



## Senior Housing Properties Trust Announces \$512.9 Million Financing From Fannie Mae

NEWTON, Mass., Aug 04, 2009 (BUSINESS WIRE) -- Senior Housing Properties Trust (NYSE: SNH) today announced that it has closed a \$512.9 million mortgage financing with Fannie Mae (NYSE: FNM), on the following terms:

Amount of loan:	\$512.9 million.
Maturity:	10 years.
Current weighted average interest rate:	6.59% p.a. A portion of the loan requires interest at a fixed rate and a portion of the loan requires interest at a floating rate. The floating rate is capped so that the maximum interest rate payable during the loan term on the full amount of the loan may not exceed 7.79% p.a.
Amortization:	The loan requires payments of principal and interest on the basis of a 30 year direct reduction basis.
Prepayment:	The fixed rate portion of the loan may be prepaid subject to standard FNM prepayment terms; in addition, any or all of the floating rate portion of the loan may be prepaid at 101% of par any time after one year; and, subject to certain conditions, collateral properties may be released from the mortgage lien as the loan is prepaid.

This mortgage loan is secured by first liens on 28 senior living properties (5,618 living units) located in 16 States: Maryland (4 properties), Virginia (4), California (3), Texas (3), Arizona (2), Florida (2), Delaware (1), Georgia (1), Indiana (1), Kansas (1), Kentucky (1), Massachusetts (1), North Carolina (1), New Mexico (1), Ohio (1) and Wisconsin (1)<sup>1</sup>. After completion of this transaction, SNH will continue to own 221 senior living communities (25,840 living units), including 165 senior living communities (18,801 living units) which are not encumbered by secured mortgage debt. In addition, SNH will continue to own two rehabilitation hospitals, 10 wellness centers and 40 medical office buildings that have an aggregate historical cost of approximately \$648.2 million and only four of these properties are encumbered by mortgages totaling approximately \$25.4 million.

FNM has advised SNH that the mortgage loan announced today is one of the largest mortgages secured by senior living properties ever provided by FNM. CITIBANK originated this loan and assisted SNH and FNM in the structuring of this transaction.

All of the mortgaged properties which secure this FNM loan are leased by SNH to Five Star Quality Care, Inc. (NYSE Amex: FVE). Prior to this transaction, SNH leased 183 properties to FVE (181 senior living communities and two rehabilitation hospitals) under four combination leases. As a result of this transaction, the leases between SNH and FVE were reconfigured so that there are now still four combination leases, but one lease contains only those properties which are mortgaged to FNM. In connection with this transaction: (a) certain personal property located at the FNM mortgaged properties (which has a historical cost of approximately \$17.0 million and a current net book value of approximately \$8.7 million) which was owned by FVE was acquired by SNH and pledged to FNM; (b) certain FVE owned personal property was pledged to secure the FNM loan; (c) FVE has agreed to undertake certain reporting and other operating obligations required by FNM; and (d) FVE has issued 3,200,000 FVE common shares to SNH (approx. 9% of the total FVE basic common shares outstanding after this issuance). To compensate FVE for the purchase of its personal property, for the pledge of its assets, for the services and obligations which FVE has assumed under the FNM loan documents and for the issuance of its shares to SNH, SNH and FVE have agreed that: (i) the combined historical rent payable by FVE to SNH under the reconfigured lease which includes the two rehabilitation hospitals will be reduced by \$2 million/year; and (ii) SNH has paid FVE \$18.6 million and has agreed to reimburse FVE for its out of pocket costs in connection with concluding this transaction.

SNH and FVE determined to include a sale of FVE shares to SNH in this transaction to, in part, compensate FVE for a certain intangible loss of liquidity resulting from FVE's pledge of certain assets to FNM and, in part, to permit SNH to participate as a shareholder in the benefits which FVE receives as a result of this agreement.

The terms of the agreement between SNH and FVE were negotiated by Special Committees of the Boards of SNH and FVE composed only of SNH Trustees and FVE Directors who are not also Trustees/ Directors of the other company, and each Committee was represented by separate counsel.

SNH intends to use the proceeds of this mortgage financing to repay amounts outstanding under its revolving credit facility, to fund investments, including possibly accelerating the previously announced pending purchases of certain medical office buildings from HRPT Properties Trust (NYSE: HRP), and for general business purposes.

SNH is a real estate investment trust headquartered in Newton, MA which owns independent and assisted living communities, hospitals, nursing homes, medical office buildings, medical clinics and biotech research properties, located throughout the United States.

