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 June 30, 2022

OR

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

Commission File Number 001-34383

Seven Hills Realty Trust
(Exact Name of Registrant as Specified in Its Charter)

Maryland	**20-4649929**
(State of Organization)	(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 **617-332-9530**

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol	Name of each exchange on which registered
Common Shares of Beneficial Interest	SEVN	The Nasdaq Stock Market LLC

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 every Interactive Data File required to be submitted 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 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	☒	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 ☒

Number of registrant's common shares of beneficial interest, $0.001 par value per share, outstanding as of July 25, 2022: 14,638,063

SEVEN HILLS REALTY TRUST

FORM 10-Q

June 30, 2022

INDEX

References in this Quarterly Report on Form 10-Q to SEVN, we, us or our mean Seven Hills Realty Trust and its consolidated subsidiaries unless otherwise expressly stated or the context indicates otherwise.

PART I. Financial Information

Item 1. Financial Statements

SEVEN HILLS REALTY TRUST
CONDENSED CONSOLIDATED BALANCE SHEETS
(dollars in thousands, except per share data)
(unaudited)

	June 30, 2022	December 31, 2021
ASSETS		
Cash and cash equivalents	$ 48,230	$ 26,197
Restricted cash	166	98
Loans held for investment, net	670,185	570,780
Prepaid expenses and other assets	3,108	2,918
Total assets	$ 721,689	$ 599,993
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable, accrued liabilities and deposits	$ 1,191	$ 1,561
Secured financing facilities, net	452,705	339,627
Due to related persons	1,063	1,111
Total liabilities	454,959	342,299
Commitments and contingencies		
Shareholders' equity:		
Common shares of beneficial interest, $0.001 par value, 25,000,000 shares authorized; 14,638,063 and 14,597,079 shares issued and outstanding, respectively	15	15
Additional paid in capital	238,254	237,624
Cumulative net income	40,354	24,650
Cumulative distributions	(11,893)	(4,595)
Total shareholders' equity	266,730	257,694
Total liabilities and shareholders' equity	$ 721,689	$ 599,993

See accompanying notes.

SEVEN HILLS REALTY TRUST
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(amounts in thousands, except per share data)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
INCOME FROM INVESTMENTS:				
Interest income from investments	$ 8,869	$ 3,055	$ 18,448	$ 5,056
Purchase discount accretion	1,636	—	7,571	—
Less: interest and related expenses	(3,007)	(192)	(4,744)	(192)
Income from investments, net	7,498	2,863	21,275	4,864
OTHER EXPENSES:				
Base management fees	1,063	721	2,126	1,436
General and administrative expenses	1,378	714	2,324	1,306
Reimbursement of shared services expenses	440	275	1,000	601
Other transaction related costs	—	—	37	—
Total other expenses	2,881	1,710	5,487	3,343
Income before income taxes	4,617	1,153	15,788	1,521
Income tax (expense) benefit	(39)	7	(84)	(11)
Net income	$ 4,578	$ 1,160	$ 15,704	$ 1,510
Weighted average common shares outstanding - basic and diluted	14,521	10,208	14,514	10,205
Net income per common share - basic and diluted	$ 0.31	$ 0.11	$ 1.08	$ 0.15

See accompanying notes.

SEVEN HILLS REALTY TRUST
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(amounts in thousands)
(unaudited)

	Number of Common Shares	Common Shares	Additional Paid In Capital	Cumulative Net Income	Cumulative Distributions	Total
Balance at December 31, 2021	14,597	$ 15	$ 237,624	$ 24,650	$ (4,595)	$ 257,694
Share grants	—	—	82	—	—	82
Net income	—	—	—	11,126	—	11,126
Distributions	—	—	—	—	(3,649)	(3,649)
Balance at March 31, 2022	14,597	15	237,706	35,776	(8,244)	265,253
Share grants	42	—	548	—	—	548
Share forfeitures	(1)	—	—	—	—	—
Net income	—	—	—	4,578	—	4,578
Distributions	—	—	—	—	(3,649)	(3,649)
Balance at June 30, 2022	14,638	$ 15	$ 238,254	$ 40,354	$ (11,893)	$ 266,730
Net assets at December 31, 2020	10,202	$ 10	$ 192,884	$ —	$ —	$ 192,894
Net income	—	—	—	350	—	350
Balance at March 31, 2021	10,202	10	192,884	350	—	193,244
Share grants	15	—	181	—	—	181
Net income	—	—	—	1,160	—	1,160
Distributions	—	—	—	—	(1,530)	(1,530)
Balance at June 30, 2021	10,217	$ 10	$ 193,065	$ 1,510	$ (1,530)	$ 193,055

See accompanying notes.

SEVEN HILLS REALTY TRUST
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollars in thousands)
(unaudited)

	Six Months Ended June 30,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 15,704	$ 1,510
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Accretion of purchase discount	(7,571)	—
Share based compensation	630	181
Amortization of deferred financing costs	474	34
Amortization of loan origination and exit fees	(2,112)	(641)
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	(400)	(2,660)
Accounts payable, accrued liabilities and deposits	(370)	(1,369)
Due to related persons	(48)	852
Net cash provided by (used in) operating activities	6,307	(2,093)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Origination of loans held for investment	(141,335)	(117,255)
Additional funding of loans held for investment	(8,020)	(820)
Repayment of loans held for investment	59,843	—
Net cash used in investing activities	(89,512)	(118,075)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from secured financing facilities	223,948	49,172
Repayments under secured financing facilities	(109,773)	—
Payments of deferred financing costs	(1,571)	(431)
Distributions	(7,298)	(1,530)
Net cash provided by financing activities	105,306	47,211
Increase (decrease) in cash, cash equivalents and restricted cash	22,101	(72,957)
Cash, cash equivalents and restricted cash at beginning of period	26,295	103,564
Cash, cash equivalents and restricted cash at end of period	$ 48,396	$ 30,607
SUPPLEMENTAL DISCLOSURES:		
Interest paid	$ 4,074	$ 120
Income taxes paid	$ 92	$ 2,477

SUPPLEMENTAL DISCLOSURE OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH:

The table below provides a reconciliation of cash, cash equivalents and restricted cash reported within the condensed consolidated balance sheets to the amounts shown in the condensed consolidated statements of cash flows:

	As of June 30,	
	2022	2021
Cash and cash equivalents	$ 48,230	$ 30,402
Restricted cash	166	205
Total cash, cash equivalents and restricted cash shown in the condensed consolidated statements of cash flows	$ 48,396	$ 30,607

See accompanying notes.

SEVEN HILLS REALTY TRUST
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands, except per share data)

Note 1. Basis of Presentation

The accompanying condensed consolidated financial statements 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 consolidated financial statements and notes contained in our Annual Report on Form 10-K for the year ended December 31, 2021, or our 2021 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 periods have been included. All intercompany transactions and balances with or among our consolidated subsidiaries have been eliminated. Operating results for interim periods are not necessarily indicative of the results that may be expected for the full year.

The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect reported amounts. Actual results could differ from those estimates. Significant estimates in the accompanying condensed consolidated financial statements include the fair value of financial instruments.

Note 2. Recent Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board, or the FASB, issued Accounting Standards Update, or 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 reported amount. As a smaller reporting company, we will adopt ASU No. 2016-13 on January 1, 2023. The amount of the allowance for credit losses established as a result of the adoption, will be presented as a cumulative-effect adjustment to reduce equity as of the date of adoption. We are currently assessing the amount of the allowance for credit losses that will be established as a result of the adoption of ASU No. 2016-13.

In March 2022, the FASB issued ASU No. 2022-02, *Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures*, which eliminated the guidance for and recognitions of troubled debt restructurings for all entities that have adopted ASU No. 2016-13. Instead, an entity must apply the loan refinancing and restructure guidance in Accounting Standards Codification, or ASC, Topic 310, *Receivables (Topic 310),* to determine whether a modification results in a new loan or continuation of an existing loan. If a borrower is experiencing financial difficulty, enhanced disclosures are required. ASU No. 2022-02 also amended the guidance on vintage disclosures to require disclosure of current period gross write-offs by year of origination. We will adopt ASU No. 2022-02 prospectively on January 1, 2023, concurrently with the adoption of ASU No. 2016-13. As of June 30, 2022, we have not recognized any troubled debt restructurings and do not expect the adoption of ASU No. 2022-02 to have a material impact on our condensed consolidated financial statements.

