

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

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

For the quarterly period ended June 30, 2024

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

04-3445278

(State or Other Jurisdiction of Incorporation or
Organization)

(IRS Employer Identification No.)

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

(Address of Principal Executive Offices) (Zip Code)

617 - 796 - 8350

(Registrant's Telephone Number, Including Area Code)

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

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 (§232.405 of this chapter) 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 ☒

Number of registrant's common shares outstanding as of July 31, 2024: 240,574,611

DIVERSIFIED HEALTHCARE TRUST
FORM 10-Q

June 30, 2024

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References in this Quarterly Report on Form 10-Q to the Company, we, us or our include Diversified Healthcare Trust and its consolidated subsidiaries unless otherwise expressly stated or the context indicates otherwise.

PART I. Financial Information
Item 1. Financial Statements.

DIVERSIFIED HEALTHCARE TRUST
CONDENSED CONSOLIDATED BALANCE SHEETS
(dollars in thousands, except share data)
(unaudited)

	June 30, 2024	December 31, 2023
<u>Assets</u>		
Real estate properties:		
Land	\$ 635,792	\$ 652,977
Buildings and improvements	6,126,130	6,165,490
Total real estate properties, gross	6,761,922	6,818,467
Accumulated depreciation	(2,106,938)	(2,020,843)
Total real estate properties, net	4,654,984	4,797,624
Investments in unconsolidated joint ventures	108,806	129,916
Assets of properties held for sale	43,969	9,447
Cash and cash equivalents	265,563	245,939
Restricted cash	4,522	1,022
Equity method investment	24,905	—
Acquired real estate leases and other intangible assets, net	29,658	33,948
Other assets, net	201,040	228,240
Total assets	\$ 5,333,447	\$ 5,446,136
<u>Liabilities and Shareholders' Equity</u>		
Senior secured notes, net	\$ 776,262	\$ 731,211
Senior unsecured notes, net	2,015,093	2,072,618
Secured debt and finance leases, net	128,560	13,020
Liabilities of properties held for sale	581	32
Accrued interest	23,227	22,847
Other liabilities	240,410	269,517
Total liabilities	3,184,133	3,109,245
Commitments and contingencies		
Shareholders' equity:		
Common shares of beneficial interest, \$.01 par value: 300,000,000 shares authorized, 240,619,470 and 240,423,898 shares issued and outstanding, respectively	2,406	2,405
Additional paid in capital	4,619,846	4,618,470
Cumulative net income	1,594,158	1,778,278
Cumulative other comprehensive loss	(26)	—
Cumulative distributions	(4,067,070)	(4,062,262)
Total shareholders' equity	2,149,314	2,336,891
Total liabilities and shareholders' equity	\$ 5,333,447	\$ 5,446,136

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Revenues:				
Rental income	\$ 62,870	\$ 61,373	\$ 125,520	\$ 127,811
Residents fees and services	308,522	284,846	616,648	564,438
Total revenues	371,392	346,219	742,168	692,249
Expenses:				
Property operating expenses	304,065	286,228	611,669	572,308
Depreciation and amortization	68,357	68,394	138,490	133,194
General and administrative	6,262	7,284	13,830	13,157
Acquisition and certain other transaction related costs	1,826	6,043	1,912	6,136
Impairment of assets	6,545	11,299	18,687	17,224
Total expenses	387,055	379,248	784,588	742,019
(Loss) gain on sale of properties	(13,213)	—	(19,087)	1,233
Gains and losses on equity securities, net	—	—	—	8,126
Interest and other income	2,403	5,134	4,640	9,329
Interest expense (including net amortization of debt discounts, premiums and issuance costs of \$25,591, \$2,249, \$50,454 and \$4,323, respectively)	(58,702)	(47,384)	(116,278)	(95,164)
Loss on modification or early extinguishment of debt	(209)	—	(209)	(1,075)
Loss before income tax (expense) benefit and equity in net (losses) earnings of investees	(85,384)	(75,279)	(173,354)	(127,321)
Income tax expense	(170)	(221)	(357)	(190)
Equity in net (losses) earnings of investees	(12,307)	2,929	(10,409)	2,282
Net loss	\$ (97,861)	\$ (72,571)	\$ (184,120)	\$ (125,229)
Other comprehensive loss:				
Equity in unrealized losses of an investee	(22)	—	(26)	—
Other comprehensive loss	(22)	—	(26)	—
Comprehensive loss	\$ (97,883)	\$ (72,571)	\$ (184,146)	\$ (125,229)
Weighted average common shares outstanding (basic and diluted)	239,326	238,682	239,259	238,636
Per common share amounts (basic and diluted):				
Net income (loss)	\$ (0.41)	\$ (0.30)	\$ (0.77)	\$ (0.52)

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

DIVERSIFIED HEALTHCARE TRUST
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(dollars in thousands)
(unaudited)

	Number of Shares	Common Shares	Additional Paid In Capital	Cumulative Net Income	Cumulative Other Comprehensive Loss	Cumulative Distributions	Total Shareholders' Equity
Balance at December 31, 2023:	240,423,898	\$ 2,405	\$ 4,618,470	\$ 1,778,278	\$ —	\$ (4,062,262)	\$ 2,336,891
Net loss	—	—	—	(86,259)	—	—	(86,259)
Equity in unrealized losses of an investee	—	—	—	—	(4)	—	(4)
Distributions	—	—	—	—	—	(2,404)	(2,404)
Share grants	—	—	558	—	—	—	558
Share repurchases	(30,176)	(1)	(78)	—	—	—	(79)
Balance at March 31, 2024:	<u>240,393,722</u>	<u>2,404</u>	<u>4,618,950</u>	<u>1,692,019</u>	<u>(4)</u>	<u>(4,064,666)</u>	<u>2,248,703</u>
Net loss	—	—	—	(97,861)	—	—	(97,861)
Equity in unrealized losses of an investee	—	—	—	—	(22)	—	(22)
Distributions	—	—	—	—	—	(2,404)	(2,404)
Share grants	259,259	3	937	—	—	—	940
Share repurchases	(17,511)	(1)	(41)	—	—	—	(42)
Share forfeitures	(16,000)	—	—	—	—	—	—
Balance at June 30, 2024:	<u>240,619,470</u>	<u>\$ 2,406</u>	<u>\$ 4,619,846</u>	<u>\$ 1,594,158</u>	<u>\$ (26)</u>	<u>\$ (4,067,070)</u>	<u>\$ 2,149,314</u>
Balance at December 31, 2022:	239,694,842	\$ 2,397	\$ 4,617,031	\$ 2,071,850	\$ —	\$ (4,052,667)	\$ 2,638,611
Net loss	—	—	—	(52,658)	—	—	(52,658)
Distributions	—	—	—	—	—	(2,397)	(2,397)
Share grants	—	—	270	—	—	—	270
Share repurchases	(5,975)	—	(6)	—	—	—	(6)
Share forfeitures	(6,400)	—	(1)	—	—	—	(1)
Balance at March 31, 2023:	<u>239,682,467</u>	<u>2,397</u>	<u>4,617,294</u>	<u>2,019,192</u>	<u>—</u>	<u>(4,055,064)</u>	<u>2,583,819</u>
Net loss	—	—	—	(72,571)	—	—	(72,571)
Distributions	—	—	—	—	—	(2,397)	(2,397)
Share grants	140,000	1	567	—	—	—	568
Share repurchases	(24,513)	—	(27)	—	—	—	(27)
Share forfeitures	(5,600)	—	(3)	—	—	—	(3)
Balance at June 30, 2023:	<u>239,792,354</u>	<u>\$ 2,398</u>	<u>\$ 4,617,831</u>	<u>\$ 1,946,621</u>	<u>\$ —</u>	<u>\$ (4,057,461)</u>	<u>\$ 2,509,389</u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

DIVERSIFIED HEALTHCARE TRUST
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollars in thousands)
(unaudited)

	Six Months Ended June 30,	
	2024	2023
Cash flows from operating activities:		
Net loss	\$ (184,120)	\$ (125,229)
Adjustments to reconcile net loss to cash provided by operating activities:		
Depreciation and amortization	138,490	133,194
Net amortization of debt discounts, premiums and issuance costs	50,454	4,323
Straight line rental income	(947)	2,009
Amortization of acquired real estate leases and other intangible assets, net	57	(286)
Loss on modification or early extinguishment of debt	209	1,075
Impairment of assets	18,687	17,224
Loss (gain) on sale of properties	19,087	(1,233)
Gains on equity securities, net	—	(8,126)
Other non-cash adjustments, net	(387)	(1,051)
Unconsolidated joint venture distributions	1,231	2,640
Equity in net losses (earnings) of investees	10,409	(2,282)
Change in assets and liabilities:		
Deferred leasing costs, net	(1,106)	(4,071)
Other assets	23,643	29,992
Accrued interest	380	(1,202)
Other liabilities	(3,193)	(15,254)
Net cash provided by operating activities	<u>72,894</u>	<u>31,723</u>
Cash flows from investing activities:		
Real estate improvements	(87,720)	(107,934)
Proceeds from sale of properties, net	7,318	3,548
Investment in AlerisLife Inc.	(15,459)	—
Proceeds from insurance recoveries	170	—
Proceeds from AlerisLife Inc. tender offer	—	14,006
Net cash used in investing activities	<u>(95,691)</u>	<u>(90,380)</u>
Cash flows from financing activities:		
Proceeds from mortgage notes payable	120,000	—
Repayments of borrowings on credit facility	—	(250,000)
Redemption of senior unsecured notes	(60,000)	—
Repayment of other debt	(1,586)	(15,678)
Payment of debt issuance costs	(7,564)	(2,057)
Repurchase of common shares	(121)	(33)
Distributions to shareholders	(4,808)	(4,794)
Net cash provided by (used in) financing activities	<u>45,921</u>	<u>(272,562)</u>
Increase (decrease) in cash and cash equivalents and restricted cash	23,124	(331,219)
Cash and cash equivalents and restricted cash at beginning of period	246,961	688,302
Cash and cash equivalents and restricted cash at end of period	<u>\$ 270,085</u>	<u>\$ 357,083</u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

DIVERSIFIED HEALTHCARE TRUST
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
(dollars in thousands)
(unaudited)

	Six Months Ended June 30,	
	2024	2023
Supplemental cash flow information:		
Interest paid	\$ 65,444	\$ 92,043
Income taxes paid	\$ 484	\$ 675
Non-cash investing activities:		
Real estate improvements accrued, not paid	\$ 16,355	\$ 26,154

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 our condensed consolidated balance sheets to the amount shown in our condensed consolidated statements of cash flows:

	As of June 30,	
	2024	2023
Cash and cash equivalents	\$ 265,563	\$ 338,431
Restricted cash ⁽¹⁾	4,522	18,652
Total cash and cash equivalents and restricted cash shown in our condensed consolidated statements of cash flows	<u>\$ 270,085</u>	<u>\$ 357,083</u>

(1) Restricted cash consists of amounts escrowed for real estate taxes, insurance and capital expenditures at certain of our mortgaged properties.

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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

Note 1. Basis of Presentation

The accompanying condensed consolidated financial statements of Diversified Healthcare Trust and its subsidiaries, or we, us, or our, are unaudited. Certain information and disclosures required by U.S. generally accepted accounting principles, or GAAP, for complete financial statements have been condensed or omitted. We believe the disclosures made are adequate to make the information presented not misleading. However, the accompanying condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes contained in our Annual Report on Form 10-K for the year ended December 31, 2023, or our Annual Report.

In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair statement of results for the interim period have been included. All intercompany transactions and balances with or among our consolidated subsidiaries have been eliminated. Operating results for interim periods are not necessarily indicative of the results that may be expected for the full year.

The preparation of these financial statements in conformity with GAAP requires us to make estimates and assumptions that affect reported amounts. Actual results could differ from those estimates. Significant estimates in our condensed consolidated financial statements include purchase price allocations, useful lives of fixed assets and impairments of real estate and intangible assets.

We have been, are currently, and expect in the future to be involved in claims, lawsuits, and regulatory and other governmental audits, investigations and proceedings arising in the ordinary course of our business, some of which may involve material amounts. Also, the defense and resolution of these claims, lawsuits, and regulatory and other governmental audits, investigations and proceedings may require us to incur significant expense. We account for claims and litigation losses in accordance with the Financial Accounting Standards Board, or FASB, Accounting Standards Codification Topic 450, *Contingencies*, or ASC 450. Under ASC 450, loss contingency provisions are recorded for probable and estimable losses at our best estimate of a loss or, when a best estimate cannot be made, at our estimate of the minimum loss. These estimates are often developed prior to knowing the amount of the ultimate loss, require the application of considerable judgment, and are refined as additional information becomes known. Accordingly, we are often initially unable to develop a best estimate of loss and therefore the estimated minimum loss amount, which could be zero, is recorded; and then, as information becomes known, the minimum loss amount is updated, as appropriate. A minimum or best estimate amount may be increased or decreased when events result in a changed expectation.

Note 2. Recent Accounting Pronouncements

On November 27, 2023, the FASB issued Accounting Standards Update, or ASU, No. 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, or ASU No. 2023-07, which requires public entities to: (i) provide disclosures of significant segment expenses and other segment items if they are regularly provided to the Chief Operating Decision Maker, or the CODM, and included in each reported measure of segment profit or loss; (ii) provide all annual disclosures about a reportable segment's profit or loss and assets currently required by ASC 280, *Segment Reporting*, or ASC 280, in interim periods; and (iii) disclose the CODM's title and position, as well as an explanation of how the CODM uses the reported measures and other disclosures. Public entities with a single reportable segment must apply all the disclosure requirements of ASU No. 2023-07, as well as all the existing segment disclosures under ASC 280. The amendments in ASU No. 2023-07 are incremental to the requirements in ASC 280 and do not change how a public entity identifies its operating segments, aggregates those operating segments, or applies the quantitative thresholds to determine its reportable segments. ASU No. 2023-07 should be applied retrospectively to all prior periods presented in the financial statements and is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. We are currently evaluating the impact ASU No. 2023-07 will have on our consolidated financial statements and disclosures.

On December 14, 2023, the FASB issued ASU No. 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, or ASU No. 2023-09, which requires public entities to enhance their annual income tax disclosures by requiring: (i) consistent categories and greater disaggregation of information in the rate reconciliation, and (ii) income taxes paid disaggregated by jurisdiction. ASU No. 2023-09 should be applied prospectively but entities have the option to apply it retrospectively to all prior periods presented in the financial statements. ASU No. 2023-09 is effective for annual periods

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

beginning after December 15, 2024, with early adoption permitted. We are currently evaluating the impact ASU No. 2023-09 will have on our consolidated financial statements and disclosures.

Note 3. Real Estate and Other Investments

As of June 30, 2024, we owned 370 properties located in 36 states and Washington, D.C., including five properties classified as held for sale and two closed senior living communities, and we owned an equity interest in each of two unconsolidated joint ventures that own medical office and life science properties located in five states.

Acquisitions and Dispositions:

We did not acquire any properties during the six months ended June 30, 2024.

During the six months ended June 30, 2024, we sold two properties for an aggregate sales price of \$7,800, excluding closing costs, as presented in the table below. The sales of these properties do not represent a significant disposition and we do not believe these sales represent a strategic shift in our business. As a result, the results of operations for these properties are included in continuing operations through the date of sale of such properties in our condensed consolidated statements of comprehensive income (loss).

Date of Sale	Location	Type of Property	Number of Properties	Sales Price ⁽¹⁾	Loss on Sale
March 2024	Arizona	Medical Office	1	\$ 3,600	\$ 5,874
June 2024	Texas	Medical Office	1	4,200	13,213
			2	\$ 7,800	\$ 19,087

(1) Sales price excludes closing costs.

As of June 30, 2024, we had five properties classified as held for sale in our condensed consolidated balance sheet as follows:

Type of Property	Number of Properties	Real Estate Properties, Net
Medical Office and Life Science	4	\$ 39,650
Senior Living	1	1,523
	5	\$ 41,173

Subsequent to June 30, 2024, we sold two of these properties for an aggregate sales price of \$21,275, excluding closing costs, and as of July 31, 2024, we had an additional property under agreement to sell for a sales price of \$5,500, 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.

Impairment:

We regularly evaluate our assets for indicators 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 cash flows to be generated from those assets. The future 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 cash flows is less than the carrying value, we reduce the net carrying value of the asset to its estimated fair value.

During the six months ended June 30, 2024, we recorded impairment charges of \$18,789 related to three medical office properties that were classified as held for sale as of June 30, 2024.

