

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON, D.C. 20549

**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended December 31, 2018**

**OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**Commission file number 001-37616**

**THE RMR GROUP INC.**

(Exact Name of Registrant as Specified in Its Charter)

**Maryland**  
(State of Organization)

**47-4122583**  
(IRS Employer Identification No.)

**Two Newton Place, 255 Washington Street, Suite 300, Newton, MA 02458-1634**  
(Address of Principal Executive Offices) (Zip Code)

Registrant's Telephone Number, Including Area Code **617-796-8230**

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.:

Large accelerated filer

Accelerated filer

Non-accelerated filer   
(Do not check if a smaller reporting company)

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided in Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of February 6, 2019, there were 15,229,687 shares of Class A common stock, par value \$0.001 per share, 1,000,000 shares of Class B-1 common stock, par value \$0.001 per share and 15,000,000 shares of Class B-2 common stock, par value \$0.001 per share outstanding.

THE RMR GROUP INC.

FORM 10-Q

December 31, 2018

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**PART I. Financial Information****Item 1. Financial Statements**

**The RMR Group Inc.**  
**Condensed Consolidated Balance Sheets**  
(dollars in thousands, except per share amounts)  
(unaudited)

	December 31, 2018	September 30, 2018
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 284,159	\$ 256,848
Due from related parties	190,785	28,846
Prepaid and other current assets	6,855	10,392
Total current assets	481,799	296,086
Property and equipment, net	2,442	2,589
Due from related parties, net of current portion	5,131	8,183
Equity method investment	7,086	7,051
Equity method investment accounted for under the fair value option	5,613	—
Goodwill	1,859	1,859
Intangible assets, net of amortization	362	375
Deferred tax asset	25,802	25,726
Other assets, net of amortization	160,205	162,559
Total assets	\$ 690,299	\$ 504,428
<b>Liabilities and Equity</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 115,748	\$ 28,307
Total current liabilities	115,748	28,307
Long term portion of deferred rent payable, net of current portion	1,283	1,229
Amounts due pursuant to tax receivable agreement, net of current portion	32,048	32,048
Employer compensation liability, net of current portion	5,131	8,183
Total liabilities	154,210	69,767
Commitments and contingencies		
Equity:		
Class A common stock, \$0.001 par value; 31,600,000 shares authorized; 15,229,687 and 15,229,957 shares issued and outstanding, respectively	15	15
Class B-1 common stock, \$0.001 par value; 1,000,000 shares authorized, issued and outstanding	1	1
Class B-2 common stock, \$0.001 par value; 15,000,000 shares authorized, issued and outstanding	15	15
Additional paid in capital	100,808	99,239
Retained earnings	235,086	182,877
Cumulative other comprehensive income	80	82
Cumulative common distributions	(55,147)	(49,467)
Total shareholders' equity	280,858	232,762
Noncontrolling interest	255,231	201,899
Total equity	536,089	434,661
Total liabilities and equity	\$ 690,299	\$ 504,428

See accompanying notes.

**The RMR Group Inc.**  
**Condensed Consolidated Statements of Comprehensive Income**  
(amounts in thousands, except per share amounts)  
(unaudited)

	Three Months Ended December 31,	
	2018	2017
<b>Revenues:</b>		
Management services	\$ 47,488	\$ 48,570
Incentive business management fees	120,094	155,881
Advisory services	782	1,382
Total management and advisory services revenues	168,364	205,833
Reimbursable compensation and benefits	13,873	12,708
Other client company reimbursable expenses	98,076	—
Total reimbursable costs	111,949	12,708
Total revenues	280,313	218,541
<b>Expenses:</b>		
Compensation and benefits	28,012	26,197
Equity based compensation	1,811	2,721
Separation costs	6,397	—
Total compensation and benefits expense	36,220	28,918
General and administrative	7,320	6,706
Other client company reimbursable expenses	98,076	—
Transaction and acquisition related costs	184	142
Depreciation and amortization	255	380
Total expenses	142,055	36,146
Operating income	138,258	182,395
Interest and other income	1,526	784
Tax receivable agreement remeasurement	—	24,710
Income before income tax expense and equity in earnings (losses) of investees	139,784	207,889
Income tax expense	(18,970)	(48,343)
Unrealized loss on equity method investment accounted for under the fair value option	(2,769)	—
Equity in earnings (losses) of investees	35	(222)
Net income	118,080	159,324
Net income attributable to noncontrolling interest	(65,871)	(88,204)
Net income attributable to The RMR Group Inc.	\$ 52,209	\$ 71,120
<b>Other comprehensive (loss) income:</b>		
Foreign currency translation adjustments	\$ (4)	\$ —
Other comprehensive (loss) income	(4)	—
Comprehensive income	118,076	159,324
Comprehensive income attributable to noncontrolling interest	(65,869)	(88,204)
Comprehensive income attributable to RMR Inc.	\$ 52,207	\$ 71,120
Weighted average common shares outstanding - basic	16,120	16,060
Weighted average common shares outstanding - diluted	16,131	16,084
Net income attributable to The RMR Group Inc. per common share - basic	\$ 3.22	\$ 4.40
Net income attributable to The RMR Group Inc. per common share - diluted	\$ 3.22	\$ 4.39

See accompanying notes.

**The RMR Group Inc.**  
**Condensed Consolidated Statement of Shareholders' Equity**  
(dollars in thousands)  
(unaudited)

	Class A	Class B-1	Class B-2	Additional	Retained	Cumulative	Cumulative	Total	Noncontrolling	Total
	Common	Common	Common	Paid In	Earnings	Other	Common	Shareholders'	Interest	Equity
	Stock	Stock	Stock	Capital		Comprehensive	Distributions	Equity		Equity
						Income				
Balance at September 30, 2018	\$ 15	\$ 1	\$ 15	\$ 99,239	\$ 182,877	\$ 82	\$ (49,467)	\$ 232,762	\$ 201,899	\$ 434,661
Share grants, net	—	—	—	1,569	—	—	—	1,569	—	1,569
Net income	—	—	—	—	52,209	—	—	52,209	65,871	118,080
Tax distributions to Member	—	—	—	—	—	—	—	—	(8,037)	(8,037)
Common share distributions	—	—	—	—	—	—	(5,680)	(5,680)	(4,500)	(10,180)
Other comprehensive loss	—	—	—	—	—	(2)	—	(2)	(2)	(4)
Balance at December 31, 2018	\$ 15	\$ 1	\$ 15	\$ 100,808	\$ 235,086	\$ 80	\$ (55,147)	\$ 280,858	\$ 255,231	\$ 536,089
Balance at September 30, 2017	\$ 15	\$ 1	\$ 15	\$ 95,878	\$ 86,836	\$ 84	\$ (33,298)	\$ 149,531	\$ 140,132	\$ 289,663
Share grants, net	—	—	—	566	—	—	—	566	—	566
Net income	—	—	—	—	71,120	—	—	71,120	88,204	159,324
Fees from services provided prior to our IPO	—	—	—	—	—	—	—	—	(128)	(128)
Tax distributions to Member	—	—	—	—	—	—	—	—	(15,155)	(15,155)
Common share distributions	—	—	—	—	—	—	(4,041)	(4,041)	(3,750)	(7,791)
Balance at December 31, 2017	\$ 15	\$ 1	\$ 15	\$ 96,444	\$ 157,956	\$ 84	\$ (37,339)	\$ 217,176	\$ 209,303	\$ 426,479

See accompanying notes.

**The RMR Group Inc.**  
**Condensed Consolidated Statements of Cash Flows**  
(dollars in thousands)  
(unaudited)

	<b>Three Months Ended December 31,</b>	
	<b>2018</b>	<b>2017</b>
<b>Cash Flows from Operating Activities:</b>		
Net income	\$ 118,080	\$ 159,324
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	255	380
Straight line office rent	54	52
Amortization expense related to other asset	2,354	2,354
Deferred income taxes	(76)	20,150
Operating expenses paid in RMR Inc. common shares	1,569	566
Contingent consideration liability	—	(425)
Tax receivable agreement remeasurement	—	(24,710)
Distribution from equity method investments	—	50
Equity in (earnings) losses of investees	(35)	222
Unrealized loss on equity method investment accounted for under the fair value option	2,769	—
Changes in assets and liabilities:		
Due from related parties	(161,939)	(156,798)
Prepaid and other current assets	3,537	3,722
Accounts payable and accrued expenses	87,510	35,571
Net cash from operating activities	<u>54,078</u>	<u>40,458</u>
<b>Cash Flows from Investing Activities:</b>		
Purchase of property and equipment	(170)	(186)
Equity method investment in TA common shares	(8,382)	—
Net cash used in investing activities	<u>(8,552)</u>	<u>(186)</u>
<b>Cash Flows from Financing Activities:</b>		
Distributions to noncontrolling interest	(12,537)	(18,905)
Distributions to common shareholders	(5,680)	(4,041)
Net cash used in financing activities	<u>(18,217)</u>	<u>(22,946)</u>
Effect of exchange rate fluctuations on cash and cash equivalents	2	—
Increase in cash and cash equivalents	27,311	17,326
Cash and cash equivalents at beginning of period	256,848	108,640
Cash and cash equivalents at end of period	<u>\$ 284,159</u>	<u>\$ 125,966</u>
<b>Supplemental cash flow information:</b>		
Income taxes paid	<u>\$ 332</u>	<u>\$ 28</u>

See accompanying notes.

**The RMR Group Inc.**  
**Notes to Unaudited Condensed Consolidated Financial Statements**  
**(dollars in thousands, except per share amounts)**

**Note 1. Basis of Presentation**

The RMR Group Inc., or RMR Inc., is a holding company and substantially all of its business is conducted by its majority owned subsidiary The RMR Group LLC, or RMR LLC. RMR Inc. is a Maryland corporation and RMR LLC is a Maryland limited liability company. RMR Inc. serves as the sole managing member of RMR LLC and, in that capacity, operates and controls the business and affairs of RMR LLC. In these financial statements, unless otherwise indicated, "we", "us" and "our" refer to RMR Inc. and its direct and indirect subsidiaries, including RMR LLC.

As of December 31, 2018, RMR Inc. owned 15,229,687 class A membership units of RMR LLC, or Class A Units, and 1,000,000 class B membership units of RMR LLC, or Class B Units. The aggregate RMR LLC membership units RMR Inc. owns represented 52.0% of the economic interest of RMR LLC as of December 31, 2018. We refer to economic interest as the right of a holder of a Class A Unit or Class B Unit to share in distributions made by RMR LLC and, upon liquidation, dissolution or winding up of RMR LLC, to share in the assets of RMR LLC after payments to creditors. A wholly owned subsidiary of ABP Trust, a Maryland statutory trust, owns 15,000,000 redeemable Class A Units, representing 48.0% of the economic interest of RMR LLC as of December 31, 2018, which is presented as a noncontrolling interest within the condensed consolidated financial statements. Adam D. Portnoy, one of our Managing Directors, is the sole trustee of ABP Trust, and owns a majority of ABP Trust's voting securities.

RMR LLC was founded in 1986 to manage public investments in real estate and, as of December 31, 2018, managed a diverse portfolio of publicly owned real estate and real estate related businesses. RMR LLC provides management services to: Hospitality Properties Trust, or HPT, a publicly traded REIT that primarily owns hotel and travel center properties; Industrial Logistics Properties Trust, or ILPT, a publicly traded REIT that primarily owns and leases industrial and logistics properties; Office Properties Income Trust, or OPI, a publicly traded REIT that primarily owns office properties leased to single tenants and high credit quality tenants, including the government; and Senior Housing Properties Trust, or SNH, a publicly traded REIT that primarily owns senior living, medical office and life science properties. Until December 31, 2018, RMR LLC provided management services to Select Income REIT, or SIR. On December 31, 2018, SIR merged with and into a subsidiary of OPI (then named Government Properties Income Trust, or GOV) (the "GOV/SIR Merger"), which then merged with and into OPI, with OPI as the surviving entity. The combined company continues to be managed by RMR LLC pursuant to OPI's business and property management agreements with RMR LLC. HPT, ILPT, OPI, SNH and, until December 31, 2018, SIR are collectively referred to as the Managed Equity REITs.

RMR LLC also provides management services to other publicly traded and private businesses, including: Five Star Senior Living Inc., or Five Star, a publicly traded operator of senior living communities, many of which are owned by SNH; Sonesta International Hotels Corporation, or Sonesta, a privately owned franchisor and operator of hotels, resorts and cruise ships in the United States, Latin America, the Caribbean and the Middle East, some of whose U.S. hotels are owned by HPT; and TravelCenters of America LLC, or TA, an operator and franchisor of travel centers along the U.S. Interstate Highway System, many of which are owned by HPT, and restaurants. Hereinafter, Five Star, Sonesta and TA are collectively referred to as the Managed Operators. In addition, RMR LLC also provides management services to certain related private companies, including Affiliates Insurance Company, or AIC, an Indiana insurance company, ABP Trust and its subsidiaries, or collectively ABP Trust, and RMR Office Property Fund LP, or the Open End Fund.

RMR Advisors LLC, or RMR Advisors, is an investment adviser registered with the Securities and Exchange Commission, or SEC. RMR Advisors is a wholly owned subsidiary of RMR LLC and is the adviser to RMR Real Estate Income Fund, or RIF. RIF is a closed end investment company focused on investing in real estate securities, including REITs and other dividend paying securities, but excluding our Client Companies, as defined below.

Tremont Realty Advisors LLC, or Tremont Advisors, an investment adviser registered with the SEC, was founded in 2016 in connection with the acquisition of certain assets of Tremont Realty Capital LLC, or the Tremont business. Tremont Advisors is a wholly owned subsidiary of RMR LLC that manages accounts that invest in commercial real estate debt, including secured mortgage debt. Tremont Advisors also manages Tremont Mortgage Trust, or TRMT, a publicly traded mortgage real estate investment trust that focuses primarily on originating and investing in first mortgage loans secured by middle market and transitional commercial real estate.

**The RMR Group Inc.**  
**Notes to Unaudited Condensed Consolidated Financial Statements**  
**(dollars in thousands, except per share amounts)**

In these financial statements, we refer to the Managed Equity REITs, the Managed Operators, RIF, TRMT, AIC, ABP Trust, the Open End Fund and the clients of the Tremont business as our Client Companies. We refer to the Managed Equity REITs and TRMT collectively as the Managed REITs.

The accompanying condensed consolidated financial statements of RMR Inc. are unaudited. Certain information and disclosures required by U.S. generally accepted accounting principles, or GAAP, for complete financial statements have been condensed or omitted. We believe the disclosures made are adequate to make the information presented not misleading. However, the accompanying condensed consolidated financial statements should be read in conjunction with the financial statements and notes contained in our Annual Report on Form 10-K for the fiscal year ended September 30, 2018, or our Annual Report. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair statement of results for the interim period have been included. All intercompany transactions and balances with or among our consolidated subsidiaries have been eliminated. Our operating results for interim periods are not necessarily indicative of the results that may be expected for the full year. Reclassifications have been made to the prior year's condensed consolidated financial statements to conform to the current year's presentation.

Preparation of these financial statements in conformity with GAAP requires our management to make certain estimates and assumptions that may affect the amounts reported in these financial statements and related notes. The actual results could differ from these estimates.

**Note 2. Recent Accounting Pronouncements**

*Recently Adopted Accounting Pronouncements*

In May 2014, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Update, or ASU, No. 2014-09, *Revenue from Contracts with Customers*, which has been codified as Accounting Standard Codification, or ASC, 606. We adopted ASC 606 effective October 1, 2018 using the modified retrospective method for all our existing contracts. The main provision of ASC 606 is to recognize revenue when control of the goods or services transfers to the customer, as opposed to the existing guidance of recognizing revenue when the risk and rewards transfer to the customer. Under ASC 606, control of the services before transfer to the client is the primary factor in determining principal versus agent assessments. Based on our evaluation of ASC 606, we have determined that we control the services provided by third parties for our Client Companies. Accordingly, we will account for the cost of services provided by third parties and the related reimbursement revenue on a gross basis. Prior to adoption, costs of such services were accounted for on a net basis, with the exception of amounts related to reimbursed payroll. As a result of adopting ASC 606, our condensed consolidated statements of comprehensive income reflect an increase of \$98,076 of other client company reimbursable expenses as revenue and costs for the three months ended December 31, 2018 compared to the same period last year, with no impact on net income. Our condensed consolidated balance sheets as of December 31, 2018 also include other client company reimbursable expenses due from related parties and a related liability in accounts payable and accrued expenses of \$47,195.

*Recent Accounting Pronouncements Not Yet Adopted*

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). ASU No. 2016-02 requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase of the leased asset by the lessee. This classification will determine whether the lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right of use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. ASU No. 2016-02 is effective for reporting periods beginning after December 15, 2018, with early adoption permitted. The effective date for RMR will be the first day of fiscal year 2020 (October 1, 2019). We are currently assessing the potential impact of the adoption of ASU No. 2016-02 will have on our condensed consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments-Credit Losses (Topic 326) : Measurement of Credit Losses on Financial Instruments*, which requires that entities use a new forward looking "expected loss" model that generally will result in the earlier recognition of allowance for credit losses. The measurement of expected credit losses is based upon historical experience, current conditions and reasonable and supportable forecasts that affect the collectability of the

**The RMR Group Inc.**  
**Notes to Unaudited Condensed Consolidated Financial Statements**  
**(dollars in thousands, except per share amounts)**

reported amount. ASU No. 2016-13 will become effective for fiscal years beginning after December 15, 2019. We are continuing to assess this guidance, but we have not historically experienced credit losses from our Client Companies and do not expect the adoption of ASU No. 2016-13 to have a material impact on our condensed consolidated financial statements.

In June 2018, the FASB issued ASU No. 2018-7, *Compensation-Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting*, which aligns the measurement and classification guidance for share-based payments to nonemployees with the guidance for share-based payments to employees, with certain exceptions. ASU No. 2018-7 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, with early adoption permitted. We are currently assessing the potential impact the adoption of ASU No. 2018-7 will have on our condensed consolidated financial statements.

**Note 3. Revenue Recognition**

Business Management Fees—Managed Equity REITs

We earn annual base business management fees from the Managed Equity REITs by providing continuous services pursuant to business management agreements equal to the lesser of:

- the sum of (a) 0.5% of the historical cost of transferred real estate assets, if any, as defined in the applicable business management agreement, plus (b) 0.7% of the average invested capital (exclusive of the transferred real estate assets), as defined in the applicable business management agreement, up to \$250,000, plus (c) 0.5% of the average invested capital exceeding \$250,000; and
- the sum of (a) 0.7% of the average market capitalization, as defined in the applicable business management agreement, up to \$250,000, plus (b) 0.5% of the average market capitalization exceeding \$250,000.

The foregoing base business management fees are paid monthly in arrears, based on the lower of the Managed Equity REIT's monthly average historical costs of assets under management and average market capitalization during the month. For purposes of these fees, a Managed Equity REIT's assets under management do not include shares it owns of another Client Company.

For the three months ended December 31, 2018 and 2017, we earned aggregate base business management fees from the Managed Equity REITs of \$28,271 and \$30,602, respectively.

Incentive Business Management Fees—Managed Equity REITs

We also may earn annual incentive business management fees from the Managed Equity REITs under the business management agreements. The incentive business management fees are contingent performance based fees which are only recognized when earned at the end of each respective measurement period. As part of our adoption of ASC 606, incentive business management fees are excluded from the transaction price until it becomes probable that there will not be a significant reversal of cumulative revenue recognized.

The incentive fees are calculated for each Managed Equity REIT as 12.0% of the product of (a) the equity market capitalization of the Managed Equity REIT, as defined in the applicable business management agreement, on the last trading day of the year immediately prior to the relevant measurement period and (b) the amount, expressed as a percentage, by which the Managed Equity REIT's total return per share, as defined in the applicable business management agreement, exceeded the applicable benchmark total return per share, as defined in the applicable business management agreement, of a specified REIT index identified in the applicable business management agreement for the measurement period, as adjusted for net share issuances during the period and subject to caps on the values of the incentive fees. The measurement periods for the annual incentive business management fees in respect of calendar years 2018 and 2017 were the three calendar year periods that ended on December 31, 2018 and 2017, respectively, except for ILPT, whose annual incentive business management fee is based on a shorter period from its initial public offering (January 12, 2018) through the calendar year ended December 31, 2018). On December 31, 2018, RMR LLC's business management agreements with ILPT and OPI were amended to provide that, for periods beginning on and after January 1, 2019, the SNL U.S. Industrial REIT Index and the SNL U.S. Office REIT Index will be used by ILPT and OPI, respectively, rather than the SNL U.S. REIT Equity Index, to calculate the benchmark return per share, as defined, for purposes of determining the incentive management fee, if any, payable thereunder.

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**Notes to Unaudited Condensed Consolidated Financial Statements**  
**(dollars in thousands, except per share amounts)**

For the three months ended December 31, 2018 and 2017, we recognized aggregate incentive business management fees earned from the Managed Equity REITs of \$120,094 and \$155,881, respectively.

Management Agreements—Managed Operators, ABP Trust, AIC and the Open End Fund

We earn management fees by providing continuous services pursuant to the management agreements from the Managed Operators and ABP Trust equal to 0.6% of: (i) in the case of Five Star, Five Star's revenues from all sources reportable under GAAP, less any revenues reportable by Five Star with respect to properties for which it provides management services, plus the gross revenues at those properties determined in accordance with GAAP, (ii) in the case of Sonesta, Sonesta's revenues from all sources reportable under GAAP, less any revenues reportable by Sonesta with respect to hotels for which it provides management services, plus the gross revenues at those hotels determined in accordance with GAAP, (iii) in the case of TA, the sum of TA's gross fuel margin, as defined in the applicable agreement, plus TA's total nonfuel revenues and (iv) in the case of ABP Trust, revenues from all sources reportable under GAAP. These fees are estimated and payable monthly in advance.

We earn fees from AIC pursuant to a management agreement equal to 3.0% of its total premiums paid under active insurance underwritten or arranged by AIC.

We earn fees from the Open End Fund by providing a continuing and suitable real estate investment program consistent with the Open End Fund's real estate investment policies and objectives pursuant to an administration services agreement. We earn fees equal to 1.0% of the Open End Fund's net asset value, as defined, annually. These fees are payable quarterly in arrears.

We earned aggregate fees from the Managed Operators, ABP Trust, AIC and the Open End Fund of \$7,395 and \$6,872 for the three months ended December 31, 2018 and 2017, respectively.

