject to adjustment based upon changes to our credit ratings. At December 31, 2019, the annual interest rate payable on amounts outstanding under this term loan was 2.9%.

We used the net proceeds from our \$250.0 million term loan, together with proceeds from our dispositions, borrowings under our revolving credit facility and cash on hand, to prepay in full our \$350.0 million senior unsecured term loan that was scheduled to mature on January 15, 2020. The interest rate on the new term loan is LIBOR plus 125 basis points.

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. At December 31, 2019, the annual interest rate payable on amounts outstanding under this term loan was 3.2%.

During the year ended December 31, 2019, we paid quarterly cash distributions to our shareholders totaling approximately \$199.7 million using cash on hand and borrowings under our revolving credit facility. For further information regarding the distributions we paid during 2019, see Note 4 to our Consolidated Financial Statements included in Part IV, Item 15 of this Annual Report on Form 10-K.

On January 16, 2020, we declared a regular quarterly distribution payable to common shareholders of record on January 27, 2020 in the amount of \$0.15 per share, or approximately \$35.7 million. We paid this distribution on February 20, 2020 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.

In April 2019, our issuer credit rating was downgraded from BBB- to BB+ by S&P following our announcement of the restructuring of our business arrangements with Five Star. The ratings on our senior notes were reaffirmed at BBB- by S&P and, as a result, the interest rate premium on our revolving credit facility and our \$200.0 million term loan was not changed.

In May 2019, our senior unsecured debt rating was downgraded from Baa3 to Ba1 by Moody's Investors Service following our announcement of the Transaction Agreement. The interest rate premium on our revolving credit facility and our \$200.0 million term loan was not changed.

In May 2019, we redeemed at par all of our outstanding 3.25% senior notes due 2019 for a redemption price equal to principal amount of \$400.0 million. We funded this redemption with cash on hand and borrowings under our revolving credit facility.

In May 2019, we prepaid, at par plus accrued interest, a mortgage note secured by four of our senior living communities with an outstanding principal balance of approximately \$42.2 million, a maturity date in July 2019 and an annual interest rate of 3.79%. We prepaid this mortgage using cash on hand and borrowings under our revolving credit facility.

We have \$200.0 million of 6.75% senior unsecured notes due in April 2020. We expect to pay this debt using borrowings under our revolving credit facility and proceeds from our dispositions.

For further information regarding our outstanding debt, see Note 8 to our Consolidated Financial Statements included in Part IV, Item 15 of this Annual Report on Form 10-K.

Contractual Obligations

As of December 31, 2019, our contractual obligations were as follows (dollars in thousands):

Contractual Obligations	Payment due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Borrowings under revolving credit facility	\$ 537,500	\$ —	\$ 537,500	\$ —	\$ —
Term loans	450,000	250,000	200,000	—	—
Senior unsecured notes	1,850,000	200,000	300,000	250,000	1,100,000
Mortgage notes payable	689,361	2,737	40,997	15,783	629,844
Capital lease obligations	8,874	1,062	2,472	3,000	2,340
Ground lease obligations	6,345	308	535	412	5,090
Projected interest expense ⁽¹⁾	1,358,006	146,591	240,455	180,483	790,477
Tenant related obligations ⁽²⁾	23,994	13,346	9,071	1,577	—
Total	\$ 4,924,080	\$ 614,044	\$ 1,331,030	\$ 451,255	\$ 2,527,751

(1) Projected interest expense is attributable to only our debt obligations at existing rates as of December 31, 2019 and is not intended to estimate future interest costs which may result from debt prepayments, additional borrowings under our revolving credit facility, new debt issuances or changes in interest rates.

(2) Committed tenant related obligations include leasing commissions and tenant improvements and are based on leases in effect as of December 31, 2019.

Off Balance Sheet Arrangements

As of December 31, 2019, 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 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 covenants that 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 that restrict our ability to make distributions to our shareholders in certain circumstances. As of December 31, 2019, 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 further downgraded, our interest expense and related costs under our revolving credit facility and term loan agreements may increase. See “—Our Financing Liquidity and Resources” above for information regarding recent downgrades of our issuer credit rating and senior unsecured debt rating that did not result in a change in the interest rate premiums under our revolving credit facility or term loans.

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 indentures and supplements entered in February 2016 and February 2018). 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.

For further information regarding our principal debt obligations, see Note 8 to our Consolidated Financial Statements included in Part IV, Item 15 of this Annual Report on Form 10-K.

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, the Chair of our Board of Trustees and 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., and he is also a managing director and the president and chief executive officer of RMR Inc., an officer and employee of RMR LLC and the chair of the board of directors and a managing director of Five Star; Jennifer B. Clark, our other Managing Trustee and our Secretary, is a managing director and the executive vice president, general counsel and secretary of RMR Inc., an officer of ABP Trust, an officer and employee of RMR LLC and a managing director and the secretary of Five Star; each of our officers is also an officer and employee of RMR LLC; and, until July 1, 2019, we owned shares of class A common stock of RMR Inc. We have relationships and historical and continuing transactions with other companies to which RMR LLC or its subsidiaries provide management services and some of which have trustees, directors or officers who are also trustees, directors or officers of us, RMR LLC or RMR Inc., including Five Star, which is our former subsidiary and former largest tenant, and is currently the manager of most of our managed senior living communities and with which we restructured our business arrangements as of January 1, 2020. We and Adam D. Portnoy, directly and indirectly through ABP Trust and its subsidiaries, are significant stockholders of Five Star, owning, as of December 31, 2019, 8.2% (33.9% as of January 1, 2020) and 35.3% (6.3% as of January 1, 2020), respectively, of outstanding Five Star common shares.

For further information about these and other such relationships and related person transactions, see Notes 3, 5, 6 and 7 to our Consolidated Financial Statements included in Part IV, Item 15 of this Annual Report on Form 10-K, which are incorporated herein by reference and our other filings with the SEC including our definitive Proxy Statement for our 2020 Annual Meeting of Shareholders, or our definitive Proxy Statement, to be filed with the SEC within 120 days after the fiscal year ended December 31, 2019. For further information about the risks that may arise as a result of these and other related person transactions and relationships, see elsewhere in this Annual Report on Form 10-K, including “Warning Concerning Forward-Looking Statements,” Part I, Item 1, “Business” and Part I, Item 1A, “Risk Factors.” 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, the New Management Agreements, our prior leases, forms of management agreements and related pooling agreements with Five Star, our 2019 and 2017 transaction agreements with Five Star, and the consent agreement with Adam Portnoy and certain of his affiliates related to his acquisition of Five Star common shares are available as exhibits to our public 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.

Critical Accounting Policies

Our critical accounting policies are those that will have the most impact on the reporting of our financial condition and results of operations and those requiring significant judgments and estimates. We believe that our judgments and estimates have been and will be consistently applied and produce financial information that fairly presents our results of operations. Our most critical accounting policies involve our investments in real property. These policies affect our:

- allocation of purchase prices among various asset categories, including allocations to above and below market leases, and the related impact on the recognition of rental income and depreciation and amortization expenses; and
- assessment of the carrying values and impairments of long lived assets.

We allocate the purchase prices of our properties to land, building and improvements based on determinations of the fair values of these assets assuming the properties are vacant. We determine the fair value of each property using methods similar to those used by independent appraisers, which may involve estimated cash flows that are based on a number of factors, including capitalization rates and discount rates, among others. In some circumstances, we engage independent real estate appraisal firms to provide market information and evaluations which are relevant to our purchase price allocations and determinations of depreciable useful lives; however, we are ultimately responsible for the purchase price allocations and determinations of useful lives. We allocate a portion of the purchase price to above market and below market leases based on the present value (using an interest rate which reflects the risks associated with acquired in place leases at the time each property was acquired by us) of the difference, if any, between (i) the contractual amounts to be paid pursuant to the acquired in place leases and (ii) our estimates of fair market lease rates for the corresponding leases, measured over a period equal to the terms of the respective leases. The terms of below market leases that include bargain renewal options, if any, are further adjusted if we determine that renewal is probable. We allocate a portion of the purchase price to acquired in place leases and tenant relationships based upon market estimates to lease up the property based on the leases in place at the time of purchase. In making these allocations, we consider factors such as estimated carrying costs during the expected lease up periods, including real estate taxes, insurance and other operating income and expenses and costs, such as leasing commissions, legal and other related expenses, to execute similar leases in current market conditions at the time a property was acquired by us. We allocate this aggregate value between acquired in place lease values and tenant relationships based on our evaluation of the specific characteristics of each tenant's lease. However, we have not separated the value of tenant relationships from the value of acquired in place leases because such value and related amortization expense is immaterial to our consolidated financial statements. If the value of tenant relationships becomes material in the future, we may separately allocate those amounts and amortize the allocated amount over the estimated life of the relationships.

We periodically evaluate our properties for impairment. Impairment indicators may include declining tenant occupancy, our concerns about a tenant's financial condition (which may be endangered by a rent default or other information which comes to our attention) or our decision to dispose of an asset before the end of its useful life and legislative, as well as market or industry changes that could permanently reduce the value of a property. If indicators of impairment are present, we evaluate the carrying value of the related property by comparing it to the expected future undiscounted cash flows to be generated from that property. If the sum of these expected future cash flows is less than the carrying value, we reduce the net carrying value of the property to its estimated fair value. This analysis requires us to judge whether indicators of impairment exist and to estimate likely future cash flows. The future net undiscounted cash flows are subjective and are based in part on assumptions regarding hold periods, market rents and terminal capitalization rates. If we misjudge or estimate incorrectly or if future tenant operations, market or industry factors differ from our expectations we may record an impairment charge that is inappropriate or fail to record a charge when we should have done so, or the amount of any such charges may be inaccurate.

These accounting policies involve significant judgments made based upon our experience and the experience of our management and our Board of Trustees, including judgments about current valuations, ultimate realizable value, estimated useful lives, salvage or residual value, the ability and willingness of our tenants to perform their obligations to us, and the current and likely future operating and competitive environments in which our properties are operated. In the future, we may need to revise our carrying value assessments to incorporate information which is not now known, and such revisions could increase or decrease our depreciation expense or impairment charges related to properties we own, result in the classification of our leases as other than operating leases or decrease the carrying values of our assets.

Impact of Inflation

Inflation in the past several years in the United States has been modest, but recently there have been indications of inflation in the U.S. economy and some market forecasts indicate an expectation of increased inflation in the near to intermediate term. Future inflation might have both positive and negative impacts on our business. Inflation might cause the value of our real estate assets to increase. In an inflationary environment, the percentage rents which we receive based upon a percentage of our tenants'

revenues should increase. Further, inflation may permit us to increase rents upon renewal or enter into new leases for the leased space for increased rent amounts. Offsetting these benefits, inflation might cause our costs of equity and debt capital and operating costs to increase. An increase in our capital costs or in our operating costs may result in decreased earnings unless it is offset by increased revenues. In periods of rapid inflation, our tenants' or managers' operating costs may increase faster than revenues, which may have an adverse impact upon us if our tenants' or managers' operating income from our properties becomes insufficient to pay our rents or returns. To mitigate the adverse impact of increased tenant financial distress upon us, we generally require our tenants to provide guarantees for our rent.

To mitigate the adverse impact of any increased cost of debt capital in the event of material inflation, we previously have purchased interest rate cap agreements and we may enter into additional interest rate hedge arrangements in the future. The decision to enter into these agreements was and will be based on various factors, including the amount of our floating rate debt outstanding, our belief that material interest rate increases are likely to occur, the costs of, and our expected benefit from, these agreements and upon possible requirements of our borrowing arrangements.

Other than continued increases in labor costs discussed above in "Risk Factors" in Part I, Item 1A of this Annual Report on Form 10-K, we do not expect inflation to have a material impact on our financial results for the next 12 months or for the current foreseeable future thereafter.

Impact of Government Reimbursement

For the year ended December 31, 2019, 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 medical office and life science property 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, as well as existing regulations that impact these matters. Further, there are other existing and recently enacted legislation, and related litigation, related to government payments, insurance and healthcare delivery. Examples of these, and other information regarding such matters and developments, are provided under the caption "Business-Government Regulation and Reimbursement" above in this Annual Report on Form 10-K. 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.

Seasonality

Senior housing operations have historically reflected modest seasonality. During fourth quarter holiday periods, residents at such facilities are sometimes discharged to spend time with family and admission decisions are often deferred. The first quarter of each calendar year usually coincides with increased illness among residents which can result in increased costs or discharges to hospitals. As a result of these and other factors, these operations sometimes produce greater earnings in the second and third quarters of a calendar year and lesser earnings in the fourth and first calendar quarters. We do not expect these seasonal differences to have a material impact upon the ability of our tenants to pay our rent or our ability to fund our managed senior living operations or our other businesses. Our medical office and life science properties and wellness centers do not typically experience seasonality.

Impact of Climate Change

Concerns about climate change have resulted in various treaties, laws and regulations that are intended to limit carbon emissions and address other environmental concerns. These and other laws may cause energy or other costs at our properties to increase. We do not expect the direct impact of these increases to be material to our results of operations, because the increased costs either would be the responsibility of our tenants directly or in the longer term, passed through and paid by tenants of our properties. Although we do not believe it is likely in the foreseeable future, laws enacted to mitigate climate change may make some of our buildings obsolete or cause us to make material investments in our properties, which could materially and adversely affect our financial condition or the financial condition of our tenants or managers and their ability to pay rent or returns to us.

In an effort to reduce the effects of any increased energy costs in the future, we continuously study ways to improve the energy efficiency at all of our properties. Our property manager, RMR LLC, is a member of the ENERGY STAR program, a joint

program of the U.S. Environmental Protection Agency and the U.S. Department of Energy that is focused on promoting energy efficiency at commercial properties through its “ENERGY STAR” partner program, and a member of the U.S. Green Building Council, a nonprofit organization focused on promoting energy efficiency at commercial properties through its leadership in energy and environmental design, or LEED®, green building program.

Some observers believe severe weather in different parts of the world over the last few years is evidence of global climate change. Severe weather may have an adverse effect on certain properties we own. Rising sea levels could cause flooding at some of our properties, which may have an adverse effect on individual properties we own. We mitigate these risks by procuring, or requiring our tenants to procure, insurance coverage we believe adequate to protect us from material damages and losses resulting from the consequences of losses caused by climate change. However, we cannot be sure that our mitigation efforts will be sufficient or that future storms, rising sea levels or other changes that may occur due to future climate change could not have a material adverse effect on our financial results.

Item 7A. 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. 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.

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

Fixed Rate Debt

At December 31, 2019, 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	\$ 200,000	6.75%	\$ 13,500	2020	Semi-Annually
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	500,000	4.75%	23,750	2028	Semi-Annually
Senior unsecured notes	350,000	5.63%	19,705	2042	Quarterly
Senior unsecured notes	250,000	6.25%	15,625	2046	Quarterly
Mortgage notes ⁽²⁾	1,426	7.49%	107	2022	Monthly
Mortgage notes	12,513	6.28%	786	2022	Monthly
Mortgage note	10,958	4.85%	531	2022	Monthly
Mortgage notes	16,131	5.75%	928	2022	Monthly
Mortgage note	16,056	6.64%	1,066	2023	Monthly
Capital leases	8,874	7.70%	683	2026	Monthly
Mortgage notes ⁽³⁾	620,000	3.53%	21,886	2026	Monthly
Mortgage note ^{(2) (4)}	1,589	6.25%	99	2026	Monthly
Mortgage note	10,688	4.44%	475	2043	Monthly
	<u>\$ 2,548,235</u>		<u>\$ 131,266</u>		

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

(2) The properties encumbered by these mortgages are classified as held for sale as of December 31, 2019.

(3) The property encumbered by these mortgages is owned in a joint venture arrangement in which we own a 55% equity interest. The principal amounts listed in the table for these debts have not been adjusted to reflect the equity interest in the joint venture that we do not own.

(4) We prepaid this mortgage in February 2020.

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 \$25.4 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 December 31, 2019, 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 increase in interest rates would change the fair value of those obligations by approximately \$38.8 million.

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

Floating Rate Debt

At December 31, 2019, our floating rate debt obligations consisted of our \$1.0 billion revolving credit facility, under which we had \$537.5 million outstanding, our \$250.0 million term loan and our \$200.0 million term loan. Our revolving credit facility matures in January 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 \$250.0 million term loan matures in June 2020 and our \$200.0 million term loan matures in September 2022. Subject to our payment of an extension fee and our meeting other conditions, we have an option to extend the maturity date of our \$250.0 million term loan by six months to December 2020. Our \$250.0 million term loan and our \$200.0 million term loan are prepayable without penalty at any time.

Borrowings under our revolving credit facility and term loans are in U.S. dollars and interest is required to be paid at the rate of LIBOR plus premiums that are subject to adjustment based upon changes to our credit ratings. Accordingly, we are exposed to interest rate risk for changes in U.S. dollar based short term rates, specifically LIBOR, and to changes in our credit ratings. 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 December 31, 2019 (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 December 31, 2019	2.89%	\$ 987,500	\$ 28,539	\$ 0.12
One percentage point increase	3.89%	\$ 987,500	\$ 38,414	\$ 0.16

(1) Weighted based on the respective interest rates and outstanding borrowings under our credit facility and term loans as of December 31, 2019.

(2) Based on weighted average number of shares outstanding (basic and diluted) for the year ended December 31, 2019.

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 December 31, 2019 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 December 31, 2019	2.86%	\$ 1,450,000	\$ 41,470	\$ 0.17
One percentage point increase	3.86%	\$ 1,450,000	\$ 55,970	\$ 0.24

(1) Weighted based on the respective interest rates and outstanding borrowings under our credit facility (assuming fully drawn) and term loans as of December 31, 2019.

(2) Based on weighted average number of shares outstanding (basic and diluted) for the year ended December 31, 2019.

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.

LIBOR Phase Out

LIBOR is currently expected to be phased out in 2021. We are required to pay interest on borrowings under our revolving credit facility and term loans at floating rates based on LIBOR. Future debt that we may incur may also require that we pay interest based upon LIBOR. We currently expect that the determination of interest under our credit facility and term loan agreements would be revised as provided under the agreement or amended as necessary to provide for an interest rate that approximates the existing interest rate as calculated in accordance with LIBOR. Despite our current expectations, we cannot be sure that, if LIBOR is phased out or transitioned, the changes to the determination of interest under our agreements would approximate the current calculation in accordance with LIBOR. We do not know what standard, if any, will replace LIBOR if it is phased out or transitioned.

Item 8. Financial Statements and Supplementary Data.

The information required by this item is included in Part IV, Item 15 of this Annual Report on Form 10-K.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

As of the end of the period covered by this Annual Report on Form 10-K, 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 the Exchange Act Rules 13a-15 and 15d-15. 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 December 31, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management Report on Assessment of Internal Control Over Financial Reporting.

We are responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control system is designed to provide reasonable assurance to our management and Board of Trustees regarding the preparation and fair presentation of published financial statements. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2019. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission

in *Internal Control—Integrated Framework* (2013 framework). Based on this assessment, we believe that, as of December 31, 2019, our internal control over financial reporting is effective.

Ernst & Young LLP, the independent registered public accounting firm that audited our 2019 Consolidated Financial Statements included in this Annual Report on Form 10-K, has issued an attestation report on our internal control over financial reporting. The report appears elsewhere herein.

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

We have a Code of Conduct that applies to our officers and Trustees, RMR Inc. and RMR LLC, senior level officers of RMR LLC, senior level officers and directors of RMR Inc. and certain other officers and employees of RMR LLC. Our Code of Conduct is posted on our website, www.dhcreit.com. A printed copy of our Code of Conduct is also available free of charge to any person who requests a copy by writing to our Secretary, Diversified Healthcare Trust, Two Newton Place, 255 Washington Street, Suite 300, Newton, MA 02458-1634. We intend to satisfy the requirements under Item 5.05 of Form 8-K regarding disclosure of amendments to, or waivers from, provisions of our Code of Conduct to apply to our principal executive officer, principal financial officer, principal accounting officer or controller, or any persons performing similar functions, on our website.

The remainder of the information required by Item 10 is incorporated by reference to our definitive Proxy Statement.

Item 11. Executive Compensation.

The information required by Item 11 is incorporated by reference to our definitive Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Equity Compensation Plan Information. We may grant common shares to our officers and other employees of RMR LLC under our 2012 Equity Compensation Plan, or the 2012 Plan. In addition, each of our Trustees receives common shares as part of his or her annual compensation for serving as a Trustee and such shares are awarded under the 2012 Plan. The terms of awards made under the 2012 Plan are determined by the Compensation Committee of our Board of Trustees at the time of the awards. The following table is as of December 31, 2019:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under our equity compensation plan excluding securities reflected in column (a)
	(a)	(b)	(c)
Equity compensation plans approved by securityholders— 2012 Plan	None.	None.	2,214,932 ⁽¹⁾
Equity compensation plan not approved by securityholders	None.	None.	None.
Total	None.	None.	2,214,932 ⁽¹⁾

(1) Consists of common shares available for issuance pursuant to the terms of the 2012 Plan. Share awards that are repurchased or forfeited will be added to the common shares available for issuance under the 2012 Plan.

Payments by us to RMR LLC employees are described in Notes 4 and 7 to our Consolidated Financial Statements included in Part IV, Item 15 of this Annual Report on Form 10-K. The remainder of the information required by Item 12 is incorporated by reference to our definitive Proxy Statement.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required by Item 13 is incorporated by reference to our definitive Proxy Statement.

Item 14. Principal Accountant Fees and Services.

The information required by Item 14 is incorporated by reference to our definitive Proxy Statement.

PART IV**Item 15. Exhibits and Financial Statement Schedules.****(a) Index to Financial Statements and Financial Statement Schedules**

The following consolidated financial statements and financial statement schedules of Diversified Healthcare Trust are included on the pages indicated:

	Page
Reports of Ernst & Young LLP, Independent Registered Accounting Firm	F- 1
Consolidated Balance Sheets as of December 31, 2019 and 2018	F- 3
Consolidated Statements of Comprehensive Income (Loss) for each of the three years in the period ended December 31, 2019	F- 4
Consolidated Statements of Shareholders' Equity for each of the three years in the period ended December 31, 2019	F- 5
Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 2019	F- 6
Notes to Consolidated Financial Statements	F- 8
Schedule III – Real Estate and Accumulated Depreciation as of December 31, 2019	S-1

All other schedules for which provision is made in the applicable accounting regulations of the SEC are not required under the related instructions, or are inapplicable, and therefore have been omitted.

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

(b) [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 Current Report on Form 8-K dated January 1, 2020.)
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.)
3.3	Articles Supplementary, dated June 30, 2017. (Incorporated by reference to the Company's Current Report on Form 8-K dated June 30, 2017.)
3.4	Amended and Restated Bylaws of the Company, adopted January 1, 2020. (Incorporated by reference to the Company's Current Report on Form 8-K dated January 1, 2020.)
4.1	Form of Common Share Certificate. (Incorporated by reference to the Company's Current Report on Form 8-K dated January 1, 2020.)
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.)
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.)
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. 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.)
4.7	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.)
4.8	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.)
4.9	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.)
4.10	Registration Rights and Lock-Up Agreement, dated as of June 5, 2015, among the Company, ABP Trust (f/k/a Reit Management & Research Trust), Barry M. Portnoy and Adam D. Portnoy. (Incorporated by reference to the Company's Current Report on Form 8-K dated June 5, 2015.)
4.11	Description of Securities. (Filed herewith.)
8.1	Opinion of Sullivan & Worcester LLP as to certain tax matters. (Filed herewith.)
10.1	Second Amended and Restated Business Management Agreement, dated as of June 5, 2015, between the Company and The RMR Group LLC. (+) (Incorporated by reference to the Company's Current Report on Form 8-K dated June 5, 2015.)
10.2	Second Amended and Restated Property Management Agreement, dated as of June 5, 2015, between the Company and The RMR Group LLC. (+) (Incorporated by reference to the Company's Current Report on Form 8-K dated June 5, 2015.)
10.3	2012 Equity Compensation Plan.(+) (Incorporated by reference to the Company's Current Report on Form 8-K dated May 17, 2012.)
10.4	First Amendment to 2012 Equity Compensation Plan.(+) (Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2015.)
10.5	Form of Share Award Agreement.(+) (Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2016.)
10.6	Form of Indemnification Agreement.(+) (Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2018.)
10.7	Summary of Trustee Compensation.(+) (Incorporated by reference to the Company's Current Report on Form 8-K dated May 21, 2019.)

- 10.8 [Amended and Restated Credit Agreement, dated as of August 1, 2017, among the Company, Wells Fargo Bank, National Association, as Administrative Agent, and each of the other financial institutions party thereto. \(Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017.\)](#)
- 10.9 [\\$350.0 Million Term Loan Agreement, dated as of May 30, 2014, among the Company, Wells Fargo Bank, National Association, as Administrative Agent, and each of the other financial institutions initially a signatory thereto. \(Incorporated by reference to the Company's Current Report on Form 8-K dated May 30, 2014.\)](#)
- 10.10 [First Amendment to \\$350.0 Million Term Loan Agreement, dated as of September 28, 2015, among the Company, Wells Fargo Bank, National Association, as Administrative Agent, and each of the other financial institutions party thereto. \(Incorporated by reference to the Company's Current Report on Form 8-K dated October 1, 2015.\)](#)
- 10.11 [Second Amendment to \\$350.0 Million Term Loan Agreement, dated as of August 1, 2017, among the Company, Wells Fargo Bank, National Association, as Administrative Agent, and each of the other financial institutions party thereto. \(Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017.\)](#)
- 10.12 [Third Amendment to \\$350.0 Million Term Loan Agreement, dated as of September 20, 2017, among the Company, Wells Fargo Bank, National Association, as Administrative Agent, and each of the other financial institutions party thereto. \(Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2017.\)](#)
- 10.13 [Amended and Restated \\$200.0 Million Term Loan Agreement, dated as of August 1, 2017, among the Company, Wells Fargo Bank, National Association, as Administrative Agent, and each of the other financial institutions party thereto. \(Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017.\)](#)
- 10.14 [Transaction Agreement, dated December 7, 2001, among the Company, certain subsidiaries of the Company party thereto, Five Star Senior Living Inc. \(f/k/a Five Star Quality Care, Inc.\), certain subsidiaries of Five Star Senior Living Inc. party thereto, FSO, Inc., Service Properties Trust \(f/k/a Hospitality Properties Trust\) and The RMR Group LLC. \(Incorporated by reference to the Company's Current Report on Form 8-K dated December 13, 2001.\)](#)
- 10.15 [Transaction Agreement, dated as of April 1, 2019, between the Company and Five Star Senior Living Inc. \(Incorporated by reference to the Company's Current Report on Form 8-K dated April 1, 2019.\)](#)
- 10.16 [Omnibus Agreement, dated as of January 1, 2020, among Five Star Senior Living Inc., FVE Managers, Inc. and certain subsidiaries of the Company. \(Filed herewith.\)](#)
- 10.17 [Guaranty Agreement, dated as of January 1, 2020, by Five Star Senior Living Inc. for the benefit of certain subsidiaries of the Company. \(Filed herewith.\)](#)
- 10.18 [Lease for 50 Northern Avenue \(Parcel A - Fan Pier\) Boston, Massachusetts, dated as of May 5, 2011, between SNH Fan Pier, Inc. \(as successor by assignment from Fifty Northern Avenue LLC\) and Vertex Pharmaceuticals Incorporated. \(Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014.\)](#)
- 10.19 [First Amendment to Lease, dated as of April 11, 2012, between SNH Fan Pier, Inc. \(as successor by assignment from Fifty Northern Avenue LLC\) and Vertex Pharmaceuticals Incorporated. \(Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014.\)](#)
- 10.20 [Second Amendment to Lease, dated as of March 28, 2014, between SNH Fan Pier, Inc. \(as successor by assignment from Fifty Northern Avenue LLC\) and Vertex Pharmaceuticals Incorporated. \(Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014.\)](#)
- 10.21 [Lease for 11 Fan Pier Boulevard \(Parcel B - Fan Pier\) Boston, Massachusetts, dated as of May 5, 2011, between SNH Fan Pier, Inc. \(as successor by assignment from Eleven Fan Pier Boulevard LLC\) and Vertex Pharmaceuticals Incorporated. \(Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014.\)](#)
- 10.22 [First Amendment to Lease, dated as of October 31, 2011, between SNH Fan Pier, Inc. \(as successor by assignment from Eleven Fan Pier Boulevard LLC\) and Vertex Pharmaceuticals Incorporated. \(Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014.\)](#)
- 10.23 [Second Amendment to Lease, dated as of April 11, 2012, between SNH Fan Pier, Inc. \(as successor by assignment from Eleven Fan Pier Boulevard LLC\) and Vertex Pharmaceuticals Incorporated. \(Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014.\)](#)
- 10.24 [Third Amendment to Lease, dated as of November 26, 2012, between SNH Fan Pier, Inc. \(as successor by assignment from Eleven Fan Pier Boulevard LLC\) and Vertex Pharmaceuticals Incorporated. \(Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014.\)](#)
- 10.25 [Fourth Amendment to Lease, dated as of March 28, 2014, between SNH Fan Pier, Inc. \(as successor by assignment from Eleven Fan Pier Boulevard LLC\) and Vertex Pharmaceuticals Incorporated. \(Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014.\)](#)

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21.1	<u>Subsidiaries of the Company. (Filed herewith.)</u>
23.1	<u>Consent of Ernst & Young LLP. (Filed herewith.)</u>
23.2	<u>Consent of Sullivan & Worcester LLP. (Contained in Exhibit 8.1.)</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>Representative form of Management Agreement, dated as of January 1, 2020. (Filed herewith.)</u>
99.2	<u>Registration Rights Agreement, dated as of August 4, 2009, between Five Star Senior Living Inc. and the Company. (Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2009.)</u>
99.3	<u>Sublease Agreement, dated as of August 31, 2012, between SNH Yonkers Tenant Inc., as Sublessor, and D&R Yonkers LLC, as Subtenant. (Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2012.)</u>
99.4	<u>Management Agreement, dated as of August 31, 2012, between FVE Managers, Inc., as Manager, and D&R Yonkers LLC, as Licensee. (Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2012.)</u>
99.5	<u>Representative form of Indemnification Agreement, dated as of August 31, 2012, relating to D&R Yonkers LLC. (Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2012.)</u>
99.6	<u>Letter dated March 24, 2017, between the Company and The RMR Group LLC, regarding Second Amended and Restated Business Management Agreement. (Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2017.)</u>
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema Document. (Filed herewith.)
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document. (Filed herewith.)
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document. (Filed herewith.)
101.LAB	XBRL Taxonomy Extension Label Linkbase Document. (Filed herewith.)
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document. (Filed herewith.)
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

(+) Management contract or compensatory plan or arrangement.

Item 16. Form 10-K Summary.

None.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Trustees and Shareholders of Diversified Healthcare Trust

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Diversified Healthcare Trust (the Company) (formerly known as Senior Housing Properties Trust) as of December 31, 2019 and 2018, the related consolidated statements of comprehensive income (loss), shareholders' equity and cash flows for each of the three years in the period ended December 31, 2019, and the related notes and financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated March 2, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the account or disclosure to which it relates.

Impairment of Real Estate Properties

Description of the Matter

The Company's net real estate properties totaled \$5.9 billion as of December 31, 2019. As discussed in Note 3 to the consolidated financial statements, the Company evaluates their properties for impairment quarterly, or whenever events or changes in circumstances indicate that carrying amounts may not be recoverable.

Auditing management's property impairment analysis was complex and involved a high degree of subjectivity due to the significant estimation required in determining the future undiscounted net cash flows expected to be generated from those assets with indicators of impairment. The future net undiscounted cash flows are sensitive to significant assumptions, such as hold periods, market rents, and terminal capitalization rates, which are forward-looking and could be affected by future economic and market conditions.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's process for assessing impairment of real estate properties. For example, we tested controls over management's review of the future net undiscounted cash flows calculations, including the significant assumptions and data inputs used to develop the undiscounted cash flows.

Our testing of the Company's impairment assessment included, among other procedures, evaluating the assumptions used to develop the estimated undiscounted cash flows used to assess the recoverability of real estate properties. Specifically, we evaluated the significant assumptions used to estimate the property cash flows, including market rents and terminal capitalization rates through comparison to current industry and economic trends and tested the completeness and accuracy of the underlying data supporting the significant assumptions. We compared the projected forecasted amounts to past performance of the properties and the Company's history related to similar properties and other forecasted financial information prepared by the Company. We also held discussions with management about the current status of potential transactions and about management's judgments to understand the probability of future events that could affect the hold period and other cash flow assumptions for the properties. We searched for and evaluated information that corroborated or contradicted the Company's assumptions.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 1998.

Boston, Massachusetts
March 2, 2020

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Trustees and Shareholders of Diversified Healthcare Trust

Opinion on Internal Control over Financial Reporting

We have audited Diversified Healthcare Trust's (formerly known as Senior Housing Properties Trust) internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), (the COSO criteria). In our opinion, Diversified Healthcare Trust (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2019 and 2018, the related consolidated statements of comprehensive income (loss), shareholders' equity and cash flows for each of the three years in the period ended December 31, 2019, and the related notes and financial statement schedule listed in the Index at Item 15(a) and our report dated March 2, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management Report on Assessment of Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Boston, Massachusetts
March 2, 2020

DIVERSIFIED HEALTHCARE TRUST
CONSOLIDATED BALANCE SHEETS
(amounts in thousands, except share data)

	December 31,	
	2019	2018
ASSETS		
Real estate properties:		
Land	\$ 793,123	\$ 844,567
Buildings and improvements	6,668,463	7,031,733
Total real estate properties, gross	7,461,586	7,876,300
Accumulated depreciation	(1,570,801)	(1,534,392)
Total real estate properties, net	5,890,785	6,341,908
Assets of properties held for sale	209,570	1,928
Cash and cash equivalents	37,357	54,976
Restricted cash	14,867	15,095
Investments in equity securities	1,571	142,027
Due from affiliates	1,990	18,701
Acquired real estate leases and other intangible assets, net	337,875	419,244
Other assets, net	159,811	166,547
Total assets	\$ 6,653,826	\$ 7,160,426
LIABILITIES AND SHAREHOLDERS' EQUITY		
Unsecured revolving credit facility	\$ 537,500	\$ 139,000
Unsecured term loans, net	448,741	548,286
Senior unsecured notes, net	1,820,681	2,216,945
Secured debt and capital leases, net	694,739	744,186
Liabilities of properties held for sale	6,758	—
Accrued interest	24,060	26,182
Due to affiliates	8,779	54,299
Assumed real estate lease obligations, net	76,705	86,304
Other liabilities	158,813	165,354
Total liabilities	3,776,776	3,980,556
Commitments and contingencies		
Equity:		
Equity attributable to common shareholders:		
Common shares of beneficial interest, \$.01 par value: 300,000,000 shares authorized, 237,897,163 and 237,729,900 shares issued and outstanding at December 31, 2019 and 2018, respectively	2,379	2,377
Additional paid in capital	4,612,511	4,611,419
Cumulative net income	2,052,562	2,140,796
Cumulative other comprehensive loss	—	(266)
Cumulative distributions	(3,930,933)	(3,731,214)
Total equity attributable to common shareholders	2,736,519	3,023,112
Noncontrolling interest:		
Total equity attributable to noncontrolling interest	140,531	156,758
Total equity	2,877,050	3,179,870
Total liabilities and equity	\$ 6,653,826	\$ 7,160,426

See accompanying notes.

DIVERSIFIED HEALTHCARE TRUST
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(amounts in thousands, except per share data)

	Year Ended December 31,		
	2019	2018	2017
Revenues:			
Rental income	\$ 606,558	\$ 700,641	\$ 681,022
Residents fees and services	433,597	416,523	393,707
Total revenues	1,040,155	1,117,164	1,074,729
Expenses:			
Property operating expenses	489,070	451,581	413,492
Depreciation and amortization	289,025	286,235	276,861
General and administrative	37,028	85,885	103,694
Acquisition and certain other transaction related costs	13,102	194	403
Impairment of assets	115,201	66,346	5,082
Total expenses	943,426	890,241	799,532
Gain on sale of properties	39,696	261,916	46,055
Dividend income	1,846	2,901	2,637
Gains and losses on equity securities, net	(41,898)	(20,724)	—
Interest and other income	941	667	406
Interest expense (including net amortization of debt premiums, discounts and issuance costs of \$6,032, \$6,221 and \$5,282, respectively)	(180,112)	(179,287)	(165,019)
Loss on early extinguishment of debt	(44)	(22)	(7,627)
(Loss) income from continuing operations before income tax expense and equity in earnings of an investee	(82,842)	292,374	151,649
Income tax expense	(436)	(476)	(454)
Equity in earnings of an investee	400	516	608
Net (loss) income	(82,878)	292,414	151,803
Net income attributable to noncontrolling interest	(5,356)	(5,542)	(4,193)
Net (loss) income attributable to common shareholders	<u>\$ (88,234)</u>	<u>\$ 286,872</u>	<u>\$ 147,610</u>
Other comprehensive income (loss):			
Unrealized gain on investments in equity securities, net	\$ —	\$ —	\$ 47,138
Amounts reclassified from cumulative other comprehensive income to net income	175	—	5,082
Equity in unrealized gain (loss) of an investee	91	(68)	462
Other comprehensive income (loss)	266	(68)	52,682
Comprehensive (loss) income	(82,612)	292,346	204,485
Comprehensive income attributable to noncontrolling interest	(5,356)	(5,542)	(4,193)
Comprehensive (loss) income attributable to common shareholders	<u>\$ (87,968)</u>	<u>\$ 286,804</u>	<u>\$ 200,292</u>
Weighted average common shares outstanding (basic)			
	237,604	237,511	237,420
Weighted average common shares outstanding (diluted)			
	237,604	237,546	237,452
Per common share amounts (basic and diluted)			
Net (loss) income attributable to common shareholders	<u>\$ (0.37)</u>	<u>\$ 1.21</u>	<u>\$ 0.62</u>

See accompanying notes.

DIVERSIFIED HEALTHCARE TRUST
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(amounts in thousands, except share data)

	Number of Shares	Common Shares	Additional Paid-in Capital	Cumulative Net Income	Cumulative Other Comprehensive Income (Loss)	Cumulative Distributions	Total Equity Attributable to Common Shareholders	Total Equity Attributable to Noncontrolling Interest	Total Equity
Balance at December 31, 2016:	237,544,479	\$ 2,375	\$4,533,456	\$1,618,885	\$ 34,549	\$ (2,989,860)	\$ 3,199,405	\$ —	\$3,199,405
Net income	—	—	—	147,610	—	—	147,610	4,193	151,803
Other comprehensive income	—	—	—	—	52,682	—	52,682	—	52,682
Distributions	—	—	—	—	—	(370,608)	(370,608)	—	(370,608)
Share grants	103,100	1	2,129	—	—	—	2,130	—	2,130
Share repurchases	(17,170)	—	(341)	—	—	—	(341)	—	(341)
Contributions from noncontrolling interest	—	—	74,072	—	—	—	74,072	181,859	255,931
Distributions to noncontrolling interest	—	—	—	—	—	—	—	(13,814)	(13,814)
Balance at December 31, 2017:	237,630,409	2,376	4,609,316	1,766,495	87,231	(3,360,468)	3,104,950	172,238	3,277,188
Cumulative adjustment upon adoption of ASU No. 2016-01	—	—	—	87,429	(87,429)	—	—	—	—
Balance at January 1, 2018:	237,630,409	2,376	4,609,316	1,853,924	(198)	(3,360,468)	3,104,950	172,238	3,277,188
Net income	—	—	—	286,872	—	—	286,872	5,542	292,414
Other comprehensive loss	—	—	—	—	(68)	—	(68)	—	(68)
Distributions	—	—	—	—	—	(370,746)	(370,746)	—	(370,746)
Share grants	123,800	1	2,514	—	—	—	2,515	—	2,515
Share repurchases	(24,309)	—	(411)	—	—	—	(411)	—	(411)
Distributions to noncontrolling interest	—	—	—	—	—	—	—	(21,022)	(21,022)
Balance at December 31, 2018:	237,729,900	2,377	4,611,419	2,140,796	(266)	(3,731,214)	3,023,112	156,758	3,179,870
Net (loss) income	—	—	—	(88,234)	—	—	(88,234)	5,356	(82,878)
Amounts reclassified from cumulative other comprehensive income to net income	—	—	—	—	175	—	175	—	175
Other comprehensive income	—	—	—	—	91	—	91	—	91
Distributions	—	—	—	—	—	(199,719)	(199,719)	—	(199,719)
Share grants	202,500	2	1,391	—	—	—	1,393	—	1,393
Share repurchases	(35,237)	—	(299)	—	—	—	(299)	—	(299)
Distributions to noncontrolling interest	—	—	—	—	—	—	—	(21,583)	(21,583)
Balance at December 31, 2019:	<u>237,897,163</u>	<u>\$ 2,379</u>	<u>\$4,612,511</u>	<u>\$2,052,562</u>	<u>\$ —</u>	<u>\$ (3,930,933)</u>	<u>\$ 2,736,519</u>	<u>\$ 140,531</u>	<u>\$2,877,050</u>

See accompanying notes.

DIVERSIFIED HEALTHCARE TRUST
CONSOLIDATED STATEMENTS OF CASH FLOWS
(amounts in thousands)

	Year Ended December 31,		
	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net (loss) income	\$ (82,878)	\$ 292,414	\$ 151,803
Adjustments to reconcile net (loss) income to cash provided by operating activities:			
Depreciation and amortization	289,025	286,235	276,861
Amortization of debt premiums, discounts and issuance costs	6,032	6,221	5,282
Straight line rental income	(4,508)	(10,227)	(13,958)
Amortization of acquired real estate leases and other intangible assets	(6,791)	(5,787)	(5,349)
Loss on early extinguishment of debt	44	22	7,627
Impairment of assets	115,201	66,346	5,082
Gain on sale of properties	(39,696)	(261,916)	(46,055)
Gains and losses on equity securities, net	41,898	20,724	—
Other non-cash adjustments	(3,771)	(3,772)	(3,772)
Equity in earnings of an investee	(400)	(516)	(608)
Distribution of earnings from Affiliates Insurance Company	2,574	—	—
Change in assets and liabilities:			
Other assets	1,794	(3,586)	(5,197)
Accrued interest	(2,105)	8,195	(484)
Other liabilities	(50,574)	(1,513)	48,072
Net cash provided by operating activities	265,845	392,840	419,304
CASH FLOWS FROM INVESTING ACTIVITIES:			
Real estate acquisitions and deposits	(50,636)	(129,494)	(159,290)
Real estate improvements	(222,417)	(103,804)	(117,213)
Proceeds from sale of properties, net	254,241	332,389	55,068
Proceeds from sale of RMR Inc. common shares, net	98,557	—	—
Distributions in excess of earnings from Affiliates Insurance Company	6,426	—	—
Net cash provided by (used in) investing activities	86,171	99,091	(221,435)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of senior unsecured notes, net	—	491,560	—
Proceeds from borrowings on revolving credit facility	994,500	727,000	764,000
Repayments of borrowings on revolving credit facility	(596,000)	(1,184,000)	(495,000)
Redemption of senior notes	(400,000)	—	—
Repayment of unsecured term loan	(100,000)	—	—
Repayment of other debt	(46,345)	(107,116)	(313,964)
Loss on early extinguishment of debt settled in cash	—	(150)	(5,485)
Payment of debt issuance costs	(417)	(4,296)	(6,845)
Repurchase of common shares	(299)	(411)	(341)
Proceeds from noncontrolling interest, net	—	—	255,931
Distributions to noncontrolling interest	(21,583)	(21,022)	(13,814)
Distributions to shareholders	(199,719)	(370,746)	(370,608)
Net cash used in financing activities	(369,863)	(469,181)	(186,126)
(Decrease) increase in cash and cash equivalents and restricted cash	(17,847)	22,750	11,743
Cash and cash equivalents and restricted cash at beginning of period	70,071	47,321	35,578
Cash and cash equivalents and restricted cash at end of period	\$ 52,224	\$ 70,071	\$ 47,321

See accompanying notes.

DIVERSIFIED HEALTHCARE TRUST
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
(amounts in thousands)

	Year Ended December 31,		
	2019	2018	2017
SUPPLEMENTAL CASH FLOWS INFORMATION:			
Interest paid	\$ 177,308	\$ 164,996	\$ 160,221
Income taxes paid	\$ 452	\$ 474	\$ 441
NON-CASH INVESTING ACTIVITIES:			
Acquisitions funded by assumed debt	\$ —	\$ (44,386)	\$ —
Capitalized interest	\$ 1,124	\$ 124	\$ —
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 consolidated balance sheets to the amount shown in the consolidated statements of cash flows:

	Year Ended December 31,		
	2019	2018	2017
Cash and cash equivalents	\$ 37,357	\$ 54,976	\$ 31,238
Restricted cash ⁽¹⁾	14,867	15,095	16,083
Total cash and cash equivalents and restricted cash shown in the consolidated statements of cash flows	<u>\$ 52,224</u>	<u>\$ 70,071</u>	<u>\$ 47,321</u>

(1) Restricted cash consists of amounts escrowed for real estate taxes, insurance and capital expenditures at certain of our mortgaged properties and cash held for the operations of one of our life science properties that is owned in a joint venture arrangement in which we own a 55% equity interest.

See accompanying notes.

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

Note 1. Organization

Diversified Healthcare Trust (formerly known as Senior Housing Properties Trust) is a real estate investment trust, or REIT, organized under Maryland law, which owns medical office and life science properties, senior living communities and other healthcare related properties throughout the United States. As of December 31, 2019, we owned 424 properties located in 39 states and Washington, D.C. On that date the gross book value of our real estate assets at cost plus certain acquisition costs, before depreciation and purchase price allocations and less impairment write downs, was \$8,420,623.

Note 2. Summary of Significant Accounting Policies

BASIS OF PRESENTATION. Our consolidated financial statements include the accounts of Diversified Healthcare Trust, we, us or our, and our subsidiaries, all of which, except for the joint venture discussed below, are 100% owned directly or indirectly by us. All intercompany transactions and balances with or among our consolidated subsidiaries have been eliminated. Accounting principles generally accepted in the United States, or GAAP, require us to make estimates and assumptions that may affect the amounts reported in these financial statements and related notes. The actual results could differ from these estimates. We have made reclassifications to the prior years' financial statements to conform to the current year's presentation. These reclassifications had no effect on net income (loss) or equity.

In March 2017, we entered a joint venture with a sovereign investor for one of our life science properties located in Boston, Massachusetts. We have determined that this joint venture is a variable interest entity, or VIE, as defined under the Consolidation Topic of the Financial Accounting Standards Board, or FASB, Accounting Standards Codification, or the Codification. We concluded that we must consolidate this VIE because we are the entity with the power to direct the activities that most significantly impact the VIE's economic performance and we have the obligation to absorb losses of, and the right to receive benefits from, the VIE that could be significant to the VIE, and therefore are the primary beneficiary of the VIE. The assets of this VIE were \$1,015,661 and \$1,061,593 as of December 31, 2019 and 2018, respectively, and consist primarily of the net real estate owned by the joint venture. The liabilities of this VIE were \$704,344 and \$714,226 as of December 31, 2019 and 2018, respectively, and consist primarily of the secured debts on the property. The sovereign investor's interest in this consolidated entity is reflected as noncontrolling interest in our consolidated financial statements. See Note 10 for further information about this joint venture.

REAL ESTATE PROPERTIES. We record properties at our cost and calculate depreciation on real estate investments on a straight line basis over estimated useful lives generally up to 40 years.

We allocate the purchase prices of our properties to land, building and improvements based on determinations of the fair values of these assets assuming the properties are vacant. We determine the fair value of each property using methods similar to those used by independent appraisers, which may involve estimated cash flows that are based on a number of factors, including capitalization rates and discount rates, among others. In some circumstances, we engage independent real estate appraisal firms to provide market information and evaluations which are relevant to our purchase price allocations and determinations of depreciable useful lives; however, we are ultimately responsible for the purchase price allocations and determinations of useful lives. We allocate a portion of the purchase price to above market and below market leases based on the present value (using an interest rate which reflects the risks associated with acquired in place leases at the time each property was acquired by us) of the difference, if any, between (i) the contractual amounts to be paid pursuant to the acquired in place leases and (ii) our estimates of fair market lease rates for the corresponding leases, measured over a period equal to the terms of the respective leases. The terms of below market leases that include bargain renewal options, if any, are further adjusted if we determine that renewal is probable. We allocate a portion of the purchase price to acquired in place leases and tenant relationships based upon market estimates to lease up the property based on the leases in place at the time of purchase. In making these allocations, we consider factors such as estimated carrying costs during the expected lease up periods, including real estate taxes, insurance and other operating income and expenses and costs, such as leasing commissions, legal and other related expenses, to execute similar leases in current market conditions at the time a property was acquired by us. We allocate this aggregate value between acquired in place lease values and tenant relationships based on our evaluation of the specific characteristics of each tenant's lease. However, we have not separated the value of tenant relationships from the value of acquired in place leases because such value and related amortization expense is immaterial to our consolidated financial statements. If the value of tenant relationships becomes material in the future, we may separately allocate those amounts and amortize the allocated amount over the estimated life of the relationships.

We amortize capitalized above market lease values (included in acquired real estate leases in our consolidated balance sheets) as a reduction to rental income over the remaining non-cancelable terms of the respective leases. We amortize capitalized below market lease values (presented as assumed real estate lease obligations in our consolidated balance sheets) as an increase

to rental income over the non-cancelable periods of the respective leases. For the years ended December 31, 2019, 2018 and 2017, such amortization resulted in a net increase in rental income of \$6,791, \$5,787 and \$5,349, respectively. We amortize the value of in place leases exclusive of the value of above market and below market in place leases to expense over the remaining non-cancelable periods of the respective leases. During the years ended December 31, 2019, 2018 and 2017, such amortization included in depreciation totaled \$64,203, \$72,925 and \$72,035, respectively. If a lease is terminated prior to its stated expiration, the unamortized amount relating to that lease is written off.

As of December 31, 2019 and 2018, our acquired real estate leases and assumed real estate lease obligations, excluding properties held for sale, were as follows:

	December 31,	
	2019	2018
Acquired real estate leases:		
Capitalized above market lease values	\$ 34,587	\$ 35,056
Less: accumulated amortization	(30,039)	(27,375)
Capitalized above market lease values, net	4,548	7,681
Lease origination value	642,158	656,163
Less: accumulated amortization	(308,831)	(244,600)
Lease origination value, net	333,327	411,563
Acquired real estate leases, net	\$ 337,875	\$ 419,244
Assumed real estate lease obligations:		
Capitalized below market lease values	\$ 134,225	\$ 134,395
Less: accumulated amortization	(57,520)	(48,091)
Assumed real estate lease obligations, net	\$ 76,705	\$ 86,304

As of December 31, 2019, the weighted average amortization periods for capitalized above market lease values, lease origination value and capitalized below market lease values were 4.1 years, 8.2 years and 8.9 years, respectively. Future amortization of net intangible acquired real estate lease assets and liabilities to be recognized over the current terms of the associated leases as of December 31, 2019 are estimated to be \$41,458 in 2020, \$37,152 in 2021, \$33,307 in 2022, \$32,226 in 2023, \$27,168 in 2024 and \$89,859 thereafter.

CASH AND CASH EQUIVALENTS. We consider highly liquid investments with original maturities of three months or less at the date of purchase to be cash equivalents.

RESTRICTED CASH. Restricted cash consists of amounts escrowed for real estate taxes, insurance and capital expenditures at certain of our mortgaged properties and cash held for the operations of one of our life science properties that is owned in a joint venture arrangement in which we own a 55% equity interest.

INVESTMENTS IN EQUITY SECURITIES. We previously owned 2,637,408 shares of class A common stock of The RMR Group Inc., or RMR Inc., that we sold on July 1, 2019. Prior to July 1, 2019, our equity securities were recorded at fair value based on their quoted market price at the end of each reporting period. We classify the common shares we own of Five Star Senior Living Inc., or Five Star, as equity securities and carry them at fair value in investments of equity securities in our consolidated balance sheets. Effective January 1, 2018, changes in the fair value of our equity securities were recorded through earnings in accordance with FASB Accounting Standards Update, or ASU, No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*. Prior to the adoption of ASU No. 2016-01, unrealized gains and losses were recorded as a component of cumulative other comprehensive income (loss) in shareholder's equity.

At December 31, 2018 and 2019, we owned 423,500 Five Star common shares, after giving effect to the one-for-ten reverse stock split effected by Five Star with respect to its common shares on September 30, 2019. Our adjusted cost basis for our Five Star common shares is \$6,353. At December 31, 2019 and 2018, our investment in Five Star had a fair value of \$1,571 and \$2,033, respectively, including unrealized losses of \$462 and \$4,320, respectively. In performing our periodic evaluation of other than temporary impairment of our investment in Five Star for the year ended December 31, 2016, we determined, based on the length of time and the extent to which the market value of our Five Star investment was below our carrying value, that the decline in fair value was deemed to be other than temporary at December 31, 2016. Other than temporary impairment review of equity

securities is no longer applicable subsequent to the adoption of ASU No. 2016-01. Accordingly, we recorded a \$2,795 loss on impairment to reduce the carrying value of our Five Star investment to its estimated fair value during the fourth quarter of 2016. We estimated fair value using the closing price of Five Star common shares as of December 31, 2016 (\$2.70 per share). We recorded an additional loss on impairment of \$5,082 to reduce the carrying value of our Five Star investment to its estimated fair value during the second quarter of 2017.

See Notes 5 and 7 for further information regarding our investment in Five Star and former investment in RMR Inc.

EQUITY METHOD INVESTMENTS. We account for our investment in Affiliates Insurance Company, or AIC, until AIC was dissolved as described in Note 7, using the equity method of accounting. Significant influence is present through common representation on our Board of Trustees and the board of directors of AIC until February 13, 2020. The Chair of our Board of Trustees and one of our Managing Trustees, Adam D. Portnoy, as the sole trustee of ABP Trust, is the controlling shareholder of RMR Inc. He is also a managing director and an executive officer of RMR Inc. Substantially all of the business of RMR Inc. is conducted by its majority owned subsidiary, The RMR Group LLC, or RMR LLC, which is our manager and provided management and administrative services to AIC. Most of our Trustees were directors of AIC. See Note 7 for more information about our investment in AIC.

We periodically evaluate our equity method investments for possible indicators of other than temporary impairment whenever events or changes in circumstances indicate the carrying amount of the investment might not be recoverable. These indicators may include the length of time and the extent to which the market value of our investment is below our carrying value, the financial condition of our investees, our intent and ability to be a long term holder of the investment and other considerations. If the decline in fair value is judged to be other than temporary, we record an impairment charge to adjust the basis of the investment to its estimated fair value.

DEBT ISSUANCE COSTS. Debt issuance costs include issuance or assumption costs related to borrowings and we amortize those costs as interest expense over the terms of the respective loans. Debt issuance costs for our unsecured revolving credit facility totaled \$17,170 at December 31, 2019 and 2018, and accumulated amortization of debt issuance costs totaled \$13,944 and \$12,364 at December 31, 2019 and 2018, respectively, and are included in other assets in our consolidated balance sheets. Debt issuance costs for our unsecured term loans, senior notes, and mortgage notes payable totaled \$41,452 and \$44,117 at December 31, 2019 and 2018, respectively, and accumulated amortization of debt issuance costs totaled \$16,887 and \$16,665, respectively, and are presented in our balance sheet as a direct deduction from the associated debt liability. Future amortization of debt issuance costs to be recognized with respect to our loans as of December 31, 2019 are estimated to be \$4,271 in 2020, \$3,791 in 2021, \$1,949 in 2022, \$1,632 in 2023, \$1,499 in 2024 and \$14,649 thereafter.

DEFERRED LEASING COSTS. Deferred leasing costs include capitalized brokerage and other fees associated with the successful negotiation of leases, which are amortized to depreciation and amortization expense on a straight line basis over the terms of the respective leases. Deferred leasing costs are included in other assets in our consolidated balance sheets. Deferred leasing costs totaled \$42,014 and \$35,145 at December 31, 2019 and 2018, respectively, and accumulated amortization of deferred leasing costs totaled \$14,922 and \$11,422 at December 31, 2019 and 2018, respectively. At December 31, 2019, the remaining weighted average amortization period is approximately 13.0 years. Future amortization of deferred leasing costs to be recognized during the current terms of our existing leases as of December 31, 2019, are estimated to be \$5,013 in 2020, \$4,292 in 2021, \$3,469 in 2022, \$2,944 in 2023, \$2,473 in 2024 and \$8,901 thereafter.

REVENUE RECOGNITION. We are a lessor of medical office and life science properties, senior living communities and other healthcare related properties. Our leases provide our tenants with the contractual right to use and economically benefit from all of the premises demised under the leases; therefore, we have determined to evaluate our leases as lease arrangements.

In February 2016, FASB issued Accounting Standards Update, or ASU, No. 2016-02, *Leases*. In July 2018, the FASB issued ASU No. 2018-10, *Codification Improvements to Topic 842, Leases* and ASU No. 2018-11, *Leases (Topic 842): Targeted Improvements*. In December 2018, the FASB issued ASU No. 2018-20 *Leases (Topic 842), Narrow-Scope Improvements for Lessors*. Collectively, these standards set 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. ASU No. 2016-02 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. These standards were effective as of January 1, 2019. Upon adoption, we applied the package of practical expedients that has allowed us to not reassess (i) whether any expired or existing contracts are or contain leases, (ii) lease classification for any expired or existing leases and (iii) initial direct costs for any expired or existing leases. Furthermore,

we applied the optional transition method in ASU No. 2018-11, which has allowed us to initially apply the new leases standard at the adoption date and recognize a cumulative effect adjustment to the opening balance of retained earnings in the adoption period, although we did not have an adjustment. Additionally, our leases met the criteria in ASU No. 2018-11 to not separate non-lease components from the related lease component; therefore, the accounting for these leases remained largely unchanged from the previous standard. The adoption of ASU No. 2016-02 and the related improvements did not have a material impact in our consolidated financial statements. Upon adoption, (i) allowances for bad debts are now recognized as a direct reduction of rental income, and (ii) legal costs associated with the execution of our leases, which were previously capitalized and amortized over the life of their respective leases, are expensed as incurred. Subsequent to January 1, 2019, provisions for credit losses are now included in rental income in our consolidated financial statements for our leased properties. Provisions for credit losses prior to January 1, 2019 were previously included in property operating expenses in our consolidated financial statements for our leased properties and prior periods were not reclassified to conform to the current presentation. We completed our assessment of predominance as it relates to our contracts with residents for housing services at properties leased to our taxable REIT subsidiaries, or TRSs, and have recognized revenue from these properties under Codification Topic 606, *Revenue from Contract with Customers*, which did not have any impact to the timing or amount of our revenue recognized. For leases in which we are the lessee, we recognized a right of use asset and a lease liability equal to the present value of the minimum lease payments with rental payments being applied to the lease liability and the right of use asset being amortized over the term of the lease. The adoption of this standard resulted in an increase in total assets and liabilities of \$4,507. The right of use asset and related lease liability are included within other assets, net and other liabilities, respectively, within our consolidated balance sheets. In addition, we lease equipment at certain of our managed senior living communities. These leases are short term in nature, are cancelable with no fee or do not result in an annual expense in excess of our capitalization policy and, as a result, will not be recorded on our consolidated balance sheets.