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

Equity Method Investments in Unconsolidated Joint Ventures:

As of June 30, 2024, we had equity investments in unconsolidated joint ventures as follows:

Joint Venture	DHC Ownership	DHC Carrying Value of Investment at June 30, 2024	Number of Properties	Location	Square Feet
Seaport Innovation LLC	10%	\$ 64,223	1	MA	1,134,479
The LSMD Fund REIT LLC	20%	44,583	10	CA, MA, NY, TX, WA	1,068,763
		<u>\$ 108,806</u>	<u>11</u>		<u>2,203,242</u>

The following table provides a summary of the mortgage debts of these joint ventures:

Joint Venture	Coupon Rate	Maturity Date	Principal Balance at June 30, 2024 ⁽¹⁾
Mortgage Notes Payable (secured by one property in Massachusetts) ⁽²⁾⁽³⁾	3.53%	11/6/2028	\$ 620,000
Mortgage Notes Payable (secured by nine properties in five states) ⁽⁴⁾	3.46%	2/11/2032	189,800
Mortgage Notes Payable (secured by one property in California) ⁽⁴⁾⁽⁵⁾	6.38%	2/9/2025	266,825
	4.22%		<u>\$ 1,076,625</u>

(1) Amounts are not adjusted for our minority equity interest.

(2) We provide certain guaranties on this debt.

(3) This mortgage loan requires interest only payments until the anticipated repayment date on August 6, 2026, at which time all accrued and unpaid interest along with the principal balance of \$620,000 is expected to be repaid. This mortgage loan matures on November 6, 2028 and any unpaid principal from the anticipated repayment date through the maturity date bears interest at a variable rate of the greater of 6.53% or the then effective U.S. swap rate terminating on the maturity date plus 5.00%.

(4) The debt securing these properties is non-recourse to us.

(5) This mortgage loan matures on February 9, 2025 and requires interest to be paid at an annual rate of the one month term secured overnight financing rate, or SOFR, plus a premium of 1.90%. This joint venture has also purchased an interest rate cap through February 2025 with a SOFR strike rate equal to 4.48% and an initial premium of \$1,200. The maturity date of this mortgage loan is subject to two remaining one-year extension options.

We account for the unconsolidated joint venture for 10 medical office and life science properties in which we own a 20% equity interest, or the LSMD JV, and the unconsolidated joint venture for a life science property located in Boston, Massachusetts in which we own a 10% equity interest, or the Seaport JV, using the equity method of accounting under the fair value option. We recognized changes in the fair value of our investments in our unconsolidated joint ventures of \$(21,493) and \$2,929 during the three months ended June 30, 2024 and 2023, respectively, and \$(19,880) and \$2,282 during the six months ended June 30, 2024 and 2023, respectively. These amounts are included in equity in net earnings (losses) of investees in our condensed consolidated statements of comprehensive income (loss). See Note 6 for further information regarding the valuation of our investment in these joint ventures.

Equity Method Investment in AlerisLife:

As of June 30, 2024, we owned approximately 34.0% of the outstanding common shares of AlerisLife Inc., or AlerisLife. We account for our 34.0% non-controlling interest in AlerisLife using the equity method of accounting.

As of June 30, 2024, our investment in AlerisLife had a carrying value of \$24,905. The cost basis of our investment in AlerisLife exceeded our proportionate share of AlerisLife's total stockholders' equity book value on the date of acquisition of our initial interest in AlerisLife, which was February 16, 2024, by an aggregate of \$29,500. As required under GAAP, we are amortizing this difference to equity in earnings of an investee over 21 years, the weighted average remaining useful life of the real estate assets owned by AlerisLife and the intangible contract asset with us as of the date of acquisition. We recorded amortization of the basis difference of \$352 and \$526 for the three and six months ended June 30, 2024, respectively. We recognized income of \$8,834 and \$8,945 related to our investment in AlerisLife for the three and six months ended June 30, 2024, respectively. These amounts are included in equity in net earnings (losses) of investees in our condensed consolidated statements of comprehensive income (loss). See Note 11 for further information regarding our investment in AlerisLife.

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

Note 4. Leases

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.

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 increased rental income to record revenue on a straight line basis by \$656 and \$947 for the three and six months ended June 30, 2024, respectively, and decreased rental income to record revenue on a straight line basis by \$4,457 and \$2,009 for the three and six months ended June 30, 2023, respectively. Rents receivable, excluding receivables related to our properties classified as held for sale, if any, include \$74,959 and \$75,306 of straight line rent receivables at June 30, 2024 and December 31, 2023, respectively, and are included in other assets, net in our condensed consolidated balance sheets.

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 \$11,635 and \$12,575 for the three months ended June 30, 2024 and 2023, respectively, of which tenant reimbursements totaled \$11,586 and \$12,525, respectively, and \$22,985 and \$24,561 for the six months ended June 30, 2024 and 2023, respectively, of which tenant reimbursements totaled \$22,870 and \$24,449, respectively.

Right of Use Asset and Lease Liability: For leases where we are the lessee, we recognize 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 values of the right of use assets and related liabilities representing our future obligation under the respective lease arrangements for which we are the lessee were \$21,701 and \$22,086, respectively, as of June 30, 2024, and \$23,366 and \$23,748, respectively, as of December 31, 2023. The right of use assets and related lease liabilities are included within other assets, net and other liabilities, respectively, within our condensed 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, are not recorded on our condensed consolidated balance sheets.

Note 5. Indebtedness

Our principal debt obligations, excluding any debt obligations of our joint ventures, at June 30, 2024 were: (1) \$2,040,000 outstanding principal amount of senior unsecured notes; (2) \$940,534 outstanding principal amount of senior secured notes; and (3) \$128,294 principal amount of mortgage debt secured by nine properties. The mortgaged properties had an aggregate net book value of \$207,801 at June 30, 2024. We also had two properties subject to finance leases that expire in 2026 with lease obligations totaling \$3,140 at June 30, 2024; these two properties had an aggregate net book value of \$22,182 at June 30, 2024.

Until its repayment in full and termination on December 21, 2023, we had a \$450,000 credit facility that was fully drawn. The weighted average annual interest rate for borrowings under our former credit facility was 8.1% and 7.6% for the three and six months ended June 30, 2023, respectively. In January 2023, we repaid \$113,627 in outstanding borrowings under our former credit facility and the commitments were reduced to \$586,373. In February 2023, we reduced the commitments from \$586,373 to \$450,000 following our repayment of \$136,373 in outstanding borrowings under our former credit facility. As a result of the February 2023 reduction in commitments, we recorded a loss on modification or early extinguishment of debt of \$1,075 for the six months ended June 30, 2023.

In May 2024, we executed a \$120,000 fixed rate, interest only mortgage loan secured by eight medical office and life science properties. This mortgage loan matures in June 2034 and requires that interest be paid at an annual rate of 6.864%.

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In June 2024, we redeemed \$60,000 of our outstanding 9.75% senior unsecured notes due 2025 using proceeds from the \$120,000 mortgage loan executed in May 2024. As a result of this redemption, we recorded a loss on early extinguishment of debt of \$209 for the six months ended June 30, 2024.

As of June 30, 2024, all \$940,534 of our senior secured notes due 2026 are fully and unconditionally guaranteed, on a joint, several and senior secured basis, by certain of our subsidiaries that own 95 properties, or the Collateral Guarantors, and on a joint, several and unsecured basis, by all our subsidiaries other than the Collateral Guarantors and certain excluded subsidiaries, and all \$440,000 of our 9.75% senior notes due 2025 and all \$500,000 of our 4.375% senior notes due 2031 were fully and unconditionally guaranteed, on a joint, several and unsecured basis, by all of our subsidiaries except certain excluded subsidiaries. The notes and related guarantees (other than our senior secured notes and the guarantees provided by the Collateral Guarantors) are effectively subordinated to all of our and the subsidiary guarantors' secured indebtedness, respectively, to the extent of the value of the applicable collateral, and the notes and related guarantees are structurally subordinated to all indebtedness and other liabilities and any preferred equity of any of our subsidiaries that do not guarantee the notes. Our remaining \$1,100,000 of senior unsecured notes do not have the benefit of any guarantees as of June 30, 2024.

Our senior secured notes due 2026 and the guarantees provided by the Collateral Guarantors are secured by a first priority lien and security interest in each of the collateral properties and 100% of the equity interests in each of the Collateral Guarantors. No cash interest will accrue on these notes prior to maturity. The accreted value of these notes will increase at a rate of 11.25% per annum compounded semiannually on January 15 and July 15 of each year, such that the accreted value will equal the principal amount at maturity. During the three and six months ended June 30, 2024, we recognized discount accretion of \$21,440 and \$42,099, respectively, for our senior secured notes due 2026 in interest expense in our condensed consolidated statements of comprehensive income (loss). We have a one-time option to extend the maturity date of these notes by one year, to January 15, 2027, subject to satisfaction of certain conditions and payment of an extension fee. If we exercise this option, interest payments will be due semiannually during the extension period at an initial interest rate of 11.25% with increases of 50 basis points every 90 days these notes remain outstanding.

Based on the significant number of unencumbered properties in our senior housing operating portfolio, or SHOP, and our demonstrated ability to execute debt financings, we believe we will likely be able to obtain additional debt financing that will allow us to satisfy the \$440,000 outstanding principal amount of our 9.75% senior unsecured notes due 2025.

Note 6. Fair Value of Assets and Liabilities

The following table presents certain of our assets that are measured at fair value at June 30, 2024 and December 31, 2023, categorized by the level of inputs as defined in the fair value hierarchy under GAAP, used in the valuation of each asset.

Description	As of June 30, 2024	As of December 31, 2023
	Carrying Value	Carrying Value
Recurring Fair Value Measurements Assets:		
Investment in unconsolidated joint venture (Level 3) ⁽¹⁾	\$ 64,223	\$ 85,699
Investment in unconsolidated joint venture (Level 3) ⁽²⁾	\$ 44,583	\$ 44,217
Non-Recurring Fair Value Measurements Assets:		
Real estate properties held for sale (Level 2) ⁽³⁾	\$ 5,859	\$ —

- (1) The 10% equity interest we own in the Seaport JV is included in investments in unconsolidated joint ventures in our condensed consolidated balance sheet, and is reported at fair value, which is based on significant unobservable inputs (Level 3 inputs). The significant unobservable inputs used in the fair value analysis are a discount rate of 7.50%, an exit capitalization rate of 6.00%, a holding period of 10 years and market rents. The assumptions made in the fair value analysis are based on the location, type and nature of the property, and current and anticipated market conditions. See Note 3 for further information regarding this joint venture.
- (2) The 20% equity interest we own in the LSMD JV is included in investments in unconsolidated joint ventures in our condensed consolidated balance sheet, and is reported at fair value, which is based on significant unobservable inputs (Level 3 inputs). The significant unobservable inputs used in the fair value analysis are discount rates of between 6.50% and 8.00%, exit capitalization rates of between 5.25% and 7.00%, holding periods of 10 years and market rents. The assumptions we made in the fair value analysis are based on the location, type and nature of each property, and current and anticipated market conditions. See Note 3 for further information regarding this joint venture.

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- (3) We have assets in our condensed consolidated balance sheets that are measured at fair value on a non-recurring basis. During the three months ended June 30, 2024, we recorded impairment charges of \$6,647 to reduce the carrying value of one medical office property that is classified as held for sale to its estimated sales price, less estimated costs to sell, of \$5,859 under an agreement to sell that we have entered into with a third party. See Note 3 for further information about impairment charges and the properties we have classified as held for sale.

In addition to the assets described in the table above, our financial instruments at June 30, 2024 and December 31, 2023 included cash and cash equivalents, restricted cash, certain other assets, senior unsecured notes, senior secured notes, secured debt and finance leases and certain other unsecured obligations and liabilities. The fair values of these financial instruments approximated their carrying values in our condensed consolidated financial statements as of such dates, except as follows:

Description	As of June 30, 2024		As of December 31, 2023	
	Carrying Amount ⁽¹⁾	Estimated Fair Value	Carrying Amount ⁽¹⁾	Estimated Fair Value
Senior unsecured notes, 9.750% coupon rate, due 2025	\$ 438,528	\$ 439,468	\$ 497,454	\$ 490,750
Senior secured notes, zero coupon rate, due 2026	776,262	820,691	731,211	771,981
Senior unsecured notes, 4.750% coupon rate, due 2028	495,383	412,025	494,746	384,110
Senior unsecured notes, 4.375% coupon rate, due 2031	494,274	364,255	493,845	375,000
Senior unsecured notes, 5.625% coupon rate, due 2042	343,137	177,660	342,946	211,400
Senior unsecured notes, 6.250% coupon rate, due 2046	243,771	146,700	243,627	154,000
Secured debt and finance leases ⁽²⁾	128,560	127,608	13,020	12,284
	<u>\$ 2,919,915</u>	<u>\$ 2,488,407</u>	<u>\$ 2,816,849</u>	<u>\$ 2,399,525</u>

- (1) Includes unamortized net discounts, premiums and debt issuance costs, if any.
- (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.

We estimated the fair values of our two issuances of senior unsecured notes due 2042 and 2046 based on the closing price on The Nasdaq Stock Market LLC, or Nasdaq, as of June 30, 2024 and December 31, 2023 (Level 1 inputs as defined in the fair value hierarchy under GAAP). We estimated the fair values of our three issuances of senior unsecured notes due 2025, 2028 and 2031 and our issuance of senior secured notes due 2026 using an average of the bid and ask price on Nasdaq on or about June 30, 2024 and December 31, 2023 (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.

Note 7. Shareholders' Equity

Common Share Awards:

On May 31, 2024, in accordance with our Trustee compensation arrangements, we awarded to each of our seven Trustees 37,037 of our common shares, valued at \$2.43 per share, the closing price of our common shares on Nasdaq on that day.

Common Share Purchases:

During the three and six months ended June 30, 2024, we purchased an aggregate of 17,511 and 47,687 of our common shares, respectively, valued at a weighted average share price of \$2.38 and \$2.50, respectively, from certain former officers and employees of RMR in satisfaction of tax withholding and payment obligations in connection with the vesting of prior awards of our common shares. We withheld and purchased these common shares at their fair market values based upon the trading prices of our common shares at the close of trading on Nasdaq on the applicable purchase dates.

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Distributions:

During the six months ended June 30, 2024, we declared and paid quarterly distributions to common shareholders as follows:

Declaration Date	Record Date	Payment Date	Distribution Per Share	Total Distributions
January 11, 2024	January 22, 2024	February 15, 2024	\$ 0.01	\$ 2,404
April 11, 2024	April 22, 2024	May 16, 2024	0.01	2,404
			<u>\$ 0.02</u>	<u>\$ 4,808</u>

On July 11, 2024, we declared a quarterly distribution to common shareholders of record on July 22, 2024 of \$0.01 per share, or approximately \$2,406. We expect to pay this distribution on or about August 15, 2024 using cash on hand.

Note 8. Segment Reporting

We operate in, and report financial information for, the following two segments: Medical Office and Life Science Portfolio and SHOP. We aggregate the operating results of our properties in these two reporting segments based on their similar operating and economic characteristics. Our Medical Office and Life Science Portfolio segment primarily consists of medical office properties leased to medical providers and other medical related businesses, as well as life science properties primarily 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 living and, in some instances, care and other services for residents where we pay fees to managers to operate the communities on our behalf.

We also report “non-segment” operations, which consists of triple net leased senior living communities and wellness centers that are leased to third party operators from which we receive rents, which we do not consider to be sufficiently material to constitute a separate reporting segment, and any other income or expenses that are not attributable to a specific reporting segment.