Property Management Fees

We earned property management fees by providing continuous services pursuant to property management agreements with certain Client Companies. We generally earn fees under these agreements equal to 3.0% of gross collected rents. Also, under the terms of the property management agreements, we receive additional fees for construction supervision in connection with certain construction activities undertaken at the managed properties equal to 5.0% of the cost of such construction. We earned aggregate property management fees of \$11,770 and \$10,858 for the three months ended December 31, 2018 and 2017, respectively.

Reimbursable Compensation and Benefits

Our reimbursable compensation and benefits include reimbursements that arise from services we provide pursuant to our property management agreements, a significant portion of which are charged or passed through to and were paid by tenants of our Client Companies. We realized reimbursable compensation and benefits of \$13,873 and \$12,708 for the three months ended December 31, 2018 and 2017, respectively.

Our reimbursable compensation and benefits include grants of common shares from Client Companies directly to certain of our officers and employees in connection with the provision of management services to those companies. The revenue in respect of each grant is based on the fair value as of the grant date for those shares that have vested, with subsequent changes in the fair value of the unvested grants being recognized in our condensed consolidated statements of comprehensive income over the requisite service periods. We record an equal offsetting amount as equity based compensation expense for all of our payroll and related cost revenues. We realized equity based compensation expense and related reimbursements of \$1,316 and \$2,155 for the three months ended December 31, 2018 and 2017, respectively.

Advisory Services and Other Agreements

RMR Advisors is compensated for providing continuous services to RIF pursuant to its agreement and is compensated at an annual rate of 0.85% of RIF's average daily managed assets, as defined in the agreement. Average daily managed assets includes the net asset value attributable to RIF's outstanding common shares, plus the liquidation preference of RIF's outstanding preferred shares, plus the principal amount of any borrowings, including from banks or evidenced by notes,

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commercial paper or other similar instruments issued by RIF. RMR Advisors earned advisory services revenue of \$733 and \$729 for the three months ended December 31, 2018 and 2017 respectively.

Tremont Advisors is primarily compensated pursuant to its management agreement with TRMT at an annual rate of 1.5% of TRMT's equity, as defined in the agreement. Tremont Advisors may also earn an incentive fee under this management agreement beginning in the fourth quarter of calendar year 2018. In June 2018, Tremont Advisors agreed to waive any business management fees otherwise due and payable by TRMT pursuant to the management agreement for the period beginning July 1, 2018 until June 30, 2020. In addition, no incentive fee will be paid or payable by TRMT to Tremont Advisors for the 2018 or 2019 calendar years.

Tremont Advisors earned advisory services revenue of \$49 and \$653 for the three months ended December 31, 2018 and 2017, respectively.

The Tremont business also acts as a transaction originator for non-investment advisory clients for negotiated fees. The Tremont business earned between 0.50% and 1.0% of the aggregate principal amounts of any loans so originated. For the three months ended December 31, 2018 and 2017, the Tremont business earned fees for such origination services of \$52 and \$238, respectively, which amounts are included in management services revenue in our condensed consolidated statements of comprehensive income.

**Note 4. Equity Investments**

As of December 31, 2018, Tremont Advisors owned 600,100, or approximately 18.9%, of TRMT's outstanding common shares, with a carrying value of \$7,086 and a market value of \$5,431. We account for our investment in TRMT using the equity method of accounting because we are deemed to exert significant influence, but not control, over, TRMT's most significant activities. Our share of net income from our investment in TRMT is included in equity in earnings of investees in our condensed consolidated statements of comprehensive income for the three months ended December 31, 2018 was \$35. Our share of net losses from our investment in TRMT included in equity in losses of investees in our condensed consolidated statements of comprehensive income for the three months ended December 31, 2017 was \$201.

On October 10, 2018 we purchased 1,492,691 TA common shares for a purchase price of \$8,382. We account for our investment in TA using the equity method of accounting because we are deemed to exert significant influence, but not control, over, TA's most significant activities. We have elected the fair value option to account for our equity method investment in TA. We determined fair value using the closing price of TA's common shares as of December 31, 2018, which is a Level 1 fair value measurement. The market value of our investment in TA at December 31, 2018, based on quoted market price, is \$5,613. The unrealized loss in our condensed consolidated statements of comprehensive income for the three months ended December 31, 2018 was \$2,769.

We also have a 0.5% general partnership interest in a fund created for an institutional investor that is managed by Tremont Advisors. We account for this investment under the equity method of accounting and record our share of the investment's earnings or losses each period. This fund is in the process of winding down, and we did not record earnings or losses of investees for this investment during the three months ended December 31, 2018. Our share of net losses from this fund included in equity in losses of investees in our condensed consolidated statements of comprehensive income for the three months ended December 31, 2017 was \$21.

**Note 5. Income Taxes**

We are the sole managing member of RMR LLC. We are a corporation subject to U.S. federal and state income tax with respect to our allocable share of any taxable income of RMR LLC and its tax consolidated subsidiaries. RMR LLC is treated as a partnership for U.S. federal and most applicable state and local income tax purposes. As a partnership, RMR LLC is generally not subject to U.S. federal and most state income taxes. Any taxable income or loss generated by RMR LLC is passed through to and included in the taxable income or loss of its members, including RMR Inc. and ABP Trust, based on each member's respective ownership percentage.

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act, or the Tax Act. The Tax Act significantly revised the U.S. corporate income tax system, by among other things, lowering corporate income tax rates. Since we have a September 30 fiscal year end, the lower corporate income tax rate of

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21.0% was phased in, resulting in a federal statutory tax rate of approximately 24.5% for our fiscal year ending September 30, 2018. The new corporate income tax rate of 21.0% is effective for fiscal years thereafter, beginning October 1, 2018. The Tax Act reduction in corporate income tax rate also caused us to adjust our deferred tax asset to the lower federal base rates, resulting in an increase in income tax expense of \$19,817, for the three months ended December 31, 2017.

For the three months ended December 31, 2018 and 2017, we recognized estimated income tax expense of \$18,970 and \$48,343, respectively, which includes \$13,842 and \$37,730, respectively, of U.S. federal income tax and \$5,128 and \$10,613, respectively, of state income taxes.

A reconciliation of the statutory income tax rate to the effective tax rate is as follows:

	Three Months Ended December 31,	
	2018	2017
Income taxes computed at the federal statutory rate	21.0 %	24.5 %
State taxes, net of federal benefit	3.0 %	2.5 %
Tax Cuts and Jobs Act transitional impact <sup>(1)</sup>	— %	9.6 %
Permanent items <sup>(2)</sup>	(0.1)%	(2.9)%
Net income attributable to noncontrolling interest	(10.1)%	(10.4)%
Total	13.8 %	23.3 %

- (1) Transitional impact for the three months ending December 31, 2017 is the \$19,817 adjustment to our deferred tax asset due to the reduction in our corporate income tax rate under the Tax Act.
- (2) Permanent items for the three months ending December 31, 2017 include the \$24,710 reduction in our liability related to the tax receivable agreement with ABP Trust discussed in Note 7, *Related Person Transactions*.

ASC 740, *Income Taxes*, provides a model for how a company should recognize, measure and present in its financial statements uncertain tax positions that have been taken or are expected to be taken with respect to all open years and in all significant jurisdictions. Pursuant to this topic, we recognize a tax benefit only if it is “more likely than not” that a particular tax position will be sustained upon examination or audit. To the extent the “more likely than not” standard has been satisfied, the benefit associated with a tax position is measured as the largest amount that is greater than 50% likely of being realized upon settlement. As of December 31, 2018 and September 30, 2018, we had no uncertain tax positions.

#### **Note 6. Fair Value of Financial Instruments**

As of December 31, 2018 and September 30, 2018, the fair values of our financial instruments, which include cash and cash equivalents, amounts due from related parties and accounts payable and accrued expenses, were not materially different from their carrying values due to the short term nature of these financial instruments.

#### *Recurring Fair Value Measures*

On a recurring basis we measure certain financial assets and financial liabilities at fair value based upon quoted market prices. ASC 820, *Fair Value Measurements*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1), and the lowest priority to unobservable inputs (Level 3). A financial asset’s or financial liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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*Level 1 Estimates*

The following are our assets and liabilities that all have been measured at fair value using Level 1 inputs in the fair value hierarchy as of December 31, 2018 and September 30, 2018 :

	December 31, 2018	September 30, 2018
Money market funds included in cash and cash equivalents	\$ 283,604	\$ 253,876
Current portion of due from related parties related to share based payment awards	2,613	4,986
Long term portion of due from related parties related to share based payment awards	5,131	8,183
Current portion of employer compensation liability related to share based payment awards included in accounts payable and accrued expenses	2,613	4,986
Long term portion of employer compensation liability related to share based payment awards	5,131	8,183

**Note 7. Related Person Transactions**

Adam D. Portnoy, one of our Managing Directors, is the sole trustee of ABP Trust, and owns a majority of ABP Trust's voting securities. As of December 31, 2018, he beneficially owned, in aggregate, (i) 132,002 shares of Class A common stock of RMR Inc., or Class A Common Shares; (ii) all the outstanding shares of Class B-1 common stock of RMR Inc., or Class B-1 Common Shares; (iii) all the outstanding shares of Class B-2 common stock of RMR Inc., or Class B-2 Common Shares; and (iv) 15,000,000 Class A Units of RMR LLC. Adam D. Portnoy and Jennifer B. Clark, our other Managing Director, are also officers of ABP Trust and RMR Inc. and officers and employees of RMR LLC.

Adam D. Portnoy is also a managing trustee or managing director of each of the Managed REITs, Five Star, RIF and TA, a director of AIC and the majority owner and director of Sonesta. Jennifer B. Clark, our other Managing Director, is a managing trustee of RIF and SNH, president of AIC and a director of Sonesta. As of December 31, 2018, HPT, OPI and SNH owned 2,503,777, 2,801,061 and 2,637,408 Class A Common Shares, respectively, and Adam D. Portnoy beneficially owned, in aggregate, 35.7% of Five Star's outstanding common shares, 1.1% of HPT's outstanding common shares, 1.2% of ILPT's outstanding common shares, 1.5% of OPI's outstanding common shares, 1.1% of SNH's outstanding common shares, 4.0% of TA's outstanding common shares (through RMR LLC), 2.2% of RIF's outstanding common shares, and 18.9% of TRMT's outstanding common shares (through Tremont Advisors).

All the officers of the Managed Equity REITs, AIC and the Open End Fund are officers or employees of RMR LLC. All of TRMT's officers are officers or employees of Tremont Advisors or RMR LLC. Many of the executive officers of the Managed Operators are officers or employees of RMR LLC. All of RIF's officers are officers or employees of RMR Advisors or RMR LLC. Some of our executive officers are also managing directors or managing trustees of certain of the Managed REITs, the Managed Operators and RIF.

As of December 31, 2018, ABP Trust owned 14.3% of AIC and 206,300 limited partner units of the Open End Fund and RMR LLC owned no limited partnership units, but has committed to contributing \$100,000 to the Open End Fund. The general partner of the Open End Fund is a subsidiary of ABP Trust.

Additional information about our related person transactions appears in Note 8, *Distributions*, below and in our 2018 Annual Report.

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*Revenues from Related Parties*

For the three months ended December 31, 2018 and 2017, we recognized revenues from related parties as set forth in the following table:

	Three Months Ended December 31,			
	2018 <sup>(1)(2)</sup>		2017 <sup>(2)</sup>	
	\$	%	\$	%
<b>Managed Equity REITs:</b>				
HPT <sup>(3)</sup>	\$ 66,395	23.7%	\$ 86,066	39.4%
ILPT	8,460	3.0	—	—
OPI <sup>(4)</sup>	56,243	20.1	13,509	6.2
SIR <sup>(3)</sup>	47,843	17.1	36,990	16.9
SNH <sup>(3)</sup>	85,979	30.7	71,545	32.7
	<u>264,920</u>	<u>94.6</u>	<u>208,110</u>	<u>95.2</u>
<b>Managed Operators:</b>				
Five Star	2,413	0.9	2,690	1.2
Sonesta	757	0.3	568	0.3
TA	3,853	1.4	3,771	1.7
	<u>7,023</u>	<u>2.6</u>	<u>7,029</u>	<u>3.2</u>
<b>Client Companies:</b>				
ABP Trust	3,335	1.2	1,279	0.6
AIC	60	—	60	—
Open End Fund	3,477	1.2	—	—
RIF	733	0.2	729	0.4
TRMT	695	0.2	706	0.3
	<u>8,300</u>	<u>2.8</u>	<u>2,774</u>	<u>1.3</u>
Total revenues from related parties	<u>280,243</u>	<u>100.0</u>	<u>217,913</u>	<u>99.7</u>
Other unrelated parties	70	—	628	0.3
	<u>\$ 280,313</u>	<u>100.0%</u>	<u>\$ 218,541</u>	<u>100.0%</u>

- (1) Revenues from related parties for the three months ended December 31, 2018 includes other client company reimbursable expenses of \$98,076 recognized due to the adoption of ASC 606 as summarized in Note 2, *Recent Accounting Pronouncements*.
- (2) Revenues from related parties for the three months ended December 31, 2018 and December 31, 2017 include \$13,873 and \$12,708 of reimbursable compensation and benefits, respectively.
- (3) The amounts for the three months ended December 31, 2018 include incentive business management fees of \$53,635, \$25,817 and \$40,642, which we earned from HPT, SIR and SNH, respectively, and which were paid in January 2019. The amounts for the three months ended December 31, 2017 include incentive business management fees of \$74,572, \$25,569 and \$55,740, which RMR LLC earned from HPT, SIR and SNH, respectively, and which were paid in January 2018.
- (4) SIR merged with and into a subsidiary of OPI on December 31, 2018. This table presents revenues from SIR separately as they relate to periods prior to this merger.

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*Amounts Due From Related Parties*

The following table represents amounts due from related parties as of the dates indicated:

	December 31, 2018	September 30, 2018
<b>Managed Equity REITs:</b>		
HPT <sup>(1)</sup>	\$ 63,239	\$ 8,391
ILPT <sup>(1)</sup>	4,055	2,692
OPI <sup>(1)(2)</sup>	65,085	7,870
SIR <sup>(2)</sup>	—	5,887
SNH <sup>(1)</sup>	58,175	9,705
	190,554	34,545
<b>Managed Operators:</b>		
Five Star	205	281
Sonesta	21	30
TA	637	599
	863	910
<b>Client Companies:</b>		
ABP Trust <sup>(1)</sup>	1,400	383
AIC	27	20
Open End Fund <sup>(1)</sup>	2,284	608
RIF	28	31
TRMT <sup>(1)</sup>	760	532
	4,499	1,574
	\$ 195,916	\$ 37,029

- (1) HPT, ILPT, OPI, SNH, ABP Trust, AIC, the Open End Fund and TRMT amounts include other client company reimbursable expenses of \$2,702 , \$1,758 , \$29,864 , \$10,004 , \$1,112 , \$7 , \$1,470 and \$278 , respectively.
- (2) As a result of the GOV/SIR Merger, OPI succeeded to SIR's rights and obligations. As a result, OPI is obligated to pay to RMR LLC all amounts due from SIR as of December 31, 2018 will be reimbursed to RMR LLC by OPI.

*Leases*

As of December 31, 2018 , RMR LLC leased from ABP Trust and certain Managed Equity REITs office space for use as our headquarters and local offices. We incurred rental expense under related party leases aggregating \$1,287 and \$1,028 for the three months ended December 31, 2018 and 2017 , respectively.

*Tax Related Payments*

Pursuant to our tax receivable agreement with ABP Trust, RMR Inc. pays to ABP Trust 85.0% of the amount of cash savings, if any, in U.S. federal, state and local income tax or franchise tax that RMR Inc. realizes as a result of (a) the increases in tax basis attributable to our dealings with ABP Trust and (b) tax benefits related to imputed interest deemed to be paid by us as a result of the tax receivable agreement. In connection with the Tax Act and the resulting lower corporate income tax rates applicable to RMR Inc., we remeasured the amounts due pursuant to our tax receivable agreement with ABP Trust and reduced our liability by \$24,710 , or \$1.53 per share, which is presented in our condensed consolidated statements of comprehensive income for the three months ended December 31, 2017 as tax receivable agreement remeasurement. As of December 31, 2018 , our condensed consolidated balance sheet reflects a liability related to the tax receivable agreement of \$34,327 , including \$2,279 classified as a current liability that we expect to pay to ABP Trust during the fourth quarter of fiscal year 2019.

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Under the RMR LLC operating agreement, RMR LLC is also required to make certain pro rata distributions to each member of RMR LLC quarterly on the basis of the estimated tax liabilities of its members estimated quarterly, subject to future adjustment based on actual results. For the three months ended December 31, 2018 and 2017, pursuant to the RMR LLC operating agreement, RMR LLC made required quarterly tax distributions to holders of its membership units totaling \$16,722 and \$31,488, respectively, of which \$8,685 and \$16,333, respectively, was distributed to us and \$8,037 and \$15,155, respectively, was distributed to ABP Trust, based on each membership unit holder's respective ownership percentage. The amounts distributed to us were eliminated in our condensed consolidated financial statements, and the amounts distributed to ABP Trust were recorded as a reduction of its noncontrolling interest. We used funds from these distributions to pay certain of our U.S. federal and state income tax liabilities and to pay part of our obligations under the tax receivable agreement. Incentive business management fees earned for the calendar year 2018 were higher than estimated; as a result, tax distributions are expected to increase during calendar year 2019.

*Termination of SIR Management Agreements and Waiver of Termination Fees in Connection with GOV-SIR Merger*

Effective upon consummation of the GOV/SIR Merger, SIR terminated its business and property management agreements with RMR LLC for convenience, and RMR LLC waived its right to receive payment of the termination fee that would otherwise be due pursuant to each such agreement upon such termination.

*Credit agreement between TRMT and Tremont Advisors*

On February 4, 2019, TRMT entered into a credit agreement, or the Credit Agreement, with Tremont Advisors as the lender, pursuant to which TRMT may, from time to time within six months after entering into the Credit Agreement, borrow amounts up to \$25,000 in unsecured loans at a fixed rate of six and one-half percent ( 6.5% ) per annum. The Credit Agreement contains customary representations, covenants and events of default and is subordinated in right of payment to TRMT's master repurchase facility. The Credit Agreement matures on the later of February 4, 2022 or 30 days following maturity of TRMT's secured financing arrangements, as defined. The Credit Agreement requires TRMT to prepay any amount borrowed upon public issuance of equity interest or issuance of preferred equity, as defined.

*Other*

Effective November 30, 2018, John C. Popeo resigned from his positions as an Executive Vice President of RMR LLC, as managing trustee, president and chief executive officer of ILPT and as chief financial officer and treasurer of SIR. In connection with his retirement, RMR LLC entered into a retirement agreement with Mr. Popeo on October 24, 2018, pursuant to which, subject to the terms thereof, RMR LLC paid him approximately \$963 in cash following his resignation as an Executive Vice President of RMR LLC on November 30, 2018 and will pay him an additional approximately \$963 in cash following his resignation as an employee of RMR LLC on March 31, 2019. In addition, all of our unvested Class A Common Shares previously awarded to Mr. Popeo will fully accelerate on March 31, 2019, subject to conditions. As of December 31, 2018 there remained no further substantive performance obligations and we in turn recognized all provisions of the retirement agreement in our condensed consolidated statements of comprehensive income as separation costs, which included \$1,953 of cash separation costs and \$537 of equity based compensation related to Mr. Popeo's retirement.

Effective December 31, 2018, Mark L. Kleifges resigned from his position as an Executive Vice President of RMR LLC, as managing trustee, chief financial officer and treasurer of GOV and RIF, as chief financial officer and treasurer of HPT and as president and chief executive officer of RMR Advisors. In connection with his retirement, RMR LLC entered into a retirement agreement with Mr. Kleifges on October 24, 2018, pursuant to which, subject to the terms thereof, RMR LLC paid him approximately \$1,594 in cash following his resignation as an Executive Vice President of RMR LLC on December 31, 2018 and will pay him an additional approximately \$1,594 in cash following his resignation as an employee of RMR LLC on June 30, 2019. In addition, all of our unvested Class A Common Shares previously awarded to Mr. Kleifges will fully accelerate on June 30, 2019, subject to conditions. As of December 31, 2018 there remained no further substantive performance obligations and we in turn recognized all provisions of the retirement agreement in our condensed consolidated statements of comprehensive income as separation costs, which included \$3,234 of cash separation costs and \$537 of equity based compensation related to Mr. Kleifges' retirement.

Effective December 31, 2018, Bruce J. Mackey Jr. resigned from his positions as Executive Vice President of RMR LLC and president and chief executive officer of Five Star. In connection with his resignation, Five Star and RMR LLC entered into a separation agreement with Mr. Mackey on December 11, 2018, pursuant to which Mr. Mackey will remain an employee

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of Five Star and RMR LLC until December 31, 2019, or such earlier date as he may elect. Under his separation agreement, following his resignation, Mr. Mackey received a cash payment from Five Star in the amount of \$600 . In addition, he will also receive in 2019 release payments in the aggregate amount of \$550 . RMR LLC will pay 20% and Five Star will pay 80% of the release payments. In addition, all of our unvested Class A Common Shares previously awarded to Mr. Mackey will fully accelerate upon the date of his separation from Five Star, subject to conditions. For the three months ended December 31, 2018 , we recorded \$125 of separation costs related to Mr. Mackey's retirement.

We also recognized separation costs of \$11 in connection with other non-executive employees of RMR LLC for the three months ended December 31, 2018 .

**Note 8. Distributions**

On November 15, 2018 , we paid a quarterly dividend on our Class A Common Shares and Class B-1 Common Shares, in the amount of \$0.35 per Class A Common Share and Class B-1 Common Share, or \$5,680 . This dividend was paid to our shareholders of record as of the close of business on October 29, 2018 . This dividend was funded by a distribution from RMR LLC to holders of its membership units in the amount of \$0.30 per unit, or \$9,369 , of which \$4,869 was distributed to us based on our then aggregate ownership of 16,229,957 membership units of RMR LLC and \$4,500 was distributed to ABP Trust based on its ownership of 15,000,000 membership units of RMR LLC. The remainder of this dividend was funded with cash accumulated at RMR Inc.