Certain of our leases provide for base rent payments and in addition may include variable payments. Rental income from operating leases, including any payments derived by index or market based indices, is recognized on a straight line basis over the lease term when we have determined that the collectability of substantially all of the lease payments is probable. Some of our leases have options to extend or terminate the lease exercisable at the option of our tenants, which are considered when determining the lease term. We do not include in our measurement of our lease receivables certain variable payments, including changes in the index or market based indices after the inception of the lease, certain tenant reimbursements and other income until the specific events that trigger the variable payments have occurred. Such payments totaled \$78,668 for the year ended December 31, 2019.

Certain of our leases contain non-lease components, such as property level operating expenses and capital expenditures reimbursed by our tenants as well as other required lease payments. We have determined that all of our leases qualify for the practical expedient to not separate the lease and non-lease components because (i) the lease components are operating leases and (ii) the timing and pattern of recognition of the non-lease components are the same as those of the lease components. We apply Codification Topic 842, *Leases*, to the combined component. Income derived by our leases is recorded in rental income in our consolidated statements of comprehensive income (loss).

Certain tenants are obligated to pay directly their obligations under their leases for insurance, real estate taxes and certain other expenses. These obligations, which have been assumed by the tenants under the terms of their respective leases, are not reflected in our consolidated financial statements. To the extent any tenant responsible for any such obligations under the applicable lease defaults on such lease or if it is deemed probable that the tenant will fail to pay for such obligations, we would record a liability for such obligations.

The following table presents our operating lease maturity analysis, excluding lease payments from properties classified as held for sale, as of December 31, 2019:

Year	Amount
2020	\$ 318,279
2021	302,064
2022	282,652
2023	260,308
2024	234,220
Thereafter	838,608
Total	<u>\$ 2,236,131</u>

For the years ended December 31, 2019, 2018 and 2017, we recognized the rental income from our operating leases on a straight line basis over the term of each lease agreement. We recognized percentage rents when realizable and earned, which

was generally during the fourth quarter of the year. For the years ended December 31, 2019, 2018 and 2017, percentage rents earned aggregated \$2,958, \$8,443 and \$10,168, respectively.

As of December 31, 2019, we owned 78 senior living communities that are managed by Five Star for our account. We derive our revenues at these managed senior living communities primarily from services Five Star provides to residents on our behalf and we record revenues when the services are provided. We use the TRS structure authorized by the REIT Investment Diversification and Empowerment Act for most of our managed senior living communities.

PER COMMON SHARE AMOUNTS. We calculate basic earnings per common share by dividing net income (loss) by the weighted average number of our common shares of beneficial interest, \$.01 par value, or our common shares, outstanding during the period. We calculate diluted earnings per common share using the more dilutive of the two class method or the treasury stock method. Unvested share awards and other potentially dilutive common shares and the related impact on earnings, are considered when calculating diluted earnings per share.

INCOME TAXES. We have elected to be taxed as a REIT under the United States Internal Revenue Code of 1986, as amended, or the IRC, 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 substantially all of the senior living communities managed for our account to our TRSs, that, unlike most of our subsidiaries, file separate tax returns 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 incurred by us, despite our REIT status.

The Income Taxes Topic of the Codification prescribes how we should recognize, measure and present in our financial statements uncertain tax positions that have been taken or are expected to be taken in a tax return. Tax benefits are recognized to the extent that it is “more likely than not” that a particular tax position will be sustained upon examination or audit. To the extent the “more likely than not” standard has been satisfied, the benefit associated with a tax position is measured as the largest amount that has a greater than 50% likelihood of being realized upon settlement. We classify interest and penalties related to uncertain tax positions, if any, in our financial statements as a component of general and administrative expense.

SEGMENT REPORTING. As of December 31, 2019, we had two reporting segments: our portfolio of medical office and life science properties, or our Office Portfolio, and our senior housing operating portfolio, or SHOP. We aggregate these two reporting segments based on their similar operating and economic characteristics. See Note 11 for further information regarding our reportable operating segments.

NEW ACCOUNTING PRONOUNCEMENTS. 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 adopted this standard on January 1, 2020 using the modified retrospective approach. The implementation of this standard did not have a material impact on our consolidated financial statements.

Note 3. Real Estate Properties

Our real estate properties, excluding those classified as held for sale, consisted of land of \$793,123 and buildings and improvements of \$6,668,463 as of December 31, 2019, and land of \$844,567 and buildings and improvements of \$7,031,733 as of December 31, 2018. Accumulated depreciation was \$1,428,850 and \$141,951 for buildings and improvements, respectively, as of December 31, 2019; and \$1,408,793 and \$125,599 for buildings and improvements, respectively, as of December 31, 2018.

Our portfolio as of December 31, 2019 includes: 138 medical office and life science properties with approximately 11.9 million rentable square feet; 276 senior living communities, including independent living (including active adult), assisted living, memory care and skilled nursing facilities, or SNFs, with 31,618 living units; and 10 wellness centers with approximately 812,000 square feet of interior space plus outdoor developed facilities.

We have accounted for our 2019, 2018 and 2017 acquisitions as acquisitions of assets following our adoption of ASU No. 2017-01, *Clarifying the Definition of a Business* on January 1, 2017. We funded these acquisitions using cash on hand and borrowings under our \$1,000,000 unsecured revolving credit facility, unless otherwise noted.

Acquisitions:

The table below represents the purchase price allocations (including net closing adjustments) of acquisitions for the years ended December 31, 2019, 2018 and 2017:

Date	Location	Type of Property	Number of Properties	Square Feet or Number of Units		Cash Paid plus Assumed Debt (1)	Land	Buildings and Improvements	FF&E	Acquired Real Estate Leases / Resident Agreements	Acquired Real Estate Lease Obligations	Assumed Debt	Premium on Assumed Debt
<u>Acquisitions during the year ended December 31, 2019:</u>													
December 2019	Texas	IL	1	169 units		\$ 50,506	\$ 3,463	\$ 44,189	\$ 652	\$ 2,202	\$ —	\$ —	\$ —
<u>Acquisitions during the year ended December 31, 2018:</u>													
January 2018	3 States	Medical Office / Life Science	3	400,000 sq. ft.		\$ 91,698	\$ 16,873	\$ 54,605	\$ —	\$ 20,220	\$ —	\$ —	\$ —
January 2018 (2)	Tennessee	AL	1	88 units		19,868	580	14,884	1,209	3,195	—	—	—
February 2018 (2)	Arizona	IL	1	127 units		22,622	2,017	17,123	390	4,451	—	(16,748)	(1,359)
March 2018	Virginia	Medical Office	1	135,000 sq. ft.		23,275	2,863	11,105	—	9,307	—	(11,050)	—
June 2018 (2)	Tennessee	IL	2	151 units		23,860	965	17,910	1,628	3,843	—	(16,588)	(486)
			8			\$ 181,323	\$ 23,298	\$ 115,627	\$ 3,227	\$ 41,016	\$ —	\$ (44,386)	\$ (1,845)
<u>Acquisitions during the year ended December 31, 2017:</u>													
January 2017	Kansas	Medical Office	1	117,000 sq. ft.		\$ 15,106	\$ 1,522	\$ 7,246	\$ —	\$ 6,338	\$ —	\$ —	\$ —
July 2017	Maryland	Life Science	1	59,000 sq. ft.		16,601	6,138	6,526	—	3,937	—	—	—
October 2017	2 States	Medical Office / Life Science	2	255,000 sq. ft.		38,794	6,738	25,040	—	7,016	—	—	—
November 2017	California	Life Science	1	63,000 sq. ft.		26,823	7,957	13,430	—	5,436	—	—	—
December 2017	Virginia	Medical Office	1	136,000 sq. ft.		15,844	3,263	7,615	—	4,986	(20)	—	—
December 2017 (2)	2 States	IL / AL	2	229 units		39,457	4,055	26,424	1,204	7,774	—	—	—
			8			\$ 152,625	\$ 29,673	\$ 86,281	\$ 1,204	\$ 35,487	\$ (20)	\$ —	\$ —

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

(2) Acquired from Five Star.

In August 2017, we acquired a land parcel from Five Star adjacent to a senior living community located in Delaware that we previously leased to Five Star.

In January 2020, we acquired a land parcel adjacent to a life science property we own located in Arizona for \$2,600, excluding closing costs.

Pursuant to a transaction agreement we entered into with Five Star in April 2019, or the Transaction Agreement, to restructure our business arrangements with Five Star, or the Restructuring Transaction, effective January 1, 2020, the senior living communities which we own that were operated by Five Star pursuant to lease agreements are now operated by Five Star pursuant to new management agreements and a related omnibus agreement, or collectively, the New Management Agreements. See Notes 5 and 7 for further information regarding the Restructuring Transaction and the Transaction Agreement.

Impairment:

We regularly evaluate our assets for indications of impairment. 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 assets by comparing it to the expected future undiscounted net cash flows to be generated from those assets. The future net undiscounted cash flows are subjective and are based in part on assumptions regarding hold periods, market rents and terminal capitalization rates. 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. See Note 9 for further information on impairment.

During 2019, we recorded impairment charges of \$72,166 to adjust the carrying values of 25 senior living communities to their aggregate estimated fair value. These 25 senior living communities included 15 SNFs which we sold in September 2019. Two of these senior living communities are classified as held for sale in our consolidated balance sheet as of December 31, 2019. During 2019, we also recorded impairment charges of \$43,035 to adjust the carrying value of 20 medical office properties and one life science property to their estimated fair value. We sold five of these medical office properties, along with the life science property, in 2019. The remaining 15 medical office properties are classified as held for sale in our consolidated balance sheet as of December 31, 2019. These impairment charges, in aggregate, are included in impairment of assets in our consolidated statements of comprehensive income (loss).

During 2018, we recorded impairment charges of \$46,797 to adjust the carrying values of 13 medical office properties to their aggregate estimated fair value. Two of these medical office properties were classified as held for sale as of December 31, 2018. We sold all 13 of these medical office properties during 2019. During 2018, we also recorded impairment charges of \$19,549 to write off unamortized lease assets related to lease defaults at three of our triple net leased senior living communities located in California, Colorado and Oregon that were leased to third party private operators. As a result of these leases being terminated, or during the termination process, we concluded that there was no value to the unamortized lease assets and wrote them off completely during 2018. In June 2018, we reached an agreement with the tenant leasing the senior living community located in California and its guarantor to settle past due amounts, terminate the lease and transfer operations, and in connection with this agreement, we received \$2,150 of settlement proceeds. In November 2018, we reached an agreement with the tenant leasing the senior living community in Colorado to terminate the lease and transfer operations. In April 2019, we reached an agreement with the tenant leasing the senior living community in Oregon to terminate the lease and transfer operations. We entered management agreements with Five Star to operate these communities for our account under TRS structures. These impairment charges, in aggregate, are included in impairment of assets in our consolidated statements of comprehensive income (loss).

No impairment charges were recorded on real estate properties during 2017.

Dispositions:

During the years ended December 31, 2019, 2018 and 2017, we sold 46, five, and one properties, respectively, for aggregate sales prices of \$260,783, \$334,865, and \$55,000, respectively, excluding closing costs, as presented in the table below. The sales of these properties do not represent significant dispositions individually or in the aggregate, nor do we believe they represent a strategic shift in our business. As a result, the results of the operation for these properties are included in continuing operations through the date of sale of such properties in our consolidated statements of comprehensive income (loss).

Date of Sale	Location	Type of Property	Number of Properties	Square Feet or Number of Units		Sales Price ⁽¹⁾	Gain (loss) on Sale
<u>Dispositions during the year ended December 31, 2019:</u>							
February 2019	Florida	Life Science	1	60,396 sq. ft.	\$	2,900	\$ (69)
March 2019	Massachusetts	Medical Office	1	4,400 sq. ft.		75	(58)
May 2019 ⁽²⁾	California	SNF	3	278 units		21,500	15,207
May 2019	Colorado	Medical Office	1	15,647 sq. ft.		2,590	1,029
June 2019	Massachusetts	Medical Office	7	164,121 sq. ft.		8,042	1,590
July 2019	Massachusetts	Medical Office	3	103,484 sq. ft.		4,955	2,332
August 2019	Massachusetts	Medical Office	1	49,357 sq. ft.		2,221	812
September 2019 ⁽²⁾	Various	SNF	15	964 units		8,000	—
September 2019	Massachusetts	Medical Office	1	41,065 sq. ft.		2,750	1,044
October 2019	South Dakota	SNF / IL	3	245 units		10,500	6,661
October 2019	New Jersey	Life Science	1	205,439 sq. ft.		47,500	—
December 2019	Georgia	Medical Office	1	95,010 sq. ft.		14,000	(63)
December 2019	Washington	IL	1	150 units		32,500	7,618
December 2019	Various	AL	7	566 units		103,250	3,593
			46		\$	260,783	\$ 39,696
<u>Dispositions during the year ended December 31, 2018:</u>							
March 2018 ⁽³⁾	Various	IL	2	843 units	\$	217,000	\$ 181,154
May 2018 ⁽³⁾	Maryland	IL	1	354 units		96,000	78,856
June 2018 ⁽²⁾	California	SNF	1	98 units		6,500	3,699
June 2018 ⁽⁴⁾	Oregon	AL	1	99 units		15,365	(1,793)
			5		\$	334,865	\$ 261,916
<u>Dispositions during the year ended December 31, 2017:</u>							
December 2017 ⁽³⁾	Virginia	IL	1	422 units	\$	55,000	\$ 45,901

(1) Sales price excludes closing costs.

(2) These senior living communities were previously leased to Five Star.

(3) These senior living communities were leased to Sunrise Senior Living LLC.

(4) This senior living community was leased to a private operator, where the tenant exercised its purchase option.

In December 2017, we recognized a gain on sale of \$154 from an eminent domain taking of land at one of our wellness centers in Romeoville, Illinois.

We classify all properties as held for sale in our consolidated balance sheets that meet the applicable criteria for that treatment as set forth in the Property, Plant and Equipment Topic of the Codification. As of December 31, 2019, we had 21 medical office and life science properties with 875,617 square feet and 12 senior living communities with 1,670 units classified as held for sale. As of December 31, 2018, we had two medical office properties with 32,604 square feet classified as held for sale. As of December 31, 2017, we had four triple net leased senior living communities with 1,295 units classified as held for sale.

As of February 28, 2020, we had 52 properties under agreements to sell or in first or second round offer stages for an aggregate sales price of approximately \$539,679, excluding closing costs. We may not complete the sales of any or all of the properties we currently plan to sell. Also, we may sell some or all of these properties at amounts that are less than currently expected and/or less than the carrying values of such properties and we may incur losses on any such sales as a result.

In January 2020, we sold six medical office buildings located in Louisiana for a sales price of approximately \$5,925, excluding closing costs. In February 2020, we sold one medical office building located in Pennsylvania for a sales price of approximately \$2,900, excluding closing costs.

Investments and Capital Expenditures:

During 2019 and 2018, pursuant to the terms of our existing leases, we invested \$1,739 and \$5,420, respectively, in revenue producing capital improvements at certain of our senior living communities leased to private operators. As a result of these investments, annualized rental income payable to us increased by approximately \$90 and \$383, respectively, pursuant to the

terms of the applicable leases. Under our previously existing leases with Five Star, Five Star could request that we purchase certain improvements to the leased communities and, until we entered into the Transaction Agreement, the annual rent payable to us by Five Star would increase in accordance with a formula specified in the applicable lease in return for such purchases. During the year ended December 31, 2018, we purchased \$17,956 of such improvements and Five Star's annual rent payable to us increased by \$1,433 in accordance with the terms of the applicable leases. Pursuant to the Transaction Agreement, the \$111,603 of improvements to communities leased to Five Star, including \$49,155 of fixed assets and improvements that were purchased pursuant to the Transaction Agreement, that we funded during the year ended December 31, 2019 did not result in increased rent payable by Five Star. See Note 5 for further information regarding the Restructuring Transaction and the Transaction Agreement.

During 2019, we committed \$30,135 for capital expenditures related to 1.5 million square feet of leases executed at our medical office and life science properties. During 2018, we committed \$17,212 for capital expenditures related to 881,502 square feet of leases executed at our medical office and life science properties.

Committed and unspent tenant related obligations based on executed leases as of December 31, 2019 and 2018 were \$23,994 and \$22,009, respectively.

For the years ended December 31, 2019 and 2018, we recorded capitalized interest of \$1,124 and \$124, respectively.

In July 2019, a tenant in our Office Portfolio segment vacated three buildings with an aggregate of 164,091 square feet in California. After evaluating our options, we determined to, and have begun, a full redevelopment of these buildings. The redevelopment of these buildings may take significant capital expenditures and time.

Note 4. Shareholders' Equity

We have common shares available for issuance under the terms of our equity compensation plan adopted in 2012, or the 2012 Plan. During the years ended December 31, 2019, 2018 and 2017, we granted to our officers and other employees of RMR LLC annual share awards of 187,500, 105,800 and 88,100 of our common shares, respectively, valued at \$1,633, \$2,022 and \$1,743, in aggregate, respectively. In accordance with our Trustee compensation arrangements, we also granted each of our Trustees 3,000 common shares with an aggregate value of \$119 (\$24 per Trustee), 3,000 common shares with an aggregate value of \$248 (\$50 per Trustee) and 3,000 common shares with an aggregate value of \$319 (\$64 per Trustee) in 2019, 2018 and 2017, respectively. In addition, in accordance with our trustee compensation arrangements, we granted 3,000 common shares with a value of \$47 in connection with the election of one of our Managing Trustees in March 2018. The values of the share awards were based upon the closing price of our common shares trading on The Nasdaq Stock Market LLC, or Nasdaq, on the dates of grant. The common shares granted to our Trustees vested immediately. The common shares granted to our officers and certain other employees of RMR LLC vest in five equal annual installments beginning on the date of grant. We include the value of granted shares in general and administrative expenses in our consolidated statements of comprehensive income (loss) ratably over the vesting period. At December 31, 2019, 2,214,932 of our common shares remain available for issuance under the 2012 Plan.

A summary of shares granted, forfeited, vested and unvested under the terms of the 2012 Plan from January 1, 2017 to December 31, 2019 is as follows:

	Number of Shares	Weighted Average Grant Date Fair Value
Unvested shares at December 31, 2016	153,410	\$ 19.92
Shares granted in 2017	103,100	\$ 19.99
Shares vested / forfeited in 2017	(108,500)	\$ 20.05
Unvested shares at December 31, 2017	148,010	\$ 19.71
Shares granted in 2018	123,800	\$ 18.72
Shares vested / forfeited in 2018	(109,820)	\$ 18.31
Unvested shares at December 31, 2018	161,990	\$ 19.41
Shares granted in 2019	202,500	\$ 8.65
Shares vested / forfeited in 2019	(137,150)	\$ 8.94
Unvested shares at December 31, 2019	227,340	\$ 12.52

The 227,340 unvested shares as of December 31, 2019 are scheduled to vest as follows: 73,080 shares in 2020, 63,840 shares in 2021, 53,520 shares in 2022 and 36,900 shares in 2023. As of December 31, 2019, the estimated future compensation for the unvested shares was \$2,423 based on the adjusted grant date fair value of these shares. At December 31, 2019, the weighted

average period over which the compensation expense will be recorded is approximately 2.0 years. We recorded share based compensation expense of \$1,388 in 2019, \$2,224 in 2018 and \$2,155 in 2017.

During 2019, 2018 and 2017, we purchased an aggregate of 31,747, 22,999 and 17,170, respectively, of our common shares from certain employees of RMR LLC in satisfaction of tax withholding and payment obligations in connection with the vesting of awards of our common shares. See Note 7 for further information regarding these purchases.

Year	Annual Per		Characterization of Distribution		
	Share	Total	Ordinary	Capital	Return of
	Distribution	Distribution	Income	Gain	Capital
2019	\$ 0.84	\$ 199,719	—%	25.7%	74.3%
2018	\$ 1.56	\$ 370,746	38.1%	61.9%	—%
2017	\$ 1.56	\$ 370,608	89.2%	10.8%	—%

On January 16, 2020, we declared a regular quarterly distribution payable to our common shareholders of record on January 27, 2020 in the amount of \$0.15 per share, or approximately \$35,684. We paid this distribution on February 20, 2020, using cash on hand and borrowings under our revolving credit facility.

Note 5. Leases and Management Agreements With Five Star

Restructuring our Business Arrangements with Five Star

The Transaction Agreement with Five Star. Pursuant to the Transaction Agreement, effective January 1, 2020, or the Conversion Time:

- our previously existing master leases with Five Star for all of our senior living communities that Five Star leased, as well as our previously existing management agreements and pooling agreements with Five Star for our senior living communities that Five Star managed, were terminated and replaced with the New Management Agreements;
- Five Star issued to us 10,268,158 of its common shares and an aggregate of approximately 16,118,849 to our shareholders of record as of December 13, 2019; and
- as consideration for these share issuances, we provided Five Star with \$75,000 of additional consideration, by way of our assumption of certain then current and future working capital liabilities of Five Star.

Pursuant to the Transaction Agreement: (1) commencing February 1, 2019, the aggregate amount of monthly minimum rent payable to us by Five Star under our previously existing master leases with Five Star was set at \$11,000, as of February 1, 2019, subject to adjustment, and subsequently reduced in accordance with the Transaction Agreement as a result of our subsequent sales of certain of the leased senior living communities, and no additional rent was payable to us by Five Star from such date until the Conversion Time; and (2) on April 1, 2019, we purchased from Five Star \$49,155 of unencumbered Qualifying PP&E (as defined in the Transaction Agreement) related to our senior living communities leased and operated by Five Star.

Pursuant to the New Management Agreements, Five Star will receive a management fee equal to 5% of the gross revenues realized at the applicable senior living communities plus reimbursement for its direct costs and expenses related to such communities, as well as an annual incentive fee equal to 15% of the amount by which the annual earnings before interest, taxes, depreciation and amortization, or EBITDA, of all communities on a combined basis exceeds the target EBITDA for all communities on a combined basis for such calendar year, provided that in no event shall the incentive fee be greater than 1.5% of the gross revenues realized at all communities on a combined basis for such calendar year.

The New Management Agreements expire in 2034, subject to Five Star's right to extend for two consecutive five year terms if Five Star achieves certain performance targets for the combined managed communities portfolio, unless earlier terminated or timely notice of nonrenewal is delivered. The New Management Agreements also provide us with the right to terminate the New Management Agreement for any community that does not earn 90% of the target EBITDA for such community for two consecutive calendar years or in any two of three consecutive calendar years, with the measurement period commencing January 1, 2021 (and the first termination not possible until the beginning of calendar year 2023), provided we may not in any calendar year terminate communities representing more than 20% of the combined revenues for all communities for the calendar year prior to such termination. Pursuant to a guaranty agreement dated as of January 1, 2020, or

the Guaranty, made by Five Star in favor of our applicable subsidiaries, Five Star has guaranteed the payment and performance of each of its applicable subsidiary's obligations under the applicable New Management Agreements.

In connection with the Transaction Agreement, we entered into a credit agreement with Five Star, pursuant to which we extended to Five Star a \$25,000 line of credit. This line of credit matured and was terminated on January 1, 2020, and there were no borrowings outstanding under this line of credit at the time of such termination and Five Star did not make any borrowing under this line of credit at any time.

On April 1, 2019, we concluded that the Restructuring Transaction constituted a reconsideration event requiring us to assess whether we held a controlling financial interest in Five Star. As a result of this assessment, we determined that Five Star was a VIE effective as of the date of the Transaction Agreement. We determined not to consolidate Five Star in our consolidated financial statements, as we do not have the power to direct the activities of Five Star that most significantly impact Five Star's economic performance and therefore are not the primary beneficiary of Five Star. Effective January 1, 2020, we determined that Five Star is not a VIE and we will account for our 33.9% investment in Five Star using the equity method of accounting because we are deemed to exert significant influence, but not control, over Five Star's most significant activities.

Our Senior Living Communities Formerly Leased by Five Star. As of December 31, 2019, we were Five Star's largest landlord and Five Star was our largest tenant. We leased 166, 184 and 185 senior living communities to Five Star as of December 31, 2019, 2018 and 2017, respectively. We leased senior living communities to Five Star pursuant to the following five leases with Five Star, each of which was terminated as of January 1, 2020 pursuant to the Transaction Agreement:

- Lease No. 1, which was to expire in 2024 and included 73 independent living communities, assisted living communities and SNFs as of December 31, 2019.
- Lease No. 2, which was to expire in 2026 and included 39 independent living communities, assisted living communities and SNFs as of December 31, 2019.
- Lease No. 3, which was to expire in 2028 and included 17 independent living communities and assisted living communities as of December 31, 2019.
- Lease No. 4, which was to expire in 2032 and included 28 independent living communities, assisted living communities and SNFs as of December 31, 2019.
- Lease No. 5, which was to expire in 2028 and included nine assisted living communities as of December 31, 2019.

As of December 31, 2019, under our previously existing leases with Five Star, Five Star paid us annual rent plus percentage rent equal to 4.0% of the increase in gross revenues at certain of our senior living communities over base year gross revenues as specified in the applicable leases. Pursuant to the Transaction Agreement, commencing February 1, 2019, no percentage rent was payable to us by Five Star. Five Star's obligation to pay percentage rent under Lease No. 5 commenced in 2018. We determined percentage rent due under these leases annually and recognized it when all contingencies were met, which was typically at year end. We recognized total rental income from Five Star of \$137,898, \$212,622 and \$210,539 (including percentage rent of \$538, \$5,525 and \$5,533) for the years ended December 31, 2019, 2018 and 2017, respectively. As of December 31, 2019, 2018 and 2017, our net receivables from Five Star were \$1,989, \$18,697 and \$18,539, respectively, and those amounts are included in due from affiliate in our consolidated balance sheets. No rent or percentage rent is payable to us by Five Star as of December 31, 2019.

As of December 31, 2019, our leases with Five Star were "triple net" leases, which generally required Five Star to pay rent and all property operating expenses, to indemnify us from liability which may arise by reason of our ownership of the properties, to maintain the properties at Five Star's expense, to remove and dispose of hazardous substances on the properties in compliance with applicable law and to maintain insurance on the properties for Five Star's and our benefit.

Under our previously existing leases with Five Star, Five Star could request that we purchase certain improvements to the leased communities and, until we entered into the Transaction Agreement, the annual rent payable to us by Five Star would increase in accordance with a formula specified in the applicable lease in return for such purchases. During the years ended December 31, 2018 and 2017, we purchased \$17,956 and \$39,800, respectively, of such improvements and Five Star's annual rent payable to us increased by \$1,433 and \$3,193, respectively, in accordance with the terms of the applicable leases. Pursuant to the Transaction Agreement, the \$111,603 of improvements to communities leased to Five Star, including \$49,155 of fixed assets and improvements that were purchased pursuant to the Transaction Agreement as discussed above, that we funded during the year ended December 31, 2019 did not result in increased rent payable by Five Star.

As of December 31, 2019, Five Star was our most significant tenant. The following is a summary of the assets leased to and revenues earned from Five Star as a tenant as of and for the years ended December 31, 2019 and 2018 compared to all our other assets and revenues from all sources:

	As of December 31, 2019		As of December 31, 2018	
	Gross Book Value of Real Estate Assets ⁽¹⁾	% of Total	Gross Book Value of Real Estate Assets ⁽¹⁾	% of Total
Five Star ⁽²⁾	\$ 2,286,951	27.2%	\$ 2,253,853	26.7%
All others ^{(3) (4)}	6,133,672	72.8%	6,174,791	73.3%
	<u>\$ 8,420,623</u>	<u>100.0%</u>	<u>\$ 8,428,644</u>	<u>100.0%</u>

- (1) Represents the gross book value of real estate assets at cost plus certain acquisition costs, before depreciation and purchase price allocations, less impairment write downs, if any. Five Star also manages our managed senior living communities. The gross book value of real estate assets of \$1,920,070 as of December 31, 2019 for those managed senior living communities is included in the "All others" category.
- (2) Includes gross book value of real estate assets of \$50,951 classified as held for sale in our consolidated balance sheet as of December 31, 2019.
- (3) Includes gross book value of real estate assets of \$213,416 and \$3,752 classified as held for sale in our consolidated balance sheets as of December 31, 2019 and 2018, respectively.

	Year Ended December 31, 2019		Year Ended December 31, 2018	
	Total Revenues ⁽¹⁾	% of Total	Total Revenues ⁽¹⁾	% of Total
Five Star	\$ 137,898	13.3%	\$ 212,622	19.0%
All others	902,257	86.7%	904,542	81.0%
	<u>\$ 1,040,155</u>	<u>100.0%</u>	<u>\$ 1,117,164</u>	<u>100.0%</u>

- (1) Five Star also manages our managed senior living communities. Our revenues of \$433,597 and \$416,523 for the years ended December 31, 2019 and 2018, respectively, from those communities are included in the "All others" category.

Our Senior Living Communities Managed by Five Star. Five Star managed 78, 76 and 70 senior living communities for our account as of December 31, 2019, 2018 and 2017, respectively. As of December 31, 2019, we leased most of our senior living communities that were managed by Five Star to our TRSs, and Five Star managed these communities pursuant to long term management agreements. As described above, pursuant to the Transaction Agreement, effective January 1, 2020, we replaced our long term management and pooling agreements with Five Star with the New Management Agreements, the terms of which are described above. We now lease all of our managed communities to our TRSs.

In December 2019, we acquired a 169 unit Class A active adult rental community located in Plano, Texas for a purchase price of approximately \$50.3 million, excluding closing costs. Five Star manages this property for our account. See Note 3 for further information regarding this acquisition.

We incurred management fees of \$15,327, \$14,426 and \$14,080 for the years ended December 31, 2019, 2018 and 2017, respectively, with respect to the communities Five Star managed for us during such years. These amounts are included in property operating expenses or have been capitalized, as appropriate, in our consolidated financial statements.

The following table presents residents fees and services revenue disaggregated by the type of contract and payer:

Revenue from contracts with customers:	Year Ended December 31, 2019
Basic housing and support services	\$ 353,699
Medicare and Medicaid programs	31,324
Private pay and other third party payer SNF services	48,574
Total residents fees and services	<u>\$ 433,597</u>

In addition to providing management services to us, Five Star also provides certain other services to residents at some of the senior living communities it manages for us, such as rehabilitation services. At senior living communities Five Star manages for us where Five Star provides rehabilitation services on an outpatient basis, the residents, third party payers or government programs pay Five Star for those rehabilitation services. At senior living communities Five Star manages for us where Five Star provides both inpatient and outpatient rehabilitation services, we generally pay Five Star for those rehabilitation services and charges for these services are included in amounts charged to residents, third party payers or government programs. We incurred fees of \$5,920, \$6,442 and \$7,525 for the years ended December 31, 2019, 2018 and 2017, respectively, with respect to rehabilitation services Five Star provided at senior living communities it manages for us that are payable by us. These amounts are included in property operating expenses in our consolidated statements of comprehensive income (loss).

Note 6. 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 medical office and life science properties. We also have a subsidiary level management agreement with RMR LLC related to one of our life science properties located in Boston, Massachusetts, which we entered in connection with the joint venture arrangement for that life science property. 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. See Note 7 for further information regarding our relationship, agreements and transactions with RMR LLC.

Management Agreements with RMR LLC. Our management agreements with RMR LLC provide for an annual base management fee, an annual incentive management fee and property management and construction supervision fees, payable in cash, among other terms:

- *Base Management Fee.* The annual base management fee payable to RMR LLC by us for each applicable period is equal to the lesser of:
 - the sum of (a) 0.5% of the daily weighted average of the aggregate book value of our real estate assets owned by us or our subsidiaries as of October 12, 1999, or the Transferred Assets, plus (b) 0.7% of the average aggregate historical cost of our real estate investments excluding the Transferred Assets up to \$250,000, plus (c) 0.5% of the average aggregate historical cost of our real estate investments excluding the Transferred Assets exceeding \$250,000; and
 - the sum of (a) 0.7% of the average closing price per share of our common shares on the stock exchange on which such shares are principally traded during such period, multiplied by the average number of our common shares outstanding during such period, plus the daily weighted average of the aggregate liquidation preference of each class of our preferred shares outstanding during such period, plus the daily weighted average of the aggregate principal amount of our consolidated indebtedness during such period, or, together, our Average Market Capitalization, up to \$250,000, plus (b) 0.5% of our Average Market Capitalization exceeding \$250,000.

The average aggregate historical cost of our real estate investments includes our consolidated assets invested, directly or indirectly, in equity interests in or loans secured by real estate and personal property owned in connection with such real estate (including acquisition related costs and costs which may be allocated to intangibles or are unallocated), all before reserves for depreciation, amortization, impairment charges or bad debts or other similar non cash reserves.

- *Incentive Management Fee.* The incentive management fee which may be earned by RMR LLC for an annual period is calculated as follows:
 - An amount, subject to a cap, based on the value of our common shares outstanding, equal to 12.0% of the product of:
 - our equity market capitalization on the last trading day of the year immediately prior to the relevant three year measurement period, and
 - the amount (expressed as a percentage) by which the total return per share, as defined in the business management agreement and further described below, of our common shareholders (i.e., share price appreciation plus dividends) exceeds the total shareholder return of the SNL U.S. REIT Healthcare Index, or the benchmark return per share, for the relevant measurement period.

For purposes of the total return per share of our common shareholders, share price appreciation for a measurement period is determined by subtracting (1) the closing price of our common shares on Nasdaq on the last trading day of the year immediately before the first year of the applicable measurement period, or the initial share price, from (2) the average closing price of our common shares on the 10 consecutive trading days having the highest average closing prices during the final 30 trading days in the last year of the measurement period.

- The calculation of the incentive management fee (including the determinations of our equity market capitalization, initial share price and the total return per share of our common shareholders) is subject to adjustments if additional common shares are issued, or if we repurchase our common shares, during the measurement period.
- No incentive management fee is payable by us unless our total return per share during the measurement period is positive.
- The measurement periods are three year periods ending with the year for which the incentive management fee is being calculated.
- If our total return per share exceeds 12.0% per year in any measurement period, the benchmark return per share is adjusted to be the lesser of the total shareholder return of the SNL U.S. REIT Healthcare Index for such measurement period and 12.0% per year, or the adjusted benchmark return per share. In instances where the adjusted benchmark return per share applies, the incentive management fee will be reduced if our total return per share is between 200 basis points and 500 basis points below the SNL U.S. REIT Healthcare Index by a low return factor, as defined in the business management agreement, and there will be no incentive management fee paid if, in these instances, our total return per share is more than 500 basis points below the SNL U.S. REIT Healthcare Index.
- The incentive management fee is subject to a cap. The cap is equal to the value of the number of our common shares which would, after issuance, represent 1.5% of the number of our common shares then outstanding multiplied by the average closing price of our common shares during the 10 consecutive trading days having the highest average closing prices during the final 30 trading days of the relevant measurement period.
- Incentive management fees we paid to RMR LLC for any period may be subject to “clawback” if our financial statements for that period are restated due to material non-compliance with any financial reporting requirements under the securities laws as a result of the bad faith, fraud, willful misconduct or gross negligence of RMR LLC and the amount of the incentive management fee we paid was greater than the amount we would have paid based on the restated financial statements.

Pursuant to our business management agreement with RMR LLC, we recognized net business management fees of \$27,399, \$35,874 and \$38,638 for the years ended December 31, 2019, 2018 and 2017, respectively. The net business management fees we recognized are included in general and administrative expenses in our consolidated statements of comprehensive income (loss) for these periods. The net business management fees we recognized for the years ended December 31, 2019, 2018 and 2017 reflect a reduction of \$2,974, for each of those years for the amortization of the liability we recorded in connection with, our investment in RMR Inc., as further described in Note 7.

Pursuant to our business management agreement with RMR LLC, in January 2019 and 2018, we paid RMR LLC an incentive management fee of \$40,642 and \$55,740 for the years ended December 31, 2018 and 2017, respectively. We did not recognize an incentive management fee payable to RMR LLC for the year ended December 31, 2019. In calculating the incentive management fee payable by us, our total shareholder return per share was adjusted in accordance with the business management agreement to reflect aggregate net increases in the number of our common shares outstanding as a result of certain share issuances and repurchases by us during the applicable three year measurement period. In addition, the calculation of our benchmark return per share was also adjusted for these issuances and repurchases in accordance with the business management agreement during the applicable three year measurement period.

- *Property Management and Construction Supervision Fees.* The property management fees payable to RMR LLC by us for each applicable period are equal to 3.0% of gross collected rents and the construction supervision fees payable to RMR LLC by us for each applicable period are equal to 5.0% of construction costs.

Pursuant to our property management agreement with RMR LLC, we recognized aggregate net property management and construction supervision fees of \$13,141, \$12,214 and \$10,919 for the years ended December 31, 2019, 2018 and 2017, respectively. The net property management and construction supervision fees we recognized reflect a reduction of \$797 for both the years ended December 31, 2019 and 2018 and \$798 for the year ended December 31, 2017, for the amortization of the liability we recorded in connection with our investment in RMR Inc., as further described in Note 7. These amounts are included in property operating expenses or have been capitalized, as appropriate, in our consolidated financial statements.

Expense Reimbursement. We are generally responsible for all our operating expenses, including certain expenses incurred or arranged by RMR LLC on our behalf. We are generally not responsible for payment of RMR LLC's employment, office or administrative expenses incurred to provide management services to us, except for the employment and related expenses of RMR LLC's employees assigned to work exclusively or partly at our medical office and life science properties, our share of the wages, benefits and other related costs of RMR LLC's centralized accounting personnel, our share of RMR LLC's costs for providing our internal audit function, or as otherwise agreed. Our Audit Committee appoints our Director of Internal Audit and our Compensation Committee approves the costs of our internal audit function. Our property level operating expenses are generally incorporated into the rents charged to our tenants, including certain payroll and related costs incurred by RMR LLC. We reimbursed RMR LLC \$13,373, \$11,891 and \$9,993 for these costs and expenses for the years ended December 31, 2019, 2018 and 2017, respectively. These amounts are included in property operating expenses or general and administrative expenses, as applicable, in our consolidated statements of comprehensive income (loss) for these periods.

Term. Our management agreements with RMR LLC have terms that end on December 31, 2039, and automatically extend on December 31st of each year for an additional year, so that the terms of our management agreements thereafter end on the 20th anniversary of the date of the extension.

Termination Rights. We have the right to terminate one or both of our management agreements with RMR LLC: (i) at any time on 60 days' written notice for convenience, (ii) immediately on written notice for cause, as defined therein, (iii) on written notice given within 60 days after the end of an applicable calendar year for a performance reason, as defined therein, and (iv) by written notice during the 12 months following a change of control of RMR LLC, as defined therein. RMR LLC has the right to terminate the management agreements for good reason, as defined therein.

Termination Fee. If we terminate one or both of our management agreements with RMR LLC for convenience, or if RMR LLC terminates one or both of our management agreements for good reason, we have agreed to pay RMR LLC a termination fee in an amount equal to the sum of the present values of the monthly future fees, as defined therein, for the terminated management agreement(s) for the term that was remaining prior to such termination, which, depending on the time of termination would be between 19 and 20 years. If we terminate one or both of our management agreements with RMR LLC for a performance reason, we have agreed to pay RMR LLC the termination fee calculated as described above, but assuming a 10 year term was remaining prior to the termination. We are not required to pay any termination fee if we terminate our management agreements with RMR LLC for cause or as a result of a change of control of RMR LLC.

Transition Services. RMR LLC has agreed to provide certain transition services to us for 120 days following an applicable termination by us or notice of termination by RMR LLC, including cooperating with us and using commercially reasonable efforts to facilitate the orderly transfer of the management and real estate investment services provided under our business management agreement and to facilitate the orderly transfer of the management of the managed properties under our property management agreement, as applicable.

Vendors. Pursuant to our management agreements with RMR LLC, RMR LLC may from time to time negotiate on our behalf with certain third party vendors and suppliers for the procurement of goods and services to us. As part of this arrangement, we may enter agreements with RMR LLC and other companies to which RMR LLC or its subsidiaries provide management services for the purpose of obtaining more favorable terms from such vendors and suppliers.

Investment Opportunities. Under our business management agreement with RMR LLC, we acknowledge that RMR LLC may engage in other activities or businesses and act as the manager to any other person or entity (including other REITs) even though such person or entity has investment policies and objectives similar to ours and we are not entitled to preferential treatment in receiving information, recommendations and other services from RMR LLC.

Note 7. Related Person Transactions

We have relationships and historical and continuing transactions with Five Star, RMR LLC, RMR Inc. and others related to them, including other companies to which RMR LLC or its subsidiaries provide management services and some of which have trustees, directors or officers who are also our Trustees or officers. RMR Inc. is the managing member of RMR LLC. The Chair of our Board and one of our Managing Trustees, Adam D. Portnoy, as the sole trustee of ABP Trust, is the controlling shareholder of RMR Inc. and is a managing director and the president and chief executive officer of RMR Inc. and an officer and employee of RMR LLC. Jennifer B. Clark, our other Managing Trustee, also serves as a managing director and the executive vice president, general counsel and secretary of RMR Inc. and an officer and employee of RMR LLC and each of our officers is also an officer and employee of RMR LLC. Certain of Five Star's officers are officers and employees of RMR LLC. Our Independent Trustees also serve as independent trustees or independent directors of other public companies to which RMR LLC or its subsidiaries provide management services. Adam Portnoy serves as the chair of the boards of trustees or boards of directors of several of these public companies and as a managing director or managing trustee of these companies. Other officers of RMR LLC serve as managing trustees or managing directors of certain of these companies. In addition, officers of RMR LLC and RMR Inc. serve as our officers and officers of other companies to which RMR LLC or its subsidiaries provide management services.

Five Star. We are currently Five Star's largest stockholder. As of January 1, 2020, we owned 10,691,658 of Five Star's common shares, or approximately 33.9% of Five Star's outstanding common shares. As of December 31, 2019, Five Star was our largest tenant and the manager of our managed senior living communities. Pursuant to the Transaction Agreement, as of January 1, 2020, all of our senior living communities that Five Star operates are managed pursuant to the New Management Agreements. RMR LLC provides management services to both us and Five Star.

As of January 1, 2020, ABP Acquisition LLC, a subsidiary of ABP Trust, the controlling shareholder of RMR Inc., together with ABP Trust, owned approximately 6.3% of Five Star's outstanding common shares. Adam Portnoy is the chair of the board of directors and a managing director of Five Star. Jennifer Clark is a managing director and the secretary of Five Star. Five Star's president and chief executive officer and executive vice president, chief financial officer and treasurer are officers and employees of RMR LLC.

In order to effect our distribution of Five Star common shares to our shareholders in 2001 and to govern our relations with Five Star thereafter, Five Star entered agreements with us and others, including RMR LLC. Since then, we have entered various leases, management agreements and other agreements with Five Star that include provisions that confirm and modify these undertakings. Among other things, these agreements provide that:

- so long as we remain a REIT, Five Star may not waive the share ownership restrictions in its charter that prohibit any person or group from acquiring more than 9.8% (in value or number of shares, whichever is more restrictive) of the outstanding shares of any class of Five Star stock without our consent;
- so long as Five Star is our tenant or manager, Five Star will not permit nor take any action that, in our reasonable judgment, might jeopardize our qualification for taxation as a REIT;
- we have the right to terminate our management agreements with Five Star upon the acquisition by a person or group of more than 9.8% of Five Star's voting stock or other change in control events, as defined therein affecting Five Star, including the adoption of any shareholder proposal (other than a precatory proposal) or the election to Five Star's board of directors of any individual, if such proposal or individual was not approved, nominated or appointed, as the case may be, by a majority of Five Star's directors in office immediately prior to the making of such proposal or the nomination or appointment of such individual; and
- so long as Five Star is our tenant or manager or has a business management agreement with RMR LLC, Five Star will not acquire or finance any real estate of a type then owned or financed by us or any other company managed by RMR LLC without first giving us or such company managed by RMR LLC, as applicable, the opportunity to acquire or finance that real estate.

See Note 5 for further information regarding our relationships, agreements and transactions with Five Star.

Our Manager, 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 medical office and life science properties. See Note 6 for further information regarding our management agreements with RMR LLC.

Leases with RMR LLC. We lease office space to RMR LLC in certain of our properties for RMR LLC's property management offices. We recognized rental income from RMR LLC for leased office space of \$256, \$228 and \$331 for the years ended December 31, 2019, 2018 and 2017, respectively. Our office space leases with RMR LLC are terminable by RMR LLC if our management agreements with RMR LLC are terminated.

Share Awards to RMR LLC Employees. As described in Note 4, we award shares to our officers and other employees of RMR LLC annually. Generally, one fifth of these awards vest on the grant date and one fifth vests on each of the next four anniversaries of the grant dates. In certain instances, we may accelerate the vesting of an award, such as in connection with the award holder's retirement as an officer of us or an officer or employee of RMR LLC. These awards to RMR LLC employees are in addition to the share awards to our Managing Trustees, as Trustee compensation, and the fees we paid to RMR LLC. See Note 4 for information regarding our share awards and activity as well as certain share purchases we made in connection with share award recipients satisfying tax withholding obligation on vesting share awards.

RMR Inc. On July 1, 2019, we sold all of the 2,637,408 shares of class A common stock of RMR Inc. that we owned in an underwritten public offering at a price to the public of \$40.00 per share pursuant to the underwriting agreement among us, RMR Inc., certain other REITs managed by RMR LLC that also sold their class A common stock of RMR Inc. in the offering, and the underwriters named therein. We received net proceeds of \$98,557 from this sale, after deducting the underwriting discounts and commissions and other offering expenses.

AIC. Until its dissolution on February 13, 2020, we, ABP Trust, Five Star and four other companies to which RMR LLC provides management services owned AIC in equal amounts. Certain of our Trustees and certain directors or trustees of the other AIC shareholders served on the board of directors of AIC until its dissolution.

We and the other AIC shareholders historically participated in a combined property insurance program arranged and insured or reinsured in part by AIC; we also had a one year standalone insurance policy that provided coverage for one of our life science properties 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) paid aggregate annual premiums, including taxes and fees, of \$4,413, \$2,433 and \$3,607 in connection with this insurance program for the policy years ended June 30, 2019, 2018 and 2017, respectively. The policies under that program expired on June 30, 2019, and we and the other AIC shareholders elected not to renew the AIC property insurance program; we have instead purchased standalone property insurance coverage with unrelated third party insurance providers.

On February 13, 2020, AIC was dissolved and in connection with its dissolution, we and each other AIC shareholder received an initial liquidating distribution of \$9,000 from AIC in December 2019.

As of December 31, 2019, 2018 and 2017, our investment in AIC had a carrying value of \$298, \$8,632 and \$8,185, respectively. These amounts are included in other assets in our consolidated balance sheets. We recognized income of \$400, \$516, and \$608 related to our investment in AIC for the years ended December 31, 2019, 2018 and 2017, respectively. These amounts are presented as equity in earnings of an investee in our consolidated statements of comprehensive income (loss). Our other comprehensive income (loss) includes our proportionate part of unrealized gains (losses) on securities which were owned and held for sale by AIC of \$91, \$(68) and \$462 related to our investment in AIC for the years ended December 31, 2019, 2018 and 2017, respectively.

RMR LLC historically provided management and administrative services to AIC for a fee equal to 3.0% of the total premiums paid for insurance arranged by AIC. As a result of the property insurance program having been discontinued, AIC has not occurred fees payable to RMR LLC since that time.

Directors' and Officers' Liability Insurance. We, RMR Inc., RMR LLC and certain other companies to which RMR LLC or its subsidiaries provide management services, including Five Star, participate in a combined directors' and officers' liability insurance policy. The current combined policy expires in September 2020. We paid aggregate premiums of \$167, \$253 and \$255 in 2019, 2018 and 2017, respectively, for these policies.

Note 8. Indebtedness

At December 31, 2019 and 2018, our outstanding indebtedness consisted of the following:

Unsecured Floating Rate Debt ⁽¹⁾	Maturity	Principal Balance as of December 31,	
		2019	2018
Revolving credit facility ⁽²⁾	January 2022	\$ 537,500	\$ 139,000
Unsecured term loan ⁽³⁾	January 2020	—	350,000
Unsecured term loan	June 2020	250,000	—
Unsecured term loan	September 2022	200,000	200,000
Total unsecured floating rate debt		\$ 987,500	\$ 689,000

- (1) As of December 31, 2019 and 2018, the unamortized net debt issuance costs on certain of these debts were \$1,259 and \$1,714, respectively.
(2) Outstanding borrowings under our \$1,000,000 unsecured revolving credit facility.
(3) We prepaid this term loan in December 2019.

Senior Unsecured Notes ⁽¹⁾	Coupon	Maturity	December 31, 2019		December 31, 2018	
			Face Amount	Unamortized Discount	Face Amount	Unamortized Discount
Senior unsecured notes	3.250%	May 2019	\$ —	\$ —	\$ 400,000	\$ 19
Senior unsecured notes	6.750%	April 2020	200,000	59	200,000	274
Senior unsecured notes	6.750%	December 2021	300,000	1,024	300,000	1,558
Senior unsecured notes	4.750%	May 2024	250,000	342	250,000	421
Senior unsecured notes	4.750%	February 2028	500,000	6,857	500,000	7,702
Senior unsecured notes	5.625%	August 2042	350,000	—	350,000	—
Senior unsecured notes	6.250%	February 2046	250,000	—	250,000	—
Total senior unsecured notes			\$ 1,850,000	\$ 8,282	\$ 2,250,000	\$ 9,974

- (1) As of December 31, 2019 and 2018, the unamortized net debt issuance costs on certain of these notes were \$21,037 and \$23,081, respectively.

Secured and Other Debt	Principal Balance as of December 31,		Interest Rate	Maturity	Number of Properties as Collateral At December 31, 2019	Net Book Value of Collateral as of December 31,	
	2019 ⁽¹⁾	2018 ⁽¹⁾				2019	2018
Mortgage note ⁽²⁾	\$ —	\$ 42,618	3.79%	July 2019	—	\$ —	\$ 61,199
Mortgage note ⁽³⁾	1,426	2,037	7.49%	January 2022	1	11,469	14,602
Mortgage note	12,513	13,146	6.28%	July 2022	1	23,662	24,064
Mortgage note	10,958	11,180	4.85%	October 2022	1	20,139	20,602
Mortgage note	16,131	16,441	5.75%	October 2022	2	19,751	20,342
Mortgage note	16,056	16,442	6.64%	June 2023	1	22,854	20,538
Mortgage notes ⁽⁴⁾	620,000	620,000	3.53%	August 2026	1	724,715	745,079
Mortgage note ⁽³⁾⁽⁵⁾	1,589	1,983	6.25%	March 2026	1	4,226	4,402
Mortgage note	10,688	10,901	4.44%	July 2043	1	13,756	13,816
Capital Leases	8,874	9,832	7.70%	April 2026	2	18,432	17,970
Total secured	\$ 698,235	\$ 744,580			11	\$ 859,004	\$ 942,614

- (1) The principal balances are the amounts stated in the contracts. In accordance with GAAP, our carrying values and recorded interest expense may be different because of market conditions at the time we assumed certain of these debts. As of December 31, 2019 and 2018, the unamortized net premiums and debt issuance costs on certain of these mortgages were \$506 and \$394, respectively.
(2) We prepaid this debt in May 2019.

- (3) The properties encumbered by these mortgages were classified as held for sale as of December 31, 2019. The associated mortgages, along with \$25 of unamortized net debt issuance costs, are included in liabilities of properties held for sale in our consolidated balance sheets as of December 31, 2019.
- (4) The property encumbered by these mortgages is owned in a joint venture arrangement in which we own a 55% equity interest. The principal amounts listed in the table for these debts have not been adjusted to reflect the equity interests in the joint venture that we do not own.
- (5) We prepaid this debt in February 2020.

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 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 the rate of LIBOR plus a premium of 120 basis points per annum, and 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. 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.

As of December 31, 2019, the annual interest rate payable on borrowings under our revolving credit facility was 2.8%. The weighted average annual interest rates for borrowings under our revolving credit facility were 3.4%, 3.0% and 2.4% for the years ended December 31, 2019, 2018 and 2017, respectively. As of December 31, 2019, we had \$537,500 outstanding and \$462,500 available for borrowing, and as of February 28, 2020, we had \$593,000 outstanding and \$407,000 available for borrowing under our revolving credit facility.

We have a \$250,000 term loan that matures in June 2020 and is prepayable without penalty at any time. Subject to the satisfaction of certain conditions, including the payment of an extension fee, we have the option to extend the maturity date by six months. We obtained this term loan in December 2019. This term loan requires annual interest to be paid at the rate of LIBOR plus a premium of 125 basis points that is subject to adjustment based upon changes to our credit ratings. At December 31, 2019, the annual interest rate payable on amounts outstanding under this term loan was 2.9%. The weighted average annual interest rate for amounts outstanding under this term loan was 2.9% for the year ended December 31, 2019.

We used the net proceeds from our \$250,000 term loan, together with proceeds from our dispositions, borrowings under our revolving credit facility and cash on hand, to prepay in full our \$350,000 senior unsecured term loan that was scheduled to mature on January 15, 2020. The interest rate on the new term loan is LIBOR plus 125 basis points. As a result of this prepayment, we recorded a loss on early extinguishment of debt of \$27 for the year ended December 31, 2019.

We also have a \$200,000 term loan that 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 that is subject to adjustment based upon changes to our credit ratings. At December 31, 2019, the annual interest rate payable on amounts outstanding under this term loan was 3.2%. The weighted average annual interest rate for amounts outstanding under this term loan was 3.7%, 3.4% and 2.7% and for the years ended December 31, 2019, 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.

Interest on our senior unsecured notes are payable either semi-annually or quarterly in arrears; however, no principal repayments are due until maturity. Required monthly payments on our mortgages include principal and interest. Payments under our capital leases are due monthly. We include amortization of capital lease assets in depreciation and amortization expense.

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 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 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 December 31, 2019.

In February 2018, we issued \$500,000 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 February 2018, in connection with our acquisition of one senior living community, we assumed a \$16,748 mortgage note with an annual interest rate of 6.64% and a maturity date in June 2023.

In March 2018, in connection with our acquisition of one medical office property, we assumed a \$11,050 mortgage note with an annual interest rate of 4.44% and a maturity date in July 2043.

In June 2018, in connection with our acquisition of two senior living communities, we assumed a \$16,588 mortgage note with an annual interest rate of 5.75% and a maturity date in October 2022.

In May 2019, we redeemed at par all of our outstanding 3.25% senior notes due 2019 for a redemption price equal to the principal amount of \$400,000, plus accrued and unpaid interest of \$6,500. We funded this redemption with cash on hand and borrowings under our revolving credit facility.

Also in May 2019, we prepaid, at par plus accrued interest, a mortgage note secured by four of our senior living communities with an outstanding principal balance of approximately \$42,211, a maturity date in July 2019 and an annual interest rate of 3.79%. As a result of this prepayment, we recorded a loss on early extinguishment of debt of \$17 for the year ended December 31, 2019. We prepaid this mortgage using cash on hand and borrowings under our revolving credit facility.

In February 2020, we prepaid, at par plus accrued interest, a mortgage note secured by one of our senior living communities with an outstanding principal balance of approximately \$1,554, a maturity date in March 2026 and an annual interest rate of 6.25%. We prepaid this mortgage using cash on hand and borrowings 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 4.4%. 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 \$90,602, maturity dates in October 2018 and a weighted average annual interest rate of 5.0%. In September 2018, we prepaid, at par plus accrued interest, a mortgage note secured by one of our properties with an outstanding principal balance of approximately \$6,325, a maturity date in January 2019 and an annual interest rate of 4.7%. As a result of these prepayments, we recorded a loss on early extinguishment of debt of \$22 for the year ended December 31, 2018. We prepaid these mortgages using cash on hand and borrowings under our revolving credit facility.

In April 2017, we prepaid, at par plus accrued interest, a mortgage note secured by 17 of our properties with an outstanding principal balance of approximately \$277,837 plus an aggregate premium of \$5,449, a maturity date in September 2019 and an annual interest rate of 6.71%. In May 2017, we prepaid, at par plus accrued interest, a mortgage note secured by one of our properties with an outstanding principal balance of approximately \$10,579, a maturity date in August 2017 and an annual interest rate of 6.15%. In June 2017, we prepaid, at par plus accrued interest, a mortgage note secured by one of our properties with an outstanding principal balance of approximately \$8,807, a maturity date in August 2037 and an annual interest rate of 5.95%. In December 2017, we prepaid, at par plus accrued interest, a mortgage note secured by one of our properties with an outstanding principal balance of approximately \$8,403, a maturity date in April 2018 and an annual interest rate of 6.73%. As a result of these prepayments, we recorded a loss on early extinguishment of debt of \$7,627 for the year ended December 31, 2017. We prepaid these mortgages using cash on hand and borrowings under our revolving credit facility.