Note 3. Loans Held for Investment

We originate first mortgage loans secured by middle market and transitional commercial real estate, or CRE, which are generally to be held as long term investments. We funded our loan portfolio using cash on hand and advancements under our Secured Financing Facilities, as defined in Note 4. Additionally, we acquired the loan portfolio of Tremont Mortgage Trust, or TRMT, in the merger of TRMT with and into us on September 30, 2021, or the Merger. See Note 4 for further information regarding our secured financing agreements.

(dollars in thousands, except per share data)

The table below provides overall statistics for our loan portfolio as of June 30, 2022 and December 31, 2021:

	As of June 30, 2022	As of December 31, 2021
Number of loans	28	26
Total loan commitments	$ 734,883	$ 648,266
Unfunded loan commitments (1)	$ 52,694	$ 57,772
Principal balance	$ 682,285	$ 590,590
Carrying value	$ 670,185	$ 570,780
Weighted average coupon rate	5.14 %	4.54 %
Weighted average all in yield (2)	5.64 %	5.08 %
Weighted average floor	0.61 %	0.68 %
Weighted average maximum maturity (years) (3)	3.6	3.8
Weighted average risk rating	2.7	2.9

(1) Unfunded loan commitments are primarily used to finance property and building improvements and leasing capital and are generally funded over the term of the loan.
(2) All in yield represents the yield on a loan, including amortization of deferred fees over the initial term of the loan and excluding any purchase discount accretion.
(3) Maximum maturity assumes all borrower loan extension options have been exercised, which options are subject to the borrower meeting certain conditions.

The tables below represent our loan activities during the three months ended June 30, 2022 and 2021:

	Principal Balance	Deferred Fees and Other Items	Carrying Value
Balance at March 31, 2022	$ 636,831	$ (14,121)	$ 622,710
Additional funding	4,926	—	4,926
Originations	51,620	(321)	51,299
Repayments	(11,092)	(108)	(11,200)
Net amortization of deferred fees	—	814	814
Net purchase discount accretion	—	1,636	1,636
Balance at June 30, 2022	$ 682,285	$ (12,100)	$ 670,185

	Principal Balance	Deferred Fees and Other Items	Carrying Value
Balance at March 31, 2021	$ 148,652	$ (1,405)	$ 147,247
Additional funding	693	—	693
Originations	63,170	(755)	62,415
Net amortization of deferred fees	—	387	387
Balance at June 30, 2021	$ 212,515	$ (1,773)	$ 210,742

(dollars in thousands, except per share data)

The tables below represent our loan activities during the six months ended June 30, 2022 and 2021:

	Principal Balance	Deferred Fees and Other Items	Carrying Value
Balance at December 31, 2021	$ 590,590	$ (19,810)	$ 570,780
Additional funding	8,230	—	8,230
Originations	142,804	(1,469)	141,335
Repayments	(59,339)	(504)	(59,843)
Net amortization of deferred fees	—	2,112	2,112
Net purchase discount accretion	—	7,571	7,571
Balance at June 30, 2022	$ 682,285	$ (12,100)	$ 670,185

	Principal Balance	Deferred Fees and Other Items	Carrying Value
Balance at December 31, 2020	$ 92,863	$ (984)	$ 91,879
Additional funding	967	—	967
Originations	118,685	(1,430)	117,255
Net amortization of deferred fees	—	641	641
Balance at June 30, 2021	$ 212,515	$ (1,773)	$ 210,742

The tables below detail the property type and geographic location of the properties securing the loans in our portfolio as of June 30, 2022 and December 31, 2021:

	June 30, 2022			December 31, 2021		
Property Type	Number of Loans	Carrying Value	Percentage of Value	Number of Loans	Carrying Value	Percentage of Value
Office [(1)]	12	$ 267,803	40 %	13	$ 269,865	47 %
Multifamily	8	194,387	29 %	5	106,002	19 %
Lab	—	—	— %	1	13,398	2 %
Retail	6	148,255	22 %	4	88,724	16 %
Industrial [(1)]	2	59,740	9 %	3	92,791	16 %
	28	$ 670,185	100 %	26	$ 570,780	100 %

(1) Two loan investments secured by mixed use properties consisting of office space and an industrial warehouse in Aurora, IL and Colorado Springs, CO are classified as office for the purpose of counting the number of loans in our portfolio because the majority of the square footage of each of the properties consists of office space. The carrying value of these loan investments is reflected in office and industrial based on the fair value of the buildings at the time of origination relative to the total fair value of the properties.

	June 30, 2022			December 31, 2021		
Geographic Location	Number of Loans	Carrying Value	Percentage of Value	Number of Loans	Carrying Value	Percentage of Value
East	3	$ 66,120	10 %	3	$ 55,132	10 %
South	7	181,890	27 %	7	153,495	27 %
West	9	173,245	26 %	8	145,453	25 %
Midwest	9	248,930	37 %	8	216,700	38 %
	28	$ 670,185	100 %	26	$ 570,780	100 %

(dollars in thousands, except per share data)

Loan Credit Quality

We evaluate each of our loans for impairment at least quarterly by assessing a variety of risk factors in relation to each loan and assigning a risk rating to each loan based on those factors. The higher the number, the greater the risk level. See our 2021 Annual Report for more information regarding our loan risk ratings.

The following table allocates the carrying value of our loan portfolio at June 30, 2022 and December 31, 2021 based on our internal risk rating policy:

	June 30, 2022			December 31, 2021		
Risk Rating	**Number of Loans**		**Carrying Value**	**Number of Loans**		**Carrying Value**
1	—	$	—	—	$	—
2	10		225,169	4		94,743
3	16		418,153	21		463,600
4	2		26,863	1		12,437
5	—		—	—		—
	28	$	670,185	26	$	570,780

The weighted average risk rating of our loans by carrying value was 2.7 and 2.9 as of June 30, 2022 and December 31, 2021, respectively. The COVID-19 pandemic has negatively impacted some of our borrowers' business operations or tenants, particularly in the cases of certain of our office and retail collateral, some of which are the types of properties that have been most negatively impacted by the pandemic. We expect that those negative impacts may continue and may apply to other borrowers and/or their tenants. Further, although economic activity in the U.S. has improved significantly from the low points during the pandemic to date, certain industries have not recovered to their pre-pandemic positions, and current inflationary pressures and the possibility that the U.S. economy may now be in, or will soon enter into, a recession or downturn may amplify those, or introduce additional, negative impacts. Therefore, certain of our borrowers' business plans will likely take longer to execute than initially expected and certain of our borrowers may be unable to pay their debt service obligations owed and due to us as currently scheduled or at all. As of June 30, 2022, we had two loans representing approximately 4% of the carrying value of our loan portfolio with a loan risk rating of “4” or “higher risk".

We may enter into loan modifications that include among other changes, extensions of maturity dates, repurposing or required replenishment of reserves, increases or decreases in loan commitments and required pay downs of principal amounts outstanding. Modifications that represent concessions to a borrower that is experiencing financial difficulties are classified as troubled debt restructurings and considered impaired.

In February 2022, we amended the agreement governing our loan secured by an office property located in Yardley, PA. As part of this amendment, the loan commitment was increased by $1,600, or the Additional Advance, and may be used to finance debt service costs and operating costs of the borrower and the initial maturity date was extended by one year to December 19, 2023. For purposes of calculating interest due to us for this loan, the Additional Advance is deemed to be outstanding as of the date of the amendment, regardless of whether such amounts have been advanced, at the London Interbank Offered Rate, or LIBOR, or a replacement base rate determined by us if LIBOR is no longer available, plus 12.0%. As of June 30, 2022, this loan had a risk rating of 4 and an outstanding principal balance of $14,972. The modification of this loan resulting from the amendment was determined not to be a troubled debt restructuring. However, we accounted for this modification as an extinguishment in accordance with ASC Topic 310, *Receivables*, because the changes to the terms were determined to be more than minor. As such, we recognized the related unaccreted purchase discount of $1,748 as interest income from investments in our condensed consolidated statements of income during the first quarter of 2022.

There were no other material modifications to our loan portfolio during the six months ended June 30, 2022.

We did not have any impaired loans or nonaccrual loans as of June 30, 2022 or December 31, 2021. As of June 30, 2022 and July 25, 2022, all of our borrowers had paid all of their debt service obligations owed and due to us and none of the loans included in our investment portfolio were in default.