On January 18, 2019 , we declared a quarterly dividend on our Class A Common Shares and Class B-1 Common Shares payable to our shareholders of record as of January 28, 2019 , in the amount of \$0.35 per Class A Common Share and Class B-1 Common Share, or \$5,680 . This dividend will be funded by a distribution from RMR LLC to holders of its membership units in the amount of \$0.30 per unit, or \$9,369 , of which \$4,869 will be distributed to us based on our expected then aggregate ownership of 16,229,687 membership units of RMR LLC and \$4,500 will be distributed to ABP Trust based on its ownership of 15,000,000 membership units of RMR LLC. The remainder of this dividend will be funded with cash accumulated at RMR Inc. We expect to pay this dividend on our about February 21, 2019 .

**Note 9. Per Common Share Amounts**

Earnings per common share reflects net income attributable to RMR Inc. divided by our weighted average common shares outstanding. Basic and diluted weighted average common shares outstanding represents our outstanding Class A Common Shares and our Class B-1 Common Shares during the applicable periods. Our Class B-2 Common Shares, which are paired with ABP Trust's Class A Units, have no independent economic interest in RMR Inc. and thus are not included as common shares outstanding for purposes of calculating our net income attributable to RMR Inc. per share.

Unvested Class A Common Shares granted to our employees are deemed participating securities for purposes of calculating earnings per common share, as they have dividend rights. We calculate earnings per share using the two-class method. Under the two-class method, we allocate earnings proportionately to vested Class A Common Shares and Class B-1 Common Shares outstanding and unvested Class A Common Shares outstanding for the period. Earnings attributable to unvested Class A Common Shares are excluded from earnings per share under the two-class method as reflected in our condensed consolidated statements of comprehensive income.

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The calculation of basic and diluted earnings per share is as follows:

	<b>Three Months Ended December 31,</b>	
	<b>2018</b>	<b>2017</b>
<b>Basic EPS</b>		
Numerator:		
Net income attributable to RMR Inc.	\$ 52,209	\$ 71,120
Income attributable to unvested participating securities	(353)	(457)
Net income attributable to RMR Inc. used in calculating basic EPS	<u>\$ 51,856</u>	<u>\$ 70,663</u>
Denominator:		
Weighted average common shares outstanding - basic	16,120	16,060
Net income attributable to RMR Inc. per common share - basic	<u>\$ 3.22</u>	<u>\$ 4.40</u>
<b>Diluted EPS</b>		
Numerator:		
Net income attributable to RMR Inc.	\$ 52,209	\$ 71,120
Income attributable to unvested participating securities	(353)	(457)
Net income attributable to RMR Inc. used in calculating diluted EPS	<u>\$ 51,856</u>	<u>\$ 70,663</u>
Denominator:		
Weighted average common shares outstanding - basic	16,120	16,060
Dilutive effect of incremental unvested shares	11	24
Weighted average common shares outstanding - diluted	<u>16,131</u>	<u>16,084</u>
Net income attributable to RMR Inc. per common share - diluted	<u>\$ 3.22</u>	<u>\$ 4.39</u>

The 15,000,000 Class A Units that we do not own may be redeemed for our Class A Common Shares on a one for one basis, or upon such redemption, we may elect to pay cash instead of issuing Class A Common Shares. Upon redemption of a Class A Unit, our Class B-2 Common Shares “paired” with such unit is canceled for no additional consideration. If all outstanding Class A Units that we do not own had been redeemed for our Class A Common Shares in the periods presented, our Class A Common Shares outstanding as of December 31, 2018, would have been 30,229,687. In computing the dilutive effect, if any, that the aforementioned redemption would have on earnings per share, we considered that net income available to holders of our Class A Common Shares would increase due to elimination of the noncontrolling interest (including any tax impact). For the periods presented, such redemption is not reflected in diluted earnings per share as the assumed redemption would be anti-dilutive.

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**Note 10. Net Income Attributable to RMR Inc.**

Net income attributable to RMR Inc. for the three months ended December 31, 2018 and 2017, is calculated as follows:

	<b>Three Months Ended December 31,</b>	
	<b>2018</b>	<b>2017</b>
Income before income tax expense and equity in losses of investees	\$ 139,784	\$ 207,889
Add: RMR Inc. franchise tax expense and interest income	94	159
Less: tax receivable agreement remeasurement	—	(24,710)
Less: unrealized loss on equity method investment accounted for under the fair value option	(2,769)	—
Less: equity in losses of investees	35	(222)
Less: fees from services provided prior to June 5, 2015	—	(128)
Net income before noncontrolling interest	137,144	182,988
Less: net income attributable to noncontrolling interest	(65,871)	(88,076)
Net income attributable to RMR Inc. before income tax expense	71,273	94,912
Add: tax receivable agreement remeasurement	—	24,710
Less: income tax expense attributable to RMR Inc.	(18,970)	(48,343)
Less: RMR Inc. franchise tax expense and interest income	(94)	(159)
Net income attributable to RMR Inc.	<u>\$ 52,209</u>	<u>\$ 71,120</u>

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**Note 11. Segment Reporting**

We have one separately reportable business segment, which is RMR LLC. In the tables below, our All Other Operations includes the operations of RMR Inc., RMR Advisors and Tremont Advisors.

	Three months ended December 31, 2018		
	RMR LLC <sup>(1)</sup>	All Other Operations	Total
<b>Revenues:</b>			
Management services	\$ 47,488	\$ —	\$ 47,488
Incentive business management fees	120,094	—	120,094
Advisory services	—	782	782
Total management and advisory services revenues	167,582	782	168,364
Reimbursable compensation and benefits	13,308	565	13,873
Other client company reimbursable expenses	98,076	—	98,076
Total reimbursable costs	111,384	565	111,949
Total revenues	278,966	1,347	280,313
<b>Expenses:</b>			
Compensation and benefits	26,425	1,587	28,012
Equity based compensation	1,784	27	1,811
Separation costs	6,397	—	6,397
Total compensation and benefits expense	34,606	1,614	36,220
General and administrative	6,385	935	7,320
Other client company reimbursable expenses	98,076	—	98,076
Transaction and acquisition related costs	184	—	184
Depreciation and amortization	242	13	255
Total expenses	139,493	2,562	142,055
Operating income (loss)	139,473	(1,215)	138,258
Interest and other income	1,373	153	1,526
Income (loss) before income tax expense and equity in losses of investees	140,846	(1,062)	139,784
Income tax expense	—	(18,970)	(18,970)
Unrealized loss on equity investment accounted for under the fair value option	(2,769)	—	(2,769)
Equity in losses of investees	—	35	35
Net income (loss)	\$ 138,077	\$ (19,997)	\$ 118,080
 Total Assets:	 \$ 625,116	 \$ 65,183	 \$ 690,299

(1) Intersegment revenues of \$848 recognized by RMR LLC for services provided to the All Other Operations segment have been eliminated in the condensed consolidated financial statements.

**The RMR Group Inc.**  
**Notes to Unaudited Condensed Consolidated Financial Statements**  
(dollars in thousands, except per share amounts)

	Three Months Ended December 31, 2017		
	RMR LLC <sup>(1)</sup>	All Other Operations	Total
<b>Revenues:</b>			
Management services	\$ 48,570	\$ —	\$ 48,570
Incentive business management fees	155,881	—	155,881
Advisory services	—	1,382	1,382
Total management and advisory services revenues	204,451	1,382	205,833
Reimbursable compensation and benefits	12,089	619	12,708
Total reimbursable costs	12,089	619	12,708
<b>Total revenues</b>	<b>216,540</b>	<b>2,001</b>	<b>218,541</b>
<b>Expenses:</b>			
Compensation and benefits	24,748	1,449	26,197
Equity based compensation	2,707	14	2,721
Total compensation and benefits expense	27,455	1,463	28,918
General and administrative	5,656	1,050	6,706
Transaction and acquisition related costs	—	142	142
Depreciation and amortization	358	22	380
<b>Total expenses</b>	<b>33,469</b>	<b>2,677</b>	<b>36,146</b>
Operating income (loss)	183,071	(676)	182,395
Interest and other income	726	58	784
Tax receivable agreement remeasurement	—	24,710	24,710
Income before income tax expense and equity in losses of investees	183,797	24,092	207,889
Income tax expense	—	(48,343)	(48,343)
Equity in earnings (losses) of investees	—	(222)	(222)
<b>Net income (loss)</b>	<b>\$ 183,797</b>	<b>\$ (24,473)</b>	<b>\$ 159,324</b>
<b>Total Assets:</b>	<b>\$ 460,121</b>	<b>\$ 69,666</b>	<b>\$ 529,787</b>

(1) Intersegment revenues of \$988 recognized by RMR LLC for services provided to the All Other Operations segment have been eliminated in the condensed consolidated financial statements.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following information should be read in conjunction with our condensed consolidated financial statements and accompanying notes included in Part 1, Item 1 of this Quarterly Report on Form 10-Q and with our Annual Report.

### OVERVIEW (dollars in thousands)

RMR Inc. is a holding company and substantially all of its business is conducted by RMR LLC. RMR Inc. has no employees, and the personnel and various services it requires to operate are provided by RMR LLC. As of December 31, 2018, the over 1,500 properties that RMR LLC manages are located in 45 states, Washington, D.C., Puerto Rico and Canada and they are principally owned by the Managed Equity REITs.

RMR LLC manages a diverse portfolio of publicly owned real estate and real estate related businesses. Our Client Companies include the Managed Equity REITs, the Managed Operators, RIF, TRMT, AIC, ABP Trust, the Open End Fund and the clients of the Tremont business, each of which are discussed in further detail below.

#### Managed Equity REITs

The base business management fees we earn from the Managed Equity REITs are principally based upon the lower of (i) the average historical cost of each REIT's properties and (ii) each REIT's average market capitalization. The property management fees we earn from the Managed Equity REITs are principally based upon the gross rents collected at certain

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managed properties owned by the REITs, excluding rents or other revenues from hotels, travel centers, senior living properties and wellness centers which are separately managed by one of our Managed Operators or a third party. The following table presents for each Managed Equity REIT: a summary of its primary strategy and the lesser of the historical cost of its assets under management and its market capitalization as of December 31, 2018 and 2017, as applicable:

REIT	Primary Strategy	Lesser of Historical Cost of Assets Under Management or Total Market Capitalization As of December 31,	
		2018	2017
HPT	Hotels and travel centers	\$ 8,153,868	\$ 8,953,822
ILPT	Industrial and logistics properties	1,578,306	—
OPI <sup>(1)</sup>	Office properties primarily leased to single tenants, including the government	4,651,888	3,611,068
SIR <sup>(1)</sup>	Office properties primarily leased to single tenants	—	4,887,524
SNH	Senior living, medical office and life science properties	6,469,758	8,253,932
		<u>\$ 20,853,820</u>	<u>\$ 25,706,346</u>

(1) SIR merged with and into a subsidiary of OPI (formerly named Government Properties Income Trust) on December 31, 2018 and the surviving entity merged with and into OPI, with OPI as the surviving entity.

Base business management fees payable to us by the Managed Equity REITs are calculated monthly based upon the lesser of the average historical cost of each Managed Equity REIT's assets under management or its average market capitalization, as calculated in accordance with the applicable business management agreement. A Managed Equity REIT's historical cost of assets under management includes the real estate it owns and its consolidated assets invested directly or indirectly in equity interests in or loans secured by real estate and personal property owned in connection with such real estate (including acquisition related costs which may be allocated to intangibles or are unallocated), all before reserves for depreciation, amortization, impairment charges or bad debts or other similar non-cash reserves. A Managed Equity REIT's historical cost of assets under management does not include the cost of shares it owns of another Client Company. A Managed Equity REIT's average market capitalization includes the average value of the Managed Equity REIT's outstanding common equity value during the period, plus the daily weighted average of each of the aggregate liquidation preference of preferred shares and the principal amount of consolidated indebtedness during the period. The table above presents for each Managed Equity REIT, the lesser of the historical cost of its assets under management and its market capitalization as of the end of each period. The basis on which our base business management fees are calculated for the three months ended December 31, 2018 and 2017 may differ from the basis at the end of the periods presented in the table above. As of December 31, 2018, the market capitalization was lower than the historical costs of assets under management for HPT, OPI and SNH; the historical costs of assets under management for HPT, OPI and SNH as of December 31, 2018, were \$10,273,642, \$6,752,097 and \$8,597,740, respectively. For ILPT, the historical costs of assets under management were lower than its market capitalization of \$1,741,771, calculated as of December 31, 2018.

The fee revenues we earned from the Managed Equity REITs for the three months ended December 31, 2018 and 2017 are set forth in the following tables:

REIT	Three Months Ended December 31, 2018 <sup>(1)</sup>				Three Months Ended December 31, 2017 <sup>(1)</sup>			
	Base Business Management Revenues	Incentive Business Management Revenues	Property Management Revenues	Total	Base Business Management Revenues	Incentive Business Management Revenues	Property Management Revenues	Total
HPT	\$ 10,064	\$ 53,635	\$ 20	\$ 63,719	\$ 10,587	\$ 74,572	\$ 12	\$ 85,171
ILPT	2,104	—	1,354	3,458	—	—	—	—
OPI <sup>(2)</sup>	3,374	—	3,972	7,346	4,309	—	4,287	8,596
SIR <sup>(2)</sup>	4,124	25,817	2,335	32,276	5,828	25,569	3,147	34,544
SNH	8,605	40,642	3,686	52,933	9,878	55,740	2,917	68,535
	<u>\$ 28,271</u>	<u>\$ 120,094</u>	<u>\$ 11,367</u>	<u>\$ 159,732</u>	<u>\$ 30,602</u>	<u>\$ 155,881</u>	<u>\$ 10,363</u>	<u>\$ 196,846</u>

(1) Excludes reimbursable compensation and benefits and other client company reimbursable expenses.

(2) SIR merged with OPI (formerly named Government Properties Income Trust) on December 31, 2018. Amounts for OPI and SIR are presented separately as they relate to periods prior to the merger with OPI.

*Managed Operators, AIC, ABP Trust and the Open End Fund*

We provide business management services to the Managed Operators. Five Star operates senior living and healthcare facilities throughout the United States, many of which are owned by and leased from, or managed for, SNH. Sonesta manages and franchises hotels, resorts and cruise ships in the United States, Latin America, the Caribbean and the Middle East; many of Sonesta's U.S. hotels are owned by HPT. TA operates, leases and franchises travel centers along the U.S. interstate highway system, many of which are owned by HPT, and owns, operates and franchises standalone restaurants. Generally, our fees earned from business management services to the Managed Operators are based on a percentage of certain revenues.

In addition, we provide management services to ABP Trust, AIC and the Open End Fund. The fees we earn from ABP Trust include business management fees based on a percentage of revenues, property management fees based on rents collected from managed properties and construction management fees based on the cost of construction activities. The fees we earn from AIC are based on a percentage of total premiums paid for insurance arranged by AIC. The fees we earn from the Open End Fund include administrative service fees based on a percentage of the Open End Fund's net asset value, property management fees based on rents collected from managed properties and construction management fees based on the cost of construction activities.

Our revenues from services to the Managed Operators, AIC, ABP Trust and the Open End Fund were as follows:

Company	Three Months Ended December 31, <sup>(1)</sup>	
	2018	2017
ABP Trust	\$ 219	\$ 566
AIC	60	60
Five Star	2,351	2,568
Open End Fund	734	—
Sonesta	711	568
TA	3,723	3,605
	<u>\$ 7,798</u>	<u>\$ 7,367</u>

(1) Excludes reimbursable client company operating expenses and reimbursable compensation and benefits.

*RMR Advisors, Tremont Advisors and the Tremont Business*

RMR Advisors is compensated pursuant to its agreement with RIF at an annual rate of 0.85% of RIF's average daily managed assets, as defined in the agreement. The value of RIF's assets, as defined by the investment advisory agreement, managed by RMR Advisors was \$303,174 and \$342,140 as of December 31, 2018 and 2017, respectively. The advisory fees earned by RMR Advisors included in our revenue were \$733 and \$729 for the three months ended December 31, 2018 and 2017, respectively.

Tremont Advisors primarily manages TRMT, a publicly traded mortgage REIT that focuses primarily on originating and investing in first mortgage loans secured by middle market and transitional commercial real estate. In June 2018, Tremont Advisors agreed to waive any business management fees otherwise due and payable by TRMT pursuant to the management agreement for the period beginning July 1, 2018 until June 30, 2020. Tremont Advisors earned advisory services revenue of \$49 and \$653 for the three months ended December 31, 2018 and 2017, respectively.

The Tremont business acts as a transaction originator for non-investment advisory clients for negotiated fees. The Tremont business earned fees for such origination services of \$52 and \$238 for the three months ended December 31, 2018 and 2017, respectively, which amounts are included in management services revenue in our condensed consolidated statements of comprehensive income.

***Business Environment and Outlook***

The continuation and growth of our business depends upon our ability to operate the Managed REITs so as to maintain and increase the value of their businesses, to assist our Managed Operators to grow their businesses and to successfully execute on new business ventures and investments we may pursue, such as the Open End Fund. Our business and the businesses of our Client Companies generally follow the business cycle of the U.S. real estate industry, but with certain property type and regional geographic variations. Typically, as the general U.S. economy expands, commercial real estate occupancies increase and new real estate development occurs; new development frequently leads to increased real estate supply and reduced occupancies; and then the cycle repeats. These general trends can be impacted by property type characteristics or regional factors; for example, demographic factors such as the aging U.S. population, the growth of e-commerce retail sales or net in migration or out migration in different geographic regions can slow, accelerate, overwhelm or otherwise impact general cyclical trends. Because of such multiple factors, we believe it is often possible to grow real estate based businesses in selected property types or geographic areas despite general national trends. We also believe that these regional or special factors can be reinforced or sometimes overwhelmed by general economic factors; for example, the expectation that U.S. interest rates will increase may cause a general decrease in the value of securities of real estate businesses or in their value relative to other types of securities and investments, including those real estate businesses that use large amounts of debt and that attract equity investors by paying dividends such as REITs. We try to take account of industry and general economic factors as well as specific property and regional geographic considerations when providing services to our Client Companies.

At present we believe that the current interest rate environment available for real estate purchase financing may be causing real estate valuations to exceed replacement cost for some properties in certain markets; and, accordingly, we believe property acquisitions should be undertaken on a selective basis. We also believe that because of the diversity of properties which our Client Companies own and operate there should be opportunities for growth in selected property types and locations and that we and our Client Companies should maintain financial flexibility using only reasonable amounts of debt so as to take advantage of growth opportunities which come to our and their attention. We, on behalf of our Client Companies and ourselves, attempt to take advantage of opportunities in the real estate market when they arise. For example: (i) on January 17, 2018, SIR launched an equity REIT, ILPT, that it formed to focus on the ownership and leasing of industrial and logistics properties throughout the U.S. and on December 27, 2018 SIR completed a *pro rata* distribution of the 45,000,000 ILPT common shares then owned by SIR to holders of SIR's common shares; (ii) on August 31, 2018, the Open End Fund was formed, with a focus on raising capital from private investors to invest in multi-tenant office properties in urban infill and suburban locations; and (iii) on December 31, 2018, GOV and SIR merged to form OPI, a REIT with a broader investment strategy than its predecessor companies and ultimately a stronger combined entity that will be better positioned for future growth.

Please see "Risk Factors" in Item 1A of our Annual Report for a discussion of some of the circumstances that may adversely affect our performance and the performance of our Client Companies.

**RESULTS OF OPERATIONS (dollars in thousands)**
**Three Months Ended December 31, 2018 , Compared to the Three Months Ended December 31, 2017**

The following table presents the changes in our operating results for the three months ended December 31, 2018 compared to the three months ended December 31, 2017 :

	Three Months Ended December 31,			
	2018	2017	\$ Change	% Change
<b>Revenues:</b>				
Management services	\$ 47,488	\$ 48,570	\$ (1,082)	(2.2)%
Incentive business management fees	120,094	155,881	(35,787)	(23.0)
Advisory services	782	1,382	(600)	(43.4)
Total management and advisory services revenues	168,364	205,833	(37,469)	(18.2)
Reimbursable compensation and benefits	13,873	12,708	1,165	9.2
Other client company reimbursable expenses	98,076	—	98,076	100.0
Total reimbursable costs	111,949	12,708	99,241	780.9
Total revenues	280,313	218,541	61,772	28.3
<b>Expenses:</b>				
Compensation and benefits	28,012	26,197	1,815	6.9
Equity based compensation	1,811	2,721	(910)	(33.4)
Separation costs	6,397	—	6,397	100.0
Total compensation and benefits expense	36,220	28,918	7,302	25.3
General and administrative	7,320	6,706	614	9.2
Other client company reimbursable expenses	98,076	—	98,076	100.0
Transaction and acquisition related costs	184	142	42	29.6
Depreciation and amortization	255	380	(125)	(32.9)
Total expenses	142,055	36,146	105,909	293.0
Operating income	138,258	182,395	(44,137)	(24.2)
Interest and other income	1,526	784	742	94.6
Tax receivable agreement remeasurement	—	24,710	(24,710)	(100.0)
Income before income tax expense and equity in losses of investees	139,784	207,889	(68,105)	(32.8)
Income tax expense	(18,970)	(48,343)	29,373	60.8
Unrealized loss on equity method investment accounted for under the fair value option	(2,769)	—	(2,769)	(100.0)
Equity in earnings (losses) of investees	35	(222)	257	115.8
Net income	118,080	159,324	(41,244)	(25.9)
Net income attributable to noncontrolling interest	(65,871)	(88,204)	22,333	25.3
Net income attributable to RMR Inc.	\$ 52,209	\$ 71,120	\$ (18,911)	(26.6)%

*Management services revenue.* For the three months ended December 31, 2018 and 2017 , we earned base business and property management services revenue from the following sources:

Source	Three Months Ended December 31,		
	2018	2017	Change
Managed Equity REITs	\$ 39,639	\$ 40,965	\$ (1,326)
Managed Operators	6,785	6,741	44
Other	1,064	864	200
Total	\$ 47,488	\$ 48,570	\$ (1,082)

Management services revenue decreased \$1,082 primarily due to (i) a decrease of \$2,331 in base business management fees from the Managed Equity REITs largely due to declines in the average market capitalization of HPT, OPI, SIR and SNH; offset by (ii) an increase of \$1,004 in property management fees at the Managed Equity REITs due to increases in the number

of properties to which we provide property management services as a result of acquisitions by our Client Companies since October 1, 2017.

*Incentive business management fees.* Incentive business management fees are contingent performance based fees which are recognized in our first fiscal quarter when amounts, if any, for the applicable measurement periods become known and the incentive business management fees are earned. Incentive business management fees for the three months ended December 31, 2018 include fees earned from HPT, SIR and SNH of \$53,635 , \$25,817 , and \$40,642 , respectively, for the calendar year 2018 . Incentive business management fees for the three months ended December 31, 2017 include fees earned from HPT, SIR and SNH of \$74,572 , \$25,569 , \$55,740 , respectively, for the calendar year 2017 .

