



## **SNH Leases Two Hospitals to Five Star**

NEWTON, Mass.--Senior Housing Properties Trust (NYSE: SNH) today announced that its lease with Five Star Quality Care, Inc. (AMEX: FVE) for two rehabilitation hospitals in Braintree and Woburn, Massachusetts became effective on October 1, 2006. The lease requires Five Star to pay SNH monthly rent of \$854,167/month (\$10,250,000/year).

The two hospitals were acquired by SNH in early 2002 as part of a property exchange between SNH and HealthSouth Corporation (OTC BB: HLSH). The hospitals were then leased to HealthSouth. In October 2004, SNH terminated HealthSouth's lease because HealthSouth had failed to provide timely and accurate financial information as required by the lease. HealthSouth challenged the lease termination by suing SNH. In September 2005, a Massachusetts Court ruled that the lease termination was valid; and in January 2006 the Massachusetts Court ruled that HealthSouth should continue to operate the hospitals until a new tenant is licensed and HealthSouth should cooperate in the process of licensing a new tenant and transferring the operations. Shortly thereafter SNH entered a lease with Five Star to commence when Five Star is licensed. In August 2005, the Massachusetts Department of Public Health ruled that Five Star is qualified to operate the hospitals and in late September Five Star's licenses were granted.

HealthSouth has appealed the Massachusetts Court orders, but the Massachusetts Court and the Massachusetts Appeals Court have denied repeated requests by HealthSouth to stay or modify those orders. Although the transfer of the hospital operations to Five Star is now completed, SNH believes that HealthSouth has not properly accounted for the hospitals operations through September 30, 2006 and that HealthSouth's actions delayed the transfer process and made it more expensive than it should have been. Accordingly, SNH has brought and expects to bring litigation against HealthSouth for appropriate sanctions and to recover its costs, including attorneys fees. Also, in a separate action pending in a different Massachusetts Court SNH has sought to recover rents from HealthSouth for the period January 2002 through October 2004 because the rents historically paid by HealthSouth were set based upon HealthSouth's fraud; and that action remains pending at this time.

Senior Housing Properties Trust is a real estate investment trust, or REIT, that owns 196 healthcare and senior living properties located in 33 states. SNH is headquartered in Newton, Massachusetts.

### **WARNING REGARDING FORWARD LOOKING STATEMENTS**

THE FOREGOING 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 ARE BASED UPON SNH'S PRESENT BELIEFS AND EXPECTATIONS, BUT THESE STATEMENTS AND THEIR IMPLICATIONS ARE NOT GUARANTEED TO OCCUR AND, IN FACT, MAY NOT OCCUR. FOR EXAMPLE:

- THIS PRESS RELEASE STATES THAT SNH HAS OBTAINED COURT DECISIONS IN ITS FAVOR AND THAT HEALTHSOUTH'S REQUESTS TO STAY THOSE DECISIONS HAVE BEEN DENIED. THE IMPLICATION OF THESE STATEMENTS IS THAT HEALTHSOUTH'S APPEAL WILL NOT SUCCEED. THE DENIAL OF A STAY DOES NOT INSURE THAT AN APPEAL WILL FAIL. IN FACT, HEALTHSOUTH'S APPEAL MAY SUCCEED, ITS LEASE MAY BE REINSTATED OR IT MAY OBTAIN OTHER RELIEF OR DAMAGES WHICH WILL ADVERSELY AFFECT SNH.
- THIS PRESS RELEASE STATES THAT SNH INTENDS TO SEEK SANCTIONS AND TO RECOVER COSTS BECAUSE SNH BELIEVES THAT HEALTHSOUTH HAS NOT PROPERLY ACCOUNTED FOR THE HOSPITALS AND THAT HEALTHSOUTH'S ACTIONS DELAYED THE TRANSFER OF THE HOSPITALS TO FIVE STAR. HEALTHSOUTH HAS DENIED SNH'S ALLEGATIONS AND IT IS UNCLEAR WHETHER SANCTIONS AND COSTS WILL BE AWARDED TO SNH FROM HEALTHSOUTH. MOREOVER, HEALTHSOUTH HAS LATE FILED RESTATED FINANCIAL INFORMATION AT THE SECURITIES AND EXCHANGE COMMISSION WHICH SHOWS ITS LIABILITIES GREATLY EXCEED ITS ASSETS. ACCORDINGLY, IF SNH IS AWARDED A FINANCIAL RECOVERY FROM HEALTHSOUTH, IT IS UNCLEAR IF HEALTHSOUTH CAN PAY THE AWARD.
- - THIS PRESS RELEASE REFERENCES A CONTINUING LITIGATION BETWEEN SNH AND HEALTHSOUTH IN WHICH SNH IS SEEKING TO RECOVER RENT FROM JANUARY 2002 TO OCTOBER 2004. HEALTHSOUTH IS DEFENDING

THIS LITIGATION AND HAS ASSERTED COUNTERCLAIMS AGAINST SNH. THE OUTCOME OF THIS SEPARATE LITIGATION IS UNCERTAIN.

- LITIGATION IS EXPENSIVE. SINCE THE CURRENT DISPUTES BETWEEN SNH AND HEALTHSOUTH BEGAN TO BE LITIGATED, SNH HAS SPENT OVER \$3.5 MILLION IN LITIGATION COSTS. SNH EXPECTS THAT THESE EXPENSES WILL CONTINUE AS LONG AS HEALTHSOUTH CONTINUES TO APPEAL OR CHALLENGE THE OUTSTANDING COURT ORDERS OR OTHERWISE TO IGNORE ITS LEGAL OBLIGATIONS. MOREOVER, SNH IS UNABLE TO PROVIDE ANY ASSURANCE AS TO WHEN THESE LITIGATIONS MAY END OR THE AMOUNTS OF FUTURE LITIGATION EXPENSES WHICH IT MAY INCUR. SNH HAS RECENTLY REQUESTED THAT THE COURT ORDER HEALTHSOUTH TO PAY SOME OF SNH'S LITIGATION COSTS. HEALTHSOUTH HAS OPPOSED THIS REQUEST AND SNH DOES NOT KNOW HOW THE COURT WILL RULE OR WHETHER HEALTHSOUTH WILL BE WILLING OR ABLE TO HONOR ANY AWARD WHICH MAY BE MADE.

FOR ALL OF THE FOREGOING REASONS, AMONG OTHERS, INVESTORS ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE UPON FORWARD LOOKING STATEMENTS CONTAINED IN THIS PRESS RELEASE.

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