	For the Three Months Ended June 30, 2024			
	Medical Office and Life Science Portfolio	SHOP	Non-Segment	Consolidated
Revenues:				
Rental income	\$ 54,555	\$ —	\$ 8,315	\$ 62,870
Residents fees and services	—	308,522	—	308,522
Total revenues	54,555	308,522	8,315	371,392
Expenses:				
Property operating expenses	24,282	279,538	245	304,065
Depreciation and amortization	18,975	46,911	2,471	68,357
General and administrative	—	—	6,262	6,262
Acquisition and certain other transaction related costs	—	—	1,826	1,826
Impairment of assets	6,545	—	—	6,545
Total expenses	49,802	326,449	10,804	387,055
Loss on sale of properties	(13,213)	—	—	(13,213)
Interest and other income	—	—	2,403	2,403
Interest expense	(894)	(61)	(57,747)	(58,702)
Loss on modification or early extinguishment of debt	—	—	(209)	(209)
Loss before income tax expense and equity in net (losses) earnings of investees	(9,354)	(17,988)	(58,042)	(85,384)
Income tax expense	—	—	(170)	(170)
Equity in net (losses) earnings of investees	(21,493)	—	9,186	(12,307)
Net loss	<u>\$ (30,847)</u>	<u>\$ (17,988)</u>	<u>\$ (49,026)</u>	<u>\$ (97,861)</u>

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For the Six Months Ended June 30, 2024				
	Medical Office and Life Science Portfolio	SHOP	Non-Segment	Consolidated
Revenues:				
Rental income	\$ 108,704	\$ —	\$ 16,816	\$ 125,520
Residents fees and services	—	616,648	—	616,648
Total revenues	108,704	616,648	16,816	742,168
Expenses:				
Property operating expenses	48,179	562,954	536	611,669
Depreciation and amortization	39,715	93,833	4,942	138,490
General and administrative	—	—	13,830	13,830
Acquisition and certain other transaction related costs	—	—	1,912	1,912
Impairment of assets	18,687	—	—	18,687
Total expenses	106,581	656,787	21,220	784,588
Loss on sale of properties	(19,087)	—	—	(19,087)
Interest and other income	—	—	4,640	4,640
Interest expense	(1,116)	(129)	(115,033)	(116,278)
Loss on modification or early extinguishment of debt	—	—	(209)	(209)
Loss before income tax expense and equity in net (losses) earnings of investees	(18,080)	(40,268)	(115,006)	(173,354)
Income tax expense	—	—	(357)	(357)
Equity in net (losses) earnings of investees	(19,880)	—	9,471	(10,409)
Net loss	\$ (37,960)	\$ (40,268)	\$ (105,892)	\$ (184,120)

As of June 30, 2024				
	Medical Office and Life Science Portfolio	SHOP	Non-Segment	Consolidated
Total assets	\$ 1,778,781	\$ 3,103,090	\$ 451,576	\$ 5,333,447

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For the Three Months Ended June 30, 2023				
	Medical Office and Life Science Portfolio	SHOP	Non-Segment	Consolidated
Revenues:				
Rental income	\$ 53,368	\$ —	\$ 8,005	\$ 61,373
Residents fees and services	—	284,846	—	284,846
Total revenues	53,368	284,846	8,005	346,219
Expenses:				
Property operating expenses	23,938	261,959	331	286,228
Depreciation and amortization	22,855	43,152	2,387	68,394
General and administrative	—	—	7,284	7,284
Acquisition and certain other transaction related costs	—	—	6,043	6,043
Impairment of assets	11,299	—	—	11,299
Total expenses	58,092	305,111	16,045	379,248
Interest and other income	—	1,466	3,668	5,134
Interest expense	(116)	(152)	(47,116)	(47,384)
Loss before income tax expense and equity in net earnings of investees	(4,840)	(18,951)	(51,488)	(75,279)
Income tax expense	—	—	(221)	(221)
Equity in net earnings of investees	2,929	—	—	2,929
Net loss	\$ (1,911)	\$ (18,951)	\$ (51,709)	\$ (72,571)

For the Six Months Ended June 30, 2023				
	Medical Office and Life Science Portfolio	SHOP	Non-Segment	Consolidated
Revenues:				
Rental income	\$ 110,390	\$ —	\$ 17,421	\$ 127,811
Residents fees and services	—	564,438	—	564,438
Total revenues	110,390	564,438	17,421	692,249
Expenses:				
Property operating expenses	47,453	524,288	567	572,308
Depreciation and amortization	42,890	85,304	5,000	133,194
General and administrative	—	—	13,157	13,157
Acquisition and certain other transaction related costs	—	—	6,136	6,136
Impairment of assets	13,607	3,617	—	17,224
Total expenses	103,950	613,209	24,860	742,019
Gain on sale of properties	—	1,233	—	1,233
Gains on equity securities, net	—	—	8,126	8,126
Interest and other income	—	1,466	7,863	9,329
Interest expense	(225)	(423)	(94,516)	(95,164)
Loss on modification or early extinguishment of debt	—	—	(1,075)	(1,075)
Income (loss) before income tax expense and equity in net earnings of investees	6,215	(46,495)	(87,041)	(127,321)
Income tax expense	—	—	(190)	(190)
Equity in net earnings of investees	2,282	—	—	2,282
Net income (loss)	\$ 8,497	\$ (46,495)	\$ (87,231)	\$ (125,229)

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	As of December 31, 2023			
	Medical Office and Life Science Portfolio	SHOP	Non-Segment	Consolidated
Total assets	\$ 1,866,422	\$ 3,134,978	\$ 444,736	\$ 5,446,136

Note 9. Senior Living Community Management Agreements

Our managed senior living communities are operated by third parties pursuant to management agreements. Five Star Senior Living, or Five Star, which is an operating division of AlerisLife, manages many of our SHOP communities. Five Star manages these communities for us pursuant to a master management agreement. AlerisLife guarantees the payment and performance of each of its applicable subsidiary's obligations under the applicable management agreements.

In connection with ABP Trust's acquisition of AlerisLife on March 20, 2023, we amended the master management agreement with AlerisLife to eliminate any change of control default or event of default provisions. See Note 11 for further information regarding ABP Trust's acquisition of AlerisLife.

Our Senior Living Communities Managed by Five Star: Five Star managed 119 of our senior living communities as of both June 30, 2024 and 2023. We lease our senior living communities that are managed by Five Star to our taxable REIT subsidiaries, or TRSs.

We incurred management fees payable to Five Star of \$10,444 and \$9,890 for the three months ended June 30, 2024 and 2023, respectively, and \$20,851 and \$19,904 for the six months ended June 30, 2024 and 2023, respectively. For the three months ended June 30, 2024 and 2023, \$9,995 and \$9,315, respectively, of the total management fees were expensed to property operating expenses in our condensed consolidated statements of comprehensive income (loss) and \$449 and \$575, respectively, were capitalized in our condensed consolidated balance sheets. For the six months ended June 30, 2024 and 2023, \$19,993 and \$18,452, respectively, of the total management fees were expensed to property operating expenses in our condensed consolidated statements of comprehensive income (loss) and \$858 and \$1,452, respectively, were capitalized in our condensed consolidated balance sheets. The amounts capitalized are being depreciated over the estimated useful lives of the related capital assets.

We incurred fees of \$0 and \$334 for the three months ended June 30, 2024 and 2023, respectively, and \$10 and \$1,213 for the six months ended June 30, 2024 and 2023, respectively, with respect to rehabilitation services Five Star provided at our senior living communities that are payable by us. These amounts are included in property operating expenses in our condensed consolidated statements of comprehensive income (loss).

We lease space to Five Star at certain of our senior living communities, which, prior to June 17, 2024, Five Star used to provide certain outpatient rehabilitation and wellness services through the Ageility branded business. Beginning on June 17, 2024, Five Star subleases this space to a subsidiary of Fox Rehabilitation, which acquired the Ageility branded business from AlerisLife on that date.

Our Senior Living Communities Managed by Other Third Party Managers: Several other third party managers managed 111 of our senior living communities as of both June 30, 2024 and 2023. We lease our senior living communities that are managed by these third party managers to our TRSs.

In March 2024, we terminated our management agreement with one of our third party managers which manages certain of our communities located in Wisconsin and Illinois and transitioned these communities to another third party manager with which we have an existing relationship. The terms of the management agreement for these communities are generally consistent with the terms of the existing management agreements with our other third party managers. We paid transition costs, including termination and other fees, of \$1,826 during the second quarter of 2024, and expect to incur additional costs during 2024, related to the transition of these communities.

We incurred management fees payable to these third party managers of \$5,758 and \$5,357 for the three months ended June 30, 2024 and 2023, respectively, and \$11,483 and \$10,595 for the six months ended June 30, 2024 and 2023, respectively. These amounts are included in property operating expenses in our condensed consolidated statements of comprehensive income (loss).

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The following table presents residents fees and services revenue from all of our managed senior living communities disaggregated by the type of contract and payer:

Revenue from contracts with customers:	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Basic housing and support services	\$ 241,116	\$ 226,606	\$ 484,771	\$ 448,793
Medicare and Medicaid programs	24,483	21,740	48,332	43,397
Private pay and other third party payer SNF services	42,923	36,500	83,545	72,248
Total residents fees and services	<u>\$ 308,522</u>	<u>\$ 284,846</u>	<u>\$ 616,648</u>	<u>\$ 564,438</u>

Note 10. Business and Property Management Agreements with RMR

We have no employees. The personnel and various services we require to operate our business are provided to us by RMR. We have two agreements with RMR 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 many of our properties, including our medical office and life science properties, and major renovation or repositioning activities at our senior living communities that we may request RMR to manage from time to time. See Note 11 for further information regarding our relationship, agreements and transactions with RMR.

We recognized net business management fees of \$3,128 and \$3,321 for the three months ended June 30, 2024 and 2023, respectively, and \$8,006 and \$6,591 for the six months ended June 30, 2024 and 2023, respectively. The net business management fees we recognized for the three months ended June 30, 2024 include an \$849 reversal of estimated incentive fees. For the six months ended June 30, 2024, we did not recognize any estimated incentive fee. The actual amount of annual incentive fees for 2024, if any, will be based on our common share total return as defined in our business management agreement, for the three-year period ending December 31, 2024, and will be payable in January 2025. We did not incur any incentive fee payable for the year ended December 31, 2023. We recognize business management and incentive fees, if any, in general and administrative expenses in our condensed consolidated statements of comprehensive income (loss).

We recognized aggregate net property management and construction supervision fees of \$1,720 and \$2,202 for the three months ended June 30, 2024 and 2023, respectively, and \$3,624 and \$4,194 for the six months ended June 30, 2024 and 2023, respectively. For the three months ended June 30, 2024 and 2023, \$1,446 and \$1,400, respectively, of the total property management fees were expensed to property operating expenses in our condensed consolidated statements of comprehensive income (loss) and \$274 and \$802, respectively, were capitalized as building improvements in our condensed consolidated balance sheets. For the six months ended June 30, 2024 and 2023, \$2,984 and \$2,863, respectively, of the total property management fees were expensed to property operating expenses in our condensed consolidated statements of comprehensive income (loss) and \$640 and \$1,331, respectively, were capitalized as building improvements in our condensed consolidated balance sheets. The amounts capitalized are being depreciated over the estimated useful lives of the related capital assets.

We are generally responsible for all our operating expenses, including certain expenses incurred or arranged by RMR on our behalf. We are generally not responsible for payment of RMR's employment, office or administrative expenses incurred to provide management services to us, except for the employment and related expenses of RMR's employees assigned to work exclusively or partly at our properties, our share of the wages, benefits and other related costs of RMR's centralized accounting personnel, our share of RMR's costs for providing our internal audit function, or as otherwise agreed. Our property level operating expenses are generally incorporated into the rents charged to our tenants, including certain payroll and related costs incurred by RMR. We reimbursed RMR \$3,713 and \$3,561 for these expenses and costs for the three months ended June 30, 2024 and 2023, respectively, and \$7,441 and \$7,094 for the six months ended June 30, 2024 and 2023, respectively. These amounts are included in property operating expenses or general and administrative expenses, as applicable, in our condensed consolidated statements of comprehensive income (loss) for these periods.

Management Agreements between our Joint Ventures and RMR. We have two separate joint venture arrangements with third party institutional investors, the Seaport JV and the LSMD JV. RMR provides management services to both of these joint ventures. Our joint ventures are not our consolidated subsidiaries and, as a result, we are not obligated to pay management fees to RMR under our management agreements with RMR for the services it provides regarding the joint ventures.

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

Note 11. Related Person Transactions

We have relationships and historical and continuing transactions with RMR, RMR Inc., AlerisLife (including Five Star) and others related to them, including other companies to which RMR 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 majority owned subsidiary of RMR. The Chair of our Board of Trustees and one of our Managing Trustees, Adam D. Portnoy, is the sole trustee, an officer and the controlling shareholder of ABP Trust, which is the controlling shareholder of RMR Inc., the chair of the board of directors, a managing director and the president and chief executive officer of RMR Inc., an officer and employee of RMR and, until the acquisition of AlerisLife by ABP Trust on March 20, 2023, the chair of the board of directors and a managing director of AlerisLife, and currently the sole director of AlerisLife. Christopher J. Bilotto, our other Managing Trustee and President and Chief Executive Officer, and Matthew C. Brown, our Chief Financial Officer and Treasurer, are also employees and officers of RMR. Jennifer F. Francis, our former Managing Trustee and former President and Chief Executive Officer, served as an officer of RMR until December 31, 2023 and remained an employee of RMR until her retirement on July 1, 2024. Jennifer B. Clark, our Secretary and former Managing Trustee, also serves as a managing director and the executive vice president, general counsel and secretary of RMR Inc., an officer and employee of RMR, an officer of ABP Trust and secretary of AlerisLife and, until March 20, 2023, a managing director of AlerisLife. Certain of AlerisLife's officers are officers and employees of RMR. Some of our Independent Trustees also serve as independent trustees of other public companies to which RMR or its subsidiaries provide management services. Mr. Portnoy serves as the chair of the board and as a managing trustee of these companies. Other officers of RMR, including Ms. Clark and certain of our officers, serve as managing trustees or officers of certain of these companies. In addition, officers of RMR and RMR Inc. serve as our officers and officers of other companies to which RMR or its subsidiaries provide management services. As of June 30, 2024, ABP Trust and Mr. Portnoy owned 9.8% of our outstanding common shares.

AlerisLife. Until March 20, 2023, we were AlerisLife's largest stockholder, owning approximately 31.9% of AlerisLife's outstanding common shares, and ABP Acquisition LLC, or ABP Acquisition, a subsidiary of ABP Trust, together with ABP Trust, owned approximately 6.1% of AlerisLife's outstanding common shares. Five Star is an operating division of AlerisLife. Five Star manages certain of the senior living communities we own. RMR provides management services to both us and AlerisLife.

On February 2, 2023, AlerisLife entered into an Agreement and Plan of Merger, or the ALR Merger Agreement, with certain subsidiaries of ABP Trust, pursuant to which ABP Trust acquired all of the publicly held outstanding AlerisLife common shares at a price of \$1.31 per share by tender offer.

In connection with the ALR Merger Agreement, on February 2, 2023, we agreed to tender all the AlerisLife common shares that we and our subsidiary then owned, into the tender offer at the tender offer price, subject to the right, but not the obligation, to purchase, on or before December 31, 2023, AlerisLife common shares at the tender offer price, and otherwise pursuant to a stockholders agreement to be entered into at the time of any such purchase. On December 20, 2023, we and ABP Trust extended our right to purchase AlerisLife common shares until March 31, 2024.

On February 16, 2024, we exercised this purchase right and acquired, together with our applicable TRS, approximately 34.0% of the then outstanding AlerisLife common shares from ABP Trust at the tender offer price, for a total purchase price of \$14,890, and we, our applicable TRS, ABP Trust and AlerisLife entered into a stockholders agreement. Following this acquisition, ABP Trust owns the remaining approximately 66.0% of AlerisLife.

In connection with AlerisLife's sale of its Ageility branded business to a subsidiary of Fox Rehabilitation on June 17, 2024, we approved Five Star's sublease to a subsidiary of Fox Rehabilitation of space at certain of our senior living communities, which is used to provide certain outpatient rehabilitation and wellness services.

See Note 9 for further information regarding our relationships, agreements and transactions with AlerisLife (including Five Star).

Our Joint Ventures. In connection with our entering into the LSMD JV in January 2022, we paid mortgage escrow amounts and closing costs that were payable by that joint venture. The remaining costs totaled \$6,080 as of June 30, 2024 and are included in other assets, net, in our condensed consolidated balance sheet. RMR provides management services to each of the Seaport JV and the LSMD JV. See Note 10 for further information regarding those management agreements with RMR.

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

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

Leases with RMR. We lease office space to RMR in certain of our properties for RMR's property management offices. We recognized rental income from RMR for this leased office space of \$148 and \$13 for the three months ended June 30, 2024 and 2023, respectively, and \$257 and \$74 for the six months ended June 30, 2024 and 2023, respectively.

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

Note 12. Income Taxes

We have elected to be taxed as a real estate investment trust, or REIT, under the Internal Revenue Code of 1986, as amended, and, as such, are generally not subject to federal and most state income taxation on our operating income provided we distribute our taxable income to our shareholders and meet certain organization and operating requirements. We do, however, lease our managed senior living communities to our wholly owned TRSs that, unlike most of our subsidiaries, file a separate consolidated federal corporate income tax return and are subject to federal and state income taxes. Our consolidated income tax provision includes the income tax provision related to the operations of our TRSs and certain state income taxes we incur despite our taxation as a REIT. Our current income tax expense (or benefit) fluctuates from period to period based primarily on the timing of our income, including gains on the disposition of properties or losses in a particular quarter. For the three months ended June 30, 2024 and 2023, we recognized income tax expense of \$170 and \$221, respectively, and for the six months ended June 30, 2024 and 2023, we recognized income tax expense of \$357 and \$190, respectively.

Note 13. Weighted Average Common Shares

We calculate basic earnings per common share using the two class method. We calculate diluted earnings per share using the more dilutive of the two class method or the treasury stock method. Unvested share awards and other potentially dilutive common shares, together with the related impact on earnings, are considered when calculating diluted earnings per share.

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

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

OVERVIEW

We are a REIT organized under Maryland law that primarily owns medical office and life science properties, senior living communities and other healthcare related properties throughout the United States. As of June 30, 2024, we owned 370 properties located in 36 states and Washington, D.C., including five properties classified as held for sale and two closed senior living communities. At June 30, 2024, 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 \$7.2 billion.