Note 4. Secured Financing Agreements

Our secured financing agreements at June 30, 2022 consisted of agreements that govern: our master repurchase facility with Wells Fargo, National Association, or Wells Fargo, or the Wells Fargo Master Repurchase Facility; our master repurchase facility with Citibank, N.A., or Citibank, or the Citibank Master Repurchase Facility; our facility loan program with BMO Harris Bank N.A., or BMO, or the BMO Facility, and our master repurchase facility with UBS AG, or UBS, or the UBS Master Repurchase Facility. We refer to the Wells Fargo Master Repurchase Facility, Citibank Master Repurchase Facility and UBS Master Repurchase Facility, collectively, as our Master Repurchase Facilities. We refer to the Master Repurchase Facilities and the BMO Facility, collectively, as our Secured Financing Facilities. See our 2021 Annual Report for more information regarding our Secured Financing Facilities.

Wells Fargo Master Repurchase Facility

On March 11, 2022, one of our wholly owned subsidiaries entered into a master repurchase and securities agreement with Wells Fargo, or the Wells Fargo Master Repurchase Agreement, for the Wells Fargo Master Repurchase Facility. The Wells Fargo Master Repurchase Facility provides up to $125,000 in advances, with an option to increase the maximum facility amount to $250,000, subject to certain terms and conditions. We expect to use the Wells Fargo Master Repurchase Facility to finance the acquisition or origination of floating rate, commercial mortgage loans. We refer to our loan investments that secure advances we receive under any of our Secured Financing Facilities as the purchased assets. The expiration date of the Wells Fargo Master Repurchase Agreement is March 11, 2025, unless extended or earlier terminated in accordance with the terms of the Wells Fargo Master Repurchase Agreement.

Under the Wells Fargo Master Repurchase Facility, the initial purchase price paid by Wells Fargo for each purchased asset is up to 75% or 80%, depending on the property type of the purchased asset's real estate collateral, of the lesser of the market value of the purchased asset or the unpaid principal balance of such purchased asset, and subject to Wells Fargo's approval. Upon the repurchase of a purchased asset, we are required to pay Wells Fargo the outstanding purchase price of the purchased asset, accrued interest and all accrued and unpaid expenses of Wells Fargo relating to such purchased asset. Interest on advancements under the Wells Fargo Master Repurchase Facility will be calculated at the Secured Overnight Financing Rate, or SOFR, plus a premium.

In connection with our Wells Fargo Master Repurchase Agreement, we entered into a guaranty, or the Wells Fargo Guaranty, which requires us to guarantee 25% of the aggregate repurchase price, and 100% of losses in the event of certain bad acts as well as any costs and expenses of Wells Fargo related to our Wells Fargo Master Repurchase Agreement. The Wells Fargo Guaranty also contains financial covenants, which require us to maintain a minimum tangible net worth, a minimum liquidity and a minimum interest coverage ratio and to satisfy a total indebtedness to stockholders' equity ratio.

Our Wells Fargo Master Repurchase Facility also contains margin maintenance provisions that provide Wells Fargo with the right, in certain circumstances related to a credit event, as defined in the Wells Fargo Master Repurchase Agreement, to redetermine the value of purchased assets. Where a decline in the value of such purchased assets has resulted in a margin deficit, Wells Fargo may require us to eliminate any margin deficit through a combination of purchased asset repurchases and cash transfers to Wells Fargo subject to Wells Fargo's approval.

In addition, our Wells Fargo Master Repurchase Agreement provides for acceleration of the date of repurchase of the purchased assets by us and Wells Fargo's liquidation of the purchased assets upon the occurrence and continuation of certain events of default, including a change of control of us, which includes Tremont Realty Capital LLC, or Tremont, ceasing to act as our sole manager or to be a wholly owned subsidiary of The RMR Group LLC, or RMR.

Citibank Master Repurchase Facility

On March 15, 2022, we amended and restated our master repurchase agreement with Citibank, or the Citibank Master Repurchase Agreement. The amended and restated Citibank Master Repurchase Agreement increased the maximum amount of available advancements under our Citibank Master Repurchase Facility to $215,000, extended the stated maturity date to March 15, 2025, and made certain other changes to the agreement and related fee letter, including replacing LIBOR with SOFR, for interest rate calculations on advancements under the Citibank Master Repurchase Facility and modifying certain pricing terms.

(dollars in thousands, except per share data)

BMO Facility

On April 25, 2022, we amended our facility loan program agreement and the security agreement with BMO, or the BMO Loan Program Agreement, to increase the maximum principal amount available under our BMO Facility, from $100,000 to $150,000.

UBS Master Repurchase Facility

On May 4, 2022, we amended and restated our master repurchase agreement with UBS, or the UBS Master Repurchase Agreement. The amended and restated UBS Master Repurchase Agreement, which was effective March 9, 2022, made certain changes to the agreement and related fee letter, including replacing LIBOR with SOFR for interest rate calculations on advancements under the UBS Master Repurchase Facility and modifying certain pricing terms.

As of June 30, 2022, we were in compliance with the covenants and other terms of the agreements that govern our Secured Financing Facilities.

As of June 30, 2022 and July 25, 2022, we had a $455,044 and a $469,810, respectively, aggregate outstanding principal balance under our Secured Financing Facilities.

As of June 30, 2022, our outstanding borrowings under our Secured Financing Facilities had the following remaining maturities:

	Principal Payments on Secured Financing Facilities
2022	$ 31,448
2023	94,117
2024	248,050
2025	81,429
2026 and thereafter	—
	$ 455,044

(dollars in thousands, except per share data)

The table below summarizes our Secured Financing Facilities as of June 30, 2022 and December 31, 2021:

	Debt Obligation					Collateral
				Weighted Average		
	Maximum Facility Size	Principal Balance	Carrying Value	Coupon Rate (1)	Remaining Maturity (2) (years)	Principal Balance
June 30, 2022:						
Citibank Master Repurchase Facility	$ 215,000	$ 170,338	$ 170,013	3.32 %	1.4	$ 237,917
UBS Master Repurchase Facility	192,000	135,003	134,300	3.57 %	1.6	182,198
Wells Fargo Master Repurchase Facility	125,000	67,427	66,694	3.34 %	2.7	88,446
BMO Facility	150,000	82,276	81,698	3.14 %	2.5	109,897
Total/Weighted Average	$ 682,000	$ 455,044	$ 452,705	3.36 %	1.9	$ 618,458
December 31, 2021:						
UBS Master Repurchase Facility	$ 192,000	$ 167,928	$ 167,024	2.09 %	2.0	$ 225,868
Citibank Master Repurchase Facility	213,482	161,825	161,724	2.03 %	0.7	222,129
BMO Facility	100,000	11,116	10,879	2.01 %	2.7	14,821
Total/weighted average	$ 505,482	$ 340,869	$ 339,627	2.06 %	1.4	$ 462,818

(1) The weighted average coupon rate is determined using LIBOR or SOFR plus a spread ranging from 1.80% to 2.30%, as applicable, for the respective borrowings under our Secured Financing Facilities as of the applicable date.

(2) The weighted average remaining maturity is determined using the current maturity date of the corresponding loans, assuming no borrower loan extension options have been exercised. As of June 30, 2022, our Citibank Master Repurchase Facility, UBS Master Repurchase Facility and Wells Fargo Master Repurchase Facility mature on March 15, 2025, February 18, 2024 and March 11, 2025, respectively. Our BMO Facility matures at various dates based on the respective underlying loans held for investment.

Note 5. Fair Value of Financial Instruments

ASC Topic 820, *Fair Value Measurement*, 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 I) and the lowest priority to unobservable inputs (Level III). 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.

The carrying values of cash and cash equivalents, restricted cash and accounts payable approximate their fair values due to the short term nature of these financial instruments.

We estimate the fair values of our loans held for investment and outstanding principal balances under our Secured Financing Facilities by using Level III inputs, including discounted cash flow analyses and currently prevailing market terms as of the measurement date, determined by significant unobservable market inputs, which include holding periods, discount rates based on loan to value ratio, or LTV, property types and loan pricing expectations which are corroborated by a comparison with other market participants to determine the appropriate market spread to add to the current base interest.

(dollars in thousands, except per share data)

The table below provides information regarding financial assets and liabilities not carried at fair value on a recurring basis in our condensed consolidated balance sheets:

	June 30, 2022		December 31, 2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets				
Loans held for investment	$ 670,185	$ 680,658	$ 570,780	$ 597,669
Financial liabilities				
Secured Financing Facilities	$ 452,705	$ 452,585	$ 339,627	$ 341,679

There were no transfers of financial assets or liabilities within the fair value hierarchy during the six months ended June 30, 2022.