*Advisory services revenue .* Advisory services revenue includes the fees RMR Advisors earns for managing RIF and the fees Tremont Advisors earns for managing TRMT. Advisory services revenues decreased by \$600 primarily due to Tremont Advisors waiving management fees otherwise owed by TRMT.

*Reimbursable compensation and benefits.* Reimbursable compensation and benefits revenue is primarily attributable to amounts reimbursed to us by the Managed Equity REITs for certain property related employee compensation and benefits expenses incurred in the ordinary course of business in our capacity as property manager, at cost. A significant portion of these reimbursable compensation and benefits costs arise from services we provide that are paid or reimbursed to the Managed Equity REITs by their tenants, as well as non-cash share based compensation from the Managed Equity REITs granted to some of our employees. For the three months ended December 31, 2018 and 2017 , non-cash share based compensation granted to some of our employees by our Client Companies totaled \$1,316 and \$2,155 , respectively. Reimbursable compensation and benefits revenue increased \$1,165 due to annual increases in employee compensation and benefits for which we receive reimbursement, as well as a modest increase in the number of properties we manage on behalf of the Managed Equity REITs and the related increase in employees required to support the properties acquired.

*Other client company reimbursable expenses.* For further information about these reimbursements and our adoption of ASC 606, see Note 2, *Recent Accounting Pronouncements*, to our condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

*Compensation and benefits .* Compensation and benefits consist of employee salaries and other employment related costs, including health insurance expenses and contributions related to our employee retirement plan. Compensation and benefits expense increased \$1,815 primarily due to annual employee merit increases on October 1, 2018, as well as a modest increase in the number of properties we manage on behalf of the Managed Equity REITs and the related increase in employees required to support the properties acquired.

*Equity based compensation.* Equity based compensation consists of the value of vested shares granted to certain of our employees under our equity compensation plan and by our Client Companies. Equity based compensation decreased \$910 primarily due to declines in the Managed Equity REIT share prices.

*Separation costs .* Separation costs consists of employment termination costs. For further information about these costs, see Note 7, *Related Person Transactions*, to our condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

*General and administrative .* General and administrative expenses consist of office related expenses, information technology related expenses, employee training, travel, professional services expenses, director compensation and other administrative expenses. General and administrative expenses increased \$614 as a result of higher costs to support our operations and growth strategies, including temporary staffing and recruiting costs, as well as increased professional fees primarily related to our registration statement on Form S-3 filing in December 2018 and increases in state franchise taxes.

*Other client company reimbursable expenses.* For further information about these reimbursements and our adoption of ASC 606, see Note 2, *Recent Accounting Pronouncements*, to our condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

*Transaction and acquisition related costs .* Transaction and acquisition related costs increased \$42 due primarily to costs related to the formation of the Open End Fund.

*Depreciation and amortization .* Depreciation and amortization expense decreased \$125 primarily as a result of the intangible assets related to our acquisition of the Tremont business in August 2016 becoming fully amortized.

*Interest and other income.* Interest and other income increased \$742 primarily due to the combination of higher stated interest rates and increased cash balances invested during the three months ended December 31, 2018 as compared to the three months ended December 31, 2017 .

*Tax receivable agreement remeasurement.* The tax receivable agreement remeasurement represents a reduction in the liability of amounts due, pursuant to our tax receivable agreement with ABP Trust and as a result of the Tax Act recorded during the three months ended December 31, 2017 . For further information, see Note 7, *Related Person Transactions* , to our condensed consolidated financial statements included in Part I, Item I of this Quarterly Report on Form 10-Q.

*Unrealized loss on equity method investment accounted for under the fair value option.* Unrealized loss on equity method investment accounted for under the fair value option represents the loss on our investment in TA common shares as a result of the decline in TA's share price subsequent to our acquisition of the common shares. For further information, see Note 4, *Equity Investments*, to our condensed consolidated financial statements included in Part I, Item I of this Quarterly Report on this Form 10-Q.

*Income tax expense.* The decrease in income tax expense of \$29,373 is primarily attributable to the Tax Act, which reduced our federal statutory tax rate from 35% to 21% as of January 1, 2018 resulting in an adjustment to our deferred tax asset and related expense of \$19,817 for the three months ended December 31, 2017 . Because we have a September 30 fiscal year end, the lower tax rate was phased in, resulting in a federal statutory tax rate of approximately 24.5% for the three months ended December 31, 2017 . Beginning October 1, 2018, our federal statutory tax rate was reduced further to 21.0%. For further information, see Note 5, *Income Taxes*, to our condensed consolidated financial statements included in Part I, Item I of this Quarterly Report on Form 10-Q.

*Equity in losses of investees.* Equity in losses of investees represents our proportionate share of earnings and losses from our equity interest in TRMT.

## **LIQUIDITY AND CAPITAL RESOURCES (dollars in thousands, except per share amounts)**

Our current assets have historically been comprised predominantly of cash, cash equivalents and receivables for business management, property management and advisory services fees. Cash and cash equivalents include all short term, highly liquid investments that are readily convertible to known amounts of cash and have original maturities of three months or less from the date of purchase. As of December 31, 2018 and September 30, 2018 , we had cash and cash equivalents of \$284,159 and \$256,848 , respectively, of which \$28,127 and \$20,391 , respectively, was held by RMR Inc., with the remainder being held at RMR LLC. As of December 31, 2018 and September 30, 2018 , \$283,604 and \$253,876 , respectively, of our cash and cash equivalents were invested in money market funds. The increase in cash and cash equivalents principally reflects cash generated from operations for the three months ended December 31, 2018 .

Our current liabilities have historically included accounts payable and accrued expenses, including accrued employee compensation. As of December 31, 2018 and September 30, 2018 , we had current liabilities of \$115,748 and \$28,307 , respectively. The increase in current liabilities reflects the timing of income tax payments, an increase in accrued employee compensation primarily related to annual bonuses historically paid during the last quarter of our fiscal year and an increase in accounts payable and accrued expenses resulting from our adoption of ASC 606.

Our liquidity is highly dependent upon our receipt of fees from the businesses that we manage. Historically, we have funded our working capital needs with cash generated from our operating activities, and we currently do not maintain any credit facilities. The cash we generate from our operating activities could decline in future periods due to strategic capital recycling and declines in the common share prices at our Managed Equity REITs. More specifically, OPI has begun to execute on its stated goal of disposing up to \$750,000 in assets to reduce leverage. This disposition activity could result in reductions to our management services revenue. Further, our business management fees and incentive management fees are adversely impacted as our Managed Equity REITs share prices decline. Due to recent declines in the public equity markets and related declines in the share prices of our Managed Equity REITs, we could see adverse impacts to our operating results in future periods.

We expect that our future working capital needs will relate largely to our operating expenses, primarily consisting of employee compensation and benefits costs, our obligation to make quarterly tax distributions to the members of RMR LLC, our plan to make quarterly distributions on our Class A Common Shares and Class B-1 Common Shares and our plan to pay quarterly distributions to the members of RMR LLC in connection with the quarterly dividends to RMR Inc. shareholders. Our management fees are typically payable to us within 30 days of the end of each month or, in the case of annual incentive

business management fees, within 30 days following each calendar year end. Historically, we have not experienced losses on collection of our fees and have not recorded any allowances for bad debts.

We currently intend to use our cash and cash flows to fund our working capital needs, pay our dividends and fund new business ventures, including lending TRMT up to \$25,000 to support their continued growth and our \$100,000 commitment in the Open End Fund. We currently expect our commitment to be drawn and invested by the Open End Fund within the next 12 months. We believe that our cash on hand and operating cash flow will be sufficient to meet our operating needs for the next 12 months and for the reasonably foreseeable future.

During the three months ended December 31, 2018, we paid cash distributions to the holders of our Class A Common Shares, Class B-1 Common Shares and to the other owner of RMR LLC membership units in the aggregate amount of \$10,180. On January 18, 2019, we declared a quarterly dividend on our Class A Common Shares and Class B-1 Common Shares payable to our shareholders of record as of January 28, 2019 and to the other owner of RMR LLC membership units in the amount of \$0.35 per Class A Common Share, Class B-1 Common Share and to ABP Trust. We expect this amount will total approximately \$10,180. This dividend will be funded by a distribution from RMR LLC to holders of its membership units and with cash on hand. We expect to pay this dividend on or about February 21, 2019.

See Note 8, *Distributions*, to our condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for more information regarding these distributions.

For the three months ended December 31, 2018, pursuant to the RMR LLC operating agreement, RMR LLC made required quarterly tax distributions to its holders of its membership units totaling \$16,722, of which \$8,685 was distributed to us and \$8,037 was distributed to ABP Trust, based on each membership unit holder's then respective ownership percentage in RMR LLC. The \$8,685 distributed to us was eliminated in our condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q, and the \$8,037 distributed to ABP Trust was recorded as a reduction of its noncontrolling interest. We expect to use these funds distributed to us to fund our tax liabilities and our obligations under the tax receivable agreement described in Note 7, *Related Person Transactions*, to our condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q. We expect to use the remaining funds distributed to us to fund our long-term tax liabilities and pay dividends.

### **Cash Flows**

Our changes in cash flows for the three months ended December 31, 2018 compared to the comparable prior year period were as follows: (i) net cash from operating activities increased from \$40,458 in the 2017 period to \$54,078 in the 2018 period; (ii) net cash used in investing activities increased from \$186 in the 2017 period to \$8,552 in the 2018 period; and (iii) net cash used in financing activities decreased from \$22,946 in the 2017 period to \$18,217 in the 2018 period.

The increase in cash from operating activities for the three months ended December 31, 2018, compared to the same period in 2017 primarily reflects the net effect of favorable changes in our working capital. The increase in cash used in investing activities for the three months ended December 31, 2018 compared to the same period in 2017 was due to our purchase of 1,492,691 TA common shares. For further information, see Note 4, *Equity Investments*, and Note 7, *Related Person Transactions*, to our condensed consolidated financial statements included in Part I, Item I of this Quarterly Report on Form 10-Q. The decrease in cash used in financing activities for the three months ended December 31, 2018 compared to the same period in 2017 was primarily due to lower tax distributions based on current estimates for taxable income in this fiscal year, as well as the reduction in the federal statutory tax rates as a result of the Tax Act. These decreases were partially offset by an increased dividend rate of \$0.35 per Class A Common Share in the period ended December 31, 2018.

### **Off Balance Sheet Arrangements**

We have no off balance sheet arrangements that have had or that we expect would be reasonably likely to have a future material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources, other than our \$100,000 commitment to the Open End Fund. For further information, see Note 7, *Related Person Transactions*, in Part I, Item I of this Quarterly Report on Form 10-Q.

### **Tax Receivable Agreement**

We are party to a tax receivable agreement, which provides for the payment by RMR Inc. to ABP Trust of 85.0% of the amount of savings, if any, in U.S. federal, state and local income tax or franchise tax that RMR Inc. realizes as a result of (a) the increases in tax basis attributable to RMR Inc.'s dealings with ABP Trust and (b) tax benefits related to imputed interest deemed to be paid by it as a result of the tax receivable agreement. See Note 7, *Related Person Transactions*, to our condensed

consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q and “Business—Our Organizational Structure—Tax Receivable Agreement” in our Annual Report. As of December 31, 2018, our condensed consolidated balance sheet reflects a liability related to the tax receivable agreement of \$34,327, of which we expect to pay \$2,279 to ABP Trust during the fourth quarter of fiscal 2019.

## **Market Risk and Credit Risk**

We historically have not invested in derivative instruments, borrowed through issuing debt securities or transacted a significant part of our businesses in foreign currencies. As a result, we are not now subject to significant direct market risk related to interest rate changes, changes to the market standard for determining interest rates, commodity price changes or credit risks; however, if any of these risks were to negatively impact our Client Companies’ businesses or market capitalization, our revenues would likely decline. To the extent we change our approach on the foregoing activities, or engage in other activities, our market and credit risks could change.

### *Risks Related to Cash and Short Term Investments*

Our cash and cash equivalents include short term, highly liquid investments readily convertible to known amounts of cash that have original maturities of three months or less from the date of purchase. We invest a substantial amount of our cash in money market funds. The majority of our cash is maintained in U.S. bank accounts. Some U.S. bank account balances exceed the FDIC insurance limit. We believe our cash and short term investments are not subject to any material interest rate risk, equity price risk, credit risk or other market risk.

## **Related Person Transactions**

We have relationships and historical and continuing transactions with Adam D. Portnoy, one of our Managing Directors, and our Client Companies, our Managing Directors have historical and continuing relationships with certain of our Client Companies and several of our Client Companies have material historical and ongoing relationships with other Client Companies. For example: Adam D. Portnoy is the sole trustee and owns a majority of the voting securities of our controlling shareholder, ABP Trust; ABP Trust also holds membership units of our subsidiary, RMR LLC; we are a party to a tax receivable agreement with ABP Trust; Adam D. Portnoy and Jennifer B. Clark, our other Managing Director, are also officers of ABP Trust and RMR Inc. and officers and employees of RMR LLC; Adam D. Portnoy serves as a managing trustee of each Managed REIT and RIF and as a managing director of Five Star and TA; Jennifer Clark serves as a managing trustee of RIF; certain of our other officers serve as managing trustees or managing directors of Client Companies; all of the executive officers of the Managed REITs, AIC and the Open End Fund and many of the executive officers of the Managed Operators and RIF are our officers and employees; Adam D. Portnoy is an owner and director of Sonesta and Jennifer B. Clark is president of AIC and a director of Sonesta; and, as of December 31, 2018, the Managed Equity REITs (other than ILPT) owned a majority of our outstanding Class A Common Shares and Adam D. Portnoy, directly and indirectly, owned approximately 35.7% of Five Star’s outstanding common shares (through ABP Trust); 4.0% of TA’s outstanding common shares (through RMR LLC) and 18.9% of TRMT’s outstanding common shares (through Tremont Advisors); and a subsidiary of ABP Trust is the general partner of the Open End Fund and ABP Trust is a limited partner of the Open End Fund. For further information about these and other such relationships and related person transactions, see Note 7, *Related Person Transactions*, to our condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q, which is incorporated herein by reference, our 2018 Annual Report, our definitive Proxy Statement for our 2019 Annual Meeting of Shareholders and our other filings with the SEC. In addition, see the section captioned “Risk Factors” of our Annual Report for a description of risks that may arise as a result of these and other related person transactions and relationships. Our filings with the SEC and copies of certain of our agreements with these related persons filed as exhibits to our filings with the SEC are available at the SEC’s website, [www.sec.gov](http://www.sec.gov).

## **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

Quantitative and Qualitative disclosures about market risk are set forth above in “Item 2—Management’s Discussion and Analysis of Financial Condition and Results of Operation—Market Risk and Credit Risk.”

## **Item 4. Controls and Procedures**

As of the end of the period covered by this report, our management carried out an evaluation, under the supervision and with the participation of our President and Chief Executive Officer and our Treasurer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures pursuant to Securities Exchange Act of 1934, as amended, Rules 13a-15 and 15d-15. Based upon that evaluation, our President and Chief Executive Officer and our Treasurer and Chief Financial Officer concluded that our disclosure controls and procedures are effective.

Effective October 1, 2018, we adopted ASC 606, *Revenue from Contracts with Customers*. We implemented changes to our processes related to revenue recognition and the control activities within them. Changes included development of new policies and procedures, review of existing contracts, update to information systems, and development and deployment of additional planning, reporting and analysis tools and procedures. There have been no other changes in our internal control over financial reporting during the quarter ended December 31, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

#### **WARNING CONCERNING FORWARD LOOKING STATEMENTS**

THIS QUARTERLY REPORT ON FORM 10-Q CONTAINS FORWARD LOOKING STATEMENTS WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 AND OTHER SECURITIES LAWS. OUR FORWARD LOOKING STATEMENTS REFLECT OUR CURRENT VIEWS, INTENTS AND EXPECTATIONS WITH RESPECT TO, AMONG OTHER THINGS, OUR OPERATIONS AND FINANCIAL PERFORMANCE. OUR FORWARD LOOKING STATEMENTS CAN BE IDENTIFIED BY THE USE OF WORDS SUCH AS “OUTLOOK,” “BELIEVE,” “EXPECT,” “POTENTIAL,” “WILL,” “MAY,” “ESTIMATE,” “ANTICIPATE” AND DERIVATIVES OR NEGATIVES OF SUCH WORDS OR SIMILAR WORDS. SUCH FORWARD LOOKING STATEMENTS ARE SUBJECT TO VARIOUS RISKS AND UNCERTAINTIES. ACCORDINGLY, THERE ARE OR WILL BE FACTORS THAT COULD CAUSE ACTUAL OUTCOMES OR RESULTS TO DIFFER MATERIALLY FROM THOSE STATED OR IMPLIED IN THESE STATEMENTS. WE BELIEVE THESE FACTORS INCLUDE, BUT ARE NOT LIMITED TO THE FOLLOWING:

- SUBSTANTIALLY ALL OF OUR REVENUES ARE DERIVED FROM SERVICES TO A LIMITED NUMBER OF CLIENT COMPANIES;
- OUR REVENUES ARE HIGHLY VARIABLE;
- CHANGING MARKET CONDITIONS, INCLUDING RISING INTEREST RATES THAT MAY ADVERSELY IMPACT OUR CLIENT COMPANIES AND OUR BUSINESS WITH THEM;
- POTENTIAL TERMINATIONS OF OUR MANAGEMENT AGREEMENTS WITH OUR CLIENT COMPANIES;
- OUR ABILITY TO EXPAND OUR BUSINESS DEPENDS UPON THE GROWTH AND PERFORMANCE OF OUR CLIENT COMPANIES AND OUR ABILITY TO OBTAIN OR CREATE NEW CLIENTS FOR OUR BUSINESS AND IS OFTEN DEPENDENT UPON CIRCUMSTANCES BEYOND OUR CONTROL;
- LITIGATION RISKS;
- ALLEGATIONS, EVEN IF UNTRUE, OF ANY CONFLICTS OF INTEREST ARISING FROM OUR MANAGEMENT ACTIVITIES;
- OUR ABILITY TO RETAIN THE SERVICES OF OUR MANAGING DIRECTORS AND OTHER KEY PERSONNEL; AND
- RISKS ASSOCIATED WITH AND COSTS OF COMPLIANCE WITH LAWS AND REGULATIONS, INCLUDING SECURITIES REGULATIONS, EXCHANGE LISTING STANDARDS AND OTHER LAWS AND REGULATIONS AFFECTING PUBLIC COMPANIES.

FOR EXAMPLE:

- WE HAVE A LIMITED NUMBER OF CLIENT COMPANIES. WE HAVE LONG TERM CONTRACTS WITH OUR MANAGED EQUITY REITS; HOWEVER, THE OTHER CONTRACTS UNDER WHICH WE EARN OUR REVENUES ARE FOR SHORTER TERMS, AND THE LONG TERM CONTRACTS WITH OUR MANAGED EQUITY REITS MAY BE TERMINATED IN CERTAIN CIRCUMSTANCES. THE TERMINATION OR LOSS OF ANY OF OUR MANAGEMENT CONTRACTS MAY HAVE A MATERIAL ADVERSE IMPACT UPON OUR REVENUES, PROFITS, CASH FLOWS AND BUSINESS REPUTATION;
- OUR MANAGEMENT FEES EARNED FROM OUR MANAGED EQUITY REITS ARE CALCULATED BASED UPON THE LOWER OF EACH REIT’S COST OF ITS APPLICABLE ASSETS AND SUCH REIT’S MARKET

CAPITALIZATION. OUR MANAGEMENT FEES EARNED FROM OUR MANAGED OPERATORS ARE CALCULATED BASED UPON CERTAIN REVENUES FROM EACH OPERATOR'S BUSINESS. ACCORDINGLY, OUR FUTURE REVENUES, INCOME AND CASH FLOWS WILL DECLINE IF THE BUSINESS ACTIVITIES, ASSETS OR MARKET CAPITALIZATIONS OF OUR CLIENT COMPANIES DECLINE;

- THE FACT THAT WE EARNED SIGNIFICANT INCENTIVE BUSINESS MANAGEMENT FEES FROM CERTAIN MANAGED EQUITY REITS IN THE CALENDAR YEARS 2018 AND 2017 MAY IMPLY THAT WE WILL EARN INCENTIVE BUSINESS MANAGEMENT FEES IN FUTURE YEARS. THE INCENTIVE BUSINESS MANAGEMENT FEES WHICH WE MAY EARN FROM OUR MANAGED EQUITY REITS ARE BASED UPON TOTAL RETURNS REALIZED BY THE REITS' SHAREHOLDERS COMPARED TO THE TOTAL SHAREHOLDERS RETURN OF CERTAIN IDENTIFIED INDICES. WE HAVE ONLY LIMITED CONTROL OVER THE TOTAL RETURNS REALIZED BY SHAREHOLDERS OF OUR MANAGED EQUITY REITS AND EFFECTIVELY NO CONTROL OVER INDEXED TOTAL RETURNS. THERE CAN BE NO ASSURANCE THAT WE WILL EARN ANY INCENTIVE BUSINESS MANAGEMENT FEES IN THE FUTURE;
- WE CURRENTLY INTEND TO PAY A REGULAR QUARTERLY DIVIDEND OF \$0.35 PER CLASS A COMMON SHARE AND CLASS B-1 COMMON SHARE. OUR DIVIDENDS ARE DECLARED AND PAID AT THE DISCRETION OF OUR BOARD OF DIRECTORS. OUR BOARD MAY CONSIDER MANY FACTORS WHEN DECIDING WHETHER TO DECLARE AND PAY DIVIDENDS, INCLUDING OUR CURRENT AND PROJECTED EARNINGS, OUR CASH FLOWS AND ALTERNATIVE USES FOR ANY AVAILABLE CASH. OUR BOARD MAY DECIDE TO LOWER OR EVEN ELIMINATE OUR DIVIDENDS. THERE CAN BE NO ASSURANCE THAT WE WILL CONTINUE TO PAY ANY REGULAR DIVIDENDS OR WITH REGARD TO THE AMOUNT OF DIVIDENDS WE MAY PAY; AND
- WE HAVE UNDERTAKEN NEW INITIATIVES AND ARE CONSIDERING OTHER INITIATIVES TO GROW OUR BUSINESS AND ANY ACTIONS WE MAY TAKE TO GROW OUR BUSINESS MAY NOT BE SUCCESSFUL. IN ADDITION, ANY INVESTMENTS OR REPOSITIONING OF THE PROPERTIES WE OR OUR CLIENT COMPANIES MAY MAKE OR PURSUE MAY NOT INCREASE THE VALUE OF THE APPLICABLE PROPERTIES OR OFFSET THE DECLINE IN VALUE THOSE PROPERTIES MAY OTHERWISE EXPERIENCE.
- WE STATE THAT RMR LLC'S \$100.0 MILLION COMMITMENT TO THE OPEN END FUND IS EXPECTED TO BE DRAWN AND INVESTED BY THE OPEN END FUND WITHIN THE NEXT 12 MONTHS. THE ACQUISITION ENVIRONMENT FOR OFFICE PROPERTIES IN THE UNITED STATES IS COMPETITIVE AND THE FUND MAY NOT BE SUCCESSFUL IN DRAWING AND INVESTING ALL, OR ANY, OF THIS CAPITAL WITHIN ONE YEAR OR OTHERWISE.
- WE STATE THAT PURSUANT TO THE TERMS OF OUR CREDIT AGREEMENT WITH TRMT, WE MAY LEND TRMT UP TO \$25.0 MILLION. THERE CAN BE NO ASSURANCE THAT THESE LOANS WILL BE REPAID TO US IN PART OR IN FULL IN ACCORDANCE WITH THE TERMS OF THE LOAN OR THAT WE WILL RECEIVE INTEREST PAYMENTS ON THE OUTSTANDING BALANCE OF THE LOAN.