As of June 30, 2024, we owned an equity interest in each of the Seaport JV and the LSMD JV that own medical office and life science properties located in five states with an aggregate of approximately 2.2 million rentable square feet that were 98% leased with an average (by annualized rental income) remaining lease term of 5.1 years.

We are closely monitoring the impacts of the current economic and market conditions on all aspects of our business, including, but not limited to, high interest rates, prolonged high inflation, labor market challenges, volatility in the public equity and debt markets, geopolitical risks, economic downturns or a possible recession and changes in real estate utilization. We expect to experience continued variability in labor, insurance and food costs in our SHOP segment.

In response to significant and prolonged increases in inflation, the U.S. Federal Reserve has raised interest rates multiple times since the beginning of 2022. Although the U.S. Federal Reserve has indicated that it may lower interest rates in 2024, we cannot be sure that it will do so, and interest rates may remain at the current high levels or continue to increase. These inflationary pressures in the United States, as well as global geopolitical instability and tensions, have given rise to uncertainty regarding economic downturns or a possible recession and potential disruptions in the financial markets. An economic recession, or continued or intensified disruptions in the financial markets, could adversely affect our financial condition and that of our managers, operators and tenants, could adversely impact the ability or willingness of our managers, operators, tenants or residents to pay amounts owed to us, could impair our ability to effectively deploy our capital or realize our target returns on our investments, may restrict our access to, and would likely increase our cost of, capital, and may cause the values of our properties and of our securities to decline.

We are encouraged by positive trends, including increases in rates and occupancy, in our SHOP segment. Additionally, we expect that favorable supply and demand dynamics in the senior living industry will enable our managers to generate better returns at our communities than we experienced in the years following the COVID-19 pandemic. While certain costs, primarily labor, insurance and food costs, have increased, we expect these cost increases to moderate, which will provide our managers the opportunity to increase rates in excess of increases in costs, resulting in improving returns to us.

For further information and risks relating to these economic uncertainties, including changes related to the COVID-19 pandemic, and their impact on our business and financial condition, see Part I, Item 1, "Business" and Part I, Item 1A, "Risk Factors" in our Annual Report.

PORTFOLIO OVERVIEW

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

As of June 30, 2024	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⁾	Q2 2024 Revenues	% of Q2 2024 Revenues	Q2 2024 NOI ⁽³⁾	% of Q2 2024 NOI
Medical Office and Life Science Portfolio ⁽⁴⁾	101	8,396,945 sq. ft.		\$ 2,238,985	31.1 %	\$ 267	\$ 54,555	14.7 %	\$ 30,273	45.0 %
SHOP	232	25,230 units		4,557,303	63.3 %	\$ 180,630	308,522	83.1 %	28,984	43.0 %
Triple net leased senior living communities	27	2,062 units		202,766	2.8 %	\$ 98,335	5,234	1.4 %	5,233	7.8 %
Wellness centers	10	812,000 sq. ft.		199,007	2.8 %	\$ 245	3,081	0.8 %	2,837	4.2 %
Total	370			\$ 7,198,061	100.0 %		\$ 371,392	100.0 %	\$ 67,327	100.0 %

	Occupancy	
	As of and For the Three Months Ended June 30,	
	2024	2023
Medical Office and Life Science Portfolio ⁽⁵⁾	81.5 %	85.8 %
SHOP	79.0 %	77.8 %
Triple net leased senior living communities	100.0 %	100.0 %
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 write downs, if any.
- (2) Represents gross book value of real estate assets divided by number of rentable square feet or living units, as applicable.
- (3) We calculate our NOI on a consolidated basis and by reportable segment. Our definition of NOI and our reconciliation of net income (loss) to NOI are included below under the heading “Non-GAAP Financial Measures”.
- (4) 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 portion 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.
- (5) Medical office and life science property occupancy data 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.

During the three and six months ended June 30, 2024, we entered into new and renewal leases in our Medical Office and Life Science Portfolio segment as summarized in the following table (dollars and square feet in thousands, except per square foot amounts):

	Three Months Ended June 30, 2024		
	New Leases	Renewals	Total
Square feet leased during the quarter	37	64	101
Weighted average rental rate change (by rentable square feet)	17.5 %	9.2 %	12.1 %
Weighted average lease term (years)	7.9	4.2	5.6
Total leasing costs and concession commitments ⁽¹⁾	\$ 3,302	\$ 822	\$ 4,124
Total leasing costs and concession commitments per square foot ⁽¹⁾	\$ 89.48	\$ 12.82	\$ 40.81
Total leasing costs and concession commitments per square foot per year ⁽¹⁾	\$ 11.30	\$ 3.06	\$ 7.32

	Six Months Ended June 30, 2024		
	New Leases	Renewals	Total
Square feet leased during the quarter	62	140	202
Weighted average rental rate change (by rentable square feet)	23.1 %	8.0 %	11.8 %
Weighted average lease term (years)	7.4	3.5	4.6
Total leasing costs and concession commitments ⁽¹⁾	\$ 4,720	\$ 1,518	\$ 6,238
Total leasing costs and concession commitments per square foot ⁽¹⁾	\$ 76.13	\$ 10.85	\$ 30.89
Total leasing costs and concession commitments per square foot per year ⁽¹⁾	\$ 10.34	\$ 3.13	\$ 6.77

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

During the six months ended June 30, 2024, we entered into renewal leases at three of our wellness centers totaling 129,600 square feet at rates that were 7.5% higher than prior rents for the same space at a weighted average lease term of five years. We did not incur any leasing costs or concessions commitments for these renewals.

Lease Expiration Schedules

As of June 30, 2024, lease expirations in our Medical Office and Life Science Portfolio segment were as follows (dollars in thousands):

Year	Number of Tenants	Square Feet Leased	Percent of Total	Cumulative Percent of Total	Annualized Rental Income ⁽¹⁾	Percent of Total	Cumulative Percent of Total
2024	42	222,370	3.2 %	3.2 %	\$ 6,950	3.2 %	3.2 %
2025	79	621,026	9.1 %	12.3 %	17,565	8.1 %	11.3 %
2026	59	743,245	10.9 %	23.2 %	23,507	10.9 %	22.2 %
2027	66	971,503	14.2 %	37.4 %	24,293	11.3 %	33.5 %
2028	55	1,168,501	17.1 %	54.5 %	35,354	16.4 %	49.9 %
2029	61	630,072	9.2 %	63.7 %	18,721	8.7 %	58.6 %
2030	26	318,779	4.7 %	68.4 %	8,435	3.9 %	62.5 %
2031	21	830,835	12.1 %	80.5 %	25,199	11.7 %	74.2 %
2032	17	355,648	5.2 %	85.7 %	13,527	6.3 %	80.5 %
2033 and thereafter	46	984,378	14.3 %	100.0 %	42,077	19.5 %	100.0 %
Total	472	6,846,357	100.0 %		\$ 215,628	100.0 %	
Weighted average remaining lease term (in years)		5.0			5.4		

- (1) Annualized rental income is based on rents pursuant to existing leases as of June 30, 2024, 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.

As of June 30, 2024, lease expirations at our triple net leased senior living communities leased to third party operators and wellness centers were 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
2024	—	—	\$ —	— %	— %
2025	—	—	—	— %	— %
2026	—	—	—	— %	— %
2027	4	533 units	4,628	11.8 %	11.8 %
2028	—	—	—	— %	11.8 %
2029	1	155 units	547	1.4 %	13.2 %
2030	5	283 units and 129,500 sq. ft.	5,046	12.9 %	26.1 %
2031	—	—	—	— %	26.1 %
2032	18	876 units	9,836	25.0 %	51.1 %
2033 and thereafter	9	215 units and 682,500 sq. ft.	19,210	48.9 %	100.0 %
Total	37		\$ 39,267	100.0 %	
			\$ —		
Weighted average remaining lease term (in years) ⁽²⁾		9.7	10.5		

(1) Annualized rental income is based on rents pursuant to existing leases as of June 30, 2024. Annualized rental income includes estimated percentage rents and straight line rent adjustments and excludes lease value amortization.

(2) Weighted average lease term is calculated based on square feet and annualized rental income.

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

We operate in, and report financial information for, the following two segments: Medical Office and Life Science Portfolio and SHOP. We aggregate the operating results of our properties in these two reporting segments based on their similar operating and economic characteristics. Our Medical Office and Life Science Portfolio segment primarily consists of medical office properties leased to medical providers and other medical related businesses, as well as life science properties primarily 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 living and, in some instances, care and other services for residents where we pay fees to managers to operate the communities on our behalf.

We also report “non-segment” operations, which consists of triple net leased senior living communities and wellness centers that are leased to third party operators from which we receive rents, which we do not consider to be sufficiently material to constitute a separate reporting segment, and any other income or expenses that are not attributable to a specific reporting segment.

The following table summarizes the results of operations of each of our segments for the three and six months ended June 30, 2024 and 2023:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Revenues:				
Medical Office and Life Science Portfolio	\$ 54,555	\$ 53,368	\$ 108,704	\$ 110,390
SHOP	308,522	284,846	616,648	564,438
Non-Segment	8,315	8,005	16,816	17,421
Total revenues	<u>\$ 371,392</u>	<u>\$ 346,219</u>	<u>\$ 742,168</u>	<u>\$ 692,249</u>
Net income (loss):				
Medical Office and Life Science Portfolio	\$ (30,847)	\$ (1,911)	\$ (37,960)	\$ 8,497
SHOP	(17,988)	(18,951)	(40,268)	(46,495)
Non-Segment	(49,026)	(51,709)	(105,892)	(87,231)
Net loss	<u>\$ (97,861)</u>	<u>\$ (72,571)</u>	<u>\$ (184,120)</u>	<u>\$ (125,229)</u>

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

Three Months Ended June 30, 2024 Compared to Three Months Ended June 30, 2023 (dollars and square feet in thousands, except average monthly rate):

Unless otherwise indicated, references in this section to changes or comparisons of results, income or expenses refer to comparisons of the results for the three months ended June 30, 2024 to the three months ended June 30, 2023. Our definition of net operating income, or NOI, and our reconciliation of net income (loss) to NOI and a description of why we believe NOI is an appropriate supplemental measure are included below under the heading “Non-GAAP Financial Measures.”

	Three Months Ended June 30,			
	2024	2023	\$ Change	% Change
NOI by segment:				
Medical Office and Life Science Portfolio	\$ 30,273	\$ 29,430	\$ 843	2.9 %
SHOP	28,984	22,887	6,097	26.6 %
Non-Segment	8,070	7,674	396	5.2 %
Total NOI	67,327	59,991	7,336	12.2 %
Depreciation and amortization	68,357	68,394	(37)	(0.1)%
General and administrative	6,262	7,284	(1,022)	(14.0)%
Acquisition and certain other transaction related costs	1,826	6,043	(4,217)	(69.8)%
Impairment of assets	6,545	11,299	(4,754)	(42.1)%
Loss on sale of properties	(13,213)	—	(13,213)	(100.0)%
Gains and losses on equity securities, net	—	—	—	nm
Interest and other income	2,403	5,134	(2,731)	(53.2)%
Interest expense	(58,702)	(47,384)	(11,318)	23.9 %
Loss on modification or early extinguishment of debt	(209)	—	(209)	(100.0)%
Loss before income tax expense and equity in net (losses) earnings of investees	(85,384)	(75,279)	(10,105)	13.4 %
Income tax expense	(170)	(221)	51	(23.1)%
Equity in net (losses) earnings of investees	(12,307)	2,929	(15,236)	nm
Net loss	\$ (97,861)	\$ (72,571)	\$ (25,290)	34.8 %

nm - not meaningful

Medical Office and Life Science Portfolio:

	Comparable Properties ⁽¹⁾		All Properties	
	As of June 30,		As of June 30,	
	2024	2023	2024	2023
Total properties	92	92	101	105
Total square feet	7,590	7,580	8,396	8,797
Occupancy	87.4 %	94.0 %	81.5 %	85.8 %

	Three Months Ended June 30,									
	Comparable ⁽¹⁾				Non-Comparable					
	Properties Results				Properties Results		Consolidated Properties Results			
		\$	%					\$	%	
	2024	2023	Change	Change	2024	2023	2024	2023	Change	Change
Rental income	\$ 52,971	\$ 53,895	\$ (924)	(1.7)%	\$ 1,584	\$ (527)	\$ 54,555	\$ 53,368	\$ 1,187	2.2 %
Property operating expenses	(21,893)	(21,000)	893	4.3 %	(2,389)	(2,938)	(24,282)	(23,938)	344	1.4 %
NOI	\$ 31,078	\$ 32,895	\$ (1,817)	(5.5)%	\$ (805)	\$ (3,465)	\$ 30,273	\$ 29,430	\$ 843	2.9 %

(1) Consists of medical office and life science properties that we have owned and which have been in service continuously since April 1, 2023; excludes properties classified as held for sale or out of service undergoing redevelopment, if any, and properties owned by unconsolidated joint ventures in each of which we own an equity interest.

Rental income. Rental income decreased at our comparable properties primarily due to vacancies at certain of our properties, partially offset by increased parking revenue at one of our properties. Rental income increased at our non-comparable properties

primarily due to a tenant default at one of our properties in the 2023 period and an increase in rental income at one of our recently redeveloped properties, partially offset by dispositions since April 1, 2023.

Property operating expenses. Property operating expenses consist of real estate taxes, utility expenses, insurance, management fees, salaries and benefit costs of property level personnel, repairs and maintenance expense, cleaning expense and other direct costs of operating these properties. The increase in property operating expenses at our comparable properties is primarily due to increased insurance costs recorded in the 2024 period, partially offset by a decrease in real estate taxes due to refunds realized and a reduction in assessed values as a result of successful appeals in the 2024 period. Property operating expenses decreased at our non-comparable properties primarily due to dispositions since April 1, 2023.

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 Three Months Ended June 30,		As of and For the Three Months Ended June 30,	
	2024	2023	2024	2023
Total properties	217	217	232	234
Number of units	24,446	24,446	25,230	25,322
Occupancy	79.6 %	78.0 %	79.0 %	77.8 %
Average monthly rate ⁽²⁾	\$ 5,171	\$ 4,877	\$ 5,161	\$ 4,862

	Three Months Ended June 30,									
	Comparable ⁽¹⁾ Properties Results				Non-Comparable Properties Results		Consolidated Properties Results			
	2024	2023	\$ Change	% Change	2024	2023	2024	2023	\$ Change	% Change
Residents fees and services	\$ 301,948	\$ 278,290	\$ 23,658	8.5 %	\$ 6,574	\$ 6,556	\$ 308,522	\$ 284,846	\$ 23,676	8.3 %
Property operating expenses	(271,570)	(254,327)	17,243	6.8 %	(7,968)	(7,632)	(279,538)	(261,959)	17,579	6.7 %
NOI	\$ 30,378	\$ 23,963	\$ 6,415	26.8 %	\$ (1,394)	\$ (1,076)	\$ 28,984	\$ 22,887	\$ 6,097	26.6 %

(1) Consists of senior living communities that we have owned and which have been in service, reported in the same segment and operated by the same operator continuously since April 1, 2023; excludes communities classified as held for sale, closed or out of service, if any.

(2) Average monthly rate reflects the average monthly residents fees and services per occupied unit for the period presented. The average monthly rate is calculated based on the actual number of days during the period.

Residents fees and services. Residents fees and services are the revenues earned at our managed senior living communities. We recognize these revenues as services are provided and related fees are accrued. Residents fees and services increased at our comparable properties primarily due to increases in occupancy and average monthly rate at our communities. The activity for our non-comparable properties reflects the 13 communities transitioned to an existing third party manager during the 2024 period.

Property operating expenses. Property operating expenses consist of real estate taxes, utility expenses, insurance, wages and benefit costs of community level personnel, repairs and maintenance expense, management fees, cleaning expense and other direct costs of operating these communities. Property operating expenses increased at our comparable properties primarily due to increases in labor costs, insurance costs, repairs and maintenance, dietary expenses and other direct costs, partially offset by reduced contract labor. The activity for our non-comparable properties reflects the 13 communities transitioned to an existing third party manager during the 2024 period.

