



Court Approves Senior Housing Properties Trust's Termination of HealthSouth's Lease

NEWTON, Mass.--Senior Housing Properties Trust (NYSE: SNH) today announced that it has received a favorable decision from the Massachusetts Superior Court that its termination of HealthSouth's lease of two hospitals in October 2004 was proper. The termination of the lease is not expected to have any disruptive impact upon patients or staff at the two hospitals as the contract between SNH and HealthSouth requires HealthSouth to continue operations of the hospitals until a new operator designated by SNH is appropriately licensed by regulatory authorities. Also, SNH stated that when its designated operator is fully licensed SNH expects that the staff at the hospitals may be offered continued employment.

SNH entered an amended lease with HealthSouth effective January 2, 2002. In March 2003, the S.E.C. accused HealthSouth and several of its officers of fraudulent financial reporting; approximately 15 former HealthSouth employees have since pled guilty to participating in that fraud. The court decision announced today is that SNH is permitted to terminate its lease with HealthSouth because HealthSouth failed to provide timely and accurate financial reports as required by the lease. According to affidavits submitted during this litigation by HealthSouth, the leased hospitals produce cash flow of approximately \$14 million/year in excess of amounts paid by HealthSouth to SNH. SNH has asked the court to sequester these amounts until a new duly licensed operator assumes control of the hospitals; HealthSouth has opposed this request and this aspect of this litigation has not yet been decided.

The 2002 amended lease between SNH and HealthSouth requires HealthSouth to pay SNH rent of \$8.7 million/year; HealthSouth has continued to pay SNH at the rate of \$8.7 million/year since January 2002. In a separate lawsuit, SNH has alleged that it was induced to enter this lease at a reduced rent rate because of fraudulent representations by HealthSouth concerning its financial condition. In this separate case, SNH is seeking to have the rent payable by HealthSouth reset to \$10.3 million/year (i.e., an increase of approximately \$1.6 million) from January 2002 until the lease was terminated in October 2004. HealthSouth has disputed SNH's claims in this matter and this second case remains pending at this time.

For more information about the disputes pending between SNH and HealthSouth, please refer to the information about these disputes included in SNH Reports 10Q and 10K previously filed at the S.E.C.

Senior Housing Properties Trust is a real estate investment trust headquartered in Newton, MA. SNH owns independent living apartments, assisted living facilities, nursing homes and rehabilitation hospitals.

WARNING REGARDING FORWARD LOOKING STATEMENTS

THIS PRESS RELEASE CONTAINS FORWARD LOOKING STATEMENTS WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 AND THE FEDERAL SECURITIES LAWS. THESE FORWARD LOOKING STATEMENTS AND THEIR IMPLICATIONS ARE NOT GUARANTEED AND MAY NOT OCCUR. IN PARTICULAR, THIS PRESS RELEASE REFERS TO A RECENT COURT DECISION IN PENDING LITIGATIONS BETWEEN SNH AND HEALTHSOUTH. FUTURE COURT DECISIONS MAY REVERSE OR MODIFY THE RESULTS OF PRIOR DECISIONS. DISCOVERY DURING LITIGATION OR OTHER LITIGATION RELATED ACTIVITIES MAY CAUSE SNH OR HEALTHSOUTH TO CHANGE THEIR POSITIONS OR SETTLE THEIR DISPUTES. FOR EXAMPLE:

-- THIS PRESS RELEASE REPORTS A DECISION BY A MASSACHUSETTS TRIAL COURT THAT SNH'S TERMINATION OF HEALTHSOUTH'S LEASE OF TWO HOSPITALS WAS PROPER. HEALTHSOUTH MAY SEEK TO APPEAL THIS DECISION OR OTHERWISE SEEK TO REVERSE OR CHANGE THIS DECISION AND HEALTHSOUTH'S EFFORTS MAY SUCCEED.

-- THIS PRESS RELEASE STATES THAT THE CONTRACT REQUIRES HEALTHSOUTH TO CONTINUE OPERATIONS OF THE HOSPITALS UNTIL A NEW OPERATOR DESIGNATED BY SNH IS APPROPRIATELY LICENSED BY REGULATORY AUTHORITIES. HEALTHSOUTH MAY DISPUTE THIS LEASE INTERPRETATION OR IT MAY BE UNWILLING OR UNABLE TO CONTINUE ITS OPERATIONS. IN SUCH CIRCUMSTANCES, SNH MAY SEEK FURTHER DAMAGES FROM HEALTHSOUTH AND TO CONTINUE THE HOSPITALS' OPERATIONS WITH APPROPRIATE REGULATORY APPROVALS, BUT IT MAY BE UNABLE TO COLLECT SUCH DAMAGES FROM HEALTHSOUTH OR TO CONTINUE THE HOSPITALS' OPERATIONS.