THERE ARE OR WILL BE ADDITIONAL IMPORTANT FACTORS THAT COULD CAUSE BUSINESS OUTCOMES OR FINANCIAL RESULTS TO DIFFER MATERIALLY FROM THOSE STATED OR IMPLIED IN OUR FORWARD LOOKING STATEMENTS. FOR EXAMPLE, CHANGING MARKET CONDITIONS, INCLUDING RISING INTEREST RATES, MAY LOWER THE MARKET VALUE OF OUR MANAGED EQUITY REITS OR CAUSE THE REVENUES OF OUR MANAGED OPERATORS TO DECLINE AND, AS A RESULT, OUR REVENUES MAY DECLINE.

WE HAVE BASED OUR FORWARD LOOKING STATEMENTS ON OUR CURRENT EXPECTATIONS ABOUT FUTURE EVENTS THAT WE BELIEVE MAY AFFECT OUR BUSINESS, FINANCIAL CONDITION AND RESULTS OF OPERATIONS. BECAUSE FORWARD LOOKING STATEMENTS ARE INHERENTLY SUBJECT TO RISKS AND UNCERTAINTIES, SOME OF WHICH CANNOT BE PREDICTED OR QUANTIFIED, OUR FORWARD LOOKING STATEMENTS SHOULD NOT BE RELIED ON AS PREDICTIONS OF FUTURE EVENTS. THE EVENTS AND CIRCUMSTANCES REFLECTED IN OUR FORWARD LOOKING STATEMENTS MAY NOT BE ACHIEVED OR OCCUR AND ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE PROJECTED OR IMPLIED IN OUR FORWARD LOOKING STATEMENTS. THE MATTERS DISCUSSED IN THIS WARNING SHOULD NOT BE CONSTRUED AS EXHAUSTIVE AND SHOULD BE READ IN CONJUNCTION WITH THE OTHER CAUTIONARY STATEMENTS THAT ARE INCLUDED IN THIS QUARTERLY REPORT ON FORM 10-Q AND IN OUR ANNUAL

REPORT, INCLUDING THE "RISK FACTORS" SECTION OF OUR ANNUAL REPORT. WE UNDERTAKE NO OBLIGATION TO UPDATE ANY FORWARD LOOKING STATEMENT, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE DEVELOPMENTS OR OTHERWISE, EXCEPT AS REQUIRED BY LAW.

**Part II. Other Information**

**Item 1A. Risk Factors**

There have been no material changes to risk factors from those we previously disclosed in our Annual Report.

**Item 6. Exhibits**

<b>Exhibit Number</b>	<b>Description</b>
<a href="#">3.1</a>	<a href="#">Articles of Amendment and Restatement of the Registrant</a> *
<a href="#">3.2</a>	<a href="#">Articles of Amendment, filed July 30, 2015</a> *
<a href="#">3.3</a>	<a href="#">Articles of Amendment, filed September 11, 2015</a> *
<a href="#">3.4</a>	<a href="#">Articles of Amendment, filed March 9, 2016</a> **
<a href="#">3.5</a>	<a href="#">Fourth Amended and Restated Bylaws of the Registrant adopted September 13, 2017</a> ***
<a href="#">4.1</a>	<a href="#">Form of The RMR Group Inc. Share Certificate for Class A Common Stock</a> ****
<a href="#">4.2</a>	<a href="#">Registration Rights Agreement, dated as of June 5, 2015, by and between the Registrant and Government Properties Income Trust (now known as Office Properties Income Trust)</a> *
<a href="#">4.3</a>	<a href="#">Registration Rights Agreement, dated as of June 5, 2015, by and between the Registrant and Hospitality Properties Trust</a> *
<a href="#">4.4</a>	<a href="#">Registration Rights Agreement, dated as of June 5, 2015, by and between the Registrant and Office Properties Income Trust (as successor in interest to Select Income REIT)</a> *
<a href="#">4.5</a>	<a href="#">Registration Rights Agreement, dated as of June 5, 2015, by and between the Registrant and Senior Housing Properties Trust</a> *
<a href="#">4.6</a>	<a href="#">Registration Rights Agreement, dated as of June 5, 2015, by and between the Registrant and ABP Trust</a> *
<a href="#">10.1</a>	<a href="#">Amendment to Business Management Agreement, dated December 31, 2018, between Industrial Logistics Properties Trust and The RMR Group LLC (Filed herewith.)</a>
<a href="#">10.2</a>	<a href="#">Amendment to Second Amended and Restated Business Management Agreement, dated December 31, 2018, between Office Properties Income Trust and The RMR Group LLC (Filed herewith.)</a>
<a href="#">10.3</a>	<a href="#">Letter Agreement, dated as of October 25, 2018, by and between The RMR Group LLC and Mark L. Kleifges</a> *****
<a href="#">10.4</a>	<a href="#">Letter Agreement, dated as of October 25, 2018, by and between The RMR Group LLC and John C. Popeo</a> *****
<a href="#">10.5</a>	<a href="#">Letter Agreement, dated as of December 11, 2018, between Five Star Senior Living Inc., The RMR Group LLC and Bruce J. Mackey, Jr. (Filed herewith.)</a>
<a href="#">31.1</a>	<a href="#">Rule 13a-14(a) Certification. (Filed herewith.)</a>
<a href="#">31.2</a>	<a href="#">Rule 13a-14(a) Certification. (Filed herewith.)</a>
<a href="#">32.1</a>	<a href="#">Section 1350 Certification. (Furnished herewith.)</a>
<a href="#">99.1</a>	<a href="#">Credit Agreement, dated as of February 4, 2019, between Tremont Mortgage Trust and Tremont Realty Advisors LLC (Filed herewith.)</a>
<a href="#">99.2</a>	<a href="#">Subordination Agreement, dated as of February 4, 2019, between Tremont Mortgage Trust and Tremont Realty Advisors LLC (Filed herewith.)</a>
101.1	The following materials from RMR Inc.'s Quarterly Report on Form 10-Q for the quarter ended December 31, 2018 formatted in XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Comprehensive Income, (iii) the Condensed Consolidated Statement of Shareholders' Equity, (iv) the Condensed Consolidated Statements of Cash Flows, and (v) related notes to these financial statements, tagged as blocks of text and in detail. (Filed herewith.)
*	Incorporated by reference to the Registrant's Registration Statement on Form S-1 (File No. 333-207423) filed with the U.S. Securities and Exchange Commission on October 14, 2015.
**	Incorporated by reference to the Registrant's Current Report on Form 8-K (File No. 001-37616) filed with the U.S. Securities and Exchange Commission on March 11, 2016.
***	Incorporated by reference to the Registrant's Current Report on Form 8-K (File No. 001-37616) filed with the U.S. Securities and Exchange Commission on September 15, 2017.
****	Incorporated by reference to the Registrant's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-207423) filed with the U.S. Securities and Exchange Commission on November 2, 2015.
*****	Incorporated by reference to the Registrant's Annual Report on Form 10-K (File No. 001-37616) filed with the U.S. Securities and Exchange Commission on December 3, 2018.

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

By: /s/ Matthew P. Jordan

Matthew P. Jordan

*Executive Vice President, Chief Financial Officer and Treasurer (principal financial officer and principal accounting officer)*

Dated: February 7, 2019

**AMENDMENT TO**  
**BUSINESS MANAGEMENT AGREEMENT**

This AMENDMENT TO BUSINESS MANAGEMENT AGREEMENT is made and entered into as of December 31, 2018 (this “Amendment”), by and between Industrial Logistics Properties Trust, a Maryland real estate investment trust (the “Company”), and The RMR Group LLC, a Maryland limited liability company (the “Manager”).

WHEREAS, the Company and the Manager are parties to that certain Business Management Agreement, dated as of January 17, 2018 (the “Business Management Agreement”); and

WHEREAS, the Company and the Manager wish to amend certain provisions of the Business Management Agreement as further provided in this Amendment.

NOW, THEREFORE, in consideration of the mutual agreements herein set forth, the parties hereto agree as follows:

1. The definition of “SNL Index” included in Section 11 of the Business Management Agreement shall be replaced in its entirety by the following:

“SNL Index” shall mean, for periods ending on or prior to December 31, 2018, the SNL U.S. REIT Equity Index, as published from time to time, and for periods beginning on and after January 1, 2019, the SNL U.S. REIT Industrial Index, as published from time to time (or, in each case, a successor index including a comparable universe of United States publicly treated real estate investment trusts).

2. This Amendment shall be effective as of the day and year first written above. Except as amended hereby, and as so amended, the Business Management Agreement shall remain in full force and effect and shall be otherwise unaffected hereby.
3. The provisions of this Amendment shall be governed by and construed in accordance with the laws of the State of Maryland.
4. This Amendment may be executed in separate counterparts, each of such counterparts shall for all purposes be deemed to be an original and all such counterparts shall together constitute but one and the same instrument.

[Signature page follows]

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IN WITNESS WHEREOF, the parties have caused this Amendment to be executed and delivered by their respective duly authorized officers, as of the date first written above.

**INDUSTRIAL LOGISTICS PROPERTIES TRUST**

By: /s/ Richard W. Siedel Jr.  
Name: Richard W. Siedel, Jr.  
Title: Chief Financial Officer and Treasurer

**THE RMR GROUP LLC**

By: /s/ Matthew P. Jordan  
Name: Matthew P. Jordan  
Title: Chief Financial Officer and Treasurer

[Signature Page to Amendment to Business Management Agreement]

**AMENDMENT TO**  
**SECOND AMENDED AND RESTATED BUSINESS MANAGEMENT AGREEMENT**

This AMENDMENT TO SECOND AMENDED AND RESTATED BUSINESS MANAGEMENT AGREEMENT is made and entered into as of December 31, 2018 (this “Amendment”), by and between Office Properties Income Trust (f/k/a Government Properties Income Trust), a Maryland real estate investment trust (the “Company”), and The RMR Group LLC, a Maryland limited liability company (the “Manager”).

WHEREAS, the Company and the Manager are parties to that certain Second Amended and Restated Business Management Agreement, dated as of June 5, 2015 (the “Business Management Agreement”); and

WHEREAS, the Company and the Manager wish to amend certain provisions of the Business Management Agreement as further provided in this Amendment.

NOW, THEREFORE, in consideration of the mutual agreements herein set forth, the parties hereto agree as follows:

1. The definition of “SNL Index” included in Section 10 of the Business Management Agreement shall be replaced in its entirety by the following:

“SNL Index” shall mean, for periods ending on or prior to December 31, 2018, the SNL U.S. REIT Equity Index, as published from time to time, and for periods beginning on and after January 1, 2019, the SNL U.S. Office REIT Index, as published from time to time (or, in each case, a successor index including a comparable universe of United States publicly treated real estate investment trusts).

2. This Amendment shall be effective as of the day and year first written above. Except as amended hereby, and as so amended, the Business Management Agreement shall remain in full force and effect and shall be otherwise unaffected hereby.
3. The provisions of this Amendment shall be governed by and construed in accordance with the laws of the State of Maryland.
4. This Amendment may be executed in separate counterparts, each of such counterparts shall for all purposes be deemed to be an original and all such counterparts shall together constitute but one and the same instrument.

[Signature page follows]

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IN WITNESS WHEREOF, the parties have caused this Amendment to be executed and delivered by their respective duly authorized officers, as of the date first written above.

**OFFICE PROPERTIES INCOME TRUST**

By: /s/ David M. Blackman  
Name: David M. Blackman  
Title: President and Chief Executive Officer

**THE RMR GROUP LLC**

By: /s/ Matthew P. Jordan  
Name: Matthew P. Jordan  
Title: Chief Financial Officer and Treasurer

[Signature Page to Amendment to Second Amended and Restated Business Management Agreement]



## Five Star Senior Living Inc.

400 Centre Street, Newton, Massachusetts 02458-2076  
(617) 796-8387 tel (617) 796-8385 fax [www.fivestarseniorliving.com](http://www.fivestarseniorliving.com)

December 11, 2018

Bruce J. Mackey, Jr.  
175 Locksley Rd.  
Lynnfield, Massachusetts, 01940

Dear Bruce:

You, Five Star Senior Living Inc. (“FVE”) and The RMR Group LLC (“RMR”) are entering into this letter agreement (this “Agreement”) to confirm the terms and conditions of your separation from FVE and RMR on December 31, 2019 or such earlier date you elect as provided below (the “Separation Date”).

### **I. TRANSITION PERIOD AND SEPARATION**

A. Resignation from FVE. You will continue to serve as the President and Chief Executive Officer of FVE until December 31, 2018 as of which date you will resign as President and Chief Executive Officer of FVE and any other officer or director positions you hold within FVE, and any positions you hold with third parties on behalf of FVE. You will continue to serve as an employee of FVE until the Separation Date in order to transition your duties and responsibilities to your successor(s).

B. Resignation from RMR. You will continue to serve as an Executive Vice President of RMR until December 31, 2018 as of which date you will resign as an Executive Vice President of RMR and any other officer or director positions you hold within RMR and any of its managed and affiliated companies (collectively, the “RMR Companies”). You will continue to serve as an employee of RMR until the Separation Date in order to transition your duties and responsibilities to your successor(s).

C. Payments and Benefits until December 31, 2018. Until December 31, 2018, you will continue to receive your same cash salary compensation and benefits as you currently receive. You received a \$150,000 bonus payment from RMR in September and no additional bonus payment shall be paid to you by RMR. You understand and agree that you will not receive any additional share grants from FVE in December 2018.

D. Transition Period. From January 1, 2019 until the Separation Date, you will work towards the orderly transition of your responsibilities, use all reasonable efforts to assist in training your successor(s) and assist FVE’s and RMR’s internal and external partners with the transition as requested by FVE and RMR executives. Notwithstanding your resignation of all officer and director positions, you agree to fulfill your duties as a responsible party or identified officer for all FVE licenses until a

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replacement is installed and to cooperate with FVE's efforts to remove you from such licenses. It is understood that you may not come into the office every day or even regularly during this transition period. You may elect to accelerate the Separation Date from December 31, 2019 to any date after January 1, 2019 by giving 10 business days prior written notice to FVE and RMR. The Separation Date will be automatically accelerated if you obtain other full-time employment.

E. Payments and Benefits during the Transition Period. From January 1, 2019 until December 31, 2019, you will receive transition payments at the rate of \$10,000 per month. These transition payments will be paid 80% by FVE and 20% by RMR. Subject to any contribution required by you consistent with past practices, FVE will also maintain and provide your current insurance and employee benefits until the Separation Date, except that you will not accrue any vacation time.

F. Payments and Benefits on December 31, 2018 and the Separation Date. On December 31, 2018, FVE and RMR will pay any unpaid wages for the period through December 31, 2018, and FVE will pay you for any unused vacation time as of such date (it being acknowledged that you have no accrued and unpaid RMR vacation time), all subject to all usual and applicable taxes and deductions. Your health insurance on FVE's group plan will terminate on the Separation Date. To continue any health insurance beyond the Separation Date, you must complete a continuation of coverage (COBRA) election form and make timely payments for coverage. Information regarding COBRA will be mailed to you. Any group life and disability insurance on our group plan will also terminate on the Separation Date. Your participation in FVE's and/or RMR's 401(k) plans will terminate on the Separation Date.

G. Release Benefits. Provided you sign and do not revoke this Agreement and the Waiver and Release of Claims attached as Exhibit A and you satisfactorily perform your transition responsibilities, you will receive the following additional payments and benefits:

(1) 2018 Cash Payment. You will receive a cash payment from FVE in the amount of \$600,000 (less applicable taxes and deductions) upon the expiration of the revocation period set forth in Section XIV below.

(2) Additional Cash Payments. You will receive release payments in the total amount of \$550,000, less applicable taxes and deductions, payable in four equal installments on each of March 31, 2019, June 30, 2019, September 30, 2019, and December 31, 2019. These release payments will be paid 80% by FVE and 20% by RMR.

(3) Outplacement Benefits. FVE and RMR will pay for outplacement services to be provided to you by Essex Partners. These services will be paid 80% by FVE and 20% by RMR.

(4) FVE Share Grants.

a. All of your existing FVE share grants will continue to vest under the existing vesting schedule (as set forth in your Restricted Share Agreements) through the Separation Date. Upon the Separation Date, all of your existing FVE share grants will vest (which vesting includes the lifting of any restrictions) immediately in full and you will be permitted to settle any resulting tax liability with vesting shares, commonly referred to as "net share settlement." FVE will cooperate with you in removing any restrictive legends from your vested FVE shares.

b. You are required to own all FVE shares through the Separation Date. You agree with FVE that, as long as you own shares in FVE, your shares shall be voted at any meeting of the shareholders of FVE or in connection with any consent solicitation or other action by shareholders in

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favor of all nominees for director and all proposals recommended by the Board of Directors in the proxy statement for such meeting or materials for such written consent or other action. If your shares are not voted in accordance with this covenant and such failure continues after notice, you agree to pay liquidated damages to FVE in an amount equal to the market value of the shares not so voted and, in addition, your Separation Date will be automatically accelerated and you will forfeit all rights to any unpaid cash payments set forth in Section I.G(2) above. For the avoidance of doubt, this provision is for the benefit of FVE and is not an agreement with RMR.

c. You understand and agree that, although the FVE Code of Business Conduct and Ethics will no longer apply to you after the Separation Date, you are subject to all laws and regulations with respect to all of your shares in FVE, including, but not limited to, those applicable to the purchase or sale of securities while in possession of material, non-public information concerning FVE.

(5) RMR and RMR Company Share Grants.

a. Prior to the Separation Date, RMR will recommend to the Boards of Directors and Boards of Trustees of The RMR Group Inc., Government Properties Income Trust, and Select Income REIT (or, following their proposed merger, Office Properties Income Trust), Hospitality Properties Trust, Senior Housing Properties Trust, Industrial Logistics Properties Trust, TravelCenters of America LLC, and Tremont Mortgage Trust (together, the “RMR Public Companies”) that all of your existing share grants, which are identified in Exhibit B, vest (which vesting includes the lifting of any restrictions) immediately in full upon the Separation Date and that you be permitted to settle any resulting tax liability with vesting shares, commonly referred to as “net share settlement,” on a company-by-company basis. RMR will cooperate with you in removing any restrictive legends from your vested shares in the RMR Public Companies.

b. You agree for the benefit of the applicable RMR Public Company that, as long as you own the shares referenced above in 5(a) in the RMR Public Companies, your shares shall be voted at any meeting of the shareholders of the RMR Public Companies or in connection with any consent solicitation or other action by shareholders in favor of all nominees for director and all proposals recommended by the Board of Directors or Trustees in the proxy statement for such meeting or materials for such written consent or other action. This obligation does not apply to your estate. If your shares are not voted in accordance with this covenant and such failure continues after notice, you agree to pay liquidated damages to the applicable RMR Public Company in an amount equal to the market value of the shares not so voted. For the avoidance of doubt, this provision is for the benefit of each RMR Public Company only with respect to your shares in such company and is not an agreement with RMR.

c. You understand and agree that, although the RMR Code of Business Conduct and Ethics will no longer apply to you after the Separation Date, you are subject to all laws and regulations with respect to all of your shares in the RMR Public Companies, including, but not limited to, those applicable to the purchase or sale of securities while in possession of material, non-public information concerning the RMR Public Companies.

(6) Mobile Phone Number. At your request, FVE agrees to consent to and cooperate with you in the transfer to you of the mobile phone number (No. (XXX) XXX-XXX), and to pay for any costs associated with such transfer (except that you will be responsible for the cost of replacement equipment and service). You agree to be responsible for all cell phone payments for service after the Separation Date.