Required principal payments on our outstanding debt as of December 31, 2019, are as follows:

Year	Principal Payment
2020	\$ 453,799
2021	304,097
2022	776,872
2023	16,673
2024	252,110
Thereafter	1,732,184 ⁽¹⁾

(1) The carrying value of our total debt outstanding as of December 31, 2019, including unamortized debt issuance costs, premiums and discounts was \$3,504,651.

Note 9. Fair Value of Assets and Liabilities

The following table presents certain of our assets that are measured at fair value at December 31, 2019, categorized by the level of inputs as defined in the fair value hierarchy under GAAP, used in the valuation of each asset.

Description	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>Recurring Fair Value Measurements Assets:</i>				
Investment in Five Star ⁽¹⁾	\$ 1,571	\$ 1,571	\$ —	\$ —
<i>Non-Recurring Fair Value Measurements Assets:</i>				
Real estate properties held for sale ⁽²⁾	\$ 88,656	\$ —	\$ 88,656	\$ —
Real estate properties at fair value ⁽³⁾	\$ 106,850	\$ —	\$ —	\$ 106,850

- (1) The 423,500 Five Star common shares we owned as of December 31, 2019 are included in investments in equity securities in our consolidated balance sheets, and are reported at fair value, which is based on quoted market prices (Level 1 inputs). Our adjusted cost basis for these shares was \$6,353 as of December 31, 2019. During the year ended December 31, 2019, we recorded an unrealized loss of \$462, which is included in gains and losses on equity securities, net in our consolidated statements of comprehensive income (loss), to adjust the carrying value of our investment in Five Star common shares to their fair value. See Note 7 for further information about our investment in Five Star.
- (2) We have assets in our consolidated balance sheets that are measured at fair value on a nonrecurring basis. During the year ended December 31, 2019, we recorded impairment charges of \$16,977 to reduce the carrying value of 14 medical office properties that are classified as held for sale to their estimated sales price, less estimated costs to sell of \$2,141, based on purchase and sale agreements that we have entered into with third party buyers for these medical office properties of \$71,121. We also recorded impairment charges of \$4,984 to reduce the carrying value of two senior living communities that are classified as held for sale to their estimated sales price, less estimated costs to sell of \$515, based on purchase and sale agreements that we have entered into with third party buyers for these senior living communities of \$17,535. See Note 3 for further information about impairment charges and these and other properties we have classified as held for sale.
- (3) We recorded impairment charges of \$51,797 to reduce the carrying value of seven senior living communities to their estimated fair value of \$106,850 based on third party offers. The valuation techniques and significant unobservable inputs used in the valuation of this property are considered Level 3 inputs as defined in the fair value hierarchy under GAAP.

In addition to the assets described in the table above, our financial instruments at December 31, 2019 and December 31, 2018 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 consolidated financial statements as of such dates, except as follows:

Description	As of December 31, 2019		As of December 31, 2018	
	Carrying Amount ⁽¹⁾	Estimated Fair Value	Carrying Amount ⁽¹⁾	Estimated Fair Value
Senior unsecured notes	\$ 1,820,681	\$ 1,890,386	\$ 2,216,945	\$ 2,138,202
Secured debt ^{(2) (3)}	697,729	697,142	744,186	723,003
	\$ 2,518,410	\$ 2,587,528	\$ 2,961,131	\$ 2,861,205

- (1) Includes unamortized debt issuance costs, premiums and discounts.
- (2) We assumed certain of these secured debts in connection with our acquisition of certain properties. We recorded the assumed mortgage notes at estimated fair value on the date of acquisition and we are amortizing the fair value adjustments, if any, to interest expense over the respective terms of the mortgage notes to adjust interest expense to the estimated market interest rates as of the date of acquisition.
- (3) Includes \$3,015 of principal mortgage obligations and \$25 of unamortized debt issuance costs for properties classified as held for sale as of December 31, 2019. These debts are included in liabilities of properties held for sale in our consolidated balance sheets as of December 31, 2019.

We estimated the fair values of our two issuances of senior unsecured notes due 2042 and 2046 based on the closing price of our common shares trading on Nasdaq (Level 1 input) as of December 31, 2019. We estimated the fair values of our four issuances of senior unsecured notes due 2020, 2021, 2024 and 2028 using an average of the bid and ask price on Nasdaq on or about December 31, 2019 (Level 2 inputs as defined in the fair value hierarchy under GAAP). We estimated the fair values of our secured debts by using discounted cash flows analyses and currently prevailing market terms as of the measurement date (Level 3 inputs as defined in the fair value hierarchy under GAAP). Because Level 3 inputs are unobservable, our estimated fair values may differ materially from the actual fair values.

Realized and unrealized gains and losses for our equity securities for the years ended December 31, 2019 and 2018 were as follows:

	For the Year Ended December 31,	
	2019	2018
Realized gains and losses on equity securities sold ⁽¹⁾	\$ (41,436)	\$ —
Unrealized gains and losses on equity securities held	(462)	(20,724)
Losses on equity securities, net	\$ (41,898)	\$ (20,724)

(1) See Note 7 for further information about our former investment in RMR Inc.

Note 10. Noncontrolling Interest

In March 2017, we entered a joint venture arrangement with a sovereign investor for one of our life science properties 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 determined that this entity is a VIE and that we control the activities that most significantly impact the economic performance of this entity; we therefore continue to consolidate this property in our financial statements.

We recognized a noncontrolling interest in our 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 consolidated balance sheets. The portion of the joint venture's net income and comprehensive income not attributable to us, or \$5,356 and \$5,542 for the years ended December 31, 2019 and 2018, respectively, is reported as noncontrolling interest in our consolidated statements of comprehensive income (loss). We made aggregate cash distributions to our joint venture partner of \$21,583 and \$21,022 for the years ended December 31, 2019 and 2018, respectively, which are reflected as a decrease in total equity attributable to noncontrolling interest in our consolidated balance sheets. As of December 31, 2019, this joint venture held real estate assets with an aggregate net book value of \$724,715, subject to mortgage debts 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 obligations 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 11. Segment Reporting

In connection with the Restructuring Transaction, we determined to redefine our reportable segments to better reflect our current operating environment. As of December 31, 2019, we report under the following two segments: Office Portfolio and SHOP. Our Office Portfolio segment consists of medical office properties leased to medical providers and other medical related businesses, as well as life science properties leased to biotech laboratories and other similar tenants. Our SHOP segment consists of 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. In addition, our SHOP 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 received rents from Five Star until January 1, 2020. Pursuant to the Restructuring Transaction, effective January 1, 2020, our previously existing master leases and management and pooling agreements with Five Star were terminated and replaced with the New Management Agreements for all of our senior living communities operated by Five Star. Prior periods have been recast to reflect these reportable segments for all periods presented.

For the Year Ended December 31, 2019				
	Office Portfolio	SHOP	Non-Segment	Consolidated
Revenues:				
Rental income	\$ 405,016	\$ 137,898	\$ 63,644	\$ 606,558
Residents fees and services	—	433,597	—	433,597
Total revenues	405,016	571,495	63,644	1,040,155
Expenses:				
Property operating expenses	132,348	356,722	—	489,070
Depreciation and amortization	137,611	132,637	18,777	289,025
General and administrative	—	—	37,028	37,028
Acquisition and certain other transaction related costs	—	—	13,102	13,102
Impairment of assets	43,035	65,822	6,344	115,201
Total expenses	312,994	555,181	75,251	943,426
Gain on sale of properties	6,617	15,207	17,872	39,696
Dividend income	—	—	1,846	1,846
Gains and losses on equity securities, net	—	—	(41,898)	(41,898)
Interest and other income	—	—	941	941
Interest expense	(24,399)	(3,058)	(152,655)	(180,112)
Loss on early extinguishment of debt	—	(17)	(27)	(44)
Income (loss) from continuing operations before income tax expense and equity in earnings of an investee	74,240	28,446	(185,528)	(82,842)
Income tax expense	—	—	(436)	(436)
Equity in earnings of an investee	—	—	400	400
Net income (loss)	74,240	28,446	(185,564)	(82,878)
Net income attributable to noncontrolling interest	(5,356)	—	—	(5,356)
Net income (loss) attributable to common shareholders	\$ 68,884	\$ 28,446	\$ (185,564)	\$ (88,234)
As of December 31, 2019				
	Office Portfolio	SHOP	Non-Segment	Consolidated
Total assets	\$ 3,165,577	\$ 3,044,989	\$ 443,260	\$ 6,653,826

For the Year Ended December 31, 2018				
	Office Portfolio	SHOP	Non-Segment	Consolidated
Revenues:				
Rental income	\$ 412,813	\$ 212,622	\$ 75,206	\$ 700,641
Residents fees and services	—	416,523	—	416,523
Total revenues	412,813	629,145	75,206	1,117,164
Expenses:				
Property operating expenses	127,732	323,849	—	451,581
Depreciation and amortization	141,477	121,303	23,455	286,235
General and administrative	—	—	85,885	85,885
Acquisition and certain other transaction related costs	—	—	194	194
Impairment of assets	46,797	—	19,549	66,346
Total expenses	316,006	445,152	129,083	890,241
Gain on sale of properties	—	3,699	258,217	261,916
Dividend income	—	—	2,901	2,901
Gains and losses on equity securities, net	—	—	(20,724)	(20,724)
Interest and other income	—	—	667	667
Interest expense	(24,360)	(5,214)	(149,713)	(179,287)
(Loss) gain on early extinguishment of debt	—	(98)	76	(22)
Income from continuing operations before income tax expense and equity in earnings of an investee	72,447	182,380	37,547	292,374
Income tax expense	—	—	(476)	(476)
Equity in earnings of an investee	—	—	516	516
Net income	72,447	182,380	37,587	292,414
Net income attributable to noncontrolling interest	(5,542)	—	—	(5,542)
Net income attributable to common shareholders	\$ 66,905	\$ 182,380	\$ 37,587	\$ 286,872
As of December 31, 2018				
	Office Portfolio	SHOP	Non-Segment	Consolidated
Total assets	\$ 3,344,581	\$ 2,984,333	\$ 831,512	\$ 7,160,426

For the Year Ended December 31, 2017				
	Office Portfolio	SHOP	Non-Segment	Consolidated
Revenues:				
Rental income	\$ 382,127	\$ 210,539	\$ 88,356	\$ 681,022
Residents fees and services	—	393,707	—	393,707
Total revenues	382,127	604,246	88,356	1,074,729
Expenses:				
Property operating expenses	112,930	300,562	—	413,492
Depreciation and amortization	128,827	122,143	25,891	276,861
General and administrative	—	—	103,694	103,694
Acquisition and certain other transaction related costs	—	—	403	403
Impairment of assets	—	—	5,082	5,082
Total expenses	241,757	422,705	135,070	799,532
Gain on sale of properties	—	—	46,055	46,055
Dividend income	—	—	2,637	2,637
Interest and other income	—	—	406	406
Interest expense	(24,919)	(11,708)	(128,392)	(165,019)
Loss on early extinguishment of debt	(59)	(7,294)	(274)	(7,627)
Income (loss) from continuing operations before income tax expense and equity in earnings of an investee	115,392	162,539	(126,282)	151,649
Income tax expense	—	—	(454)	(454)
Equity in earnings of an investee	—	—	608	608
Net income (loss)	115,392	162,539	(126,128)	151,803
Net income attributable to noncontrolling interest	(4,193)	—	—	(4,193)
Net income (loss) attributable to common shareholders	\$ 111,199	\$ 162,539	\$ (126,128)	\$ 147,610
As of December 31, 2017				
	Office Portfolio	SHOP	Non-Segment	Consolidated
Total assets	\$ 3,367,485	\$ 2,907,669	\$ 1,018,865	\$ 7,294,019

Note 12. Income Taxes

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act of 2017, or the TCJA. The TCJA significantly revised the U.S. corporate income tax system, by among other things, lowering the corporate income tax rate. The federal income tax rate for tax years ending after December 31, 2017 was reduced from a maximum rate of 35% to 21%. The reduction in the corporate income tax rate caused us to adjust our deferred tax assets and liabilities, including the corresponding valuation allowance, to reflect the lower federal rate. We will monitor future interpretations of the TCJA as they develop, and accordingly our estimates may change.

Our provision for income taxes consists of the following:

	For the Year Ended December 31,		
	2019	2018	2017
Current:			
Federal	\$ —	\$ —	\$ —
State	436	476	454
	436	476	454
Deferred:			
Federal	—	—	—
State	—	—	—
	—	—	—
Income tax provision	\$ 436	\$ 476	\$ 454

A reconciliation of our effective tax rate and the U.S. federal statutory income tax rate is as follows:

	For the Year Ended December 31,		
	2019	2018	2017
Taxes at statutory U.S. federal income tax rate	21.0 %	21.0 %	35.0 %
Nontaxable income	(21.0)%	(21.0)%	(35.0)%
State and local income taxes, net of federal tax benefit	0.5 %	0.1 %	0.3 %
TCJA adjustment	— %	— %	9.0 %
Change in valuation allowance	3.5 %	1.9 %	(6.5)%
Other differences, net	(3.5)%	(1.9)%	(2.5)%
Effective tax rate	0.5 %	0.1 %	0.3 %

Deferred income tax balances reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities in our consolidated balance sheets and the amounts used for income tax purposes and are stated at enacted tax rates expected to be in effect when taxes are actually paid or recovered. Significant components of our deferred tax assets and liabilities are as follows:

	For the Year Ended December 31,	
	2019	2018
Deferred tax assets:		
Deferred income	\$ 1,891	\$ 1,937
Other	149	138
Tax loss carryforwards	32,487	29,648
	34,527	31,723
Valuation allowance	(34,527)	(31,723)
	—	—
Net deferred income taxes	\$ —	\$ —

Because of our TRSs' history of losses, we are not able to conclude that it is more likely than not we will realize the future benefit of our deferred tax assets; thus we have provided a 100% valuation allowance as of December 31, 2019 and 2018. If and when we believe it is more likely than not that we will recover our deferred tax assets, we will reverse the valuation allowance as an income tax benefit in our consolidated statements of comprehensive income (loss). As of December 31, 2019, our consolidated TRSs had net operating loss carry forwards for federal income tax purposes of approximately \$129,248, which, if unused, begin to expire in 2031. In the normal course of business, income tax authorities in various income tax jurisdictions conduct routine audits of our income tax returns filed in prior years. Income tax years subsequent to 2014 may be open to examination in some of the income tax jurisdictions in which we operate.

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):

	Year Ended December 31,		
	2019	2018	2017
Weighted average common shares for basic earnings per share	237,604	237,511	237,420
Effect of dilutive securities: restricted share awards	—	35	32
Weighted average common shares for diluted earnings per share ⁽¹⁾	237,604	237,546	237,452

(1) For the year ended December 31, 2019, 36 of our unvested common shares were not included in the calculation of diluted earnings per share because to do so would have been antidilutive.

Note 14. Selected Quarterly Financial Data (unaudited)

The following is a summary of our unaudited quarterly results of operations for 2019 and 2018:

	2019			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenues	\$ 266,286	\$ 262,003	\$ 255,827	\$ 256,039
Net income (loss) attributable to common shareholders	\$ 30,082	\$ (37,229)	\$ (29,390)	\$ (51,697)
Per share data (basic and diluted):				
Net income (loss) attributable to common shareholders	\$ 0.13	\$ (0.16)	\$ (0.12)	\$ (0.22)
Common distributions declared	\$ 0.39	\$ 0.15	\$ 0.15	\$ 0.15

	2018			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenues	\$ 275,770	\$ 277,202	\$ 278,969	\$ 285,222
Net income (loss) attributable to common shareholders	\$ 236,022	\$ 123,587	\$ 45,805	\$ (118,543)
Per share data (basic and diluted):				
Net income (loss) attributable to common shareholders	\$ 0.99	\$ 0.52	\$ 0.19	\$ (0.50)
Common distributions declared	\$ 0.39	\$ 0.39	\$ 0.39	\$ 0.39

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				Initial Cost to Company					Cost at December 31, 2019					
Address	City	State	Encumbrances (1)	Land	Buildings, Improvements & Equipment	Cost Capitalized Subsequent to Acquisition	Impairment	Cost Basis Adjustment (2)				Accumulated Depreciation (4)	Date Acquired	Original Construction Date
									Land	Buildings, Improvements & Equipment	Total (3)			
2184 Parkway Lake Drive	Birmingham	AL	\$—	\$580	\$5,980	\$2,095	\$—	\$—	\$580	\$8,075	\$8,655	\$2,119	8/1/2008	2001
2634 Valleydale Road	Birmingham	AL	—	600	7,574	2,002	—	—	1,559	8,617	10,176	2,477	8/1/2008	2000
2021 Dahlke Drive NE	Cullman	AL	—	287	3,415	357	—	(233)	287	3,539	3,826	1,364	11/19/2004	1998
101 Tulip Lane	Dothan	AL	—	3,543	14,619	290	—	—	3,543	14,909	18,452	1,011	12/27/2017	2000
49 Hughes Road	Madison	AL	—	334	3,981	842	—	(243)	334	4,580	4,914	1,637	11/19/2004	1998
200 Terrace Lane	Priceville	AL	—	1,300	9,447	486	—	(41)	1,300	9,892	11,192	2,214	2/1/2012	2006
413 Cox Boulevard	Sheffield	AL	—	394	4,684	511	—	(191)	394	5,004	5,398	1,934	11/19/2004	1998
2435 Columbiana Road	Vestavia Hills	AL	—	843	23,472	2,597	—	—	850	26,062	26,912	3,667	7/12/2016	1991
4461 N Crossover Road	Fayetteville	AR	—	733	10,432	88	—	—	733	10,520	11,253	1,427	5/1/2015	2011
4210 S Caraway Road	Jonesboro	AR	—	653	9,515	109	—	—	653	9,624	10,277	1,298	5/1/2015	2008
672 Jones Road	Springdale	AR	—	572	9,364	346	—	—	572	9,710	10,282	1,310	5/1/2015	2007
13840 North Desert Harbor Drive	Peoria	AZ	—	2,687	15,843	5,589	—	(1,781)	2,693	19,645	22,338	8,312	1/11/2002	1990
11209 N. Tatum Boulevard	Phoenix	AZ	—	1,380	6,349	3,199	—	—	1,506	9,422	10,928	2,221	9/30/2011	1987
2444 West Las Palmaritas Drive	Phoenix	AZ	—	3,820	6,669	512	—	—	3,820	7,181	11,001	1,555	12/22/2010	1982
4121 East Cotton Center	Phoenix	AZ	—	5,166	12,724	480	—	—	5,198	13,172	18,370	1,591	1/29/2015	2000
3850 North US Hwy 89 (5)	Prescott	AZ	16,056	2,017	17,513	4,426	—	—	2,017	21,939	23,956	1,102	2/1/2018	1986
6001 East Thomas Road	Scottsdale	AZ	—	941	8,807	4,272	—	(51)	946	13,023	13,969	6,837	9/1/2012	1990
7090 East Mescal Street	Scottsdale	AZ	—	2,315	13,650	8,458	—	(1,325)	2,349	20,749	23,098	8,009	1/11/2002	1984
17225 North Boswell Boulevard	Sun City	AZ	—	1,189	10,569	2,029	—	(42)	1,189	12,556	13,745	7,440	9/1/2012	1990
14001 W. Meeker Boulevard	Sun City West	AZ	—	395	3,307	—	—	(192)	395	3,115	3,510	1,314	2/28/2003	1998
1415 West 3rd Street	Tempe	AZ	—	2,186	13,446	363	—	—	2,225	13,770	15,995	1,686	1/29/2015	1981
2500 North Rosemont Boulevard	Tucson	AZ	—	4,429	26,119	6,320	—	(2,661)	4,576	29,631	34,207	12,603	1/11/2002	1989
5000 Marina Boulevard	Brisbane	CA	—	7,957	13,430	672	—	—	7,957	14,102	22,059	731	11/14/2017	2000
5770 Armada Drive (5)	Carlsbad	CA	10,958	3,875	18,543	—	—	—	3,875	18,543	22,418	2,279	1/29/2015	1997
1350 South El Camino Real	Encinitas	CA	—	1,510	18,042	600	—	—	1,517	18,635	20,152	5,510	3/31/2008	1999
47201 Lakeview Boulevard	Fremont	CA	—	3,200	10,177	36	—	—	3,200	10,213	13,413	2,110	9/30/2011	1990
47211/47215 Lakeview Boulevard	Fremont	CA	—	3,750	12,656	161	—	—	3,750	12,817	16,567	2,531	9/30/2011	1985
47900 Bayside Parkway	Fremont	CA	—	4,580	10,370	1,001	—	—	4,580	11,371	15,951	2,313	9/30/2011	1991
577 South Peach Street	Fresno	CA	—	738	2,577	4,175	—	(211)	738	6,541	7,279	2,231	12/28/1990	1963
6075 North Marks Avenue	Fresno	CA	—	880	12,751	453	—	—	889	13,195	14,084	3,859	3/31/2008	1996
24552 Paseo de Valencia	Laguna Hills	CA	—	3,172	28,184	22,771	(3,066)	(20,671)	6,447	23,943	30,390	—	11/1/2012	1975
8631 West 3rd Street	Los Angeles	CA	—	24,640	88,277	14,273	—	—	24,640	102,550	127,190	22,283	11/22/2010	1979

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Address	City	State	Encumbrances (1)	Land	Buildings, Improvements & Equipment	Cost Capitalized Subsequent to Acquisition	Impairment	Cost Basis Adjustment (2)	Land	Buildings, Improvements & Equipment	Total (3)	Accumulated Depreciation (4)	Date Acquired	Original Construction Date	
8635 West 3rd Street	Los Angeles	CA	—	24,640	90,352	13,492	—	—	24,662	103,822	128,484	22,644	11/22/2010	1979	
8700 Lindley Avenue	Northridge	CA	—	2,068	13,520	237	(1,282)	(1,851)	1,898	10,794	12,692	—	5/1/2015	2000	
1319 Brookside Avenue	Redlands	CA	—	1,770	9,982	640	—	—	1,770	10,622	12,392	3,054	3/31/2008	1999	
110 Sterling Court	Roseville	CA	—	1,620	10,262	1,856	—	—	1,620	12,118	13,738	3,182	3/31/2008	1998	
1371 Parkside Drive	San Bernardino	CA	—	1,250	9,069	1,005	(699)	(3,703)	1,166	5,756	6,922	—	8/31/2006	1988	
16925 & 16916 Hierba Drive	San Diego	CA	—	9,142	53,904	15,358	—	(5,098)	9,180	64,126	73,306	27,305	1/11/2002	1987	
3030 Science Park	San Diego	CA	—	2,466	46,473	3,317	—	—	2,466	49,790	52,256	12,102	8/6/2009	1986	
3040 Science Park	San Diego	CA	—	1,225	23,077	1,683	—	—	1,225	24,760	25,985	6,009	8/6/2009	1986	
3050 Science Park	San Diego	CA	—	1,508	28,753	2,027	—	—	1,508	30,780	32,288	7,487	8/6/2009	1986	
2904 Orchard Parkway	San Jose	CA	—	10,788	8,890	2,278	—	—	10,788	11,168	21,956	706	1/25/2018	1979	
3530 Deer Park Drive	Stockton	CA	—	670	14,419	1,618	—	—	682	16,025	16,707	4,409	3/31/2008	1999	
877 East March Lane	Stockton	CA	—	1,176	11,171	6,279	—	(1,295)	1,411	15,920	17,331	6,142	9/30/2003	1988	
28515 Westinghouse Place	Valencia	CA	—	\$4,669	41,440	—	—	—	4,669	41,440	46,109	5,094	1/29/2015	2008	
1866 San Miguel Drive	Walnut Creek	CA	—	\$2,010	9,290	4,341	—	(34)	3,417	12,190	15,607	2,587	12/1/2011	1996	
1950 South Dayton Street	Aurora	CO	—	\$3,062	46,195	1,541	—	—	3,120	47,678	50,798	6,503	5/1/2015	1987	
3920 East San Miguel Street	Colorado Springs	CO	—	\$1,380	8,894	3,940	—	(34)	1,602	12,578	14,180	2,595	7/31/2012	1977	
8271 South Continental Divide Road	Littleton	CO	—	\$400	3,507	—	—	(202)	400	3,305	3,705	1,394	2/28/2003	1998	
9005 Grant Street	Thornton	CO	—	\$961	10,867	621	—	—	1,109	11,340	12,449	1,927	12/28/2012	2001	
7809 W. 38th Avenue	Wheat Ridge	CO	—	\$470	3,373	6	—	—	475	3,374	3,849	823	4/1/2010	2004	
40 Sebeth Drive	Cromwell	CT	—	\$570	5,304	1,193	—	—	596	6,471	7,067	1,703	12/22/2010	1998	
1145 19th Street NW	Washington	DC	—	\$13,600	24,880	29,102	—	—	13,600	53,982	67,582	8,499	5/20/2009	1976	
2141 K Street, NW	Washington	DC	—	\$13,700	8,400	4,556	—	—	13,700	12,956	26,656	3,715	12/22/2008	1966	
255 Possum Park Road	Newark	DE	—	\$2,010	11,852	7,754	—	(1,177)	2,761	17,678	20,439	6,349	1/11/2002	1982	
4175 Ogletown Stanton Rd	Newark	DE	—	\$1,500	19,447	1,279	—	—	1,513	20,713	22,226	6,051	3/31/2008	1998	
1212 Foulk Road	Wilmington	DE	—	\$1,179	6,950	2,331	—	(951)	1,202	8,307	9,509	3,543	1/11/2002	1974	
1912 Marsh Road	Wilmington	DE	—	4,365	25,739	4,757	—	(1,985)	4,431	28,445	32,876	12,047	1/11/2002	1988	
2723 Shipley Road	Wilmington	DE	—	869	5,126	4,949	—	(1,182)	934	8,828	9,762	3,509	1/11/2002	1989	
407 Foulk Road	Wilmington	DE	—	38	227	2,450	—	(161)	84	2,470	2,554	724	1/11/2002	1965	
22601 Camino Del Mar	Boca Raton	FL	—	3,200	46,800	4,190	—	(969)	3,204	50,017	53,221	11,594	12/15/2011	1990	
1325 S Congress Avenue	Boynton Beach	FL	—	1,620	5,341	1,285	—	—	1,628	6,618	8,246	1,293	7/27/2012	1985	
1425 Congress Avenue	Boynton Beach	FL	—	2,390	14,768	3,017	—	(241)	2,390	17,544	19,934	4,128	8/9/2011	1994	
1416 Country Club Blvd.	Cape Coral	FL	—	400	2,907	—	—	(173)	400	2,734	3,134	1,153	2/28/2003	1998	

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				Land	Buildings, Improvements & Equipment	Cost Capitalized Subsequent to Acquisition	Impairment	Cost Basis Adjustment (2)	Land	Buildings, Improvements & Equipment	Total (3)	Accumulated Depreciation (4)		
8500 Royal Palm Boulevard	Coral Springs	FL	—	3,410	20,104	27,457	—	(2,247)	3,421	45,303	48,724	15,412	1/11/2002	1984
1208 South Military Trail	Deerfield Beach	FL	—	1,690	14,972	25,038	—	(59)	1,739	39,902	41,641	16,730	10/1/2012	1986
3001 DC Country Club Boulevard	Deerfield Beach	FL	—	3,196	18,848	18,833	—	(1,640)	3,222	36,015	39,237	13,287	1/11/2002	1990
12780 Kenwood Lane	Fort Myers	FL	—	369	2,174	3,418	—	(277)	859	4,825	5,684	1,790	1/11/2002	1990
2480 North Park Road	Hollywood	FL	—	4,500	40,500	15,318	—	(964)	4,556	54,798	59,354	12,282	12/15/2011	1986
8901 Tamiami Trail East	Naples	FL	—	3,200	2,898	14,239	—	(400)	3,200	16,737	19,937	4,903	8/31/2006	1984
12780 Waterford Lakes Parkway	Orlando	FL	—	977	3,946	105	—	—	1,052	3,976	5,028	613	12/18/2013	2002
1603 S. Hiawassee Road	Orlando	FL	—	488	2,621	103	—	—	488	2,724	3,212	471	12/18/2013	2003
1825 N. Mills Avenue	Orlando	FL	—	519	1,799	354	—	—	519	2,153	2,672	628	12/22/2008	1997
1911 N. Mills Avenue	Orlando	FL	—	1,946	7,197	771	—	—	1,946	7,968	9,914	2,402	12/22/2008	1997
1925 N. Mills Avenue	Orlando	FL	—	135	532	155	—	—	135	687	822	224	12/22/2008	1997
250 N. Alafaya Trail	Orlando	FL	—	967	4,362	240	—	—	967	4,602	5,569	678	12/18/2013	1999
45 Katherine Boulevard	Palm Harbor	FL	—	3,379	29,945	6,777	—	(55)	3,392	36,654	40,046	21,887	10/1/2012	1992
900 West Lake Road	Palm Harbor	FL	—	3,449	20,336	9,819	—	(2,155)	3,493	27,956	31,449	11,158	1/11/2002	1989
8500 West Sunrise Boulevard	Plantation	FL	—	4,700	24,300	6,323	—	(1,143)	4,717	29,463	34,180	8,571	12/15/2011	1989
1371 South Ocean Boulevard	Pompano Beach	FL	—	2,500	15,500	13,904	—	(652)	2,560	28,692	31,252	6,922	12/15/2011	1991
2701 North Course Drive	Pompano Beach	FL	—	7,700	2,127	39,047	—	(521)	7,700	40,653	48,353	12,713	8/31/2006	1985
20480 Veterans Boulevard	Port Charlotte	FL	—	400	11,934	1,914	—	(193)	440	13,615	14,055	3,475	7/22/2011	1996
1699 S.E. Lyngate Drive	Port St. Lucie	FL	—	1,242	11,009	3,124	—	(36)	1,249	14,090	15,339	8,101	10/1/2012	1993
501 N.W. Cashmere Boulevard	Port St. Lucie	FL	—	890	9,345	2,414	—	(135)	1,673	10,841	12,514	2,365	7/22/2011	2007
900 South Harbour Island Blvd.	Tampa	FL	—	4,850	6,349	7	—	—	4,850	6,356	11,206	1,940	10/30/2007	1986
111 Executive Center Drive	West Palm Beach	FL	—	2,061	12,153	14,183	—	(1,663)	2,075	24,659	26,734	8,865	1/11/2002	1988
2351 Cedarcrest Road	Acworth	GA	—	2,000	6,674	168	—	—	2,000	6,842	8,842	878	5/1/2016	2014
1200 Bluegrass Lakes Parkway	Alpharetta	GA	—	1,689	15,936	—	—	—	1,689	15,936	17,625	1,959	1/29/2015	2001
855 North Point Pkwy	Alpharetta	GA	—	5,390	26,712	—	—	—	5,390	26,712	32,102	7,596	8/21/2008	2006
253 N. Main Street	Alpharetta	GA	—	1,325	12,377	707	—	—	1,358	13,051	14,409	1,771	5/1/2015	1997
1291 Cedar Shoals Drive	Athens	GA	—	337	4,006	1,062	—	(200)	368	4,837	5,205	1,695	11/19/2004	1998
1515 Sheridan Road	Atlanta	GA	—	5,800	9,305	3	—	—	5,800	9,308	15,108	2,821	11/30/2007	1978
240 Marietta Highway	Canton	GA	—	806	8,555	1,157	—	—	806	9,712	10,518	1,898	10/1/2013	1997
4500 South Stadium Drive	Columbus	GA	—	294	3,505	436	—	(168)	298	3,769	4,067	1,387	11/19/2004	1999
1352 Wellbrook Circle	Conyers	GA	—	342	4,068	1,094	—	(178)	342	4,984	5,326	1,813	11/19/2004	1997
1501 Milstead Road	Conyers	GA	—	750	7,796	559	—	—	750	8,355	9,105	1,967	9/30/2010	2008

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				Land	Buildings, Improvements & Equipment	Cost Capitalized Subsequent to Acquisition	Impairment		Land	Buildings, Improvements & Equipment	Total (3)	Accumulated Depreciation (4)		
3875 Post Road	Cumming	GA	—	954	12,796	215	—	—	958	13,007	13,965	1,825	5/1/2015	2007
4960 Jot Em Down Road	Cumming	GA	—	1,548	18,666	12,321	—	(18)	3,416	29,101	32,517	5,169	8/1/2013	2011
5610 Hampton Park Drive	Cumming	GA	—	3,479	14,771	211	—	—	3,481	14,980	18,461	2,082	9/3/2015	2014
7955 Majors Road	Cumming	GA	—	1,325	7,770	379	—	—	1,325	8,149	9,474	1,100	5/1/2015	2009
2470 Dug Gap Road	Dalton	GA	—	262	3,119	611	—	(133)	262	3,597	3,859	1,302	11/19/2004	1997
101 West Ponce De Leon Avenue	Decatur	GA	—	3,500	13,179	31	—	—	3,500	13,210	16,710	2,503	5/30/2012	1992
2801 North Decatur Road	Decatur	GA	—	3,100	4,436	1,597	—	—	3,100	6,033	9,133	1,513	7/9/2008	1986
114 Penland Street	Ellijay	GA	—	496	7,107	715	—	—	496	7,822	8,318	1,381	10/1/2013	2008
353 North Belair Road	Evans	GA	—	230	2,663	633	—	(170)	230	3,126	3,356	1,198	11/19/2004	1998
1294 Highway 54 West	Fayetteville	GA	—	853	9,903	487	—	—	943	10,300	11,243	1,448	5/1/2015	1999
2435 Limestone Parkway	Gainesville	GA	—	268	3,186	1,162	—	(172)	268	4,176	4,444	1,356	11/19/2004	1998
3315 Thompson Bridge Road	Gainesville	GA	—	934	30,962	856	—	—	956	31,796	32,752	4,243	5/1/2015	1999
5373 Thompson Mill Road	Hoschton	GA	—	944	12,171	155	—	—	949	12,321	13,270	1,659	5/1/2015	2011
8080 Summit Business Parkway	Jonesboro	GA	—	1,800	20,664	2,839	—	(241)	1,800	23,262	25,062	5,484	6/20/2011	2007
6191 Peake Road	Macon	GA	—	183	2,179	906	—	(142)	183	2,943	3,126	960	11/19/2004	1998
1360 Upper Hembree Road	Roswell	GA	—	1,080	6,138	50	—	—	1,067	6,201	7,268	1,183	5/7/2012	2007
1 Savannah Square Drive	Savannah	GA	—	1,200	19,090	6,404	—	(627)	1,413	24,654	26,067	7,841	10/1/2006	1987
5200 Habersham Street	Savannah	GA	—	800	7,800	1,542	—	(74)	803	9,265	10,068	2,246	6/23/2011	2005
7410 Skidaway Road	Savannah	GA	—	400	5,670	1,266	—	(512)	422	6,402	6,824	2,045	11/1/2006	1989
2078 Scenic Highway	Snellville	GA	—	870	4,030	524	—	—	870	4,554	5,424	1,243	12/10/2009	1997
475 Country Club Drive	Stockbridge	GA	—	512	9,560	384	—	—	551	9,905	10,456	1,411	5/1/2015	1998
1300 Montreal Road	Tucker	GA	—	690	6,210	1,107	—	(397)	694	6,916	7,610	2,424	6/3/2005	1997
1100 Ward Avenue	Honolulu	HI	—	\$11,200	55,618	6,172	—	—	11,247	61,743	72,990	11,526	6/18/2012	1961
2340 West Seltice Way	Coeur d'Alene	ID	—	\$910	7,170	2,872	—	—	1,032	9,920	10,952	2,015	7/31/2012	1993
850 Lincoln Drive	Idaho Falls	ID	—	\$510	6,640	2,095	—	—	732	8,513	9,245	1,775	7/31/2012	1978
1250 West Central Road	Arlington Heights	IL	—	\$3,665	32,587	8,870	—	(44)	3,781	41,297	45,078	23,476	11/1/2012	1986
1450 Busch Parkway	Buffalo Grove	IL	—	\$3,800	11,456	751	—	—	3,815	12,192	16,007	2,850	9/16/2010	2009
2601 Patriot Boulevard	Glenview	IL	—	\$2,285	9,593	—	—	—	2,285	9,593	11,878	1,179	1/29/2015	2005
1373 D'Adrian Professional Park	Godfrey	IL	—	\$281	15,088	508	—	—	281	15,596	15,877	2,144	5/1/2015	2010
900 43rd Avenue	Moline	IL	—	\$482	7,651	236	—	—	482	7,887	8,369	1,044	5/1/2015	2003 / 2012
221 11th Avenue	Moline	IL	—	\$161	7,244	1,445	—	—	161	8,689	8,850	1,139	5/1/2015	2008
2700 14th Street	Pekin	IL	—	\$171	11,475	265	—	—	172	11,739	11,911	1,611	5/1/2015	2009

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									Land	Buildings, Improvements & Equipment	Total (3)	Accumulated Depreciation (4)			
7130 Crimson Ridge Drive	Rockford	IL	—	\$200	7,300	1,710	—	—	1,596	7,614	9,210	1,799	5/1/2011	1999	
1220 Lakeview Drive	Romeoville	IL	—	\$1,120	19,582	(61)	—	—	1,058	19,583	20,641	5,568	8/21/2008	2005	
1201 Hartman Lane	Shiloh	IL	—	\$743	7,232	841	—	—	1,237	7,579	8,816	781	12/8/2016	2003	
900 Southwind Road	Springfield	IL	—	\$300	6,744	1,456	—	(108)	300	8,092	8,392	2,753	8/31/2006	1990	
2705 Avenue E	Sterling	IL	—	\$341	14,331	368	—	—	341	14,699	15,040	2,004	5/1/2015	2008	
39 Dorothy Drive	Troy	IL	—	\$1,002	7,010	252	—	—	1,002	7,262	8,264	774	12/8/2016	2003	
100 Grand Victorian Place	Washington	IL	—	\$241	12,046	328	—	—	241	12,374	12,615	1,671	5/1/2015	2009	
1615 Lakeside Drive	Waukegan	IL	—	\$2,700	9,590	2,876	—	—	3,264	11,902	15,166	2,599	9/30/2011	1990	
1675 Lakeside Drive	Waukegan	IL	—	\$2,420	9,382	2,204	—	—	2,873	11,133	14,006	2,500	9/30/2011	1998	
406 Smith Drive	Auburn	IN	—	\$380	8,246	410	—	—	380	8,656	9,036	2,531	9/1/2008	1999	
6990 East County Road 100 North	Avon	IN	—	\$850	11,888	391	—	—	850	12,279	13,129	3,704	9/1/2008	1999	
2455 Tamarack Trail	Bloomington	IN	—	\$5,400	25,129	27,768	—	—	6,339	51,958	58,297	9,358	11/1/2008	1983	
2460 Glebe Street	Carmel	IN	—	\$2,108	57,741	668	—	—	2,125	58,392	60,517	7,538	5/1/2015	2008	
701 East County Line Road	Greenwood	IN	—	\$1,830	14,303	782	—	—	1,830	15,085	16,915	3,168	12/1/2011	2007	
8505 Woodfield Crossing Boulevard	Indianapolis	IN	—	2,785	16,396	6,420	—	(1,925)	2,785	20,891	23,676	8,491	1/11/2002	1986	
2501 Friendship Boulevard	Kokomo	IN	—	512	13,009	277	—	—	512	13,286	13,798	799	12/27/2017	1997	
603 Saint Joseph Drive	Kokomo	IN	—	220	5,899	867	—	—	220	6,766	6,986	1,960	9/1/2008	1998	
1211 Longwood Drive	La Porte	IN	—	770	5,550	874	—	—	923	6,271	7,194	1,842	9/1/2008	1998	
1590 West Timberview Drive	Marion	IN	—	410	5,409	372	—	—	410	5,781	6,191	1,782	9/1/2008	2000	
1473 East McKay Road	Shelbyville	IN	—	190	5,328	339	—	—	190	5,667	5,857	1,697	9/1/2008	1999	
17441 State Road 23	South Bend	IN	—	400	3,107	—	—	(182)	400	2,925	3,325	1,234	2/28/2003	1998	
222 South 25th Street	Terra Haute	IN	—	300	13,115	602	—	—	300	13,717	14,017	4,154	9/1/2008	2005	
150 Fox Ridge Drive	Vincennes	IN	—	110	3,603	1,370	—	—	110	4,973	5,083	1,513	9/1/2008	1985	
1501 Inverness Drive	Lawrence	KS	—	1,600	18,565	1,284	—	—	1,758	19,691	21,449	5,722	10/1/2009	1988	
5799 Broadmoor Street	Mission	KS	—	1,522	7,246	1,320	—	—	1,522	8,566	10,088	766	1/17/2017	1986	
3501 West 95th Street	Overland Park	KS	—	2,568	15,140	5,117	—	(1,677)	2,580	18,568	21,148	7,708	1/11/2002	1989	
6555 West 75th Street	Overland Park	KS	—	1,274	1,126	14,257	—	(994)	1,487	14,176	15,663	5,558	10/25/2002	1985	
6700 W. 115th Street	Overland Park	KS	—	4,503	29,387	117	—	—	4,503	29,504	34,007	1,482	1/3/2018	2006	
981 Campbell Lane	Bowling Green	KY	—	365	4,345	685	—	(203)	365	4,827	5,192	1,776	11/19/2004	1999	
102 Leonardwood Drive	Frankfort	KY	—	560	8,282	1,786	—	(60)	579	9,989	10,568	3,481	8/31/2006	1989	
4190 Lafayette Road	Hopkinsville	KY	—	316	3,761	439	—	(193)	316	4,007	4,323	1,472	11/19/2004	1999	
690 Mason Headley Road (6)	Lexington	KY	7,186	—	10,848	12,339	—	(990)	42	22,155	22,197	11,198	1/11/2002	1985	

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700 Mason Headley Road (6)	Lexington	KY	1,688	—	6,394	7,858	—	(714)	52	13,486	13,538	6,105	1/11/2002	1980	
200 Brookside Drive	Louisville	KY	—	3,524	20,779	7,629	—	(2,608)	3,549	25,775	29,324	10,790	1/11/2002	1984	
1517 West Broadway	Mayfield	KY	—	268	2,730	1,028	—	(157)	268	3,601	3,869	1,326	11/19/2004	1999	
1700 Elmdale Road	Paducah	KY	—	450	5,358	1,203	—	(245)	451	6,315	6,766	2,264	11/19/2004	2000	
100 Neighborly Way	Somerset	KY	—	200	4,919	454	—	—	200	5,373	5,573	1,738	11/6/2006	2000	
1295 Boylston Street	Boston	MA	—	7,600	18,140	3,179	—	—	7,625	21,294	28,919	4,634	1/26/2011	1930	
11 Fan Pier Boulevard / 50 Northern Avenue (5)	Boston	MA	620,000	52,643	784,954	(1,382)	—	—	52,643	783,572	836,215	111,500	5/7/2014	2013	
549 Albany Street	Boston	MA	—	4,576	45,029	—	—	—	4,569	45,036	49,605	7,131	8/22/2013	1895	
330 Baker Avenue	Concord	MA	—	3,775	19,906	—	—	—	3,775	19,906	23,681	2,447	1/29/2015	2013	
4 Maguire Road	Lexington	MA	—	3,600	15,555	2,031	(7,255)	—	3,884	10,047	13,931	3,369	12/22/2008	1994	
100 Hampshire Street	Mansfield	MA	—	2,090	8,215	1,302	—	—	2,486	9,121	11,607	2,029	12/22/2010	1975	
15 Hampshire Street	Mansfield	MA	—	1,360	7,326	495	—	—	1,748	7,433	9,181	1,750	12/22/2010	1988	
5 Hampshire Street	Mansfield	MA	—	1,190	5,737	1,695	—	—	1,464	7,158	8,622	1,431	12/22/2010	1988	
30 New Crossing Road	Reading	MA	—	1,443	14,153	183	—	—	1,455	14,324	15,779	2,615	9/27/2012	1986	
299 Cambridge Street	Winchester	MA	—	3,218	18,988	11,326	—	(1,679)	3,218	28,635	31,853	11,114	1/11/2002	1991	
2717 Riva Road	Annapolis	MD	—	1,290	12,373	670	—	—	1,290	13,043	14,333	3,857	3/31/2008	2001	
658 Boulton Street	Bel Air	MD	—	4,750	16,504	2	—	—	4,750	16,506	21,256	5,003	11/30/2007	1980	
7600 Laurel Bowie Road	Bowie	MD	—	408	3,421	872	—	(298)	408	3,995	4,403	1,664	10/25/2002	2000	
8100 Connecticut Avenue	Chevy Chase	MD	—	15,170	92,830	6,867	—	(1,117)	15,177	98,573	113,750	21,408	12/15/2011	1990	
8220 Snowden River Parkway	Columbia	MD	—	1,390	10,303	839	—	—	1,390	11,142	12,532	3,208	3/31/2008	2001	
700 Port Street	Easton	MD	—	383	4,555	3,258	—	(397)	394	7,405	7,799	2,711	10/25/2002	2000	
3004 North Ridge Road	Ellicott City	MD	—	1,409	22,691	8,323	—	(1,814)	1,467	29,142	30,609	10,966	3/1/2004	1997	
1820 Latham Drive	Frederick	MD	—	385	3,444	985	—	(331)	385	4,098	4,483	1,637	10/25/2002	1998	
2100 Whittier Drive	Frederick	MD	—	1,260	9,464	1,350	—	—	1,260	10,814	12,074	3,131	3/31/2008	1999	
10116 Sharpsburg Pike	Hagerstown	MD	—	1,040	7,471	4,591	—	—	1,044	12,058	13,102	3,282	3/31/2008	1999	
4000 Old Court Road	Pikesville	MD	—	2,000	4,974	802	—	—	2,000	5,776	7,776	1,614	12/22/2008	1987	
12725 Twinbrook Parkway	Rockville	MD	—	6,138	6,526	541	—	—	6,138	7,067	13,205	722	7/12/2017	1968	
715 Benfield Road	Severna Park	MD	—	229	9,798	2,113	—	(769)	246	11,125	11,371	4,690	10/25/2002	1998	
14400 Homecrest Road	Silver Spring	MD	—	1,200	9,288	7,258	—	(1,270)	1,207	15,269	16,476	5,769	10/25/2002	1996	
801 Roeder Road	Silver Spring	MD	—	1,900	12,858	1,910	—	—	1,900	14,768	16,668	2,958	6/27/2012	1976	
720 & 734 N. Pine Road	Hampton	MI	—	300	2,406	—	—	(142)	300	2,264	2,564	955	2/28/2003	1998	
4004 & 4012 Waldo Road	Midland	MI	—	400	2,606	—	—	(162)	400	2,444	2,844	1,031	2/28/2003	1998	

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1605 & 1615 Fredericks Drive	Monroe	MI	—	300	2,506	—	—	(152)	300	2,354	2,654	993	2/28/2003	1998
3150 & 3100 Old Centre Road	Portage	MI	—	300	2,206	—	—	(133)	300	2,073	2,373	875	2/28/2003	1998
2445 & 2485 Mc Carty Road	Saginaw	MI	—	600	5,212	—	—	(305)	600	4,907	5,507	2,070	2/28/2003	1998
11855 Ulysses Street NE	Blaine	MN	—	2,774	9,276	409	—	—	2,774	9,685	12,459	1,763	12/21/2012	2007
1305 Corporate Center Drive	Eagan	MN	—	2,300	13,105	6,111	—	—	2,735	18,781	21,516	3,477	12/22/2010	1986
8301 Golden Valley Road	Golden Valley	MN	—	1,256	4,680	390	—	—	1,256	5,070	6,326	503	2/10/2016	1998
8401 Golden Valley Road	Golden Valley	MN	—	1,510	5,742	1,773	—	—	1,510	7,515	9,025	739	2/10/2016	1998
8501 Golden Valley Road	Golden Valley	MN	—	1,263	4,288	803	—	—	1,263	5,091	6,354	501	2/10/2016	1998
1201 Northland Drive	Mendota Heights	MN	—	1,220	10,208	1,250	—	—	1,461	11,217	12,678	2,730	1/25/2011	1989
12700 Whitewater Drive	Minnetonka	MN	—	5,453	8,108	8,182	—	—	5,453	16,290	21,743	865	10/2/2017	1998
20600 South Diamond Lake Road	Rogers	MN	—	2,760	45,789	2,332	—	—	2,852	48,029	50,881	14,675	3/1/2008	1999
2200 County Road C West	Roseville	MN	—	590	702	483	—	—	734	1,041	1,775	284	9/30/2011	1991
4166 Lexington Avenue N	Shoreview	MN	—	1,300	4,547	307	—	—	1,439	4,715	6,154	1,060	5/20/2011	1988
1365 Crestridge Lane	West St. Paul	MN	—	400	2,506	—	—	(292)	400	2,214	2,614	934	2/28/2003	1998
305 & 315 Thompson Avenue	West St. Paul	MN	—	400	3,608	99	—	(402)	400	3,305	3,705	1,394	2/28/2003	1998
5351 Gretna Road	Branson	MO	—	743	10,973	313	—	—	754	11,275	12,029	1,572	5/1/2015	2002
845 N New Ballas Court	Creve Coeur	MO	—	1,582	16,328	639	—	—	1,582	16,967	18,549	803	1/22/2018	2006
3828 College View Drive	Joplin	MO	—	260	11,382	440	—	(14)	260	11,808	12,068	2,516	8/31/2012	2003
14100 Magellan Plaza	Maryland Heights	MO	—	3,719	37,304	4,333	—	—	3,179	42,177	45,356	6,250	1/29/2015	2003
640 E Highland Avenue	Nevada	MO	—	311	5,703	181	—	—	311	5,884	6,195	802	5/1/2015	1997
2410 W Chesterfield Blvd	Springfield	MO	—	924	12,772	207	—	—	924	12,979	13,903	1,702	5/1/2015	1999
3540 East Cherokee Street	Springfield	MO	—	1,084	11,339	362	—	—	1,129	11,656	12,785	1,585	5/1/2015	1996
4700 North Hanley Road	St. Louis	MO	—	5,166	41,587	131	—	—	5,166	41,718	46,884	5,144	1/29/2015	2014
1488 Belk Boulevard	Oxford	MS	—	450	5,791	846	(3,592)	(2,222)	169	1,104	1,273	—	10/1/2006	2000
108 Clarington Drive	Southaven	MS	—	450	5,795	1,100	(3,742)	(2,275)	189	1,139	1,328	—	10/1/2006	2000
1547 North Hunters Way	Bozeman	MT	—	1,616	27,750	285	—	—	1,641	28,010	29,651	3,655	5/1/2015	2008
118 Alamance Road	Burlington	NC	—	575	9,697	1,022	—	(84)	575	10,635	11,210	2,490	6/20/2011	1998
1050 Crescent Green Drive	Cary	NC	—	713	4,628	2,429	—	(731)	713	6,326	7,039	2,693	10/25/2002	1999
2220 & 2230 Farmington Drive	Chapel Hill	NC	—	800	6,414	—	—	(375)	800	6,039	6,839	2,548	2/28/2003	1996
2101 Runnymede Lane	Charlotte	NC	—	2,475	11,451	950	—	(87)	2,458	12,331	14,789	3,193	6/20/2011	1999
5920 McChesney Drive	Charlotte	NC	—	820	7,790	1,217	—	—	820	9,007	9,827	2,495	11/17/2009	2001
6101 Clarke Creek Parkway	Charlotte	NC	—	500	13,960	36	—	—	500	13,996	14,496	3,990	11/17/2009	1999

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500 Penny Lane NE	Concord	NC	—	1,687	17,603	334	—	—	1,687	17,937	19,624	2,001	6/29/2016	1997
1002 Highway 54	Durham	NC	—	595	5,200	265	—	(62)	595	5,403	5,998	1,253	6/20/2011	1988
4505 Emperor Boulevard	Durham	NC	—	1,285	16,932	367	—	—	1,285	17,299	18,584	1,017	10/11/2017	2001
5213 South Alston Avenue	Durham	NC	—	1,093	31,377	43	—	—	1,093	31,420	32,513	3,864	1/29/2015	2010
2755 Union Road	Gastonia	NC	—	1,104	17,834	583	—	—	1,104	18,417	19,521	2,485	6/29/2016	1998
1001 Phifer Road	Kings Mountain	NC	—	655	8,283	647	—	(89)	657	8,839	9,496	2,123	6/23/2011	1998
128 Brawley School Road	Mooreville	NC	—	595	7,305	910	—	(67)	601	8,142	8,743	1,903	6/23/2011	1999
1309 , 1321, & 1325 McCarthy Boulevard	New Bern	NC	—	1,245	20,898	853	—	(159)	1,245	21,592	22,837	4,722	6/20/2011	2001/2005/2008
13150 Dorman Road	Pineville	NC	—	550	7,570	1,642	—	—	550	9,212	9,762	2,445	11/17/2009	1998
13180 Dorman Road	Pineville	NC	—	630	15,230	7	—	—	630	15,237	15,867	4,339	11/17/2009	1998
801 Dixie Trail	Raleigh	NC	—	3,233	17,788	232	—	—	3,236	18,017	21,253	2,475	6/29/2016	1992
2744 South 17th Street	Wilmington	NC	—	1,134	14,771	1,230	—	—	1,139	15,996	17,135	2,284	4/18/2016	1998
1730 Parkwood Boulevard West	Wilson	NC	—	610	14,787	548	—	(163)	610	15,172	15,782	3,367	6/20/2011	2004/2006
17007 Elm Plaza	Omaha	NE	—	4,680	22,022	—	—	—	4,680	22,022	26,702	6,262	8/21/2008	2007
3030 South 80th Street	Omaha	NE	—	650	5,850	1,395	—	(327)	650	6,918	7,568	2,349	6/3/2005	1992
490 Cooper Landing Road	Cherry Hill	NJ	—	1,001	8,175	1,994	—	(258)	1,001	9,911	10,912	3,693	12/29/2003	1999
1400 Route 70	Lakewood	NJ	—	4,885	28,803	4,647	—	(2,011)	4,905	31,419	36,324	13,564	1/11/2002	1987
2 Hillside Drive	Mt. Arlington	NJ	—	1,375	11,232	991	—	(399)	1,393	11,806	13,199	4,703	12/29/2003	2001
655 Pomander Walk	Teaneck	NJ	—	4,950	44,550	4,436	—	(985)	4,984	47,967	52,951	11,180	12/15/2011	1989
10500 Academy Road NE	Albuquerque	NM	—	3,828	22,572	8,200	—	(1,945)	3,828	28,827	32,655	11,368	1/11/2002	1986
4100 Prospect Avenue NE	Albuquerque	NM	—	540	10,105	8	—	—	540	10,113	10,653	3,086	10/30/2007	1977
4300 Landau Street NE	Albuquerque	NM	—	1,060	9,875	8	—	—	1,060	9,883	10,943	3,016	10/30/2007	1973
4411 The 25 Way	Albuquerque	NM	—	3,480	25,245	4,570	—	—	3,931	29,364	33,295	7,301	12/22/2010	1970
4420 The 25 Way	Albuquerque	NM	—	1,430	2,609	647	—	—	1,614	3,072	4,686	788	12/22/2010	1970
9190 Coors Boulevard NW	Albuquerque	NM	—	1,660	9,173	8	—	—	1,660	9,181	10,841	2,802	10/30/2007	1983
2200 East Long Street	Carson City	NV	—	622	17,900	404	—	—	622	18,304	18,926	2,478	5/1/2015	2009
3201 Plumas Street	Reno	NV	—	2,420	49,580	6,961	—	(815)	2,420	55,726	58,146	11,512	12/15/2011	1989
6300 Eighth Avenue	Brooklyn	NY	—	3,870	8,545	70	—	—	3,870	8,615	12,485	2,432	8/8/2008	1971
200 Old County Road	Mineola	NY	—	4,920	24,056	10,792	—	—	4,920	34,848	39,768	7,215	9/30/2011	1971
15 North Broadway	White Plains	NY	—	4,900	13,594	4,359	—	—	4,900	17,953	22,853	3,874	1/26/2009	1952
537 Riverdale Avenue	Yonkers	NY	—	8,460	90,561	12,305	—	(99)	8,465	102,762	111,227	20,915	8/31/2012	2000
4590 Knightsbridge Boulevard	Columbus	OH	—	3,623	27,778	15,926	—	(2,719)	3,732	40,876	44,608	15,407	1/11/2002	1989