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

Non-Segment⁽¹⁾:

	Comparable Properties ⁽²⁾		All Properties	
	As of and For the Three Months Ended June 30,		As of and For the Three Months Ended June 30,	
	2024	2023	2024	2023
Total properties:				
Triple net leased senior living communities	26	26	27	27
Wellness centers	10	10	10	10
Rent coverage:				
Triple net leased senior living communities ⁽³⁾	1.89 x	1.80 x	1.89 x	1.80 x
Wellness centers ⁽³⁾	1.80 x	1.67 x	1.80 x	1.67 x

	Three Months Ended June 30,									
	Comparable ⁽²⁾ Properties Results				Non-Comparable Properties Results		Consolidated Properties Results			
	2024	2023	\$ Change	% Change	2024	2023	2024	2023	\$ Change	% Change
Rental income	\$ 8,315	\$ 8,005	\$ 310	3.9 %	\$ —	\$ —	\$ 8,315	\$ 8,005	\$ 310	3.9 %
Property operating expenses	(245)	(330)	(85)	(25.8)%	—	(1)	(245)	(331)	(86)	(26.0)%
NOI	\$ 8,070	\$ 7,675	\$ 395	5.1 %	\$ —	\$ (1)	\$ 8,070	\$ 7,674	\$ 396	5.2 %

(1) Non-segment operations consists of all of our other operations, including certain senior living communities and wellness centers that are leased to third party operators, which segment we do not consider to be sufficiently material to constitute a separate reporting segment, and any other income or expenses that are not attributable to a specific reporting segment.

(2) Consists of properties that we have owned and which have been reported in the same segment and leased to the same operator continuously since April 1, 2023; excludes properties classified as held for sale, if any.

(3) All tenant operating data presented are based upon the operating results provided by our tenants for the most recent prior period for which tenant operating results are available to us. Rent coverage is calculated using the annualized operating cash flows from our triple net lease tenants' operations of our properties, before subordinated charges, if any, divided by annualized rental income. 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, if any, or for which there was a transfer of operations during the periods presented. Excludes rent coverage for one of our closed senior living communities, the tenant of which was in default under the applicable lease with us as of June 30, 2024.

Rental income. Rental income increased at our comparable properties primarily due to a new lease at one of our wellness centers.

Property operating expenses. Property operating expenses consist of real estate taxes, insurance and other expenses that are not paid directly by our tenants.

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

Consolidated:

General and administrative expense. General and administrative expense consists of fees paid to RMR 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 the reversal of \$849 of estimated business management incentive fees as of June 30, 2024 as a result of our total shareholder return no longer exceeding the returns for the MSCI U.S. REIT/Health Care REIT Index over the applicable measurement period and a decrease in legal and other professional fees, partially offset by an increase in our business management fees of \$656.

Acquisition and certain other transaction related costs. Acquisition and certain other transaction related costs primarily represent costs incurred with acquisitions and non-recurring transactions that we expensed under GAAP. We incurred transition costs, including termination and other fees, during the 2024 period as a result of our transition of 13 communities to an existing third party manager. For more information about such transition of communities, see Note 9 to our condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Impairment of assets. For information about our asset impairment charges, see Note 3 to our condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q and Note 3 to our consolidated financial statements included in Part IV, Item 15 of our Annual Report.

Loss on sale of properties. For information regarding loss on sale of properties, see Note 3 to our condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q and Note 3 to our consolidated financial statements included in Part IV, Item 15 of our Annual Report.

Interest and other income. The decrease in interest and other income is primarily due to \$1,466 of funds we received from certain programs under the Coronavirus Aid, Relief, and Economic Security Act, or the CARES Act, the American Rescue Plan Act, or ARPA, and various state programs in the 2023 period and lower average invested cash balances during the three months ended June 30, 2024 compared to the three months ended June 30, 2023.

Interest expense. Interest expense increased primarily due to the issuance of \$940,534 of our senior secured notes due 2026 in December 2023, resulting in discount accretion of \$21,440 in the 2024 period. Additionally, we executed a \$120,000 mortgage loan in May 2024 at a fixed interest rate of 6.864% per annum. The increase was partially offset by the repayment and termination of our former credit facility and the redemption of \$250,000 of our senior notes that were scheduled to mature in May 2024. The net proceeds from our \$940,534 senior secured notes due 2026 were used to make these repayments aggregating \$700,000 in December 2023.

Loss on modification or early extinguishment of debt. During the three months ended June 30, 2024, we recorded a loss on early extinguishment of debt in connection with the redemption of \$60,000 of our outstanding 9.75% senior unsecured notes due 2025 using proceeds from the \$120,000 mortgage loan executed in May 2024.

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

Equity in net (losses) earnings of investees. Equity in net (losses) earnings of investees is the change in the fair value of our investments in our joint ventures and also represents our proportionate share of the earnings of our equity method investment in AlerisLife. For further information regarding our investment in AlerisLife, see Notes 3 and 11 to our condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Six Months Ended June 30, 2024 Compared to Six Months Ended June 30, 2023 (dollars and square feet in thousands, except average monthly rate):

Unless otherwise indicated, references in this section to changes or comparisons of results, income or expenses refer to comparisons of the results for the six months ended June 30, 2024 to the six months ended June 30, 2023. 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 are included below under the heading “Non-GAAP Financial Measures.”

	Six Months Ended June 30,			
	2024	2023	\$ Change	% Change
NOI by segment:				
Medical Office and Life Science Portfolio	\$ 60,525	\$ 62,937	\$ (2,412)	(3.8)%
SHOP	53,694	40,150	13,544	33.7 %
Non-Segment	16,280	16,854	(574)	(3.4)%
Total NOI	130,499	119,941	10,558	8.8 %
Depreciation and amortization	138,490	133,194	5,296	4.0 %
General and administrative	13,830	13,157	673	5.1 %
Acquisition and certain other transaction related costs	1,912	6,136	(4,224)	(68.8)%
Impairment of assets	18,687	17,224	1,463	8.5 %
Loss (gain) on sale of properties	(19,087)	1,233	(20,320)	nm
Gains and losses on equity securities, net	—	8,126	(8,126)	(100.0)%
Interest and other income	4,640	9,329	(4,689)	(50.3)%
Interest expense	(116,278)	(95,164)	(21,114)	22.2 %
Loss on modification or early extinguishment of debt	(209)	(1,075)	866	(80.6)%
Loss before income tax expense and equity in net (losses) earnings of investees	(173,354)	(127,321)	(46,033)	36.2 %
Income tax expense	(357)	(190)	(167)	87.9 %
Equity in net (losses) earnings of investees	(10,409)	2,282	(12,691)	nm
Net loss	\$ (184,120)	\$ (125,229)	\$ (58,891)	47.0 %

nm - not meaningful

Medical Office and Life Science Portfolio:

	Comparable Properties ⁽¹⁾		All Properties	
	As of June 30,		As of June 30,	
	2024	2023	2024	2023
Total properties	92	92	101	105
Total square feet	7,590	7,580	8,396	8,797
Occupancy	87.4 %	94.0 %	81.5 %	85.8 %

	Six Months Ended June 30,									
	Comparable ⁽¹⁾				Non-Comparable					
	Properties Results				Properties Results		Consolidated Properties Results			
			\$	%					\$	%
	2024	2023	Change	Change	2024	2023	2024	2023	Change	Change
Rental income	\$ 105,047	\$ 107,216	\$ (2,169)	(2.0)%	\$ 3,657	\$ 3,174	\$ 108,704	\$ 110,390	\$ (1,686)	(1.5)%
Property operating expenses	(43,481)	(41,509)	1,972	4.8 %	(4,698)	(5,944)	(48,179)	(47,453)	726	1.5 %
NOI	\$ 61,566	\$ 65,707	\$ (4,141)	(6.3)%	\$ (1,041)	\$ (2,770)	\$ 60,525	\$ 62,937	\$ (2,412)	(3.8)%

(1) Consists primarily of medical office and life science properties that we have owned and which have been in service continuously since January 1, 2023; excludes properties classified as held for sale or out of service undergoing redevelopment, if any, and properties owned by unconsolidated joint ventures in each of which we own an equity interest.

Rental income. Rental income decreased at our comparable properties primarily due to vacancies at certain of our properties, partially offset by increased parking revenue at one of our properties. Rental income increased at our non-comparable properties

primarily due to a tenant default at one of our properties in the 2023 period and an increase in rental income at one of our recently redeveloped properties, partially offset by dispositions since January 1, 2023.

Property operating expenses. The increase in property operating expenses at our comparable properties is primarily due to increased insurance costs recorded in the 2024 period and increases in utility expenses and cleaning costs, partially offset by a decrease in real estate taxes due to refunds realized and a reduction in assessed values as a result of successful appeals in the 2024 period. Property operating expenses decreased at our non-comparable properties primarily due to dispositions since January 1, 2023.

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 Six Months Ended June 30,		As of and For the Six Months Ended June 30,	
	2024	2023	2024	2023
Total properties	217	217	232	234
Number of units	24,446	24,446	25,230	25,322
Occupancy	79.5 %	77.6 %	78.9 %	77.4 %
Average monthly rate ⁽²⁾	\$ 5,173	\$ 4,867	\$ 5,163	\$ 4,850

	Six Months Ended June 30,									
	Comparable ⁽¹⁾ Properties Results				Non-Comparable Properties Results		Consolidated Properties Results			
	2024	2023	\$ Change	% Change	2024	2023	2024	2023	\$ Change	% Change
Residents fees and services	\$ 603,264	\$ 551,281	\$ 51,983	9.4 %	\$ 13,384	\$ 13,157	\$ 616,648	\$ 564,438	\$ 52,210	9.2 %
Property operating expenses	(546,979)	(508,971)	38,008	7.5 %	(15,975)	(15,317)	(562,954)	(524,288)	38,666	7.4 %
NOI	\$ 56,285	\$ 42,310	\$ 13,975	33.0 %	\$ (2,591)	\$ (2,160)	\$ 53,694	\$ 40,150	\$ 13,544	33.7 %

(1) Consists of senior living communities that we have owned and which have been in service, reported in the same segment and operated by the same operator continuously since January 1, 2023; excludes communities classified as held for sale, closed or out of service, if any.

(2) Average monthly rate reflects the average monthly residents fees and services per occupied unit for the period presented. The average monthly rate is calculated based on the actual number of days during the period.

Residents fees and services. Residents fees and services increased at our comparable properties primarily due to increases in occupancy and average monthly rate at our communities. The activity for our non-comparable properties reflects the 13 communities transitioned to an existing third party manager during the 2024 period.

Property operating expenses. Property operating expenses increased at our comparable properties primarily due to increases in labor costs, insurance costs, dietary expenses and other direct costs, partially offset by reduced contract labor. The activity for our non-comparable properties reflects the 13 communities transitioned to an existing third party manager during the 2024 period.

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

Non-Segment⁽¹⁾:

	Comparable Properties ⁽²⁾		All Properties	
	As of and For the Six Months Ended June 30,		As of and For the Six Months Ended June 30,	
	2024	2023	2024	2023
Total properties:				
Triple net leased senior living communities	26	26	27	27
Wellness centers	10	10	10	10
Rent coverage:				
Triple net leased senior living communities ⁽³⁾	1.89 x	1.80 x	1.89 x	1.80 x
Wellness centers ⁽³⁾	1.80 x	1.67 x	1.80 x	1.67 x

	Six Months Ended June 30,									
	Comparable ⁽²⁾ Properties Results				Non-Comparable Properties Results		Consolidated Properties Results			
	2024	2023	\$ Change	% Change	2024	2023	2024	2023	\$ Change	% Change
Rental income	\$ 16,676	\$ 17,421	\$ (745)	(4.3)%	\$ 140	\$ —	\$ 16,816	\$ 17,421	\$ (605)	(3.5)%
Property operating expenses	(493)	(567)	(74)	(13.1)%	(43)	—	(536)	(567)	(31)	(5.5)%
NOI	\$ 16,183	\$ 16,854	\$ (671)	(4.0)%	\$ 97	\$ —	\$ 16,280	\$ 16,854	\$ (574)	(3.4)%

- (1) Non-segment operations consists of all of our other operations, including certain senior living communities and wellness centers that are leased to third party operators, which segment we do not consider to be sufficiently material to constitute a separate reporting segment, and any other income or expenses that are not attributable to a specific reporting segment.
- (2) Consists of properties that we have owned and which have been reported in the same segment and leased to the same operator continuously since January 1, 2023; excludes properties classified as held for sale, if any.
- (3) All tenant operating data presented are based upon the operating results provided by our tenants for the most recent prior period for which tenant operating results are available to us. Rent coverage is calculated using the annualized operating cash flows from our triple net lease tenants' operations of our properties, before subordinated charges, if any, divided by annualized rental income. 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, if any, or for which there was a transfer of operations during the periods presented. Excludes rent coverage for one of our closed senior living communities, the tenant of which was in default under the applicable lease with us as of June 30, 2024.

Rental income. Rental income decreased at our comparable properties primarily due to a cash settlement and higher cash rents received during the 2023 period from a tenant previously in default under leases for six of our wellness centers. In January 2023, we agreed to amend the lease for three of these wellness centers and repossess the remaining three wellness centers. The three wellness centers we repossessed were subsequently re-leased to other tenants.

Property operating expenses. Property operating expenses consist of real estate taxes, insurance and other expenses that are not paid directly by our tenants.

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

Consolidated:

Depreciation and amortization expense. Depreciation and amortization expense increased primarily due to the purchase of capital improvements at certain of our properties, partially offset by certain depreciable assets becoming fully depreciated and dispositions since January 1, 2023.

General and administrative expense. General and administrative expense increased primarily due to an increase in our business management fees of \$1,416, partially offset by a reduction in legal and other professional fees.

Acquisition and certain other transaction related costs. We incurred transition costs, including termination and other fees, during the 2024 period as a result of our transition of 13 communities to an existing third party manager. For more information about such transition of communities, see Note 9 to our condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Impairment of assets. For information about our asset impairment charges, see Note 3 to our condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q and Note 3 to our consolidated financial statements included in Part IV, Item 15 of our Annual Report.

Loss (gain) on sale of properties. For information regarding loss (gain) on sale of properties, see Note 3 to our condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q and Note 3 to our consolidated financial statements included in Part IV, Item 15 of our Annual Report.

Gains and losses on equity securities, net. Gains and losses on equity securities, net, represent the net unrealized losses to adjust our investment in AlerisLife to its fair value. For further information regarding our investment in AlerisLife, see Note 11 to our condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Interest and other income. The decrease in interest and other income is primarily due to lower average invested cash balances during the six months ended June 30, 2024 compared to the six months ended June 30, 2023 and \$1,466 of funds we received from certain programs under the CARES Act, ARPA and various state programs in the 2023 period.

Interest expense. Interest expense increased primarily due to the issuance of \$940,534 of our senior secured notes due 2026 in December 2023, resulting in discount accretion of \$42,099 in the 2024 period. Additionally, we executed a \$120,000 mortgage loan in May 2024 at a fixed interest rate of 6.864% per annum. The increase was partially offset by the repayment and termination of our former credit facility and the redemption of \$250,000 of our senior notes that were scheduled to mature in May 2024. The net proceeds from our \$940,534 senior secured notes due 2026 were used to make these repayments in December 2023 aggregating \$700,000.

Loss on modification or early extinguishment of debt. During the six months ended June 30, 2024, we recorded a loss on early extinguishment of debt in connection with the redemption of \$60,000 of our outstanding 9.75% senior unsecured notes due 2025 using proceeds from the \$120,000 mortgage loan executed in May 2024. During the six months ended June 30, 2023, we recorded a loss on modification or early extinguishment of debt in connection with an amendment to our then credit agreement.

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

Equity in net (losses) earnings of investees. Equity in net (losses) earnings of investees is the change in the fair value of our investments in our joint ventures and also represents our proportionate share of the earnings of our equity method investment in AlerisLife. For further information regarding our investment in AlerisLife, see Notes 3 and 11 to our condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

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

We present certain "non-GAAP financial measures" within the meaning of applicable rules of the Securities and Exchange Commission, or the SEC, including funds from operations, or FFO, normalized funds from operations, or Normalized FFO, and NOI for the three and six months ended June 30, 2024 and 2023. These measures do not represent cash generated by operating activities in accordance with GAAP and should not be considered alternatives to net income (loss) as indicators of our operating performance or as measures of our liquidity. These measures should be considered in conjunction with net income (loss) as presented in our condensed 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). 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 of our properties.

Funds From Operations and Normalized Funds From Operations

We calculate FFO and Normalized FFO as shown below. FFO is calculated on the basis defined by the National Association of Real Estate Investment Trusts, which is net income (loss), calculated in accordance with GAAP, excluding any gain or loss on sale of properties, equity in net earnings or losses of investees, loss on impairment of real estate assets, gains or losses on equity securities, net, if any, and including adjustments to reflect our proportionate share of FFO of our equity method investees, plus real estate depreciation and amortization of consolidated properties, as well as certain other adjustments currently not applicable to us. In calculating Normalized FFO, we adjust for the items shown below, including similar adjustments for our unconsolidated joint ventures, if any, and include business management incentive fees, if any, only in the fourth quarter versus the quarter when they are recognized as an 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 and Normalized FFO are among the factors considered by our Board of Trustees when determining the amount of distributions to our shareholders. Other factors include, but are not limited to, requirements to maintain our qualification for taxation as a REIT, limitations in the agreements governing our debt, 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 and Normalized FFO differently than we do.

