



NEWS RELEASE

Diversified Healthcare Trust Agrees to Amend Management Agreements with Five Star Senior Living Inc.

4/9/2021

108 Senior Living Communities with Approximately 7,500 Living Units will be Transitioned to Other Operators Before Year End 2021

Five Star will Continue Managing 120 Senior Living Communities with Approximately 18,000 Living Units

Changes Aimed at Improving the Operating Performance of DHC's SHOP Business

NEWTON, Mass.--(BUSINESS WIRE)-- **Diversified Healthcare Trust (Nasdaq: DHC)** today announced that it has agreed to amend its management arrangements with Five Star Senior Living Inc. (Nasdaq: FVE), or Five Star, for DHC's senior housing operating portfolio, or SHOP, communities. The principal changes to the management arrangements include:

- Five Star will cooperate with DHC in transitioning 108 senior living communities with approximately 7,500 living units to other operators without payment of any termination fee by DHC. DHC will no longer have the right to sell up to \$682 million worth of senior living communities and terminate Five Star's management of those communities without the payment of a fee.
- Five Star will continue to manage 120 senior living communities with approximately 18,000 living units for DHC. The skilled nursing units in all continuing care retirement communities (CCRCs) that Five Star will continue to manage for DHC, which currently includes approximately 1,500 living units, will be closed and repositioned.
- DHC's performance termination rights will be changed for the 120 retained senior living communities so that

beginning in 2025 up to 10% of the senior living communities managed by Five Star, based on total revenues, can be terminated by DHC without payment of any termination fee by DHC for failure to meet 80% of a targeted EBITDA in prior years.

- Five Star's incentive fee calculation will be changed so there will no longer be a cap placed on any incentive fee earned by Five Star in any calendar year and to exclude senior living communities from the calculation that are undergoing a major renovation or repositioning.
- DHC, utilizing the deep real estate expertise of its manager, The RMR Group (Nasdaq: RMR), will assume control of major renovation and repositioning activities at all Five Star managed senior living communities.
- The term of the management agreements between DHC and Five Star will be extended by two years to December 31, 2036.

DHC expects that the 108 senior living communities to be transitioned to other operators will be divided into smaller portfolios with new managers that have a combination of experience operating in certain regions of the United States, servicing higher acuity residents and managing smaller communities. Following the transition of management of these 108 senior living communities to other operators, Five Star will continue to manage 120 senior living communities, or approximately 66%, of DHC's SHOP communities. The transition of management to other operators is expected to be completed before year end 2021.

Jennifer Francis, President and Chief Operating Officer of DHC, made the following statement regarding today's announcement:

"The changes in the management arrangements with Five Star are being made to improve the operating performance of DHC's SHOP business in the future. More specifically, we believe the transition of management of our 108 smaller communities to a diverse group of best in class operators will enhance their performance and we have already initiated discussions with many potential new operators. We also expect that the results for the 120 communities that Five Star will continue to manage for DHC will improve because these communities are larger and service lower acuity residents, which are areas of operational strength for Five Star and where it plans focus its business in the future."

Diversified Healthcare Trust (Nasdaq: DHC) is a real estate investment trust (REIT) focused on owning high-quality healthcare properties located throughout the United States. DHC seeks diversification across the health services spectrum: by care delivery and practice type, by scientific research disciplines, and by property type and location. As of December 31, 2020, DHC's \$8.2 billion portfolio included 397 properties in 36 states and Washington, D.C., occupied by more than 600 tenants, and totaling approximately 11 million square feet of medical office and life science properties and more than 29,000 living units. DHC is managed by the operating subsidiary of The RMR Group Inc., an alternative asset management company that is headquartered in Newton, MA. To learn more about DHC, visit www.dhcreit.com.

WARNING REGARDING FORWARD-LOOKING STATEMENTS

This press release contains statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and other securities laws. Also, whenever DHC uses words such as “believe”, “expect”, “anticipate”, “intend”, “plan”, “estimate”, “will”, “may” and negatives or derivatives of these or similar expressions, DHC is making forward-looking statements. These forward-looking statements are based upon DHC’s present intent, beliefs or expectations, but forward-looking statements are not guaranteed to occur and may not occur. Actual results may differ materially from those contained in or implied by DHC’s forward-looking statements as a result of various factors. Forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond DHC’s control. For example:

- The changes to DHC’s management arrangements with Five Star described in this press release may not improve the operating performance of DHC’s SHOP business as DHC currently expects and the operating performance of DHC’s SHOP business may decline for various reasons, some of which may be beyond DHC’s, Five Star’s or any new senior living operator’s control, including, among others, the continued impacts of the COVID-19 pandemic and its aftermath on DHC’s and its senior living operators’ businesses, increases in labor costs or in costs paid for goods and services at DHC’s senior living communities, competition within the senior living industry and seniors delaying or forgoing moving into senior living communities or purchasing healthcare services.
- Although DHC’s Board of Trustees and Five Star’s Board of Directors, including the Independent Trustees and Independent Directors, have agreed in principal to the terms of the changes to the management arrangements described in this press release, definitive documentation related to these changes has not been entered into; therefore, the timing and terms thereof may be delayed or may change.
- DHC may be unable to identify new operators for the 108 senior living communities being transitioned from Five Star that DHC believes are sufficiently qualified or may be unable to reach agreement with any such operators on management terms before year end 2021 or at all, and any agreement DHC may reach with any such operators may not be on the terms DHC currently expects or desires, and may not be equal to or more favorable to DHC than the terms of DHC’s current management arrangements with Five Star.
- The results of operations for the 108 senior living communities to be transitioned from Five Star may not improve under the management of new operators and the results of operations for the 120 senior living communities that Five Star will continue to operate for DHC may not improve as a result of the changes discussed in this press release as DHC currently expects, and the results of operations of any or all of DHC’s senior living communities may decline, including for reasons beyond DHC’s, the new operators’ or Five Star’s control, such as those identified above.

The information contained in DHC’s filings with the SEC including under “Risk Factors” in DHC’s periodic reports, or

incorporated therein, identifies other important factors that could cause DHC's actual results to differ materially from those stated in or implied by DHC's forward-looking statements. DHC's filings with the SEC are available on the SEC's website at www.sec.gov.

You should not place undue reliance upon forward-looking statements.

Except as required by law, DHC does not intend to update or change any forward-looking statements as a result of new information, future events or otherwise.

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No shareholder, Trustee or officer is personally liable for any act or obligation of the Trust.

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