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3929 Hoover Road	Grove City	OH	—	332	3,081	791	—	—	332	3,872	4,204	2,354	6/4/1993	1965
7555 Innovation Way	Mason	OH	—	1,025	12,883	—	—	—	1,025	12,883	13,908	1,047	10/6/2016	2015
5260 Naiman Parkway	Solon	OH	—	450	2,305	1,625	—	—	1,112	3,268	4,380	763	12/22/2010	1975
5370 Naiman Parkway	Solon	OH	—	550	2,147	1,175	—	—	909	2,963	3,872	625	9/30/2011	1975
8709 S.E. Causey Avenue	Portland	OR	—	3,303	77,428	347	(26,073)	(9,749)	2,201	43,055	45,256	—	5/1/2015	1985 / 1991
71 Darlington Road	Beaver Falls	PA	—	1,500	13,500	590	—	(817)	1,523	13,250	14,773	4,734	10/31/2005	1997
950 Morgan Highway	Clarks Summit	PA	—	1,001	8,233	705	—	(277)	1,017	8,645	9,662	3,358	12/29/2003	2001
145 Broadlawn Drive	Elizabeth	PA	—	696	6,304	770	—	(485)	696	6,589	7,285	2,387	10/31/2005	1986
600 N. Pottstown Pike	Exton	PA	—	1,001	8,233	1,322	—	(308)	1,001	9,247	10,248	3,578	12/29/2003	2000
242 Baltimore Pike	Glen Mills	PA	—	1,001	8,233	603	—	(382)	1,001	8,454	9,455	3,369	12/29/2003	2001
20 Capital Drive	Harrisburg	PA	—	397	9,333	—	—	—	397	9,333	9,730	1,147	1/29/2015	2013
210 Mall Boulevard	King of Prussia	PA	—	1,540	4,743	2,230	—	—	1,540	6,973	8,513	1,754	8/8/2008	1970
216 Mall Boulevard	King of Prussia	PA	—	880	2,871	1,730	—	—	978	4,503	5,481	797	1/26/2011	1970
5300 Old William Penn Highway	Murrysville	PA	—	300	2,506	—	—	(272)	300	2,234	2,534	942	2/28/2003	1998
800 Manor Drive	New Britain (Chalfont)	PA	—	979	8,052	1,001	—	(361)	981	8,690	9,671	3,381	12/29/2003	1998
7151 Saltsburg Road	Penn Hills	PA	—	200	904	—	—	(103)	200	801	1,001	338	2/28/2003	1997
5750 Centre Avenue	Pittsburgh	PA	—	3,000	11,828	3,667	—	—	3,778	14,717	18,495	4,189	6/11/2008	1991
730 Holiday Drive	Pittsburgh	PA	—	2,480	6,395	4,475	—	—	2,711	10,639	13,350	2,810	12/22/2010	1985
3043 Walton Road	Plymouth Meeting	PA	—	1,680	9,187	1,388	—	—	1,713	10,542	12,255	1,994	9/30/2011	1969
1400 Riggs Road	South Park	PA	—	898	8,102	402	—	(552)	898	7,952	8,850	2,819	10/31/2005	1995
700 Northampton Street	Tiffany Court (Kingston)	PA	—	—	5,682	1,773	—	(359)	—	7,096	7,096	2,619	12/29/2003	1997
5250 Meadowgreen Drive	Whitehall	PA	—	1,599	14,401	2,997	—	(976)	1,599	16,422	18,021	5,466	10/31/2005	1987
1304 McLees Road	Anderson	SC	—	295	3,509	305	—	(147)	295	3,667	3,962	1,421	11/19/2004	1999
109 Old Salem Road	Beaufort	SC	—	188	2,234	889	—	(193)	188	2,930	3,118	1,264	11/19/2004	1999
1119 Pick Pocket Plantation Drive	Beaufort	SC	—	1,200	10,810	935	—	(72)	1,224	11,649	12,873	2,865	6/20/2011	2005
719 Kershaw Highway	Camden	SC	—	322	3,697	1,261	—	(299)	322	4,659	4,981	1,725	11/19/2004	1999
2333 Ashley River Road	Charleston	SC	—	848	14,000	2,074	—	(123)	871	15,928	16,799	3,757	6/20/2011	1999
320 Seven Farms Drive	Charleston	SC	—	1,092	6,605	1,194	—	(22)	1,092	7,777	8,869	1,681	5/29/2012	1998
201 Executive Center Drive	Columbia	SC	—	390	4,659	2,193	—	—	390	6,852	7,242	1,590	12/22/2010	1985
251 Springtree Drive	Columbia	SC	—	300	1,905	—	—	(112)	300	1,793	2,093	756	2/28/2003	1998
3 Summit Terrace	Columbia	SC	—	610	7,900	980	—	—	610	8,880	9,490	2,478	11/17/2009	2002
7909 Parklane Road	Columbia	SC	—	1,580	4,520	748	—	—	1,580	5,268	6,848	1,319	9/30/2011	1990

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355 Berkman Lane	Greenville	SC	—	700	7,240	852	—	—	—	700	8,092	8,792	2,248	11/17/2009	2002	
116 Enterprise Court	Greenwood	SC	—	310	2,790	549	—	(152)		310	3,187	3,497	1,123	6/3/2005	1999	
1901 West Carolina Avenue	Hartsville	SC	—	401	4,775	756	—	(229)		401	5,302	5,703	2,001	11/19/2004	1999	
218 Old Chapin Road	Lexington	SC	—	363	4,322	724	—	(231)		363	4,815	5,178	1,831	11/19/2004	1999	
491 Highway 17	Little River	SC	—	750	9,018	1,122	—	(38)		750	10,102	10,852	2,411	6/23/2011	2000	
1010 Anna Knapp Boulevard	Mt. Pleasant	SC	—	1,797	6,132	87	—	—		1,797	6,219	8,016	894	6/29/2016	1997	
601 Mathis Ferry Road	Mt. Pleasant	SC	—	1,687	12,612	145	—	—		1,687	12,757	14,444	1,657	6/29/2016	1999	
937 Bowman Road	Mt. Pleasant	SC	—	3,898	31,613	7,143	—	(77)		3,907	38,670	42,577	8,739	7/1/2012	1997 / 1983	
9547 Highway 17 North	Myrtle Beach	SC	—	543	3,202	8,688	—	(343)		556	11,534	12,090	3,861	1/11/2002	1980	
2306 Riverbank Drive	Orangeburg	SC	—	303	3,607	804	—	(219)		303	4,192	4,495	1,631	11/19/2004	1999	
1920 Ebenezer Road	Rock Hill	SC	—	300	1,705	—	—	(162)		300	1,543	1,843	651	2/28/2003	1998	
15855 Wells Highway	Seneca	SC	—	396	4,714	601	—	(184)		396	5,131	5,527	2,006	11/19/2004	2000	
One Southern Court	West Columbia	SC	—	520	3,831	594	—	—		557	4,388	4,945	1,156	12/22/2010	2000	
6716 Nolensville Road	Brentwood	TN	—	1,528	6,037	144	—	—		1,528	6,181	7,709	1,124	11/30/2012	2010	
207 Uffelman Drive	Clarksville	TN	—	320	2,994	936	—	—		320	3,930	4,250	1,292	12/31/2006	1997	
51 Patel Way	Clarksville	TN	—	800	10,322	6,014	—	(25)		802	16,309	17,111	2,701	12/19/2012	2005	
2900 Westside Drive NW	Cleveland	TN	—	305	3,627	969	—	(213)		305	4,383	4,688	1,593	11/19/2004	1998	
1010 East Spring Street	Cookeville	TN	—	322	3,828	841	—	(170)		322	4,499	4,821	1,687	11/19/2004	1998	
105 Sunrise Circle	Franklin	TN	—	322	3,833	1,002	—	(186)		329	4,642	4,971	1,693	11/19/2004	1997	
1085 Hartsville Pike	Gallatin	TN	—	280	3,327	629	—	(160)		280	3,796	4,076	1,355	11/19/2004	1998	
2025 Caldwell Drive	Goodlettsville	TN	—	400	3,507	8,547	—	(202)		400	11,852	12,252	2,303	2/28/2003	1998	
1200 North Parkway	Jackson	TN	—	295	3,506	495	—	(207)		299	3,790	4,089	1,448	11/19/2004	1999	
550 Deer View Way	Jefferson City	TN	—	940	8,057	948	—	—		948	8,997	9,945	1,599	10/15/2013	2001	
10914 Kingston Pike (5)	Knoxville	TN	10,246	613	12,410	163	—	—		613	12,573	13,186	673	6/29/2018	2008	
3020 Heatherton Way	Knoxville	TN	—	304	3,618	1,996	—	(296)		314	5,308	5,622	1,932	11/19/2004	1998	
3030 Holbrook Drive (5)	Knoxville	TN	5,885	352	7,128	153	—	—		360	7,273	7,633	395	6/29/2018	1999	
100 Chatuga Drive West	Loudon	TN	—	580	16,093	30,209	—	—		580	46,302	46,882	1,044	1/19/2018	2003	
511 Pearson Springs Road	Maryville	TN	—	300	3,207	100	—	(192)		300	3,115	3,415	1,314	2/28/2003	1998	
1710 Magnolia Boulevard	Nashville	TN	—	750	6,750	8,380	—	(390)		750	14,740	15,490	3,919	6/3/2005	1979	
350 Volunteer Drive	Paris	TN	—	110	12,100	134	—	—		110	12,234	12,344	1,785	6/29/2016	1997	
971 State Hwy 121	Allen	TX	—	2,590	17,912	—	—	—		2,590	17,912	20,502	5,094	8/21/2008	2006	
1111 W. 34th Street	Austin	TX	—	400	21,021	1,517	—	—		694	22,244	22,938	6,320	6/25/2008	1975	

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6818 Austin Center Boulevard	Austin	TX	—	1,540	27,467	2,220	—	—	1,585	29,642	31,227	8,322	10/31/2008	1994
7600 N Capital Texas Highway	Austin	TX	—	300	4,557	378	—	—	300	4,935	5,235	1,069	12/22/2010	1996
4620 Bellaire Boulevard	Bellaire	TX	—	1,238	11,010	4,016	—	(59)	1,325	14,880	16,205	8,322	10/1/2012	1991
120 Crosspoint Drive	Boerne	TX	—	220	4,926	475	—	—	227	5,394	5,621	1,540	2/7/2008	1990
4015 Interstate 45	Conroe	TX	—	620	14,074	697	—	—	620	14,771	15,391	3,536	10/26/2010	2009
5455 La Sierra Drive	Dallas	TX	—	2,300	25,200	5,713	—	(583)	2,313	30,317	32,630	6,602	12/15/2011	1989
7831 Park Lane	Dallas	TX	—	4,709	27,768	20,526	—	(2,148)	5,432	45,423	50,855	15,667	1/11/2002	1990
1575 Belvidere Street	El Paso	TX	—	2,301	13,567	4,250	—	(1,029)	2,316	16,773	19,089	6,756	1/11/2002	1987
96 Frederick Road	Fredericksburg	TX	—	280	4,866	5,973	—	—	280	10,839	11,119	2,171	2/7/2008	1999
13215 Dotson Road	Houston	TX	—	990	13,887	1,185	—	—	990	15,072	16,062	2,957	7/17/2012	2007
777 North Post Oak Road	Houston	TX	—	5,537	32,647	22,659	—	(3,119)	5,540	52,184	57,724	18,982	1/11/2002	1989
10030 North MacArthur Boulevard	Irving	TX	—	2,186	15,869	734	—	—	2,186	16,603	18,789	1,980	1/29/2015	1999
4770 Regent Boulevard	Irving	TX	—	2,830	15,082	4,467	—	—	2,830	19,549	22,379	5,231	6/25/2008	1995
9812 Slide Road	Lubbock	TX	—	1,110	9,798	109	—	—	1,110	9,907	11,017	2,348	6/4/2010	2009
605 Gateway Central	Marble Falls	TX	—	1,440	7,125	921	—	(34)	1,440	8,012	9,452	1,797	12/19/2012	1994 / 2002
500 Coit Road	Plano	TX	—	3,463	44,841	—	—	—	3,463	44,841	48,304	37	12/20/2019	2016
2265 North Lakeshore Drive	Rockwall	TX	—	497	3,582	—	—	—	497	3,582	4,079	440	1/29/2015	2013
18302 Talavera Ridge	San Antonio	TX	—	6,855	30,630	—	—	—	6,855	30,630	37,485	3,765	1/29/2015	2008
21 Spurs Lane (5)	San Antonio	TX	12,513	3,141	23,142	862	—	—	3,141	24,004	27,145	3,483	4/10/2014	2006
311 West Nottingham Place	San Antonio	TX	—	4,283	25,256	11,275	—	(2,361)	4,359	34,094	38,453	13,647	1/11/2002	1989
511 Knights Cross Drive	San Antonio	TX	—	1,200	6,500	642	—	—	1,206	7,136	8,342	1,955	11/17/2009	2003
575 Knights Cross Drive	San Antonio	TX	—	1,100	13,900	375	—	—	1,100	14,275	15,375	4,201	11/17/2009	2003
5055 West Panther Creek Drive	Woodlands	TX	—	3,694	21,782	5,395	—	(2,528)	3,706	24,637	28,343	10,907	1/11/2002	1988
491 Crestwood Drive	Charlottesville	VA	—	641	7,633	2,108	—	(402)	646	9,334	9,980	3,336	11/19/2004	1998
1005 Elysian Place	Chesapeake	VA	—	2,370	23,705	730	—	(153)	2,381	24,271	26,652	5,427	6/20/2011	2006
2856 Forehand Drive	Chesapeake	VA	—	160	1,498	1,068	—	(215)	163	2,348	2,511	883	5/30/2003	1987
4027 Martinsburg Pike	Clear Brook	VA	—	3,775	21,768	—	—	—	3,775	21,768	25,543	2,676	1/29/2015	2013
4001 Fair Ridge Drive	Fairfax	VA	—	2,500	7,147	2,542	—	—	2,646	9,543	12,189	2,512	12/22/2008	1990
20 HeartFields Lane	Fredericksburg	VA	—	287	8,480	1,599	—	(685)	287	9,394	9,681	3,988	10/25/2002	1998
2800 Polo Parkway	Midlothian	VA	—	1,103	13,126	4,007	—	(667)	1,108	16,461	17,569	5,612	11/19/2004	1996
655 Denbigh Boulevard	Newport News	VA	—	581	6,921	1,760	—	(342)	584	8,336	8,920	2,861	11/19/2004	1998
6160 Kempsville Circle	Norfolk	VA	—	3,263	7,615	2,356	—	—	3,263	9,971	13,234	597	12/22/2017	1987

DIVERSIFIED HEALTHCARE TRUST
SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2019
(dollars are in thousands)

Address	City	State	Encumbrances (1)	Initial Cost to Company					Cost at December 31, 2019					Original Construction Date
				Land	Buildings, Improvements & Equipment	Cost Capitalized Subsequent to Acquisition	Impairment	Cost Basis Adjustment (2)	Land	Buildings, Improvements & Equipment	Total (3)	Accumulated Depreciation (4)	Date Acquired	
6161 Kempsville Road	Norfolk	VA	—	1,530	9,531	1,732	—	—	1,530	11,263	12,793	3,036	12/22/2008	1999
6311 Granby Street	Norfolk	VA	—	1,920	16,538	835	—	(188)	1,932	17,173	19,105	3,797	6/20/2011	2005
885 Kempsville Road	Norfolk	VA	—	1,780	8,354	1,705	—	—	1,780	10,059	11,839	3,113	5/20/2009	1981
531 Wythe Creek Road	Poquoson	VA	—	220	2,041	933	—	(212)	220	2,762	2,982	1,062	5/30/2003	1987
10800 Nuckols Road (5)	Glen Allen	VA	10,688	2,863	11,105	352	—	—	2,863	11,457	14,320	564	3/28/2018	2000
3000 Skipwith Road	Richmond	VA	—	732	8,717	910	—	(468)	732	9,159	9,891	3,452	11/19/2004	1999
9900 Independence Park Drive	Richmond	VA	—	326	3,166	34	—	—	326	3,200	3,526	737	11/22/2011	2005
9930 Independence Park Drive	Richmond	VA	—	604	4,975	196	—	—	604	5,171	5,775	1,029	11/22/2011	2005
5620 Wesleyan Drive	Virginia Beach	VA	—	893	7,926	1,855	—	(26)	893	9,755	10,648	5,731	9/1/2012	1990
4132 Longhill Road	Williamsburg	VA	—	270	2,468	1,225	—	(200)	270	3,493	3,763	1,349	5/30/2003	1987
440 McLaws Circle	Williamsburg	VA	—	1,466	17,340	216	—	—	1,466	17,556	19,022	2,298	6/29/2016	1998
21717 30th Drive SE	Bothell	WA	—	3,012	12,582	—	—	—	3,012	12,582	15,594	2,175	2/14/2013	1998
21823 30th Drive SE	Bothell	WA	—	2,627	12,657	—	—	—	2,627	12,657	15,284	2,188	2/14/2013	2000
10330 4th Avenue W	Everett	WA	—	813	6,844	116	(5,976)	(842)	113	842	955	7	5/1/2015	1997
516 Kenosia Avenue South	Kent	WA	—	1,300	8,458	2,806	—	—	1,347	11,217	12,564	2,315	7/31/2012	1971
204 N. First Street	La Conner	WA	—	321	12,368	174	—	—	321	12,542	12,863	1,583	5/1/2015	1998
555 16th Avenue	Seattle	WA	—	256	4,869	68	—	(513)	256	4,424	4,680	2,889	11/1/1993	1964
18740 West Bluemound Road	Brookfield	WI	—	832	3,849	4,490	—	(1,354)	832	6,985	7,817	3,573	12/28/1990	1964
3003 West Good Hope Road	Glendale	WI	—	1,500	33,747	—	—	—	1,500	33,747	35,247	8,648	9/30/2009	1963
7007 North Range Line Road	Glendale	WI	—	250	3,797	—	—	—	250	3,797	4,047	973	9/30/2009	1964
215 Washington Street	Grafton	WI	—	500	10,058	—	—	—	500	10,058	10,558	2,577	9/30/2009	2009
N168W22022 Main Street	Jackson	WI	—	188	5,962	498	—	—	192	6,456	6,648	971	12/1/2014	2005
8351 Sheridan Road	Kenosha	WI	—	750	7,669	271	—	—	758	7,932	8,690	2,374	1/1/2008	2000
5601 Burke Road	Madison	WI	—	700	7,461	221	—	—	712	7,670	8,382	2,274	1/1/2008	2000
7707 N. Brookline Drive	Madison	WI	—	2,615	35,545	1,324	—	—	2,631	36,853	39,484	5,143	12/1/2014	1999 / 2004
10803 North Port Washington Road	Mequon	WI	—	800	8,388	597	—	(25)	805	8,955	9,760	2,703	1/1/2008	1999
701 East Puetz Road	Oak Creek	WI	—	650	18,396	1,764	—	—	1,375	19,435	20,810	5,758	1/1/2008	2001
W231 N1440 Corporate Court	Pewaukee	WI	—	3,900	41,140	—	—	—	3,900	41,140	45,040	10,542	9/30/2009	1994
8348 & 8400 Washington Avenue	Racine	WI	—	1,150	22,436	—	—	—	1,150	22,436	23,586	5,749	9/30/2009	1986
1221 North 26th Street	Sheboygan	WI	—	300	975	—	—	—	300	975	1,275	250	9/30/2009	1987
1222 North 23rd Street	Sheboygan	WI	—	120	4,014	—	—	—	120	4,014	4,134	1,029	9/30/2009	1987
2414 Kohler Memorial Drive	Sheboygan	WI	—	1,400	35,168	—	—	—	1,400	35,168	36,568	9,012	9/30/2009	1986

DIVERSIFIED HEALTHCARE TRUST
SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2019
(dollars are in thousands)

				Initial Cost to Company					Cost at December 31, 2019						
Address	City	State	Encumbrances (1)	Land	Buildings, Improvements & Equipment	Cost Capitalized Subsequent to Acquisition	Impairment	Cost Basis Adjustment (2)					Date Acquired	Original Construction Date	
									Land	Buildings, Improvements & Equipment	Total (3)	Accumulated Depreciation (4)			
1125 N Edge Trail	Verona	WI	—	1,365	9,581	1,425	—	—	1,365	11,006	12,371	2,118	11/1/2013	2001	
1451 Cleveland Avenue	Waukesha	WI	—	68	3,452	4,066	—	(438)	68	7,080	7,148	4,189	12/28/1990	1958	
3289 North Mayfair Road	Wauwatosa	WI	—	2,300	6,245	—	—	—	2,300	6,245	8,545	1,600	9/30/2009	1964	
5301 West Lincoln Avenue	West Allis	WI	—	1,600	20,377	8,014	(13,334)	(7,649)	857	8,151	9,008	—	1/1/2008	2001	
			\$695,220	\$772,140	\$5,858,023	\$1,039,086	\$(65,019)	\$(142,644)	\$793,123	\$6,668,463	\$7,461,586	\$1,570,801			
Properties Held for Sale															
710 North Euclid	Anaheim	CA	—	2,850	6,964	1,419	(1,536)	(2,405)	2,447	4,845	7,292	—	7/9/2008	1992	
515 Fairview Avenue	Canon City	CO	—	292	6,228	1,621	(3,512)	(420)	299	3,910	4,209	1,759	9/26/1997	1970	
110 West Van Buren Street	Colorado Springs	CO	—	245	5,236	1,948	(3,031)	(513)	245	3,640	3,885	1,647	9/26/1997	1972	
2050 South Main Street	Delta	CO	—	167	3,570	951	—	(363)	167	4,158	4,325	2,206	9/26/1997	1963	
2501 Little Bookcliff Drive	Grand Junction	CO	—	204	3,875	1,775	—	(729)	207	4,918	5,125	2,836	12/30/1993	1968	
2825 Patterson Road	Grand Junction	CO	—	173	2,583	2,606	—	(688)	173	4,501	4,674	2,523	12/30/1993	1978	
1599 Ingalls Street	Lakewood	CO	—	232	3,766	3,282	—	(605)	232	6,443	6,675	4,108	12/28/1990	1972	
5555 South Elati Street	Littleton	CO	—	185	5,043	3,807	—	(717)	191	8,127	8,318	4,632	12/28/1990	1965	
866 North Main Street Extension	Wallingford	CT	—	430	3,136	796	(2,578)	(985)	119	680	799	—	12/22/2010	1984	
13200 Nano Court	Alachua	FL	—	2,792	42,440	13	—	—	2,792	42,453	45,245	3,891	5/4/2016	2016	
13545 Progress Boulevard	Alachua	FL	—	512	4,935	183	—	—	512	5,118	5,630	1,210	6/6/2011	2009	
13631 Progress Boulevard	Alachua	FL	—	512	4,941	106	—	—	512	5,047	5,559	1,132	6/6/2011	2009	
13859 Progress Boulevard (5)	Alachua	FL	1,589	570	4,276	444	—	—	570	4,720	5,290	1,064	7/26/2011	2007	
Progress Center - Lot 1 Property	Alachua	FL	—	165	—	—	—	—	165	—	165	—	6/6/2011	N/A	
Progress Center - Lot 4 Property	Alachua	FL	—	331	—	—	—	—	331	—	331	—	6/6/2011	N/A	
Progress Corporate Park Land	Alachua	FL	—	4,000	—	20	—	—	4,020	—	4,020	—	8/30/2011	N/A	
2525 First Street	Fort Myers	FL	—	2,385	21,137	19,266	—	(69)	2,577	40,142	42,719	18,311	10/1/2012	1984	
1825 Ridgewood Avenue	Holly Hill	FL	—	700	16,700	2,672	(3,011)	(4,936)	668	11,457	12,125	—	7/22/2011	1926/2006	
2661 North Boulevard	Baton Rouge	LA	—	199	1,067	55	(324)	(133)	203	661	864	—	1/29/2015	2000	
7656 Realtors Avenue	Baton Rouge	LA	—	99	907	—	(245)	(111)	75	575	650	—	1/29/2015	2005	
137 Veterans Boulevard	Denham Springs	LA	—	228	1,536	—	(422)	(189)	173	980	1,153	—	1/29/2015	2007	
2995 Race Street	Jackson	LA	—	30	845	14	(215)	(104)	22	548	570	—	1/29/2015	2002	
24660 Plaza Drive	Plaquemine	LA	—	99	1,043	85	(297)	(135)	134	661	795	—	1/29/2015	2000	
17392 Vallee Court	Prairieville	LA	—	99	837	78	(247)	(110)	73	584	657	—	1/29/2015	2001	
1 Lincoln Road	Hattiesburg	MS	—	1,269	11,691	416	(4,189)	(2,049)	867	6,271	7,138	—	3/22/2013	2005	
510 Centennial Circle	North Platte	NE	—	370	8,968	952	(1,973)	(2,907)	294	5,116	5,410	—	2/17/2008	1988	

DIVERSIFIED HEALTHCARE TRUST
SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2019
(dollars are in thousands)

Initial Cost to Company									Cost at December 31, 2019					
Address	City	State	Encumbrances (1)	Land	Buildings, Improvements & Equipment	Cost Capitalized Subsequent to Acquisition	Impairment	Cost Basis Adjustment (2)	Land	Buildings, Improvements & Equipment	Total (3)	Accumulated Depreciation (4)	Date Acquired	Original Construction Date
5823 Widewaters Parkway	Dewitt	NY	—	600	5,004	1,618	(1,030)	(1,459)	721	4,012	4,733	—	9/30/2011	1991
4939 Brittonfield Parkway	East Syracuse	NY	—	720	17,084	1,678	(2,384)	(5,312)	952	10,834	11,786	—	9/30/2008	2001
5008 Brittonfield Parkway (5)	East Syracuse	NY	1,426	420	18,407	672	(2,637)	(5,393)	652	10,817	11,469	—	7/9/2008	1999
723 Dresher Road	Horsham	PA	—	1,010	4,456	444	(2,273)	—	590	3,047	3,637	1,001	12/22/2010	1983
6937 N Interstate Hwy 35	Austin	TX	—	760	5,186	486	—	—	820	5,612	6,432	1,222	1/26/2011	1980
6435 S.F.M. 549	Heath	TX	—	1,135	7,892	639	(396)	(1,493)	1,095	6,682	7,777	—	12/31/2012	2004
7150 N. President George Bush Turnpike	North Garland	TX	—	1,981	8,548	612	(475)	(1,557)	1,919	7,190	9,109	—	12/31/2012	2006
301 East Airline Road	Victoria	TX	—	99	1,635	12	—	—	99	1,647	1,746	203	1/29/2015	1977
503 South 18th Street	Laramie	WY	—	191	3,632	1,129	—	(666)	202	4,084	4,286	2,525	12/30/1993	1964
1901 Howell Avenue	Worland	WY	—	132	2,508	1,922	—	(520)	132	3,910	4,042	2,028	12/30/1993	1970
			3,015	26,186	236,076	51,721	(30,775)	(34,568)	25,250	223,390	248,640	52,298		
			\$698,235	\$798,326	\$6,094,099	\$1,090,807	\$(95,794)	\$(177,212)	\$818,373	\$6,891,853	\$7,710,226	\$1,623,099		

- (1) Represents mortgage debts and capital leases, excluding the unamortized balance of fair value adjustments totaling approximately \$506.
- (2) Represents reclassifications between accumulated depreciation and buildings, improvements and equipment made to record certain properties at fair value in accordance with GAAP.
- (3) Aggregate cost for federal income tax purposes is approximately \$9,030,197.
- (4) We depreciate buildings and improvements over periods ranging up to 40 years and equipment over periods ranging up to 12 years.
- (5) These properties are collateral for our \$689,361 of mortgage debts.
- (6) These properties are subject to our \$8,874 of capital leases.

DIVERSIFIED HEALTHCARE TRUST
SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2019
(dollars are in thousands)

Analysis of the carrying amount of real estate and equipment and accumulated depreciation during the period:

	Real Estate and Equipment	Accumulated Depreciation
Balance as of December 31, 2016	\$ 7,617,547	\$ 1,270,716
Additions	226,105	193,697
Disposals	(18,889)	(9,936)
Balance as of December 31, 2017	7,824,763	1,454,477
Additions	242,270	205,117
Disposals	(17,923)	(1,101)
Impairment	(46,797)	—
Cost basis adjustment ⁽¹⁾	(122,711)	(122,711)
Reclassification of assets held for sale	(3,302)	(1,390)
Balance as of December 31, 2018	7,876,300	1,534,392
Additions	277,350	221,165
Disposals	(250,996)	(54,816)
Impairment	(114,786)	—
Cost basis adjustment ⁽¹⁾	(77,642)	(77,642)
Reclassification of assets held for sale	(248,640)	(52,298)
Balance as of December 31, 2019	\$ 7,461,586	\$ 1,570,801

(1) Represents reclassifications between accumulated depreciation and buildings, improvements and equipment made to record certain properties at fair value in accordance with GAAP.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

DIVERSIFIED HEALTHCARE TRUST

By: /s/ Jennifer F. (Francis) Mintzer
 Jennifer F. (Francis) Mintzer
President and Chief Operating Officer
 Dated: March 2, 2020

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
<u>/s/ Jennifer F. (Francis) Mintzer</u> Jennifer F. (Francis) Mintzer	President and Chief Operating Officer	March 2, 2020
<u>/s/ Richard W. Siedel, Jr.</u> Richard W. Siedel, Jr.	Chief Financial Officer and Treasurer (principal financial and accounting officer)	March 2, 2020
<u>/s/ Jennifer B. Clark</u> Jennifer B. Clark	Managing Trustee	March 2, 2020
<u>/s/ John L. Harrington</u> John L. Harrington	Independent Trustee	March 2, 2020
<u>/s/ Lisa Harris Jones</u> Lisa Harris Jones	Independent Trustee	March 2, 2020
<u>/s/ Adam D. Portnoy</u> Adam D. Portnoy	Managing Trustee	March 2, 2020
<u>/s/ Jeffrey P. Somers</u> Jeffrey P. Somers	Independent Trustee	March 2, 2020

**DESCRIPTION OF THE REGISTRANT'S SECURITIES
REGISTERED PURSUANT TO SECTION 12
OF THE SECURITIES EXCHANGE ACT OF 1934**

As of February 27, 2020, Diversified Healthcare Trust (formerly known as Senior Housing Properties Trust) (the "Company," "we," "us" or "our") had three classes of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"): (i) Common Shares of Beneficial Interest, \$.01 par value per share ("common shares"); (ii) 5.625% Senior Notes due 2042; and (iii) 6.25% Senior Notes due 2046. Each of the Company's securities registered under Section 12 of the Exchange Act are listed on The Nasdaq Stock Market LLC ("Nasdaq").

DESCRIPTION OF SHARES OF BENEFICIAL INTEREST

The following description of the terms of our shares of beneficial interest is a summary only. This summary is not complete and is qualified in its entirety by reference to the Company's declaration of trust and bylaws and applicable Maryland law, including but not limited to provisions of Maryland law applicable to Maryland real estate investment trusts (the "Maryland REIT Law"). The Company's declaration of trust and bylaws are filed as exhibits to this Annual Report on Form 10-K.

General

Our declaration of trust authorizes us to issue up to an aggregate of 300,000,000 shares of beneficial interest, all of which are currently designated as common shares. As of February 27, 2020, we had 237,895,225 common shares issued and outstanding. As of February 27, 2020, no other class or series of shares of beneficial interest has been established and is outstanding.

Our declaration of trust contains a provision permitting our Board of Trustees, without any action by our shareholders, to amend our declaration of trust to increase or decrease the total number of shares of beneficial interest or the number of shares of any class or series that we have authority to issue. Our declaration of trust further authorizes our Board of Trustees to reclassify any unissued shares from time to time by setting the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications or terms or conditions of redemption of our shares of beneficial interest or any new class or series of shares created by our Board of Trustees.

Common Shares

Voting rights. Subject to the provisions of our declaration of trust regarding the restriction on the transfer of shares of beneficial interest, each outstanding common share entitles the holder to one vote on all matters submitted to a vote of shareholders, including the election of Trustees. Holders of our common shares do not have cumulative voting rights in the election of Trustees. Whenever shareholders are required or permitted to take any action by a vote, the action may only be taken by a vote at a shareholders meeting. Under our bylaws, shareholders do not have the right to take any action by written consent. With respect to matters brought before a meeting of shareholders other than the election of Trustees, except where a different voting standard is required by any applicable law, the listing requirements of the principal securities exchange on which our common shares are listed or a specific provision of our declaration of trust or bylaws, 75% of all common shares entitled to vote at the meeting shall be required to approve the matter unless such matter has been previously approved by our Board of Trustees, in which case the vote required for approval is a majority of votes cast at the meeting.

Under our declaration of trust, subject to the provisions of any class or series of our shares then outstanding, our shareholders are entitled to vote on the following matters: (1) the election of Trustees and the removal of Trustees; (2) any amendment to our declaration of trust; (3) termination of the Trust; (4) merger or consolidation of the Trust to the extent required by Title 8 of the Maryland General Corporation Law (the "MGCL"), or the sale or disposition of substantially all our assets, in each case, to the extent a shareholder vote is required under the Maryland REIT Law, provided that such action has first been approved by our Board of Trustees; and (5) such other matters with respect to which our Board of Trustees has adopted a resolution declaring that a proposed action is advisable and directing that the matter be submitted to our shareholders for approval or ratification. Our shareholders will also be entitled to vote on such matters as may be required by our declaration of trust, bylaws or applicable law.

Under the Maryland REIT Law, a Maryland real estate investment trust ("REIT") generally cannot dissolve, amend its declaration of trust, convert or merge unless these actions are approved by at least two thirds of all shares entitled to be cast on

the matter. The Maryland REIT Law allows a trust's declaration of trust to set a lower percentage, so long as the percentage is not less than a majority of the votes entitled to be cast on the matter. Our declaration of trust provides for approval of any of the foregoing actions (except amendments to certain provisions of the declaration of trust) by a majority of shares entitled to vote on these actions provided the action in question has been approved by a majority of our Board of Trustees. Our declaration of trust further provides that if permitted in the future by Maryland law, the majority required to approve any of the foregoing actions (subject to such exceptions) will be the majority of shares voted. Under the Maryland REIT Law, a declaration of trust may permit the trustees by a two thirds vote to amend the declaration of trust from time to time to qualify as a REIT under the Internal Revenue Code of 1986, as amended (the "Code"), or the Maryland REIT Law without the affirmative vote or written consent of the shareholders. Our declaration of trust permits this type of action by our Board of Trustees.

Board of Trustees. Our Board of Trustees is divided into three classes. At each annual meeting, shareholders elect the successors of the class of Trustees whose term expires at that meeting for a term expiring at the annual meeting held in the third year following the year of their election. The classified board provision could have the effect of making the replacement of incumbent Trustees more time consuming and difficult. At least two annual meetings of shareholders will generally be required to effect a change in a majority of our Board of Trustees.

Except as may be mandated by any applicable law or the listing requirements of the principal exchange on which our common shares are listed, and subject to the voting rights of any class or series of our shares of beneficial interest which may be hereafter created, a plurality of all the votes cast at a meeting of our shareholders duly called and at which a quorum is present shall be sufficient to elect a Trustee.

In case of failure to elect Trustees at an annual meeting of shareholders, the incumbent Trustees will hold over and continue to direct the management of our business and affairs until they resign or their successors are elected and qualify. Any vacancy on our Board of Trustees may be filled only by a majority of the remaining Trustees, even if the remaining Trustees do not constitute a quorum, for the remaining term of the class in which the vacancy exists and until a successor is elected and qualifies. Our declaration of trust and bylaws provide that a Trustee may be removed only for cause, subject to conditions, by the affirmative vote of the holders of not less than two thirds of our common shares entitled to vote in the election of Trustees. This provision precludes shareholders from removing our incumbent Trustees unless for cause and they can obtain the requisite affirmative vote of shares. Under our bylaws, a Trustee may also be removed by the affirmative vote of all the remaining Trustees.

Distribution rights. Subject to the preferential rights of any other class or series of shares then outstanding or which may be issued, and to the ownership restrictions described in our declaration of trust, all of our common shares are entitled to receive distributions on our common shares if, as and when authorized by our Board of Trustees and declared by us out of assets legally available for distribution.

Liquidation rights. Subject to the preferential rights of any other class or series of shares then outstanding or which may be issued, and to the ownership restrictions described in our declaration of trust, all of our common shares are entitled to share ratably in our assets legally available for distribution to our shareholders in the event of our liquidation, dissolution or winding up after payment of or adequate provision for all of our known debts and liabilities.

Registration rights. Some of our shareholders have certain demand registration rights and piggyback and other registration rights with respect to our common shares held by them, as described from time to time in our periodic reports filed with the Securities and Exchange Commission ("SEC").

Other rights and preferences. Holders of our common shares have no preference, conversion, exchange, sinking fund, redemption or appraisal rights, or preemptive rights to subscribe for any of our securities.

Preferred Shares

Pursuant to our declaration of trust, our Board of Trustees, without any action by our shareholders, may issue preferred shares of beneficial interest ("preferred shares") from time to time, in one or more classes or series, with the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms and conditions of redemption of any preferred shares as determined by our Board of Trustees from time to time. The issuance of preferred shares, the issuance of rights to purchase preferred shares or the possibility of the issuance of preferred shares or such rights could have the effect of delaying or preventing a change in our control. In addition, the rights of holders of common shares will be subject to, and may be adversely affected by, the rights of holders of any preferred shares that we have issued or may issue in the future.

Restrictions on Transfer and Ownership of Shares

Our declaration of trust provides that no person may own, or be deemed to own by virtue of the attribution provisions of the Code, more than 9.8% in value or in number of our outstanding shares or 9.8% in value or in number, whichever is more restrictive, of our outstanding common shares. Our declaration of trust also prohibits (1) any person from beneficially or constructively owning our shares if that ownership would result in us being “closely held” under Section 856(h) of the Code or otherwise cause us to fail to qualify for taxation as a REIT and (2) any person from transferring our shares if the transfer would result in our shares being owned by fewer than 100 persons.

Our Board of Trustees, in its discretion, may exempt a person from the share ownership limitation if (1) it obtains such representations and undertakings from the person who makes a request therefor, as are reasonably necessary to ascertain that no individual’s ownership of shares would result in our being “closely held” under Section 856(h) of the Code or otherwise failing to qualify for taxation as a REIT; (2) such person does not and represents that it will not own, actually or constructively, an interest in one of our tenants (or a tenant of any entity which we own or control) that would cause us to own, actually or constructively, more than a 9.9% interest in the tenant; and (3) such person agrees that any violation or attempted violation of such representations or undertakings (or other action which is contrary to the restrictions contained in our declaration of trust) will result in such shares being automatically transferred to a charitable trust in accordance with our declaration of trust. In connection with any requested exemption, our Board of Trustees may require such rulings from the Internal Revenue Service (“IRS”) or opinions of counsel as it deems advisable in order to determine or ensure our qualification for taxation as a REIT and such representations, undertakings and agreements it deems advisable in order for it to make the foregoing determinations.

In determining whether to grant an exemption, our Board of Trustees may consider, among other factors, the following:

- the general reputation and moral character of the person requesting an exemption;
- whether the person’s ownership of shares would be direct or through ownership attribution;
- whether the person’s ownership of shares would adversely affect our ability to acquire additional properties or engage in other business; and
- whether granting an exemption would adversely affect any of our existing contractual arrangements.

Any attempted transfer of our shares which, if effective, would result in our shares being owned by fewer than 100 persons shall be void ab initio, and the intended transferee shall acquire no rights in such shares.

If a person attempts a transfer of our shares in violation of the ownership limitations described above, then the number of shares which would cause the violation shall (a) be automatically transferred to a charitable trust for the exclusive benefit of one or more charitable beneficiaries designated by us or (b) if such transfer is not effective to prevent the violation of the ownership limitations, be void ab initio. A transfer to the charitable trust will be deemed to be effective as of the close of business on the business day prior to the purported transfer or other event that results in the transfer to the charitable trust. The prohibited owner will not acquire any rights in these excess shares (except to the extent provided below upon sale of the shares), will not benefit economically from ownership of any excess shares, will have no rights to distributions and will not possess any rights to vote.

Shares of beneficial interest held in the trust shall be issued and outstanding shares of beneficial interest. The trustee of the charitable trust shall have all voting rights and rights to distributions with respect to shares of beneficial interest held in the charitable trust, which rights shall be exercised for the exclusive benefit of the charitable beneficiary. Any dividend or other distribution paid prior to the discovery by us that shares of beneficial interest have been transferred to the trustee shall be paid by the recipient of such distribution to the trustee upon demand, and any distribution authorized but unpaid shall be paid when due to the trustee. Any dividend or other distribution so paid to the trustee shall be held in trust for the charitable beneficiary. The prohibited owner shall have no voting rights with respect to shares of beneficial interest held in the trust and, subject to Maryland law, the trustee of the charitable trust will have the authority to rescind as void any vote cast by the proposed transferee prior to our discovery that the shares have been transferred to the trust and to recast the vote in accordance with the desires of the trustee acting for the benefit of the charitable beneficiary. However, if we have already taken irreversible trust action, then the trustee will not have the authority to rescind and recast the vote.

Within 20 days of receiving notice from us that our shares have been transferred to a charitable trust, the trustee will sell the shares held in the charitable trust to a person designated by the trustee whose ownership of the shares will not violate

the ownership limitations set forth in our declaration of trust. Upon this sale, the interest of the charitable beneficiary in the shares sold will terminate and the trustee will distribute the net proceeds of the sale to the prohibited owner and to the charitable beneficiary as follows:

- the prohibited owner will receive the lesser of:
 - (1) the price paid by the prohibited owner for the shares or, if the prohibited owner did not give value for the shares in connection with the event causing the shares to be held in the charitable trust, for example, in the case of a gift, devise or other similar transaction, the market price (as defined in our declaration of trust) of the shares on the day of the event causing the shares to be transferred to the charitable trust; and
 - (2) the price per share received by the trustee from the sale or other disposition of the shares held in the charitable trust.
- any net sale proceeds in excess of the amount payable to the prohibited owner shall be immediately paid to the charitable beneficiary.

If, prior to our discovery that shares have been transferred to the charitable trust, a prohibited owner sells those shares, then:

- those shares will be deemed to have been sold on behalf of the charitable trust; and
- to the extent that the prohibited owner received an amount for those shares that exceeds the amount that the prohibited owner was entitled to receive from a sale by the trustee, the prohibited owner must pay the excess to the trustee upon demand.

Also, shares held in the charitable trust will be offered for sale to us, or our designee, at a price per share equal to the lesser of:

- the price per share in the transaction that resulted in the transfer to the charitable trust or, in the case of a devise or gift, the market price at the time of the devise or gift; and
- the market price on the date we or our designee accepts the offer.

We will have the right to accept the offer until the trustee has sold the shares held in the charitable trust. The net proceeds of the sale to us will be distributed to the prohibited owner.

Any person who acquires or attempts or intends to acquire beneficial or constructive ownership of any shares that will or may violate the foregoing share ownership limitations, or any person who would have owned shares that resulted in a transfer to a charitable trust, is required to immediately give written notice to us of such event, or in the case of such a proposed or attempted transaction, give at least 15 days' prior written notice, and to provide to us such other information as we may request.

Every owner of more than 5% of our shares is required to give written notice to us within 30 days after the end of each taxable year stating the name and address of the owner, the number of our shares which the owner beneficially owns and a description of the manner in which those shares are held. If the Code or applicable tax regulations specify a threshold below 5%, this notice provision will apply to those persons who own our shares of beneficial interest at the lower percentage. In addition, each shareholder is required to provide us upon demand with any additional information that we may request, in good faith, in order to determine our qualification for taxation as a REIT, to ensure compliance with the foregoing share ownership limitations and determine our compliance with the requirements of any taxing authority or other governmental authority.

The restrictions in our declaration of trust described above will not preclude the settlement of any transaction entered into through the facilities of any national securities exchange or automated interdealer quotation system. Our declaration of trust provides, however, that the fact that the settlement of any transaction occurs will not negate the effect of any of the foregoing limitations and any transferee in this kind of transaction will be subject to all of the provisions and limitations described above.

All certificates evidencing our shares and any share statements for our uncertificated shares may bear legends referring to the foregoing restrictions.

The restrictions on transfer in our declaration of trust are intended to assist with REIT compliance under the Code and otherwise to promote our orderly governance. These restrictions do not apply to our Advisor (as defined in our declaration of trust) or its affiliates.

Business Combinations

The MGCL contains a provision which regulates business combinations with interested shareholders. This provision applies to REITs formed under Maryland law like us. Under the MGCL, business combinations such as mergers, consolidations, share exchanges, or, in circumstances specified in the statute, an asset transfer or issuance or reclassification of equity securities between a REIT formed under Maryland law and an interested shareholder or an affiliate of an interested shareholder are prohibited for five years after the most recent date on which the interested shareholder becomes an interested shareholder. Under the MGCL the following persons are deemed to be interested shareholders:

- any person who beneficially owns, directly or indirectly, 10% or more of the voting power of the trust's outstanding voting shares; or
- an affiliate or associate of the trust who, at any time within the two year period immediately prior to the date in question, was the beneficial owner, directly or indirectly, of 10% or more of the voting power of the then outstanding voting shares of the trust.

After the five year prohibition period has ended, a business combination between a trust and an interested shareholder generally must be recommended by the board of trustees of the trust and must receive the following shareholder approvals:

- the affirmative vote of at least 80% of the votes entitled to be cast by holders of outstanding voting shares of the trust; and
- the affirmative vote of at least two thirds of the votes entitled to be cast by holders of voting shares other than shares held by the interested shareholder with whom or with whose affiliate or associate the business combination is to be effected or held by an affiliate or associate of the interested shareholder.

The shareholder approvals discussed above are not required if the trust's shareholders receive the minimum price set forth in the MGCL for their shares and the consideration is received in cash or in the same form as previously paid by the interested shareholder for its shares.

The foregoing provisions of the MGCL do not apply, however, to business combinations that are approved or exempted by our Board of Trustees prior to the time that the interested shareholder becomes an interested shareholder. A person is not an interested shareholder under the statute if the board of trustees approves in advance the transaction by which that shareholder otherwise would have become an interested shareholder. The board of trustees may provide that its approval is subject to compliance with any terms and conditions determined by the board of trustees. Our Board of Trustees has adopted a resolution that any business combination between us and any other person is exempted from the provisions of the MGCL described in the preceding paragraphs, provided that the business combination is first approved by our Board of Trustees, including the approval of a majority of the members of our Board of Trustees who are not affiliates or associates of the interested shareholder. This resolution, however, may be altered or repealed in whole or in part at any time.

Subtitle 8

Subtitle 8 of Title 3 of the MGCL permits a Maryland REIT with a class of equity securities registered under the Exchange Act and at least three independent trustees to elect to be subject, by provision in its declaration of trust or bylaws or a resolution of its board of trustees and notwithstanding any contrary provision in the declaration of trust or bylaws, to any or all of five provisions:

- a classified board;
- a two thirds vote requirement for removing a trustee;
- a requirement that the number of trustees be fixed only by vote of the trustees;

- a requirement that a vacancy on the board be filled only by the remaining trustees in office and for the replacement trustee to serve for the remainder of the full term of the class of trustees in which the vacancy occurred; and
- a majority requirement for the calling of a shareholder requested special meeting of shareholders.

Through other provisions in our declaration of trust and bylaws unrelated to Subtitle 8, we (1) require the affirmative vote of the holders of not less than two thirds of all of the votes entitled to be cast in the election of such Trustee for the removal of any Trustee from our Board of Trustees, which removal will be allowed only for cause, subject to conditions, (2) vest in our Board of Trustees the exclusive power to fix the number of our Trustees, (3) require that only our Board of Trustees may fill vacancies on our Board of Trustees, and (4) vest in our Board of Trustees the exclusive power to call meetings of our shareholders. We have made an election pursuant to Subtitle 8 to classify our Board of Trustees.

Control Share Acquisitions

The MGCL contains a provision which regulates control share acquisitions. This provision applies to REITs formed under Maryland law like us. The MGCL provides that control shares of a REIT formed under Maryland law acquired in a control share acquisition have no voting rights except to the extent that the acquisition is approved by a vote of two thirds of the votes entitled to be cast on the matter, excluding shares owned by the acquiror, by officers or by trustees who are employees of the trust. Control shares are voting shares, which, if aggregated with all other such shares previously acquired by the acquiror, or in respect of which the acquiror is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquiror to exercise voting power in electing trustees within one of the following ranges of voting power:

- one tenth or more but less than one third;
- one third or more but less than a majority; or
- a majority or more of all voting power.

An acquiror must obtain the necessary shareholder approval each time it acquires control shares in an amount sufficient to cross one of the thresholds noted above.

Control shares do not include shares which the acquiring person is entitled to vote as a result of having previously obtained shareholder approval or shares acquired directly from the company. The MGCL provides for certain exceptions from the definition of control share acquisition.

A person who has made or proposes to make a control share acquisition, upon satisfaction of the conditions set forth in the statute, including an undertaking to pay the expenses of the meeting, may compel the board of trustees of the trust to call a special meeting of shareholders to be held within 50 days of demand to consider the voting rights of the shares. If no request for a meeting is made, the trust may itself present the matter at any shareholders meeting.

If voting rights are not approved at the meeting or if the acquiring person does not deliver an acquiring person statement as required by the MGCL, then the trust may redeem for fair value any or all of the control shares, except those for which voting rights have previously been approved. The right of the trust to redeem control shares is subject to conditions and limitations. Fair value is determined, without regard to the absence of voting rights for the control shares, as of the date of the last control share acquisition by the acquiror or of any meeting of shareholders at which the voting rights of the shares are considered and not approved. If voting rights for control shares are approved at a shareholders meeting and the acquiror becomes entitled to vote a majority of the shares entitled to vote, all other shareholders may exercise appraisal rights. The fair value of the shares as determined for purposes of appraisal rights may not be less than the highest price per share paid by the acquiror in the control share acquisition.

The control share acquisition statute of the MGCL does not apply to the following:

- shares acquired in a merger, consolidation or share exchange if the trust is a party to the transaction; or
- acquisitions approved or exempted by a provision in the declaration of trust or bylaws of the trust adopted before the acquisition of shares.

Our bylaws contain a provision exempting any and all acquisitions by any person of our common shares from the control share acquisition statute. This provision may be amended or eliminated at any time in the future.

Anti-Takeover Effect of Maryland Law and of Our Declaration of Trust and Bylaws

The following provisions in our declaration of trust and bylaws and in Maryland law could delay or prevent a change in our control:

- the prohibition in our declaration of trust of any shareholder other than excepted holders and The RMR Group LLC (“RMR LLC”) and its affiliates from owning more than 9.8% in value or in number, whichever is more restrictive, of any class or series of our outstanding shares, including our common shares;
- the division of our Trustees into three classes, with the term of one class expiring each year and, in each case, until a successor is elected and qualifies;
- shareholder voting rights and standards for the election of Trustees and other matters which generally require larger majorities for approval of actions which are not approved by our Trustees than for actions which are approved by our Trustees;
- the authority of our Board of Trustees, and not our shareholders, to adopt, amend or repeal our bylaws and to fill vacancies on our Board of Trustees;
- the fact that only our Board of Trustees, or if there are no Trustees, our officers, may call shareholder meetings and that shareholders are not entitled to act without a meeting;
- required qualifications for an individual to serve as a Trustee and a requirement that certain of our Trustees be Managing Trustees and other Trustees be Independent Trustees;
- limitations on the ability of, and various requirements that must be satisfied in order for, our shareholders to propose nominees for election to our Board of Trustees and propose other business to be considered at a meeting of our shareholders;
- the requirement that an individual Trustee may be removed only for cause, subject to conditions, by the affirmative vote of the holders of not less than two thirds of our common shares entitled to vote in the election of Trustees or, with or without cause, by the affirmative vote of all the remaining Trustees;
- the authority of our Board of Trustees to adopt certain amendments to our declaration of trust without shareholder approval, including the authority to increase or decrease the number of authorized shares, to create new classes or series of shares (including a class or series of shares that could delay or prevent a transaction or a change in our control that might involve a premium for our shares or otherwise be in the best interests of our shareholders), to increase or decrease the number of shares of any class or series, and to classify or reclassify any unissued shares from time to time by setting or changing the preferences, conversion or other rights, voting powers, restrictions, limitations as to distributions, qualifications or terms or conditions of redemption of our shares or any new class or series of shares created by our Board of Trustees;
- the requirement that amendments to our declaration of trust may be made only if approved by a majority of our Trustees;
- the business combination provisions of the MGCL, if the applicable resolution of our Board of Trustees is rescinded or if our Board’s approval of a combination is not obtained; and
- the control share acquisition provisions of the MGCL, if the provision in our bylaws exempting acquisitions of our shares from such provisions is amended or eliminated.

In addition, our revolving credit and term loan agreements each also contain change in control provisions, as further described in those agreements, and our business and property management agreements with RMR LLC contain provisions that allow for termination for convenience and termination for a performance reason but require the payment of a termination fee, as further described in those agreements.

For all of these reasons, among others, our shareholders may be unable to realize a change of control premium for any of our shares they own or otherwise effect a change of our policies.

Transfer Agent and Registrar

The transfer agent and registrar for our common shares is Equiniti Trust Company.

Listing

Our common shares are listed on Nasdaq under the symbol “DHC.”

DESCRIPTION OF DEBT SECURITIES

The following description of the Company’s 5.625% Senior Notes due 2042 (the “2042 Notes”) and 6.25% Senior Notes due 2046 (the “2046 Notes” and, together with the 2042 Notes, the “Notes”) is a summary only. This summary is not complete and is qualified in its entirety by reference to the Indenture, dated as of December 20, 2001, between the Company and U.S. Bank National Association, as trustee (the “Trustee”), as supplemented by Supplemental Indenture No. 7, dated as of July 20, 2012, between the Company and the Trustee (as supplemented, the “2042 Notes Indenture”), in the case of the 2042 Notes, and by reference to the Indenture, dated as of February 18, 2016, between the Company the Trustee, as supplemented by the First Supplemental Indenture, dated as of February 18, 2016, between the Company and the Trustee (as supplemented, the “2046 Notes Indenture” and, together with the 2042 Notes Indenture, the “Indentures”), in the case of the 2046 Notes. The Indentures are filed as exhibits to this Annual Report on Form 10-K. We have provided a Glossary at the end of section to define certain capitalized words used in discussing the terms of the Notes.

General

The Indentures do not limit the amount of debt securities that we may issue thereunder. We may issue debt securities of a different series or we may reopen each series of notes and, from time to time, issue additional notes of the same series, in each case without the consent of holders of the Notes. Any additional notes of the same series would have the same terms as the Notes (except for the issue date, the public offering price and, if applicable, the first interest payment date and related interest accrual date) and would rank equally with the Notes; provided that if such additional notes are not fungible with the Notes for U.S. federal income tax purposes, or to the extent required by applicable securities laws or regulations or procedures of The Depository Trust Company, New York, New York (“DTC”), such additional notes would have a different CUSIP number. Unless the context otherwise requires, references herein to “Notes” are deemed to include any additional notes actually issued. The Indentures and our debt securities issued thereunder are and will be governed by and construed in accordance with the laws of the State of New York.

The 2042 Notes

We issued an aggregate principal amount of \$350.0 million of the 2042 Notes on July 20, 2012. The maturity date of the 2042 Notes is August 1, 2042 (unless previously redeemed) and the 2042 Notes bear interest at a rate of 5.625% per annum. As of February 28, 2020, we had an aggregate principal amount of \$350.0 million of the 2042 Notes outstanding. The 2042 Notes were issued in denominations of \$25.00 and integral multiples of \$25.00 in excess thereof.

Interest. Interest is payable quarterly in arrears on February 1, May 1, August 1 and November 1 of each year, commencing November 1, 2012, to the persons in whose names the 2042 Notes are registered at the close of business on the January 15, April 15, July 15 or October 15, as the case may be, immediately before the relevant interest payment date. Accrued and unpaid interest is also payable on the date of maturity or earlier redemption of the 2042 Notes. Interest on the 2042 Notes will be computed on the basis of a 360 day year of twelve 30 day months. If any interest payment date, maturity date or redemption date falls on a day that is not a Business Day, the payment may be made on the next Business Day.

Optional Redemption of the 2042 Notes. We may redeem the 2042 Notes, in whole or in part, at any time and from time to time on or after August 1, 2017 at a redemption price equal to 100% of the principal amount of the notes being redeemed plus accrued and unpaid interest, if any, to, but not including, the redemption date.

We are required to give notice of such a redemption not less than 30 days nor more than 60 days prior to the redemption date to each holder’s address appearing in the securities register maintained by the Trustee. In the event we elect to redeem less than all of the 2042 Notes, the particular notes to be redeemed will be selected by the Trustee by such method as the Trustee shall deem fair and appropriate. See “–Book-Entry System and Form of Notes” below.

The 2046 Notes

We issued an aggregate principal amount of \$250.0 million of the 2046 Notes on February 18, 2016. The maturity date of the 2046 Notes is February 1, 2046 (unless previously redeemed) and the 2046 Notes bear interest at a rate of 6.25% per annum. As of February 28, 2020, we had an aggregate principal amount of \$250.0 million of the 2046 Notes outstanding. The 2046 Notes were issued in denominations of \$25.00 and integral multiples of \$25.00 in excess thereof.

Interest. Interest on the 2046 Notes is payable quarterly on March 1, June 1, September 1 and December 1, each year, commencing June 1, 2016, to the persons in whose names the 2046 Notes are registered at the close of business on February 15, May 15, August 15 or November 15, as the case may be, immediately before the relevant interest payment date. Accrued interest is also payable on the date of maturity or earlier redemption of the 2046 Notes. Interest on the 2046 Notes will be computed on the basis of a 360 day year of twelve 30 day months. If any interest payment date, maturity date or redemption date falls on a day that is not a Business Day, the payment will be made on the next Business Day and no interest will accrue for the period from and after such interest payment date, maturity date or redemption date.

Payments of principal, premium, if any, and interest to holders of book-entry interests in 2046 Notes in global form will be made in accordance with the procedures of DTC and its participants in effect from time to time. See “–Book-Entry System and Form of Notes” below.

Optional Redemption. We may redeem the 2046 Notes, in whole or in part, at any time and from time to time on or after February 18, 2021 at a redemption price equal to 100% of the principal amount of the notes being redeemed plus accrued and unpaid interest, if any, to, but not including, the redemption date.

We are required to give notice of such a redemption not less than 30 days nor more than 60 days prior to the redemption date to each holder’s address appearing in the securities register maintained by the Trustee or, in the case of book-entry interests in notes in global form, in accordance with the procedures of DTC and its participants in effect from time to time. In the event we elect to redeem less than all of the 2046 Notes, the particular notes to be redeemed will be selected by the Trustee by such method as the Trustee shall deem appropriate and in accordance with the procedures of DTC and its participants in effect from time to time. See “–Book-Entry System and Form of Notes” below.

Ranking

The Notes are our senior unsecured obligations and rank equally with all of our other unsecured and unsubordinated indebtedness outstanding from time to time. The Notes are not guaranteed by our Subsidiaries. The notes are effectively subordinated to our mortgages and other secured indebtedness, and to all liabilities of our Subsidiaries. Accordingly, such prior indebtedness will have to be satisfied in full before holders of the Notes will be able to realize any value from our encumbered or indirectly held properties.

Certain Covenants

Limitations on Incurrence of Debt. We will not, and will not permit any Subsidiary to, incur any Debt if, immediately after giving effect to the incurrence of such Debt and the application of the proceeds therefrom, the aggregate principal amount of all of our and our Subsidiaries’ outstanding Debt on a consolidated basis determined in accordance with GAAP is greater than 60% of the sum of (without duplication):

- (1) our Total Assets as of the end of the fiscal quarter covered by our Annual Report on Form 10-K or our Quarterly Report on Form 10-Q, as the case may be, most recently filed with the SEC (or, if such filing is not permitted or required under the Exchange Act, with the Trustee) prior to the incurrence of such Debt; and
- (2) the purchase price of any real estate assets or mortgages receivable acquired, and the amount of any securities offering proceeds received (to the extent that such proceeds were not used to acquire real estate assets or mortgages receivable or used to reduce Debt), by us or any Subsidiary since the end of such fiscal quarter, including those proceeds obtained in connection with the incurrence of such Debt.