-- THIS PRESS RELEASE STATES THAT SNH IS SEEKING TO HAVE THE CASH FLOW FROM THE HOSPITALS OF ABOUT \$14 MILLION/ YEAR SEQUESTERED. ONE IMPLICATION OF THIS STATEMENT IS THAT SOME OF THIS CASH FLOW MAY BE PAID TO SNH. HOWEVER, HEALTHSOUTH'S HISTORICAL STATEMENTS ABOUT ITS CASH FLOW HAVE BEEN INACCURATE AND THE EXISTENCE AND AMOUNT OF CASH FLOW FROM THE HOSPITALS WHICH SNH OWNS AND HEALTHSOUTH OPERATES MAY NOT BE ACCURATELY STATED. ALSO, THE COURT MAY DECIDE NOT TO SEQUESTER THE HOSPITALS' CASH FLOW OR THAT SNH HAS NO CLAIM OR ONLY A LESSER CLAIM ON THIS CASH FLOW.

-- THIS PRESS RELEASE REFERS TO A SECOND LITIGATION IN WHICH SNH IS SEEKING TO COLLECT INCREASED RENT FROM HEALTHSOUTH BETWEEN JANUARY 2002 AND OCTOBER 2004. THE FACT THAT SNH HAS RECEIVED A FAVORABLE RULING IN A SEPARATE LITIGATION ABOUT THE LEASE TERMINATION MAY IMPLY THAT SNH WILL ALSO SUCCEED IN THIS INCREASED RENT LITIGATION. HOWEVER, THE LEASE DEFAULTS IN THE LEASE TERMINATION LITIGATION ARE DIFFERENT FROM THE FRAUDULENT INDUCEMENT CLAIMS PENDING IN THE RENT INCREASE LITIGATION. ALSO, THESE CASES ARE PENDING IN DIFFERENT COURTS. SNH BELIEVES ITS RENT INCREASE CLAIMS ARE VALID. HOWEVER, THOSE CLAIMS HAVE NOT BEEN DETERMINED AND THE FACT THAT SNH HAS RECEIVED A FAVORABLE RULING REGARDING THE LEASE TERMINATION DOES NOT MEAN IT WILL SUCCEED IN THIS SECOND CASE.

-- THE IMPLICATION OF THE STATEMENTS IN THIS PRESS RELEASE MAY BE THAT SNH WILL EVENTUALLY RECEIVE MORE INCOME FROM ITS OWNERSHIP OF THE TWO HOSPITALS THAN THE \$8.7 MILLION/YEAR BEING PAID BY HEALTHSOUTH SINCE JANUARY 2002. HOWEVER, THIS IMPLICATION MAY NOT BE REALIZED FOR MANY DIFFERENT REASONS: THE COURTS MAY NEVER ORDER HEALTHSOUTH TO PAY ANY INCREASED AMOUNTS. EVEN IF THE COURTS ORDER HEALTHSOUTH TO PAY AN INCREASED AMOUNT, HEALTHSOUTH MAY BE UNABLE TO DO SO. SNH MAY BE UNABLE TO IDENTIFY A NEW TENANT FOR THESE HOSPITALS WHO OBTAINS APPROPRIATE LICENSES AND WHO IS WILLING OR ABLE TO PAY INCREASED RENTS. THE FINANCIAL RESULTS OF THE HOSPITALS' OPERATIONS MAY DECLINE AND THIS DECLINE MAY BE MATERIAL. IN FACT, HEALTHSOUTH MAY CEASE PAYING THE \$8.7 MILLION/YEAR WHICH IT HAS HISTORICALLY PAID SNH UNTIL A NEW OPERATOR ASSUMES THE OPERATIONS.

-- LITIGATION IS EXPENSIVE. SINCE THE CURRENT LITIGATIONS BETWEEN SNH AND HEALTHSOUTH BEGAN IN APRIL 2003, SNH HAS SPENT APPROXIMATELY \$1.5 MILLION IN LITIGATION COSTS. THE EXPENSE OF THESE LITIGATIONS HAS BEEN SOMEWHAT CONCENTRATED DURING THE PAST 12 MONTHS. SNH EXPECTS THAT THESE EXPENSES WILL CONTINUE AND MAY INCREASE SO LONG AS THE LITIGATIONS CONTINUE. MOREOVER, SNH IS UNABLE TO PROVIDE ANY PROJECTIONS AS TO WHEN THESE LITIGATIONS MAY END OR THE AMOUNTS OF FUTURE LITIGATION COSTS.

FOR ALL OF THE FOREGOING REASONS INVESTORS ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON FORWARD LOOKING STATEMENTS IN THIS PRESS RELEASE.

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