Our calculations of FFO and Normalized FFO for the three and six months ended June 30, 2024 and 2023 and reconciliations of net income (loss), the most directly comparable financial measure under GAAP reported in our condensed consolidated financial statements, to FFO and Normalized FFO appear in the following table. This table also provides a comparison of distributions to shareholders, FFO and Normalized FFO and net income (loss) per share for these periods.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net loss	\$ (97,861)	\$ (72,571)	\$ (184,120)	\$ (125,229)
Depreciation and amortization	68,357	68,394	138,490	133,194
Loss (gain) on sale of properties	13,213	—	19,087	(1,233)
Impairment of assets	6,545	11,299	18,687	17,224
Gains on equity securities, net	—	—	—	(8,126)
Equity in net losses (earnings) of investees	12,307	(2,929)	10,409	(2,282)
Share of FFO from unconsolidated joint ventures	2,047	1,897	4,061	3,896
Adjustments to reflect our share of FFO attributable to an equity method investment	9,955	—	10,537	(1,586)
FFO	14,563	6,090	17,151	15,858
Business management incentive fees ⁽¹⁾	(849)	—	—	—
Acquisition and certain other transaction related costs	1,826	6,043	1,912	6,136
Loss on modification or early extinguishment of debt	209	—	209	1,075
Adjustments to reflect our share of Normalized FFO attributable to an equity method investment	(8,919)	—	(8,919)	1,576
Normalized FFO	\$ 6,830	\$ 12,133	\$ 10,353	\$ 24,645
Weighted average common shares outstanding (basic and diluted)	239,326	238,682	239,259	238,636
Per common share data (basic and diluted):				
Net loss	\$ (0.41)	\$ (0.30)	\$ (0.77)	\$ (0.52)
FFO	\$ 0.06	\$ 0.03	\$ 0.07	\$ 0.07
Normalized FFO	\$ 0.03	\$ 0.05	\$ 0.04	\$ 0.10
Distributions declared	\$ 0.01	\$ 0.01	\$ 0.02	\$ 0.02

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

Property Net Operating Income (NOI)

We calculate NOI as shown below. The calculation of NOI excludes certain components of net income (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 2. The following table includes the reconciliation of net loss to NOI for the three and six months ended June 30, 2024 and 2023.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Reconciliation of Net Loss to NOI:				
Net loss	\$ (97,861)	\$ (72,571)	\$ (184,120)	\$ (125,229)
Equity in net losses (earnings) of investees	12,307	(2,929)	10,409	(2,282)
Income tax expense	170	221	357	190
Loss before income tax expense and equity in net losses (earnings) of investees	(85,384)	(75,279)	(173,354)	(127,321)
Loss on modification or early extinguishment of debt	209	—	209	1,075
Interest expense	58,702	47,384	116,278	95,164
Interest and other income	(2,403)	(5,134)	(4,640)	(9,329)
Gains on equity securities, net	—	—	—	(8,126)
Losses (gains) on sale of properties	13,213	—	19,087	(1,233)
Impairment of assets	6,545	11,299	18,687	17,224
Acquisition and certain other transaction related costs	1,826	6,043	1,912	6,136
General and administrative	6,262	7,284	13,830	13,157
Depreciation and amortization	68,357	68,394	138,490	133,194
Total NOI	\$ 67,327	\$ 59,991	\$ 130,499	\$ 119,941
Medical Office and Life Science Portfolio NOI	\$ 30,273	\$ 29,430	\$ 60,525	\$ 62,937
SHOP NOI	28,984	22,887	53,694	40,150
Non-Segment NOI	8,070	7,674	16,280	16,854
Total NOI	\$ 67,327	\$ 59,991	\$ 130,499	\$ 119,941

LIQUIDITY AND CAPITAL RESOURCES

Our principal sources of cash to meet operating and capital expenses, pay our debt service obligations and make distributions to our shareholders are the operating cash flows we generate as rental income from our leased properties, residents fees and services revenues from our managed communities and proceeds from the disposition of certain properties. We believe that these sources of funds will be sufficient to meet our operating and capital expenses, pay our debt service obligations and make distributions to our shareholders for at least the next 12 months. Our future cash flows from operating activities will depend primarily upon:

- our ability to receive rents from our tenants;
- our ability to maintain or increase the occupancy of, and the rates at, our properties;
- our and our managers' abilities to control operating expenses and capital expenses at our properties, including increased operating expenses that we may incur in response to wage and commodity price inflation, limited labor availability and increased insurance costs; and
- our managers' abilities to maintain or increase our returns from our managed senior living communities.

Although the senior living industry has been adversely affected by a slow recovery from the COVID-19 pandemic, as well as economic and market conditions, there have been signs of recovery. While we are encouraged by positive trends, including increases in rates and occupancy in our SHOP segment and favorable supply and demand dynamics in the senior living industry, generally, we cannot be sure that these trends will continue to benefit us and any benefits we do realize may be uneven. While we continue to experience variability in labor, insurance and food costs in our SHOP segment, we expect increases in these costs to moderate and we continue to work with our senior living operators to manage these costs and to increase rates and occupancy at our communities, which we believe will enable our managers to generate better returns to us.

We also continue to invest capital in our SHOP segment in order to capitalize on these positive trends and increase the probability of higher cash flows to us.

On December 21, 2023, we completed a private offering of \$940.5 million in aggregate principal amount at maturity of senior secured notes due January 2026, with a one-year extension option. The net proceeds from the offering were approximately \$730.4 million after deducting initial purchaser discounts and estimated offering costs. We used a portion of the net proceeds to repay in full the \$450.0 million outstanding under our then secured credit facility and to redeem \$250.0 million of our senior notes that were scheduled to mature in May 2024.

Until its repayment in full and termination on December 21, 2023, we had a \$450.0 million credit facility that was fully drawn.

On May 30, 2024, we executed a \$120.0 million fixed rate, interest only mortgage loan secured by eight medical office and life science properties. This mortgage loan matures in June 2034 and requires that interest be paid at an annual rate of 6.864%. The net proceeds from this mortgage loan were approximately \$117.1 million after deducting estimated closing costs, and we used \$60.0 million of the net proceeds to partially redeem our then outstanding \$500.0 million senior notes due 2025. As a result of these transactions, we have no significant debt maturities until June 2025 when \$440.0 million of our senior notes will become due, and as of June 30, 2024, we had \$265.6 million of cash and cash equivalents. Additionally, as of June 30, 2024, our ratio of consolidated income available for debt service to debt service is above the 1.5x incurrence requirement under our senior notes, on a pro forma basis. We are able to refinance existing or maturing debt and issue new debt as long as this ratio is at or above 1.5x on a pro forma basis at the time of such refinancing or issuance.

Based on the significant number of unencumbered properties in our SHOP segment and our demonstrated ability to execute debt financings, we believe we will likely be able to obtain additional debt financing that will allow us to satisfy the \$440.0 million outstanding principal amount of our 9.75% senior unsecured notes due 2025.

During the six months ended June 30, 2024, we sold two properties for an aggregate sales price of \$7.8 million, excluding closing costs. Subsequent to June 30, 2024, we sold two properties for an aggregate sales price of \$21.3 million, excluding closing costs, and as of July 31, 2024, we had an additional property under agreement to sell for a sales price of \$5.5 million, 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. For further information regarding our dispositions, see Note 3 to our condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

The following is a summary of our sources and uses of cash flows for the periods presented, as reflected in our condensed consolidated statements of cash flows (dollars in thousands):

	Six Months Ended June 30,	
	2024	2023
Cash and cash equivalents and restricted cash at beginning of period	\$ 246,961	\$ 688,302
Net cash provided by (used in):		
Operating activities	72,894	31,723
Investing activities	(95,691)	(90,380)
Financing activities	45,921	(272,562)
Cash and cash equivalents and restricted cash at end of period	\$ 270,085	\$ 357,083

Our Operating Liquidity and Resources

We generally receive minimum rents from tenants at our medical office and life science properties, triple net leased senior living communities and wellness centers monthly, we receive residents fees and services revenues, net of expenses, from our managed senior living communities monthly and we receive percentage rents from tenants at certain of our senior living communities monthly, quarterly or annually.

The increase in cash provided by operating activities for the six months ended June 30, 2024 compared to the prior period was primarily due to increased NOI as a result of increased rates and occupancy at the senior living communities in our SHOP segment. Additionally, cash interest payments decreased in the 2024 period compared to the 2023 period primarily due to the repayment and termination of our former credit facility and the redemption of \$250.0 million of our senior notes in December 2023.

Our Investing Liquidity and Resources

The increase in cash used in investing activities for the six months ended June 30, 2024 compared to the prior period was primarily due to our purchase on February 16, 2024 of approximately 34.0% of the then outstanding AlerisLife common shares from ABP Trust at the tender offer price of \$1.31 per share for a total purchase price, including transaction related costs, of \$15.5 million. In the 2023 period, we tendered all of our AlerisLife common shares at \$1.31 per share. The increase was partially offset by a decrease in real estate improvements and an increase in proceeds from the sale of properties in the 2024 period compared to the 2023 period.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Medical Office and Life Science Portfolio capital expenditures:				
Lease related costs ⁽¹⁾	\$ 6,409	\$ 9,284	\$ 12,438	\$ 16,032
Building improvements ⁽²⁾	1,852	2,561	2,771	3,417
Recurring capital expenditures - Medical Office and Life Science Portfolio	8,261	11,845	15,209	19,449
Wellness centers lease related costs ⁽¹⁾	4,591	884	11,514	884
SHOP segment fixed assets and capital improvements	21,623	18,407	31,714	42,051
Total recurring capital expenditures	\$ 34,475	\$ 31,136	\$ 58,437	\$ 62,384
Development, redevelopment and other activities - Medical Office and Life Science Portfolio ⁽³⁾	\$ 1,112	\$ 4,792	\$ 1,825	\$ 6,714
Development, redevelopment and other activities - SHOP segment ⁽³⁾	5,705	20,405	6,894	36,628
Total development, redevelopment and other activities	\$ 6,817	\$ 25,197	\$ 8,719	\$ 43,342
Capital expenditures by segment:				
Medical Office and Life Science Portfolio	\$ 9,373	\$ 16,637	\$ 17,034	\$ 26,163
SHOP	27,328	38,812	38,608	78,679
Wellness centers	4,591	884	11,514	884
Total capital expenditures	\$ 41,292	\$ 56,333	\$ 67,156	\$ 105,726

- (1) Lease related costs generally include capital expenditures to improve tenants' space or amounts paid directly to tenants to improve their space and other leasing related costs, such as brokerage commissions and tenant inducements.
- (2) Building improvements generally include capital expenditures to replace obsolete building components that extend the useful life of existing assets or other improvements to increase the marketability of the property.
- (3) Development, redevelopment and other activities generally include capital expenditures that reposition a property or result in new sources of revenue.

We generally plan to continue investing capital in our properties, including redevelopment projects, to better position these properties in their respective markets in order to increase our returns in future years.

As of June 30, 2024, we had estimated unspent leasing related obligations at our triple net leased wellness centers and our medical office and life science properties of approximately \$37.9 million, of which we expect to spend approximately \$26.7 million during the next 12 months. We expect to fund these obligations using operating cash flows we generate as rental income from our leased properties, residents fees and services revenues from our managed communities, cash on hand, proceeds from the disposition of certain properties and future financing activities.

We are currently in the process of redeveloping certain properties, primarily our managed senior living communities, which projects are expected to be completed at various times between 2024 and 2025. We continue to assess opportunities to redevelop other properties in our Medical Office and Life Science Portfolio and SHOP segment. These redevelopment projects may require significant capital expenditures and time to complete, and we may defer certain redevelopment projects to preserve liquidity. Due to labor availability constraints and wage and commodity price inflation, the capital investments we plan to make may be delayed or cost more than we expect.

Our Financing Liquidity and Resources

The change in cash provided by financing activities for the six months ended June 30, 2024 compared to cash used in financing activities for the prior period was primarily due to our execution of a \$120.0 million mortgage loan in the 2024 period and our redemption of \$250.0 million of our senior notes in the 2023 period, partially offset by the redemption of \$60.0 million of our senior notes in the 2024 period.

As of June 30, 2024, we had \$265.6 million of cash and cash equivalents. We typically use cash balances, net proceeds from offerings of securities, debt issuances or dispositions of assets and cash flows from our operations to fund our operations, debt repayments, distributions, acquisitions, investments, capital expenditures and other general business purposes.

During the six months ended June 30, 2024, we paid quarterly cash distributions to our shareholders totaling approximately \$4.8 million using existing cash balances. On July 11, 2024, we declared a quarterly distribution payable to common shareholders of record on July 22, 2024 in the amount of \$0.01 per share, or approximately \$2.4 million. We expect to pay this distribution on or about August 15, 2024 using cash on hand. For further information regarding the distribution we paid during 2023, see Note 7 to our condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

We believe we may have access to certain types of financings, including debt or equity offerings, to fund our operations and repay our debts and other obligations as they become due. Our ability to complete, and the costs associated with, future debt or equity transactions depends primarily upon credit market conditions and our then creditworthiness and our ability to be in compliance with our debt covenants as discussed below. We have no control over market conditions. Our credit and debt 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. A protracted negative impact on the economy or the industries in which our properties and businesses operate resulting from wage and commodity price inflation, high interest rates, geopolitical risks or other economic, market or industry conditions, including the delayed recovery of the senior housing industry, economic downturns and a possible recession, may have various negative consequences including a decline in financing availability and increased costs for financing. Further, those conditions could also disrupt capital markets and limit our access to financing from public sources, particularly if the global financial markets experience significant disruptions.

In January 2023, we repaid \$113.6 million in outstanding borrowings under our former credit facility and the commitments were reduced to \$586.4 million. In February 2023, we reduced the commitments from \$586.4 million to \$450.0 million following our repayment of \$136.4 million in outstanding borrowings under our former credit facility. Until its repayment in full and termination on December 21, 2023, we had a \$450.0 million credit facility that was fully drawn. At December 21, 2023, our former credit facility required interest to be paid on borrowings at an annual rate of 8.4%, plus a facility fee of \$0.3 million per quarter.

Our \$940.5 million in outstanding senior secured notes due 2026 are fully and unconditionally guaranteed, on a joint, several and senior secured basis, by the Collateral Guarantors, and on a joint, several and unsecured basis, by all our subsidiaries other than the Collateral Guarantors and certain excluded subsidiaries. These notes and the guarantees provided by the Collateral Guarantors are secured by a first priority lien and security interest in each of the collateral properties and 100% of the equity interests in each of the Collateral Guarantors. No cash interest will accrue on these notes prior to maturity. The accreted value of these notes will increase at a rate of 11.25% per annum compounded semiannually on January 15 and July 15 of each year.

In January 2024, Moody's Investors Service, or Moody's, upgraded our 9.75% senior notes due 2025 and our 4.375% senior notes due 2031 ratings from Ca to Caa3 and our senior unsecured debt rating from C to Ca, and Moody's also assigned a Caa2 rating to our senior secured notes due 2026.

In January 2024, Standard & Poor's Rating Services, or Standard & Poor's, upgraded our 9.75% senior notes due 2025 rating from CCC+ to B, our 4.375% senior notes due 2031 rating from CCC+ to B and our senior unsecured debt rating from CCC- to CCC, and Standard & Poor's also assigned a B rating to our senior secured notes due 2026.

For further information regarding our outstanding debt, see Note 5 to our condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Debt Covenants

Our principal debt obligations at June 30, 2024 were: (1) \$2.0 billion outstanding principal amount of senior unsecured notes; (2) \$940.5 million outstanding principal amount of senior secured notes; and (3) \$128.3 million aggregate principal amount of mortgage notes (excluding discounts, premiums and net debt issuance costs) secured by nine properties. For further information regarding our indebtedness, see Note 5 to our condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Our senior notes are governed by our senior notes indentures and their supplements. Our senior notes indentures and their supplements provide for acceleration of payment of all amounts outstanding upon the occurrence and continuation of certain events of default. Our senior notes indentures and their supplements 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. As of June 30, 2024, we believe we were in compliance with all of the covenants under our senior notes indentures and their supplements and our other debt obligations. Although we continue to take steps to enhance our ability to maintain sufficient liquidity, as noted elsewhere in this Quarterly Report on Form 10-Q, a protracted negative impact on the economy or the industries in which our properties and businesses operate resulting from wage or commodity price inflation, high interest rates, geopolitical risks or other economic, market or industry conditions, including the delayed recovery of the senior housing industry, economic downturns or a possible recession, may cause increased pressure on our ability to satisfy financial and other covenants. If our operating results and financial condition are significantly negatively impacted by economic conditions or otherwise, we may fail to satisfy our debt covenants and conditions.

Our senior notes indentures and their supplements do not contain provisions for acceleration which could be triggered by our debt ratings. See "—Our Financing Liquidity and Resources" above for information regarding recent changes to our issuer credit rating and senior debt ratings.