The sum of (1) and (2) above is referred to as our Adjusted Total Assets.

In addition to the above limitations on the incurrence of Debt, we will not, and will not permit any Subsidiary to, incur any Secured Debt if, immediately after giving effect to the incurrence of such Secured Debt and the application of the proceeds

therefrom, the aggregate principal amount of all our and our Subsidiaries' outstanding Secured Debt on a consolidated basis determined in accordance with GAAP is greater than 40% of Adjusted Total Assets.

In addition to the above limitations on the incurrence of Debt, we will not, and will not permit any Subsidiary to, incur any Debt if, immediately after giving effect to the incurrence of such Debt and on a pro forma basis, including the application of the proceeds therefrom, the ratio of Consolidated Income Available for Debt Service to Annual Debt Service for the four consecutive fiscal quarters most recently ended prior to the date on which such Debt is to be incurred is less than 1.5 to 1.0, calculated on the assumptions that:

- (1) such Debt and any other Debt incurred by us and our Subsidiaries on a consolidated basis since the first day of such four-quarter period and the application of the proceeds therefrom, including to refinance other Debt, had occurred at the beginning of such period;
- (2) the repayment, retirement or other discharge of any other Debt by us and our Subsidiaries on a consolidated basis since the first date of such four-quarter period had occurred at the beginning of such period (except that, in making such computation, the amount of Debt under any revolving credit facility shall be computed based upon the average daily balance of such Debt during such period);
- (3) in the case of Acquired Debt or Debt incurred in connection with (or, in the case of the 2046 Notes, in contemplation of) any acquisition (including, in the case of the 2046 Notes, any Person becoming a Subsidiary), since the first day of such four-quarter period, the related acquisition had occurred as of the first day of such period with appropriate adjustments with respect to such acquisition being included in such pro forma calculation; and
- (4) in the case of any acquisition or disposition by us and our Subsidiaries on a consolidated basis of any asset or group of assets since the first day of such four-quarter period, whether by merger, stock purchase or sale, or asset purchase or sale, such acquisition or disposition or any related repayment of Debt had occurred as of the first day of such period with the appropriate adjustments with respect to such acquisition or disposition being included in such pro forma calculation.

If the Debt giving rise to the need to make the foregoing calculation or any other Debt incurred after the first day of the relevant four-quarter period bears interest at a floating rate then, for purposes of calculating the Annual Debt Service, the interest rate on such Debt will be computed on a pro forma basis as if the average interest rate which would have been in effect during the entire such four-quarter period had been the applicable rate for the entirety of such period.

Maintenance of Total Unencumbered Assets. We and our Subsidiaries will at all times maintain Total Unencumbered Assets of not less than 150% of the aggregate outstanding principal amount of our and our Subsidiaries' Unsecured Debt on a consolidated basis in accordance with GAAP.

Merger, Consolidation or Sale of Assets

2042 Notes. Under the 2042 Notes Indenture, we are generally permitted to consolidate or merge with another company. We are also permitted to sell substantially all of our assets to another company, or to buy substantially all of the assets of another company. However, we may not take any of these actions unless the following conditions are met:

- if we merge out of existence or sell substantially all our assets, the surviving company must be an entity organized under the laws of the United States, any state or the District of Columbia and must agree to be legally responsible for the 2042 Notes;
- immediately after the merger, sale of assets or other transaction, we may not be in default under the 2042 Notes Indenture. A default for this purpose would include any event that would be an event of default if the requirements for giving us default notice or our default having to exist for a specific period of time were disregarded; and
- immediately after the merger, sale of assets or other transaction, we or the successor entity could incur at least \$1.00 of Debt in accordance with the 2042 Notes Indenture covenants limiting the incurrence of Debt.

2046 Notes. Under the 2046 Notes Indenture, we may not consolidate with or merge into any other person or convey, transfer or lease all or substantially all of our properties and assets to any other person (other than one of our direct or indirect

wholly owned Subsidiaries), and we may not permit any other person (other than one of our direct or indirect wholly owned Subsidiaries) to consolidate with or merge into us, unless:

- we are the surviving entity or, in case we consolidate with or merge into another person, the person formed by such consolidation or merger is, or in case we convey, transfer or lease all or substantially all of our properties and assets to any person, such acquiring person is, an entity organized and validly existing under the laws of the United States of America, any state thereof or the District of Columbia and expressly assumes, by a supplemental indenture executed and delivered to the Trustee, in form satisfactory to the Trustee, the due and punctual payment of the principal of and any premium and interest on all applicable 2046 Notes issued under the 2046 Notes Indenture and the performance or observance of every covenant of the 2046 Notes Indenture on our part to be performed or observed;
- immediately after giving effect to such transaction, and treating any indebtedness which becomes an obligation of us or any of our Subsidiaries as a result of such transaction as having been incurred by us or such Subsidiary at the time of such transaction, no event of default, and no event which, after notice or lapse of time or both, would become an event of default, in each case under the 2046 Notes Indenture, has happened and is continuing; and
- we have delivered to the Trustee an officer's certificate and an opinion of counsel, each stating that such consolidation, merger, conveyance, transfer or lease and, if a supplemental indenture is required in connection with such transaction, such supplemental indenture comply with the 2046 Notes Indenture provisions described in this paragraph and that all conditions precedent provided for in the 2046 Notes Indenture relating to such transaction have been complied with.

Events of Default, Notice and Waiver

The Indentures provide that the term "event of default" for the Notes means any of the following:

- we do not pay the principal of or any premium on the Notes when due and payable;
- we do not pay interest on the Notes within 30 days after the applicable due date; and
- we or one of our Significant Subsidiaries, if any, experiences specified events of bankruptcy, insolvency or reorganization.

In addition, with respect to the 2042 Notes, the term "event of default also means the following:

- we remain in breach of any other covenant of the 2042 Notes Indenture (other than a covenant added to the 2042 Notes Indenture solely for the benefit of series of debt other than the 2042 Notes) for 60 days after we receive a notice of default stating we are in breach. Either the Trustee or holders of at least a majority in principal amount of the outstanding 2042 Notes may send the notice;
- final judgments or orders aggregating in excess of \$20 million (exclusive of amounts covered by insurance) are entered against us or our Subsidiaries and are not paid, discharged or stayed for a period of 60 days; or
- we default under any of our other indebtedness in an aggregate principal amount exceeding \$20 million after the expiration of any applicable grace period, which default results in the acceleration of the maturity of such indebtedness. Such default is not an event of default if the other indebtedness is discharged, or the acceleration is rescinded or annulled, within a period of 10 days after we receive notice specifying the default and requiring that we discharge the other indebtedness or cause the acceleration to be rescinded or annulled. Either the Trustee or the holders of at least 25% in principal amount of the outstanding 2042 Notes may send the notice.

In addition, with respect to the 2046 Notes, the term "event of default also means the following:

- we remain in breach of any other covenant of the 2046 Notes Indenture with respect to the 2046 Notes (not including a covenant added to the 2046 Notes Indenture solely for the benefit of a series of debt other than the 2046 Notes) for 60 days after we receive a notice of default stating we are in breach and requiring that it

be remedied; only the Trustee or holders of more than 25% in aggregate principal amount of outstanding 2046 Notes may send the notice; or

- we default under any of our other indebtedness in an aggregate principal amount exceeding \$50 million after the expiration of any applicable grace period, which default results in the acceleration of the maturity of such indebtedness; such default is not an event of default if the other indebtedness is discharged, or the acceleration is rescinded or annulled, within a period of 10 days after we receive notice specifying the default and requiring that we discharge the other indebtedness or cause the acceleration to be rescinded or annulled; only the Trustee or holders of more than 25% in aggregate principal amount of the outstanding 2046 Notes may send the notice.

If an event of default has occurred and has not been cured, the Trustee or the holders of not less than a majority in principal amount of the outstanding Notes of the affected series may declare the entire principal amount of all the debt securities of that series to be due and payable immediately. If an event of default occurs because we experience specified events of bankruptcy, insolvency or reorganization, the principal amount of all Notes of that series will be automatically accelerated and become immediately due and payable, without any action by the Trustee or any holder. At any time after the Trustee or the holders have accelerated any series of Notes, but before a judgment or decree for payment of the money due has been obtained, the holders of a majority in principal amount of the outstanding debt securities of the affected series may, under certain circumstances, rescind and annul such acceleration.

Except in cases of default where the Trustee has some special duties, the Trustee is not required to take any action under the applicable Indenture at the request of any holders unless the holders offer the Trustee reasonable protection from expenses and liability. We refer to this as an “indemnity.” If reasonable indemnity is provided, the holders of not less than a majority in principal amount of the outstanding Notes of the relevant series may direct the time, method and place of conducting any lawsuit or other formal legal action seeking any remedy available to the Trustee. These majority holders may also direct the Trustee in performing any other action under the applicable Indenture, subject to certain limitations.

Before holders bypass the Trustee and bring their own lawsuit or other formal legal action or take other steps to enforce their rights or protect their interests relating to the applicable Indenture or Notes issued under such Indenture, the following must occur:

- the holder must give the Trustee written notice that an event of default has occurred and is continuing;
- the holders of at least a majority in principal amount of all outstanding Notes of the relevant series must make a written request that the Trustee take action because of the default and must offer reasonable indemnity to the Trustee against the cost and other liabilities of taking that action; and
- the Trustee must have not taken action for 60 days after receipt of the notice, request and offer of indemnity and must have not received from the holders of a majority in principal amount of all outstanding Notes of the relevant series other conflicting directions within such 60 day period.

However, holders are entitled at any time to bring a lawsuit for the payment of money due on their Notes after their due date.

Every year we will furnish to the Trustee a written statement by certain of our officers certifying that, to their best knowledge, we are in compliance with the applicable indenture and the debt securities, or else specifying any default.

Modification of the Indenture

There are three types of changes we can make to the Indentures and the Notes:

Changes Requiring Approval of Holders of the Notes. First, we cannot make certain changes to the Indentures and our debt securities without the approval of each holder of Notes affected by the change. The following is a list of those types of changes:

- change the stated maturity of the principal of, or interest on, the Notes;
- reduce the principal of, or the rate of interest on, the Notes;
- reduce the amount of any premium due upon redemption;

- reduce the amount of principal of an original issue discount security payable upon acceleration of its maturity;
- change the currency or place of payment on the Notes;
- impair a holder's right to sue for payment on or after the stated maturity of the applicable Notes;
- reduce the percentage of holders of Notes whose consent is needed to modify or amend an Indenture;
- reduce the percentage of holders of Notes whose consent is needed to waive compliance with certain provisions of an Indenture or certain defaults and their consequences;
- waive past defaults in the payment of principal of or premium, if any, or interest on the Notes or in respect of any covenant or provision that cannot be modified or amended without the approval of each holder of the applicable Notes; or
- modify any of the foregoing provisions.

Changes Requiring Majority Approval. Second, certain changes require the approval of holders of not less than a majority in principal amount of the outstanding Notes of the affected series. We require the same majority vote to obtain a waiver of a past default. However, we cannot obtain a waiver of a payment default or any other aspect of an Indenture or Notes listed in the first category described above under “Changes Requiring Approval of Holders of the Notes” without the consent of each holder of the Notes affected by the waiver.

Changes Not Requiring Approval. Third, certain changes do not require any approval of holders of Notes. These including:

- to evidence the assumption by a successor obligor of our obligations;
- to add to our covenants for the benefit of holders of the Notes of all or any series or to surrender any right or power conferred upon us;
- to add any additional events of default for the benefit of holders of all or any series of Notes;
- to add to or change any provisions necessary to permit or facilitate the issuance of Notes in bearer form, registrable or not registrable as to principal, and with or without interest coupons, or to permit or facilitate the issuance of Notes in uncertificated form;
- to add to, change or eliminate any of the provisions, so long as such addition, change or elimination does not apply to any Notes entitled to the benefit of such provision or modify the rights of the holder of any such Notes with respect to such provision or such addition, change or elimination only becomes effective when there is no such Notes outstanding; or
- to change anything that does not adversely affect the interests of the holders of the Notes in any material respect.

Further, with respect to the 2046 Notes, the following changes do not require any approval of the 2046 Notes:

- to add guarantees of or to secure the 2046 Notes;
- to establish the forms or terms of the 2046 Notes;
- to evidence and provide for the acceptance of appointment of a successor trustee;
- to cure any ambiguity, to correct or supplement any provision in the 2046 Notes Indenture which may be defective or inconsistent with any other provision contained therein or to conform the terms of the 2046 Notes Indenture that are applicable to the 2046 Notes to the description of the terms of the 2046 Notes in the prospectus supplement applicable to the 2046 Notes at the time of initial sale thereof;

- to permit or facilitate the defeasance or satisfaction and discharge of the 2046 Notes; provided that such action does not adversely affect the interests of any holder of the 2046 Notes in any material respect;
- to prohibit the authentication and delivery of additional series of debt securities;
- to add to or change or eliminate any provision as shall be necessary or desirable in accordance with any amendments to the Trust Indenture Act of 1939, as amended; or
- to comply with the rules of any applicable depository.

Further Details Concerning Approval. Notes are not considered outstanding, and therefore the holders thereof are not eligible to vote or consent or give their approval or take other action under the applicable indenture, if we have deposited or set aside, in trust for the holders, money for their payment or redemption or if we or one of our affiliates own them. Notes are also not considered to be outstanding and therefore eligible to vote or consent or give their approval or take other action under the applicable Indenture if they have been fully defeased or discharged, as described below under “–Discharge, Defeasance and Covenant Defeasance–Discharge” or “–Full Defeasance.”

Discharge, Defeasance and Covenant Defeasance

Discharge. We may discharge our obligations to holders of any series of Notes that have become due and payable or will become due and payable at their stated maturity within one year, or are to be called for redemption within one year, by depositing or causing to be deposited with the Trustee, in trust, funds in the applicable currency in an amount sufficient to pay the Notes of such series, including any premium and interest to the date of such deposit (in the case of debt securities which have become due and payable) or to such stated maturity or redemption date, as applicable.

Full Defeasance. We can, under particular circumstances, effect a full defeasance of any series of the Notes. By this we mean we can legally release ourselves from any payment or other obligations on the debt securities if, among other things, we put in place the arrangements described below to repay those Notes and deliver certain certificates and opinions to the Trustee.

With respect to the 2042 Notes:

- we must deposit in trust for the benefit of all direct holders of the debt securities a combination of money or U.S. government agency notes or bonds (or, in some circumstances, depository receipts representing these notes or bonds) that will generate enough cash to satisfy all interest, principal and any other payment obligations on the debt securities on their various due dates;
- the current U.S. federal income tax law must be changed or an IRS ruling must be issued permitting us to make the deposit described above, without causing the holders to be taxed on the 2042 Notes any differently than if we did not make the deposit and instead repaid the 2042 Notes ourselves. Under current U.S. federal income tax law, the deposit and our legal release from the 2042 Notes would be treated as though we took back the holders’ 2042 Notes and gave the holders a share of the cash and notes or bonds deposited in trust. Under such circumstances, the holders could recognize gain or loss on the 2042 Notes the holders were deemed to have returned to us; and
- we must deliver to the trustee a legal opinion confirming the U.S. federal income tax law change or IRS ruling described above.

With respect to the 2046 Notes:

- we must irrevocably deposit (or cause to be deposited), in trust, for the benefit of all direct holders of the 2046 Notes money or government obligations (or, in some circumstances, depository receipts representing such government obligations), or a combination thereof, that will provide funds in an amount sufficient to pay the 2046 Notes, including any premium and interest on the 2046 Notes at their stated maturity or applicable redemption date (a “government obligation” for these purposes means securities that are not callable or redeemable at the option of the issuer thereof and are (1) direct obligations of the government that issued the currency in which such series is denominated (or, if such series is denominated in euros, the direct obligations of any government that is a member of the European Monetary Union) for the payment of which its full faith and credit is pledged or (2) obligations

of a person controlled or supervised by and acting as an agency or instrumentality of such government the payment of which is unconditionally guaranteed as a full faith and credit obligation by such government); and

- we must deliver to the Trustee a legal opinion stating that the current U.S. federal income tax law has changed or an IRS ruling has been issued, in each case to the effect that holders of the outstanding 2046 Notes will not recognize gain or loss for federal income tax purposes as a result of such full defeasance and will be subject to federal income tax on the same amounts and in the same manner and at the same times as would have been the case if such full defeasance had not occurred.

Notwithstanding the foregoing, the following rights and obligations will survive full defeasance:

- the holders' right to receive payments from the trust when payments are due;
- our obligations relating to registration and transfer of Notes and lost or mutilated certificates; and
- our obligations to maintain a payment office and to hold moneys for payment in trust.

Covenant Defeasance. Under current U.S. federal income tax law, we can make the same type of deposit described above with respect to a series of Notes and be released from the obligations imposed by most of the covenants with respect to such series and provisions of the applicable Indenture with respect to such series, and we may omit to comply with those covenants and provisions without creating an event of default. This is called "covenant defeasance."

If we accomplish covenant defeasance, the following provisions of an Indenture and the Notes of such series would no longer apply:

- most of the covenants applicable to such series of Notes and any events of default for failure to comply with those covenants; and
- any subordination provisions.

Sinking Fund

The Notes are not entitled to any sinking fund payments.

The Registrar and Paying Agent

We designated U.S. Bank National Association as the registrar and paying agent for the Notes. Payments of interest and principal are made, and the Notes are transferable, at the office of the paying agent, or at such other place or places as may be designated pursuant to the Indentures. For Notes which we issue in book-entry form evidenced by a global note, payments will be made to a nominee of the depository.

Book-Entry System and Form of Notes

The Notes were initially issued in the form of one or more fully registered global notes without coupons that were deposited with or on behalf of DTC and registered in the name of its nominee, Cede & Co. This means that we will not issue certificates to each holder of Notes. Each global note will be issued to DTC, which will keep a computerized record of its participants (for example, a broker) whose clients have purchased the Notes. The participants keep a record of their clients who purchased the Notes. Unless it is exchanged in whole or in part for a certificated note, each global note may not be transferred, except that DTC, its nominees, and their successors may transfer a global note in whole to one another. Beneficial interests in a global note will be shown on, and transfers of a global note will be made only through, records maintained by DTC and its participants.

If applicable, investors may elect to hold their interest in the global notes through either DTC, Clearstream Banking, société anonyme ("Clearstream") or Euroclear Bank S.A./N.V. ("Euroclear") if they are participants in these systems, or indirectly through organizations which are participants in these systems. Clearstream and Euroclear will hold interests on behalf of their participants through customers' securities accounts in Clearstream and Euroclear's names on the books of their respective depositaries, which in turn will hold interests in customers' securities accounts in the depositaries' names on the books of DTC.

The laws of some states may require that certain purchasers of securities take physical delivery of the securities in definitive form. These laws may limit the ability of those persons to own, transfer or pledge beneficial interests in registered global securities.

So long as the depository for a registered global security, or its nominee, is the registered owner of the registered global security, the depository or the nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by the registered global security for all purposes under the applicable Indenture. Except as set forth below, owners of beneficial interests in a registered global security:

- will not be entitled to have the applicable Notes represented by a registered global security registered in their names;
- will not receive or be entitled to receive physical delivery of the applicable Notes in the definitive form; and
- will not be considered the owners or holders of the applicable Notes under the applicable Indenture.

Accordingly, each person owning a beneficial interest in a registered global security must rely on the procedures of the depository for the registered global security and, if the person is not a participant, on the procedures of a participant through which the person owns its interest, to exercise any rights of a holder under the applicable Indenture.

We understand that under currently existing industry practices, if we request any action of holders or if an owner of a beneficial interest in a registered global security desires to give or take any action that a holder is entitled to give or take under an Indenture, the depository for the registered global security would authorize the participants holding the relevant beneficial interests to give or take the action, and those participants would authorize beneficial owners owning through those participants to give or take the action or would otherwise act upon the instructions of beneficial owners holding through them.

We will make payments of principal of and premium, if any, and interest, if any, on Notes represented by a registered global security registered in the name of a depository or its nominee to the depository or its nominee, as the case may be, as the registered owners of the registered global security. Neither we nor any trustee or any other agent of us or a trustee will be responsible or liable for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the registered global security or for maintaining, supervising or reviewing any records relating to the beneficial ownership interests.

We expect that the depository for any debt securities represented by a registered global security, upon receipt of any payments of principal and premium, if any, and interest, if any, in respect of the registered global security, will immediately credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the registered global security as shown on the records of the depository. We also expect that standing customer instructions and customary practices will govern payments by participants to owners of beneficial interests in the registered global security held through the participants, as is now the case with the securities held for the accounts of customers in bearer form or registered in "street name." We also expect that any of these payments will be the responsibility of the participants.

No registered global security may be exchanged in whole or in part Notes registered, and no transfer of a registered global security in whole or in part may be registered, in the name of any person other than the depository for such registered global security, unless (1) such depository notifies us that it is unwilling or unable to continue as depository for such registered global security or has ceased to be a clearing agency registered under the Exchange Act, and we fail to appoint an eligible successor depository within 90 days, or (2) an event of default shall have occurred and be continuing with respect to such Notes. In any such case, the affected registered global security may be exchanged in whole or in part for applicable Notes in definitive form and the applicable trustee will register any such Notes in such name or names as such depository directs.

DTC has advised us that DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds securities that its participants, or direct participants, deposit with DTC. DTC also facilitates the post-trade settlement among direct participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between direct participants' accounts. This eliminates the need for physical movement of securities certificates. Direct participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation, or DTCC. DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are

registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a direct participant, either directly or indirectly. The rules applicable to DTC and its direct participants are on file with the SEC. The information in this paragraph concerning DTC and DTC's book-entry system has been obtained from sources that we believe to be reliable, but we take no responsibility for the accuracy thereof.

Neither we nor the Trustee assumes any responsibility for the performance by DTC or any other depository or its participants of their respective obligations, including obligations that they have under the rules and procedures that govern their operations.

The Trustee for the Notes

U.S. Bank National Association is the trustee under the Indentures. We have commercial deposits and custodial arrangements with U.S. Bank National Association and its affiliates. We may enter into similar or other banking relationships with U.S. Bank National Association in the future in the normal course of business. In addition, U.S. Bank National Association acts as trustee and as paying agent with respect to other debt securities issued by us, and may do so for future issuances of debt securities by us as well.

Listing

The 2042 Notes are listed on Nasdaq under the symbol "DHCNI."

The 2046 Notes are listed on Nasdaq under the symbol "DHCNL."

Glossary

"Acquired Debt" means Debt of a Person (1) existing at the time such Person becomes a Subsidiary or (2) assumed in connection with the acquisition of assets from such Person, in each case, other than Debt incurred in connection with, or in contemplation of, such Person becoming a Subsidiary or such acquisition. Acquired Debt is deemed to be incurred on the date of the related acquisition of assets from any Person or the date the acquired Person becomes a Subsidiary.

"Adjusted Total Assets" is defined above under "Certain Covenants-Limitations on Incurrence of Debt."

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Annual Debt Service" as of any date means the maximum amount which is expensed in any 12-month period for interest on Debt of the Company and its Subsidiaries excluding amortization of debt discount and deferred financing costs.

"Business Day" means any day other than a Saturday or Sunday or a day on which banking institutions in The City of New York or in the city in which the corporate trust office of the Trustee is located is required or authorized to close.

"Capital Stock" means, with respect to any Person, any capital stock (including preferred stock), shares, interests, participation or other ownership interests (however designated) of such Person and any rights (other than debt securities convertible into or exchangeable for capital stock), warrants or options to purchase any thereof.

"Cash Equivalents" means demand deposits, certificates of deposit or repurchase agreements with banks or other financial institutions, marketable obligations issued or directly and fully guaranteed as to timely payment by the United States of America or any of its agencies or instrumentalities, or any commercial paper or other obligation rated, at time of purchase, "P-2" (or its equivalent) or better by Moody's or "A-2" (or its equivalent) or better by Standard & Poor's.

"Consolidated Income Available for Debt Service" for any period means Earnings from Operations of the Company and its Subsidiaries plus amounts which have been deducted, and minus amounts which have been added, for the following (without duplication): (1) interest or distributions on Debt of the Company and its Subsidiaries, (2) provision for taxes of the Company and its Subsidiaries based on income, (3) amortization of debt discount and deferred financing costs, (4) provisions

for gains and losses on properties and property depreciation and amortization, (5) the effect of any noncash charge resulting from a change in accounting principles in determining Earnings from Operations for such period and (6) amortization of deferred charges.

“Debt” of the Company or any Subsidiary means, without duplication, any indebtedness of the Company or any Subsidiary, whether or not contingent, in respect of:

For purposes of the 2042 Notes:

- (1) borrowed money or evidenced by bonds, notes, debentures or similar instruments;
- (2) indebtedness for borrowed money secured by any encumbrance existing on property owned by the Company or any Subsidiary, to the extent of the lesser of (x) the amount of indebtedness so secured or (y) the fair market value of the property subject to such encumbrance;
- (3) the reimbursement obligations, contingent or otherwise, in connection with any letters of credit actually issued (other than letters of credit issued to provide credit enhancement or support with respect to other indebtedness of the Company or any Subsidiary otherwise reflected as Debt hereunder) or amounts representing the balance deferred and unpaid of the purchase price of any property or services, except any such balance that constitutes an accrued expense, trade payable, conditional sale obligations or obligations under any title retention agreement;
- (4) the principal amount of all obligations of the Company or any Subsidiary with respect to redemption, repayment or other repurchase of any Disqualified Stock; or
- (5) any lease of property by the Company or any Subsidiary as lessee which is reflected on the Company’s consolidated balance sheet as a capitalized lease in accordance with GAAP;

to the extent, in the case of items of indebtedness under (1) through (3) above, that any such items (other than letters of credit) would appear as a liability on the Company’s consolidated balance sheet in accordance with GAAP. Debt also includes, to the extent not otherwise included, any obligation by the Company or any Subsidiary to be liable for, or to pay, as obligor, guarantor or otherwise (other than for purposes of collection in the ordinary course of business), Debt of another Person (other than the Company or any Subsidiary); it being understood that Debt shall be deemed to be incurred by the Company or any Subsidiary whenever the Company or such Subsidiary shall create, assume, guarantee or otherwise become liable in respect thereof.

For purposes of the 2046 Notes:

- (1) borrowed money or evidenced by bonds, notes, debentures or similar instruments;
- (2) indebtedness for borrowed money secured by any Encumbrance existing on property owned by the Company or any Subsidiary, to the extent of the lesser of (x) the amount of indebtedness so secured or (y) the fair market value of the property subject to such Encumbrance;
- (3) the reimbursement obligations, contingent or otherwise, in connection with any letters of credit actually issued (other than letters of credit issued to provide credit enhancement or support with respect to other indebtedness of the Company or any Subsidiary otherwise reflected as Debt hereunder) or amounts representing the balance deferred and unpaid of the purchase price of any property or services, except any such balance that constitutes an accrued expense or trade payable, or all conditional sale obligations or obligations under any title retention agreement;
- (4) the principal amount of all obligations of the Company or any Subsidiary with respect to redemption, repayment or other repurchase of any Disqualified Stock; or
- (5) any lease of property by the Company or any Subsidiary as lessee which is reflected on the Company’s consolidated balance sheet as a capitalized lease in accordance with GAAP;

to the extent, in the case of items of indebtedness under (1) through (5) above, that any such items (other than letters of credit) would be properly classified as a liability on the Company’s consolidated balance sheet in accordance with GAAP. Debt also (1) excludes any indebtedness (A) with respect to which a defeasance or covenant defeasance or discharge has been effected (or an irrevocable deposit is made with a trustee in an amount at least equal to the outstanding principal amount of such

indebtedness, the remaining scheduled payments of interest thereon to, but not including, the applicable maturity date or redemption date, and any premium or otherwise as provided in the terms of such indebtedness) in accordance with the terms thereof or which has been repurchased, retired, repaid, redeemed, irrevocably called for redemption (and an irrevocable deposit is made with a trustee in an amount at least equal to the outstanding principal amount of such indebtedness, the remaining scheduled payments of interest thereon to, but not including, such redemption date, and any premium) or otherwise satisfied or (B) that is secured by cash or Cash Equivalents irrevocably deposited with a trustee in an amount, in the case of this clause (B), at least equal to the outstanding principal amount of such indebtedness and the remaining scheduled payments of interest thereon and (2) includes, to the extent not otherwise included, any obligation by the Company or any Subsidiary to be liable for, or to pay, as obligor, guarantor or otherwise (other than for purposes of collection in the ordinary course of business), Debt of another Person (other than the Company or any Subsidiary); it being understood that Debt shall be deemed to be incurred by the Company or any Subsidiary whenever the Company or such Subsidiary shall create, assume, guarantee or otherwise become liable in respect thereof.

“Disqualified Stock” means, with respect to any Person, any Capital Stock of such Person which by the terms of such Capital Stock (or by the terms of any security into which it is convertible or for which it is exchangeable or exercisable), upon the happening of any event or otherwise (1) matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise (other than Capital Stock which is redeemable solely in exchange for Capital Stock which is not Disqualified Stock or for Subordinated Debt), (2) is convertible into or exchangeable or exercisable for Debt, other than Subordinated Debt or Disqualified Stock or (3) is redeemable at the option of the holder thereof, in whole or in part (other than Capital Stock which is redeemable solely in exchange for Capital Stock which is not Disqualified Stock or for Subordinated Debt); in each case on or prior to the stated maturity of the applicable Notes.

“Earnings from Operations” for any period means net earnings excluding (1) for purposes of the 2042 Notes, gains and losses on sales of investments, gains or losses on early extinguishment of debt, extraordinary items, distributions on equity securities and property valuation losses, as reflected in the financial statements of the Company and its Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP or (2) for purposes of the 2046 Notes, gains and losses on sales of investments, gains or losses on early extinguishment of debt, extraordinary items and property valuation losses, in each case as reflected in the financial statements of the Company and its Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP.

“Encumbrance” means any mortgage, lien, charge, pledge, security interest or other encumbrance of any kind.

“GAAP” means generally accepted accounting principles in the United States, which were in effect on December 20, 2001.

“Joint Venture Interests” means assets of the Company and its Subsidiaries constituting an equity investment in real estate assets or other properties, or in an entity holding real estate assets or other properties, jointly owned by the Company and its Subsidiaries, on the one hand, and one or more other Persons not constituting Affiliates of the Company, on the other, excluding any entity or properties (1) which is a Subsidiary or are properties if the co-ownership thereof (if in a separate entity) would constitute or would have constituted a Subsidiary or (2) to which, at the time of determination, the Company’s manager at such time or an Affiliate of the Company’s manager at such time provides management services. In no event shall Joint Venture Interests include (1) in the case of the 2042 Notes, equity securities that have readily determinable fair values or any investments in debt securities, mortgages or other Debt or (2) in the case of the 2046 Notes, equity securities that are part of a class of equity securities that are traded on a national or regional securities exchange or a recognized over-the-counter market or any investments in debt securities, mortgages or other Debt.

“Moody’s” means Moody’s Investors Service, Inc. or any successor.

“Person” means any individual, corporation, partnership, limited liability company, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

“Secured Debt” means Debt secured by an Encumbrance on the property of the Company or its Subsidiaries.

“Significant Subsidiary” means any Subsidiary which is a “significant subsidiary” (within the meaning of Regulation S-X, promulgated by the SEC under the Securities Act of 1933, as amended) of the Company.

“Standard & Poor’s” means Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business, or any successor.

“Subordinated Debt” means Debt which by the terms of such Debt is subordinated in right of payment to the principal of and interest and premium, if any, on the applicable Notes.

“Subsidiary” means any corporation or other Person of which a majority of (1) the voting power of the voting equity securities or (2) the outstanding equity interests of which are owned, directly or indirectly, by the Company or one or more other Subsidiaries of the Company. For the purposes of this definition, “voting equity securities” means equity securities having voting power for the election of directors or persons serving comparable functions as directors, whether at all times or only so long as no senior class of security has such voting power by reason of any contingency.

“Total Assets” as of any date means the sum of (1) the Undepreciated Real Estate Assets and (2) all other assets of the Company and its Subsidiaries determined in accordance with GAAP (but excluding accounts receivable and intangibles).

“Total Unencumbered Assets” as of any date means the sum of (1) the amount of Undepreciated Real Estate Assets of the Company and its Subsidiaries not securing any portion of Secured Debt and (2) the amount of all other assets, including accounts receivable and intangibles, of the Company and its Subsidiaries not securing any portion of Secured Debt, in each case on such date determined on a consolidated basis in accordance with GAAP; provided that, in determining Total Unencumbered Assets as a percentage of the aggregate outstanding principal amount of Unsecured Debt of the Company and its Subsidiaries on a consolidated basis for purposes of the covenant set forth above under “–Maintenance of Total Unencumbered Assets,” Joint Venture Interests shall be excluded from Total Unencumbered Assets to the extent such Joint Venture Interests would otherwise be included therein.

“Undepreciated Real Estate Assets” as of any date means the cost (original cost plus capital improvements less adjustments to carrying value in accordance with GAAP made prior to January 1, 2001) of real estate and associated tangible personal property used in connection with the real estate assets of the Company and its Subsidiaries on such date, before depreciation and amortization determined on a consolidated basis in accordance with GAAP.

“Unsecured Debt” means any Debt of the Company or its Subsidiaries which is not Secured Debt.

March 2, 2020

Diversified Healthcare Trust
Two Newton Place
255 Washington Street, Suite 300
Newton, Massachusetts 02458

Ladies and Gentlemen:

The following opinion is furnished to Diversified Healthcare Trust, a Maryland real estate investment trust (the “Company”), to be filed with the Securities and Exchange Commission (the “SEC”) as Exhibit 8.1 to the Company’s Annual Report on Form 10-K for the year ended December 31, 2019 (the “Form 10-K”) under the Securities Exchange Act of 1934, as amended.

We have acted as counsel for the Company in connection with the preparation of the Form 10-K. We have reviewed originals or copies of such corporate records, such certificates and statements of officers of the Company and of public officials, and such other documents as we have considered relevant and necessary in order to furnish the opinion hereinafter set forth. In doing so, we have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as copies, and the authenticity of the originals of such documents. Specifically, and without limiting the generality of the foregoing, we have reviewed: (i) the Company’s amended and restated declaration of trust, as amended and supplemented, and its amended and restated bylaws; and (ii) the Form 10-K. For purposes of the opinion set forth below, we have assumed that any documents (other than documents which have been executed, delivered, adopted or filed, as applicable, by the Company prior to the date hereof) that have been provided to us in draft form will be executed, delivered, adopted and filed, as applicable, without material modification.

The opinion set forth below is based upon the Internal Revenue Code of 1986, as amended, the Treasury regulations issued thereunder, published administrative interpretations thereof, and judicial decisions with respect thereto, all as of the date hereof (collectively, “Tax Laws”), and upon the Employee Retirement Income Security Act of 1974, as amended, the Department of Labor regulations issued thereunder, published administrative interpretations thereof, and judicial decisions with respect thereto, all as of the date hereof (collectively, “ERISA Laws”). No assurance can be given that Tax Laws or ERISA Laws will not change. In the discussions with respect to Tax Laws matters and ERISA Laws matters in the sections of Item 1 of the Form 10-K captioned “Material United States Federal Income Tax Considerations” and “ERISA Plans, Keogh Plans and Individual Retirement Accounts”, certain assumptions have been made therein and certain conditions and qualifications have been expressed therein, all of which assumptions, conditions and qualifications are incorporated herein by reference. With respect to all questions of fact on which our opinion is based, we have assumed the initial and continuing truth, accuracy and completeness of: (i) the information set forth in the Form 10-K and in the exhibits thereto; and (ii) representations made to us by officers of the Company or contained in the Form 10-K and in the exhibits thereto, in each such instance without regard to qualifications such as “to the best knowledge of” or “in the belief of”. We have not independently verified such information.

We have relied upon, but not independently verified, the foregoing assumptions. If any of the foregoing assumptions are inaccurate or incomplete for any reason, or if the transactions described in the Form 10-K or in the exhibits thereto have been or are consummated in a manner that is inconsistent with the manner contemplated therein, our opinion as expressed below may be adversely affected and may not be relied upon.

Based upon and subject to the foregoing: (i) we are of the opinion that the discussions with respect to Tax Laws matters and ERISA Laws matters in the sections of Item 1 of the Form 10-K captioned “Material United States Federal Income Tax Considerations” and “ERISA Plans, Keogh Plans and Individual Retirement Accounts” in all material respects are, subject to the limitations set forth therein, the material Tax Laws considerations and the material ERISA Laws considerations relevant to holders of the securities of the Company discussed therein (the “Securities”); and (ii) we hereby confirm that the opinions of counsel referred to in said sections represent our opinions on the subject matters thereof.

Our opinion above is limited to the matters specifically covered hereby, and we have not been asked to address, nor have we addressed, any other matters or any other transactions. Further, we disclaim any undertaking to advise you of any subsequent changes of the matters stated, represented or assumed herein or any subsequent changes in Tax Laws or ERISA Laws.

This opinion is rendered to you in connection with the filing of the Form 10-K. Purchasers and holders of the Securities are urged to consult their own tax advisors or counsel, particularly with respect to their particular tax consequences of acquiring, holding and disposing of the Securities, which may vary for investors in different tax situations. We hereby consent to the filing of a copy of this opinion as an exhibit to the Form 10-K, which is incorporated by reference in the Company’s Registration Statement on Form S-3, File No. 333-225831 (the “Registration Statement”), under the Securities Act of 1933, as amended (the “Securities Act”), and to the references to our firm in the Form 10-K and the Registration Statement. In giving such consent, we do not thereby admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act or under the rules and regulations of the SEC promulgated thereunder.

Very truly yours,

/s/ Sullivan & Worcester LLP

SULLIVAN & WORCESTER LLP

OMNIBUS AGREEMENT

THIS OMNIBUS AGREEMENT is made as of January 1, 2020 (the “Effective Date”), by and among the parties identified herein as the FVE Parties and the parties identified herein as the SNH Parties.

RECITALS:

The FVE Parties manage real properties and improvements owned by the SNH Parties and their Affiliates, which are operated as senior living communities.

The SNH Parties and the FVE Parties wish to memorialize certain agreements with respect to the senior living communities managed, or to be managed, by the FVE Parties, on the terms and conditions of this Agreement.

NOW, THEREFORE, the parties agree as follows:

ARTICLE I DEFINED TERMS

1.01. Definitions. The following capitalized terms as used in this Agreement shall have the meanings set forth below:

(1) “Affiliate” means, with respect to any Person, (a) any Person who directly or indirectly through one or more intermediaries controls, is controlled by or is under common control with a Person or (b) any Person of which a Person is the beneficial owner of a 25% or greater interest or (c) any Person who acquires all or substantially all of the assets of a Person. A Person shall be deemed to control another Person if such Person, directly or indirectly, has the power to direct the management, operations or business of such Person. The term “beneficial owner” for this and other definitions, having the meaning given such term in Rule 13d-3 under the Securities Exchange Act of 1934, as amended. Notwithstanding the foregoing, in no event shall any SNH Party be considered an Affiliate of any FVE Party, and in no event shall any FVE Party be considered an Affiliate of any SNH Party, for purposes of this Agreement.

(2) “Agreement” means this Omnibus Agreement as amended from time to time.

(3) “Approved Budget” means the Approved Budget as defined in and as determined pursuant to each Management Agreement.

(4) “Business Day” means any day other than Saturday, Sunday, or any other day on which banking institutions in The Commonwealth of Massachusetts are authorized by Law or executive action to close.

(5) “Change in Control” means (a) the acquisition by any Person, or two or more Persons acting in concert, of beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission) of 9.8% or more, or rights, options or warrants to acquire 9.8% or more, of the outstanding shares of voting stock or other voting interests of another Person (a “Relevant Person”) or of any direct or indirect parent of a Relevant Person (“Parent”), or the power to direct the management and policies of a Relevant Person or Parent, directly or indirectly, (b) the merger or consolidation of a Relevant Person or

Parent with and into any Person or the merger or consolidation of any Person with and into a Relevant Person or any Parent (other than the merger or consolidation of any Person into a Relevant Person or Parent that does not result in a Change in Control of a Relevant Person or Parent under clauses (a), (c), (d), (e) or (f) of this definition), (c) any one or more sales, conveyances, dividends or distributions to any Person of all or any material portion of the assets (including capital stock or other equity interests) or business of a Relevant Person or Parent, whether or not otherwise a Change in Control, (d) the cessation, for any reason, of the individuals who at the beginning of any 24 consecutive month period (commencing on the date hereof) constituted the board of directors of a Relevant Person or any Parent (together with any new directors whose election by such board or whose nomination for election by the shareholders of a Relevant Person or any Parent was approved by a vote of a majority of the directors then still in office who were either directors at the beginning of any such period or whose election or nomination for election was previously so approved, but excluding any individual whose initial nomination for, or assumption of, office as a member of such board of directors occurs as a result of an actual or threatened solicitation of proxies or consents for the election or removal of one or more directors by any Person other than a solicitation for the election of one or more directors by or on behalf of the board of directors) to constitute a majority of the board of directors of a Relevant Person or any Parent then in office, or (e) the adoption of any proposal (other than a precatory proposal) by a Relevant Person or any Parent not approved by vote of a majority of the directors of such Relevant Person or Parent, as the case may be, in office immediately prior to the making of such proposal, or (f) the election to the board of directors of a Relevant Person or any Parent of any individual not nominated or appointed by vote of a majority of the directors of such Relevant Person or Parent in office immediately prior to the nomination or appointment of such individual.

(6) “Code” means the U.S. Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

(7) “Community” has the meaning ascribed to such term in the applicable Management Agreement.

(8) “Effective Date” is defined in the preamble to this Agreement.

(9) “Extension Conditions” means (a) no Event of Default as defined under the Management Agreements by any FVE Party shall have occurred and be continuing, and (b) the FVE Parties shall have simultaneously exercised their rights to extend the terms of all Management Agreements on similar terms and in accordance with their terms.

(10) “FVE” means Five Star Senior Living Inc., a Maryland corporation.

(11) “FVE Managers” means FVE Managers, Inc., a Maryland corporation.

(12) “FVE Parties” means, collectively, FVE, FVE Managers, and any other subsidiary of FVE that is a party to a Management Agreement.

(13) “GAAP” means generally accepted accounting principles in the United States applied on a consistent basis.

(14) “Liquidity” means, as of any determination date, the amount of (a) unencumbered cash and cash equivalents of FVE, and (b) FVE’s available borrowing capacity under its revolving credit facilities or similar on-demand sources of liquidity.

(15) “Management Agreements” means, collectively, each management agreement pursuant to which an FVE Party manages an independent living/assisted living/memory care/skilled nursing community or any other type of senior living community, in each case owned by SNH or any of its Affiliates, whether in existence as of the Effective Date or entered into after the Effective Date.

(16) “Non-Performing Asset” means a Non-Performing Asset as defined in and as determined pursuant to the Management Agreements.

(17) “Person” means any natural person, corporation, limited liability company, trust, joint venture, partnership or other entity.

(18) “Portfolio EBITDA” means, with respect to any calendar year, the sum of the EBITDAs of the Communities as defined and calculated under the Management Agreements for such calendar year. For the avoidance of doubt, if any Management Agreement is terminated or entered into during a calendar year, only the EBITDA for the Community under such Management Agreement for the period that such Management Agreement was in effect during such calendar year will be taken into account in determining Portfolio EBITDA.

(19) “Portfolio Expenses” means, with respect to any calendar year, the sum of the amounts described in Sections 5.01(a) and 5.01(b) of the Management Agreements for such calendar year.

(20) “Portfolio Gross Revenues” means, with respect to any calendar year, the sum of the Gross Revenues of the Communities as defined and calculated under the Management Agreements for such calendar year. For the avoidance of doubt, if any Management Agreement is terminated or entered into during a calendar year, only the Gross Revenues for the Community under such Management Agreement for the period that such Management Agreement was in effect during such calendar year will be taken into account in determining Portfolio Gross Revenues.

(21) “Portfolio Incentive Fee” means, with respect to any calendar year, an amount equal to 15% of the amount by which the Portfolio EBITDA (prior to the payment of the Portfolio Incentive Fee) for such calendar year exceeds the Portfolio Target EBITDA for such calendar year; provided, however, in no event will the Portfolio Incentive Fee for any calendar year exceed the lesser of (a) 1.5% of Portfolio Gross Revenues for such calendar year, and (b) the amount by which Portfolio Gross Revenues for such calendar year exceeds Portfolio Expenses for such calendar year. The Portfolio Incentive Fee will be determined based upon the annual financial statements for such calendar year required under the Management Agreements, with additional adjustments being made on an annual basis based upon any audits conducted pursuant to any Management Agreement.

(22) “Portfolio Target EBITDA” means, with respect to any calendar year, the sum of the Target EBITDAs for the Communities as defined and calculated under the Management Agreements for such calendar year; provided, if any Management Agreement is terminated during a calendar year, then Portfolio Target EBITDA for that calendar year will be reduced by a pro rata portion of the Target EBITDA for the Community under such Management Agreement for such calendar year based on the portion of such calendar year that such Management Agreement was not in effect, and if any Management Agreement is entered into during a calendar year, then Portfolio Target EBITDA for that calendar year will be increased by a pro rata portion of the full calendar year Target EBITDA for the Community under such Management Agreement for such calendar year based on the portion of such calendar year that such Management Agreement was in effect.

(23) “Restricted Payment” means the declaration or payment of any dividend or other distribution of assets, properties, cash, rights, obligations or securities to any person on account of the capital stock of FVE or the purchase, redemption or other acquisition for value of any shares of capital stock of FVE, whether now or hereafter outstanding.

(24) “SNF Community” means a Community which is operated exclusively as a standalone skilled nursing facility.

(25) “SNH” means Senior Housing Properties Trust, a Maryland real estate investment trust.

(26) “SNH Parties” means any subsidiary of SNH that is a party to a Management Agreement.

(27) “Tangible Net Worth” means as to a particular Person and date, the excess of total assets over total liabilities of such Person on such date, each as determined in accordance with GAAP, excluding, however, from total assets: (a) goodwill, organizational expenses, research and development expenses, trademarks, trade names, copyrights, patents, patent applications, licenses and rights thereof, and other similar intangibles, (b) all deferred charges or unamortized debt discount and expense, (c) all reserves carried and not deducted from assets, (d) treasury stock and capital stock, obligations or other securities of, or capital contributions to, or investments in, any subsidiary, (e) deferred gain, and (f) any items not included in clauses (a) through (e) above that are treated as intangibles in conformity with GAAP.

(28) “Transaction Agreement” means that certain Transaction Agreement, dated as of April 1, 2019, between FVE and SNH.

ARTICLE II INCENTIVE FEES

2.01. Portfolio Incentive Fee. Commencing with the 2021 calendar year, the SNH Parties that are parties to the Management Agreements shall pay to the FVE Parties that are parties to the Management Agreements the Portfolio Incentive Fee for each calendar year during the term of this Agreement. Payment of the Portfolio Incentive Fee shall be made on the last Business Day of the January following the end of each calendar year, in arrears.

2.02. Allocation of Incentive Fees. The SNH Parties that are parties to the Management Agreements shall determine among themselves which portion of the Portfolio Incentive Fee shall be allocable to which Communities provided that all such allocable shares shall equal the Portfolio Incentive Fee.

2.03. Termination Fee. In addition to any termination fee owed under the applicable Management Agreement, in the event any FVE Party terminates any Management Agreement as a result of an “Event of Default” by any SNH Party under such Management Agreement, such SNH Party shall pay to such FVE Party, within 30 days of the effective date of such termination, an amount equal to the present value of the portion of the annual payments of the Portfolio Incentive Fee that would have been allocated to the Community that is subject to such terminated Management Agreement during the period from the date of termination to the scheduled expiration date of the initial term of such Management Agreement (not including any extension of the term, but not for a period in excess of 10 years in any event) assuming the annual allocated portion of Portfolio Incentive Fee during such period was equal to the average of the portion of the Portfolio Incentive Fee allocated to such Community in each of the 3 calendar years ended prior to such

termination, discounted at an annual rate equal to the Discount Rate (as defined in such Management Agreement).

ARTICLE III TERM AND TERMINATION

3.01. Term. This Agreement shall continue and remain in effect until all Management Agreements terminate or expire for any reason. Notwithstanding anything in the Management Agreements to the contrary, the right of any FVE Party to extend the term of any Management Agreement pursuant to the provisions of such Management Agreement is conditioned on the Extension Conditions having been satisfied at the time such FVE Party exercises such extension option, provided, however, the exercise of such extension option shall not be effective if, in any 2 calendar years out of the 3 calendar years ending December 31st of the calendar year that is 1 year prior to the expiration of the then current term, the Portfolio EBITDA for such calendar year does not equal at least 97% of the sum of the EBITDAs of the Communities budgeted for such calendar year as identified in the Approved Budgets for the Communities for such calendar year, in which event the Management Agreements shall expire at the end of their then current term in accordance with the provisions of the Management Agreements.

3.02. Early Termination Rights.

(1) Notwithstanding anything in the Management Agreements to the contrary, and in addition to any termination rights set forth therein, the SNH Parties shall have the right at any time, without the consent of the FVE Parties or the payment of any termination or other incremental fees to the FVE Parties, to terminate (a) any or all Management Agreements if FVE has made a Restricted Payment such that, after giving effect to such Restricted Payment, (i) FVE's Tangible Net Worth would be less than \$100,000,000, or (ii) FVE's Liquidity would be less than \$20,000,000; and (b) any Management Agreement for (i) any SNF Community, and (ii) any other Community (which Communities shall be selected by the SNH Parties in their sole discretion) in connection with the sale of such Community, provided the aggregate gross sale proceeds for Communities for which the Management Agreements are terminated pursuant to this clause (b)(ii), together with any senior living communities sold by SNH, directly or through one or more of its subsidiaries, pursuant to Section 2.1(6) of the Transaction Agreement, shall not exceed \$775,000,000.

(2) Notwithstanding anything in the Management Agreements to the contrary, an SNH Party may not terminate a Management Agreement as a result of the applicable Community being a Non-Performing Asset if such termination would result in the SNH Parties having terminated Management Agreements in the current calendar year as a result of the applicable Communities being Non-Performing Assets representing, in the aggregate, more than 20% of the Portfolio Gross Revenues for the calendar year prior to such termination.

ARTICLE IV ADDITIONAL COVENANTS

4.01. Restricted Payments. From and after the Effective Date, FVE shall not make any Restricted Payment if, after giving effect to such Restricted Payment, (a) SNH would own more than 34.5% of the outstanding FVE Common Shares determined without taking into account any unvested FVE Common Shares or options for or other securities convertible into FVE Common Shares held by persons other than SNH, or (b) FVE Managers would cease to qualify as an "eligible independent contractor" of SNH within the meaning of Section 856(d)(9)(A) of the Code. In no event shall FVE effect a redemption or repurchase of any FVE Common Shares held by SNH without SNH's prior written consent.

4.02. Additional Independent Director of FVE. Following the Effective Date, but in any event not later than six months after the Effective Date, FVE shall expand its board of directors to add one additional “Independent Director”, as such term is defined in FVE’s Amended and Restated Bylaws (the “Additional Director”). The Additional Director shall meet the requirements of an Independent Director, shall have a background and experience that complements the existing FVE board and shall be reasonably satisfactory to SNH. Following the Effective Date, FVE will provide the SNH board of directors with the resumes of and other information provided to the FVE board with respect to the candidates being considered by the FVE board for the position of the Additional Director and a reasonable opportunity to interview such candidates. The Additional Director, upon his or her appointment or election, as applicable, will be subject to nomination, re-election and removal as provided with respect to the Independent Directors of FVE in accordance with FVE’s organizational documents and other governance requirements; provided, for so long as any Management Agreement is in effect, FVE will not reduce the number of Independent Directors to less than four.

4.03. Financial Statements and Reports. In addition to the financial statements and reports that the FVE Parties are required to provide to the SNH Parties pursuant to the Management Agreements, promptly upon request by an SNH Party the FVE Parties shall provide to SNH and the SNH Parties, any additional information or reports relating to the business, condition (financial or otherwise), operations, performance, properties or prospects of any Community, any FVE Party or any of their Affiliates as SNH or any SNH Party may reasonably request, including, without limitation, a Liquidity forecast for FVE.

4.04. Acquisitions, Financings and Sales. At no time during the term of this Agreement may FVE or any subsidiary thereof, directly or indirectly, own, finance or sell, or participate in the ownership, financing or sale of, any real estate property (collectively, the “Properties”) of a type then owned or financed by SNH; provided that if FVE or such subsidiary proposes to enter into any transaction involving the ownership, financing or sale of a Property prohibited by this Section 4.04 (a “Proposed Transaction”), it shall provide notice of the Proposed Transaction to SNH describing the Proposed Transaction in sufficient detail and offer SNH the right to acquire or finance the acquisition of the Property and negotiate in good faith with SNH. If, after 10 Business Days, FVE and SNH have not reached agreement on the terms of the acquisition, financing or sale, FVE (or such subsidiary) shall be free to acquire, finance or sell such Property itself or with others, free of the restrictions of this Section 4.04. FVE agrees that irreparable damage would occur if any of the provisions of this Section 4.04 were not performed in accordance with their terms and that SNH’s remedy at law for FVE’s or its subsidiary’s breach of its obligations under this Section 4.04 would be inadequate. Upon any such breach, SNH shall be entitled (in addition to any other rights or remedies it may have at law) to seek an injunction enjoining and restraining FVE or such subsidiary from continuing such breach. FVE agrees that the period of restriction and the geographical area of restriction imposed upon FVE are fair and reasonable. If the provisions of this Section 4.04 relating to the period or the area of restriction are determined to exceed the maximum period or areas which a court having jurisdiction over the matter would deem enforceable, such period or area shall, for purposes of this Agreement, be deemed to be the maximum period or area which such court determines valid and enforceable.

4.05. Restrictions on Ownership; REIT Compliance. During the term of this Agreement, (a) FVE will not permit the occurrence of any Change in Control of any FVE Party, (b) FVE will not take any action that, in the reasonable judgment of SNH, might reasonably be expected to have an adverse impact on the ability of SNH to qualify as a “real estate investment trust” under the Code, and (c) the FVE Parties will use reasonable efforts to take, or cause to be taken, all appropriate action, as SNH or the SNH Parties may reasonably deem necessary or desirable in connection for SNH to maintain its qualification for taxation as a “real estate investment trust” under the Code.

4.06. Third Party Beneficiary. The FVE Parties acknowledge and agree that SNH is an express third party beneficiary of the provisions contained in this Article IV.

ARTICLE V MISCELLANEOUS PROVISIONS

5.01. 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 Community 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 Community and Management Agreement and neither any FVE Party nor any SNH Party shall take, or be required to take as a result of this Agreement, any action that would cause the relevant FVE Party or the relevant SNH Party to be in breach of such Other Requirement. The SNH Parties will provide to the FVE Parties notice of any loan documents applicable to a Community, which notice will be given prior to such loan documents becoming applicable to the extent practicable.

5.02. Addition and Removal of SNH Parties and FVE Parties. At any time and from time to time, if any new Management Agreement is entered into with a SNH Party or FVE Party that has not executed this Agreement, upon the request of the FVE Parties or the SNH Parties, as applicable, such new SNH Party or FVE Party shall execute an accession agreement confirming the applicability of this Agreement to such new Management Agreement and such new SNH Party or FVE Party. At any time and from time to time all Management Agreements pursuant to which a SNH Party or FVE Party is a party to this Agreement are terminated, the FVE Parties or the SNH Parties, as applicable, shall execute a release releasing such SNH Party or FVE Party, as applicable, from all obligations under this Agreement relating to periods from and after the effective date of the termination of the last of such Management Agreements.

5.03. Notices.

(1) All notices required or permitted to be sent hereunder shall be deemed to have been given for all purposes of this Agreement upon the date of electronic confirmation of delivery sent by the sender's computer, in the case of a notice by electronic mail, and, in all other cases, upon the date of receipt or refusal, except that whenever under this Agreement a notice is either received on a day which is not a Business Day or is required to be delivered on or before a specific day which is not a Business Day, the day of receipt or required delivery shall automatically be extended to the next Business Day.

(2) All such notices shall be addressed,

if to any FVE Party, to:

Five Star Senior Living Inc.
400 Centre Street
Newton, Massachusetts 02458
Attn: Katherine E. Potter, President
E-Mail: kpotter@5ssl.com

If to any SNH Party, to:

Senior Housing Properties Trust Two Newton Place, Suite 300
255 Washington Street
Newton, Massachusetts 02458
Attn: Jennifer F. Francis, President
E-Mail: JFrancis@rmrgroup.com

(3) By notice given as herein provided, the parties and their respective successors and assigns shall have the right from time to time and at any time during the term of this Agreement to change their respective addresses effective upon receipt by the other parties of such notice.

5.04. Applicable Law; Arbitration. This Agreement shall be interpreted, construed, applied and enforced in accordance with the laws of the State of Maryland, with regard to its “choice of law” rules. Any “Dispute” (as such term is defined in the Management Agreements) 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 Management Agreements.

5.05. 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.

5.06. Counterparts, Etc. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

5.07. Section and Other Headings; Interpretation. The headings contained in this Agreement are for reference purposes only and shall not in any way affect the meaning or interpretation of this Agreement. The words “hereof”, “herein” and “hereunder” and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement; and Section references are to this Agreement, unless otherwise specified. The singular and plural use of a defined term shall have the correlative meaning. The words “including” and “include” shall be deemed to be followed by the words “without limitation.”

5.08. Assignment. Any SNH Party may assign this Agreement to any Affiliate (but only as such term is defined in Section 1.01(1)(a) or (c)) of such SNH Party without the consent of the FVE Parties. No FVE Party shall assign or transfer its interest in this Agreement without the prior written consent of the SNH Parties which may be withheld in the sole and absolute discretion of the SNH Parties. If the SNH Parties consent to an assignment of this Agreement by any FVE Party, no further assignment shall be made without the express consent in writing of the SNH Parties.