Note 6. Shareholders' Equity

Common Share Awards

We have common shares available for issuance under the terms of our 2021 Equity Compensation Plan, or the 2021 Plan. The values of the share awards are based upon the closing price of our common shares on The Nasdaq Stock Market LLC, or Nasdaq, on the date of award. The common shares that we have awarded to our Trustees vested immediately. The awards of common shares that we award to our officers and other employees of Tremont and of RMR vest in five equal annual installments beginning on the date of award. We recognize the value of awarded shares in general and administrative expenses ratably over the vesting period. We recognize any share forfeitures as they occur.

On May 26, 2022, in accordance with our Trustee compensation arrangements, we awarded to each of our seven Trustees 6,000 of our common shares, valued at $10.66 per common share, the closing price of our common shares on the Nasdaq that day.

Distributions

For the six months ended June 30, 2022, we declared and paid a distribution to common shareholders, using cash on hand, as follows:

Record Date	Payment Date	Distribution per Share	Total Distribution
January 24, 2022	February 17, 2022	$ 0.25	$ 3,649
April 25, 2022	May 19, 2022	0.25	3,649
		$ 0.50	$ 7,298

On July 14, 2022, we declared a quarterly distribution of $0.25 per common share, or $3,660, to shareholders of record on July 25, 2022. We expect to pay this distribution on August 18, 2022, using cash on hand.

Note 7. Management Agreement with Tremont

We have no employees. The personnel and various services we require to operate our business are provided to us by Tremont, pursuant to a management agreement, which provides for the day to day management of our operations by Tremont, subject to the oversight and direction of our Board of Trustees.

We pay Tremont an annual base management fee payable quarterly (0.375% per quarter) in arrears equal to 1.5% of our "Equity," as defined under our management agreement. We recognized base management fees of $1,063 and $721 for the three months ended June 30, 2022 and 2021, respectively, and $2,126 and $1,414 for the six months ended June 30, 2022 and 2021, respectively. Pursuant to the terms of our management agreement, management incentive fees became payable by us beginning with the quarter ended June 30, 2021, subject to Tremont earning those fees in accordance with the management agreement. We did not incur any management incentive fees for the three and six months ended June 30, 2022 and 2021.

Tremont, and not us, is responsible for the costs of its employees who provide services to us, unless any such payment or reimbursement is specifically approved by a majority of our Independent Trustees, is a shared services cost or relates to awards made under any equity compensation plan adopted by us. We are required to pay or to reimburse Tremont and its affiliates for all other costs and expenses of our operations. Some of these overhead, professional and other services are provided by RMR, pursuant to a shared services agreement between Tremont and RMR. These reimbursements include an allocation of the cost of personnel employed by RMR and our share of RMR's costs for providing our internal audit function. These shared services costs are subject to approval by a majority of our Independent Trustees at least annually. We incurred shared services costs of $514 and $312 payable to Tremont for the three months ended June 30, 2022 and 2021, respectively, and $1,148 and $664 for the six months ended June 30, 2022 and 2021, respectively. We include these amounts in reimbursement of shared services expenses or general and administrative expenses, as applicable, in our condensed consolidated statements of operations.

In connection with the Merger, TRMT terminated its management agreement with Tremont, and Tremont waived its right to receive payment of the termination fees that would have otherwise resulted due to the Merger. In consideration of this waiver, we agreed that, effective upon consummation of the Merger and the termination of TRMT's management agreement with Tremont, certain of the expenses Tremont had paid pursuant to its management agreement with TRMT will be included in the "Termination Fee" under and as defined in our existing management agreement with Tremont. See our 2021 Annual Report for further information regarding this waiver and change to the "Termination Fee" and the Merger.

Note 8. Related Person Transactions

We have relationships and historical and continuing transactions with Tremont, RMR, The RMR Group Inc., or RMR Inc., and others related to them, including other companies to which RMR or its subsidiaries provide management services and some of which have trustees, directors or officers who are also our Trustees or officers. Tremont is a subsidiary of RMR, which is a majority owned subsidiary of RMR Inc., and RMR Inc. is the managing member of RMR. RMR provides certain shared services to Tremont that are applicable to us, and we reimburse Tremont or pay RMR for the amounts Tremont or RMR pays for those services. One of our Managing Trustees and Chair of our Board of Trustees, Adam D. Portnoy, is the sole trustee, an officer and the controlling shareholder of ABP Trust, which is the controlling shareholder of RMR Inc., and he is also a director of Tremont, the chair of the board of directors, a managing director, the president and chief executive officer of RMR Inc., and an officer and employee of RMR. Our other Managing Trustee, Matthew P. Jordan is an officer of RMR Inc. and an officer and employee of RMR, and our executive officers are officers of RMR and officers and employees of Tremont and/or RMR.

Some of our Independent Trustees also serve as independent directors or independent trustees of other public companies to which RMR or its subsidiaries provide management services. Adam D. Portnoy serves as the chair of the boards and as a managing director or managing trustee of those companies. Other officers of RMR and Tremont, serve as managing trustees, managing directors or officers of certain of these companies.

Our Manager, Tremont Realty Capital LLC. We have a management agreement with Tremont to provide management services to us. See Note 7 for further information regarding our management agreement with Tremont. Tremont also provided management services to TRMT until the Merger. On May 11, 2022, Tremont purchased 882,407 of our common shares from Diane Portnoy, the mother of Adam D. Portnoy. Tremont paid an aggregate purchase price of $9,469 for these shares, which represents a per share price based upon the average of the 90 day volume weighted average closing price per share and the 90 day straight average closing price per share of our common shares. As of June 30, 2022, Tremont owned 1,708,058 of our common shares, and Mr. Portnoy beneficially owned (including through Tremont) 13.5% of our outstanding common shares.

Tremont Mortgage Trust. TRMT merged with and into us on September 30, 2021. Prior to the Merger, Adam D. Portnoy and Matthew P. Jordan, our Managing Trustees, were also TRMT's managing trustees. Thomas J. Lorenzini, our President, also served as president of TRMT, and G. Douglas Lanois, our Chief Financial Officer and Treasurer, also served as chief financial officer and treasurer of TRMT. Three of our Independent Trustees, William A. Lamkin, Joseph L. Morea and Jeffrey P. Somers, previously served as independent trustees of TRMT. In addition, our former Independent Trustee, John L. Harrington, also previously served as an independent trustee of TRMT and he resigned both trusteeships effective as of the effective time of the Merger. See our 2021 Annual Report for further information regarding the Merger and the other Transactions.

For further information about these and other such relationships and certain other related person transactions, refer to our definitive Proxy Statement for our 2022 Annual Meeting of Shareholders and to our 2021 Annual Report.

Note 9. Income Taxes

We have elected to be taxed as a real estate investment trust, or REIT, under the Internal Revenue Code of 1986, as amended, or the IRC. Accordingly, we generally are not, and will not be, subject to U.S. federal income tax, provided that we meet certain distribution and other requirements. We are subject to certain state and local taxes, certain of which amounts are or will be reported as income taxes in our condensed consolidated statements of operations.

Note 10. Weighted Average Common Shares

We calculate net income per common share - basic using the two class method. We calculate net income per common share - diluted using the more dilutive of the two class or treasury stock method. Unvested share awards and the related impact on earnings are considered when calculating net income per common share - basic and net income per common share - diluted. For both the three and six months ended June 30, 2022 and 2021, the weighted averages shares - diluted was equal to the weighted average shares - basic.

Note 11. Commitments and Contingencies

As of June 30, 2022, we had unfunded loan commitments of $52,694 related to our loans held for investment that are not reflected in our condensed consolidated balance sheets. These unfunded loan commitments had a weighted average initial maturity of 1.9 years as of June 30, 2022. See Note 3 for further information related to our loans held for investment.

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

The following discussion should be read in conjunction with our condensed consolidated financial statements and accompanying notes included elsewhere in this Quarterly Report on Form 10-Q and in our 2021 Annual Report.

OVERVIEW (dollars in thousands, except share data)

We are a Maryland REIT. Our business strategy is focused on originating and investing in floating rate first mortgage loans secured by middle market and transitional CRE. We define middle market CRE as commercial properties that have values up to $100,000 and transitional CRE as commercial properties subject to redevelopment or repositioning activities that are expected to increase the value of the properties. These mortgage loans are classified as loans held for investment in our condensed consolidated balance sheets. Loans held for investment are reported at cost, net of any unamortized loan fees, origination costs, premiums, discounts or reserves for loan losses, as applicable.

Tremont is registered with the Securities and Exchange Commission, or SEC, as an investment adviser under the Investment Advisers Act of 1940, as amended. We believe that Tremont provides us with significant experience and expertise in investing in middle market and transitional CRE.