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 notes indentures and supplements entered in February 2016, February 2018, June 2020, February 2021 and December 2023).

The loan agreements governing the aggregate \$620.0 million secured debt financing related to the Seaport JV contain customary covenants and provide for acceleration of payment of all amounts due thereunder upon the occurrence and continuation of certain events of default. We no longer include this \$620.0 million of secured debt financing in our condensed consolidated balance sheet following the deconsolidation of the net assets of this joint venture; however, we continue to provide certain guaranties on this debt. The debt secured by the properties included in the LSMD JV in which we own a 20% equity interest is guaranteed by this joint venture and is non-recourse to us.

Supplemental Guarantor Information

On May 28, 2020, we issued \$1.0 billion of our 9.75% senior notes due 2025. We subsequently redeemed \$500.0 million and \$60.0 million of this debt in June 2022 and June 2024, respectively, with \$440.0 million remaining outstanding. On February 3, 2021, we issued \$500.0 million of our 4.375% senior notes due 2031. As of June 30, 2024, all \$440.0 million of our 9.75% senior notes due 2025 and all \$500.0 million of our 4.375% senior notes due 2031 were fully and unconditionally guaranteed, on a joint, several and unsecured basis, by all of our subsidiaries except certain excluded subsidiaries. The notes and related guarantees are effectively subordinated to all of our and the subsidiary guarantors' secured indebtedness, respectively, to the extent of the value of the applicable collateral, and are structurally subordinated to all indebtedness and other liabilities and any preferred equity of any of our subsidiaries that do not guarantee the notes. Our remaining \$1.1 billion of senior unsecured notes do not have the benefit of any guarantees.

A subsidiary guarantor's guarantee of our 9.75% senior notes due 2025 and our 4.375% senior notes due 2031, as applicable, and all other obligations of such subsidiary guarantor under the indenture governing the notes will automatically terminate and such subsidiary guarantor will automatically be released from all of its obligations under such subsidiary guarantee and the indenture under certain circumstances, including on or after the date (a) the notes have an investment grade rating from two rating agencies and one of such investment grade ratings is a mid-BBB investment grade rating and (b) no default or event of default has occurred and is continuing under the indenture. Our non-guarantor subsidiaries are separate and distinct legal entities and have no obligation, contingent or otherwise, to pay any amounts due on our 9.75% senior notes due 2025 or our 4.375% senior notes due 2031 or the respective guarantees, or to make any funds available therefor, whether by

dividend, distribution, loan or other payments. The rights of holders of our 9.75% senior notes due 2025 and our 4.375% senior notes due 2031, as applicable, to benefit from any of the assets of our non-guarantor subsidiaries are subject to the prior satisfaction of claims of those subsidiaries' creditors and any preferred equity holders. As a result, our 9.75% senior notes due 2025 and our 4.375% senior notes due 2031 and the respective guarantees are structurally subordinated to all indebtedness, guarantees and other liabilities of our subsidiaries that do not guarantee our 9.75% senior notes due 2025 and our 4.375% senior notes due 2031, including guarantees of other indebtedness of ours, payment obligations under lease agreements, trade payables and preferred equity.

The following tables present summarized financial information for guarantor entities and issuer, on a combined basis after eliminating (i) intercompany transactions and balances among the guarantor entities and (ii) equity in earnings from, and any investments in, any subsidiary that is a non-guarantor (dollars in thousands):

	June 30, 2024	December 31, 2023
Real estate properties, net	\$ 3,391,406	\$ 3,667,818
Other assets, net	473,059	502,532
Total assets	\$ 3,864,465	\$ 4,170,350
Indebtedness, net	\$ 2,791,355	\$ 2,803,829
Other liabilities	213,770	241,517
Total liabilities	\$ 3,005,125	\$ 3,045,346

	Six Months Ended June 30, 2024
Revenues	\$ 635,495
Expenses	708,689
Loss from continuing operations	(183,801)
Net loss	(194,567)

Related Person Transactions

We have relationships and historical and continuing transactions with RMR, RMR Inc., AlerisLife (including Five Star) and others related to them. For further information about these and other such relationships and related person transactions, see Notes 9, 10 and 11 to our condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q, our Annual Report, our definitive Proxy Statement for our 2024 Annual Meeting of Shareholders and our other filings with the SEC. In addition, see the section captioned "Risk Factors" of our Annual Report for a description of risks that may arise as a result of these and other related person transactions and relationships. We may engage in additional transactions with related persons, including businesses to which RMR or its subsidiaries provide management services.

Critical Accounting Estimates

The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect reported amounts. Actual results could differ from those estimates. Significant estimates in our condensed consolidated financial statements include purchase price allocations, useful lives of fixed assets and impairments of real estate and intangible assets.

A discussion of our critical accounting estimates is included in our Annual Report. There have been no significant changes in our critical accounting estimates since the year ended December 31, 2023.

Impact of Government Reimbursement

For the six months ended June 30, 2024, substantially all of our NOI was generated from properties where a majority of the revenues are derived from our tenants' and residents' private resources, and a small amount 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, managers and operators 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.

For more information regarding the government healthcare funding and regulation of our business, please see the section captioned “Business—Government Regulation and Reimbursement” in our Annual Report and the section captioned “Management's Discussion and Analysis of Financial Condition and Results of Operations—Impact of Government Reimbursement” in our Annual Report.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are exposed to risks associated with market changes in interest rates. We manage our exposure to this market risk by monitoring available financing alternatives. 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.

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

In May 2024, we executed a \$120.0 million fixed rate, interest only mortgage loan secured by eight medical office and life science properties. This mortgage loan matures in June 2034 and requires that interest be paid at an annual rate of 6.864%. Interest payments are due monthly and no principal payment is due until maturity. We used \$60.0 million of the net proceeds to partially redeem our then outstanding \$500.0 million senior notes due 2025.

Other than the transaction described above, there have been no material changes to market interest rate risks associated with our fixed rate debt during the three and six months ended June 30, 2024. For a discussion of market interest rate risks associated with our fixed rate debt, see "Quantitative and Qualitative Disclosures About Market Risk" included in Part II, Item 7A of our 2023 Annual Report.

Floating Rate Debt

At June 30, 2024, we did not have any floating rate debt obligations.

Item 4. Controls and Procedures.

As of the end of the period covered by this Quarterly Report on Form 10-Q, our management carried out an evaluation, under the supervision and with the participation of our President and Chief Executive Officer and our Chief Financial Officer and Treasurer, of the effectiveness of our disclosure controls and procedures pursuant to Rules 13a-15 and 15d-15 under the Securities Exchange Act of 1934, as amended. Based upon that evaluation, our President and Chief Executive Officer and our Chief Financial Officer and Treasurer concluded that our disclosure controls and procedures are effective.

There have been no changes in our internal control over financial reporting during the quarter ended June 30, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Warning Concerning Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and other securities laws that are subject to risks and uncertainties. These statements may include words such as “believe”, “expect”, “anticipate”, “intend”, “plan”, “estimate”, “will”, “may” and negatives or derivatives of these or similar expressions. These forward-looking statements include, among others, statements about: our efforts to manage costs and increase occupancy at our SHOP communities; demand for medical office and life science leased space; our future leasing activity; market demand and supply for healthcare services for older adults and senior living communities; expected costs related to the transition of certain senior living communities; our leverage; the sufficiency of our liquidity; our liquidity needs and sources; our ability to obtain additional debt financing; our capital expenditure plans and commitments; the transition of operations at certain of our senior living communities to new managers; our acquisitions and our pending or potential property dispositions; our redevelopment, repositioning and construction activities and plans; and the amount and timing of future distributions.

Forward-looking statements reflect our current expectations, are based on judgments and assumptions, are inherently uncertain and are subject to risks, uncertainties and other factors, which could cause our actual results, performance or achievements to differ materially from expected future results, performance or achievements expressed or implied in those forward-looking statements. Some of the risks, uncertainties and other factors that may cause our actual results, performance or achievements to differ materially from those expressed or implied by forward-looking statements include, but are not limited to, the following:

- The impact of unfavorable market and commercial real estate industry conditions due to possible reduced demand for healthcare related space and senior living communities, high interest rates, wage and commodity price inflation, limited labor availability, increased insurance costs, supply chain disruptions, volatility in the public equity and debt markets, pandemics, geopolitical instability and tensions, economic downturns or a possible recession or changes in real estate utilization, among other things, on us and our managers and other operators and tenants,
- Our senior living operators' abilities to successfully and profitably operate the communities they manage for us,
- The continuing impact of changing market practices, including those that arose or intensified during the COVID-19 pandemic, or delayed returns to prior market practices on us and our managers and other operators and tenants, such as reduced demand for leased medical office, life science and other space of ours and residencies at senior living communities, increased operating costs and labor availability constraints,
- The financial strength of our managers and other operators and tenants,
- Whether the aging U.S. population and increasing life spans of seniors will increase the demand for senior living communities and other medical and healthcare related properties and healthcare services,
- Whether our tenants will renew or extend their leases or whether we will obtain replacement tenants on terms as favorable to us as our prior leases,
- The likelihood that our tenants and residents will pay rent or be negatively impacted by continuing unfavorable market and commercial real estate industry conditions,
- Our managers' abilities to increase or maintain rates charged to residents of our senior living communities and manage operating costs for those communities,
- Our ability to increase or maintain occupancy at our properties on terms desirable to us,
- Our ability to increase rents when our leases expire or renew,
- Costs we incur and concessions we grant to lease our properties,
- Risk and uncertainties regarding the costs and timing of development, redevelopment and repositioning activities, including as a result of prolonged high inflation, cost overruns, supply chain challenges, labor shortages, construction delays or inability to obtain necessary permits or volatility in the commercial real estate markets,

- Our ability to manage our capital expenditures and other operating costs effectively and to maintain and enhance our properties and their appeal to tenants and residents,
- Our ability to effectively raise and balance our use of debt and equity capital,
- Our ability to comply with the financial covenants under our debt agreements,
- Our ability to make required payments on our debt,
- Our ability to maintain sufficient liquidity and otherwise manage leverage,
- Our credit ratings,
- Our ability to sell properties at prices or returns we target,
- Our ability to sell additional equity interests in, or contribute additional properties to, our existing joint ventures, or enter into additional, real estate joint ventures or to attract co-venturers and benefit from our existing joint ventures or any real estate joint ventures we may enter into,
- Our ability to acquire, develop, redevelop or reposition properties that realize our targeted returns,
- Our ability to pay distributions to our shareholders and to maintain or increase the amount of such distributions,
- The ability of RMR to successfully manage us,
- Competition in the real estate industry, particularly in those markets in which our properties are located,
- Government regulations affecting Medicare and Medicaid reimbursement rates and operational requirements,
- Compliance with, and changes to, federal, state and local laws and regulations, accounting rules, tax laws and similar matters,
- Exposure to litigation and regulatory and government proceedings due to the nature of the senior living and other health and wellness related service businesses,
- Actual and potential conflicts of interest with our related parties, including our Managing Trustees, RMR, ABP Trust, AlerisLife and others affiliated with them,
- Limitations imposed by and our ability to satisfy complex rules to maintain our qualification for taxation as a REIT for U.S. federal income tax purposes,
- Acts of terrorism, outbreaks of pandemics or other public health safety events or conditions, war or other hostilities, global climate change or other manmade or natural disasters beyond our control, and
- Other matters.

These risks, uncertainties and other factors are not exhaustive and should be read in conjunction with other cautionary statements that are included in our periodic filings. The information contained elsewhere in this Quarterly Report on Form 10-Q or in our other filings with the SEC, including under the caption “Risk Factors”, or incorporated herein or therein, identifies other important factors that could cause differences from our forward-looking statements. Our other filings with the SEC are available on the SEC's website at www.sec.gov.

You should not place undue reliance upon our forward-looking statements.

Except as required by law, we do not intend to update or change any forward-looking statements as a result of new information, future events or otherwise.

Statement Concerning Limited Liability.

The Amended and Restated Declaration of Trust establishing Diversified Healthcare 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.

PART II. Other Information

Item 1A. Risk Factors.

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

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

Issuer purchases of equity securities. The following table provides information about our purchases of our equity securities during the three months ended June 30, 2024:

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
May 1 - May 31, 2024	17,511	\$ 2.38	—	\$ —
Total	17,511	\$ 2.38	—	\$ —

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

Item 6. Exhibits.

Exhibit Number	Description
3.1	Composite Copy of Articles of Amendment and Restatement, dated September 20, 1999, as amended to date. (Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 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 filed on June 30, 2017.)
3.4	Articles Supplementary, dated May 19, 2020. (Incorporated by reference to the Company's Current Report on Form 8-K filed on May 20, 2020.)
3.5	Fourth Amended and Restated Bylaws of the Company, adopted May 31, 2024. (Incorporated by reference to the Company's Current Report on Form 8-K filed on June 4, 2024.)
4.1	Form of Common Share Certificate. (Incorporated by reference to the Company's Current Report on Form 8-K filed on January 2, 2020.)
4.2	Indenture, dated as of December 20, 2001, between the Company and U.S. Bank Trust Company, National Association (as successor in interest to U.S. Bank National Association, as successor trustee to 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. 7, dated as of July 20, 2012, between the Company and U.S. Bank Trust Company, National Association (as successor in interest to 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 filed on July 20, 2012.)
4.4	Indenture, dated as of February 18, 2016, between the Company and U.S. Bank Trust Company, National Association (as successor in interest to U.S. Bank National Association). (Incorporated by reference to the Company's Current Report on Form 8-K filed on February 18, 2016.)
4.5	First Supplemental Indenture, dated as of February 18, 2016, between the Company and U.S. Bank Trust Company, National Association (as successor in interest to 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 filed on February 18, 2016.)

4.6	Second Supplemental Indenture, dated as of February 12, 2018, between the Company and U.S. Bank Trust Company, National Association (as successor in interest to 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.)
4.7	Third Supplemental Indenture, dated as of June 2, 2020, among the Company, certain subsidiaries of the Company named therein as guarantors and U.S. Bank Trust Company, National Association (as successor in interest to U.S. Bank National Association), related to 9.750% Senior Notes due 2025, including form thereof. (Incorporated by reference to the Company's Current Report on Form 8-K filed on June 5, 2020.)
4.8	Supplemental Indenture, dated as of March 5, 2021, among the Company, certain subsidiaries of the Company named therein as guarantors and U.S. Bank Trust Company, National Association (as successor in interest to U.S. Bank National Association), related to 9.750% Senior Notes due 2025. (Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2021.)
4.9	Supplemental Indenture, dated as of September 9, 2022, among the Company, certain subsidiaries of the Company named therein as guarantors and U.S. Bank Trust Company, National Association (as successor in interest to U.S. Bank National Association), related to 9.750% Senior Notes due 2025. (Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2022.)
4.10	Supplemental Indenture, dated as of November 22, 2022, among the Company, certain subsidiaries of the Company named therein as guarantors and U.S. Bank Trust Company, National Association (as successor in interest to U.S. Bank National Association), related to 9.750% Senior Notes due 2025. (Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 2022.)
4.11	Supplemental Indenture, dated as of March 1, 2024, among the Company, certain subsidiaries of the Company named therein as guarantors and U.S. Bank Trust Company, National Association (as successor in interest to U.S. Bank National Association), related to 9.750% Senior Notes due 2025. (Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2024.)
4.12	Fourth Supplemental Indenture, dated as of February 8, 2021, among the Company, certain subsidiaries of the Company named therein as guarantors and U.S. Bank Trust Company, National Association (as successor in interest to U.S. Bank National Association), related to 4.375% Senior Notes due 2031, including form thereof. (Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 2020.)
4.13	Supplemental Indenture, dated as of March 5, 2021, among the Company, certain subsidiaries of the Company named therein as guarantors and U.S. Bank Trust Company, National Association (as successor in interest to U.S. Bank National Association), related to 4.375% Senior Notes due 2031. (Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2021.)
4.14	Supplemental Indenture, dated as of September 9, 2022, among the Company, certain subsidiaries of the Company named therein as guarantors and U.S. Bank Trust Company, National Association (as successor in interest to U.S. Bank National Association), related to 4.375% Senior Notes due 2031. (Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2022.)
4.15	Supplemental Indenture, dated as of November 22, 2022, among the Company, certain subsidiaries of the Company named therein as guarantors and U.S. Bank Trust Company, National Association (as successor in interest to U.S. Bank National Association), related to 4.375% Senior Notes due 2031. (Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 2022.)
4.16	Supplemental Indenture, dated as of March 1, 2024, among the Company, certain subsidiaries of the Company named therein as guarantors and U.S. Bank Trust Company, National Association (as successor in interest to U.S. Bank National Association), related to 4.375% Senior Notes due 2031. (Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2024.)
4.17	Indenture, dated as of December 21, 2023, among the Company, certain subsidiaries of the Company named therein as guarantors and U.S. Bank Trust Company, National Association. (Incorporated by reference to the Company's Current Report on Form 8-K filed on December 22, 2023.)
4.18	Registration Rights and Lock-Up Agreement, dated as of June 5, 2015, among the Company, ABP Trust (f/k/a Reit Management & Research Trust) and Adam D. Portnoy. (Incorporated by reference to the Company's Current Report on Form 8-K filed on June 8, 2015.)
10.1	Form of Indemnification Agreement. (Filed herewith.)
10.2	Release of Certain Guarantors, dated as of June 5, 2024, related to 9.750% Senior Notes due 2025, among the Company, certain subsidiaries of the Company named therein and U.S. Bank Trust Company, National Association (as successor in interest to U.S. Bank National Association). (Filed herewith.)
10.3	Release of Certain Guarantors, dated as of June 5, 2024, related to 4.375% Senior Notes due 2031, among the Company, certain subsidiaries of the Company named therein and U.S. Bank Trust Company, National Association (as successor in interest to U.S. Bank National Association). (Filed herewith.)
10.4	Release of Certain Guarantors, dated as of June 26, 2024, related to Senior Secured Notes due 2026, among the Company, certain subsidiaries of the Company named therein and U.S. Bank Trust Company, National Association (as successor in interest to U.S. Bank National Association). (Filed herewith.)