5.09. Entire Agreement. This Agreement, together with the Transaction Agreement and the Management Agreements, constitute the entire agreement of the parties hereto with respect to the subject matter hereof and thereof and supersedes all previous contracts and understandings between the parties with respect to the subject matter hereof and thereof.

[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 PARTIES:

**FIVE STAR SENIOR LIVING INC., and
FVE MANAGERS, INC.**

By: /s/ Katherine E. Potter
Katherine E. Potter
President and Chief Executive Officer of each of the foregoing entities

[Signature Page to Omnibus Agreement]

SNH PARTIES:

**SNH AL AIMO TENANT, INC.,
SNH AL AIMO TENANT II, INC.,
SNH AL CRIMSON TENANT INC.,
SNH AL CUMMING TENANT LLC,
SNH AL GEORGIA TENANT LLC,
SNH AL TRS, INC.,
SNH AL WILMINGTON TENANT INC.,
SNH AZ TENANT LLC,
SNH BAMA TENANT LLC,
SNH BRFL TENANT LLC,
SNH CAL TENANT LLC,
SNH CALI TENANT LLC,
SNH CCMD TENANT LLC,
SNH CO TENANT LLC,
SNH DEL TENANT LLC,
SNH DERBY TENANT LLC,
SNH FLA TENANT LLC,
SNH GEORGIA TENANT LLC,
SNH GRANITE GATE TENANT LLC,
SNH GRANITE GATE LANDS TENANT LLC,
SNH GROVE PARK TENANT LLC,
SNH INDY TENANT LLC,
SNH LINCOLN TENANT LLC,
SNH LONGHORN TENANT LLC,
SNH MASS TENANT LLC,
SNH MD TENANT LLC,
SNH MO TENANT LLC,
SNH NC TENANT LLC,
SNH NEB TENANT LLC,
SNH NJ TENANT LLC,
SNH NORTHWOODS TENANT LLC,
SNH NM TENANT LLC,
SNH OHIO TENANT LLC,
SNH OMISS TENANT LLC,
SNH PARK PLACE TENANT I LLC,
SNH PARK PLACE TENANT II LLC,
SNH PENN TENANT LLC,
SNH PLFL TENANT LLC,
SNH SC TENANT LLC,
SNH SE ASHLEY RIVER TENANT LLC,
SNH SE BARRINGTON BOYNTON TENANT LLC,
SNH SE BURLINGTON TENANT LLC,
SNH SE DANIEL ISLAND TENANT LLC,**

[Signature Page to Omnibus Agreement]

**SNH SE HABERSHAM SAVANNAH TENANT LLC,
SNH SE HOLLY HILL TENANT LLC,
SNH SE KINGS MTN TENANT LLC,
SNH SE MOORESVILLE TENANT LLC,
SNH SE N. MYRTLE BEACH TENANT LLC,
SNH SE SG TENANT LLC,
SNH SE TENANT TRS, INC.,
SNH TEANECK TENANT LLC,
SNH TELLICO TENANT LLC,
SNH TENN TENANT LLC,
SNH TOTO TENANT LLC,
SNH VA TENANT LLC,
SNH VIKING TENANT LLC,
SNH WIS TENANT LLC,
SNH WY TENANT LLC, and
SNH YONKERS TENANT INC.**

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

[Signature Page to Omnibus Agreement]

GUARANTY AGREEMENT

THIS GUARANTY AGREEMENT (this “Guaranty”) is entered into as of January 1, 2020, by **FIVE STAR SENIOR LIVING INC.**, a Maryland corporation (“Guarantor”), for the benefit of the parties identified as the SNH Parties on Schedule 1 attached hereto and made a part hereof (each an “SNH Party”).

W I T N E S S E T H :

WHEREAS, Guarantor and Senior Housing Properties Trust (“SNH”), the ultimate corporate parent of each SNH Party, have entered into that certain Transaction Agreement, dated as of April 1, 2019 (as amended from time to time, the “Transaction Agreement”); and

WHEREAS, pursuant to the Transaction Agreement, FVE Managers, Inc. (“Manager”), a wholly owned subsidiary of Guarantor, and each SNH Party have entered into one or more Management Agreements as further identified on Schedule 2 attached hereto and made a part hereof (together with any additional management agreements contemplated by Section 22 and as amended from time to time, each a “Management Agreement” and, collectively, the “Management Agreements”); and

WHEREAS, the transactions contemplated by the Transaction Agreement and the Management Agreements are of direct material benefit to the Guarantor; and

WHEREAS, pursuant to the Transaction Agreement, Guarantor has agreed to guarantee the payment and performance of Manager’s obligations to each SNH Party under the applicable Management Agreements, subject to the terms and provisions of this Guaranty;

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the mutual receipt and legal sufficiency of which are hereby acknowledged, Guarantor hereby agrees as follows:

1. **Certain Terms**. Capitalized terms used and not otherwise defined in this Guaranty shall have the meanings ascribed to such terms in the Management Agreements.
2. **Guaranteed Obligations**. For purposes of this Guaranty the term “Guaranteed Obligations” shall mean the payment and performance of each and every obligation of Manager to each SNH Party under each Management Agreement or relating thereto, whether now existing or hereafter arising.
3. **Representations and Covenants**. Guarantor represents, warrants, covenants, and agrees that:
 - (a) **Performance of Covenants and Agreements**. Guarantor shall take all lawful action in its power to cause Manager duly and punctually to perform all of its covenants and agreements set forth in the Management Agreements.
 - (b) **Validity of Agreement**. Guarantor has duly and validly executed and delivered this Guaranty; this Guaranty constitutes the legal, valid and binding obligation of Guarantor, enforceable against Guarantor in accordance with its terms, except as the enforceability thereof may be subject to

bankruptcy, fraudulent conveyance, insolvency, reorganization, moratorium and other laws relating to or affecting creditors' rights generally and subject to general equitable principles, regardless of whether enforceability is considered in a proceeding at law or in equity; and the execution, delivery and performance of this Guaranty have been duly authorized by all requisite action of Guarantor and such execution, delivery and performance by Guarantor will not result in any breach of the terms, conditions or provisions of, or conflict with or constitute a default under, or result in the creation of any lien, charge or encumbrance upon any of the property or assets of Guarantor pursuant to the terms of, any indenture, mortgage, deed of trust, note, other evidence of indebtedness, agreement or other instrument to which it may be a party or by which it or any of its property or assets may be bound, or violate any provision of law, or any applicable order, writ, injunction, judgment or decree of any court or any order or other public regulation of any governmental commission, bureau or administrative agency.

(c) Payment of Expenses. Guarantor agrees, as principal obligor and not as guarantor only, to pay to each SNH Party forthwith, upon demand, in immediately available federal funds, all costs and expenses (including reasonable attorneys' fees and disbursements) incurred or expended by such SNH Party in connection with the enforcement of this Guaranty, together with interest on amounts recoverable under this Guaranty from the time such amounts become due until payment at the Interest Rate. Guarantor's covenants and agreements set forth in this Section 3(c) shall survive the termination of this Guaranty.

(d) Notices. Guarantor shall promptly give notice to each SNH Party of any event known to it which might reasonably result in a material adverse change in its financial condition.

(e) Books and Records. Guarantor shall at all times keep proper books of record and account in which full, true and correct entries shall be made of its transactions in accordance with GAAP and shall set aside on its books from its earnings for each fiscal year all such proper reserves, including reserves for depreciation, depletion, obsolescence and amortization of its properties during such fiscal year, as shall be required in accordance with generally accepted accounting principles, consistently applied, in connection with its business. Guarantor shall permit access by each SNH Party and its agents to the books and records maintained by Guarantor during normal business hours and upon reasonable notice. Any proprietary information obtained by any SNH Party with respect to Guarantor pursuant to the provisions of this Guaranty shall be treated as confidential, except that such information may be disclosed or used, subject to appropriate confidentiality safeguards, pursuant to any court order or in any litigation between the parties and except further that each SNH Party may disclose such information to its prospective lenders, provided that such SNH Party shall direct such lenders to maintain such information as confidential.

(f) Taxes, Etc. Guarantor shall pay and discharge promptly as they become due and payable all taxes, assessments and other governmental charges or levies imposed upon Guarantor or the income of Guarantor or upon any of the property, real, personal or mixed, of Guarantor, or upon any part thereof, as well as all claims of any kind (including claims for labor, materials and supplies) which, if unpaid, might by law become a lien or charge upon any property and result in a material adverse change in the financial condition of Guarantor; provided, however, that Guarantor shall not be required to pay any such tax, assessment, charge, levy or claim if the amount, applicability or validity thereof shall currently be contested in good faith by appropriate proceedings or other appropriate actions promptly initiated and diligently conducted and if Guarantor shall have set aside on its books such reserves of Guarantor, if any, with respect thereto as are required by generally accepted accounting principles.

(g) Legal Existence of Guarantor. Guarantor shall do or cause to be done all things necessary to preserve and keep in full force and effect its legal existence.

(h) Compliance. Guarantor shall use reasonable business efforts to comply in all material respects with all applicable statutes, rules, regulations and orders of, and all applicable restrictions imposed by, all governmental authorities in respect of the conduct of its business and the ownership of its property (including, without limitation, applicable statutes, rules, regulations, orders and restrictions relating to environmental, safety and other similar standards or controls).

(i) Insurance. Guarantor shall maintain, with financially sound and reputable insurers, insurance with respect to its properties and business against loss or damage of the kinds customarily insured against by owners of established reputation engaged in the same or similar businesses and similarly situated, in such amounts and by such methods as shall be customary for such owners and deemed adequate by Guarantor.

(j) No Change in Control. Guarantor shall not permit the occurrence of any direct or indirect Change in Control of Manager or Guarantor without the consent of SNH, which consent shall be deemed granted if SNH votes any of its shares in Guarantor in favor of any action or transaction that would constitute a Change in Control.

4. Guarantee. Guarantor hereby unconditionally guarantees that the Guaranteed Obligations which are monetary obligations shall be paid in full when due and payable, whether upon demand, at the stated or accelerated maturity thereof pursuant to any Management Agreement, or otherwise, and that the Guaranteed Obligations which are performance obligations shall be fully performed at the times and in the manner such performance is required by the Management Agreements. With respect to the Guaranteed Obligations which are monetary obligations, this guarantee is a guarantee of payment and not of collectability and is absolute and in no way conditional or contingent. In case any part of the Guaranteed Obligations shall not have been paid when due and payable or performed at the time performance is required, Guarantor shall, in the case of monetary obligations, within five (5) Business Days after receipt of notice from any SNH Party, pay or cause to be paid to such SNH Party the amount thereof as is then due and payable and unpaid (including interest and other charges, if any, due thereon through the date of payment in accordance with the applicable provisions of the Management Agreements) or, in the case of non-monetary obligations, perform or cause to be performed such obligations in accordance with the Management Agreements.

5. Set-Off. Guarantor hereby authorizes SNH and each SNH Party, at any time and without notice, to set off the whole or any portion or portions of any or all sums credited by or due from SNH or such SNH Party to it against amounts payable under this Guaranty. SNH and each SNH Party shall promptly notify Guarantor of any such set-off made by SNH or such SNH Party and the application made by SNH or such SNH Party of the proceeds thereof.

6. Unenforceability of Guaranteed Obligations, Etc. If Manager is for any reason under no legal obligation to discharge any of the Guaranteed Obligations (other than because the same have been previously discharged in accordance with the terms of the applicable Management Agreements), or if any other moneys included in the Guaranteed Obligations have become unrecoverable from Manager by operation of law or for any other reason, including, without limitation, the invalidity or irregularity in whole or in part of any Guaranteed Obligation or any limitation on the liability of Manager thereunder not contemplated by the Management Agreements or any limitation on the method or terms of payment thereunder which may now or hereafter be caused or imposed in any manner whatsoever, the guarantees contained in this Guaranty shall nevertheless remain in full force and effect and shall be binding upon Guarantor to the same extent as if Guarantor at all times had been the principal debtor on all such Guaranteed Obligations.

7. **Additional Guarantees.** This Guaranty shall be in addition to any other guarantee or other security for the Guaranteed Obligations and it shall not be prejudiced or rendered unenforceable by the invalidity of any such other guarantee or security or by any waiver, amendment, release or modification thereof.

8. **Consents and Waivers, Etc.** Guarantor hereby acknowledges receipt of correct and complete copies of each Management Agreement set forth on Schedule 2, and consents to all of the terms and provisions thereof, as the same may be from time to time hereafter amended or changed in accordance with the terms and conditions thereof, and, except as otherwise provided herein, to the maximum extent permitted by applicable law, waives (a) presentment, demand for payment, and protest of nonpayment, of any principal of or interest on any of the Guaranteed Obligations, (b) notice of acceptance of this Guaranty and of diligence, presentment, demand and protest, (c) notice of any default hereunder and any default, breach or nonperformance or Event of Default under any of the Guaranteed Obligations or the Management Agreements, (d) notice of the terms, time and place of any private or public sale of any collateral held as security for the Guaranteed Obligations, (e) demand for performance or observance of, and any enforcement of any provision of, or any pursuit or exhaustion of rights or remedies against Manager or any other guarantor of the Guaranteed Obligations, under or pursuant to any Management Agreement, or any agreement directly or indirectly relating thereto and any requirements of diligence or promptness on the part of the holders of the Guaranteed Obligations in connection therewith, and (f) to the extent Guarantor lawfully may do so, any and all demands and notices of every kind and description with respect to the foregoing or which may be required to be given by any statute or rule of law and any defense of any kind which it may now or hereafter have with respect to this Guaranty, or any Management Agreement or the Guaranteed Obligations (other than that the same have been discharged in accordance with the Management Agreements).

9. **No Impairment, Etc.** The obligations, covenants, agreements and duties of Guarantor under this Guaranty shall not be affected or impaired by any assignment or transfer in whole or in part of any of the Guaranteed Obligations without notice to Guarantor, or any waiver by any SNH Party or any holder of any of the Guaranteed Obligations or by the holders of all of the Guaranteed Obligations of the performance or observance by Manager or any other guarantor of any of the agreements, covenants, terms or conditions contained in the Guaranteed Obligations or the Management Agreements or any indulgence in or the extension of the time for payment by Manager or any other guarantor of any amounts payable under or in connection with the Guaranteed Obligations or the Management Agreements or any other instrument or agreement relating to the Guaranteed Obligations or of the time for performance by Manager or any other guarantor of any other obligations under or arising out of any of the foregoing or the extension or renewal thereof (except that with respect to any extension of time for payment or performance of any of the Guaranteed Obligations granted by any SNH Party or any other holder of such Guaranteed Obligations to Manager, Guarantor's obligations to pay or perform such Guaranteed Obligation shall be subject to the same extension of time for performance), or the modification or amendment (whether material or otherwise) of any duty, agreement or obligation of Manager or any other guarantor set forth in any of the foregoing, or the voluntary or involuntary sale or other disposition of all or substantially all of the assets of Manager or any other guarantor or insolvency, bankruptcy, or other similar proceedings affecting Manager or any other guarantor or any assets of Manager or any such other guarantor, or the release or discharge of Manager or any such other guarantor from the performance or observance of any agreement, covenant, term or condition contained in any of the foregoing without the consent of the holders of the Guaranteed Obligations by operation of law, or any other cause, whether similar or dissimilar to the foregoing.

10. **Reimbursement, Subrogation, Etc.** Guarantor hereby covenants and agrees that it will not enforce or otherwise exercise any rights of reimbursement, subrogation, contribution or other similar rights against Manager (or any other person against whom any SNH Party may proceed) with respect to the Guaranteed Obligations prior to the payment in full of all amounts owing with respect to the Management Agreements, and until all indebtedness of Manager to each SNH Party shall have been paid in full, Guarantor shall not have any right of subrogation, and Guarantor waives any defense it may have based upon any election of remedies by any SNH Party which destroys its subrogation rights or its rights to proceed against Manager for reimbursement, including, without limitation, any loss of rights Guarantor may suffer by reason of any rights, powers or remedies of Manager in connection with any anti-deficiency laws or any other laws limiting, qualifying or discharging the indebtedness to any SNH Party. Until all obligations of Manager pursuant to the Management Agreements shall have been paid and satisfied in full, Guarantor further waives any right to enforce any remedy which any SNH Party now has or may in the future have against Manager, any other guarantor or any other person and any benefit of, or any right to participate in, any security whatsoever now or in the future held by any SNH Party.

11. **Defeasance.** This Guaranty shall terminate at such time as the Guaranteed Obligations have been paid and performed in full and all other obligations of Guarantor to each SNH Party under this Guaranty have been satisfied in full; provided, however, if at any time, all or any part of any payment applied on account of the Guaranteed Obligations is or must be rescinded or returned for any reason whatsoever (including, without limitation, the insolvency, bankruptcy or reorganization of Manager), this Guaranty, to the extent such payment is or must be rescinded or returned, shall be deemed to have continued in existence notwithstanding any such termination.

12. **Notices.**

(a) **Methods of Delivery.** Any and all notices, demands, consents, approvals, offers, elections and other communications required or permitted under this Guaranty shall be deemed adequately given if in writing and the same shall be delivered either in hand, by e-mail with written acknowledgment of receipt, or by mail or Federal Express or similar expedited commercial carrier, addressed to the recipient of the notice, postpaid and registered or certified with return receipt requested (if by mail), or with all freight charges prepaid (if by Federal Express or similar carrier). Any notice sent by or delivered to any SNH Party shall automatically be deemed to have been simultaneously sent by or delivered to each SNH Party.

(b) **Timing of Delivery.** All notices required or permitted to be sent hereunder shall be deemed to have been given for all purposes of this Guaranty upon the date of acknowledged receipt, in the case of a notice by e-mail, and, in all other cases, upon the date of receipt or refusal, except that whenever under this Guaranty a notice is either received on a day which is not a Business Day or is required to be delivered on or before a specific day which is not a Business Day, the day of receipt or required delivery shall automatically be extended to the next Business Day.

(c) Addresses. All such notices shall be addressed,

if to any SNH Party to:

c/o Senior Housing Properties Trust
Two Newton Place
255 Washington Street, Suite 300
Newton, Massachusetts 02458
Attn: Ms. Jennifer F. Francis
e-mail: jfrancis@rmrgroup.com

if to Guarantor to:

Five Star Senior Living Inc.
400 Centre Street
Newton, Massachusetts 02458
Attn: Ms. Katherine E. Potter
e-mail: kpotter@5ssl.com

(d) Change of Addresses. By notice given as herein provided, the parties hereto and their respective successors and assigns shall have the right from time to time and at any time during the term of this Guaranty to change their respective addresses effective upon receipt by the other parties of such notice and each shall have the right to specify as its address any other address within the United States of America.

13. **Successors and Assigns**. Whenever in this Guaranty any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party, including without limitation the holders, from time to time, of the Guaranteed Obligations; and all representations, warranties, covenants and agreements by or on behalf of Guarantor which are contained in this Guaranty shall inure to the benefit of each SNH Party's successors and assigns, including without limitation said holders, whether so expressed or not.

14. **Applicable Law**. Except as to matters regarding the internal affairs of any SNH Party and issues of or limitations on any personal liability of the shareholders of any SNH Party for obligations of such SNH Party, as to which the laws of the state of such SNH Party's organization shall govern, this Guaranty shall be interpreted, construed, applied and enforced in accordance with the laws of the State of Maryland applicable to contracts between residents of Maryland which are to be performed entirely within Maryland, regardless of (a) where any such instrument is executed or delivered; or (b) where any payment or other performance required by any such instrument is made or required to be made; or (c) where any breach of any provision of any such instrument occurs, or any cause of action otherwise accrues; or (d) where any action or other proceeding is instituted or pending; or (e) the nationality, citizenship, domicile, principal place of business, or jurisdiction of organization or domestication of any party; or (f) whether the laws of the forum jurisdiction otherwise would apply the laws of a jurisdiction other than the State of Maryland; or (g) any combination of the foregoing.

15. **Disputes**.

(a) Disputes. Any disputes, claims or controversies between the parties (i) arising out of or relating to this Guaranty, or (ii) brought by or on behalf of any shareholder of any party or a direct or indirect parent of a party (which, for purposes of this Section 15, shall mean any shareholder of record or

any beneficial owner of shares of any party, or any former shareholder of record or beneficial owner of shares of any party), either on his, her or its own behalf, on behalf of any party or on behalf of any series or class of shares of any party or shareholders of any party against any party or any member, trustee, director, officer, manager (including The RMR Group LLC or its successor), agent or employee of any party, including disputes, claims or controversies relating to the meaning, interpretation, effect, validity, performance or enforcement of this Guaranty, including this arbitration provision, or the declarations of trust, limited liability company agreements, charters, bylaws or other governing documents of any party hereto (all of which are referred to as “Disputes”), or relating in any way to such a Dispute or Disputes shall, on the demand of any party to such Dispute be resolved through binding and final arbitration in accordance with the Commercial Arbitration Rules (the “Rules”) of the American Arbitration Association (“AAA”) then in effect, except as those Rules may be modified in this Section 15. For the avoidance of doubt, and not as a limitation, Disputes are intended to include derivative actions against trustees, directors, officers or managers of any party and class actions by a shareholder against those individuals or entities and any party. For the avoidance of doubt, a Dispute shall include a Dispute made derivatively on behalf of one party against another party. For purposes of this Section 15, the term “party” shall include any direct or indirect parent of a party.

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

(c) Location of Arbitration. The place of arbitration shall be Boston, Massachusetts unless otherwise agreed by the parties.

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

(e) Arbitration Award. In rendering an award or decision (the “Arbitration Award”), the arbitrators shall be required to follow the laws of the State of Maryland. Any arbitration proceedings or Arbitration Award rendered hereunder and the validity, effect and interpretation of this arbitration provision

shall be governed by the Federal Arbitration Act, 9 U.S.C. §1 et seq. The Arbitration Award shall be in writing and may, but shall not be required to, briefly state the findings of fact and conclusions of law on which it is based. Any monetary Arbitration Award shall be made and payable in U.S. dollars free of any tax, deduction or offset. Subject to Section 15(h), each party against which an Arbitration Award assesses a monetary obligation shall pay that obligation on or before the thirtieth (30th) day following the date of such Arbitration Award or such other date as such Arbitration Award may provide.

(f) Costs. Except to the extent expressly provided by this Guaranty or as otherwise agreed by the parties, to the maximum extent permitted by Maryland law, each party involved in a Dispute shall bear its own costs and expenses (including attorneys' fees), and the arbitrators shall not render an Arbitration Award that would include shifting of any such costs or expenses (including attorneys' fees) or, in a derivative case or class action, award any portion of a party's Arbitration Award to the claimant or the claimant's attorneys. Each party (or, if there are more than two (2) parties to the Dispute, all claimants, on the one hand, and all respondents, on the other hand, respectively) shall bear the costs and expenses of its (or their) selected arbitrator and the parties (or, if there are more than two (2) parties to the Dispute, all claimants, on the one hand, and all respondents, on the other hand) shall equally bear the costs and expenses of the third (3rd) appointed arbitrator.

(g) Appeals. Notwithstanding any language to the contrary in this Agreement, any Arbitration Award, including but not limited to any interim Arbitration Award, may be appealed pursuant to the AAA's Optional Appellate Arbitration Rules ("Appellate Rules"). An Arbitration Award shall not be considered final until after the time for filing the notice of appeal pursuant to the Appellate Rules has expired. Appeals must be initiated within thirty (30) days of receipt of an Arbitration Award by filing a notice of appeal with any AAA office. Following the appeal process, the decision rendered by the appeal tribunal may be entered in any court having jurisdiction thereof. For the avoidance of doubt, and despite any contrary provision of the Appellate Rules, the above paragraph relating to costs and expenses shall apply to any appeal pursuant to this Section 15(g) and the appeal tribunal shall not render an Arbitration Award that would include shifting of any costs or expenses (including attorneys' fees) of any party.

(h) Final Judgment. Following the expiration of the time for filing the notice of appeal, or the conclusion of the appeal process set forth in Section 15(g), an Arbitration Award shall be final and binding upon the parties thereto and shall be the sole and exclusive remedy between those parties relating to the Dispute, including any claims, counterclaims, issues or accounting presented to the arbitrators. Judgment upon an Arbitration Award may be entered in any court having jurisdiction. To the fullest extent permitted by law, no application or appeal to any court of competent jurisdiction may be made in connection with any question of law arising in the course of arbitration or with respect to any Arbitration Award made, except for actions relating to enforcement of this Section 15 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) Intended Beneficiaries. This Section 15 is intended to benefit and be enforceable by the parties and their respective shareholders, members, direct and indirect parents, trustees, directors, officers, managers (including The RMR Group Inc. and The RMR Group LLC), agents or employees of any party and their respective successors and assigns and shall be binding on the shareholders of any party and the parties, as applicable, and shall be in addition to, and not in substitution for, any other rights to indemnification or contribution that such individuals or entities may have by contract or otherwise.

16. **Modification of Agreement**. No modification or waiver of any provision of this Guaranty, nor any consent to any departure by Guarantor therefrom, shall in any event be effective unless the same shall be in writing and signed by any SNH Party against whom enforcement of such modification, waiver

or consent is sought, and such modification, waiver or consent shall be effective only in the specific instances and for the purpose for which given. No notice to or demand on Guarantor in any case shall entitle Guarantor to any other or further notice or demand in the same, similar or other circumstances. This Guaranty may not be amended except by an instrument in writing executed by or on behalf of the party against whom enforcement of such amendment is sought.

17. **Waiver of Rights by SNH Parties.** Neither any failure nor any delay on any SNH Party's part in exercising any right, power or privilege under this Guaranty shall operate as a waiver thereof, nor shall a single or partial exercise thereof preclude any other or further exercise or the exercise of any other right, power or privilege.

18. **Severability.** In case any one or more of the provisions contained in this Guaranty should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby, but this Guaranty shall be reformed and construed and enforced to the maximum extent permitted by applicable law.

19. **Entire Contract.** This Guaranty constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and shall supersede and take the place of any other instruments purporting to be an agreement of the parties hereto relating to the subject matter hereof.

20. **Headings; Counterparts.** Headings in this Guaranty are for purposes of reference only and shall not limit or otherwise affect the meaning hereof. This Guaranty may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument, and in pleading or proving any provision of this Guaranty, it shall not be necessary to produce more than one of such counterparts.

21. **Remedies Cumulative.** No remedy herein conferred upon any SNH Party is intended to be exclusive of any other remedy, and each and every remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute or otherwise.

22. **Additional Management Agreements.** Except as otherwise expressly agreed by the parties hereto, if Manager (or any other Affiliate of Guarantor) and any SNH Party (or any other Affiliate of SNH) shall enter into a new management agreement with respect to any senior living facility after the date of this Guaranty, then (a) such management agreement shall automatically be deemed to be a Management Agreement under this Guaranty, (b) the manager under such management agreement shall automatically be deemed a Manager under this Guaranty (if it is not already a Manager), (c) the SNH Party or other Affiliate of SNH shall automatically be deemed an SNH Party under this Agreement (if it is not already an SNH Party) and (d) the Guaranteed Obligations shall include all obligations of such Manager to such SNH Party under such Management Agreement. Furthermore, upon the request of any SNH Party, Guarantor shall execute an amended and restated Schedule 1 or Schedule 2 to this Guaranty to reflect such additional parties and/or Management Agreements, but Guarantor's failure to execute any such amended and restated Schedules shall not diminish or impair the automatic application of this Section 22.

[Remainder of page intentionally left blank.]

WITNESS the execution hereof under seal as of the date above first written.

GUARANTOR:

FIVE STAR SENIOR LIVING INC.,
a Maryland corporation

By: /s/ Katherine E. Potter
Katherine E. Potter
President and Chief Executive Officer

[Signature Page to Guaranty Agreement]

SCHEDULE 1

SNH PARTIES

SNH AL AIMO TENANT, INC.
SNH AL AIMO TENANT II, INC.
SNH AL CRIMSON TENANT INC.
SNH AL CUMMING TENANT LLC
SNH AL GEORGIA TENANT LLC
SNH AL TRS, INC.
SNH AL WILMINGTON TENANT INC.
SNH AZ TENANT LLC
SNH BAMA TENANT LLC
SNH BRFL TENANT LLC
SNH CAL TENANT LLC
SNH CALI TENANT LLC
SNH CCMD TENANT LLC
SNH CO TENANT LLC
SNH DEL TENANT LLC
SNH DERBY TENANT LLC
SNH FLA TENANT LLC
SNH GEORGIA TENANT LLC
SNH GRANITE GATE TENANT LLC
SNH GRANITE GATE LANDS TENANT LLC
SNH GROVE PARK TENANT LLC
SNH INDY TENANT LLC
SNH LINCOLN TENANT LLC
SNH LONGHORN TENANT LLC
SNH MASS TENANT LLC
SNH MD TENANT LLC
SHH MO TENANT LLC
SNH NC TENANT LLC
SNH NEB TENANT LLC
SNH NJ TENANT LLC
SNH NORTHWOODS TENANT LLC
SNH NM TENANT LLC
SNH OHIO TENANT LLC
SNH OMISS TENANT LLC
SNH PARK PLACE TENANT I LLC
SNH PARK PLACE TENANT II LLC
SNH PENN TENANT LLC
SNH PLFL TENANT LLC
SNH SC TENANT LLC
SNH SE ASHLEY RIVER TENANT LLC
SNH SE BARRINGTON BOYNTON TENANT LLC
SNH SE BURLINGTON TENANT LLC
SNH SE DANIEL ISLAND TENANT LLC

SNH SE HABERSHAM SAVANNAH TENANT LLC
SNH SE HOLLY HILL TENANT LLC
SNH SE KINGS MTN TENANT LLC
SNH SE MOORESVILLE TENANT LLC
SNH SE N. MYRTLE BEACH TENANT LLC
SNH SE SG TENANT LLC
SNH SE TENANT TRS, INC.
SNH TEANECK TENANT LLC
SNH TELLICO TENANT LLC
SNH TENN TENANT LLC
SNH TOTO TENANT LLC
SNH VA TENANT LLC
SNH VIKING TENANT LLC
SNH WIS TENANT LLC
SNH WY TENANT LLC
SNH YONKERS TENANT INC.

SCHEDULE 2

MANAGEMENT AGREEMENTS

1. Management Agreement for Morningside of Nevada, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH AL AIMO Tenant II, Inc.
2. Management Agreement for Morningside of Fayetteville, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH AL AIMO Tenant, Inc.
3. Management Agreement for Morningside of Springdale, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH AL AIMO Tenant, Inc.
4. Management Agreement for Morningside of Pekin, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH AL AIMO Tenant, Inc.
5. Management Agreement for Morningside of Sterling, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH AL AIMO Tenant, Inc.
6. Management Agreement for Morningside of Branson, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH AL AIMO Tenant, Inc.
7. Management Agreement for Morningside of Springfield, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH AL AIMO Tenant, Inc.
8. Management Agreement for Morningside of Jonesboro, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH AL AIMO Tenant, Inc.
9. Management Agreement for Morningside of Washington, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH AL AIMO Tenant, Inc.
10. Management Agreement for Morningside of Chesterfield Village, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH AL AIMO Tenant, Inc.
11. Management Agreement for Morningside of Vestavia Hills, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH AL Crimson Tenant Inc.
12. Management Agreement for Gardens of Shiloh Point, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH AL Cumming Tenant LLC.
13. Management Agreement for Morningside of Alpharetta, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH AL Georgia Tenant LLC.
14. Management Agreement for Eagles Landing Senior Living, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH AL Georgia Tenant LLC.
15. Management Agreement for Gardens of Fayetteville, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH AL Georgia Tenant LLC.
16. Management Agreement for Gardens of Gainesville, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH AL Georgia Tenant LLC.
17. Management Agreement for Amber Ridge Memory Care, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH AL TRS, Inc.
18. Management Agreement for The Lodge Assisted Living and Memory Care, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH AL TRS, Inc.
19. Management Agreement for Morningside of Godfrey, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH AL TRS, Inc.
20. Management Agreement for Amber Ridge Assisted Living, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH AL TRS, Inc.
21. Management Agreement for Five Star Residences of Dayton Place, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH AL TRS, Inc.
22. Management Agreement for The Forum at Town Center, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH AL TRS, Inc.

23. Management Agreement for Morningside of Wilmington, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH AL Wilmington Tenant Inc.
24. Management Agreement for The Forum at Desert Harbor, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH AZ Tenant LLC.
25. Management Agreement for The Forum at Tucson, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH AZ Tenant LLC.
26. Management Agreement for The Forum at Pueblo Norte (including Pueblo Norte Senior Living Community and Forum Pueblo Norte Assisted Living), dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH AZ Tenant LLC.
27. Management Agreement for Morningside of Cullman, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH BAMA Tenant LLC.
28. Management Agreement for Morningside of Madison, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH BAMA Tenant LLC.
29. Management Agreement for Morningside of Sheffield, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH BAMA Tenant LLC.
30. Management Agreement for Morningside of Riverchase (f/k/a. Ashton Gables in Riverchase), dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH BAMA Tenant LLC.
31. Management Agreement for Lakeview Estates, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH BAMA Tenant LLC.
32. Management Agreement for Five Star Premier Residences of Boca Raton, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH BRFL Tenant LLC.
33. Management Agreement for Somerford Place - Encinitas, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH CAL Tenant LLC.
34. Management Agreement for Leisure Pointe, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH CAL Tenant LLC.
35. Management Agreement for Somerford Place - Fresno, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH CAL Tenant LLC.
36. Management Agreement for Somerford Place - Redlands, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH CAL Tenant LLC.
37. Management Agreement for Somerford Place - Roseville, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH CAL Tenant LLC.
38. Management Agreement for Rio Las Palmas, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH CAL Tenant LLC.
39. Management Agreement for Remington Club (including Remington Club I & II and Remington Club Health Center), dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH CAL Tenant LLC.
40. Management Agreement for Somerford Place - Stockton, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH CAL Tenant LLC.
41. Management Agreement for Tiffany Court, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH CALI Tenant LLC.
42. Management Agreement for Somerford Place of Northridge, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH CALI Tenant LLC.
43. Management Agreement for Five Star Premier Residences of Chevy Chase, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH CCMD Tenant LLC.
44. Management Agreement for Mantey Heights Rehabilitation and Care Center, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH CO Tenant LLC.
45. Management Agreement for Cherrelyn Healthcare Center, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH CO Tenant LLC.

46. Management Agreement for Skyline Ridge Nursing and Rehabilitation Center, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH CO Tenant LLC.
47. Management Agreement for Willow Tree Care Center, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH CO Tenant LLC.
48. Management Agreement for Cedars Healthcare Center, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH CO Tenant LLC.
49. Management Agreement for Springs Village Care Center, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH CO Tenant LLC.
50. Management Agreement for La Villa Grande Care Center, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH CO Tenant LLC.
51. Management Agreement for Somerford House and Place of Newark (including Somerford House and Somerford Place), dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH DEL Tenant LLC.
52. Management Agreement for Millcroft (including Millcroft Retirement Community), dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH DEL Tenant LLC.
53. Management Agreement for Shipley Manor, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH DEL Tenant LLC.
54. Management Agreement for Forwood Manor, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH DEL Tenant LLC.
55. Management Agreement for Foulk Manor South, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH DEL Tenant LLC.
56. Management Agreement for Foulk Manor North, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH DEL Tenant LLC.
57. Management Agreement for Ashwood Place, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH Derby Tenant LLC.
58. Management Agreement for Morningside of Bowling Green, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH Derby Tenant LLC.
59. Management Agreement for Morningside of Paducah, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH Derby Tenant LLC.
60. Management Agreement for Morningside of Hopkinsville, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH Derby Tenant LLC.
61. Management Agreement for Lafayette at Country Place, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH Derby Tenant LLC.
62. Management Agreement for Lexington Country Place, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH Derby Tenant LLC.
63. Management Agreement for The Forum at Brookside, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH Derby Tenant LLC.
64. Management Agreement for Morningside of Mayfield, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH Derby Tenant LLC.
65. Management Agreement for The Neighborhood of Somerset, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH Derby Tenant LLC.
66. Management Agreement for Tuscany Villa of Naples, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH FLA Tenant LLC.
67. Management Agreement for Park Summit at Coral Springs, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH FLA Tenant LLC.
68. Management Agreement for The Palms of St. Lucie West, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH FLA Tenant LLC.
69. Management Agreement for Fountainview, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH FLA Tenant LLC.

70. Management Agreement for Forum at Deer Creek, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH FLA Tenant LLC.
71. Management Agreement for Springwood Court, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH FLA Tenant LLC.
72. Management Agreement for Coral Oaks, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH FLA Tenant LLC.
73. Management Agreement for The Court at Palm Aire, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH FLA Tenant LLC.
74. Management Agreement for Eastside Gardens, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH Georgia Tenant LLC.
75. Management Agreement for Morningside of Columbus, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH Georgia Tenant LLC.
76. Management Agreement for Morningside of Dalton, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH Georgia Tenant LLC.
77. Management Agreement for Morningside of Evans, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH Georgia Tenant LLC.
78. Management Agreement for Morningside of Conyers, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH Georgia Tenant LLC.
79. Management Agreement for Morningside of Gainesville, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH Georgia Tenant LLC.
80. Management Agreement for Morningside of Macon, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH Georgia Tenant LLC.
81. Management Agreement for Morningside of Savannah, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH Georgia Tenant LLC.
82. Management Agreement for Morningside of Athens, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH Georgia Tenant LLC.
83. Management Agreement for Northlake Gardens, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH Georgia Tenant LLC.
84. Management Agreement for Savannah Square (including Savannah Square Health Center and Palmetto Inn), dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH Georgia Tenant LLC.
85. Amended and Restated Management Agreement for Granite Gate Senior Living, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH Granite Gate Tenant LLC.
86. Management Agreement for Granite Gate Lands, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH Granite Gate Lands Tenant LLC.
87. Management Agreement for Terrace at Grove Park, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH Grove Park Tenant LLC.
88. Management Agreement for Fox Ridge Manor, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH INDY Tenant LLC.
89. Management Agreement for Jefferson Manor, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH INDY Tenant LLC.
90. Management Agreement for McKay Manor, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH INDY Tenant LLC.
91. Management Agreement for Northwood Manor, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH INDY Tenant LLC.
92. Management Agreement for Oak Woods Manor, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH INDY Tenant LLC.
93. Management Agreement for Park Square Manor, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH INDY Tenant LLC.

94. Management Agreement for Smith Farm Manor, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH INDY Tenant LLC.
95. Management Agreement for Sycamore Manor, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH INDY Tenant LLC.
96. Management Agreement for Meadowood Retirement Community (including Meadowood Health Pavilion), dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH INDY Tenant LLC.
97. Management Agreement for Forum at the Crossing, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH INDY Tenant LLC.
98. Management Agreement for Crimson Pointe, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH Lincoln Tenant LLC.
99. Management Agreement for Brenden Gardens, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH Lincoln Tenant LLC.
100. Management Agreement for Morningside of Shiloh, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH Lincoln Tenant LLC.
101. Management Agreement for Morningside of Troy, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH Lincoln Tenant LLC.
102. Management Agreement for The Haven and The Laurels in Stone Oak, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH Longhorn Tenant LLC.
103. Management Agreement for The Forum at Memorial Woods (including The Forum at Memorial Woods Healthcare Center), dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH Longhorn Tenant LLC.
104. Management Agreement for Heritage Place at Boerne, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH Longhorn Tenant LLC.
105. Management Agreement for Heritage Place at Fredericksburg, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH Longhorn Tenant LLC.
106. Management Agreement for The Forum at Park Lane (including Healthcare Center at the Forum at Park Lane), dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH Longhorn Tenant LLC.
107. Management Agreement for The Forum at Lincoln Heights, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH Longhorn Tenant LLC.
108. Management Agreement for The Forum at the Woodlands, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH Longhorn Tenant LLC.
109. Management Agreement for The Montevista at Coronado, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH Longhorn Tenant LLC.
110. Management Agreement for Five Star Premier Residences of Dallas, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH Longhorn Tenant LLC.
111. Management Agreement for Overture at Plano, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH Longhorn Tenant LLC.
112. Management Agreement for The Gables at Winchester, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH MASS Tenant LLC.
113. Management Agreement for Somerford Place - Annapolis, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH MD Tenant LLC.
114. Management Agreement for Somerford Place - Columbia, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH MD Tenant LLC.
115. Management Agreement for Aspenwood, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH MD Tenant LLC.
116. Management Agreement for HeartFields at Easton, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH MD Tenant LLC.

117. Management Agreement for Somerford Place and Somerford House - Frederick (including Somerford House - Frederick), dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH MD Tenant LLC.
118. Management Agreement for Somerford Place and Somerford House - Hagerstown (including Somerford House - Hagerstown), dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH MD Tenant LLC.
119. Management Agreement for HeartFields at Bowie, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH MD Tenant LLC.
120. Management Agreement for HeartFields at Frederick, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH MD Tenant LLC.
121. Management Agreement for Heartlands Senior Living Village at Ellicott City, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH MD Tenant LLC.
122. Management Agreement for Heartlands at Severna Park, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH MD Tenant LLC.
123. Management Agreement for College View Manor Retirement Residence, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH MO Tenant LLC.
124. Management Agreement for The Haven in Highland Creek, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH NC Tenant LLC.
125. Management Agreement for The Laurels in Highland Creek, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH NC Tenant LLC.
126. Management Agreement for The Haven in the Village at Carolina Place, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH NC Tenant LLC.
127. Management Agreement for The Laurels in the Village at Carolina Place, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH NC Tenant LLC.
128. Management Agreement for Landing at Parkwood, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH NC Tenant LLC.
129. Management Agreement for Parkwood Village, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH NC Tenant LLC.
130. Management Agreement for HeartFields at Cary, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH NC Tenant LLC.
131. Management Agreement for McCarthy Court II, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH NC Tenant LLC.
132. Management Agreement for Home Place of New Bern, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH NC Tenant LLC.
133. Management Agreement for McCarthy Court I, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH NC Tenant LLC.
134. Management Agreement for Morningside of Concord, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH NC Tenant LLC.
135. Management Agreement for Morningside of Gastonia, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH NC Tenant LLC.
136. Management Agreement for Morningside of Raleigh, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH NC Tenant LLC.
137. Management Agreement for Westgate Assisted Living, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH Neb Tenant LLC.
138. Management Agreement for Centennial Park Retirement Village, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH Neb Tenant LLC.
139. Management Agreement for Leisure Park (including Brighton Gardens of Leisure Park, Leisure Park Health Center and Leisure Park Special Care Center), dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH NJ Tenant LLC.

140. Management Agreement for Cherry Hill Senior Living, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH NJ Tenant LLC.
141. Management Agreement for Mt Arlington Senior Living, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH NJ Tenant LLC.
142. Management Agreement for The Montebello on Academy, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH NM Tenant LLC.
143. Management Agreement for Five Star Residences of North Woods, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH Northwoods Tenant LLC.
144. Management Agreement for Forum at Knightsbridge (including Healthcare Center at the Forum), dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH OHIO Tenant LLC.
145. Management Agreement for Hermitage Gardens at Oxford, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH OMISS Tenant LLC.
146. Management Agreement for Hermitage Gardens at Southaven, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH OMISS Tenant LLC.
147. Amended and Restated Management Agreement for Park Place of Fountain City, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH Park Place Tenant I LLC.
148. Amended and Restated Management Agreement for Park Place of West Knoxville, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH Park Place Tenant II LLC.
149. Management Agreement for Mount Vernon of South Park, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH Penn Tenant LLC.
150. Management Agreement for Overlook Green, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH Penn Tenant LLC.
151. Management Agreement for Franciscan Manor, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH Penn Tenant LLC.
152. Management Agreement for Mount Vernon of Elizabeth, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH Penn Tenant LLC.
153. Management Agreement for Clarks Summit Senior Living, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH Penn Tenant LLC.
154. Management Agreement for Glen Mills Senior Living, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH Penn Tenant LLC.
155. Management Agreement for Exton Senior Living, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH Penn Tenant LLC.
156. Management Agreement for Tiffany Court at Kingston, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH Penn Tenant LLC.
157. Management Agreement for NewSeasons at New Britain, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH Penn Tenant LLC.
158. Management Agreement for Five Star Premier Residences of Plantation, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH PLFL Tenant LLC.
159. Management Agreement for The Haven in the Summit, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH SC Tenant LLC.
160. Management Agreement for The Haven in the Village at Chanticleer, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH SC Tenant LLC.
161. Management Agreement for Morningside of Beaufort, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH SC Tenant LLC.
162. Management Agreement for Morningside of Camden, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH SC Tenant LLC.
163. Management Agreement for Morningside of Hartsville, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH SC Tenant LLC.

164. Management Agreement for Morningside of Lexington, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH SC Tenant LLC.
165. Management Agreement for Morningside of Orangeburg, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH SC Tenant LLC.
166. Management Agreement for Morningside of Seneca, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH SC Tenant LLC.
167. Management Agreement for Myrtle Beach Manor, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH SC Tenant LLC.
168. Management Agreement for Morningside of Anderson, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH SC Tenant LLC.
169. Management Agreement for Morningside of Greenwood, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH SC Tenant LLC.
170. Management Agreement for Sweetgrass Court (including Sweetgrass Court Senior Living Community), dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH SC Tenant LLC.
171. Management Agreement for Sweetgrass Village (including Sweetgrass Village Assisted Living Community), dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH SC Tenant LLC.
172. Management Agreement for Ashley River Plantation, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH SE Ashley River Tenant LLC.
173. Management Agreement for Barrington Terrace at Boynton Beach, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH SE Barrington Boynton Tenant LLC.
174. Management Agreement for Home Place of Burlington, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH SE Burlington Tenant LLC.
175. Management Agreement for Summit Place of Daniel Island, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH SE Daniel Island Tenant LLC.
176. Management Agreement for Habersham House, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH SE Habersham Savannah Tenant LLC.
177. Management Agreement for Riviera, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH SE Holly Hill Tenant LLC.
178. Management Agreement for Summit Place of Kings Mountain, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH SE Kings Mtn Tenant LLC.
179. Management Agreement for Summit Place of Mooresville, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH SE Mooresville Tenant LLC.
180. Management Agreement for Summit Place of North Myrtle Beach, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH SE N. Myrtle Beach Tenant LLC.
181. Management Agreement for The Palms of Mt. Pleasant, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH SE SG Tenant LLC.
182. Management Agreement for Seasons at Southpoint, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH SE Tenant TRS, Inc.
183. Management Agreement for Summit Place of South Park, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH SE Tenant TRS, Inc.
184. Management Agreement for Summit Place of Beaufort, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH SE Tenant TRS, Inc.
185. Management Agreement for Palms of Lake Spivey, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH SE Tenant TRS, Inc.
186. Management Agreement for Lexington Manor, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH SE Tenant TRS, Inc.

187. Management Agreement for Five Star Premier Residences of Pompano, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH SE Tenant TRS, Inc.
188. Management Agreement for Five Star Premier Residences of Hollywood, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH SE Tenant TRS, Inc.
189. Management Agreement for Five Star Premier Residences of Reno, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH SE Tenant TRS, Inc.
190. Management Agreement for The Terrace at Priceville, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH SE Tenant TRS, Inc.
191. Management Agreement for The Gardens of Scottsdale, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH SE Tenant TRS, Inc.
192. Management Agreement for The Gardens of Sun City, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH SE Tenant TRS, Inc.
193. Management Agreement for The Gardens of Virginia Beach, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH SE Tenant TRS, Inc.
194. Management Agreement for Calusa Harbor, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH SE Tenant TRS, Inc.
195. Management Agreement for The Gardens of Port St. Lucie, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH SE Tenant TRS, Inc.
196. Management Agreement for The Gardens of Bellaire, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH SE Tenant TRS, Inc.
197. Management Agreement for The Horizon Club, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH SE Tenant TRS, Inc.
198. Management Agreement for Stratford Court of Palm Harbor, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH SE Tenant TRS, Inc.
199. Management Agreement for Church Creek, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH SE Tenant TRS, Inc.
200. Management Agreement for Fieldstone Place, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH SE Tenant TRS, Inc.
201. Management Agreement for Gateway Gardens and Villa, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH SE Tenant TRS, Inc.
202. Management Agreement for Gracemont Assisted Living and Memory Care and The Villas at Willow Lake, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH SE Tenant TRS, Inc.
203. Management Agreement for Cameron Hall (Canton), dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH SE Tenant TRS, Inc.
204. Management Agreement for Cameron Hall (Ellijay), dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH SE Tenant TRS, Inc.
205. Management Agreement for Chandler House, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH SE Tenant TRS, Inc.
206. Management Agreement for Willow Pointe, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH SE Tenant TRS, Inc.
207. Management Agreement for Coventry Village, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH SE Tenant TRS, Inc.
208. Management Agreement for Jackson Crossings, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH SE Tenant TRS, Inc.
209. Management Agreement for Overlook at Cedarcrest, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH SE Tenant TRS, Inc.
210. Management Agreement for Villa Valencia, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH SE Tenant TRS, Inc.

211. Management Agreement for Five Star Premier Residences of Teaneck, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH Teaneck Tenant LLC.
212. Management Agreement for The Neighborhood at Tellico Village, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH Tellico Tenant LLC.
213. Management Agreement for Walking Horse Meadow, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH TENN Tenant LLC.
214. Management Agreement for Morningside of Belmont, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH TENN Tenant LLC.
215. Management Agreement for Morningside of Gallatin, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH TENN Tenant LLC.
216. Management Agreement for Morningside of Cleveland, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH TENN Tenant LLC.
217. Management Agreement for Morningside of Cookeville, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH TENN Tenant LLC.
218. Management Agreement for Morningside of Franklin, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH TENN Tenant LLC.
219. Management Agreement for Morningside of Jackson, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH TENN Tenant LLC.
220. Management Agreement for Williamsburg Villas, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH TENN Tenant LLC.
221. Management Agreement for Morningside of Paris, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH TENN Tenant LLC.
222. Management Agreement for The Forum at Overland Park, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH Toto Tenant LLC.
223. Management Agreement for Overland Park Place, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH Toto Tenant LLC.
224. Management Agreement for Brandon Woods at Alvamar, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH Toto Tenant LLC.
225. Management Agreement for Dominion Village of Chesapeake, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH VA Tenant LLC.
226. Management Agreement for Dominion Village of Williamsburg, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH VA Tenant LLC.
227. Management Agreement for Talbot Park, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH VA Tenant LLC.
228. Management Agreement for The Reserve at Greenbrier, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH VA Tenant LLC.
229. Management Agreement for HeartFields at Fredericksburg, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH VA Tenant LLC.
230. Management Agreement for Morningside of Charlottesville, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH VA Tenant LLC.
231. Management Agreement for Morningside of Newport News, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH VA Tenant LLC.
232. Management Agreement for Morningside of Bellgrade, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH VA Tenant LLC.
233. Management Agreement for Dominion Village of Poquoson, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH VA Tenant LLC.
234. Management Agreement for Morningside in the West End (including Morningside at Skipwith (West End)), dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH VA Tenant LLC.

235. Management Agreement for Morningside of Williamsburg, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH VA Tenant LLC.
236. Management Agreement for Wellstead of Rogers and Diamondcrest Senior Living, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH Viking Tenant LLC.
237. Management Agreement for Brookfield Rehabilitation and Specialty Care Center, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH WIS Tenant LLC.
238. Management Agreement for Meadowmere-Madison Assisted Living (including Meadowmre-Madison), dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH WIS Tenant LLC.
239. Management Agreement for Meadowmere-Southport Assisted Living (including Meadowmere-Southport), dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH WIS Tenant LLC.
240. Management Agreement for Meadowmere and Mitchell Manor West Allis (including Meadowmere West Allis, Mitchell Manor and Mitchell Manor - West Allis), dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH WIS Tenant LLC.
241. Management Agreement for Manorpointe-Oak Creek Independent Senior Apartments and Meadowmere/Mitchell Manor-Oak Creek Assisted Living (including Manorpointe Apartments, Meadowmere - Oak Creek and Mitchell Manor Oak Creek), dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH WIS Tenant LLC.
242. Management Agreement for Virginia Health and Rehabilitation Center, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH WIS Tenant LLC.
243. Management Agreement for Meadowmere-Northshore Assisted Living (including Meadowmre-Northshore), dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH WIS Tenant LLC.
244. Management Agreement for Laramie Care Center, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH WY Tenant LLC.
245. Management Agreement for Worland Healthcare and Rehabilitation Center, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH WY Tenant LLC.
246. Management Agreement for Five Star Premier Residences of Yonkers, dated as of January 1, 2020, by and between FVE Managers, Inc. and SNH Yonkers Tenant Inc.

**DIVERSIFIED HEALTHCARE TRUST
SUBSIDIARIES OF THE REGISTRANT**

Name	State of Formation, Organization or Incorporation
CCC Alpha Investments Trust	Maryland
CCC Delaware Trust	Maryland
CCC Financing I Trust	Maryland
CCC Financing Limited, L.P.	Delaware
CCC Investments I, L.L.C.	Delaware
CCC Leisure Park Corporation	Delaware
CCC of Kentucky Trust	Maryland
CCC Pueblo Norte Trust	Maryland
CCC Retirement Communities II, L.P.	Delaware
CCC Retirement Partners Trust	Maryland
CCC Retirement Trust	Maryland
CCDE Senior Living LLC	Delaware
CCOP Senior Living LLC	Delaware
Crestline Ventures LLC	Delaware
CSL Group, Inc.	Indiana
DHC Holdings LLC	Maryland
Ellicott City Land I, LLC	Delaware
HRES1 Properties Trust	Maryland
HRES2 Properties Trust	Maryland
Leisure Park Venture Limited Partnership	Delaware
Lexington Office Realty Trust (Nominee Trust)	Massachusetts
MSD Pool 1 LLC	Maryland
MSD Pool 2 LLC	Maryland
O.F.C. Corporation	Indiana
RSA Healthcare, Inc.	Tennessee
Seaport Innovation LLC	Delaware
SNH 30 Newcrossing Inc.	Maryland
SNH AL AIMO II, Inc.	Maryland
SNH AL AIMO Tenant II, Inc.	Maryland
SNH AL AIMO Tenant, Inc.	Maryland
SNH AL AIMO, Inc.	Maryland
SNH AL Crimson Tenant Inc.	Maryland
SNH AL Cumming LLC	Maryland
SNH AL Cumming Tenant LLC	Maryland
SNH AL Georgia Holdings LLC	Maryland
SNH AL Georgia LLC	Maryland
SNH AL Georgia Tenant LLC	Maryland
SNH AL Properties LLC	Maryland
SNH AL Properties Trust	Maryland

SNH AL TRS, Inc.	Maryland
SNH AL Wilmington Tenant Inc.	Maryland
SNH Alpharetta LLC	Delaware
SNH ALT Leased Properties Trust	Maryland
SNH AZ Tenant LLC	Maryland
SNH Bakersfield LLC	Maryland
SNH BAMA Tenant LLC	Maryland
SNH Baton Rouge (North) LLC	Delaware
SNH Baton Rouge (Realtors) LLC	Delaware
SNH Blaine Inc.	Maryland
SNH BRFL Properties LLC	Delaware
SNH BRFL Tenant LLC	Delaware
SNH Bridgewater LLC	Delaware
SNH CAL Tenant LLC	Maryland
SNH CALI Tenant LLC	Delaware
SNH Carlsbad LP	Delaware
SNH CCMD Properties Borrower LLC	Delaware
SNH CCMD Properties LLC	Delaware
SNH CCMD Tenant LLC	Delaware
SNH CHS Properties Trust	Maryland
SNH Clear Brook LLC	Delaware
SNH Clear Creek Properties Trust	Maryland
SNH Concord LLC	Delaware
SNH CO Tenant LLC	Maryland
SNH DEL Tenant LLC	Maryland
SNH Denham Springs LLC	Delaware
SNH Derby Tenant LLC	Maryland
SNH Durham LLC	Delaware
SNH Fan Pier Garage LLC	Maryland
SNH Fan Pier Holding Trust	Maryland
SNH Fan Pier Inc.	Maryland
SNH FLA Tenant LLC	Maryland
SNH FM Financing LLC	Delaware
SNH FM Financing Trust	Maryland
SNH Georgia Tenant LLC	Maryland
SNH Glenview (Patriot) LLC	Delaware
SNH GP Carlsbad LLC	Delaware
SNH GP Valencia LLC	Delaware
SNH Granite Gate Inc.	Maryland
SNH Granite Gate Lands Tenant LLC	Maryland
SNH Granite Gate Lands Trust	Maryland
SNH Granite Gate Tenant LLC	Maryland
SNH Grove Park Tenant LLC	Maryland
SNH Grove Park Trust	Maryland
SNH Harrisburg LLC	Delaware
SNH IL Joplin Inc.	Maryland

SNH IL Properties Trust	Maryland
SNH Independence Park LLC	Delaware
SNH INDY Tenant LLC	Maryland
SNH Jackson LLC	Delaware
SNH Kent Properties LLC	Maryland
SNH Lincoln Tenant LLC	Maryland
SNH Longhorn Tenant LLC	Maryland
SNH Liberty Plaza II Inc.	Maryland
SNH LTF Properties LLC	Maryland
SNH Maryland Heights LLC	Delaware
SNH MASS Tenant LLC	Maryland
SNH MD Tenant LLC	Maryland
SNH Medical Office Properties LLC	Delaware
SNH Medical Office Properties Trust	Maryland
SNH Medical Office Realty Trust (Nominee Trust)	Massachusetts
SNH MEZ LLC	Delaware
SNH MezzCo San Antonio LLC	Delaware
SNH MO Tenant LLC	Maryland
SNH Modesto LLC	Maryland
SNH NC Tenant LLC	Maryland
SNH Neb Tenant LLC	Maryland
SNH NJ Tenant GP LLC	Maryland
SNH NJ Tenant LLC	Maryland
SNH NJ Tenant LP	Delaware
SNH NM Tenant LLC	Maryland
SNH Northwoods LLC	Maryland
SNH Northwoods Tenant LLC	Maryland
SNH NS Mtg Properties 2 Trust	Maryland
SNH NS Properties Trust	Maryland
SNH Ohio Tenant LLC	Maryland
SNH OMISS Tenant LLC	Maryland
SNH Park Place I Inc.	Maryland
SNH Park Place II Inc.	Maryland
SNH Park Place Tenant I LLC	Maryland
SNH Park Place Tenant II LLC	Maryland
SNH Parkview Properties Trust	Maryland
SNH PENN Tenant LLC	Maryland
SNH Phoenix (Cotton) LLC	Delaware
SNH Plaquemine LLC	Delaware
SNH PLFL Properties LLC	Delaware
SNH PLFL Tenant LLC	Delaware
SNH Prairieville LLC	Delaware
SNH Proj Lincoln TRS LLC	Maryland
SNH Redmond Properties LLC	Maryland
SNH REIT Irving LLC	Delaware
SNH REIT Rockwall LLC	Delaware

SNH REIT San Antonio LLC	Delaware
SNH REIT Victoria LLC	Delaware
SNH RMI Fox Ridge Manor Properties LLC	Maryland
SNH RMI Jefferson Manor Properties LLC	Maryland
SNH RMI McKay Manor Properties LLC	Maryland
SNH RMI Northwood Manor Properties LLC	Maryland
SNH RMI Oak Woods Manor Properties LLC	Maryland
SNH RMI Park Square Manor Properties LLC	Maryland
SNH RMI Properties Holding Company LLC	Maryland
SNH RMI Smith Farms Manor Properties LLC	Maryland
SNH RMI Sycamore Manor Properties LLC	Maryland
SNH SC Tenant LLC	Maryland
SNH SE Ashley River LLC	Delaware
SNH SE Ashley River Tenant LLC	Delaware
SNH SE Barrington Boynton LLC	Delaware
SNH SE Barrington Boynton Tenant LLC	Delaware
SNH SE Burlington LLC	Delaware
SNH SE Burlington Tenant LLC	Delaware
SNH SE Daniel Island LLC	Delaware
SNH SE Daniel Island Tenant LLC	Delaware
SNH SE Habersham Savannah LLC	Delaware
SNH SE Habersham Savannah Tenant LLC	Delaware
SNH SE Holly Hill LLC	Delaware
SNH SE Holly Hill Tenant LLC	Delaware
SNH SE Kings Mtn LLC	Delaware
SNH SE Kings Mtn Tenant LLC	Delaware
SNH SE Mooresville LLC	Delaware
SNH SE Mooresville Tenant LLC	Delaware
SNH SE N. Myrtle Beach LLC	Delaware
SNH SE N. Myrtle Beach Tenant LLC	Delaware
SNH SE Properties LLC	Delaware
SNH SE Properties Trust	Maryland
SNH SE SG LLC	Delaware
SNH SE SG Tenant LLC	Delaware
SNH SE Tenant 2 TRS, Inc.	Maryland
SNH SE Tenant TRS, Inc.	Maryland
SNH SEAPORT LLC	Delaware
SNH Somerford Properties Trust	Maryland
SNH St. Louis LLC	Delaware
SNH Teaneck Properties LLC	Delaware
SNH Teaneck Tenant LLC	Delaware
SNH Tellico Tenant LLC	Maryland
SNH Tellico Trust	Maryland
SNH Tempe LLC	Delaware
SNH TENN Tenant LLC	Maryland
SNH Toto Tenant LLC	Maryland

SNH TRS Inc.	Maryland
SNH TRS Licensee Holdco LLC	Maryland
SNH VA Tenant LLC	Maryland
SNH Viking Tenant LLC	Maryland
SNH Valencia LP	Delaware
SNH Ward Ave. Properties I Inc.	Maryland
SNH Well Properties GA-MD LLC	Delaware
SNH Well Properties Trust	Maryland
SNH Wilmington LLC	Maryland
SNH WIS Tenant LLC	Maryland
SNH WY Tenant LLC	Maryland
SNH Yonkers Properties Trust	Maryland
SNH Yonkers Tenant Inc.	Maryland
SNH/CSL Properties Trust	Maryland
SNH/LTA Properties GA LLC	Maryland
SNH/LTA Properties Trust	Maryland
SNH/LTA SE Home Place New Bern LLC	Delaware
SNH/LTA SE McCarthy New Bern LLC	Delaware
SNH/LTA SE Wilson LLC	Delaware
SPTGEN Properties Trust	Maryland
SPTIHS Properties Trust	Maryland
SPTMISC Properties Trust	Maryland
SPTMNR Properties Trust	Maryland
SPTMRT Properties Trust	Maryland
SPTSUN II Properties Trust	Maryland

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statement (Form S-3 No. 333-225831) of Diversified Healthcare Trust (formerly known as Senior Housing Properties Trust), and the Registration Statement (Form S-8 No. 333-191081) pertaining to the 2012 Equity Compensation Plan of Diversified Healthcare Trust, of our reports dated March 2, 2020, with respect to the consolidated financial statements and schedule of Diversified Healthcare Trust and the effectiveness of internal control over financial reporting of Diversified Healthcare Trust included in this Annual Report (Form 10-K) of Diversified Healthcare Trust for the year ended December 31, 2019.