We operate our business in a manner consistent with our qualification for taxation as a REIT under the IRC. As such, we generally are not subject to U.S. federal income tax, provided that we meet certain distribution and other requirements. We also operate our business in a manner that permits us to maintain our exemption from registration under the Investment Company Act of 1940, as amended, or the 1940 Act.

Non-GAAP Financial Measures

We present Distributable Earnings, Distributable Earnings per common share, Adjusted Distributable Earnings, Adjusted Distributable Earnings per common share and Adjusted Book Value per common share, which are considered "non-GAAP financial measures" within the meaning of the applicable SEC rules. These non-GAAP financial measures do not represent net income, net income per common share or cash generated from operating activities and should not be considered as an alternative to net income or net income per common share determined in accordance with GAAP or as an indication of our cash flows from operations determined in accordance with GAAP, measures of our liquidity or operating performance or an indication of funds available for our cash needs. In addition, our methodologies for calculating these non-GAAP financial measures may differ from the methodologies employed by other companies to calculate the same or similar supplemental performance measures; therefore, our reported Distributable Earnings, Distributable Earnings per common share, Adjusted Distributable Earnings and Adjusted Distributable Earnings per common share may not be comparable to distributable earnings, distributable earnings per common share, adjusted distributable earnings and adjusted distributable earnings per common share, as reported by other companies.

We believe that Adjusted Book Value per common share is a meaningful measure of our capital adequacy because it excludes the unaccreted purchase discount resulting from the excess of the fair value of the loans TRMT then held for investment and that we acquired as a result of the Merger over the consideration we paid in the Merger. Adjusted Book Value per common share does not represent book value per common share or alternative measures determined in accordance with GAAP. Our methodology for calculating Adjusted Book Value per common share may differ from the methodologies employed by other companies to calculate the same or similar supplemental capital adequacy measures; therefore, our Adjusted Book Value per common share may not be comparable to the adjusted book value per common share reported by other companies.

In order to maintain our qualification for taxation as a REIT, we are generally required to distribute substantially all of our taxable income, subject to certain adjustments, to our shareholders. We believe that one of the factors that investors consider important in deciding whether to buy or sell securities of a REIT is its distribution rate. Over time, Distributable Earnings, Distributable Earnings per common share, Adjusted Distributable Earnings and Adjusted Distributable Earnings per common share may be useful indicators of distributions to our shareholders and are measures that are considered by our Board of Trustees when determining the amount of distributions. We believe that Distributable Earnings, Distributable Earnings per common share, Adjusted Distributable Earnings and Adjusted Distributable Earnings per common share provide meaningful information to consider in addition to net income, net income per common share and cash flows from operating activities determined in accordance with GAAP. These measures help us to evaluate our performance excluding the effects of certain transactions, the variability of any management incentive fees that may be paid or payable and GAAP adjustments that we believe are not necessarily indicative of our current loan portfolio and operations. In addition, Distributable Earnings is used in determining the amount of base management and management incentive fees payable by us to Tremont under our management agreement.

Distributable Earnings and Adjusted Distributable Earnings

We calculate Distributable Earnings and Distributable Earnings per common share as net income and net income per common share, respectively, computed in accordance with GAAP, including realized losses not otherwise included in net income determined in accordance with GAAP, and excluding: (a) the management incentive fees earned by Tremont, if any; (b) depreciation and amortization, if any; (c) non-cash equity compensation expense; (d) unrealized gains, losses and other similar non-cash items that are included in net income for the period of the calculation (regardless of whether such items are included in or deducted from net income or in other comprehensive income under GAAP), if any; and (e) one-time events pursuant to changes in GAAP and certain non-cash items, if any. Distributable Earnings are reduced for realized losses on loan investments when amounts are deemed uncollectable.

We define Adjusted Distributable Earnings and Adjusted Distributable Earnings per common share as Distributable Earnings and Distributable Earnings per common share, respectively, excluding the effects of certain non-recurring transactions.

Reconciliation of Book Value per Common Share to Adjusted Book Value per Common Share

The table below calculates our book value per common share and demonstrates how we calculate Adjusted Book Value per common share:

	June 30, 2022	December 31, 2021
Shareholders' equity	$ 266,730	$ 257,694
Total outstanding common shares	14,638	14,597
Book value per common share	18.22	17.65
Unaccreted purchase discount per common share	0.67	1.20
Adjusted Book Value per common share [(1)]	$ 18.89	$ 18.85

(1) Adjusted Book Value per common share is a non-GAAP financial measure that excludes the impact of the unaccreted purchase discount resulting from the excess of the fair value of the loans TRMT then held for investment and that we acquired as a result of the Merger over the consideration we paid in the Merger. The purchase discount of $36,443 was allocated to each acquired loan and is being accreted into income over the remaining term of the respective loan. As of June 30, 2022 and December 31, 2021, the unaccreted purchase discount was $9,820 and $17,391, respectively.

Our Loan Portfolio

The table below details overall statistics for our loan portfolio as of June 30, 2022 and December 31, 2021:

	As of June 30, 2022	As of December 31, 2021
Number of loans	28	26
Total loan commitments	$ 734,883	$ 648,266
Unfunded loan commitments [(1)]	$ 52,694	$ 57,772
Principal balance	$ 682,285	$ 590,590
Carrying value	$ 670,185	$ 570,780
Weighted average coupon rate	5.14 %	4.54 %
Weighted average all in yield [(2)]	5.64 %	5.08 %
Weighted average floor	0.61 %	0.68 %
Weighted average maximum maturity (years) [(3)]	3.6	3.8
Weighted average risk rating	2.7	2.9
Weighted average LTV [(4)]	68 %	68 %

(1) Unfunded loan commitments are primarily used to finance property and building improvements and leasing capital and are generally funded over the term of the loan.
(2) All in yield represents the yield on a loan, including amortization of deferred fees over the initial term of the loan and excluding any purchase discount accretion.
(3) Maximum maturity assumes all borrower loan extension options have been exercised, which options are subject to the borrower meeting certain conditions.
(4) LTV represents the initial loan amount divided by the underwritten in-place value of the underlying collateral at closing.

Loan Portfolio Details

The table below details our loan portfolio as of June 30, 2022:

Location	Property Type	Origination Date	Committed Principal Amount	Principal Balance	Coupon Rate	All in Yield (1)	Maximum Maturity (2) (date)	LTV(3)	Risk Rating
First mortgage loans									
St. Louis, MO	Office	12/19/2018	$ 29,500	$ 28,917	L + 3.25%	L + 3.74%	12/19/2023	72 %	2
Coppell, TX	Retail	02/05/2019	19,365	19,365	L + 3.50%	L + 4.24%	08/12/2022	73 %	3
Yardley, PA	Office	12/19/2019	16,500	14,972	L + 4.97%	L + 5.67%	12/19/2024	75 %	4
Allentown, PA	Industrial	01/24/2020	10,078	10,078	L + 3.50%	L + 4.03%	01/24/2025	67 %	2
Dublin, OH	Office	02/18/2020	22,820	22,507	S + 3.75%	S + 4.95%	02/18/2023	33 %	2
Downers Grove, IL	Office	09/25/2020	30,000	29,500	L + 4.25%	L + 4.69%	11/25/2024	67 %	3
Los Angeles, CA	Retail	12/17/2020	24,600	21,040	L + 4.25%	L + 5.03%	12/17/2024	67 %	2
Aurora, IL	Office / Industrial	12/18/2020	17,460	15,105	L + 4.35%	L + 5.03%	12/18/2024	73 %	2
Olmstead Falls, OH	Multifamily	01/28/2021	54,575	46,083	L + 4.00%	L + 4.64%	01/28/2026	63 %	3
Colorado Springs, CO	Office / Industrial	04/06/2021	34,275	30,210	L + 4.50%	L + 5.02%	04/06/2025	73 %	2
Westminster, CO	Office	05/25/2021	15,250	13,894	L + 3.75%	L + 4.20%	05/25/2026	66 %	2
Plano, TX	Office	07/01/2021	27,385	25,209	L + 4.75%	L + 5.17%	07/01/2026	78 %	3
Portland, OR	Multifamily	07/09/2021	19,687	19,687	L + 3.57%	L + 3.97%	07/09/2026	75 %	3
Portland, OR	Multifamily	07/30/2021	13,400	13,400	L + 3.57%	L + 3.98%	07/30/2026	71 %	4
Seattle, WA	Multifamily	08/16/2021	12,500	12,265	L + 3.55%	L + 3.89%	08/16/2026	70 %	3
Dallas, TX	Office	08/25/2021	50,000	43,450	L + 3.25%	L + 3.61%	08/25/2026	72 %	3
Sandy Springs, GA	Retail	09/23/2021	16,488	15,017	L + 3.75%	L + 4.11%	09/23/2026	72 %	2
Carlsbad, CA	Office	10/27/2021	24,750	23,825	L + 3.25%	L + 3.58%	10/27/2026	78 %	3
Bellevue, WA	Office	11/05/2021	21,000	20,000	L + 3.85%	L + 4.19%	11/05/2026	68 %	3
Ames, IA	Multifamily	11/15/2021	18,000	17,680	L + 3.80%	L + 4.13%	11/15/2026	71 %	2
Downers Grove, IL	Office	12/09/2021	23,530	23,530	L + 4.25%	L + 4.57%	12/09/2026	72 %	3
West Bloomfield, MI	Retail	12/16/2021	42,500	37,388	L + 3.85%	L + 4.66%	12/16/2024	59 %	3
Summerville, SC	Industrial	12/20/2021	35,000	35,000	L + 3.50%	L + 3.82%	12/20/2026	70 %	2
Delray Beach, FL	Retail	03/18/2022	16,000	13,947	S + 4.25%	S + 4.96%	03/18/2026	56 %	3
Starkville, MS	Multifamily	03/22/2022	37,250	36,396	S + 4.00%	S + 4.33%	03/22/2027	70 %	3
Brandywine, MD	Retail	03/29/2022	42,500	42,200	S + 3.85%	S + 4.25%	03/29/2027	62 %	3
Farmington Hills, MI	Multifamily	05/24/2022	31,520	28,520	S + 3.15%	S + 3.50%	05/24/2027	75 %	3
Las Vegas, NV	Multifamily	06/10/2022	28,950	23,100	S + 3.30%	S + 4.08%	06/10/2027	60 %	3
Total/weighted average			$ 734,883	$ 682,285	+ 3.82%	+ 4.33%		68 %	2.7