22.1	List of Subsidiary Guarantors. (Incorporated by reference to the Company's Registration Statement on Form S-3, File No. 333-280352.)
31.1	Rule 13a-14(a) Certification. (Filed herewith.)
31.2	Rule 13a-14(a) Certification. (Filed herewith.)
32.1	Section 1350 Certification. (Furnished herewith.)
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.)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DIVERSIFIED HEALTHCARE TRUST

By: /s/ Christopher J. Bilotto
Christopher J. Bilotto
President and Chief Executive Officer

Dated: August 1, 2024

By: /s/ Matthew C. Brown
Matthew C. Brown
Chief Financial Officer and Treasurer
(principal financial and accounting officer)

Dated: August 1, 2024

**DIVERSIFIED HEALTHCARE TRUST
FORM OF [AMENDED AND RESTATED]¹ INDEMNIFICATION AGREEMENT**

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

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

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

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

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

Section 1. Definitions. For purposes of this Agreement:

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

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

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

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

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

¹ Bracketed text to be included for trustees and officers with existing agreements. Bracketed text would not be included for persons who are first elected as a trustee or appointed as an officer after this form is adopted.

(d) “**Company Status**” means the status of a Person who is or was a trustee, director, manager, officer, partner, employee, agent or fiduciary of the Company or any predecessor of the Company or any of their majority owned subsidiaries and the status of a Person who, while a trustee, director, manager, officer, partner, employee, agent or fiduciary of the Company or any predecessor of the Company or any of their majority owned subsidiaries, is or was serving at the request of the Company or any predecessor of the Company or any of their majority owned subsidiaries as a trustee, director, manager, officer, partner, employee, agent or fiduciary of another real estate investment trust, corporation, partnership, limited liability company, joint venture, trust, employee benefit plan or any other Enterprise.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Section 7. Procedure for Determination of Entitlement to Indemnification.

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

(b) Upon written request by Indemnitee for indemnification pursuant to the first sentence of Section 7(a), a determination, if required by applicable law, with respect to Indemnitee's entitlement thereto shall promptly be made in the specific case: (i) if a Change in Control shall have occurred, by Independent Counsel in a written opinion to the Board, a copy of which shall be delivered to Indemnitee; or (ii) if a Change in Control shall not have occurred or if, after a Change in Control, Indemnitee shall so request, (A) by the Board (or a duly authorized committee thereof) by a majority vote of a quorum consisting of Disinterested Trustees, or (B) if a quorum of the Board consisting of Disinterested Trustees is not obtainable or, even if obtainable, such quorum of Disinterested Trustees so directs, by Independent Counsel in a written opinion to the Board, a copy of which shall be delivered to Indemnitee, or (C) if so directed by a majority of the members of the Board, by the shareholders of the Company; and, if it is so determined that Indemnitee is entitled to indemnification, payment to Indemnitee shall be made within ten (10) days after such determination. Any Independent Counsel, member of the Board or shareholder of the Company shall act reasonably and in good faith in making a determination regarding Indemnitee's entitlement to indemnification under this Agreement.

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

Section 8. Presumptions and Effect of Certain Proceedings.

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

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

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

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

Section 9. Remedies of Indemnitee.

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

(b) In any judicial proceeding or arbitration commenced pursuant to this Section 9, the Company shall have the burden of proving that Indemnitee is not entitled to indemnification or advance of Expenses, as the case may be. In the event that a determination shall have been made pursuant to Section 7(b) that Indemnitee is not entitled to indemnification, any judicial proceeding or arbitration commenced pursuant to this Section 9 shall be conducted in all respects as a de novo trial on the merits, and Indemnitee shall not be prejudiced by reason of the adverse determination under Section 7(b).

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

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

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

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

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

Section 10. Defense of the Underlying Proceeding.

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

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

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

Section 11. Liability Insurance.

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

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

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

Section 12. Non-Exclusivity; Survival of Rights.

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

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

Section 13. Binding Effect.

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

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

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

Section 15. Limitation and Exception to Right of Indemnification or Advance of Expenses. Notwithstanding any other provision of this Agreement, (a) any indemnification or advance of Expenses to which Indemnitee is otherwise entitled under the terms of this Agreement shall be made only to the extent such indemnification or advance of Expenses does not conflict with applicable Maryland law and (b) Indemnitee shall not be entitled to indemnification or advance of Expenses under this Agreement with respect to any Proceeding brought by Indemnitee, unless (i) the Proceeding is brought to enforce rights under this Agreement, the Declaration of Trust, the Bylaws, liability insurance policy or policies, if any, or otherwise or (ii) the Declaration of Trust, the Bylaws, a resolution of the shareholders entitled to vote generally in the election of trustees or of the Board or an agreement approved by the Board to which the Company is a party expressly provides otherwise. Notwithstanding any other provision of this Agreement, a court of appropriate jurisdiction, upon application of Indemnitee and such notice as the court shall require, may order indemnification of Indemnitee by the Company in the following circumstances: (a) if such court determines that Indemnitee is entitled to reimbursement under Section 2-418(d)(1) of the MGCL, the court shall order indemnification, in which case Indemnitee shall be entitled to recover the Expenses of securing such reimbursement; or (b) if such court determines that Indemnitee is fairly and reasonably entitled to indemnification in view of all the relevant circumstances, whether or not Indemnitee (i) has met the standard of conduct set forth in Section 2-418(b) of the MGCL or (ii) has been adjudged liable for receipt of an improper personal benefit under Section

2-418(c) of the MGCL, the court may order such indemnification as the court shall deem proper without regard to any limitation on such court-ordered indemnification contemplated by Section 2-418(d)(2)(ii) of the MGCL.

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

Section 17. Arbitration.

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

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

(c) The place of arbitration shall be Boston, Massachusetts unless otherwise agreed by the parties.

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

(e) In rendering an award or decision (an “**Award**”), the arbitrators shall be required to follow the laws of the State of Maryland without regard to principles of conflicts of law. Any arbitration proceedings or award rendered hereunder and the validity, effect and interpretation of this arbitration agreement shall be governed by the Federal Arbitration Act, 9 U.S.C. §1 et seq. An Award shall be in writing and shall state the findings of fact and conclusions of law on which it is based. Any monetary Award shall be made and payable in U.S. dollars free of any tax, deduction or offset. Subject to Section 17(g), each party against which an Award assesses a monetary obligation shall pay that obligation on or before the thirtieth (30th) day following the date of such Award or such other date as the Award may provide.

(f) Except to the extent expressly provided by this Agreement or as otherwise agreed by the parties hereto, each party and each Person acting or seeking to act in a representative capacity (such Person, a “**Named Representative**”) involved in a Dispute shall bear its own costs and expenses (including attorneys’ fees), and the arbitrators shall not render an Award that would include shifting of any such costs or expenses (including attorneys’ fees) or, in a derivative case or class action, award any portion of a party’s award to its attorneys, a Named Representative or any attorney of a Named Representative. Each party (or, if there are more than two (2) parties to the Dispute, all claimants, on the one hand, and all respondents, on the other hand, respectively) shall bear the costs and expenses of its (or their) selected arbitrator and the parties (or, if there are more than two (2) parties to the Dispute, all claimants, on the one hand, and all respondents, on the other hand) shall equally bear the costs and expenses of the third (3rd) appointed arbitrator.

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

(h) Following the expiration of the time for filing the notice of appeal, or the conclusion of the appeal process set forth in Section 17(g), an Award shall be final and binding upon the parties thereto and shall be the sole and exclusive remedy between those parties relating to the Dispute, including any claims, counterclaims, issues or accounting presented to the arbitrators. Judgment upon an Award may be entered in any court having jurisdiction. To the fullest extent permitted by law, no application or appeal to any court of competent jurisdiction may be made in connection with any question of law arising in the course of arbitration or with respect to any award made except for actions relating to enforcement of this agreement to arbitrate or any arbitral award issued hereunder and except for actions seeking interim or other provisional relief in aid of arbitration proceedings in any court of competent jurisdiction.

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

Section 18. Venue. Each party hereto agrees that it shall bring any Proceeding in respect of any claim arising out of or related to this Agreement exclusively in the courts of the State of Maryland and the Federal courts of the United States, in each case, located in the City of Baltimore (the “**Chosen Courts**”). Solely in connection with claims arising under this Agreement, each party irrevocably and unconditionally (i) submits to the exclusive jurisdiction of the Chosen Courts, (ii) agrees not to commence any such Proceeding except in such courts, (iii) waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any such Proceeding in the Chosen Courts, (iv) waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such Proceeding, (v) agrees that service of process upon such party in any such Proceeding shall be effective if notice is given in accordance with Section 24 and (vi) agrees to request and/or consent to the assignment of any dispute arising out of this Agreement or the transactions contemplated by this Agreement to the Chosen Courts’ Business and Technology Case Management Program, or similar program. Nothing in this Agreement will affect the right of any party hereto to serve process in any other manner permitted by law. A

final judgment in any such Proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. EACH PARTY HERETO IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS. Notwithstanding anything herein to the contrary, if a demand for arbitration of a Dispute is made pursuant to Section 17, this Section 18 shall not preempt resolution of the Dispute pursuant to Section 17.

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

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

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

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

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

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

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

(b) If to the Company to:

Diversified Healthcare Trust
Two Newton Place
255 Washington Street, Suite 300
Newton, Massachusetts 02458-1634
Attn: Secretary

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

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

Section 26. Interpretation.

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

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

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

[Signature Page Follows]

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

DIVERSIFIED HEALTHCARE TRUST

By: _____
Name: _____
Title: _____

[INDEMNITEE]

Indemnatee's Address:

[]

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

EXHIBIT A

**FORM OF AFFIRMATION AND
UNDERTAKING TO REPAY EXPENSES ADVANCED**

To the Board of Trustees of Diversified Healthcare Trust:

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

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

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

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

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

WITNESS:

Print name of witness

Print name of Indemnatee

Schedule to Exhibit 10.1

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

Name of Signatory	Date
Dawn K. Neher	May 31, 2024
Christopher J. Bilotto	January 1, 2024
Matthew C. Brown	October 1, 2023
Phyllis M. Hollis	September 26, 2023
John L. Harrington	May 22, 2018
Lisa Harris Jones	May 22, 2018
Adam D. Portnoy	May 22, 2018
Jeffrey P. Somers	May 22, 2018

RELEASE OF CERTAIN GUARANTORS

Reference is made to that certain Third Supplemental Indenture, dated as of June 2, 2020, as supplemented by that certain Supplemental Indenture, dated as of March 5, 2021, that certain Supplemental Indenture, dated as of September 9, 2022, that certain Supplemental Indenture, dated as of November 22, 2022, and that certain Supplemental Indenture, dated as of March 1, 2024 (the “Third Supplemental Indenture”), among Diversified Healthcare Trust (formerly known as Senior Housing Properties Trust), a Maryland real estate investment trust, U.S. Bank Trust Company, National Association (as successor in interest to U.S. Bank National Association), as Trustee (the “Trustee”), Bayside Fremont CA LLC, a Delaware limited liability company (formerly known as Bayside Pkwy Fremont LLC, a Delaware limited liability company, formerly known as DHC Fremont LLC, a Maryland limited liability company) (the “Released Guarantor”) and certain other Subsidiaries of the Company, as Guarantors, to the Indenture, dated as of February 18, 2016 (the “Indenture”), between the Company and the Trustee, relating to the Company’s 9.750% Senior Notes due 2025 (the “Notes”). The terms defined in the Third Supplemental Indenture are used herein as therein defined, unless otherwise defined herein.

Pursuant to Section 6 of the Third Supplemental Indenture, the undersigned, as Trustee, hereby confirms the release and discharge of the Released Guarantor from any and all obligations and liabilities under the Subsidiary Guarantee, and further hereby confirms the termination and release of the Released Guarantor of all other obligations under the Third Supplemental Indenture, the Indenture or the Notes, each as of May 30, 2024.

Dated as of June 5, 2024.

U.S. Bank Trust Company, National Association, as Trustee

By: /s/ David W. Doucette

Name: David W. Doucette

Title: Vice President

RELEASE OF CERTAIN GUARANTORS

Reference is made to that certain Fourth Supplemental Indenture, dated as of February 8, 2021, as supplemented by that certain Supplemental Indenture, dated as of March 5, 2021, that certain Supplemental Indenture, dated as of September 9, 2022, that certain Supplemental Indenture, dated as of November 22, 2022, and that certain Supplemental Indenture, dated as of March 1, 2024 (the “Fourth Supplemental Indenture”), among Diversified Healthcare Trust (formerly known as Senior Housing Properties Trust), a Maryland real estate investment trust, U.S. Bank Trust Company, National Association (as successor in interest to U.S. Bank National Association), as Trustee (the “Trustee”), Bayside Fremont CA LLC, a Delaware limited liability company (formerly known as Bayside Pkwy Fremont LLC, a Delaware limited liability company, formerly known as DHC Fremont LLC, a Maryland limited liability company) (the “Released Guarantor”) and certain other Subsidiaries of the Company, as Guarantors, to the Indenture, dated as of February 18, 2016 (the “Indenture”), between the Company and the Trustee, relating to the Company’s 4.375% Senior Notes due 2031 (the “Notes”). The terms defined in the Fourth Supplemental Indenture are used herein as therein defined, unless otherwise defined herein.

Pursuant to Section 6 of the Fourth Supplemental Indenture, the undersigned, as Trustee, hereby confirms the release and discharge of the Released Guarantor from any and all obligations and liabilities under the Subsidiary Guarantee, and further hereby confirms the termination and release of the Released Guarantor of all other obligations under the Fourth Supplemental Indenture, the Indenture or the Notes, each as of May 30, 2024.

Dated as of June 5, 2024.

U.S. Bank Trust Company, National Association, as Trustee

By: /s/ David W. Doucette

Name: David W. Doucette

Title: Vice President

RELEASE OF CERTAIN GUARANTORS

Reference is made to that certain Indenture, dated as of December 21, 2023, among Diversified Healthcare Trust, a Maryland real estate investment trust (the "Company"), U.S. Bank Trust Company, National Association, as Trustee (the "Trustee"), Bayside Fremont CA LLC, a Delaware limited liability company (formerly known as Bayside Pkwy Fremont LLC, a Delaware limited liability company) (the "Released Guarantor") and certain other Subsidiaries of the Company, as Guarantors (the "Indenture"), relating to the Company's Senior Secured Notes due 2026 (the "Notes"). The terms defined in the Indenture are used herein as therein defined, unless otherwise defined herein.

Pursuant to Section 12.04 of the Indenture, the undersigned, as Trustee, hereby confirms the release and discharge of the Released Guarantor from any and all obligations and liabilities under the Subsidiary Guarantee, and further hereby confirms the termination and release of the Released Guarantor of all other obligations under the Indenture or the Notes, each as of May 30, 2024.

Dated as of June 26, 2024.

U.S. Bank Trust Company, National Association, as Trustee

By: /s/ David W. Doucette

Name: David W. Doucette

Title: Vice President

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

I, Christopher J. Bilotto, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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: August 1, 2024

/s/ Christopher J. Bilotto
Christopher J. Bilotto
President and Chief Executive Officer

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

I, Matthew C. Brown, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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: August 1, 2024

/s/ Matthew C. Brown

Matthew C. Brown

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 Quarterly Report on Form 10-Q for the period ended June 30, 2024 (the “Report”), each of the undersigned hereby certifies, to the best of his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Christopher J. Bilotto

Christopher J. Bilotto

President and Chief Executive Officer

/s/ Matthew C. Brown

Matthew C. Brown

Chief Financial Officer and Treasurer

Date: August 1, 2024