



December 23, 2013

Senior Housing Properties Trust Amends Management Agreement with RMR

Implements Changes Announced Earlier this Year to Further Align Interests of Management with Shareholders While Maintaining Low Cost Structure

New Incentive Fee Based on Three Year Total Return per Share Relative to Performance of Other Healthcare REITs

Eliminates Related Party Purchase Rights for Property Sales

NEWTON, Mass.--(BUSINESS WIRE)-- Senior Housing Properties Trust (NYSE: SNH) today announced that it has amended its business management agreement with Reit Management & Research LLC, or RMR, effective January 1, 2014. The amended agreement implements the previously announced plan to change the business management agreement, as follows:

New Base Management Fee:

- The new calculation of the base management fee will be based on approximately 0.5% multiplied by the lower of: (i) the historical cost of SNH's real estate assets or (ii) SNH's total market capitalization. The comparatively low level of general and administrative, or G&A, expenses that SNH has historically enjoyed will continue, but with this change it is possible that G&A expenses may further decline if the market value of SNH's common shares declines.
- 10% of the base fee will be paid in SNH's common shares. As a result, management's share ownership is expected to increase over time.

New Incentive Fee:

- The new incentive fee will be calculated based on total return per share (dividends and share price changes) realized by SNH's shareholders in comparison to the total return of the SNL REIT Healthcare Index, or the Benchmark. The incentive fee formula will be based on the amount of outperformance, if any, realized by SNH's shareholders during the measurement periods compared to the Benchmark, multiplied by a 12% participation rate. For example, if SNH's shareholders' total return is 10% during the measurement period and the Benchmark's total return is 5% during that same period, the incentive fee will be 12% of the 5% of total outperformance realized by SNH's shareholders.
- The measurement period for the new incentive fee will be a rolling, cumulative three year period starting January 1, 2014. In other words, the incentive fee payable at the end of 2016 will be based upon the outperformance realized by SNH's shareholders compared to the Benchmark cumulatively during 2014, 2015 and 2016; the incentive fee payable at the end of the 2017 would be based upon the cumulative outperformance realized in 2015, 2016 and 2017; etc.
- No incentive fee will be payable by SNH in the event the total return realized during any measurement period is negative, even if the total return realized by SNH's shareholders exceeds the Benchmark. Also, the incentive fee formula includes a "high performance modifier" so that, within specific parameters, if the total return realized by SNH's shareholders over a three year period exceeds 36% an adjusted incentive fee may be paid.
- The incentive fee will be paid in SNH's common shares. The annual payment of the incentive fee will be limited, or capped, at 1.5% of the number of SNH's common shares outstanding at the end of each measurement period. Common shares issued for payment of the incentive fees will vest over a multi-year period and the shares will be subject to "claw back" in the event of subsequent financial restatements. Also, because it will take three years for the new incentive fee formula to become fully effective, a one year interim fee may be paid at the end of 2014 and a two year cumulative interim fee may be paid at the end of 2015 based on outperforming the pro-rata hurdles in each of those periods.

The previous incentive fee arrangement was based on a percentage of annual increases in funds from operations, or FFO, per share. The new incentive fee formula is intended to more directly align the fee paid with the total return realized by shareholders relative to SNH's Healthcare REIT peers.

The new incentive fee formula was established by the SNH Board of Trustees' Compensation Committee (which is comprised

solely of Independent Trustees) and it was developed by that Committee in consultation with FTI Consulting, Inc., an independent compensation consultant selected by the Committee.

Other Management Contract Terms:

In addition to the new fee formulas described above, the amended business management agreement eliminates the historical "right of first offer" for property dispositions among SNH and other REITs managed by RMR.

The amended business management agreement continues to require RMR to provide all personnel and substantially all corporate office functions typically included in G&A expenses, except certain third party services and expenses such as outside counsel and accountants as well as the fees and expenses of the Independent Trustees.

Senior Housing Properties Trust is a real estate investment trust, or REIT, which owns independent and assisted living communities, medical office buildings, nursing homes and wellness centers throughout the United States. SNH is headquartered in Newton, MA.

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 OTHER SECURITIES LAWS. THESE FORWARD LOOKING STATEMENTS ARE BASED UPON SNH'S AND ITS INDEPENDENT TRUSTEES' PRESENT BELIEFS AND EXPECTATIONS, BUT THEY ARE NOT GUARANTEED TO OCCUR AND MAY NOT OCCUR FOR VARIOUS REASONS, INCLUDING SOME REASONS WHICH ARE BEYOND SNH'S AND THE INDEPENDENT TRUSTEES' CONTROL. FOR EXAMPLE: THIS PRESS RELEASE REFERS TO THE COMPARATIVELY LOW LEVEL OF G&A EXPENSES WHICH SNH HAS HISTORICALLY EXPERIENCED AND STATES THAT SNH MAY CONTINUE TO RECEIVE HIGH QUALITY MANAGEMENT SERVICES AT BELOW AVERAGE COSTS. THE COMPARATIVE AND AVERAGE COSTS OF MANAGEMENT COSTS AND G&A EXPENSES MAY BE CALCULATED IN DIFFERENT WAYS: BY AMOUNTS, AS A PERCENTAGE OF ASSETS, AS A PERCENTAGE OF REVENUES AND OTHERWISE. SNH AND ITS INDEPENDENT TRUSTEES BELIEVE THAT THEIR CALCULATIONS OF SUCH COSTS AND EXPENSES ARE APPROPRIATE. HOWEVER, IT IS POSSIBLE THAT OTHERS MAY DISPUTE THESE CALCULATIONS TO ARGUE THAT SUCH COSTS AND EXPENSE ARE NOT AT A LOW LEVEL OR BELOW AVERAGE.

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

*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.*

Senior Housing Properties Trust
Timothy A. Bonang, 617-796-8234
Vice President, Investor Relations
www.snhreit.com

Source: Senior Housing Properties Trust

News Provided by Acquire Media