(1) All in yield represents the yield on a loan, including amortization of deferred fees over the initial term of the loan and excluding any purchase discount accretion.
(2) Maximum maturity assumes all borrower loan extension options have been exercised, which options are subject to the borrower meeting certain conditions.
(3) LTV represents the initial loan amount divided by the underwritten in-place value of the underlying collateral at closing.

As of June 30, 2022, we had $734,883 in aggregate loan commitments, consisting of a diverse portfolio, geographically and by property type, of 28 first mortgage loans. The impact from the COVID-19 pandemic has negatively impacted some of our borrowers' business operations or tenants, particularly in the cases of certain of our office and retail collateral, which are some of the types of properties that have been most negatively impacted by the pandemic. We expect that those negative impacts may continue and may apply to other borrowers and/or their tenants. Further, although economic activity in the U.S. has improved significantly from the low points during the pandemic to date, certain industries have not recovered to their pre-pandemic positions, certain industries have not recovered to their pre-pandemic positions, and current inflationary pressures and the possibility that the U.S. economy may now be in, or will soon enter into, a recession or downturn may amplify those, or introduce additional, negative impacts. Therefore, certain of our borrowers' business plans will likely take longer to execute than initially expected and certain of our borrowers may be unable to pay their debt service obligation owed and due to us as currently scheduled. As of June 30, 2022, we had two loan representing approximately 4% of the carrying value of our loan portfolio with a loan risk rating of "4" or "higher risk". For further information and risks relating to the COVID-19 pandemic and current economic conditions on us and our business, see "—Factors Affecting our Operating Results" below and "Warning

Concerning Forward-Looking Statements" elsewhere in this Quarterly Report on Form 10-Q and Part I, Item 1A, "Risk Factors", of our 2021 Annual Report.

All of the loans in our portfolio are structured with risk mitigation mechanisms, such as cash flow sweeps or interest reserves, to help protect us against investment losses. In addition, we continue to actively engage with our borrowers regarding their execution of the business plans for the underlying collateral, among other things.

As of June 30, 2022 and July 25, 2022, all of our borrowers had paid all of their debt service obligations owed and due to us and none of the loans included in our investment portfolio were in default.

We did not have any impaired loans, non-accrual loans or loans in default as of June 30, 2022; thus, we did not record a reserve for loan loss as of that date. However, depending on the duration and severity of the COVID-19 pandemic and any resulting economic downturn, our borrowers' businesses, operations and liquidity may be materially adversely impacted. As a result, they may become unable to pay their debt service obligations owed and due to us, which may result in the impairment of those loans, and our recording loan loss reserves with respect to those loans and recording of any income with respect to those loans on a nonaccrual basis. For further information regarding our loan portfolio and the risks associated with it, see Note 3 to our Unaudited Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q and the risk factors identified in Part I, Item 1A, “Risk Factors”, of our 2021 Annual Report.

Financing Activities

On March 11, 2022, one of our wholly owned subsidiaries entered into our Wells Fargo Master Repurchase Agreement for the Wells Fargo Master Repurchase Facility. The Wells Fargo Master Repurchase Facility provides up to $125,000 in advances, with an option to increase the maximum facility to $250,000, subject to certain terms and conditions. We expect to use the Wells Fargo Master Repurchase Facility to finance the acquisition or origination of floating rate commercial mortgage loans. The expiration date of the Wells Fargo Master Repurchase Agreement is March 11, 2025, unless extended or earlier terminated in accordance with the terms of the Wells Fargo Master Repurchase Agreement.

On March 15, 2022, we amended and restated our Citibank Master Repurchase Agreement, which governs the Citibank Master Repurchase Facility. The amended and restated Citibank Master Repurchase Agreement extended the stated maturity date of the Citibank Master Repurchase Facility to March 15, 2025, and made certain other changes to the agreement and related fee letter, including replacing LIBOR with SOFR for interest rate calculations on advancements under the Citibank Master Repurchase Facility and modifying certain pricing terms.

On April 25, 2022, we amended and restated our BMO Loan Program Agreement, which increased the maximum facility amount from $100,000 to $150,000.

On May 4, 2022, we amended and restated our UBS Master Repurchase Agreement. The amended and restated UBS Master Repurchase Agreement, which was effective March 9, 2022, made certain changes to the agreement and related fee letter, including replacing LIBOR with SOFR for interest rate calculations on advancements under the UBS Master Repurchase Facility and modifying certain pricing terms.

For further information regarding our Secured Financing Facilities, see Note 4 to our Unaudited Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

The table below is an overview of our Secured Financing Facilities as of June 30, 2022:

Secured Financing Facility	Maturity Date	Principal Balance	Unused Capacity	Maximum Facility Size	Collateral Principal Balance
Citibank Master Repurchase Facility	03/15/2025	$ 170,338	$ 44,662	$ 215,000	$ 237,917
UBS Master Repurchase Facility	02/18/2024	135,003	56,997	192,000	182,198
Wells Fargo Master Repurchase Facility	03/11/2025	67,427	57,573	125,000	88,446
BMO Facility	Various	82,276	67,724	150,000	109,897
Total		$ 455,044	$ 226,956	$ 682,000	$ 618,458

The table below details our Secured Financing Facilities activities during the three months ended June 30, 2022:

		Carrying Value
Balance at March 31, 2022	$	367,679
Borrowings		93,788
Repayments		(8,176)
Deferred fees		(851)
Amortization of deferred fees		265
Balance at June 30, 2022	$	452,705

The table below details our Secured Financing Facilities activities during the six months ended June 30, 2022:

		Carrying Value
Balance at December 31, 2021	$	339,627
Borrowings		223,948
Repayments		(109,773)
Deferred fees		(1,571)
Amortization of deferred fees		474
Balance at June 30, 2022	$	452,705

As of June 30, 2022, outstanding advancements under our Secured Financing Facilities had a weighted average interest rate of 3.36% per annum, excluding associated fees and expenses. As of June 30, 2022 and July 25, 2022, we had a $455,044 and a $469,810, respectively, aggregate outstanding principal balance under our Secured Financing Facilities.

As of June 30, 2022, we were in compliance with all covenants and other terms under our Secured Financing Facilities.