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## II. RELEASE

You, your heirs, executors, legal representatives, successors and assigns, individually and in their beneficial capacity, hereby unconditionally and irrevocably release and forever discharge FVE, RMR, The RMR Public Companies, Sonesta International Hotels Corporation, RMR Real Estate Income Fund, RMR Advisors LLC, Tremont Realty Advisors LLC, the RMR Office Fund LP and ABP Trust and any other companies managed by RMR from time to time, and its and their past, present and future officers, directors, trustees, employees, representatives, shareholders, attorneys, agents, consultants, contractors, successors, and affiliates - hereinafter referred to as the "Releasees" - or any of them of and from any and all suits, claims, demands, interest, costs (including attorneys' fees and costs actually incurred), expenses, actions and causes of action, rights, liabilities, obligations, promises, agreements, controversies, losses and debts of any nature whatsoever which you, your heirs, executors, legal representatives, successors and assigns, individually and/or in their beneficial capacity, now have, own or hold, or at any time heretofore ever had, owned or held, or could have owned or held, whether known or unknown, suspected or unsuspected, from the beginning of the world to the date of execution of this Agreement including, without limitation, any claims arising in law or equity in a court, administrative, arbitration, or other tribunal of any state or country arising out of or in connection with your employment by FVE and/or RMR; any claims against the Releasees based on statute, regulation, ordinance, contract, or tort; any claims against the Releasees relating to wages, compensation, benefits, retaliation, negligence, or wrongful discharge; any claims arising under Title VII of the Civil Rights Act of 1964, as amended, the Age Discrimination in Employment Act, as amended, the Older Workers' Benefit Protection Act, as amended, the Equal Pay Act, as amended, the Fair Labor Standards Act, as amended, the Employment Separation Income Security Act, as amended, the Americans with Disabilities Act of 1990 ("ADA"), as amended, The ADA Amendments Act, the Lilly Ledbetter Fair Pay Act, the Worker Adjustment and Retraining Notification Act, the Genetic Information Non-Discrimination Act, the Civil Rights Act of 1991, as amended, the Family Medical Leave Act of 1993, as amended, and the Rehabilitation Act, as amended; The Massachusetts Fair Employment Practices Act (Massachusetts General Laws Chapter 151B), The Massachusetts Equal Rights Act, The Massachusetts Equal Pay Act, the Massachusetts Privacy Statute, The Massachusetts Civil Rights Act, the Massachusetts Payment of Wages Act (Massachusetts General Laws Chapter 149 sections 148 and 150), the Massachusetts Overtime regulations (Massachusetts General Laws Chapter 151 sections 1A and 1B), the Massachusetts Meal Break regulations (Massachusetts General Laws Chapter 149 sections 100 and 101) and any other claims under any federal or state law for unpaid or delayed payment of wages, overtime, bonuses, commissions, incentive payments or severance, missed or interrupted meal periods, interest, attorneys' fees, costs, expenses, liquidated damages, treble damages or damages of any kind to the maximum extent permitted by law and any claims against the Releasees arising under any and all applicable state, federal, or local ordinances, statutory, common law, or other claims of any nature whatsoever except for unemployment compensation benefits or, in Massachusetts, workers' compensation benefits. Notwithstanding the foregoing, this general release does not include, and you expressly retain any and all rights: 1) to enforce the terms of this Agreement; 2) under applicable equity agreements and as a shareholder of Releasees; 3) you may have for defense and indemnification under common law, FVE and RMR company bylaws, contract, and any applicable insurance policy that would provide you with defense and/or indemnity for claims asserted against you based on your conduct as an employee, officer or director of FVE and/or the RMR Companies; 4) under the terms of welfare benefit plans in which you participated as an employee; and, 5) arising after the date of your execution of this Agreement.

Nothing in this Agreement shall affect the EEOC's rights and responsibilities to enforce the Civil Rights Act of 1964, as amended, the Age Discrimination in Employment Act of 1967, as amended, the National Labor Relations Act or any other applicable law, nor shall anything in this Agreement be construed

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as a basis for interfering with your protected right to file a timely charge with, or participate in an investigation or proceeding conducted by, the EEOC, the National Labor Relations Board (the "NLRB"), or any other state, federal or local government entity; provided, however, if the EEOC, the NLRB, or any other state, federal or local government entity commences an investigation on your behalf, you specifically waive and release your right, if any, to recover any monetary or other benefits of any sort whatsoever arising from any such investigation or otherwise, nor will you seek or accept reinstatement to your former position with FVE or RMR.

### **III. TAX PROVISIONS**

You agree that you shall be responsible and will pay your own tax obligations and/or liabilities created under state or federal tax laws by this Agreement. You further agree that you shall indemnify FVE, RMR and any of the RMR Companies for any tax obligations and/or liabilities that may be imposed on them for your failure to comply with this provision.

### **IV. INTERNAL AND EXTERNAL ANNOUNCEMENTS AND LETTER OF REFERENCE**

FVE and RMR will prepare internal and external announcements regarding your separation, the timing and content of which shall be subject to your reasonable approval. Provided you sign, return and do not revoke this Agreement, Mr. Adam Portnoy will provide you with a letter of reference which shall be in form and substance mutually acceptable to you and Mr. Portnoy.

### **V. CONFIDENTIALITY**

You agree that, unless otherwise agreed, on or before the Separation Date, you will return to FVE and RMR all property of FVE and RMR including, but not limited, to all documents, records, materials, software, equipment, personal service devices, building keys or entry cards, and other physical property that have come into your possession or been produced by you in connection with your employment; provided, however, that you may keep the desktop computer, laptop, printer, iPad, and mobile telephone issued to you by FVE.

In addition, you shall not at any time reveal to any person or entity, except to employees of FVE or RMR who need to know such information for purposes of their employment or as otherwise authorized by FVE or RMR in writing, any confidential information of FVE, RMR, or any RMR Company, including, but not limited to confidential information regarding (i) the marketing, business and financial activities and/or strategies of FVE, RMR, or any RMR Company and their respective affiliates, (ii) the costs, sources of supply, financial performance, projects, plans, branding, acquisition or dispositions, proposals and strategic plans of FVE, RMR, or any RMR Company and their respective affiliates, and (iii) information and discussions concerning any past or present lawsuits, arbitrations or other pending or threatened disputes in which FVE, RMR, or any RMR Company or their respective affiliates is or was a party. For purposes of this provision, "confidential information" does not include information that is already a matter of public knowledge based on the conduct of a person or party other than you, such as all public documents and filings in past or present lawsuits or information that is in the public realm regarding arbitrations, pending or threatened disputes.

Nothing in this Agreement prohibits you from reporting possible violations of federal law or regulation to any government agency or entity, including, but not limited, to the Securities and Exchange Commission, the Congress, and any agency Inspector General, or making other disclosures that are protected under the whistleblower provisions of applicable law. You do not need prior authorization of

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FVE or RMR to make any such reports or disclosures and you are not required to notify FVE or RMR that you have made such reports or disclosures.

## **VI. NON-DISPARAGEMENT**

You agree not to make harmful or disparaging remarks, written or oral, concerning FVE or RMR, or any of the RMR Companies, or any of its or their respective directors, officers, trustees, employees, agents or service providers. FVE and RMR agree to instruct their executive officers not to make any harmful or disparaging remarks, written or oral, concerning you. Nothing in this provision shall prevent you, FVE or RMR from testifying truthfully in connection with any litigation, arbitration or administrative proceeding when compelled by subpoena, regulation or court order.

## **VII. NON-SOLICITATION**

You agree that for five (5) years following the Separation Date, you will not directly or indirectly, without the prior written consent of FVE or RMR, solicit, attempt to solicit, assist others to solicit, hire, or assist others to hire for employment any person who is, or within the preceding six (6) months was, an employee of FVE or RMR, or any RMR Company.

## **BREACH OF SECTIONS V, VI, OR VII**

The parties agree that any breach of Sections V, VI, or VII of this Agreement may cause irreparable damage to the non-breaching party and that, in the event of such a breach or threatened breach, the non-breaching party shall have, in addition to any and all remedies at law, the right to seek an injunction, specific performance or other equitable relief to prevent the violation of any obligations hereunder. The parties agree that, in the event that any provision of Section V, VI, or VII shall be determined by any court of competent jurisdiction or arbitration panel to be unenforceable, such provision shall be deemed to be modified to permit its enforcement to the maximum extent permitted by law.

## **VIII. CONSULTING AND COOPERATION**

You agree to continue to conduct yourself in a professional manner and to cooperate in an orderly transition of your responsibilities from the date hereof until the Separation Date and that otherwise FVE and RMR may accelerate the Separation Date. After the Separation Date, FVE and/or RMR may request additional transitional services from you at a rate of \$250 per hour, plus reimbursement of any approved out-of-pocket expenses. Any such services shall be deemed a consultancy and you shall perform such services as an independent contractor, assuming all applicable tax obligations. You acknowledge that as an independent contractor you will not be eligible for any benefits afforded employees of FVE.

You further agree to cooperate with FVE and RMR, at reasonable times and places, with respect to all matters arising during or related to your continuing or past employment, including, without limitation, all formal or informal matters in connection with any government investigation, internal investigation, litigation, regulatory or other proceeding which may have arisen or which may arise. FVE or RMR will endeavor to minimize any disruption to your future employment obligations in scheduling interviews or calls. FVE or RMR will reimburse you for all reasonable out-of-pocket expenses, including any travel and accommodation expenses but excluding any lost time or opportunity. FVE or RMR will provide appropriate legal representation for you in a manner reasonably determined by FVE or RMR, and you remain free to retain your own attorney to represent your personal interests at your own expense.

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## **IX. INDEMNIFICATION**

Any and all indemnification agreements you have from FVE, RMR and any RMR Companies continue to provide for the respective parties' rights and obligations with respect to the matters set forth therein. Further, you will maintain any rights you have to indemnification and defense under any bylaws or insurance policies by FVE and RMR as well as any rights you have under the common law.

## **X. NON-WAIVER**

Any waiver by a party of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach of such provision or any other provision hereof.

## **XI. NON-ADMISSION**

The parties agree and acknowledge that the considerations exchanged herein do not constitute and shall be not construed as constituting an admission of any sort on the part of either party.

## **XII. NON-USE IN SUBSEQUENT PROCEEDINGS**

The parties agree that this Agreement may not be used as evidence in any subsequent proceeding of any kind except one in which one of the parties alleges a breach of the terms of this Agreement or the Waiver and Release of Claims or one in which one of the parties elects to use this Agreement as a defense to any claim.

## **XIII. ADEA ACKNOWLEDGEMENT**

You acknowledge that you have carefully read and fully understand this Agreement. You acknowledge that you have not relied on any statement, written or oral, which is not set forth in this Agreement. You further acknowledge that you are hereby advised in writing to consult with an attorney prior to executing this Agreement; that you are not waiving or releasing any rights or claims that may arise after the date of execution of this Agreement; that you are releasing claims under the Age Discrimination in Employment Act (ADEA); that you execute this Agreement in exchange for monies in addition to those to which you are already entitled; that FVE and RMR presented you with this Agreement on December 4, 2018; that FVE and RMR gave you a period of at least twenty-one (21) days within which to consider this Agreement and a period of seven (7) days following your execution of this Agreement to revoke your ADEA waiver as provided below; that if you voluntarily execute this Agreement prior to the expiration of the 21st day, you will voluntarily waive the remainder of the 21 day consideration period; that any changes to this Agreement by you once it has been presented to you will not restart the 21 day consideration period; and you enter into this Agreement knowingly, willingly and voluntarily in exchange for the release payments and benefits. To receive the release payments and benefits provided in this Agreement, this Agreement must be signed and returned to Eileen Kiley, at RMR, Two Newton Place, Suite 300, 255 Washington Street, Newton, MA 02458, or at, if by email delivery, [ekiley@rmrgroup.com](mailto:ekiley@rmrgroup.com), **on or before December 31, 2018.**

You may revoke your release of your ADEA claims up to seven (7) days following your signing this Agreement. Notice of revocation must be received in writing by Eileen Kiley, at RMR, Two Newton Place, Suite 300, 255 Washington Street, Newton, MA 02458, no later than the seventh day (excluding the date of execution) following the execution of this Agreement. The ADEA release is not effective or enforceable until expiration of the seven day period. However, the ADEA release becomes fully effective, valid and irrevocable if it has not been revoked within the seven day period immediately following your

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execution of this Agreement. The parties agree that if you exercise your right to revoke this Agreement, then you are not entitled to any of the release payments and benefits set forth herein. This Agreement shall become effective eight (8) days after your execution if you have not revoked your signature as herein provided.

#### **XIV. ENTIRE AGREEMENT**

This Agreement, together with the Waiver and Release of Claims, constitutes the entire agreement between the parties concerning the terms and conditions of your separation of employment from FVE and RMR and supersedes all prior and contemporaneous agreements, understandings, negotiations, and discussions, whether oral or written, between the parties, except for any indemnification agreements as noted above, any applicable equity agreements and the Mutual Agreement to Resolve Disputes and Arbitrate Claims effective April 16, 2012, all of which remain in full force and effect. You agree that FVE and RMR have not made any warranties, representations, or promises to you regarding the meaning or implication of any provision of this Agreement other than as stated herein.

#### **XV. No Oral Modification**

Any amendments to this Agreement shall be in writing and signed by you and an authorized representative of FVE and RMR.

#### **XVI. Severability**

In the event that any provision hereof becomes or is declared by a court of competent jurisdiction or an arbitrator or arbitration panel to be illegal, unenforceable, or void, this Agreement shall continue in full force and effect without said provision.

#### **XVII. SECTION 409A**

Each payment made under this Agreement shall be treated as a separate payment and the right to a series of installment payments under this Agreement is to be treated as a right to a series of separate payments. Notwithstanding anything to the contrary in this Agreement, if at the time of your separation from service, you are a "specified employee," as defined below, any and all amounts payable under this Agreement on account of such separation from service that would (but for this provision) be payable within six (6) months following the date of termination, will instead be paid on the next business day following the expiration of such six (6) month period or, if earlier, upon your death and any remaining installments following such date shall be made in accordance with the original payment schedule; except (A) to the extent of amounts that do not constitute a deferral of compensation within the meaning of Treasury regulation Section 1.409A-1(b) (including without limitation by reason of the safe harbor set forth in Section 1.409A-1(b)(9)(iii), as determined by FVE and RMR in its and their reasonable good faith discretion); or (B) other amounts or benefits that are not subject to the requirements of Section 409A of the Internal Revenue Code of 1986, as amended, ("Section 409A"). For purposes of this Agreement, all references to "termination of employment" and correlative phrases shall be construed to require a "separation from service" (as defined in Section 1.409A-1(h) of the Treasury regulations after giving effect to the presumptions contained therein), and the term "specified employee" means an individual determined by FVE and RMR to be a specified employee under Treasury regulation Section 1.409A-1(i).

#### **XVIII. Governing Law, JURISDICTION AND SUCCESSOR AND ASSIGNS**

This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts without reference to any conflict of law principles, and shall be binding

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upon and inure to the benefit of you and your heirs, successors, and beneficiaries, and RMR and FVE and its and their agents, affiliates, representatives, successors, and assigns.

The parties irrevocably agree that any dispute regarding this Agreement shall be settled by binding arbitration in accordance with the Mutual Agreement to Resolve Disputes and Arbitrate Claims, effective April 16, 2012.

**XIX. Voluntary Act**

By signing this Agreement, you acknowledge and agree that you are doing so knowingly and voluntarily in order to receive the payments and benefits provided for herein. By signing this Agreement, you represent that you fully understand your right to review all aspects of this Agreement, that you have carefully read and fully understand all the provisions of this Agreement, that you had an opportunity to ask questions and consult with an attorney of your choice before signing this Agreement; and that you are freely, knowingly, and voluntarily entering into this Agreement.

If you determine to accept this Agreement, understand it, and consent to it, please sign in the space provided below and return a copy so signed to us.

Very truly yours,

/s/ Katherine E. Potter  
Katherine E. Potter,  
Executive Vice President and General Counsel

AGREED:

THE RMR GROUP LLC

By: /s/ Eileen Kiley  
Eileen Kiley,  
Senior Vice President and Chief Human Resources Officer

AGREED TO AND ACCEPTED:

/s/ Bruce J. Mackey, Jr.  
Bruce J. Mackey, Jr.

Dated: December 11, 2018

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## Exhibit A

### Waiver and Release of Claims

You, your heirs, executors, legal representatives, successors and assigns, individually and in their beneficial capacity, hereby unconditionally and irrevocably release and forever discharge Five Star Senior Living Inc. (“FVE”), The RMR Group Inc. and The RMR Group LLC (together, “RMR”), Government Properties Income Trust, Hospitality Properties Trust, Select Income REIT, Senior Housing Properties Trust, Tremont Mortgage Trust, Industrial Logistics Properties Trust, TravelCenters of America LLC, Sonesta International Hotels Corporation, RMR Real Estate Income Fund, RMR Advisors LLC, Tremont Realty Advisors LLC, the RMR Office Fund LP and ABP Trust and any companies managed by RMR from time to time, and its and their past, present and future officers, directors, trustees, employees, representatives, shareholders, attorneys, agents, consultants, contractors, successors, and affiliates - hereinafter referred to as the “Releasees” - or any of them of and from any and all suits, claims, demands, interest, costs (including attorneys’ fees and costs actually incurred), expenses, actions and causes of action, rights, liabilities, obligations, promises, agreements, controversies, losses and debts of any nature whatsoever which you, your heirs, executors, legal representatives, successors and assigns, individually and/or in their beneficial capacity, now have, own or hold, or at any time heretofore ever had, owned or held, or could have owned or held, whether known or unknown, suspected or unsuspected, from the beginning of the world to the date of execution of this Waiver and Release of Claims including, without limitation, any claims arising in law or equity in a court, administrative, arbitration, or other tribunal of any state or country arising out of or in connection with your employment by FVE and/or RMR; any claims against the Releasees based on statute, regulation, ordinance, contract, or tort; any claims against the Releasees relating to wages, compensation, benefits, retaliation, negligence, or wrongful discharge; any claims arising under Title VII of the Civil Rights Act of 1964, as amended, the Age Discrimination in Employment Act, as amended, the Older Workers’ Benefit Protection Act, as amended, the Equal Pay Act, as amended, the Fair Labor Standards Act, as amended, the Employment Separation Income Security Act, as amended, the Americans with Disabilities Act of 1990 (“ADA”), as amended, The ADA Amendments Act, the Lilly Ledbetter Fair Pay Act, the Worker Adjustment and Retraining Notification Act, the Genetic Information Non-Discrimination Act, the Civil Rights Act of 1991, as amended, the Family Medical Leave Act of 1993, as amended, and the Rehabilitation Act, as amended; The Massachusetts Fair Employment Practices Act (Massachusetts General Laws Chapter 151B), The Massachusetts Equal Rights Act, The Massachusetts Equal Pay Act, the Massachusetts Privacy Statute, The Massachusetts Civil Rights Act, the Massachusetts Payment of Wages Act (Massachusetts General Laws Chapter 149 sections 148 and 150), the Massachusetts Overtime regulations (Massachusetts General Laws Chapter 151 sections 1A and 1B), the Massachusetts Meal Break regulations (Massachusetts General Laws Chapter 149 sections 100 and 101) and any other claims under any federal or state law for unpaid or delayed payment of wages, overtime, bonuses, commissions, incentive payments or severance, missed or interrupted meal periods, interest, attorneys’ fees, costs, expenses, liquidated damages, treble damages or damages of any kind to the maximum extent permitted by law and any claims against the Releasees arising under any and all applicable state, federal, or local ordinances, statutory, common law, or other claims of any nature whatsoever except for unemployment compensation benefits or, in Massachusetts, workers’ compensation benefits. Notwithstanding the foregoing, this general release does not include, and you expressly retain any and all rights: 1) to enforce the terms of this Agreement; 2) under applicable equity agreements and as a shareholder of Releasees; 3) you may have for defense and indemnification under common law, FVE and RMR company bylaws, contract, and any applicable insurance policy that would provide you with defense and/or indemnity for claims asserted against you based on your conduct as an employee, officer or director of FVE and/or the RMR Companies; 4) under the terms of welfare benefit plans in which you participated as an employee; and 5) arising after the date of your execution of this Agreement.

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Nothing in this Waiver and Release of Claims shall affect the EEOC's rights and responsibilities to enforce the Civil Rights Act of 1964, as amended, the Age Discrimination in Employment Act of 1967, as amended, the National Labor Relations Act or any other applicable law, nor shall anything in this Waiver and Release of Claims be construed as a basis for interfering with your protected right to file a timely charge with, or participate in an investigation or proceeding conducted by, the EEOC, the National Labor Relations Board (the "NLRB"), or any other state, federal or local government entity; provided, however, if the EEOC, the NLRB, or any other state, federal or local government entity commences an investigation on your behalf, you specifically waive and release your right, if any, to recover any monetary or other benefits of any sort whatsoever arising from any such investigation or otherwise, nor will you seek or accept reinstatement to your former position with FVE or RMR.

Nothing in this Waiver and Release of Claims prohibits you from reporting possible violations of federal law or regulation to any government agency or entity, including, but not limited to, the Securities and Exchange Commission, the Congress, and any agency Inspector General, or making other disclosures that are protected under the whistleblower provisions of applicable law. You do not need prior authorization of FVE or RMR to make any such reports or disclosures and you are not required to notify FVE or RMR that you have made such reports or disclosures.

You acknowledge that you have carefully read and fully understand this Waiver and Release of Claims. You acknowledge that you have not relied on any statement, written or oral, which is not set forth in this Waiver and Release of Claims. You further acknowledge that you are hereby advised in writing to consult with an attorney prior to executing this Waiver and Release of Claims; that you are not waiving or releasing any rights or claims that may arise after the date of execution of this Waiver and Release of Claims; that you are releasing claims under the Age Discrimination in Employment Act (ADEA); that you execute this Waiver and Release of Claims in exchange for monies in addition to those to which you are already entitled; that FVE and RMR gave you a period of at least twenty-one (21) days within which to consider this Waiver and Release of Claims and a period of seven (7) days following your execution of this Waiver and Release of Claims to revoke your ADEA waiver as provided below; that if you voluntarily execute this Waiver and Release of Claims prior to the expiration of the 21st day, you will voluntarily waive the remainder of the 21 day consideration period; that any changes to this Waiver and Release of Claims by you once it has been presented to you will not restart the 21 day consideration period; and you enter into this Waiver and Release of Claims knowingly, willingly and voluntarily in exchange for the release payments and benefits. To receive the release payments and benefits provided in the letter, dated December 11, 2018 (the "Letter Agreement"), this Waiver and Release of Claims must be signed and returned to Eileen Kiley, at RMR, Two Newton Place, Suite 300, 255 Washington Street, Newton, MA 02458, or at, if by email delivery, [ekiley@rmrgroup.com](mailto:ekiley@rmrgroup.com), **on, and not before, December 31, 2019**. Nothing in this Waiver and Release of Claims constitutes a waiver of any rights you have under the Letter Agreement.

You may revoke your release of your ADEA claims up to seven (7) days following your signing this Waiver and Release of Claims. Notice of revocation must be received in writing by Eileen Kiley, at RMR, Two Newton Place, Suite 300, 255 Washington Street, Newton, MA 02458, no later than the seventh day (excluding the date of execution) following the execution of this Waiver and Release of Claims. The ADEA release is not effective or enforceable until expiration of the seven day period. However, the ADEA release becomes fully effective, valid and irrevocable if it has not been revoked within the seven day period immediately following your execution of this Waiver and Release of Claims. The parties agree that if you exercise your right to revoke this Waiver and Release of Claims, then you are not entitled to any of the release payments and benefits set forth in Section I.G. of the Letter Agreement.

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This Waiver and Release of Claims shall become effective eight (8) days after your execution if you have not revoked your signature as herein provided.