/s/ Ernst & Young LLP

Boston, Massachusetts
March 2, 2020

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

I, Adam D. Portnoy, certify that:

1. I have reviewed this Annual Report on Form 10-K of Diversified Healthcare 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: March 2, 2020

/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 Annual Report on Form 10-K of Diversified Healthcare 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: March 2, 2020

/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 Annual Report on Form 10-K of Diversified Healthcare 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: March 2, 2020

/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 Annual Report on Form 10-K of Diversified Healthcare 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: March 2, 2020

/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 Diversified Healthcare Trust (the “Company”) of the Annual Report on Form 10-K for the period ended December 31, 2019 (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: March 2, 2020

**MANAGEMENT AGREEMENT
FOR
MORNINGSIDE OF FAYETTEVILLE
4461 N. CROSSOVER ROAD
FAYETTEVILLE, AR 72703**

JANUARY 1, 2020

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MANAGEMENT AGREEMENT

THIS MANAGEMENT AGREEMENT is entered into as of January 1, 2020, by and between FVE Managers, Inc., a Maryland corporation ("Manager"), and SNH AL AIMO Tenant, Inc., a Maryland corporation ("Company").

RECITALS:

WHEREAS, SNH AL AIMO, Inc. ("Owner") owns certain real property and improvements thereon described in Exhibit A attached hereto (collectively, the "Community"), which Owner leases to Company and which is operated as a senior living community; and

WHEREAS, Company wishes to appoint Manager as manager of the Community and Manager desires to accept such appointment and manage the Community, all on the terms and conditions herein provided;

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE I DEFINITIONS

The following terms shall have the following meanings when used in this Agreement:

Section 1.01. "AAA" is defined in Section 15.02(a).

Section 1.02. "Accountants" means RSM US LLP or such other firm of independent certified public accountants as may be approved by Company and Manager.

Section 1.03. "Adverse Regulatory Event" is defined in Section 8.04(b).

Section 1.04. "Affiliate" means with respect to any Person, (a) any Person who directly or indirectly through one or more intermediaries controls, is controlled by or is under common control with a Person or (b) any Person of which a Person is the beneficial owner of a twenty-five percent (25%) or greater interest or (c) any Person who acquires all or substantially all of the assets of a Person. A Person shall be deemed to control another Person if such Person, directly or indirectly, has the power to direct the management, operations or business of such Person. The term "beneficial owner" for this and other definitions, having the meaning given such term in Rule 13d-3 under the Securities Exchange Act of 1934, as amended. Notwithstanding the foregoing, in no event shall Manager or Guarantor be considered an Affiliate of Company, Owner or SNH, and in no event shall Company, Owner or SNH be considered an Affiliate of Manager or Guarantor, for purposes of this Agreement.

Section 1.05. "Agreement" means this Management Agreement as amended from time to time.

Section 1.06. "Annual Operating Budget" is defined in Section 7.01.

Section 1.07. “Appellate Rules” is defined in Section 15.02(g).

Section 1.08. “Approved Budget” is defined in Section 7.01.

Section 1.09. “Award” is defined in Section 15.02(e).

Section 1.10. “Bankruptcy” means, with reference to either party:

(a) the filing by a party of a voluntary petition in bankruptcy or insolvency or a petition for reorganization under any bankruptcy law, or the admission by a party that it is unable to pay its debts as they become due, or the institution of any proceeding by a party for its dissolution;

(b) the consent by a party to an involuntary petition in bankruptcy or the party’s failure to vacate, within ninety (90) days from the date of entry thereof, any order approving an involuntary petition with respect to such party; or

(c) the entering of an order, judgment or decree by any court of competent jurisdiction, on the application of a creditor, adjudicating a party as bankrupt or insolvent or approving a petition seeking reorganization or appointing a receiver, trustee, or liquidator of all or a substantial part of a party’s assets, and such order, judgment or decree’s continuing unstayed and in effect for an aggregate of sixty (60) days (whether or not consecutive) in any twelve (12) month period.

Section 1.11. “Base Invested Capital” means \$100,500.

Section 1.12. “Base Fee” is defined in Section 3.01(a).

Section 1.13. “Base Target EBITDA” means the EBITDA budgeted for calendar year 2021 as identified in the Approved Budget for calendar year 2021.

Section 1.14. “Business Day” means any day other than a Saturday, Sunday or other day on which commercial banks in the Commonwealth of Massachusetts are authorized to close.

Section 1.15. “Capital Replacements” means replacements and renewals of FF&E at the Community and such repairs, maintenance, alterations, improvements, renewals and replacements to the Community building and its mechanical systems which are classified as capital expenditures under GAAP.

Section 1.16. “Change in Control” means (a) the acquisition by any Person, or two or more Persons acting in concert, of beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission) of 9.8% or more, or rights, options or warrants to acquire 9.8% or more, of the outstanding shares of voting stock or other voting interests of another Person (a “Relevant Person”) or of any direct or indirect parent of a Relevant Person (“Parent”), or the power to direct the management and policies of a Relevant Person or Parent, directly or indirectly, (b) the merger or consolidation of a Relevant Person or Parent with and into any Person or the merger or consolidation of any Person with and into a Relevant Person or any Parent (other than the merger or consolidation of any Person into a Relevant Person or Parent that does not result in a Change in

Control of a Relevant Person or Parent under clauses (a), (c), (d), (e) or (f) of this definition), (c) any one or more sales, conveyances, dividends or distributions to any Person of all or any material portion of the assets (including capital stock or other equity interests) or business of a Relevant Person or Parent, whether or not otherwise a Change in Control, (d) the cessation, for any reason, of the individuals who at the beginning of any twenty-four (24) consecutive month period (commencing on the date hereof) constituted the board of directors of a Relevant Person or any Parent (together with any new directors whose election by such board or whose nomination for election by the shareholders of a Relevant Person or any Parent was approved by a vote of a majority of the directors then still in office who were either directors at the beginning of any such period or whose election or nomination for election was previously so approved, but excluding any individual whose initial nomination for, or assumption of, office as a member of such board of directors occurs as a result of an actual or threatened solicitation of proxies or consents for the election or removal of one or more directors by any Person other than a solicitation for the election of one or more directors by or on behalf of the board of directors) to constitute a majority of the board of directors of a Relevant Person or any Parent then in office, or (e) the adoption of any proposal (other than a precatory proposal) by a Relevant Person or any Parent not approved by vote of a majority of the directors of such Relevant Person or Parent, as the case may be, in office immediately prior to the making of such proposal, or (f) the election to the board of directors of a Relevant Person or any Parent of any individual not nominated or appointed by vote of a majority of the directors of such Relevant Person or Parent in office immediately prior to the nomination or appointment of such individual.

Section 1.17. “Code” means the U.S. Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

Section 1.18. “Community” is defined in the recitals to this Agreement.

Section 1.19. “Community Expenses” means all costs and expenses related to the maintenance, operation, repair, renovation, replacement and staffing of the Community that are normally charged as operating expense under GAAP, including: (a) costs of inventory and supplies (including Household Replacements) used in the operation of the Community; (b) amounts payable to third parties or expenses otherwise incurred with respect to the marketing, advertising, leasing, use, repair or maintenance of the Community and any expense incurred in order to obtain or maintain any operating permits, licenses, approvals or certifications, including any licensing or registration fees and expenses associated therewith; (c) amounts payable to third parties for billing and collections of amounts due for goods and services provided to Residents, including for the collection of delinquent rentals and other costs required in connection with the enforcement of any lease or resident agreement; (d) amounts payable to third parties under service contracts; (e) amounts payable to third parties for auditing (including any audits that may be required pursuant to Section 6.03), tax preparation, accounting and risk management services and legal fees; (f) all Personnel Costs incurred by Manager for all personnel employed, and independent contractors who provide services, at the Community or whose services are entirely allocable to the Community (or a pro rata share of such Personnel Costs in the case of services provided by a regional business manager or a Shared Employee (defined below)); (g) costs of all utilities serving the Community; (h) costs of insurance premiums for insurance at the Community; (i) the Base Fee payable to Manager; (j) costs incurred

by Manager for electronic data processing equipment, systems, software or services used at the Community; (k) all Impositions and all related costs (subject to the requirements of Section 5.05); (l) all expenses, including settlement payments, penalties, fines, repayments, consultant or legal fees and any other costs incurred, related to audits, investigations, inquiries or reviews of the Community or Company or Owner by a Governmental Authority, accreditation body or a contractor of a Governmental Authority; (m) any other recoupments, repayments, adjustments, reconciliations or other payments made or returned to Residents or third party payors of the Community and any related consultant and legal fees; (n) costs payable to prevent, cure or correct any violation of Legal Requirements with respect to the Community or Company or Owner; and (o) costs incurred to litigate, negotiate and/or settle any civil claim, action or litigation, including any amounts payable pursuant to a settlement, judgment or damages award and related legal fees.

If any Community Expenses (e.g., advertising, information technology, reporting and other systems for the operation of the Community and personnel training), but not including Personnel Costs, are shared with other senior housing communities managed or operated by Manager or its Affiliates (the “Shared Expenses”), whether owned by Company or its Affiliates or other parties, Manager shall identify such Shared Expenses in the Annual Operating Budget and the basis for allocation. In addition, Manager may allocate as a Community Expense a pro rata share of the Personnel Costs Manager incurs with respect to any employee or independent contractor, including for Home Office Personnel to the extent allowed by Section 4.03, who provides services at the Community and at other senior housing communities managed or operated by Manager (a “Shared Employee”) in accordance with an allocation formula approved by Company, which approval shall not be unreasonably withheld, conditioned or delayed.

Community Expenses shall not include, unless otherwise approved by Company: costs for Home Office Personnel (except as allowed by Section 4.03), costs for Manager’s in-house accounting and reporting systems, software or services to the extent used exclusively at Manager’s home office, other home office and corporate level expenses and travel expenses of personnel assigned to work exclusively at the Community, except for such Community related travel expenses as are generally reimbursed or paid pursuant to the Community’s policies and procedures.

Section 1.20. “Company” is defined in the initial paragraph to this Agreement.

Section 1.21. “Condemnation” means a taking by Governmental Authority in an eminent domain, condemnation, compulsory acquisition or similar proceeding for any public or quasi-public use or purpose.

Section 1.22. “Consumer Price Index” means the Consumer Price Index for Urban Wage Earners and Clerical Workers, 1982-1984=100. The Consumer Price Index is presently published by the Bureau of Labor Statistics of the United States Department of Labor. In the event publication of the Consumer Price Index ceases, the computations under this Agreement with respect to which the Consumer Price Index is to be applied shall be computed upon the basis of whatever index published by the United States Department of Labor at that time is most nearly comparable as a measure of general changes in price levels. In the event that the Consumer Price Index ceases to use 1982-84=100 as the basis of calculation, then the Consumer Price Index shall be converted to

the amount(s) that would have resulted had the manner of calculating the Consumer Price Index in effect at the date of this Agreement not been altered.

Section 1.23. “Construction Supervision Fee” means an amount equal to three percent (3%) of amounts funded for Capital Replacements less the amount of any construction supervision (or similar) fees paid to any third party.

Section 1.24. “Discount Rate” means the yield reported as of 10:00 A.M. on the Business Day prior to the date of termination of this Agreement on the display designated as “Page PX1” (or such other display as may replace Page PX1 on Bloomberg Financial Markets (“Bloomberg”) or, if Page PX1 (or its successor screen on Bloomberg) is unavailable, the Telerate Access Service screen which corresponds most closely to Page PX1) for the most recently issued actively traded U.S. Treasury securities having a maturity equal to the number of years between the date of termination and the scheduled expiration date of the Term (including any extension of the Term, but not in excess of twenty (20) years in any event), plus 300 basis points, or if such yields shall not be reported as of such time or the yields reported as of such time shall not be ascertainable (including by way of interpolation), the Treasury Constant Maturity Series Yields reported for the latest day for which such yields shall have been so reported as of the Business Day prior to the date of termination of this Agreement in Federal Reserve Statistical Release H.15 (519) (or any comparable successor publication) for actively traded U.S. Treasury securities having the same maturity, plus 300 basis points. If necessary, U.S. Treasury bill quotations shall be converted to bond equivalent yields in accordance with accepted financial practice and interpolating linearly between reported yields.

Section 1.25. “Disputes” is defined in Section 15.02(a).

Section 1.26. “EBITDA” means for any period, the net income of the Community before interest, income taxes, depreciation and amortization allocated to such Community, determined in accordance with GAAP applied on a consistent basis. To the extent the Term commences or ends on a day other than the first day of the calendar year or the last day of the calendar year, as applicable, for the purposes of the calculations required under this Agreement, EBITDA will be adjusted on a pro rata basis for such partial calendar year.

Section 1.27. “Event of Default” is defined in Section 14.01, as to Manager, and in Section 14.02, as to Company.

Section 1.28. “Excess Invested Capital” means, with respect to any calendar year, the amount by which Invested Capital paid in such calendar year exceeds Target Invested Capital for such calendar year.

Section 1.29. “FF&E” means furniture, fixtures, furnishings, soft goods, case goods, vehicles, systems and equipment.

Section 1.30. “GAAP” means generally accepted accounting principles in the United States applied on a consistent basis.

Section 1.31. “Governmental Authority” means any United States federal, state or local government or political subdivision thereof, or any court, administrative agency or commission or other quasi-governmental authority or instrumentality or any subdivision thereof.

Section 1.32. “Gross Revenues” means all revenues derived from operating the Community, determined in accordance with GAAP, including: income (from both cash and credit transactions, net of any fee therefor and net of any contractual allowances granted to third party payors) from community fees, monthly occupancy fees, health care fees, third party reimbursement or payments and any and all other fees and payments received from or on behalf of Residents; income from food and beverage and catering sales; income from vending machines, and proceeds, if any, from business interruption insurance and all other revenues from the operation of the Community; provided that, Gross Revenues shall not include: (a) gratuities to employees at the Community, (b) federal, state or municipal excise, sales or use taxes or similar taxes imposed at the point of sale and collected directly from Residents or guests of the Community or included as part of the sales price of any goods or services, (c) proceeds from the sale of FF&E and any other capital asset, (d) interest received or accrued with respect to the monies in any accounts referred to in Section 5.04, (e) proceeds of any financing or refinancing of the Community, (f) proceeds of any insurance policy (except business interruption insurance) or condemnation or other taking, (g) any cash refunds, rebates or discounts to Residents of the Community, cash discounts and credits of a similar nature, given, paid or returned in the course of obtaining Gross Revenues or components thereof to the extent not reflected in contractual allowances, (h) proceeds from any sale of the Community or any other capital transaction, (i) Resident funds on deposit or security deposits until such time and to the extent as the same are applied to current fees due for services rendered, (j) awards of damages, settlement proceeds and other payments received by Company in respect of any litigation other than litigation to collect fees due for services rendered at the Community and (k) payments under any policy of title insurance. Any community fees or deposits that are refunded to a Resident shall be deducted from Gross Revenues during the month in which such refunds are made, if previously included in Gross Revenues.

Section 1.33. “Guarantor” means Five Star Senior Living Inc., a Maryland corporation.

Section 1.34. “Guaranty” means that certain Guaranty Agreement, dated as of the date hereof, made by Guarantor in favor of Company and certain of its Affiliates, pursuant to which Guarantor guarantees, among other things, the obligations of Manager to Company under this Agreement, and any amendments thereto.

Section 1.35. “Home Office Personnel” is defined in Section 4.03.

Section 1.36. “Household Replacements” means supply items including linen, china, glassware, silver, uniforms, and similar items.

Section 1.37. “Impositions” means all levies, assessments and similar charges, including: all water, sewer or similar fees, rents, rates, charges, excises or levies, vault license fees or rentals; license and regulatory approval fees; inspection fees and other authorization fees and other governmental charges of any kind or nature whatsoever (and all interest and penalties thereon), which at any time during or in respect of the Term may be assessed, levied, confirmed or imposed

on the Community, Company or Manager with respect to the Community or the operation thereof, or otherwise in respect of or be a lien upon the Community (including, on any of the inventories or Household Replacements now or hereafter located therein). Impositions shall not include (a) any income or franchise taxes payable by Company or Manager or (b) any franchise, corporate, capital levy or transfer tax imposed on Company or Manager.

Section 1.38. “Intellectual Property” means (a) all software developed and owned by Manager or an Affiliate of Manager; and (b) all written manuals, instructions, policies, procedures and directives issued by Manager to its employees at the Community regarding the procedures and techniques to be used in operation of the Community.

Section 1.39. “Interest Rate” means an annual rate of 8%, but not higher than the highest rate permitted by law.

Section 1.40. “Invested Capital” means any amounts paid by Company, or Owner, for Capital Replacements (and excluding amounts funded by Company for Working Capital) as reflected on the books and records of Owner and Company, less any amounts representing proceeds from the sale of Capital Replacements or any other capital asset, and in all events, subject to adjustment based on any audit conducted pursuant to Section 6.03(b).

Section 1.41. “Lease” is defined in Section 8.02(a).

Section 1.42. “Legal Requirements” means any permit, license, certificate, law, code, rule, ordinance, regulation or order of any Governmental Authority, Board of Fire Underwriters or any body similar to any of the foregoing having jurisdiction over the business or operation of the Community or the matters which are the subject of this Agreement, including any Resident care or health care, building, zoning or use laws, ordinances, regulations or orders, environmental protection laws and fire department rules.

Section 1.43. “Manager” is defined in the initial paragraph of this Agreement.

Section 1.44. “Mortgage” means any mortgage or deed of trust recorded against the Community.

Section 1.45. “Multiplier” means the greater of (a) two percent (2%), or (b) a fraction, the numerator of which shall be the difference between the Consumer Price Index for the immediately preceding December and the Consumer Price Index for the December that is twelve (12) months prior thereto, and the denominator of which shall be the Consumer Price Index for such prior December.

Section 1.46. “Non-Performing Asset” means the Community if, commencing with the 2021 calendar year, in any two (2) consecutive calendar years, or in any two (2) calendar years out of any three (3) consecutive calendar years during the Term, the EBITDA for such calendar year does not equal at least ninety percent (90%) of the Target EBITDA for such calendar year; provided, however, for purposes of this calculation, in no event shall Target EBITDA be less than \$0.

Section 1.47. “Owner” is defined in the Recitals to this Agreement.

Section 1.48. “Person” means any natural person, corporation, limited liability company, trust, joint venture, partnership, Governmental Authority or other entity.

Section 1.49. “Personnel Costs” means total cash compensation, costs of training programs, hiring expenses, severance payments, payroll taxes, workers’ compensation, travel expenses, incentive programs (e.g., workers’ compensation and risk management related incentive programs) and employee fringe benefits payable to such personnel.

Section 1.50. “Proprietary Marks” means all trademarks, trade names, symbols, logos, slogans, designs, insignia, emblems, devices and service marks which are used by Manager to identify the Community, whether they are now or hereafter owned by Manager or any of its Affiliates, and whether or not they are registered under the laws of the United States.

Section 1.51. “Residents” means the individuals residing at the Community.

Section 1.52. “Rules” is defined in Section 15.02(a).

Section 1.53. “SNH” means Senior Housing Properties Trust, a Maryland real estate investment trust.

Section 1.54. “State” means the state in which the Community is located and any regulatory agencies within the State with overview authority or other authority over the Community, and any other state that asserts regulatory authority over the Community or with respect to its Residents, to the extent thereof.

Section 1.55. “Target EBITDA” means (a) with respect to calendar year 2021, the Base Target EBITDA, and (b) with respect to each subsequent calendar year, the sum of (i) the amount of the prior calendar year’s Target EBITDA increased by the absolute value of the product of (A) the prior calendar year’s Target EBITDA, multiplied by (B) the Multiplier, plus (ii) six percent (6%) of any Excess Invested Capital made in the prior calendar year. To the extent the Term commences or ends on a day other than the first day of the calendar year or the last day of the calendar year, as applicable, Target EBITDA will be adjusted on a pro rata basis for such partial year.

Section 1.56. “Target Invested Capital” means (a) with respect to calendar year 2021, the Base Invested Capital increased by the product of (i) the Base Invested Capital, multiplied by (ii) the Multiplier, and (b) with respect to each subsequent calendar year, the amount of the prior calendar year’s Target Invested Capital increased by the product of (i) the prior calendar year’s Target Invested Capital, multiplied by (ii) the Multiplier; provided, however, the Target Invested Capital for any calendar year shall increase or decrease on a per unit pro rata basis to the extent the number of units at the Community in such calendar year increases or decreases from the number of units at the Community in the prior calendar year, in each case as identified in the Approved Budget for such applicable calendar year.

Section 1.57. “Term” is defined in Section 12.01.

Section 1.58. “Termination Fee” means an amount equal to the present value of the payments that would have been made to Manager between the date of termination and the scheduled expiration date of the initial Term (not including any extension of the Term, but not for a period in excess of ten (10) years in any event) as Base Fees if this Agreement had not been terminated, calculated based upon the average of the Base Fees earned in each of the three (3) calendar years ended prior to the Termination Date, discounted at an annual rate equal to the Discount Rate.

Section 1.59. “Unsuitable for Use” means, as a result of damage, destruction or partial Condemnation, the Community cannot be reasonably expected to be restored to its prior condition within nine (9) months and/or, in the good faith judgment of Company, after restoration or partial Condemnation the Community cannot be operated on a commercially practicable basis.

Section 1.60. “Working Capital” means funds used in the day-to-day operation of the Community.

ARTICLE II APPOINTMENT OF MANAGER

Section 2.01. Appointment of Manager. Company hereby appoints Manager as the sole and exclusive Manager for the daily operation and management of the Community. Manager accepts such appointment and further agrees to:

- (a) perform the duties of Manager under this Agreement in compliance with this Agreement, including Section 4.06;
- (b) (i) supervise and direct the management and operation of the Community in a financially sound, cost-effective and efficient manner; and (ii) establish and maintain programs to promote the most effective utilization of the Community’s services and maximize occupancy and Gross Revenues;
- (c) provide quality services to Residents in a manner complying with all Legal Requirements and the form of resident agreement in use at the Community;
- (d) establish appropriate marketing programs;
- (e) maintain well trained, quality staff, in sufficient number, at the Community;
- (f) institute (i) a sound financial accounting system for the Community, (ii) adequate internal fiscal controls through proper budgeting, accountant procedures and timely financial performance and (iii) sound billing and collection procedures and methods; and
- (g) diligently monitor and assure physical plant maintenance and housekeeping consistent with the Approved Budget.

ARTICLE III

PAYMENTS TO MANAGER; WORKING CAPITAL; CAPITAL REPLACEMENTS; INSUFFICIENT FUNDS

Section 3.01. Management Fees.

(a) As compensation for the services to be rendered by Manager under this Agreement, Manager shall receive a management fee ("Base Fee") during the Term equal to five percent (5%) of the Gross Revenues of the Community.

(b) In consideration of Manager's management of Capital Replacements, Company shall pay Manager a Construction Supervision Fee for any Capital Replacements made in accordance with the Approved Budget. Such Construction Supervision Fee will be paid monthly in arrears based on Capital Replacements made in such month.

(c) No amount paid hereunder is intended to be, nor shall it be construed to be, an inducement or payment for referral of Residents by either party or any of its Affiliates to the other party or any of its Affiliates.

ARTICLE IV

MANAGEMENT SERVICES

Section 4.01. Authority of Manager and Management Services. Subject to the terms of this Agreement and the Company's responsibilities as licensee, Manager shall have discretion and control in all matters relating to the day-to-day management and operation of the Community consistent with the Approved Budget. Such discretion and control shall include the authority to negotiate and execute contracts in its own name, in the name of and on behalf of Company and/or the Community, in each case, subject to the terms of this Agreement. Manager shall implement all aspects of the operation of the Community in accordance with the terms of this Agreement, and shall have responsibility and commensurate authority for all such activities. Without limiting the generality of the foregoing, in addition to any other services set forth in this Agreement, Manager shall, consistent with the Approved Budget:

(a) enter into all contracts, leases and agreements required in the ordinary course of business for the supply, operation, maintenance of and provision of services to the Community (including food procurement, building services (including cleaning, trash removal, snow plowing, landscaping, carpet cleaning and pest control), utilities and licenses and concessions for commercial space in the Community); provided that, unless specifically set forth in the Approved Budget, Manager shall obtain the written consent of Company before entering into any contract, lease or agreement not terminable on ninety (90) days notice without payment of premium or penalty;

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

- (c) provide care to Residents in compliance with Legal Requirements and the resident agreements in use at the Community and set all Resident fees and charges including those for accommodation, food services and care services;
- (d) in its own name and on behalf of and, with the consent of Company, in the name of Company, to institute and/or defend, as the case may be, any and all legal actions or proceedings relating to the management and operation of the Community;
- (e) prepare a marketing plan and direct all the marketing efforts; and
- (f) oversee, manage and direct all day-to-day operations.

Section 4.02. Hiring and Training of Staff. Manager shall have in its employ or under contract at all times a sufficient number of capable employees or independent contractors meeting all Legal Requirements, to enable it to properly, adequately, safely and economically manage, operate, maintain and account for the Community. All matters pertaining to the retention, employment, supervision, compensation, training, promotion and discharge of such employees or independent contractors are the responsibility of Manager. All such individuals shall be employees or independent contractors of Manager. Manager shall comply with all applicable Legal Requirements having to do with employers including, worker's compensation, unemployment insurance, hours of labor, wages, working conditions and withholding of taxes from employee wages. Manager shall have the power to hire, dismiss or transfer the executive director at the Community, provided Manager shall keep Company informed with respect to Manager's intentions to transfer or terminate the executive director and shall consult with Company with respect to the hiring of a replacement, it being understood that any final decision shall be made by Manager. If Company becomes dissatisfied with the performance of any executive director, Company shall have the right to confer with representatives of Manager to discuss the replacement of the executive director or other action, which shall be within the discretion of Manager.

Section 4.03. Manager's Home Office Personnel. Manager may, in its discretion, provide its services under this Agreement through its Home Office Personnel, provided that the Personnel Costs for such Home Office Personnel shall not be a Community Expense unless agreed to in advance by Company. Manager shall further make its Home Office Personnel available for consultation and advice related to the Community without charge other than its Base Fee. If Company requests a type, form or level of service from Manager's Home Office Personnel of a nature that would otherwise be a Community Expense, Manager shall provide such services by Home Office Personnel for an additional cost to be agreed to in advance by Manager and Company, which shall be a Community Expense. The term "Home Office Personnel" shall include Manager's home office staff with experience in areas such as accounting, budgeting, finance, legal, human resources, construction, development, marketing, food service and purchasing, among other areas.

Section 4.04. Resident Agreements. Manager shall give Company notice of any material changes to any forms of resident agreements or other occupancy agreements used in conjunction with the Community for Company's approval before they are used. Manager shall act as an authorized representative of Company in executing resident agreements and occupancy agreements,

but Manager shall not enter into such agreements for a duration of more than one year without the prior consent of Company.

Section 4.05. Contracts with Affiliates. Manager shall not engage or pay any compensation to any Affiliate of Manager for the provision of services in connection with this Agreement unless (a) such party is fully qualified and experienced to provide the required services, (b) both the scope of services and the compensation payable to such Affiliate for the services are consistent with then current market standards or comparable arm's-length transactions, and (c) Manager discloses such engagement to Company as a transaction with an Affiliate of Manager.

Section 4.06. Legal Requirements.

(a) Subject to Company's discharge of its obligations under Section 4.06(b), Manager shall obtain and maintain on behalf of and in the name of the Community and/or Company (as applicable) all permits, licenses and certificates required by any Governmental Authority for the use, operation or management of the Community as currently licensed or as may be required from time to time.

(b) Company agrees: (i) to sign promptly all applications for permits, licenses, and certificates necessary for the use, operation and management of the Community required by any Governmental Authority and all cost reports and other submissions for reimbursement or other payments related to the goods and services furnished to Residents at the Community and (ii) to provide promptly such information and perform such acts as are required in order for Manager to complete any such application and/or obtain and/or maintain any such permits, licenses, or certificates and/or prepare, complete and/or file any such cost reports or other submissions for payments related to the goods and services furnished to Residents at the Community.

(c) Manager shall cause all things to be done in and about the Community as may be reasonably necessary to comply with all applicable Legal Requirements respecting the use, operation and management of the Community. Manager shall keep its corporate organization in good standing in the State and shall maintain all corporate permits and licenses required by the State.

(d) If either party receives any written notice, report or other correspondence from a Governmental Authority which asserts a deficiency relating to the operation of the Community or otherwise relates to the actual or threatened suspension, revocation, or any other action adverse to any permit, license or certificate required or necessary to use, operate or maintain the Community, such party shall give the other party prompt notice thereof.

ARTICLE V
COLLECTIONS AND PAYMENTS

Section 5.01. Collection and Priorities for Distribution of Gross Revenues. Manager shall collect all Gross Revenues and shall apply the Gross Revenues in the following order of priority:

(a) First, to pay all Community Expenses (excluding the Base Fee),

- (b) Second, to Manager, to pay the Base Fee and any interest that may have accrued pursuant to Section 5.02,
- (c) Third, to Company, the balance.

Section 5.02. Timing of Payments. Payment of the Community Expenses, excluding the Base Fee, shall be made in the ordinary course of business to the extent of available Gross Revenues and Working Capital. The Base Fee and accrued interest, if any, shall be paid on the first Business Day of each calendar month, in advance, based upon Manager's then estimate of the prior month's Gross Revenues. The Base Fee shall be subject to adjustment by increasing or decreasing the payment due in the following month based upon the Gross Revenues reflected in the monthly financial statements. If the Base Fee is not paid in full for any calendar year, the unpaid amount shall bear interest at the Interest Rate and such unpaid amount and accrued interest shall continue to be payable pursuant to clause (b) of Section 5.01 in subsequent years until paid in full. Amounts payable pursuant to clause (c) of Section 5.01 shall be paid monthly in arrears within ten (10) Business Days after the end of each calendar month, and shall be based upon the monthly financial statements for such calendar month prepared and delivered in accordance with Section 6.02. Additional adjustments to all payments will be made on an annual basis based upon any audits conducted pursuant to Section 6.03.

Section 5.03. Credits and Collections. Manager shall adopt credit and collection policies and procedures. Manager shall institute monthly billing by the Community and take all steps necessary to collect accounts and monies owed to the Community, which may include the institution of legal proceedings.

Section 5.04. Depositories for Funds. Manager shall maintain one or more accounts in the name of Company in one or more banks selected by Manager and approved by Company and shall deposit therein all Gross Revenues and other funds collected or received by Manager and due to Company as owner of the Community. Manager shall be authorized to access the accounts without the approval of Company, subject to any limitation on the maximum amount of any check, if any, established between Manager and Company as part of the Annual Operating Budget. Company shall be a signatory on all accounts maintained with respect to the Community, and Company shall have the right to require that Company's signature be required on all checks/withdrawals after the occurrence of an Event of Default by Manager under this Agreement. Company shall provide such instructions to the applicable bank(s) as are necessary to permit Manager to implement Manager's rights and obligations under this Agreement, provided the failure of Company to provide such instructions shall relieve Manager of its obligations hereunder until such time as such failure is cured.

Section 5.05. Impositions. All Impositions which accrue during the Term (or are properly allocable to such Term under GAAP) shall be paid by Manager before any fine, penalty or interest is added thereto or lien placed upon the Community or this Agreement, unless payment thereof is stayed. Company shall promptly furnish to Manager any invoice, bill, assessment, notice or other correspondence relating to any Imposition. Either Company or Manager may initiate proceedings to contest any Imposition (in which case each party agrees to sign the required applications and otherwise cooperate with the other party in expediting the matter). Unless part of the Approved

Budget, incurrence of all costs by Manager of any negotiations or proceedings with respect to any such contest shall be subject to Company's prior consent. Nothing in this Agreement is intended to modify the respective responsibility that the parties would otherwise have to pay such Impositions as may be due and payable.

ARTICLE VI ACCOUNTING; FINANCIAL STATEMENTS; AUDIT

Section 6.01. Accounting. Manager shall establish and administer accounting procedures and controls and systems for the development, preparation and safekeeping of records and books of accounting relating to the business and financial affairs of the Community, including payroll, accounts receivable and accounts payable.

Section 6.02. Financial Statements and Reports. Not later than ten (10) Business Days after the end of each calendar month, Manager shall prepare and deliver to Company a balance sheet and related statement of income and expense for such calendar month and for the then current calendar year to date, certified by Manager's Controller on a monthly basis and by Manager's Chief Financial Officer on a quarterly basis as being true and correct to the best of his/her knowledge, with a comparison to the Approved Budget. Promptly thereafter, Manager shall provide Company with an explanation of any variances to the Approved Budget.

The monthly financial statements shall be in such format as Company may reasonably require. Manager shall provide such other financial statements as Company may from time to time reasonably request. In addition, at the request of Company, any or all of the financial statements shall be audited by the Accountants as soon as practicable after such request.

Upon request, Manager shall also provide Company with information relating to the Community, Manager and its Affiliates that (a) may be required in order for Company or its Affiliates to prepare financial statements and to comply with any applicable tax and securities laws and regulations, (b) may be required in order for Company or any of its Affiliates to prepare federal, state, provincial or local tax returns or (c) is of the type that Manager customarily prepares for other owners of communities it manages, and such other or special reports as Manager may from time to time determine are necessary or as Company may reasonably request.

Section 6.03. Audit Rights.

(a) Company and its representatives shall have the right at all reasonable times during usual business hours to audit, examine, and make copies of books of account (including copying any records contained in electronic media) maintained by Manager with respect to the Community, which audit or examination may cover any time period during the Term at Company's discretion. Such right may be exercised through any agent or employee designated by Company or by an independent public accountant designated by Company.

(b) Manager and its representatives shall have the right at all reasonable times during usual business hours to audit, examine, and make copies of books of account (including copying any records contained in electronic media) maintained by Company with respect to the

Invested Capital and Capital Replacements, which audit or examination may cover any time period during the Term at Manager's discretion. Such right may be exercised through any agent or employee designated by Manager or by an independent public accountant designated by Manager.

ARTICLE VII ANNUAL OPERATING BUDGET

Section 7.01. Annual Operating Budget. Manager shall, on or before November 20 in each calendar year during the Term, deliver to Company for Company's approval, an annual operating budget for the Community for the next calendar year (the "Annual Operating Budget") which shall include separate line items for Capital Replacements and set forth an estimate, on a monthly basis, of Gross Revenues and Community Expenses, as well as an estimate of EBITDA for such calendar year, together with an explanation of anticipated changes to Resident charges, payroll rates and positions, non-wage cost increases, the proposed methodology and formula employed by Manager in allocating shared Community Expenses, and all other factors differing from the then current calendar year. The Annual Operating Budget shall be accompanied by a narrative description of operating objectives and assumptions. If Company does not approve an Annual Operating Budget or any portion thereof, it shall do so, to the extent practicable, on a line item basis. Manager and Company shall cooperate to resolve disputed items, provided if the Annual Operating Budget is not approved by Company, Manager shall operate under the expired Annual Operating Budget until a new Annual Operating Budget is approved, provided that line items for Impositions, insurance premiums and utilities shall be the amounts actually incurred for such items. If agreement on the Annual Operating Budget cannot be reached within forty-five (45) days of Company's receipt (which time may be extended upon mutual agreement of the parties), the matter shall be resolved by arbitration. The Annual Operating Budget as approved by Company, or as resolved by arbitration, will be the "Approved Budget" for the applicable calendar year. Except for expenditures incurred to remedy any emergency threatening the safety of the Community or its Residents, invitees or employees or imminent material physical damage to the Community (for which Manager shall provide Company an accounting promptly after remedying such emergency), Manager will obtain Company's prior approval for any expenditure which will, or is reasonably expected to, result in a variance equal to or greater than five percent (5%) of the Approved Budget.

Section 7.02. Working Capital; Insufficient Funds. Manager may, from time to time, request Company to fund additional amounts as Working Capital to pay Community Expenses identified in the Approved Budget and if the parties do not agree on such additional amounts, the matter shall be referred to arbitration. If at any time available Working Capital is insufficient to pay Community Expenses identified in the Approved Budget and Company has not timely funded additional amounts for such purpose or Company has not timely funded Capital Replacements, Manager shall have no obligation to advance its own funds therefor. If Manager does advance its own funds, at such time as Company advances funds to reimburse Manager, whether by agreement or pursuant to an Award, Company shall pay Manager interest on such amounts at the Interest Rate from the date of Manager's advance of funds to the date of reimbursement. If the Award includes interest, Company shall be entitled to offset such interest against its obligation under this Section 7.02.

ARTICLE VIII
TAX MATTERS; REIT QUALIFICATION

Section 8.01. Tax Matters. Manager shall use commercially reasonable efforts to operate the Community in a manner to best assure that Company and the Community receive all benefits of applicable tax exemptions and/or credits available thereto from any Governmental Authority. Manager will prepare or cause to be prepared all tax returns required in the operation of the Community, which include payroll, sales and use tax returns, personal property tax returns and business, professional and occupational license tax returns. Manager shall timely file or cause to be filed such returns as required by the State; provided that, Company shall promptly provide all relevant information to Manager upon request, and any late fees or penalties resulting from delays caused by Company shall be borne by Company. Manager shall not be responsible for the preparation of Company's federal or state income tax returns, provided Manager shall cooperate fully with Company as may be necessary to enable Company to file such federal or state income tax returns, including by preparing data reasonably requested by Company and submitting it to Company as soon as reasonably practicable following such request.

Section 8.02. REIT Qualification.

(a) Manager shall take all commercially reasonable actions reasonably requested by Company or Owner for the purpose of qualifying Owner's rental income from Company under the lease between Owner and Company for the Community ("Lease") as "rents from real property" pursuant to Sections 856(d)(1), 856(d)(2), 856(d)(8)(B) and 856(d)(9) of the Code. Manager shall not be liable if such reasonably requested actions, once implemented, fail to have the desired result of qualifying Owner's rental income from Company under the Lease as "rents from real property" pursuant to Sections 856(d)(1), 856(d)(2), 856(d)(8)(B) and 856(d)(9) of the Code. This Section 8.02 shall not apply in situations where an Adverse Regulatory Event has occurred; instead, Section 8.04 shall apply.

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

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

Section 8.03. Further Compliance with Section 856(d) of the Code. Commencing with the date of this Agreement and continuing throughout the Term, Manager intends to qualify as an "eligible independent contractor" as defined in Section 856(d)(9)(A) of the Code, and:

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

(b) Manager shall not own, directly or indirectly or constructively (within the meaning of Section 856(d)(5) of the Code), more than thirty-five percent (35%) of the shares of SNH, whether by vote, value or number of shares, and Manager shall otherwise comply with any regulations or other administrative or judicial guidance existing under said Section 856(d)(5) of the Code with respect to such ownership limits; Manager shall cause its ultimate Parent to enforce the restrictions in its charter documents regarding five percent (5%) or greater owners;

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

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

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

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

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

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

Section 8.04. Adverse Regulatory Event.

(a) In the event of an Adverse Regulatory Event arising from or in connection with this Agreement, Company and Manager shall work together in good faith to amend this Agreement to eliminate the impact of such Adverse Regulatory Event; provided, however, Manager shall have no obligation to materially reduce its rights or materially increase its obligations under this Agreement, all taken as a whole, or to bear any out-of-pocket costs or expenses under this Section 8.04. Manager shall not be liable if any such amendment, once operative, fails to have the desired result of eliminating the impact of an Adverse Regulatory Event.

(b) For purposes of this Agreement, the term “Adverse Regulatory Event” means any time that a new law, statute, ordinance, code, rule, regulation or an administrative or judicial ruling imposes, or could impose in Owner’s or Company’s reasonable opinion, any material threat to SNH’s qualification for taxation as a “real estate investment trust” under the Code or to the treatment of amounts paid to Owner under the Lease as “rents from real property” under Section 856(d) of the Code.

(c) Company shall promptly inform Manager of any Adverse Regulatory Event of which it is aware and which it believes likely to impair compliance with respect to Section 856(d) of the Code.

ARTICLE IX
FINANCING; INSPECTION

Section 9.01. Financing of the Community. Manager shall cooperate with Owner and Company in connection with any financing by Owner of the Community.

Section 9.02. Company’s Right To Inspect. Company or its employees, representatives, lenders or agents shall have access to the Community and the files, books, accounts, and records of Manager related to the Community at any and all reasonable times during usual business hours for the purpose of inspection or showing the Community to prospective purchasers, investors, Residents or mortgagees.

ARTICLE X
REPAIRS AND MAINTENANCE

Section 10.01. Repairs, Maintenance and Capital Replacements. Manager shall maintain the Community in good, orderly, clean and safe repair and condition consistent with first rate standards for similar senior living communities, and in conformity with Legal Requirements. Manager shall make such routine and preventive maintenance, repairs and minor alterations, the cost of which can be expensed under GAAP, as it, from time to time, deems necessary for such purposes, consistent with the Approved Budget. The cost of such maintenance, repairs and alterations shall be paid from Gross Revenues. Manager shall make such Capital Replacements as are contemplated by the Approved Budget and funded by Company.

Section 10.02. Emergency Repairs. If either party has actual knowledge of, or receives a written order or notice from a Governmental Authority, pertaining to a violation or potential violation of any Legal Requirement relating to the physical condition of the Community or the continued safe operation of the Community, such party shall give the other party prompt notice thereof. Manager shall recommend appropriate remedial action to Company and subject to Company's consent (which shall not be unreasonably withheld, conditioned or delayed), take such remedial action, provided Manager shall be authorized to take appropriate remedial action consisting of repairs or maintenance to the Community without receiving Company's prior consent: (a) in an emergency threatening the safety of such Community or its Residents, invitees or employees or imminent material physical damage to the Community, or (b) if the continuation of the given condition will subject Manager and/or Company to regulatory, civil, or criminal liability or result in the suspension or revocation of a material permit, license or certificate. Any disagreement regarding the necessity of taking such remedial action and/or the funding of the cost thereof that is not resolved by the parties within ten (10) Business Days shall be resolved by arbitration.

Section 10.03. Liens. Manager shall use commercially reasonable efforts to prevent any liens from being filed against the Community which arise from any maintenance, repairs, alterations, improvements, renewals or replacements in or to the Community. Manager shall not file any lien against the Community.

Section 10.04. Ownership. All repairs, replacements, alterations and additions shall be the property of Owner or Company, as may be provided in the Lease.

Section 10.05. Casualty or Condemnation. If, during the Term, the Community is (a) totally destroyed by fire or other casualty or there is a Condemnation or (b) partially destroyed by fire or other casualty or there is a partial Condemnation and as a result the Community is Unsuitable for Use, either Manager or Company may terminate this Agreement by sixty (60) days' notice to the other and Company and/or Owner shall be entitled to retain the insurance proceeds or Condemnation award, as the case may be.

If, as a result of partial destruction or partial Condemnation, the Community is not rendered Unsuitable for Use, Company shall (or shall cause the Owner to) make the insurance proceeds or award received by Company and/or Owner available to Manager as necessary to repair or restore the destroyed or untaken portion of the Community to the same condition as existed previously, provided Manager shall have the right to discontinue operating all or a portion of the Community pending completion of the repairs or restoration as necessary to comply with Legal Requirements or for the safe and orderly operation of the Community.

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

Any obligation of Company and/or Owner to make funds available to Manager to repair or restore the Community is subject to the requirements of any Mortgage.

Notwithstanding any provisions of this Section 10.05 to the contrary, if partial destruction or a partial Condemnation occurs during the last twelve (12) months of the Term (including any renewal) and if full repair and restoration would not reasonably be expected to be completed prior to the date that is nine (9) months prior to the end of the Term (including any renewal), the provisions of this Section 10.05 shall apply as if the Community had been rendered Unsuitable for Use.

ARTICLE XI INSURANCE

Section 11.01. General Insurance Requirements. Manager shall, at all times during the Term, keep (or cause to be kept) the Community and all property located therein or thereon, insured against the risks and in such amounts as is against such risks and in such amounts as Company shall reasonably require and as may be commercially reasonable. Any disputes regarding such matters not resolved by the parties within ten (10) Business Days (which period may be extended upon mutual agreement of the parties) shall be resolved by arbitration.

Section 11.02. Waiver of Subrogation. Company and Manager agree that (insofar as and to the extent that such agreement may be effective without invalidating or making it impossible to secure insurance coverage from responsible insurance companies doing business in the State) with respect to any property loss which is covered by insurance then being carried by Company or Manager, the party carrying such insurance and suffering said loss releases the others of and from any and all claims with respect to such loss; and they further agree that their respective insurance companies (and, if Company or Manager shall self insure in accordance with the terms hereof, Company or Manager, as the case may be) shall have no right of subrogation against the other on account thereof, even though extra premium may result therefrom. If any extra premium is payable by Manager as a result of this provision, Company shall not be liable for reimbursement to Manager for such extra premium.

Section 11.03. Risk Management. Manager shall be responsible for the provision of risk management oversight at the Community.

ARTICLE XII TERM AND TERMINATION

Section 12.01. Term. The Term of this Agreement shall begin on the date hereof and end December 31, 2034 (“Term”). Unless sooner terminated as provided in this Agreement, Manager shall have the right to extend the Term for up to two (2) consecutive periods of five (5) years each by providing notice of such renewal to Company at least twenty-four (24), but not more than thirty (30), months prior to the end of the then current Term.

Section 12.02. Early Termination. At any time during the Term and without limitation of any of the other terms and conditions of this Agreement, Company shall have the right to terminate this Agreement if the Community becomes a Non-Performing Asset by providing notice to Manager

of such termination within six (6) months after the end of any calendar year in which the Community qualifies as a Non-Performing Asset, which termination shall be effective as of the date set forth in Company's notice but not earlier than ninety (90) days after delivery of such notice to Manager.

ARTICLE XIII TRANSITION ON TERMINATION

Section 13.01. Termination. Upon any termination of this Agreement, except as otherwise provided in Section 14.04, Manager shall be compensated for its services only through the date of termination and all amounts remaining in any accounts maintained by Manager pursuant to Section 5.04, after payment of such amounts as may be due to Manager hereunder, shall be distributed to Company. In the event of any termination, both parties shall fully cooperate with one another to ensure a smooth transition of management. Upon termination, Manager will deliver to Company the following:

- (a) a final accounting, reflecting the balance of income and expenses of the Community as of the date of termination, to be delivered as soon as reasonably possible but not later than sixty (60) days after such termination,
- (b) after payment of any amounts as may be due to Manager hereunder, any balance of monies of Company or Resident deposits, or both, held by Manager with respect to the Community, to be delivered as soon as reasonably possible, but not later than sixty (60) days after such termination,
- (c) all records, contracts, leases, resident agreements, tenant correspondence, files, receipts for deposits, unpaid bills and other papers, documents, software, data or information which pertain in any way to the Community to be delivered as soon as reasonably possible, but not later than sixty (60) days after such termination, and
- (d) Manager shall cooperate reasonably in all respects to achieve a transfer of any license and/or certificate (or to obtain a new license and/or certificate, if necessary) required in connection with the operation of the Community, but shall not be required to incur any monetary expenditures in connection therewith (unless Company agrees to reimburse Manager therefor).

ARTICLE XIV DEFAULTS

Section 14.01. Default by Manager. An Event of Default with respect to Manager shall occur in the event of any of the following:

- (a) the Bankruptcy of Manager,
- (b) the gross negligence or willful misconduct of Manager with respect to its duties and obligations under this Agreement,

(c) Manager's failure to keep, observe or perform any material covenant, agreement, term or provision of this Agreement to be kept, observed or performed by Manager, which failure shall continue (i) for a period of five (5) Business Days after Manager receives notice from Company in case of monetary defaults or (ii) for a period of twenty (20) Business Days after Manager receives notice from Company in the case of non-monetary defaults, in each case, specifying the default; provided, however, that if such non-monetary default cannot be cured within such twenty (20) Business Day period, then Manager shall be entitled to such additional time as shall be reasonable, provided the default is curable and Manager has promptly proceeded to commence cure of such default within said period, and thereafter diligently prosecutes the cure to completion; provided, however, that in no event shall such additional time exceed ninety (90) days,

(d) a Change in Control of Manager or Guarantor to which Company or SNH does not consent, provided that, to the extent SNH votes in its capacity as a shareholder of Guarantor in favor of a Change in Control of Manager or Guarantor, such vote shall constitute consent to such Change in Control, or

(e) a default by Manager, Guarantor or any Affiliate of Manager or Guarantor under the Guaranty or any other agreement between Manager, Guarantor or an Affiliate of Manager or Guarantor and Company or an Affiliate of Company, which continues beyond any applicable notice and cure period.

Section 14.02. Default by Company. An Event of Default with respect to Company shall occur in the event of any of the following:

(a) the Bankruptcy of Company,

(b) the gross negligence or willful misconduct of Company with respect to its obligations under this Agreement, or

(c) Company shall fail to (i) timely fund Working Capital or to fund Capital Replacements pursuant to the Approved Budget and such failure shall continue for a period of ten (10) Business Days after notice thereof by Manager or (ii) keep, observe or perform any other material covenant, agreement, term or provision of this Agreement to be kept, observed or performed by Company and such failure shall continue (A) for a period of five (5) Business Days after Company receives notice from Manager in case of monetary defaults or (B) for a period of twenty (20) Business Days after Company receives notice from Manager in the case of non-monetary defaults, in each case specifying the default; provided, however, if such default cannot be cured within such twenty (20) Business Day period, then Company shall be entitled to such additional time as shall be reasonable, provided the default is curable, Company has promptly proceeded to commence cure of such non-monetary default within said period, and thereafter diligently prosecutes the cure to completion; provided, however, that in no event shall such additional time to cure non-monetary defaults exceed ninety (90) days.

Section 14.03. Remedies of Company. Upon the occurrence of an Event of Default by Manager, Company may terminate this Agreement immediately upon notice and shall be entitled to exercise any other rights at law or in equity.

Section 14.04. Remedies of Manager. Upon the occurrence of an Event of Default by Company, Manager may terminate this Agreement on thirty (30) days' notice to Company and Company shall pay Manager the Termination Fee within thirty (30) days of the effective date of termination as liquidated damages and in lieu of any other remedy of Manager at law or in equity, as well as any accrued but unpaid fees owed to Manager pursuant to Section 5.01.

Section 14.05. No Waiver of Default. The failure by Company or Manager to insist upon the strict performance of any one of the terms or conditions of this Agreement or to exercise any right, remedy or election herein contained or permitted by law shall not constitute or be construed as a waiver or relinquishment for the future of such term, condition, right, remedy or election, but the same shall continue and remain in full force and effect. All rights and remedies that Company or Manager may have at law, in equity or otherwise for any breach of any term or condition of this Agreement shall be distinct, separate and cumulative rights and remedies and no one of them, whether or not exercised by Company or Manager, shall be deemed to be in exclusion of any right or remedy of Company or Manager.

ARTICLE XV GOVERNING LAW, ARBITRATION, LIABILITY OF MANAGER AND INDEMNITY

Section 15.01. Governing Law, Etc. This Agreement shall be interpreted, construed, applied and enforced in accordance with the laws of the State of Maryland applicable to contracts between residents of Maryland which are to be performed entirely within Maryland, regardless of (a) where this Agreement is executed or delivered; or (b) where any payment or other performance required by this Agreement is made or required to be made; or (c) where any breach of any provision of this Agreement occurs, or any cause of action otherwise accrues; or (d) where any action or other proceeding is instituted or pending; or (e) the nationality, citizenship, domicile, principal place of business, or jurisdiction of organization or domestication of any party; or (f) whether the laws of the forum jurisdiction otherwise would apply the laws of a jurisdiction other than Maryland; or (g) any combination of the foregoing.

Section 15.02. Arbitration.

(a) Any disputes, claims or controversies between the parties (i) arising out of or relating to this Agreement, or (ii) brought by or on behalf of any shareholder of any party or a direct or indirect parent of a party (which, for purposes of this Section 15.02, shall mean any shareholder of record or any beneficial owner of shares of any party, or any former shareholder of record or beneficial owner of shares of any party), either on his, her or its own behalf, on behalf of any party or on behalf of any series or class of shares of any party or shareholders of any party against any party or any member, trustee, director, officer, manager (including The RMR Group LLC or its successor), agent or employee of any party, including disputes, claims or controversies relating to the meaning, interpretation, effect, validity, performance or enforcement of this Agreement, including this arbitration provision, or the declarations of trust, limited liability company agreements, charters, bylaws or other governing documents of any party hereto (all of which are referred to as "Disputes"), or relating in any way to such a Dispute or Disputes shall, on the demand of any party to such Dispute be resolved through binding and final arbitration in accordance with

the Commercial Arbitration Rules (the “Rules”) of the American Arbitration Association (“AAA”) then in effect, except as those Rules may be modified in this Section 15.02. For the avoidance of doubt, and not as a limitation, Disputes are intended to include derivative actions against trustees, directors, officers or managers of any party and class actions by a shareholder against those individuals or entities and any party. For the avoidance of doubt, a Dispute shall include a Dispute made derivatively on behalf of one party against another party. For purposes of this Section 15.02, the term “party” shall include any direct or indirect parent of a party.

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

(c) The place of arbitration shall be Boston, Massachusetts unless otherwise agreed by the parties.