RESULTS OF OPERATIONS (amounts in thousands, except per share data)

Three Months Ended June 30, 2022 Compared to Three Months Ended March 31, 2022:

	Three Months Ended			
	June 30, 2022	March 31, 2022	Change	% Change
INCOME FROM INVESTMENTS:				
Interest income from investments	$ 8,869	$ 9,579	$ (710)	(7.4 %)
Purchase discount accretion	1,636	5,935	(4,299)	(72.4 %)
Less: interest and related expenses	(3,007)	(1,737)	(1,270)	73.1 %
Income from investments, net	7,498	13,777	(6,279)	(45.6 %)
OTHER EXPENSES:				
Base management fees	1,063	1,063	—	— %
General and administrative expenses	1,378	946	432	45.7 %
Reimbursement of shared services expenses	440	560	(120)	(21.4 %)
Other transaction related costs	—	37	(37)	(100.0 %)
Total expenses	2,881	2,606	275	10.6 %
Income before income taxes	4,617	11,171	(6,554)	(58.7 %)
Income tax expense	(39)	(45)	6	(13.3 %)
Net income	$ 4,578	$ 11,126	$ (6,548)	(58.9 %)
Weighted average common shares outstanding - basic	14,521	14,505	16	0.1 %
Weighted average common shares outstanding - diluted	14,521	14,519	2	— %
Net income per common share - basic and diluted	$ 0.31	$ 0.76	$ (0.45)	(59.2 %)

Interest income from investments. The decrease in interest income from investments was primarily the result of prepayment premiums and accelerated amortization of deferred fees on two loans repaid during the three months ended March 31, 2022 of $2,402, partially offset by the impact of three loan investments originated during the first quarter of 2022, two loan investments originated during the second quarter of 2022 and higher interest rates since April 1, 2022.

Purchase discount accretion. The fair value of the loans acquired in the Merger exceeded the purchase price of the loans. In accordance with GAAP, a purchase discount was recorded for the difference between the fair value and purchase price of the loans acquired. The purchase discount was allocated to each acquired TRMT loan and is being accreted into income over the remaining term of the respective loan. Two loans were fully amortized during the three months ended March 31, 2022 as a result of their repayment; therefore, purchase discount accretion decreased quarter over quarter.

Interest and related expenses. The increase in interest and related expenses was primarily the result of an increase in advances made to us under our Secured Financing Facilities and higher interest rates during the three months ended June 30, 2022 as compared to the three months ended March 31, 2022.

General and administrative expenses. The increase in general and administrative expenses was primarily due to an increase in share based compensation of $448 resulting from common shares awarded to our Trustees during the second quarter of 2022, partially offset by a reduction in professional fees during the three months ended June 30, 2022 as compared to the three months ended March 31, 2022.

Reimbursement of shared services expenses. Reimbursement of shared services expenses represents reimbursement of the costs for the services that Tremont arranges on our behalf from RMR. The decrease in reimbursement of shared services expenses was primarily the result of an adjustment to our estimate of costs for the usage of shared services from RMR.

Other transaction related costs. Other transaction related costs incurred during the three months ended March 31, 2022 primarily consisted of audit fees relate to the Merger.

Income tax expense. Income tax expense represents income taxes paid or payable by us in certain jurisdictions where we are subject to state income taxes.

Net income. The decrease in net income was due to the changes noted above.

Six Months Ended June 30, 2022 Compared to Six Months Ended June 30, 2021:

	Six Months Ended June 30,			
	2022	**2021**	**Change**	**% Change**
INCOME FROM INVESTMENTS:				
Interest income from investments	$ 18,448	$ 5,056	$ 13,392	264.9 %
Purchase discount accretion	7,571	—	7,571	n/m
Less: interest and related expenses	(4,744)	(192)	(4,552)	n/m
Income from investments, net	21,275	4,864	16,411	337.4 %
OTHER EXPENSES:				
Base management fees	2,126	1,436	690	48.1 %
General and administrative expenses	2,324	1,306	1,018	77.9 %
Reimbursement of shared services expenses	1,000	601	399	66.4 %
Other transaction related costs	37	—	37	n/m
Total expenses	5,487	3,343	2,144	64.1 %
Income before income taxes	15,788	1,521	14,267	938.0 %
Income tax expense	(84)	(11)	(73)	663.6 %
Net income	$ 15,704	$ 1,510	$ 14,194	940.0 %
Weighted average common shares outstanding - basic and diluted	14,514	10,205	4,309	42.2 %
Net income per common share - basic and diluted	$ 1.08	$ 0.15	$ 0.93	620.0 %

n/m - not meaningful

Interest income from investments. The increase in interest income from investments was primarily the result of interest income generated from the 17 loans originated or acquired since July 1, 2021 and prepayment premiums and accelerated amortization of deferred fees on two loans repaid during the six months ended June 30, 2022 of $2,402.

Purchase discount accretion. The fair value of the loans acquired in the Merger on September 30, 2021 exceeded the purchase price of the loans. In accordance with GAAP, a purchase discount was recorded for the difference between the fair value and purchase price of the loans acquired. The purchase discount was allocated to each acquired TRMT loan and is being accreted into income over the remaining term of the respective loan.

Interest and related expenses. The increase in interest and related expenses was primarily the result of an increase in advances made to us under our Secured Financing Facilities and higher interest rates during the six months ended June 30, 2022 as compared to the six months ended June 30, 2021.

Base management fees. The increase in base management fees was primarily due to the Merger. As a result of the Merger, the net book value of TRMT, as of September 30, 2021, was included as "Equity" for purposes of determining the base management fee and incentive fee, if any, under the management agreement.

General and administrative expenses. The increase in general and administrative expenses was primarily due to increases in share based compensation, insurance, professional fees and fees paid to our Trustees for their services during the six months ended June 30, 2022 as compared to the six months ended June 30, 2021.

Reimbursement of shared services expenses. Reimbursement of shared services expenses represents reimbursement of the costs for the services that Tremont arranges on our behalf from RMR. The increase in reimbursement of shared services expenses was primarily the result of increased usage of shared services after the Merger on September 30, 2021.

Other transaction related costs. Other transaction related costs primarily consisted of audit fees related to the Merger during the six months ended June 30, 2022.

Income tax expense. Income tax expense represents income taxes paid or payable by us in certain jurisdictions where we are subject to state income taxes.

Net income. The increase in net income was due to the changes noted above.

Reconciliation of Net Income to Distributable Earnings and Adjusted Distributable Earnings

The table below demonstrates how we calculate Distributable Earnings, Distributable Earnings per common share, Adjusted Distributable Earnings and Adjusted Distributable Earnings per common share, which are non-GAAP measures, and provides a reconciliation of these non-GAAP measures to net income:

	Three Months Ended		Six Months Ended	
	June 30, 2022	March 31, 2022	June 30, 2022	June 30, 2021
Reconciliation of net income to Distributable Earnings and Adjusted Distributable Earnings:				
Net income	$ 4,578	$ 11,126	$ 15,704	$ 1,510
Non-cash equity compensation expense	548	82	630	182
Non-cash accretion of purchase discount	(1,636)	(5,935)	(7,571)	—
Distributable Earnings	3,490	5,273	8,763	1,692
Other transaction related costs [1]	—	37	37	—
Adjusted Distributable Earnings	$ 3,490	$ 5,310	$ 8,800	$ 1,692
Weighted average common shares outstanding - basic	14,521	14,505	14,514	10,205
Weighted average common shares outstanding - diluted	14,521	14,519	14,514	10,205
Net income per common share - basic and diluted	$ 0.31	$ 0.76	$ 1.08	$ 0.15
Distributable Earnings per common share - basic and diluted	$ 0.24	$ 0.36	$ 0.60	$ 0.17
Adjusted Distributable Earnings per common share - basic and diluted	$ 0.24	$ 0.37	$ 0.61	$ 0.17

(1) Other transaction related costs for the three months ended March 31, 2022 and six months ended June 30, 2022 include expenses related to the Merger.

Factors Affecting Operating Results

Our results of operations are impacted by a number of factors and primarily depend on the interest income from our investments and the financing and other costs associated with our business. Our operating results are also impacted by general CRE market conditions and unanticipated defaults by our borrowers. For further information regarding the risks associated with our loan portfolio, see the risk factors identified in Part I, Item 1A, “Risk Factors”, of our 2021 Annual Report.

Credit Risk. We are subject to the credit risk of our borrowers in connection with our investments. We seek to mitigate this risk by utilizing a comprehensive underwriting, diligence and investment selection process and by ongoing monitoring of our investments. Nevertheless, unanticipated credit losses could occur that could adversely impact our operating results.

Changes in Fair Value of our Assets. We generally intend to hold our investments for their contractual terms, unless repaid earlier by the borrowers. We evaluate our investments for impairment at least quarterly. Impairments occur when it is probable that we will not be able to collect all amounts due according to the applicable contractual terms. If we determine that a loan is impaired, we will record a reserve to reduce the carrying value of the loan to an amount that takes into account both the present value of expected future cash flows discounted at the loan's contractual effective interest rate and the fair value of any available collateral, net of any costs we expect to incur to realize that value.