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

**THIS PRESS RELEASE INCLUDES 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 THEY ARE NOT GUARANTEED TO OCCUR AND, IN FACT, MAY NOT OCCUR. FOR EXAMPLE:**

- **THIS PRESS RELEASE STATES THAT THE FIXED RATE PORTION OF THE FNM MORTGAGE LOAN MAY BE PREPAID SUBJECT TO STANDARD FNM PREPAYMENT TERMS, THAT THE FLOATING RATE PORTION OF THE LOAN MAY BE PREPAID AT 101% OF PAR VALUE AFTER ONE YEAR AND THAT, SUBJECT TO CERTAIN CONDITIONS, COLLATERAL PROPERTIES MAY BE RELEASED FROM THE MORTGAGE LIEN AS THE LOAN IS PREPAID. THE IMPLICATION OF THESE STATEMENTS MAY BE SNH WILL PREPAY THIS MORTGAGE LOAN. IN FACT, SNH HAS NOT DECIDED WHETHER OR WHEN TO PREPAY THIS MORTGAGE AND THAT DECISION WILL BE MADE BASED UPON SNH'S CIRCUMSTANCES AND MARKET CONDITIONS IN THE FUTURE. THERE CAN BE NO ASSURANCE THAT THIS LOAN WILL BE PREPAID OR THAT ANY COLLATERAL WILL BE RELEASED.**
- **THIS PRESS RELEASE STATES THAT FVE HAS AGREED TO UNDERTAKE CERTAIN REPORTING AND OTHER REQUIREMENTS UNDER THE FNM MORTGAGE LOAN TO SNH. AN IMPLICATION OF THIS STATEMENT MAY BE THAT SNH HAS BEEN RELEASED OF THESE OBLIGATIONS TO FNM. IN FACT, SNH REMAINS RESPONSIBLE TO FNM FOR ALL REQUIREMENTS ARISING UNDER THE MORTGAGE AND LOAN DOCUMENTS AND SNH WILL BE RESPONSIBLE TO PERFORM THE OBLIGATIONS WHICH FVE HAS ASSUMED IN THE EVENT FVE FAILS TO SATISFY THESE OBLIGATIONS. ALSO, CERTAIN OF THE OBLIGATIONS ARISING UNDER THE MORTGAGE DOCUMENTS RELATE TO FVE'S OPERATIONS OF THE MORTGAGED PROPERTIES WHICH MAY BE BEYOND SNH'S CAPACITY TO PERFORM.**
- **THIS PRESS RELEASE STATES THAT SNH INTENDS TO USE THE PROCEEDS OF THE FNM MORTGAGE LOAN, AMONG OTHER PURPOSES, TO FUND INVESTMENTS AND POSSIBLY TO ACCELERATE THE PREVIOUSLY ANNOUNCED AND PENDING PURCHASES OF CERTAIN MEDICAL OFFICE BUILDINGS FROM HRP. SNH IS CURRENTLY CONSIDERING SEVERAL ACQUISITION OPPORTUNITIES; HOWEVER, THERE CAN BE NO ASSURANCE THAT SNH WILL CONCLUDE ANY OF THESE ACQUISITIONS OR THAT ALTERNATIVE ACQUISITIONS WILL BE IDENTIFIED AND CLOSED. ALTHOUGH SNH AND HRP HAVE PREVIOUSLY AGREED UPON TERMS FOR SNH'S PURCHASE OF CERTAIN MEDICAL OFFICE BUILDINGS, THE CLOSINGS OF THESE SALES REMAIN SUBJECT TO SATISFACTION OF CUSTOMARY REAL ESTATE CLOSING CONDITIONS AND SNH DOES NOT HAVE THE UNILATERAL RIGHT TO ACCELERATE THESE CLOSINGS WHICH ARE NOW SCHEDULED TO OCCUR BY MAY 2010. IN PARTICULAR, INVESTORS SHOULD NOTE THAT SNH AND HRP ARE BOTH MANAGED BY REIT MANAGEMENT & RESEARCH LLC ("RMR") AND HAVE CERTAIN COMMON TRUSTEES; ACCORDINGLY, ANY CHANGE TO ACCELERATE THE CLOSINGS OF SALES BY HRP TO SNH WILL REQUIRE THE SEPARATE APPROVALS OF TRUSTEES OF SNH AND HRP, RESPECTIVELY, WHO ARE NOT ALSO TRUSTEES OF THE OTHER COMPANY.**
- **THIS PRESS RELEASE STATES THAT THE TERMS OF THE AGREEMENT BETWEEN SNH AND FVE ANNOUNCED IN THIS PRESS RELEASE WERE NEGOTIATED BY SPECIAL COMMITTEES OF THE BOARDS OF SNH AND FVE COMPOSED ONLY OF SNH TRUSTEES AND FVE DIRECTORS WHO ARE NOT ALSO TRUSTEES AND DIRECTORS OF THE OTHER COMPANY. THE IMPLICATION OF THIS STATEMENT MAY BE THAT THIS AGREEMENT WAS NEGOTIATED ON AN ARMS LENGTH BASIS AND MAY NOT BE LEGALLY CHALLENGED BECAUSE THIS AGREEMENT PROVIDES A FAIR EXCHANGE OF CONSIDERATION BETWEEN SNH AND FVE. IN FACT: (I) FVE WAS FORMERLY A 100% OWNED SUBSIDIARY OF SNH AND FVE BECAME A SEPARATELY OWNED PUBLIC COMPANY AS A RESULT OF A SPIN OFF TO SNH SHAREHOLDERS IN 2001; (II) RMR PROVIDES MANAGEMENT SERVICES TO BOTH SNH AND FVE; (III) THE OFFICERS OF BOTH SNH AND FVE ARE ALSO OFFICERS OF RMR; (IV) RMR AND ITS OFFICERS PROVIDED INFORMATION AND ASSISTANCE TO THE SPECIAL COMMITTEES OF BOTH SNH AND FVE; (V) THE MEMBERS OF THE SPECIAL COMMITTEES OF BOTH SNH AND FVE ALSO SERVE AS TRUSTEES OR DIRECTORS OF OTHER COMPANIES MANAGED BY RMR; AND (VI) SNH AND FVE HAVE EXTENSIVE AND CONTINUING BUSINESS WITH EACH OTHER. ALTHOUGH SNH BELIEVES THAT THIS AGREEMENT IS FAIR TO SNH, IN THE CIRCUMSTANCES OF THE MULTIPLE RELATIONSHIPS AMONG FVE AND SNH, IT IS POSSIBLE THAT LITIGATION MAY BE BROUGHT ALLEGING THAT THIS AGREEMENT IS UNFAIR TO SNH OR TO FVE. LITIGATION MAY BE EXPENSIVE AND DISTRACTING TO MANAGEMENT. SNH CAN PROVIDE NO ASSURANCE THAT ITS ENTRY INTO THE AGREEMENT WITH FVE ANNOUNCED IN THIS PRESS RELEASE WILL NOT CAUSE SNH TO BECOME INVOLVED IN LITIGATION THAT CHALLENGES THE FAIRNESS OF THE**