*I hereby provide this Waiver and Release of Claims as of the date indicated below and acknowledge that the execution of this Waiver and Release of Claims is in further consideration of the benefits set forth in Section I.G. of the Letter Agreement, to which I acknowledge I would not be entitled if I did not sign this Waiver and Release of Claims. I intend that this Waiver and Release of Claims become a binding agreement by and between me and RMR and FVE if I do not revoke my acceptance within seven (7) days.*

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Bruce J. Mackey, Jr.

Dated: December 31, 2019

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**EXHIBIT B**

## Mackey Unvested Share Schedule as of December 31, 2018

<u>Company</u>	<u>Shares</u>
RMR	7,200.0
SNH	8,800.0
HPT	3,160.0
FVE	102,000.0
TA	2,280.0
GOV	2,000.0
SIR	2,000.0
ILPT	800.0
Tremont	800.0

## CERTIFICATION PURSUANT TO EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a)

I, Adam D. Portnoy, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of The RMR Group Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 7, 2019

/s/ Adam D. Portnoy

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Adam D. Portnoy

*Managing Director, President and Chief Executive Officer (principal executive officer)*

**CERTIFICATION PURSUANT TO EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a)**

I, Matthew P. Jordan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of The RMR Group Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 7, 2019

/s/ Matthew P. Jordan

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Matthew P. Jordan

*Executive Vice President, Chief Financial Officer and Treasurer (principal financial officer and principal accounting officer)*

**Certification Pursuant to 18 U.S.C. Sec. 1350**

In connection with the filing by The RMR Group Inc. (the “Company”) of the Quarterly Report on Form 10-Q for the period ended December 31, 2018 (the “Report”), each of the undersigned hereby certifies, to the best of his knowledge:

- 1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Adam D. Portnoy

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Adam D. Portnoy  
*Managing Director, President and Chief Executive Officer  
(principal executive officer)*

/s/ Matthew P. Jordan

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Matthew P. Jordan  
*Executive Vice President, Chief Financial Officer and Treasurer (principal  
financial officer and principal accounting officer)*

Date: February 7, 2019

## CREDIT AGREEMENT

This **CREDIT AGREEMENT** (this “Agreement”) is dated as of February 4, 2019 and is by and between Tremont Mortgage Trust (the “Borrower”), and Tremont Realty Advisors LLC (the “Lender”).

The Borrower desires the Lender to lend certain sums to the Borrower and the Lender agrees to extend credit to the Borrower, in accordance with the terms and conditions set forth herein.

**NOW, THEREFORE**, for good and valuable consideration, the receipt and sufficiency of which are hereby confirmed and acknowledged, the Borrower and the Lender hereby agree as follows:

Section 1. Definitions and Interpretation.

As used herein, the following terms shall have the meanings set forth below:

“Affiliate” shall mean, with respect to any Person, any other Person that, directly or indirectly through one or more intermediaries, Controls, or is Controlled by, or is under common Control with, such first Person. “Control” shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. “Controlled” has the meaning correlative thereto.

“Agreement Date” shall mean the date first set above, such date being the date on which this Agreement was executed and delivered by the parties hereto.

“Anti-Corruption Laws” mean all laws, rules and regulations of any jurisdiction concerning or relating to bribery or corruption, including, but not limited to, the Foreign Corrupt Practices Act of 1977 (15 U.S.C. § 78dd-1, et seq.).

“Anti-Terrorism Laws” shall mean any United States or other laws relating to economic or trade sanctions, terrorism or money laundering, including, but not limited to, the U.S. Executive Order No. 13224 of September 23, 2001 Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten To Commit, or Support Terrorism, the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001) and the Applicable Laws administered by Office of Foreign Assets Control of the United States Department of the Treasury, the Trading with the Enemy Act (12 U.S.C. §95), and the International Emergency Economic Powers Act (50 U.S.C. §1701-1707).

“Applicable Law” shall mean (i) all applicable common law and principles of equity and (ii) all applicable provisions of all (A) constitutions, statutes, rules, regulations and orders of governmental bodies, (B) Governmental Approvals and (C) orders, decisions, judgments and decrees of all courts (whether at law or in equity or admiralty) and arbitrators.

“Availability Period” shall have the meaning provided for in Section 2.

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“Board” shall mean the Board of Governors of the Federal Reserve System of the United States of America.

“Borrowing Request” shall mean a written instruction executed by a Responsible Officer of the Borrower requesting the Lender to make a Loan by wire transfer and specifying the amount of the Loan to be advanced, the date of the requested disbursement and the account to which the proceeds shall be remitted and certifying that all of the conditions precedent to lending described in Section 11 are satisfied.

“Business Day” shall mean any day except a day which is a Saturday or a Sunday or on which commercial banks are not required or authorized to remain open for the regular transaction of commercial business in the City of New York.

“Change in Control” shall mean (i) the Management Agreement is terminated and (ii) individuals who constitute the Continuing Trustees cease for any reason to constitute at least a majority of the Board of Trustees of the Borrower.

“Citi Repurchase Loan Agreement” shall mean that certain Master Repurchase Agreement, dated as of February 9, 2018, by and between TRMT CB Lender LLC, as Seller, and Citibank, N.A., as Buyer, as it may be amended, restated, amended and restated, supplemented or otherwise modified.

“Continuing Trustees” shall mean any member of the Borrower’s Board of Trustees who (1) was a member of such Board of Trustees on the Agreement Date; or (2) was nominated for election or elected to such Board of Trustees with the approval of a majority of the Continuing Trustees who were members of such Board of Trustees at the time of such nomination or election (either by a specific vote or by approval of a proxy statement in which such member was named as a nominee for election as a trustee).

“Credit Agreement Related Claim” shall mean any claim (whether sounding in tort, contract or otherwise) in any way related to, arising out of, or connected with, this Agreement or the relationship established hereunder or thereunder, whether such claim arises or is asserted before or after the Agreement Date or before or after the Maturity Date.

“Default” shall mean any condition or event that constitutes an Event of Default or that with the giving of notice or lapse of time or both would, unless cured or waived, become an Event of Default.

“Dollars” and the sign “\$” shall each refer to the lawful currency of the United States of America.

“Environmental Laws” shall mean as of any date the Comprehensive Environmental Response Compensation and Liability Act, the Hazardous Materials Transportation Act, the Resource Conservation and Recovery Act, the Federal Water Pollution Act, the Toxic Substances Control Act, and the Occupational Safety and Health Act, as such laws have been amended or supplemented, and any Federal, state, or local statute, ordinance, rule or regulation in effect.

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“ Equity Interests ” shall mean, with respect to any Person, all of the shares, interests, rights, participations or other equivalents (however designated) of capital stock of (or other ownership or profit interests or units in, including any limited or general partnership interest and any limited liability company membership interest) such Person and all of the warrants, options or other rights for the purchase, acquisition or exchange from such Person of any of the foregoing (including through convertible securities); provided, that any instrument evidencing indebtedness convertible or exchangeable for Equity Interests shall not be deemed to be Equity Interests unless and until such instrument is so converted or exchanged.

“ ERISA ” shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time.

“ Events of Default ” shall have the meaning ascribed to such term in Section 13 of this Agreement.

“ Excluded Taxes ” shall mean any of the following Taxes imposed on or with respect to the Lender or required to be withheld or deducted from a payment to the Lender, (a) Taxes imposed on or measured by net income (however denominated), franchise Taxes, and branch profits Taxes, in each case, imposed as a result of the Lender being organized under the laws of, or having its principal office in the jurisdiction imposing such Tax (or any political subdivision thereof); and (b) U.S. federal withholding Taxes imposed on amounts payable to or for the account of Lender.

“ Governmental Approval ” shall mean any authorization, consent, approval, license or exemption of, registration or filing with, or report or notice to, a governmental unit.

“ Governmental Authority ” means the government of the United States or any other nation, or of any political subdivision or instrumentality thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).

“ Guaranty ” means the Guaranty, dated as of February 9, 2018, by the Borrower for the benefit of Citibank, N.A. in connection with the Citi Repurchase Loan Agreement, as it may be amended, restated, amended and restated, supplemented or otherwise modified.

“ Interest Period ” shall mean, the period commencing on the first day of each January, April, July and October, and ending on the last day of each such March, June, September and December, respectively; provided, that, with regards to the final Interest Period before the Maturity Date, such Interest Period shall end on the Maturity Date.

“ Interest Rate ” shall have the meaning set forth in Section 4 .

“ Lien ” shall mean, with respect to any property or asset (or any income or profits derived therefrom) of any Person, any mortgage, lien, pledge, attachment, levy, charge or other security interest or encumbrance of any kind upon or in respect of such property or asset (or upon or in

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respect of any income or profits therefrom), in each case, whether the same is consensual or nonconsensual or arises by contract, operation of law, legal process or otherwise. For this purpose, a Person shall be deemed to own subject to a "Lien" any property or asset that it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capitalized lease or other title retention agreement relating to such property or asset.

"Lender's Office" shall mean 255 Washington Street, Suite 300, Newton, MA 02458.

"Loan Documents" shall mean this Agreement and any other document executed by the Borrower in connection with this Agreement. Any reference in this Agreement or any other Loan Document to a Loan Document shall include all appendices, exhibits or schedules thereto.

"Loan Increments" shall have the meaning set forth in Section 2.

"Loans" shall have the meaning set forth in Section 2.

"Management Agreement" shall mean that certain Management Agreement, dated as of September 18, 2017, by and between the Borrower and the Lender, as it may be amended, restated, amended and restated, supplemented or otherwise modified.

"Mandatory Prepayment" shall have the meaning set forth in Section 6.

"Margin Stock" shall have the meaning assigned to such term in Regulation U.

"Material Adverse Effect" shall mean any event, circumstance or condition that has had a materially adverse effect on (a) the business, operations, assets, liabilities (actual or contingent) or financial condition of the Borrower and its Subsidiaries, taken as a whole, (b) the ability of the Borrower to perform its respective payment obligations under any Loan Document or (c) the material rights and remedies of the Lender under any Loan Document.

"Maturity Date" shall mean the later of (i) three (3) years from the Agreement Date and (ii) thirty (30) days after the final maturity of both the (x) Citi Repurchase Loan Agreement and (y) Texas Capital Bank Note, as each may be extended pursuant to their respective governing loan documents.

"Maximum Permissible Rate" shall mean, with respect to interest payable on any amount, the rate of interest on such amount that, if exceeded, could, under Applicable Law, result in (i) civil or criminal penalties being imposed on the Lender or (ii) the Lender's being unable to enforce payment of (or, if collected, retain) all or any part of such amount or the interest payable thereon.

"Net Cash Proceeds" with respect to any public sale or issuance by the Borrower of its Equity Interests, shall mean the excess, if any, of (A) the sum of the cash and cash equivalents received in connection with such sale or issuance over (B) the investment banking fees, underwriting discounts, commissions, costs and other out-of-pocket expenses and other customary expenses, incurred by the Borrower in connection with such sale or issuance.

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“ Obligations ” shall mean all unpaid principal of and accrued and unpaid interest (including interest accruing during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding) on the Loans, all accrued and unpaid fees and all expenses, reimbursements, indemnities and other obligations of the Borrower and its Subsidiaries to the Lender arising under the Loan Documents.

“ Payment Date ” shall mean the last day of each March, June, September and December and on the Maturity Date. Whenever any Payment Date ends on a day that is not a Business Day, the Payment Date shall be the immediately succeeding Business Day.

“ Person ” shall mean any individual, sole proprietorship, corporation, partnership, trust, unincorporated association, mutual company, joint stock company, trade association or other business organization.

“ Post-Default Rate ” as of any date shall mean a rate of interest per annum equal to the Interest Rate as of any such date plus two percent (2%).

“ Regulation T ” shall mean Regulation T of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

“ Regulation U ” shall mean Regulation U of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

“ Regulation X ” shall mean Regulation X of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

“ Responsible Officer ” shall mean the chief executive officer, president, senior vice president, vice president, chief financial officer, treasurer, or assistant treasurer or other similar officer or person performing similar functions of the Borrower. Any document delivered hereunder that is signed by a Responsible Officer of the Borrower shall be conclusively presumed to have been authorized by all necessary corporate, partnership and/or other action on the part of the Borrower and such Responsible Officer shall be conclusively presumed to have acted on behalf of the Borrower.

“ Sanctions ” shall mean economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by the U.S. government, including those administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury or the U.S. Department of State.

“ Sanctioned Country ” shall mean, at any time, a country or territory which is the subject or target of any Sanctions.

“ Sanctioned Person ” shall mean, at any time, (i) any person listed in any Sanctions-related list of designated persons maintained by the Office of Foreign Assets Control of the U.S. Department of the Treasury, the U.S. Department of State, the United Nations Security Council, the European

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Union or any EU member state, (ii) any person operating, organized or resident in a Sanctioned Country or (iii) any person Controlled by any person described under clause (i) or (ii) above.

“ Scheduled Unavailability Date ” has the meaning specified in Section 4(c).

“ Solvent ” shall mean, with respect to any Person on any date of determination, that on such date (a) the fair value of the property of such Person is greater than the total amount of liabilities, including contingent liabilities, of such Person, (b) the present fair saleable value of the assets of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured, (c) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person’s ability to pay such debts and liabilities as they mature, (d) such Person is not engaged in business or a transaction, and is not about to engage in business or a transaction, for which such Person’s property would constitute an unreasonably small capital, and (e) such Person is able to pay its debts and liabilities, contingent obligations and other commitments as they mature in the ordinary course of business. The amount of contingent liabilities at any time shall be computed as the amount that, in the light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

“ Subsidiary ” shall mean, with respect to any Person, any other Person (i) the securities of which having ordinary voting power to elect a majority of the board of directors (or other persons having similar functions) or (ii) the other ownership interests of which ordinarily constituting a majority voting interest, are at the time, directly or indirectly, owned or Controlled by such first Person, or by one or more of its Subsidiaries, or by such first Person and one or more of its Subsidiaries; unless otherwise specified, “ Subsidiary ” means a Subsidiary of the Borrower.

“ Tax ” shall mean any Federal, State or foreign tax, assessment or other governmental charge or levy (including any withholding tax) upon a Person or upon its assets, revenues, income or profits.

“ Texas Capital Bank Note ” shall mean that certain Promissory Note, dated as of July 27, 2018, by and between TRMT TCB Lender LLC, as Borrower, and Texas Capital Bank, National Association, as Lender, as it may be amended, restated, amended and restated, supplemented or otherwise modified.

Section 2. Principal Amount and Terms of the Credit. The Lender agrees to extend to the Borrower any time within six (6) months after the Agreement Date (such period, the “ Availability Period ”), subject to the terms and conditions of this Agreement and in reliance upon the representations and warranties of the Borrower set forth in Section 10, loan(s) in the aggregate principal amount of up to Twenty-Five Million Dollars (\$25,000,000.00) (the “ Loans ”), to be disbursed in minimum amounts of Five Hundred Thousand Dollars (\$500,000.00) and in whole multiples of Fifty Thousand Dollars (\$50,000.00) in excess thereof (“ Loan Increments ”), from time to time, to an account designated in writing to the Lender by a Responsible Officer of Borrower pursuant to a Borrowing Request; provided, for the avoidance of doubt, that after the Availability Period, the undrawn funds will be unavailable and the Borrower will not be able to request any further borrowings on such undrawn funds. Amounts borrowed under this Agreement can only be repaid pursuant to the terms hereof and may not be reborrowed. A Loan may only be requested in

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Loan Increments. A Loan may be requested on any date during the Availability Period when all of the conditions precedent to lending described in Section 11 below have been satisfied, and the Borrower has delivered a Borrowing Request to the Lender no later than 12:00 noon, Eastern time, two (2) Business Days prior to the date such Loan is being requested.

Section 3. Fees. The Borrower shall pay to Lender an annual facility fee in the amount of Twenty-Five Thousand Dollars (\$25,000.00), which shall be due and payable annually, in arrears, on each annual anniversary of the Agreement Date, until the Maturity Date has occurred and all Obligations are repaid in full.

Section 4. Interest.

(a) Rates of Interest. Subject to the immediately following sentence, the Loans shall bear interest on the average weighted principal amount of Loans outstanding per Interest Period at a rate of six and one-half percent (6.50%) per annum (the "Interest Rate"). If any part of the Loans or any other amount due and payable hereunder is not paid when due (whether at maturity, by reason of notice of prepayment or acceleration or otherwise), such Obligations shall bear, to the maximum extent permitted by Applicable Law, interest for each day during the period from the date such amount became so due until it shall be paid in full (whether before or after judgment) at a rate per annum equal to the applicable Post-Default Rate. Interest shall be paid for the actual number of days elapsed. Interest shall be calculated at the end of each Interest Period and shall include the first (1st) day of such Interest Period. Nothing contained in this Agreement shall require the Borrower at any time to pay interest at a rate exceeding the Maximum Permissible Rate.

(b) Payment. Interest on each Loan shall be due and payable in quarterly installments, in arrears, on each Payment Date and at such other times as may be specified herein. Interest hereunder shall be due and payable in accordance with the terms hereof before and after judgment, and before and after the commencement of any proceeding under any Debtor Relief Law. Interest at the Post-Default Rate shall be payable on demand.

Section 5. Repayment. The entire principal amount of the Loans then outstanding shall mature and become due and payable, together with accrued interest and any and all other amounts payable or owing hereunder, whereupon the same shall become forthwith due and payable, and shall be repaid by the Borrower, on the Maturity Date, and the Lender shall have no further obligation to lend on and after the Maturity Date.

Section 6. Prepayments Permitted.

(a) Optional Prepayments. The Borrower may prepay the Loans in whole or in part, without premium or penalty; provided that the Borrower may not prepay the Loans at any time when the Citi Repurchase Loan Agreement or the Texas Capital Bank Note are outstanding unless the prepayment constitutes a Mandatory Prepayment; provided further that when the Borrower is not otherwise prohibited from prepaying the Loans in accordance with the foregoing proviso, the Borrower must give the Lender at least three (3) Business Days' prior written notice of any such prepayment. The Borrower shall at the time of each prepayment pay all accrued interest on the principal amount being prepaid.

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(b) Mandatory Prepayment. If the Borrower has any public issuance of its Equity Interests or issuance of preferred equity, which results in the receipt by the Borrower of Net Cash Proceeds, the Borrower must prepay on or prior to the date which is five (5) Business Days after the date of the receipt of such Net Cash Proceeds, the aggregate outstanding principal amount of Loans, up to an amount equal to one-hundred percent (100%) of all Net Cash Proceeds received (such prepayment, a “Mandatory Prepayment”).

Section 7. Payments by the Borrower.

(a) Time, Place and Manner. All payments due to the Lender under this Agreement shall be made to the Lender, or to such other Person as the Lender may designate, at the Lender’s Office or at such other address as the Lender may designate. A payment shall not be deemed to have been made on any day unless such payment has been received at the required place of payment, in Dollars, and in funds immediately available, no later than 2:00 p.m. (Eastern time) on such day.

(b) No Reductions. All payments due to the Lender under this Agreement, and all other terms, conditions, covenants and agreements to be observed and performed by the Borrower hereunder, shall be made, observed or performed by the Borrower without any reduction or deduction whatsoever, including any reduction or deduction for any set-off, recoupment, counterclaim (whether sounding in tort, contract or otherwise) or Tax, except for any withholding or deduction for Taxes required to be withheld or deduction under Applicable Law.

(c) Taxes. If any Tax (excluding any Excluded Tax) is required to be withheld or deducted from, or is otherwise payable by the Borrower in connection with, any payment due to the Lender under this Agreement, the Borrower (i) shall, if required, withhold or deduct the amount of such Tax from such payment and, in any case, pay such Tax to the appropriate taxing authority in accordance with Applicable Law and (ii) shall pay to the Lender (A) such additional amounts as may be necessary so that the net amount received by the Lender with respect to such payment, after withholding or deducting all Taxes required to be withheld or deducted, is equal to the full amount payable under this Agreement and (B) an amount equal to all Taxes payable by the Lender as a result of payments made by the Borrower (whether to a taxing authority or to the Lender) pursuant to this Section 7(c). Lender shall, at times reasonably requested by the Borrower, provide Borrower with a properly completed and duly executed Internal Revenue Service Form W-8 or W-9, whichever is applicable, and if such form expires or becomes obsolete or inaccurate in any respect, it shall update such form or promptly notify the Borrower of its legal inability to do so.

(d) Modification of Payment Dates. Unless otherwise specified in this Agreement, whenever any payment to the Lender under this Agreement shall be due (otherwise than by reason of acceleration) on a day that is not a Business Day, the date of payment thereof shall be the immediately succeeding Business Day and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension.

Section 8. [Reserved ]

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Section 9. Evidence of Indebtedness. The Loans and the Borrower's obligation to repay the Loans with interest in accordance with the terms of this Agreement shall be evidenced by this Agreement and the records of the Lender. The records of the Lender shall be prima facie evidence of the Loans and all payments made in respect thereof.

Section 10. Representations and Warranties of the Borrower. In order to induce the Lender to enter into this Agreement and to make the Loans, the Borrower hereby represents and warrants the following to the Lender:

(a) The Borrower is a Person (i) duly organized, validly existing and in good standing under the laws of its jurisdiction of formation or organization, and (ii) has all the requisite organizational power and authority to execute and deliver this Agreement, to perform its obligations hereunder and to own its properties and conduct its business as currently owned and conducted.

(b) The Borrower and each of its Subsidiaries is not in violation of any of its respective formation documents. The execution and delivery of this Agreement and the incurrence of the obligations and the consummation of the transactions herein and therein contemplated will not conflict with, or constitute a breach of or default under any formation documents of the Borrower, or any Applicable Law.

(c) This Agreement has been duly authorized, executed and delivered by the Borrower and constitutes a legal, valid and binding obligation of the Borrower enforceable in accordance with its terms, except as the enforcement thereof may be limited by bankruptcy, insolvency or other similar laws relating to or affecting generally the enforcement of creditors' rights or by general equitable principles.

(d) No consent, approval, authorization, order, registration or qualification of or with any court, any regulatory authority or other governmental agency or body is required for the execution or delivery of this Agreement by the Borrower or for the consummation of the other transactions contemplated by this Agreement.

(e) There are no actions, suits, proceedings, claims or disputes pending or, to the knowledge of the Borrower, overtly threatened in writing, at law, in equity, in arbitration or before any governmental authority, by or against the Borrower or any of its Subsidiaries that would reasonably be expected to have a Material Adverse Effect.