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

(e) In rendering an award or decision (the “Award”), the arbitrators shall be required to follow the laws of the State of Maryland. Any arbitration proceedings or Award rendered hereunder and the validity, effect and interpretation of this arbitration provision shall be governed by the Federal Arbitration Act, 9 U.S.C. §1 et seq. The Award shall be in writing and may, but shall not be required to, briefly state the findings of fact and conclusions of law on

which it is based. Any monetary Award shall be made and payable in U.S. dollars free of any tax, deduction or offset. Subject to Section 15.02(h), each party against which an Award assesses a monetary obligation shall pay that obligation on or before the thirtieth (30th) day following the date of such Award or such other date as such Award may provide.

(f) Except to the extent expressly provided by this Agreement or as otherwise agreed by the parties, to the maximum extent permitted by Maryland law, each party involved in a Dispute shall bear its own costs and expenses (including attorneys' fees), and the arbitrators shall not render an Award that would include shifting of any such costs or expenses (including attorneys' fees) or, in a derivative case or class action, award any portion of a party's Award to the claimant or the claimant's attorneys. Each party (or, if there are more than two (2) parties to the Dispute, all claimants, on the one hand, and all respondents, on the other hand, respectively) shall bear the costs and expenses of its (or their) selected arbitrator and the parties (or, if there are more than two (2) parties to the Dispute, all claimants, on the one hand, and all respondents, on the other hand) shall equally bear the costs and expenses of the third (3rd) appointed arbitrator.

(g) Notwithstanding any language to the contrary in this Agreement, any Award, including but not limited to any interim Award, may be appealed pursuant to the AAA's Optional Appellate Arbitration Rules ("Appellate Rules"). An Award shall not be considered final until after the time for filing the notice of appeal pursuant to the Appellate Rules has expired. Appeals must be initiated within thirty (30) days of receipt of an Award by filing a notice of appeal with any AAA office. Following the appeal process, the decision rendered by the appeal tribunal may be entered in any court having jurisdiction thereof. For the avoidance of doubt, and despite any contrary provision of the Appellate Rules, the above paragraph relating to costs and expenses shall apply to any appeal pursuant to this Section 15.02(g) and the appeal tribunal shall not render an Award that would include shifting of any costs or expenses (including attorneys' fees) of any party.

(h) Following the expiration of the time for filing the notice of appeal, or the conclusion of the appeal process set forth in Section 15.02(g), an Award shall be final and binding upon the parties thereto and shall be the sole and exclusive remedy between those parties relating to the Dispute, including any claims, counterclaims, issues or accounting presented to the arbitrators. Judgment upon an Award may be entered in any court having jurisdiction. To the fullest extent permitted by law, no application or appeal to any court of competent jurisdiction may be made in connection with any question of law arising in the course of arbitration or with respect to any Award made, except for actions relating to enforcement of this Section 15.02 or any arbitral award issued hereunder, and except for actions seeking interim or other provisional relief in aid of arbitration proceedings in any court of competent jurisdiction.

(i) This Section 15.02 is intended to benefit and be enforceable by the parties and their respective shareholders, members, direct and indirect parents, trustees, directors, officers, managers (including The RMR Group Inc. and The RMR Group LLC), agents or employees of any party and their respective successors and assigns and shall be binding on the shareholders of any party and the parties, as applicable, and shall be in addition to, and not in substitution for, any other rights to indemnification or contribution that such individuals or entities may have by contract or otherwise.

Section 15.03. Consent to Jurisdiction and Forum. This Section 15.03 is subject to, and shall not in any way limit the application of, Section 15.02; in case of any conflict between this Section 15.03 and Section 15.02, Section 15.02 shall govern. Notwithstanding anything to the contrary in Section 15.02, the exclusive jurisdiction and venue in any action brought by any party hereto pursuant to this Agreement shall lie in any federal or state court located in Boston, Massachusetts. By execution and delivery of this Agreement, each party hereto irrevocably submits to the jurisdiction of such courts for itself and in respect of its property with respect to such action. The parties irrevocably agree that venue would be proper in such court, and hereby waive any objection that such court is an improper or inconvenient forum for the resolution of such action. The parties further agree and consent to the service of any process required by any such court by delivery of a copy thereof in accordance with Section 17.01 and that any such delivery shall constitute valid and lawful service of process against it, without necessity for service by any other means provided by statute or rule of court.

Section 15.04. Standard of Care. Manager shall discharge its duties in good faith, and agrees to exercise, with respect to all services provided by Manager under this Agreement, a standard of care, skill, prudence and diligence under the circumstances then existing as is consistent with prevailing industry practices.

Section 15.05. Indemnity. In any action, proceeding or claim brought or asserted by a third party, Manager will defend, indemnify and hold Company (and any of its Affiliates, their respective directors, trustees, officers, shareholders, employees and agents) harmless from and against any claims, losses, expenses, costs, suits, actions, proceedings, demands or liabilities that are asserted against, or sustained or incurred by them because of Manager's breach of any material term of this Agreement, or arising from Manager's failure to act or not act in accordance with Company's reasonable instructions or gross negligence, fraud, or willful misconduct, except to the extent caused by Company's breach of any material term of this Agreement, gross negligence, fraud or willful misconduct. Company will defend, indemnify, and hold Manager (and any of its Affiliates, their respective directors, trustees, officers, shareholders, employees and agents) harmless, from and against any and all claims, expenses, costs, suits, actions, proceedings, demands, or liabilities that are asserted against, or sustained or incurred by them in connection with the performance of Manager's duties under this Agreement or otherwise while acting within the scope of the agency established by the parties to this Agreement and in accordance with Section 15.04, or in the case of an action, proceeding or claim brought or asserted by a third party against any of them as a result of Company's breach of any material term of this Agreement, violation of Legal Requirements, instructions to Manager to act or not act with respect to the relevant matter or gross negligence, fraud or willful misconduct, except to the extent caused by Manager's breach of any material term of this Agreement, failure to act or not act in accordance with Company's reasonable instructions, gross negligence, fraud or willful misconduct. The scope of the foregoing indemnities includes any and all costs and expenses properly incurred in connection with any proceedings to defend any indemnified claim, or to enforce the indemnity, or both. Recovery upon an indemnity contained in this Agreement shall be reduced dollar-for-dollar by any applicable insurance collected by the indemnified party with respect to the claims covered by such indemnity.

Section 15.06. Limitation of Liability. To the maximum extent permitted by applicable law, no shareholder, member, officer, director, trustee, employee or agent of any party to this Agreement (and of any Affiliate of such party that is not a party to this Agreement) shall have any personal liability with respect to the liabilities or obligations of such party under this Agreement or any document executed by such party pursuant to this Agreement.

ARTICLE XVI PROPRIETARY MARKS; INTELLECTUAL PROPERTY

Section 16.01. Proprietary Marks. During the Term of this Agreement, the Community shall be known as a “Five Star Senior Living” community, with such additional identification as may be necessary and agreed to by Company and Manager to provide local identification or to comply with local licensing or consumer protection laws.

Section 16.02. Ownership of Proprietary Marks. The Proprietary Marks shall in all events remain the exclusive property of Manager, and except as expressly set forth in this Agreement, nothing contained herein shall confer on Company the right to use the Proprietary Marks. Except as provided below in this section, upon termination, any use of or right to use the Proprietary Marks by Company shall cease forthwith, and Company shall promptly remove, at Manager’s expense, from the Community any signs or similar items that contain the Proprietary Marks. Upon termination, Company shall have the right to use any inventory or Household Replacement items marked with the Proprietary Marks exclusively in connection with the Community until they are consumed.

Section 16.03. Intellectual Property. All Intellectual Property shall at all times be proprietary to Manager or its Affiliates, and shall be the exclusive property of Manager or its Affiliates. During the Term, Manager shall be entitled to take all reasonable steps to ensure that the Intellectual Property remains confidential. Upon termination, all Intellectual Property shall be removed from the Community by Manager, without compensation to Company.

ARTICLE XVII MISCELLANEOUS PROVISIONS

Section 17.01. Notices. All notices, demands, consents, approvals, and requests given by either party to the other hereunder shall be in writing and shall be deemed to have been duly given when delivered in person, upon confirmation of receipt when transmitted by e-mail, or on the next business day if transmitted by nationally recognized overnight courier, to the parties at the following addresses:

SNH AL AIMO Tenant, Inc.
c/o Senior Housing Properties Trust
Two Newton Place
255 Washington Street, Suite 300
Newton, Massachusetts 02458
Attn: Jennifer F. Francis
Telephone: (617) 796-8350

e-mail: jfrancis@rmrgroup.com

FVE Managers, Inc.
400 Centre Street
Newton, Massachusetts 02458
Attn: Katherine E. Potter
Telephone: (617) 796-8387
e-mail: kpotter@5ssl.com

or to such other address and to the attention of such other person as either party may from time to time designate in writing. Notices properly given as described above shall be effective upon receipt.

Section 17.02. Severability. If any term or provision of this Agreement or the application thereof in any circumstance is held invalid, illegal or unenforceable in any respect for any reason, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions hereof shall not be in any way impaired, unless the provisions held invalid, illegal or unenforceable shall substantially impair the benefits of the remaining provisions hereof.

Section 17.03. Gender and Number. Whenever the context of this Agreement requires, the gender of all words herein shall include the masculine, feminine, and neuter, and the number of all words herein shall include the singular and plural.

Section 17.04. Headings and Interpretation. The descriptive headings in this Agreement are for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement. References to "Section" in this Agreement shall be a reference to a Section of this Agreement unless otherwise indicated. Whenever the words "include," "includes" or "including" are used in this Agreement they shall be deemed to be followed by "without limitation." The words "hereof," "herein," "hereby," and "hereunder," when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision unless otherwise indicated. The word "or" shall not be exclusive. This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting.

Section 17.05. Estoppel Certificates. Each party to this Agreement shall at any time and from time to time, upon not less than thirty (30) day's prior notice from the other party, execute, acknowledge and deliver to such other party, or to any third party specified by such other party, a statement in writing: (a) certifying that this Agreement is unmodified and in full force and effect (or if there have been modifications, that the same, as modified, is in full force and effect and stating the modifications); (b) stating whether or not to the best knowledge of the certifying party: (i) there is a continuing default by the non-certifying party in the performance or observation of any covenant, agreement or condition contained in this Agreement; or (ii) there shall have occurred any event which, with the giving of Notice or the passage of time or both, would become such a default, and, if so, specifying such default or occurrence of which the certifying party may have knowledge; and (c) stating such other information as the non-certifying party may reasonably request. Such statement shall be binding upon the certifying party and may be relied upon by the non-certifying party and/or such third party specified by the non-certifying party as aforesaid. The obligations set forth in this Section 17.05 shall survive termination (that is, each party shall, on request, within the time

period described above, execute and deliver to the non-certifying party and to any such third party a statement certifying that this Agreement has been terminated).

Section 17.06. Confidentiality of Business Information. Manager and Company agree to keep confidential and not to use or to disclose to others, any of their respective secrets or confidential or proprietary information, customer lists, or trade secrets, or any matter or items relating to this Agreement, the management of the Community or their association with each other except (a) to their respective Affiliates, which may in turn disclose to any holder of a Mortgage, any prospective lender, purchaser or prospective purchaser of the Community, (b) to any rating agencies, lenders, stock analysts, accountants, lawyers and other like professionals, (c) as expressly consented to in writing by the other party, (d) as required by law or the rules of any national securities exchange or automated quotation system to which Company or Manager, or any Affiliate of either, is or becomes subject, or (e) as required by law or the applicable regulators with respect to any initial, renewal or other required application for licensure, Medicare or Medicaid participation or other approval or certification of the Community.

Section 17.07. Confidentiality of Patient Information. The parties shall only use or disclose patient information, including Protected Health Information (as such term is defined by the Standards for Privacy of Individually Identifiable Health Information, 45 C.F.R. Part 160 and Subparts A and E of Part 164, as promulgated from time to time by the Department of Health and Human Services (the “Privacy Standards”)), in compliance with the Privacy Standards and other applicable law. The parties shall further reasonably safeguard the confidentiality, integrity and availability of patient information, including Protected Health Information, as required by applicable law, including the Privacy Standards and the Security Standards (45 C.F.R. Part 160 and Subparts A and E of Part 164). In the event that patient information (including Protected Health Information) is disclosed by a party or its agents to the other party, its employees, contractors, subcontractors or agents, such other party agrees to take reasonable steps to maintain, and to require its employees, contractors, subcontractors and agents receiving such information to maintain, the privacy and confidentiality of such information consistent with applicable law. In connection with Manager’s services hereunder, the parties shall enter into a Business Associate Agreement in a form acceptable to both parties.

Section 17.08. Assignment. Company may assign this Agreement to any Affiliate (but only as such term is defined in Section 1.04(a) or (c)) of Company without Manager’s consent. Manager shall not assign or transfer its interest in this Agreement without the prior written consent of Company which may be withheld in Company’s sole and absolute discretion. If Company consents to an assignment of this Agreement by Manager, no further assignment shall be made without the express consent in writing of Company.

Section 17.09. Amendment. This Agreement may not be modified, altered or amended in any manner except by an amendment in writing, duly executed by the parties hereto.

Section 17.10. Third Party Beneficiaries. The terms and conditions of this Agreement shall inure to the benefit of, and be binding upon, the respective successors, heirs, legal representatives or permitted assigns of each of the parties hereto and except for Owner, which is an intended third

party beneficiary, and as otherwise provided in Section 15.05, no Person other than the parties hereto and their successors and permitted assigns is intended to be a beneficiary of this Agreement.

Section 17.11. Survival. The following provisions shall survive termination or expiration of this Agreement: Sections 11.02, 13.01, 14.03, 14.04 and 14.05, Article XV and Article XVII.

Section 17.12. Relationship Between the Parties. The relationship between Company and Manager pursuant to this Agreement shall not be one of general agency, but shall be that of an independent contractor relationship, provided with respect to those specific and limited circumstances in which (a) Manager is holding funds for the account of Company or (b) Manager is required or authorized to act as authorized representative for Company with respect to agreements with Residents, filings with and applications to governmental bodies or pursuant to licenses or Legal Requirements, the relationship between Company and Manager shall be that of trustee and authorized representative (with limited agency), respectively. Neither this Agreement nor any agreements, instruments, documents or transactions contemplated hereby shall in any respect be interpreted, deemed or construed as making Company a partner or joint venturer with Manager or as creating any similar relationship or entity, and each party agrees that it will not make any contrary assertion, contention, claim or counterclaim in any action, suit or other legal proceeding involving the other.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed under seal by their duly authorized officers, all as of the day and year first above written.

Manager:

FVE Managers, Inc.

By: /s/ Jeffrey C. Leer

Jeffrey C. Leer

Executive Vice President, Chief Financial
Officer and Treasurer

Company:

SNH AL AIMO Tenant, Inc.

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

Richard W. Siedel, Jr.

Chief Financial Officer and Treasurer

[Signature Page to Management Agreement for Morningside of Fayetteville]

Exhibit A

Community

Morningside of Fayetteville
4461 N. Crossover Road
Fayetteville, AR 72703

Schedule to Exhibit 99.1

There are 246 management agreements with FVE Managers, Inc., a representative form of which is filed herewith. The other management agreements, with the respective entity and applicable to the respective community owned by the respective owner and reflecting the respective base invested capital listed below, are substantially identical in all material respects to the representative form of management agreement filed herewith.

<u>Entity</u>	<u>Community</u>	<u>Owner</u>	<u>Base Invested Capital</u>
SNH AL AIMO Tenant II, Inc.	Morningside of Nevada 640 E. Highland Avenue Nevada, MO 64772	SNH AL AIMO II, Inc.	\$46,500
SNH AL AIMO Tenant, Inc.	Morningside of Branson 5351 Gretna Road Branson, MO 65616	SNH AL AIMO, Inc.	\$97,500
SNH AL AIMO Tenant, Inc.	Morningside of Chesterfield Village 2410 W. Chesterfield Boulevard Springfield, MO 65807	SNH AL AIMO, Inc.	\$120,000
SNH AL AIMO Tenant, Inc.	Morningside of Fayetteville 4461 N. Crossover Road Fayetteville, AR 72703	SNH AL AIMO, Inc.	\$100,500
SNH AL AIMO Tenant, Inc.	Morningside of Jonesboro 4210 S. Caraway Road Jonesboro, AR 72404	SNH AL AIMO, Inc.	\$91,500
SNH AL AIMO Tenant, Inc.	Morningside of Pekin 2700 14th Street Pekin, IL 61554	SNH AL AIMO, Inc.	\$91,500
SNH AL AIMO Tenant, Inc.	Morningside of Springdale 672 Jones Road Springdale, AR 72762	SNH AL AIMO, Inc.	\$88,500
SNH AL AIMO Tenant, Inc.	Morningside of Springfield 3540 East Cherokee Street Springfield, MO 65809	SNH AL AIMO, Inc.	\$91,500
SNH AL AIMO Tenant, Inc.	Morningside of Sterling 2705 Avenue E. Sterling, IL 61081	SNH AL AIMO, Inc.	\$136,500
SNH AL AIMO Tenant, Inc.	Morningside of Washington 100 Grand Victorian Place Washington, IL 61571	SNH AL AIMO, Inc.	\$91,500

SNH AL Crimson Tenant Inc.	Morningside of Vestavia Hills 2435 Columbiana Road Vestavia Hills, AL 35216	SNH/LTA Properties Trust	\$244,500
SNH AL Cumming Tenant LLC	Gardens of Shiloh Point 7955 Majors Road Cumming, GA 30041	SNH AL Cumming LLC	\$72,000
SNH AL Georgia Tenant LLC	Eagles Landing Senior Living 475 Country Club Drive Stockbridge, GA 30281	SNH AL Georgia LLC	\$91,500
SNH AL Georgia Tenant LLC	Gardens of Fayetteville 1294 Highway 54 West Fayetteville, GA 30214	SNH AL Georgia LLC	\$103,500
SNH AL Georgia Tenant LLC	Gardens of Gainesville 3315 Thompson Bridge Road Gainesville, GA 03506	SNH AL Georgia LLC	\$229,500
SNH AL Georgia Tenant LLC	Morningside of Alpharetta 253 North Main Street Alpharetta, GA 30009	SNH AL Georgia LLC	\$114,000
SNH AL TRS, Inc.	Amber Ridge Assisted Living 900 43rd Avenue Moline, IL 61265	SNH AL Properties LLC	\$69,000
SNH AL TRS, Inc.	Amber Ridge Memory Care 221 11th Avenue Moline, IL 61265	SNH AL Properties LLC	\$61,500
SNH AL TRS, Inc.	Five Star Residences of Dayton Place 1950 South Dayton Street Aurora, CO 80247	SNH/LTA Properties Trust	\$358,500
SNH AL TRS, Inc.	Morningside of Godfrey 1373 D'Adrian Professional Park Godfrey, IL 62035	SNH AL Properties LLC	\$117,000
SNH AL TRS, Inc.	The Forum at Town Center 8709 S.E. Causey Avenue Happy Valley, OR 97086	SNH AL AIMO, Inc.	\$477,000
SNH AL TRS, Inc.	The Lodge Assisted Living and Memory Care 2200 East Long Street Carson City, NV 89706	SNH AL Properties Trust	\$123,000
SNH AL Wilmington Tenant Inc.	Morningside of Wilmington 2744 South 17th Street Wilmington, NC 28412	SNH Wilmington LLC	\$150,000
SNH AZ Tenant LLC	The Forum at Desert Harbor 13840 North Desert Harbor Drive Peoria, AZ 85381	SNH/LTA Properties Trust	\$430,500

SNH AZ Tenant LLC	The Forum at Pueblo Norte (including Pueblo Norte Senior Living Community and Forum Pueblo Norte Assisted Living) 7090, 7100 & 7108 East Mescal Street Scottsdale, AZ 85254	CCC Pueblo Norte Trust	\$417,000
SNH AZ Tenant LLC	The Forum at Tucson 2500 North Rosemont Boulevard Tucson, AZ 85712	SNH/LTA Properties Trust	\$378,000
SNH BAMA Tenant LLC	Lakeview Estates 2634 Valleydale Road Birmingham, AL 35244	SNH Somerford Properties Trust	\$96,000
SNH BAMA Tenant LLC	Morningside of Cullman 2021 Dahlke Dr. N.E. Cullman, AL 35058	MSD Pool 1 LLC	\$60,000
SNH BAMA Tenant LLC	Morningside of Madison 49 Hughes Road Madison, AL 35758	MSD Pool 1 LLC	\$63,000
SNH BAMA Tenant LLC	Morningside of Riverchase (formerly Ashton Gables in Riverchase) 2184 Parkway Lake Drive Birmingham, AL 35244	SNH Somerford Properties Trust	\$57,000
SNH BAMA Tenant LLC	Morningside of Sheffield 413 Cox Boulevard Sheffield, AL 35660	MSD Pool 1 LLC	\$75,000
SNH BRFL Tenant LLC	Five Star Premier Residences of Boca Raton 22601 Camino Del Mar Boca Raton, FL 33433	SNH BRFL Properties LLC	\$321,000
SNH CAL Tenant LLC	Leisure Pointe 1371 Parkside Drive San Bernardino, CA 92404	SNH/LTA Properties Trust	\$196,500
SNH CAL Tenant LLC	Remington Club (including Remington Club I & II and Remington Club Health Center) 16925 (including 16922) and 16916 (including 16915) Hierba Drive San Diego, CA 92128	SNH/LTA Properties Trust	\$598,500
SNH CAL Tenant LLC	Rio Las Palmas 877 East March Lane Stockton, CA 95207	SNH FM Financing LLC	\$244,500
SNH CAL Tenant LLC	Somerford Place - Encinitas 1350 S. El Camino Real Encinitas, CA 92024	SNH Somerford Properties Trust	\$84,000
SNH CAL Tenant LLC	Somerford Place - Fresno 6075 N. Marks Avenue Fresno, CA 93711	SNH Somerford Properties Trust	\$84,000

SNH CAL Tenant LLC	Somerford Place - Redlands 1319 Brookside Avenue Redlands, CA 92373	SNH Somerford Properties Trust	\$84,000
SNH CAL Tenant LLC	Somerford Place - Roseville 110 Sterling Court Roseville, CA 95661	SNH Somerford Properties Trust	\$84,000
SNH CAL Tenant LLC	Somerford Place - Stockton 3530 Deer Park Drive Stockton, CA 95219	SNH Somerford Properties Trust	\$84,000
SNH CALI Tenant LLC	Somerford Place of Northridge 8700 Lindley Avenue Northridge, CA 91325	SNH/LTA Properties Trust	\$153,000
SNH CALI Tenant LLC	Tiffany Court 1866 San Miguel Drive Walnut Creek, CA 94596	SNH SE Properties Trust	\$85,500
SNH CCMD Tenant LLC	Five Star Premier Residences of Chevy Chase 8100 Connecticut Avenue Chevy Chase, MD 20815	SNH CCMD Properties LLC	\$502,500
SNH CO Tenant LLC	Cedars Healthcare Center 1599 Ingalls Street Lakewood, CO 80214-1505	SPTMNR Properties Trust	\$193,500
SNH CO Tenant LLC	Cherrellyn Healthcare Center 5555 South Elati Street Littleton, CO 80120-1699	SPTMNR Properties Trust	\$277,500
SNH CO Tenant LLC	La Villa Grande Care Center 2501 Little Bookcliff Drive Grand Junction, CO 81501-8842	SPTIHS Properties Trust	\$136,500
SNH CO Tenant LLC	Mantey Heights Rehabilitation and Care Center 2825 Patterson Road Grand Junction, CO 81506-6081	SPTIHS Properties Trust	\$132,000
SNH CO Tenant LLC	Skyline Ridge Nursing and Rehabilitation Center 515 Fairview Avenue Canon City, CO 81212-2863	SPTIHS Properties Trust	\$196,500
SNH CO Tenant LLC	Springs Village Care Center 110 West Van Buren Street Colorado Springs, CO 80907-8400	SPTIHS Properties Trust	\$136,500
SNH CO Tenant LLC	Willow Tree Care Center 2050 South Main Street Delta, CO 81416-2400	SPTIHS Properties Trust	\$76,500
SNH DEL Tenant LLC	Forwood Manor 1912 Marsh Road Wilmington, DE 19810	CCC Retirement Communities II, L.P.	\$375,000

SNH DEL Tenant LLC	Foulk Manor North 1212 Foulk Road Wilmington, DE 19803	SNH FM Financing LLC	\$241,500
SNH DEL Tenant LLC	Foulk Manor South 407 Foulk Road Wilmington, DE 19803	CCC Financing Limited, L.P.	\$162,000
SNH DEL Tenant LLC	Millcroft (including Millcroft Retirement Community) 255 Possum Park Road Newark, DE 19711	CCDE Senior Living LLC	\$297,000
SNH DEL Tenant LLC	Shipley Manor 2723 Shipley Road Wilmington, DE 19810	CCDE Senior Living LLC	\$240,000
SNH DEL Tenant LLC	Somerford House and Place of Newark (including Somerford House and Somerford Place) 501 South Harmony Road & 4175 Ogletown-Stanton Road Newark, DE 19713	SNH Somerford Properties Trust	\$166,500
SNH Derby Tenant LLC	Ashwood Place 102 Leonardwood Frankfort, KY 40601	SNH/LTA Properties Trust	\$154,500
SNH Derby Tenant LLC	Lafayette at Country Place 690 Mason Headley Road Lexington, KY 40504	CCC of Kentucky Trust	\$220,500
SNH Derby Tenant LLC	Lexington Country Place 700 Mason Headley Road Lexington, KY 40504	CCC of Kentucky Trust	\$174,000
SNH Derby Tenant LLC	Morningside of Bowling Green 981 Campbell Lane Bowling Green, KY 42104	MSD Pool 1 LLC	\$63,000
SNH Derby Tenant LLC	Morningside of Hopkinsville 4190 Lafayette Road Hopkinsville, KY 42240	MSD Pool 2 LLC	\$63,000
SNH Derby Tenant LLC	Morningside of Mayfield 1517 West Broadway Mayfield, KY 42066	SNH/LTA Properties Trust	\$63,000
SNH Derby Tenant LLC	Morningside of Paducah 1700 Elmdale Road Paducah, KY 42003	MSD Pool 1 LLC	\$100,500
SNH Derby Tenant LLC	The Forum at Brookside 200 Brookside Drive Louisville, KY 40243	SNH FM Financing LLC	\$481,500
SNH Derby Tenant LLC	The Neighborhood of Somerset 100 Neighborly Drive Somerset, KY 42501	SNH/LTA Properties Trust	\$81,000

SNH FLA Tenant LLC	Coral Oaks 900 West Lake Road Palm Harbor, FL 34684	SNH FM Financing LLC	\$474,000
SNH FLA Tenant LLC	Forum at Deer Creek 3001 Deer Creek Country Club Boulevard Deerfield Beach, FL 33442	CCC Financing I Trust	\$432,000
SNH FLA Tenant LLC	Fountainview 111 (including 145) Executive Center Drive West Palm Beach, FL 33401	CCC Investments I, L.L.C.	\$507,000
SNH FLA Tenant LLC	Park Summit at Coral Springs 8500 Royal Palm Boulevard Coral Springs, FL 33065	SNH/LTA Properties Trust	\$418,500
SNH FLA Tenant LLC	Springwood Court 12780 Kenwood Lane Fort Myers, FL 33907	CCC Investments I, L.L.C.	\$135,000
SNH FLA Tenant LLC	The Court at Palm Aire 2701 North Course Drive Pompano Beach, FL 33069	SNH/LTA Properties Trust	\$435,000
SNH FLA Tenant LLC	The Palms of St. Lucie West 501 N.W. Cashmere Boulevard Port St. Lucie, FL 34986-1908	SNH/LTA Properties Trust	\$147,000
SNH FLA Tenant LLC	Tuscany Villa of Naples 8901 Tamiami Trail East Naples, FL 34113	SNH/LTA Properties Trust	\$201,000
SNH Georgia Tenant LLC	Eastside Gardens 2078 Scenic Highway North Snellville, GA 30078	SNH/LTA Properties GA LLC	\$79,500
SNH Georgia Tenant LLC	Morningside of Athens 1291 Cedar Shoals Drive Athens, GA 30605	SNH/LTA Properties Trust	\$60,000
SNH Georgia Tenant LLC	Morningside of Columbus 4500 & 7100 South Stadium Drive Columbus, GA 31909	SNH/LTA Properties GA LLC	\$63,000
SNH Georgia Tenant LLC	Morningside of Conyers 1352 Wellbrook Circle Conyers, GA 30012	MSD Pool 1 LLC	\$70,500
SNH Georgia Tenant LLC	Morningside of Dalton 2470 Dug Gap Road Dalton, GA 30720	SNH/LTA Properties GA LLC	\$60,000
SNH Georgia Tenant LLC	Morningside of Evans 353 N. Belair Road Evans, GA 30809	SNH/LTA Properties GA LLC	\$60,000
SNH Georgia Tenant LLC	Morningside of Gainesville 2435 Limestone Parkway Gainesville, GA 30501	MSD Pool 1 LLC	\$64,500

SNH Georgia Tenant LLC	Morningside of Macon 6191 Peake Road Macon, GA 31220	MSD Pool 1 LLC	\$61,500
SNH Georgia Tenant LLC	Morningside of Savannah 7410 Skidaway Road Savannah, GA 31406	SNH/LTA Properties GA LLC	\$112,500
SNH Georgia Tenant LLC	Northlake Gardens 1300 Montreal Road Tucker, GA 30084	SNH/LTA Properties GA LLC	\$94,500
SNH Georgia Tenant LLC	Savannah Square (including Savannah Square Health Center and Palmetto Inn) One Savannah Square Drive Savannah, GA 31406	SNH/LTA Properties GA LLC	\$291,000
SNH Granite Gate Lands Tenant LLC	Granite Gate Lands Boulder Creek Lane 3850 North US 89 Highway Prescott, AZ 86301	SNH Granite Gate Lands Trust	\$0
SNH Granite Gate Tenant LLC	Granite Gate Senior Living 3850 North US Highway 89 Prescott, AZ 86301	SNH Granite Gate Inc.	\$190,500
SNH Grove Park Tenant LLC	Terrace at Grove Park 101 Tulip Lane Dothan, AL 36305	SNH Grove Park Trust	\$172,500
SNH INDY Tenant LLC	Forum at the Crossing 8505 Woodfield Crossing Boulevard Indianapolis, IN 46240	SNH FM Financing LLC	\$336,000
SNH INDY Tenant LLC	Fox Ridge Manor 150 Fox Ridge Drive Vincennes, IN 47591	SNH RMI Fox Ridge Manor Properties LLC	\$72,000
SNH INDY Tenant LLC	Jefferson Manor 601 Saint Joseph Drive Kokomo, IN 46901	SNH RMI Jefferson Manor Properties LLC	\$76,500
SNH INDY Tenant LLC	McKay Manor 1473 East McKay Road Shelbyville, IN 46176	SNH RMI McKay Manor Properties LLC	\$76,500
SNH INDY Tenant LLC	Meadowood Retirement Community (including Meadowood Health Pavilion) 2455 Tamarack Trail Bloomington, IN 47408	O.F.C. Corporation	\$390,000
SNH INDY Tenant LLC	Northwood Manor 1590 West Timberview Drive Marion, IN 46952	SNH RMI Northwood Manor Properties LLC	\$76,500
SNH INDY Tenant LLC	Oak Woods Manor 1211 Longwood Drive LaPorte, IN 46350	SNH RMI Oak Woods Manor Properties LLC	\$75,000

SNH INDY Tenant LLC	Park Square Manor 6990 East County Road 100 North Avon, IN 46123	SNH RMI Park Square Manor Properties LLC	\$114,000
SNH INDY Tenant LLC	Smith Farm Manor 406 Smith Drive Auburn, IN 46706	SNH RMI Smith Farms Manor Properties LLC	\$76,500
SNH INDY Tenant LLC	Sycamore Manor 222 South 25th Street Terre Haute, IN 47803	SNH RMI Sycamore Manor Properties LLC	\$109,500
SNH Lincoln Tenant LLC	Brenden Gardens 900 Southwind Road Springfield, IL 62703	SNH/LTA Properties Trust	\$168,000
SNH Lincoln Tenant LLC	Crimson Pointe 7130 Crimson Ridge Drive Rockford, IL 61107	SNH/LTA Properties GA LLC	\$109,500
SNH Lincoln Tenant LLC	Morningside of Shiloh 1201 Hartman Lane Shiloh, IL 62221	SNH/LTA Properties GA LLC	\$94,500
SNH Lincoln Tenant LLC	Morningside of Troy 39 Dorothy Drive Troy, IL 62294	SNH/LTA Properties GA LLC	\$94,500
SNH Longhorn Tenant LLC	Five Star Premier Residences of Dallas 5455 La Sierra Drive Dallas, TX 75231	SNH IL Properties Trust	\$214,500
SNH Longhorn Tenant LLC	Heritage Place at Boerne 120 Crosspoint Drive Boerne, TX 78006	SNH/LTA Properties Trust	\$75,000
SNH Longhorn Tenant LLC	Heritage Place at Fredericksburg 96 E. Frederick Road Fredericksburg, TX 78624	SNH/LTA Properties Trust	\$99,000
SNH Longhorn Tenant LLC	Overture at Plano 500 Coit Road Plano, TX 75075	SNH SE Properties Trust	\$253,500
SNH Longhorn Tenant LLC	The Forum at Lincoln Heights 311 West Nottingham San Antonio, TX 78209	SNH FM Financing LLC	\$394,500
SNH Longhorn Tenant LLC	The Forum at Memorial Woods (including The Forum at Memorial Woods Healthcare Center) 777 (including 801) North Post Oak Road Houston, TX 77024	SNH/LTA Properties Trust	\$612,000
SNH Longhorn Tenant LLC	The Forum at Park Lane (including Healthcare Center at the Forum at Park Lane) 7831 (including 7827) Park Lane Dallas, TX 75225	CCC Financing I Trust	\$367,500

SNH Longhorn Tenant LLC	The Forum at the Woodlands 5055 W. Panther Creek Drive Woodlands, TX 77381	SNH FM Financing LLC	\$528,000
SNH Longhorn Tenant LLC	The Haven and The Laurels in Stone Oak 511 and 575 Knights Cross Drive San Antonio, TX 78258	SNH/LTA Properties Trust	\$231,000
SNH Longhorn Tenant LLC	The Montevista at Coronado 1575 Belvidere El Paso, TX 79912	CCOP Senior Living LLC	\$295,500
SNH MASS Tenant LLC	The Gables at Winchester 299 Cambridge Street Winchester, MA 01890	SNH/LTA Properties Trust	\$184,500
SNH MD Tenant LLC	Aspenwood 14400 Homecrest Road Silver Spring, MD 20906-1871	SNH/LTA Properties Trust	\$198,000
SNH MD Tenant LLC	HeartFields at Bowie 7600 Laurel Bowie Road Bowie, MD 20715-1075	SNH CHS Properties Trust	\$78,000
SNH MD Tenant LLC	HeartFields at Easton 700 Port Street Easton, MD 21601-8184	SNH/LTA Properties Trust	\$111,000
SNH MD Tenant LLC	HeartFields at Frederick 1820 Latham Drive Frederick, MD 21701-9393	SNH CHS Properties Trust	\$78,000
SNH MD Tenant LLC	Heartlands at Severna Park 715 Benfield Road Severna Park, MD 21146-2210	SNH FM Financing Trust	\$123,000
SNH MD Tenant LLC	Heartlands Senior Living Village at Ellicott City 3004 North Ridge Road Ellicott City, MD 21043-3381	Ellicott City Land I, LLC	\$342,000
SNH MD Tenant LLC	Somerford Place - Annapolis 2717 Riva Road Annapolis, MD 21401	SNH Somerford Properties Trust	\$94,500
SNH MD Tenant LLC	Somerford Place - Columbia 8220 Snowden River Parkway Columbia, MD 21401	SNH Somerford Properties Trust	\$96,000
SNH MD Tenant LLC	Somerford Place and Somerford House - Frederick (including Somerford House - Frederick) 2100 Whittier Drive Frederick, MD 21702	SNH Somerford Properties Trust	\$147,000
SNH MD Tenant LLC	Somerford Place and Somerford House - Hagerstown (including Somerford House - Hagerstown) 10114 & 10116 Sharpsburg Pike Hagerstown, MD 21740	SNH Somerford Properties Trust	\$151,500

SNH MO Tenant LLC	College View Manor Retirement Residence 3828 College View Drive Joplin, MO 64801	SNH IL Joplin Inc.	\$130,500
SNH NC Tenant LLC	HeartFields at Cary 1050 Crescent Green Drive Cary, NC 27511-8100	SNH FM Financing LLC	\$135,000
SNH NC Tenant LLC	Home Place of New Bern 1309 McCarthy Boulevard New Bern, NC 28562-2035	SNH/LTA SE Home Place New Bern LLC	\$90,000
SNH NC Tenant LLC	Landing at Parkwood 1720 Parkwood Boulevard Wilson, NC 27893-2167	SNH/LTA Properties Trust	\$87,000
SNH NC Tenant LLC	McCarthy Court I 1321 McCarthy Boulevard New Bern, NC 28562	SNH/LTA SE McCarthy New Bern LLC	\$82,500
SNH NC Tenant LLC	McCarthy Court II 1325 McCarthy Boulevard New Bern, NC 28562	SNH/LTA Properties Trust	\$45,000
SNH NC Tenant LLC	Morningside of Concord 500 Penny Lane, N.E. Concord, NC 28025	SNH/LTA Properties Trust	\$139,500
SNH NC Tenant LLC	Morningside of Gastonia 2755 Union Road Gastonia, NC 28054	SNH/LTA Properties Trust	\$139,500
SNH NC Tenant LLC	Morningside of Raleigh 801 Dixie Trail Raleigh, NC 27607	SNH/LTA Properties Trust	\$135,000
SNH NC Tenant LLC	Parkwood Village 1730 Parkwood Boulevard Wilson, NC 27893-3564	SNH/LTA SE Wilson LLC	\$102,000
SNH NC Tenant LLC	The Haven in Highland Creek 5920 McChesney Drive Charlotte, NC 28269	SNH CHS Properties Trust	\$90,000
SNH NC Tenant LLC	The Haven in the Village at Carolina Place 13150 Dorman Road Pineville, NC 28134	SNH CHS Properties Trust	\$91,500
SNH NC Tenant LLC	The Laurels in Highland Creek 6101 Clark Creek Parkway Charlotte, NC 28269	SNH CHS Properties Trust	\$141,000
SNH NC Tenant LLC	The Laurels in the Village at Carolina Place 13180 Dorman Road Pineville, NC 28134	SNH CHS Properties Trust	\$141,000
SNH Neb Tenant LLC	Centennial Park Retirement Village 510 Centennial Circle North Platte, NE 69101	SNH CHS Properties Trust	\$196,500

SNH Neb Tenant LLC	Westgate Assisted Living 3030 South 80th Street Omaha, NE 68124	SNH CHS Properties Trust	\$103,500
SNH NJ Tenant LLC	Cherry Hill Senior Living 490 Cooper Landing Road Cherry Hill, NJ 08002	SNH NS Properties Trust	\$145,500
SNH NJ Tenant LLC	Leisure Park (including Brighton Gardens of Leisure Park, Leisure Park Health Center and Leisure Park Special Care Center) 1400 Route 70 Lakewood, NJ 08701	Leisure Park Venture Limited Partnership	\$622,500
SNH NJ Tenant LLC	Mt. Arlington Senior Living 2 Hillside Drive Mt. Arlington, NJ 07856	SNH NS Properties Trust	\$150,000
SNH NM Tenant LLC	The Montebello on Academy 10500 Academy Road, N.E. Albuquerque, NM 87111	SNH FM Financing LLC	\$306,000
SNH Northwoods Tenant LLC	Five Star Residences of North Woods 2501 Friendship Boulevard and Mallard Court Kokomo, IN 46901	SNH Northwoods LLC	\$171,000
SNH OHIO Tenant LLC	Forum at Knightsbridge (including Healthcare Center at the Forum) 4590 and 4625 Knightsbridge Boulevard Columbus, OH 43214	SNH FM Financing LLC	\$423,000
SNH OMISS Tenant LLC	Hermitage Gardens at Oxford 1488 Belk Boulevard Oxford, MS 38655	SNH/LTA Properties Trust	\$85,500
SNH OMISS Tenant LLC	Hermitage Gardens at Southaven 108 Clarington Drive Southaven, MS 38671	SNH/LTA Properties Trust	\$88,500
SNH Park Place Tenant I LLC	Park Place of Fountain City 5405 Colonial Circle and 3030 Holbrook Drive Knoxville, TN 37918	SNH Park Place I Inc.	\$102,000
SNH Park Place Tenant II LLC	Park Place of West Knoxville 10914 Kingston Pike Knoxville, TN 37934	SNH Park Place II Inc.	\$124,500
SNH Penn Tenant LLC	Clarks Summit Senior Living 950 Morgan Highway Clarks Summit, PA 18411	SNH NS Properties Trust	\$171,000
SNH Penn Tenant LLC	Exton Senior Living 600 North Pottstown Pike Exton, PA 19341	SNH NS Properties Trust	\$138,000
SNH Penn Tenant LLC	Franciscan Manor 71 Darlington Road Beaver Falls, PA 15010	SNH/LTA Properties Trust	\$154,500

SNH Penn Tenant LLC	Glen Mills Senior Living 242 Baltimore Pike Glen Mills, PA 19342	SNH NS Properties Trust	\$135,000
SNH Penn Tenant LLC	Mount Vernon of Elizabeth 145 Broadlawn Drive Elizabeth, PA 15037	SNH/LTA Properties Trust	\$127,500
SNH Penn Tenant LLC	Mount Vernon of South Park 1400 Riggs Road Library, South Park Township, PA 15129	SNH/LTA Properties Trust	\$147,000
SNH Penn Tenant LLC	NewSeasons at New Britain 800 Manor Drive Chalfont, PA 18914	SNH NS Properties Trust	\$145,500
SNH Penn Tenant LLC	Overlook Green 5250 Meadowgreen Drive Whitehall, PA 15236	SNH/LTA Properties Trust	\$180,000
SNH Penn Tenant LLC	Tiffany Court at Kingston 700 Northampton Street Kingston, PA 18704	SNH NS Properties Trust	\$162,000
SNH PLFL Tenant LLC	Five Star Premier Residences of Plantation 8500 West Sunrise Boulevard Plantation, FL 33322	SNH PLFL Properties LLC	\$408,000
SNH SC Tenant LLC	Morningside of Anderson 1304 McLees Road Anderson, SC 29621	SNH/LTA Properties Trust	\$66,000
SNH SC Tenant LLC	Morningside of Beaufort 109 Old Salem Road Beaufort, SC 29901	MSD Pool 1 LLC	\$61,500
SNH SC Tenant LLC	Morningside of Camden 719 Kershaw Highway Camden, SC 29020	MSD Pool 1 LLC	\$60,000
SNH SC Tenant LLC	Morningside of Greenwood 116 Enterprise Court Greenwood, SC 29649	SNH/LTA Properties Trust	\$66,000
SNH SC Tenant LLC	Morningside of Hartsville 1901 West Carolina Avenue Hartsville, SC 29550	MSD Pool 1 LLC	\$75,000
SNH SC Tenant LLC	Morningside of Lexington 218 Old Chapin Road Lexington, SC 29072	MSD Pool 1 LLC	\$66,000
SNH SC Tenant LLC	Morningside of Orangeburg 2306 (including 2300) Riverbank Drive Orangeburg, SC 29118	MSD Pool 1 LLC	\$70,500
SNH SC Tenant LLC	Morningside of Seneca 15855 Wells Highway Seneca, SC 29678	MSD Pool 1 LLC	\$75,000

SNH SC Tenant LLC	Myrtle Beach Manor 9547 North Kings Highway (17 North) Myrtle Beach, SC 29572	CCOP Senior Living LLC	\$232,500
SNH SC Tenant LLC	Sweetgrass Court (including Sweetgrass Court Senior Living Community) 1010 Anna Knapp Boulevard Mt. Pleasant, SC 29464	SNH/LTA Properties Trust	\$57,000
SNH SC Tenant LLC	Sweetgrass Village (including Sweetgrass Village Assisted Living Community) 601 Mathis Ferry Road Mt. Pleasant, SC 29464	SNH/LTA Properties Trust	\$103,500
SNH SC Tenant LLC	The Haven in the Summit 3 Summit Terrace Columbia, SC 29229	SNH/LTA Properties Trust	\$90,000
SNH SC Tenant LLC	The Haven in the Village at Chanticleer 355 Berkman's Lane Greenville, SC 29605	SNH/LTA Properties Trust	\$90,000
SNH SE Ashley River Tenant LLC	Ashley River Plantation 2330 Ashley River Road Charleston, SC 29414	SNH SE Ashley River LLC	\$177,000
SNH SE Barrington Boynton Tenant LLC	Barrington Terrace at Boynton Beach 1425 Congress Avenue Boynton Beach, FL 33426-6381	SNH SE Barrington Boynton LLC	\$207,000
SNH SE Burlington Tenant LLC	Home Place of Burlington 118 Alamance Road Burlington, NC 27215-5583	SNH SE Burlington LLC	\$130,500
SNH SE Daniel Island Tenant LLC	Summit Place of Daniel Island 320 Seven Farms Drive Charleston, SC 29492	SNH SE Daniel Island LLC	\$100,500
SNH SE Habersham Savannah Tenant LLC	Habersham House 5200 Habersham Street Savannah, GA 31405-5300	SNH SE Habersham Savannah LLC	\$105,000
SNH SE Holly Hill Tenant LLC	Riviera 1825 Ridgewood Avenue Holly Hill, FL 32117	SNH SE Holly Hill LLC	\$216,000
SNH SE Kings Mtn Tenant LLC	Summit Place of Kings Mountain 1001 Phifer Road Kings Mountain, NC 28086	SNH SE Kings Mtn LLC	\$97,500
SNH SE Mooresville Tenant LLC	Summit Place of Mooresville 128 Brawley School Road Mooresville, NC 28117	SNH SE Mooresville LLC	\$90,000
SNH SE N. Myrtle Beach Tenant LLC	Summit Place of North Myrtle Beach 491 Highway 17 Little River, SC 29566	SNH SE N. Myrtle Beach LLC	\$117,000

SNH SE SG Tenant LLC	The Palms of Mt. Pleasant 937 Bowman Road Mount Pleasant, SC 29464	SNH SE SG LLC	\$364,500
SNH SE Tenant TRS, Inc.	Calusa Harbor 2525 East First Street Fort Meyers, FL 33901	SPTMRT Properties Trust	\$660,000
SNH SE Tenant TRS, Inc.	Cameron Hall (Canton) 240 Marietta Highway Canton, GA 30114	SNH SE Properties LLC	\$141,000
SNH SE Tenant TRS, Inc.	Cameron Hall (Ellijay) 114 Penland Street Ellijay, GA 30540	SNH SE Properties LLC	\$88,500
SNH SE Tenant TRS, Inc.	Chandler House 550 Deerview Way Jefferson City, TN 37760	SNH SE Properties Trust	\$90,000
SNH SE Tenant TRS, Inc.	Church Creek 1250 West Central Road Arlington Heights, IL 60005	SPTMRT Properties Trust	\$504,000
SNH SE Tenant TRS, Inc.	Coventry Village 7707 N. Brookline Drive, 7710 S. Brookline Drive, and 7839, 7841, 7843 and 7915-7924 Courtyard Drive Madison, WI 53719	SNH SE Properties Trust	\$264,000
SNH SE Tenant TRS, Inc.	Fieldstone Place 51 Patel Way Clarkesville, TN 37043	SNH SE Properties Trust	\$153,000
SNH SE Tenant TRS, Inc.	Five Star Premier Residences of Hollywood 2480 North Park Road Hollywood, FL 33021	SNH SE Properties Trust	\$555,000
SNH SE Tenant TRS, Inc.	Five Star Premier Residences of Pompano 1371 South Ocean Boulevard Pompano Beach, FL 33062	SNH SE Properties Trust	\$253,500
SNH SE Tenant TRS, Inc.	Five Star Premier Residences of Reno 3201 Plumas Street Reno, NV 89509	SNH SE Properties Trust	\$307,500
SNH SE Tenant TRS, Inc.	Gateway Gardens and Villa 605 Gateway Central and 601 Steve Hawkins Parkway Marble Falls, TX 78654	SNH SE Properties Trust	\$117,000
SNH SE Tenant TRS, Inc.	Gracemont Assisted Living and Memory Care and The Villas at Willow Lake 4940 and 4960 Jot Em Down Road and 4855 Willow Lake Lane Cumming, GA 30041	SNH SE Properties LLC	\$202,500

SNH SE Tenant TRS, Inc.	Jackson Crossings N168 W22022 Main Street Jackson, WI 53037	SNH SE Properties Trust	\$73,500
SNH SE Tenant TRS, Inc.	Lexington Manor 20480 Veterans Boulevard Port Charlotte, FL 33954-2264	SNH SE Properties Trust	\$127,500
SNH SE Tenant TRS, Inc.	Overlook at Cedarcrest 2351 Cedarcrest Road Acworth, GA 30101	SNH SE Properties LLC	\$57,000
SNH SE Tenant TRS, Inc.	Palms of Lake Spivey 8080 Summit Bus. Parkway Jonesboro, GA 30236-4199	SNH SE Properties LLC	\$300,000
SNH SE Tenant TRS, Inc.	Seasons at Southpoint 1002 Highway 54 Durham, NC 27713	SNH SE Properties Trust	\$75,000
SNH SE Tenant TRS, Inc.	Stratford Court of Palm Harbor 45 Katherine Boulevard Palm Harbor, FL 34684	SPTMRT Properties Trust	\$477,000
SNH SE Tenant TRS, Inc.	Summit Place of Beaufort 1119 Pickpocket Plantation Drive Beaufort, SC 29902	SNH SE Properties Trust	\$127,500
SNH SE Tenant TRS, Inc.	Summit Place of South Park 2101 Runnymede Lane Charlotte, NC 28209	SNH SE Properties Trust	\$180,000
SNH SE Tenant TRS, Inc.	The Gardens of Bellaire 4620 Bellaire Boulevard Bellaire, TX 77401	SPTMRT Properties Trust	\$211,500
SNH SE Tenant TRS, Inc.	The Gardens of Port St. Lucie 1699 S.E. Lyngate Drive Port St. Lucie, FL 34952	SPTMRT Properties Trust	\$192,000
SNH SE Tenant TRS, Inc.	The Gardens of Scottsdale 6001 E. Thomas Road Scottsdale, AZ 85251	SPTMRT Properties Trust	\$181,500
SNH SE Tenant TRS, Inc.	The Gardens of Sun City 17225 North Boswell Boulevard Sun City, AZ 85373	SPTMRT Properties Trust	\$127,500
SNH SE Tenant TRS, Inc.	The Gardens of Virginia Beach 5620 Wesleyan Drive Virginia Beach, VA 23455	SPTMRT Properties Trust	\$168,000
SNH SE Tenant TRS, Inc.	The Horizon Club 1208 South Military Trail Deerfield Beach, FL 33442	SPTMRT Properties Trust	\$432,000
SNH SE Tenant TRS, Inc.	The Terrace at Priceville 200 Terrace Lane Priceville, AL 35603	SNH SE Properties Trust	\$138,000

SNH SE Tenant TRS, Inc.	Villa Valencia 24552 Paseo de Valencia Laguna Hills, CA 92653	SPTMRT Properties Trust	\$549,000
SNH SE Tenant TRS, Inc.	Willow Pointe 1125 North Edge Trail and 143 Prairie Oaks Drive Verona, WI 53593	SNH SE Properties Trust	\$102,000
SNH Teaneck Tenant LLC	Five Star Premier Residences of Teaneck 655 Pomander Walk Teaneck, NJ 07666	SNH Teaneck Properties LLC	\$327,000
SNH Tellico Tenant LLC	The Neighborhood at Tellico Village 100 Chatuga Drive West Loudon, TN 37774	SNH Tellico Trust	\$258,000
SNH TENN Tenant LLC	Morningside of Belmont 1710 Magnolia Boulevard Nashville, TN 37212	SNH/LTA Properties Trust	\$183,000
SNH TENN Tenant LLC	Morningside of Cleveland 2900 Westside Drive, N.W. Cleveland, TN 37312	MSD Pool 1 LLC	\$69,000
SNH TENN Tenant LLC	Morningside of Cookeville 1010 East Spring Street Cookeville, TN 38501	MSD Pool 1 LLC	\$67,500
SNH TENN Tenant LLC	Morningside of Franklin 105 Sunrise Circle Franklin, TN 37067	MSD Pool 2 LLC	\$60,000
SNH TENN Tenant LLC	Morningside of Gallatin 1085 Hartsville Pike Gallatin, TN 37066	SNH/LTA Properties Trust	\$63,000
SNH TENN Tenant LLC	Morningside of Jackson 1200 North Parkway Jackson, TN 38305	MSD Pool 2 LLC	\$91,500
SNH TENN Tenant LLC	Morningside of Paris 350 Volunteer Drive Paris, TN 38242	SNH/LTA Properties Trust	\$112,500
SNH TENN Tenant LLC	Walking Horse Meadow 207 Uffelman Drive Clarksville, TN 37043	SNH/LTA Properties Trust	\$84,000
SNH TENN Tenant LLC	Williamsburg Villas 3020 Heatherston Way Knoxville, TN 37920	MSD Pool 2 LLC	\$127,500
SNH Toto Tenant LLC	Brandon Woods at Alvamar 1501 Inverness Drive Lawrence, KS 66047	SNH CHS Properties Trust	\$328,500

SNH Toto Tenant LLC	Overland Park Place 6555 West 75th Street Overland Park, KS 66204	SNH CHS Properties Trust	\$201,000
SNH Toto Tenant LLC	The Forum at Overland Park 3501 West 95th Street Overland Park, KS 66206	SNH FM Financing LLC	\$306,000
SNH VA Tenant LLC	Dominion Village of Chesapeake 2856 Forehand Drive Chesapeake, VA 23323	SNH CHS Properties Trust	\$57,000
SNH VA Tenant LLC	Dominion Village of Poquoson 531 Wythe Creek Road Poquoson, VA 23662	SNH CHS Properties Trust	\$61,500
SNH VA Tenant LLC	Dominion Village of Williamsburg 4132 Longhill Road Williamsburg, VA 23188	SNH CHS Properties Trust	\$78,000
SNH VA Tenant LLC	HeartFields at Fredericksburg 20 HeartFields Lane Fredericksburg, VA 22405-2368	SNH FM Financing LLC	\$121,500
SNH VA Tenant LLC	Morningside in the West End (including Morningside at Skipwith (West End)) 3000 Skipwith Road Richmond, VA 23294	SNH/LTA Properties Trust	\$130,500
SNH VA Tenant LLC	Morningside of Bellgrade 2800 Polo Parkway Midlothian, VA 23113	SNH/LTA Properties Trust	\$181,500
SNH VA Tenant LLC	Morningside of Charlottesville 491 Crestwood Drive Charlottesville, VA 22903	SNH FM Financing LLC	\$150,000
SNH VA Tenant LLC	Morningside of Newport News 655 Denbigh Boulevard Newport News, VA 23608	SNH FM Financing LLC	\$133,500
SNH VA Tenant LLC	Morningside of Williamsburg 440 McLaws Circle Williamsburg, VA 23185	SNH/LTA Properties Trust	\$129,000
SNH VA Tenant LLC	Talbot Park 6311 Granby Street Norfolk, VA 23505-4454	SNH/LTA Properties Trust	\$169,500
SNH VA Tenant LLC	The Reserve at Greenbrier 1005 Elysian Place Chesapeake, VA 23320-2989	SNH/LTA Properties Trust	\$258,000
SNH Viking Tenant LLC	Wellstead of Rogers and Diamondcrest Senior Living 20500 & 20600 S. Diamond Lake Road Rogers, MN 55374	SNH CHS Properties Trust	\$282,000

SNH WIS Tenant LLC	Brookfield Rehabilitation and Specialty Care Center 18740 W. Bluemound Road Brookfield, WI 53045	SPTMNR Properties Trust	\$306,000
SNH WIS Tenant LLC	Manorpointe-Oak Creek Independent Senior Apartments and Meadowmere/Mitchell Manor-Oak Creek Assisted Living (including Manorpointe Apartments, Meadowmere - Oak Creek and Mitchell Manor Oak Creek) 700 East Stonegate Drive, 701 East Puetz Road & 8740 S. Oak Park Drive Oak Creek, WI 53154	SPTMNR Properties Trust	\$222,000
SNH WIS Tenant LLC	Meadowmere and Mitchell Manor West Allis (including Meadowmere West Allis, Mitchell Manor and Mitchell Manor - West Allis) 2330 S. 54th Street & 5301 West Lincoln Avenue West Allis, WI 53219	SPTMNR Properties Trust	\$342,000
SNH WIS Tenant LLC	Meadowmere-Madison Assisted Living (including Meadowmere-Madison) 5601 Burke Road Madison, WI 53718	SPTMNR Properties Trust	\$90,000
SNH WIS Tenant LLC	Meadowmere-Northshore Assisted Living (including Meadowmere-Northshore) 10803 North Port Washington Road Mequon, WI 53902	SNH FM Financing LLC	\$90,000
SNH WIS Tenant LLC	Meadowmere-Southport Assisted Living (including Meadowmere-Southport) 8350 & 8351 Sheridan Road Kenosha, WI 53143	SPTMNR Properties Trust	\$94,500
SNH WIS Tenant LLC	Virginia Health and Rehabilitation Center 1451 Cleveland Avenue Waukesha, WI 53186	SPTMNR Properties Trust	\$157,500
SNH WY Tenant LLC	Laramie Care Center 503 South 18th Street Laramie, WY 82070	SPTIHS Properties Trust	\$147,000
SNH WY Tenant LLC	Worland Healthcare and Rehabilitation Center 1901 Howell Avenue Worland, WY 82401	SPTIHS Properties Trust	\$136,500
SNH Yonkers Tenant Inc.	Five Star Premier Residences of Yonkers 537 Riverdale Avenue Yonkers, NY 10705	SNH Yonkers Properties Trust	\$300,000