**CONSIDERATION SNH HAS EXCHANGED WITH FVE. SUCH ALLEGATIONS OR LITIGATION COULD CAUSE SNH'S SHARE TRADING PRICE TO DECLINE AND THE OUTCOME OF SUCH LITIGATION IS IMPOSSIBLE TO PREDICT.**

**FOR MORE INFORMATION REGARDING SNH'S RELATIONSHIPS AND DEALINGS WITH RMR AND FVE AND THEIR OFFICERS, DIRECTORS OR TRUSTEES AND AFFILIATES AND ABOUT THE RISKS WHICH MAY ARISE AS A RESULT OF THESE RELATED PARTY TRANSACTIONS, PLEASE SEE SNH'S ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2008 (THE "ANNUAL REPORT"), ITS QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2009 (THE "QUARTERLY REPORT") AND ITS OTHER FILINGS MADE WITH THE SECURITIES AND EXCHANGE COMMISSION (THE "SEC"); AND IN PARTICULAR THE SECTION CAPTIONED "RISK FACTORS" IN THE ANNUAL REPORT, THE SECTIONS CAPTIONED "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - RELATED PARTY TRANSACTIONS" IN THE ANNUAL REPORT AND THE QUARTERLY REPORT AND THE SECTION CAPTIONED "RELATED PERSONS TRANSACTIONS AND COMPANY REVIEW OF SUCH TRANSACTIONS" IN THE SNH PROXY STATEMENT DATED MARCH 30, 2009 RELATED TO ITS 2009 ANNUAL SHAREHOLDERS MEETING. ALL OF THESE DOCUMENTS ARE AVAILABLE AT THE SEC WEBSITE AT: [WWW.SEC.GOV](http://WWW.SEC.GOV).**

**FOR THESE REASONS, AMONG OTHERS, INVESTORS ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE UPON FORWARD LOOKING STATEMENTS IN THIS PRESS RELEASE.**

<sup>1</sup> The FNM loan documentation consolidates two adjacent properties in California and refers to 27 properties.

*A Maryland Real Estate Investment Trust with transferable shares of beneficial interest listed on the New York Stock Exchange. No shareholder, Trustee or officer is personally liable for any act or obligation of the Trust.*

SOURCE: Senior Housing Properties Trust

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