(f) The Borrower and each of its Subsidiaries has filed or caused to be filed all tax returns which are required to be filed and has paid all Taxes shown to be due and payable on such returns or on any assessments made against them (other than those being contested in good faith) and no Tax Liens have been filed and no claims are being asserted with respect to such Taxes.

(g) No fact or circumstance, to the best of the Borrower's knowledge after due inquiry, either alone or in conjunction with all other such facts and circumstances, has had or could reasonably be expected to have a Material Adverse Effect.

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(h) The Borrower and each of its Subsidiaries is not an “investment company” within the meaning of the Investment Company Act of 1940, as amended.

(i) The Borrower and each of its Subsidiaries is currently in compliance with all Applicable Laws (including, without limitation, Anti-Terrorism Laws, Anti-Corruption Laws, ERISA and Environmental Laws).

(j) None of the Borrower, any Subsidiary or any of their respective directors, officers or employees, or any agent of the Borrower or any Subsidiary acting on their behalf in connection with, or benefitting from, the loan facility established hereby, is a Sanctioned Person. No Loan, use of proceeds or other transaction contemplated by this Agreement or any other documents to be executed in connection with this Agreement will violate Anti-Corruption Laws or applicable Sanctions.

(k) The Borrower has used the proceeds of the Loans issued hereunder only in compliance with (and not in contravention of) this Agreement.

(l) The Borrower and each of its Subsidiaries has good fee simple title to, or valid leasehold interests in, or easements or other limited property interest in, or good and marketable title to, all its real property assets that are material to the present conduct of its business and has good title to its personal property and assets that are material to the present conduct of its business, in each case, except for defects in title that do not materially interfere with its ability to conduct its business or to utilize such properties and assets for their intended purposes. All such properties and assets are free and clear of Liens, other than (i) Liens arising by operation of law, (ii) minor defects in title that do not materially interfere with the ability of the Borrower to conduct its business and (iii) Liens granted in connection with the Citi Repurchase Loan Agreement and the Texas Capital Bank Note.

(m) The Borrower and each of its Subsidiaries is not engaged principally, or as one of its important activities, in the business of extending credit for the purpose of buying or carrying Margin Stock. The Borrower will not use any part of the proceeds of the Loans, whether directly or indirectly, and whether immediately, incidentally or ultimately, for any purpose that entails a violation of, or that is inconsistent with, the provisions of Regulation T, Regulation U or Regulation X. The proceeds of the Loans will only be (i) used in conjunction with the Citi Repurchase Loan Agreement to fund transitional bridge loans consistent with the Borrower’s business and approved by the Borrower’s Board of Trustees or (ii) held by the Borrower in order to satisfy the minimum Cash Liquidity (as such term is defined in the Guaranty) financial covenant required under the Guaranty.

(n) No written information (other than the pro forma financial statements and estimates and information of a general economic or general industry nature) furnished by or on behalf of the Borrower or any of its Subsidiaries to the Lender in connection with the transactions on or before the date of this Agreement (the “Information”), when taken as a whole, as of the Agreement Date, contained any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements contained therein not misleading in light of the

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circumstances under which such statements were made (after giving effect to all supplements and updates thereto from time to time).

(o) The Borrower and its Subsidiaries, on a consolidated basis, are Solvent.

(p) No Default has occurred and is continuing.

Section 11. Conditions Precedent.

(a) The obligation of the Lender to enter into this Agreement and make the Loans is subject to receipt by the Lender, in form and substance satisfactory to the Lender, of the following:

(i) duly executed copies of this Agreement;

(ii) each representation and warranty contained in Section 10 hereof shall be true and correct;

(iii) no Default or Event of Default shall have occurred and be continuing; and

(iv) the Lender shall have received at least three (3) Business Days prior to the Agreement Date all documentation and other information regarding the Borrower that has been reasonably requested and determined by the Lender to be required by regulatory authorities under applicable “know your customer” and anti-money laundering rules and regulations, including without limitation the USA PATRIOT Act.

(b) The obligation of the Lender to fund a Loan is subject to the satisfaction of the following conditions:

(i) at the time of and immediately after giving effect to such Loan, no Default or Event of Default shall have occurred and be continuing; and

(ii) each representation and warranty contained in Section 10 hereof shall be true and correct;  
and

(iii) the receipt by the Lender of a duly executed Borrowing Request.

Section 12. Covenants of the Borrower. From the date hereof and until all Obligations are indefeasibly repaid in full:

(a) Reports. The Borrower shall deliver to the Lender:

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(i) Notice of Default. Promptly upon any officer of the Borrower obtaining knowledge (i) of the occurrence of any Default or Event of Default or (ii) of the occurrence of any event or change that has caused or would reasonably be expected to cause, individually or in the aggregate, a Material Adverse Effect, an officer's certificate specifying the nature of such event or change and what action the Borrower has taken, is taking and proposes to take with respect thereto; and

(ii) Additional Information. Promptly, such additional information regarding the business, legal, financial or corporate affairs of the Borrower or any Subsidiary of the Borrower, or compliance with the terms of this Agreement or any other Loan Document, as the Lender may from time to time reasonably request.

(b) Existence. The Borrower will, and will cause each of its Subsidiaries to, at all times preserve and keep in full force and effect (i) its existence and (ii) all rights and franchises, licenses and permits material to its business except, in the case of this clause (ii), to the extent the failure to do so would not reasonably be expected to result in a Material Adverse Effect.

(c) Use of Proceeds. No part of the proceeds of any Loan will be used, whether directly or indirectly, for any purpose that would entail a violation of Regulation T, Regulation U or Regulation X. The proceeds of the Loans are to be (i) used in conjunction with the Citi Repurchase Loan Agreement to fund transitional bridge loans consistent with the Borrower's business and approved by the Borrower's Board of Trustees or (ii) held by the Borrower in order to satisfy the minimum Cash Liquidity (as such term is defined in the Guaranty) financial covenant required under the Guaranty.

(d) Payment of Taxes. The Borrower will, and will cause each of its Subsidiaries to, pay all material Taxes imposed upon it or any of its properties or assets or in respect of any of its income, businesses or franchises; provided, no such Tax or claim need be paid if it is being contested in good faith by appropriate proceedings promptly instituted and diligently conducted, so long as adequate reserves or other appropriate provision, as shall be required in conformity with GAAP, shall have been made therefor.

(e) Compliance with Laws. The Borrower will comply, and shall take reasonable steps to cause each of its Subsidiaries to comply in all material respects with the requirements of all Applicable Law.

(f) Further Assurances. The Borrower will, and will cause each of its Subsidiaries to, execute any and all further documents, agreements and instruments, and take all such further actions, which may be required under any Applicable Law, or which the Lender may reasonably request, to comply with the terms of this Agreement or any other Loan Document.

(g) Lines of Business. The Borrower will not engage in any material line of business substantially different from those lines of business conducted by the Borrower and its

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Subsidiaries on the date hereof or any business reasonably ancillary, complementary, related or incidental thereto or any extension of such business consistent with industry developments.

Section 13. Event of Default. If any of the following events (“Events of Default”) shall occur:

(a) the Borrower shall fail to pay any principal of any Loan, in each case when and as the same shall become due and payable, whether at the due date or at a date fixed for prepayment thereof or otherwise;

(b) the Borrower shall fail to pay any interest on any Loan or any fee or any other amount (other than an amount referred to in clause (a) of this Section 13.) payable under this Agreement or any other Loan Document, when and as the same shall become due and payable, and such failure shall continue unremedied for a period of five (5) Business Days;

(c) any representation or warranty made or deemed made by or on behalf of the Borrower or its Subsidiaries in or in connection with this Agreement or any other Loan Document or any amendment or modification hereof or thereof or waiver hereunder or thereunder, or in any report, certificate, financial statement or other document furnished pursuant to or in connection with this Agreement or any other Loan Document or any amendment or modification thereof or waiver thereunder, shall prove to have been incorrect in any material respect when made or deemed made;

(d) the Borrower shall fail to observe or perform any covenant, condition or agreement applicable to it (or the its Subsidiaries, to the extent applicable);

(e) (i) the Borrower shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian, conservator or other similar official for it or for all or substantially all of its assets, or the Borrower shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against the Borrower any case, proceeding or other action of a nature referred to in clause (i) above that (A) results in the entry of an order for relief or any such adjudication or appointment or (B) remains undismitted, undischarged or unbonded for a period of 60 days; or (iii) there shall be commenced against the Borrower any case, proceeding or other action seeking issuance of a warrant of attachment, execution, restraint or similar process against all or substantially all of its assets that results in the entry of an order for any such relief that shall not have been vacated, discharged, or stayed or bonded pending appeal within 60 days from the entry thereof; or (iv) the Borrower shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii), or (iii) above; or (v) the Borrower shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due;

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(f) (i) any of the Loan Documents shall cease, for any reason (other than by reason of express release by the Lender thereof), to be in full force and effect or any the Borrower or any of its Subsidiaries or any Affiliate shall so assert; or (ii) any provision of any Loan Document shall at any time for any reason be declared to be null and void, or the validity or enforceability thereof shall be contested by the Borrower or any of its Subsidiaries, or a proceeding shall be commenced by the Borrower or any of its Subsidiaries or by any governmental authority, seeking to establish the invalidity or unenforceability thereof, or the Borrower or any of its Subsidiaries shall deny that it has any liability or obligation purported to be created under any Loan Document; or

(g) there occurs any Change of Control.

In the case of an Event of Default occurring and continuing, the Lender may declare all amounts of principal outstanding under the Loans to be forthwith due and payable, together with accrued interest and any and all other amounts payable or owing hereunder, whereupon the same shall become forthwith due and payable, without further demand, presentment, notice of dishonor, protest, notice of protest or other notice whatsoever, all of which are expressly waived by the Borrower; provided that upon the occurrence of an actual or deemed entry of an order for relief with respect to the Borrower under the Bankruptcy Code of the United States or any other event under Section 13(e), the unpaid principal amount of all outstanding Loans and all interest and other Obligations shall automatically become due and payable, in each case without further action by the Lender.

Section 14. Illegality.

If, after the date of this Agreement, the adoption of any Applicable Law, any change therein or any change in the interpretation or administration thereof by any government, governmental agency or authority, court, tribunal, central bank or other comparable body charged with the interpretation or administration thereof or compliance by the Lender with any interpretation, request, guideline or directive (whether or not having the force of law) of any such government, governmental agency or authority, court, tribunal, central bank or other comparable body shall make it unlawful or impossible for the Lender to maintain the Loans, then the Lender shall so notify the Borrower and the Loans shall become due and payable immediately upon the Borrower's receipt of such notice (or on such earlier date as may be required by such Applicable Law, interpretation, guideline, request or directive).

Section 15. Governing Law.

This Agreement shall be governed by, and construed in accordance with, the internal laws of the State of New York. The Borrower irrevocably agrees that any Credit Agreement Related Claim may be brought in any Federal or New York State Court located in the City of New York and, by the execution and delivery of this Agreement, the Borrower hereby irrevocably accepts and submits to the jurisdiction of each of the aforesaid courts in personam, generally and unconditionally, with respect to any such action or proceedings for itself and in respect of its property, assets and revenues. The Borrower hereby also irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of venue of any such action or proceeding brought in any such court and any claim that any such action or proceeding brought in such court

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has been brought in an inconvenient forum. The Borrower further irrevocably consents to service of process out of said courts by mailing a copy thereof, by registered or certified mail, postage prepaid, to itself, and irrevocably waives, to the fullest extent permitted by law, all claim of error by reason of such service in any legal action or proceeding brought in accordance herewith. The Borrower irrevocably waives, in any legal action or proceeding in any jurisdiction (whether for an injunction, specific performance, damages or otherwise), any right or claim of immunity of any kind with respect to itself or its assets including, without limitation, from attachment or execution of judgment, and the Borrower irrevocably agrees that it and its assets are and shall be subject to any legal action or proceeding, attachment or execution in respect to its obligations under this Agreement. The Borrower hereby irrevocably agrees that the Lender shall not be liable for, and the Borrower waives and agrees not to seek any special, indirect or consequential damages arising out of any claim related to this Agreement or any advance. **THE BORROWER AND THE LENDER EACH HEREBY WAIVE TRIAL BY JURY IN ANY JUDICIAL PROCEEDING TO WHICH THEY ARE BOTH PARTIES INVOLVING ANY CREDIT AGREEMENT RELATED CLAIM .**

Section 16. Miscellaneous.

(a) The Borrower shall, on demand, pay or reimburse the Lender for all fees, costs and expenses incurred, and all payments made, and indemnify and hold the Lender harmless from and against all losses suffered, by the Lender in connection with, arising out of, or in any way related to (i) the negotiation, preparation, execution and delivery of (A) this Agreement and (B) whether or not executed, any waiver, amendment or consent under or to this Agreement, (ii) the administration of and any operations under this Agreement, (iii) consulting with respect to any matter in any way arising out of, related to, or connected with, this Agreement including (A) the protection, preservation, exercise or enforcement by the Lender of any of its rights under or related to this Agreement, or (B) the performance by the Lender of any of its obligations under or related to this Agreement, (iv) protecting, preserving, exercising or enforcing any of the rights of the Lender under or related to this Agreement, (v) any Credit Agreement Related Claim (whether asserted by the Lender or the Borrower or any other Person and whether asserted before or after the Maturity Date), and the prosecution or defense thereof, or (vi) any governmental investigation arising out of, related to, or in any way connected with, this Agreement or the relationship established hereunder, except that the foregoing indemnity shall not be applicable to any loss suffered by the Lender to the extent such loss is determined by a judgment of a court that is binding on the Borrower and the Lender, final and not subject to review on appeal, to be the result of acts or omissions on the part of the Lender constituting (x) willful misconduct or (y) gross negligence.

(b) Any notice or communication required to be delivered under this Agreement, or any agreement or instrument required to be delivered hereunder (the “Notices”) shall be in writing and shall be sent by registered or certified U.S. mail (postage prepaid and return receipt requested) by a reliable hand-delivery or overnight courier service, by email (in a .pdf or similar file), or by telecopier, to be confirmed immediately by sending the original documentation by registered or certified U.S. mail or by a reliable hand-delivery or overnight courier service or by email. Notwithstanding the foregoing sentence, Notices may be given by telephone if confirmed in writing within twenty-four (24) hours by sending a written version thereof by a reliable hand-

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delivery, overnight courier service or by email. In the event of a discrepancy between any telephonic Notice and any written confirmation thereof, such written confirmation shall be deemed effective notice except to the extent that the Lender has acted in reliance on such telephonic Notice. All Notices shall be delivered or otherwise conveyed to the parties at their respective addresses and telephone and telecopier numbers as follows: (i) if to the Borrower, at 255 Washington Street, Suite 300, Newton, MA 02458 and (ii) if to the Lender, at 255 Washington Street, Suite 300, Newton, MA 02458. Except as otherwise expressly set forth herein, all Notices shall be effective as against the Lender and the Borrower only upon the receipt thereof.

(c) No modification or waiver of any provision of this Agreement or any other instrument or agreement required hereunder, and no consent to any departure by the Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by the parties hereto, and then in each such event such waiver or consent shall be effective only in the specific instance and for the purpose for which given.

(d) The terms and provisions of this Agreement shall be binding upon, and the benefits thereof shall inure to, the parties hereto and their respective successors and assigns; provided, however, that the Borrower shall not assign any interest in this Agreement or any of the Borrower's rights, duties or obligations hereunder without the prior written consent of the Lender in its sole discretion. The Lender may not assign such indebtedness to a holder (or issue a participation of interest in such indebtedness to an entity) that is not Controlled by the parent entity of the Lender.

(e) No delay or omission to exercise any right, power, or remedy accruing to the Lender upon any breach or default of the Borrower under this Agreement or any instrument or agreement required hereunder shall impair any such right, power, or remedy of the Lender, nor shall it be considered to be a waiver of any such breach or default, or an acquiescence therein, or of or in any similar breach or default thereafter occurring; and no waiver by the Lender of any single breach or default shall be deemed a waiver of any other breach or default theretofore and thereafter occurring. Any waiver, permit, consent, or approval of any kind or character on the part of the Lender of any breach or default under this Agreement or any waiver on the part of the Lender of any provision or condition of this Agreement must be in writing specifically set forth. No remedy herein conferred upon the Lender is intended to be exclusive of any other remedy and each and every such remedy either under this Agreement or by law or otherwise afforded to the Lender, shall be cumulative and not alternative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute or otherwise.

(f) This Agreement may be executed in any number of counterparts and on separate counterparts, each of which shall be deemed to be an original and but all of which taken together shall constitute one and the same Agreement.

(g) The Lender hereby notifies the Borrower that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Act"), it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow the Lender to identify the Borrower in accordance with the Act.

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**IN WITNESS WHEREOF** , the Borrower and the Lender, acting through their duly authorized representatives, have caused this Credit Agreement to be duly executed as of the day and year first above written.

BORROWER:

**TREMONT MORTGAGE TRUST**

By: /s/ G. Douglas Lanois

Name: G. Douglas Lanois

Title: Chief Financial Officer

[Credit Agreement Signature Page]

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LENDER:

**TREMONT REALTY ADVISORS LLC**

By: /s/ Matthew P. Jordan

Name: Matthew P. Jordan

Title: Chief Financial Officer and Treasurer

[Credit Agreement Signature Page]

TREMONT REALTY ADVISORS LLC  
255 Washington Street  
Suite 300  
Newton, MA 02458

February 4, 2019

### **Subordination Agreement**

Ladies and Gentleman:

Reference is hereby made to that certain (i) Credit Agreement, dated as of February 4, 2019 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the “Tremont Loan Agreement”), by and between Tremont Mortgage Trust (the “Company”) and Tremont Realty Advisors LLC (the “TRA Lender”, “we” or “us”) and (ii) Master Repurchase Agreement, dated as of February 9, 2018 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the “Senior Loan Agreement”), by and between the TRMT CB Lender LLC (the “TRMT Borrower”) and Citibank, N.A. (the “Senior Lender”). In connection with the Senior Loan Agreement, the Company guaranteed the obligations of the TRMT Borrower under the Senior Loan Agreement.

#### Subordination of Tremont Loan Agreement

Furthermore, we agree, as the TRA Lender, for good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, for the benefit of the parties hereto and all future assignees or transferees under the Senior Loan Agreement, that the right of the TRA Lender (and any transferee or assignee thereof) to repayment of any obligations under the Tremont Loan Agreement shall be subordinated to the prior repayment in full of all obligations under the Senior Loan Agreement, to the extent provided herein.

Notwithstanding any other agreements heretofore entered into between us and the Company or any third party relating to the Tremont Loan Agreement, we hereby agree, for ourselves and any of our assignees or transferees under the Tremont Loan Agreement, that if at any time an Insolvency Event (as defined below) occurs, any payment or distribution of any kind or character, whether in cash, property or securities, would be payable or deliverable to the TRA Lender (or such assignee or transferee), such payment or distribution shall instead be paid over or delivered to the Senior Lender, and the TRA Lender (or such assignees or transferees, as applicable) shall not receive any such payment or distribution or any benefit therefrom unless and until all obligations (other than contingent indemnification obligations as to which no claim has been made) under the Senior Loan Agreement have been paid in full in cash (or otherwise to the written satisfaction of the Senior Lender) and the Senior Loan Agreement has been terminated. Should any payment or distribution in respect of the Tremont Loan Agreement be collected or received by the TRA Lender or any of its assignees or transferees in contravention of the subordination provision described above, the TRA Lender or any such assignees or transferees, as applicable, shall forthwith turn over the same to the Senior Lender in the form received (with necessary endorsements or assignments, if applicable) and, until so turned over, shall hold the same in trust for the Senior Lender as their property. For purposes of this letter agreement, an “Insolvency Event” shall mean the adoption by the Company of a plan of liquidation, dissolution or winding up of the Company's affairs or the entry or filing by the Company into a voluntary petition, or the filing against the Company or its properties or assets of an involuntary petition, for bankruptcy, receivership or other similar proceeding.

In addition to the foregoing, we further agree, for the benefit of the parties hereto and all future assignees or transferees under the Senior Loan Agreement, that (i) neither the TRA Lender nor any of its assignees or transferees, as applicable, shall take any actions or agree to take any actions to amend or waive any provision of the Tremont Loan Agreement in any manner that conflicts with the provisions set forth herein and (ii) to the extent any payment with respect to the obligations under the Senior Loan Agreement (whether by or on behalf of the Company, as proceeds of security, enforcement of any right of setoff or otherwise) is declared to be fraudulent or preferential in any respect, set aside or required to be paid to a debtor in possession, trustee, receiver or similar person, then the obligation or part thereof originally intended to be satisfied shall be deemed to be reinstated and outstanding as if such payment had not occurred (and if this letter agreement shall have been terminated prior to such refund or repayment, this letter agreement shall be reinstated in full force and effect, and such prior termination shall not diminish, release, discharge, impair or otherwise affect the obligations of the parties hereto). The rights of the Senior Lender to enforce subordination as herein provided shall not at any time in any way be prejudiced or impaired by any act or failure to act by the Senior Lender, or by any noncompliance by the Company with the terms and provisions herein, regardless of whether the Senior Lender has, or may otherwise be charged with, knowledge thereof.

This letter agreement and the rights and obligations of the parties under this Agreement shall be governed by, and construed and interpreted in accordance with, the laws of the State of New York, and shall be binding upon the parties and their respective successors, transferees and assigns. **THE PARTIES HERETO WAIVE ALL RIGHT TO TRIAL BY JURY IN ANY CIVIL ACTION OR PROCEEDING ARISING OUT OF, OR BASED UPON, THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.** We agree not to transfer any of our loans or other rights or interests under the Tremont Loan Agreement unless the assignee or transferee agrees in writing to be bound by this letter agreement. Any attempted transfer in violation of the foregoing sentence shall be of no effect and null and void, regardless of whether the purported transferee has any actual or constructive knowledge of the transfer restrictions set forth in this letter agreement, and shall not be recorded on the transfer books of the Company.

Very truly yours,

**TREMONT REALTY ADVISORS LLC**

By: /s/ Matthew P. Jordan

Name: Matthew P. Jordan

Title: Chief Financial Officer and Treasurer

Accepted and agreed to as of the date first  
above written:

**TREMONT MORTGAGE TRUST**

By: /s/ G. Doug Lanois  
Name: G. Doug Lanois  
Title: Chief Financial Officer

**CITIBANK, N.A.**

By: /s/ Richard B. Schlenger  
Name: Richard B. Schlenger  
Title: Authorized Signatory