



Senior Housing Properties Trust Announces Agreement to Lease Hospitals to Five Star Quality Care, Inc.

NEWTON, Mass.--Senior Housing Properties Trust (NYSE: SNH) today announced that it agreed to lease two rehabilitation hospitals to Five Star Quality Care, Inc. (AMEX: FVE). The agreement to lease is conditioned upon Five Star's obtaining all health regulatory approvals required to operate the hospitals.

The two rehabilitation hospitals are located in Braintree and Woburn, Massachusetts. They are currently owned by SNH but operated by HealthSouth Corporation. In October 2004, SNH terminated HealthSouth's lease of these hospitals because of various defaults including HealthSouth's failure to provide accurate financial information. HealthSouth then sued SNH seeking to prevent the lease termination. In September 2005, the Massachusetts Superior Court ruled that SNH had validly terminated HealthSouth's lease. In January 2006, that Court issued a Final Judgment And Order which directs HealthSouth to cooperate with SNH in transferring the hospitals to a new tenant and to account and pay to SNH the cash flow which HealthSouth realized and may realize from the hospitals operations from October 2004 until a new tenant is installed.

HealthSouth has filed appeals from the foregoing Court decisions. However, on January 31 and February 2, 2006, first the Massachusetts Superior Court and then the Massachusetts Appeals Court denied HealthSouth's requests to stay these decisions until the appeal is decided.

When it becomes effective, the new lease for the hospitals will require that Five Star pay rent to SNH of \$854,167/month (\$10,250,000/year). This is the same rent which HealthSouth previously paid to SNH prior to 2002, when the rent was reduced based upon fraudulent financial information provided by HealthSouth to SNH. From January 2002 until the recent Court decisions, HealthSouth made regular monthly payments of \$725,000/month (\$8,700,000/year). A separate litigation between SNH and HealthSouth remains pending in which SNH seeks to collect the difference between these amounts for the period from January 2002 through October 2004.

During this litigation and since the recent Court rulings, SNH had preliminary discussions with several potential tenants for these hospitals. It has decided to enter a lease with Five Star for the following reasons, among others:

- Five Star currently operates high quality healthcare facilities including several which provide rehabilitation medical services. Although Five Star does not now operate rehabilitation hospitals, several of its executives have extensive hospital experience. Five Star has committed to provide the personnel and other resources necessary to maintain and improve the hospitals' operations. Also, Five Star has agreed to offer continued employment to all of the current personnel at the hospitals.
- Five Star has strong and improving credit characteristics. Since it became a separate publicly owned company, Five Star has successfully completed three equity offerings and it has equity market capital of over \$160 million. Five Star currently leases 136 healthcare and senior living properties from SNH and Five Star has a history of honoring all of its lease obligations.
- The quality of the historical operating and financial information concerning the hospitals' operations which SNH has received from HealthSouth is suspect; and some of the financial reports provided by HealthSouth during the present litigation appears to be contradictory. Also, recent changes in Medicare rate formulas applicable to rehabilitation hospitals (i.e., the so called "75% Rule") make it difficult to project the hospitals' future financial results without having detailed and accurate historical operating reports. In these circumstances, SNH believes it would be very difficult to agree to lease terms with a healthcare operating company with which it does not have an extensive historical relationship. In consideration of these factors, the new lease will permit either SNH or Five Star to request that the rent be reset effective July 1, 2008, when SNH believes accurate financial information based upon stabilized operations will be available and that the litigation with HealthSouth may be concluded.

Senior Housing Properties Trust is a real estate investment trust headquartered in Newton, MA which owns and leases hospitals, nursing homes, assisted living facilities and independent living communities for seniors.

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 AGREED TO LEASE TWO HOSPITALS CONDITIONED UPON REGULATORY APPROVALS. THE IMPLICATION OF THIS STATEMENT IS THAT THE REGULATORY APPROVALS WILL BE FORTHCOMING AND THE LEASE WILL BECOME EFFECTIVE. IN FACT, HOWEVER, SNH HAS NO ABILITY TO INSURE THAT REGULATORY APPROVALS WILL BE OBTAINED, AND THEY MAY NOT BE OBTAINED. IF SUCH APPROVALS ARE NOT OBTAINED, THE LEASE MAY NEVER BECOME EFFECTIVE.
- THIS PRESS RELEASE STATES THAT SNH HAS OBTAINED RECENT COURT DECISIONS IN ITS FAVOR AND THAT HEALTHSOUTH'S REQUESTS TO STAY THOSE DECISIONS HAVE BEEN DENIED BY TWO COURTS. THE IMPLICATION OF THIS STATEMENT IS THAT HEALTHSOUTH'S APPEAL WILL NOT SUCCEED. THESE COURTS MAY RECONSIDER THEIR DENIALS OF HEALTHSOUTH'S REQUESTS FOR STAYS. ALSO, 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 FIVE STAR HAS STRONG AND IMPROVING CREDIT CHARACTERISTICS. THE IMPLICATION OF THIS STATEMENT AND OTHERS IS THAT FIVE STAR CAN AND WILL PAY THE AGREED RENT TO SNH. IN FACT, ECONOMIC CIRCUMSTANCES MAY CHANGE. SUCH CHANGES CAN OCCUR FOR NUMEROUS REASONS, SOME OF WHICH LIKE CHANGES IN MEDICARE AND MEDICAID RATES MAY BE BEYOND THE CONTROL OF BOTH FIVE STAR AND SNH. IT MAY BE THAT FIVE STAR WILL BECOME UNABLE TO PAY THE RENTS DUE TO SNH.
- THIS PRESS RELEASE STATES THAT EITHER SNH OR FIVE STAR MAY REQUEST THAT THE RENT BE RESET EFFECTIVE JULY 1, 2008, AFTER THE FINANCIAL OPERATIONS OF THESE HOSPITALS BECOMES STABILIZED AND ACCURATE FINANCIAL INFORMATION BECOMES KNOWN AND THE LITIGATION WITH HEALTHSOUTH IS CONCLUDED. THE IMPLICATION OF THIS STATEMENT IS THAT SNH MAY BE ABLE TO RAISE THE RENT EFFECTIVE JULY 1, 2008. IN FACT, IT MAY TAKE LONGER TO STABILIZE THE FINANCIAL AFFAIRS AND ACCOUNTS OF THE HOSPITALS AND THE LITIGATION WITH HEALTHSOUTH MAY CONTINUE BEYOND JULY 1, 2008. MOREOVER, A RENT RESET MAY RESULT IN A RENT DECLINE. ALSO, IF SNH AND FIVE STAR ARE UNABLE TO AGREE UPON A RESET RENT EFFECTIVE JULY 1, 2008, SNH MAY DECIDE TO IDENTIFY A NEW TENANT FOR THESE HOSPITALS.
- THIS PRESS RELEASE REFERENCES A CONTINUING LITIGATION BETWEEN SNH AND HEALTHSOUTH IN WHICH SNH IS SEEKING TO RECOVER INCREASED 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 \$2.3 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 ITS (I.E., SNH'S) LITIGATION COSTS. HEALTHSOUTH HAS OPPOSED THIS REQUEST AND SNH DOES NOT KNOW HOW THE COURTS 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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