Although we intend to generally hold our investments for their contractual terms or until repaid earlier by the borrowers, we may occasionally classify some of our investments as held for sale. Investments held for sale will be carried at the lower of their amortized cost or fair value less costs to sell within loans held for sale on our condensed consolidated balance sheets, with changes in fair value recorded through earnings. Fees received from our borrowers on any loans held for sale will be recognized as part of the gain or loss on sale. Currently, we do not expect to hold any of our investments for trading purposes.

Availability of Leverage and Equity. We use leverage to make additional investments that may increase our returns. We may not be able to obtain the expected amount of leverage we desire or its cost may exceed our expectation and, consequently, the returns generated from our investments may be reduced. Our ability to further grow our loan portfolio over time will depend, to a significant degree, upon our ability to obtain additional capital. However, our access to additional capital depends on many factors including the price at which our common shares trade relative to their book value and market lending conditions. See "—Market Conditions" below.

Market Conditions. CRE transactions for 2021 exceeded the previous annual high watermark of 2019. Investor demand for CRE assets, historically low interest rates and strong property fundamentals resulted in increased CRE valuations. Record transaction volumes and increasing CRE valuations continued into 2022; however, inflationary pressures and geopolitical concerns caused widespread macroeconomic uncertainty and volatility. In response to inflationary pressures, the U.S. Federal Reserve increased the federal funds rate by 25 basis points in March 2022, 50 basis points in May 2022 and 75 basis points in June 2022, the largest single increase in nearly 30 years, and has signaled that further large increases are likely to occur. The U.S. Federal Reserve's actions have caused increased borrowing costs and volatility in the CRE debt markets, while concerns of a possible recession have caused increased credit spreads. Combined, these factors are resulting in increased conservatism in underwriting standards in the CRE debt markets. Tighter underwriting standards, which are resulting in lower leveraged loans, have caused some buyers to seek to reprice, or in some circumstances, cancel pending transactions entirely. As a result, CRE transaction total volume for the second quarter of 2022 has slowed but is still expected to meet or exceed transaction volumes for the same period of each of the five years prior to the COVID-19 pandemic.

The CRE industry is traditionally a lagging indicator of economic conditions and CRE assets have historically tended to perform well in periods of inflation. Despite the recent increase in borrowing costs and macroeconomic and geopolitical uncertainties, CRE investors continue to see strength in the fundamentals of the U.S. CRE markets. We believe that we are in a period of price resetting, as buyers and sellers of CRE assets recalibrate their expectations and CRE investors and lenders reprice and reconsider risk in the current higher interest rate environment. Some investors have in the past viewed CRE as a hedge against inflation, with long term earnings potential from rent growth resulting from continued demand for certain CRE asset classes, such as affordable rental housing and industrial space, and acquisition and financing opportunities may continue to exist for borrowers able to accept higher borrowing costs in the short term.

Recovery from the impact of the COVID-19 pandemic continues to vary among different market sectors. Hotels located in destinations that can be driven to, select service hotels that offer services and amenities in moderation and extended stay hotels continue to see improvements in performance, along with increased investor and lender demand. Additionally, hotel assets are uniquely positioned to reprice daily and take advantage of inflationary pressures, provided demand remains strong and challenges related to increased labor costs can be managed effectively. Retail has performed better than many expected thus far, but recession concerns and reductions in discretionary spending in response to inflation may have a negative impact on certain retailers. Investors have continued to favor grocery anchored, service oriented and neighborhood shopping centers over larger shopping centers anchored by big box retailers, regional malls or lifestyle centers. The office sector continues to pose underwriting challenges, especially for older urban assets, and there continues to be uncertainty surrounding the long term impacts of work-from-home and flexible work schedules on demand for office space.

The debt capital markets experienced strong performance in 2021 and into the first quarter of 2022. CRE debt providers continue to be willing and able to extend credit to borrowers, albeit at lower leverage levels and with higher credit spreads. Market volatility and the increase in interest rates has not affected all lenders equally. Banks and life insurance companies have reduced their leverage ratios and increased credit spreads, but continue to originate new loans, while lenders that rely on secondary markets to finance their lending activities have experienced other challenges. Credit spreads in the secondary market for commercial mortgage-backed securities, or CMBS, and CRE collateralized loan obligations, or CLO, bonds have widened substantially due to competing demand for alternative fixed income investments. As a result, some lenders who originate and sell loans into the CRE CLO market as a means of financing have been forced to sell their loans at a discount or have chosen to wait until market volatility subsides and credit spreads stabilize, causing a slowdown in loan originations.

In addition to increased overall borrowing costs, lenders may experience challenges due to increasing interest rates on floating rate loan portfolios. Floating rate loans are often used to finance transitional properties with a business plan to increase cash flows, allowing for increasing debt costs to be serviced. Lenders are impacted by the ability of their borrowers to service their debt while implementing their business plans and, as a result, lenders' underwriting criteria may become more conservative. Additionally, floating rate lenders typically limit interest rate risk by requiring borrowers to obtain interest rate caps or swaps to limit the impact of rising rates on a property's ability to service its debt. While interest rate caps and swaps on existing loans protect lenders in periods of rising interest rates, the cost to the borrower to obtain interest rate caps or swaps on new loans may result in decreased loan amounts.

We believe the CRE lending industry is well positioned to face these challenges. Unlike in the years leading up to the financial crisis of 2008, underwriting standards have remained consistent and there continues to be significant sources of liquidity, both in the form of debt and equity capital, for the CRE sector. We believe there will continue to be significant opportunities for alternative lenders like us to provide creative, flexible debt capital for a wide array of circumstances and business plans.

Changes in Market Interest Rates. With respect to our business operations, increases in interest rates, in general, may cause: (a) the interest expense associated with our variable rate borrowings, to increase; (b) the value of our fixed rate investments, if any, to decline; (c) the coupon rates on our variable rate investments to reset, perhaps on a delayed basis, to higher rates; and (d) it to become more difficult and costly for our borrowers, which may negatively impact their ability to repay our investments. See "—Market Conditions" above for a discussion of the current market including interest rates.

Conversely, decreases in interest rates, in general, may cause: (a) the interest expense associated with our variable rate borrowings, to decrease; (b) the value of our fixed rate investments, if any, to increase; (c) the coupon rates on our variable rate investments to reset, perhaps on a delayed basis, to lower rates; and (d) it to become easier and more affordable for our borrowers to refinance, and as a result, repay our loans, but may negatively impact our future returns if any such repayment proceeds were to be reinvested in lower yielding investments.

The interest income on our loans and interest expense on our borrowings float with benchmark rates, such as LIBOR and SOFR. Because we generally intend to leverage approximately 75% of our investments, as benchmark rates increase above the floors of our loans, our income from investments, net of interest and related expenses, will increase. Decreases in benchmark rates are mitigated by interest rate floor provisions in all but one of our loan agreements with borrowers; therefore, changes to income from investments, net, may not move proportionately with the increase or decrease in benchmark rates. As of June 30, 2022, LIBOR and SOFR were 1.79% and 1.69%, respectively, and would have to exceed the floor established by any of our loans, which currently range from 0.10% to 2.32%, for us to realize an increase in interest income.

Interest rates under our loan agreements with borrowers entered into prior to January 1, 2022 have been or are expected to be amended to replace LIBOR with SOFR prior to June 30, 2023, the date LIBOR is expected to no longer be available. Since January 1, 2022, interest rates under our new loan agreements with borrowers are based on SOFR. Our Citibank Master Repurchase Agreement and UBS Master Repurchase Agreement were amended and restated effective March 2022 to, among other things, replace LIBOR with SOFR for interest rate calculations on advances. Interest rates on advances under our BMO Facility and Wells Fargo Master Repurchase Facility have been based on SOFR since we entered into the agreements governing these facilities.

Size of Portfolio. The size of our loan portfolio, as measured both by the aggregate principal balance and the number of our CRE loans and our other investments, is also an important factor in determining our operating results. Generally, if the size of our loan portfolio grows, the amount of interest income we receive would increase and we may achieve certain economies of scale and diversify risk within our loan portfolio. A larger portfolio, however, may result in increased expenses; for example, we may incur additional interest expense or other costs to finance our investments. Also, if the aggregate principal balance of our loan portfolio grows but the number of our loans or the number of our borrowers does not grow, we could face increased risk by reason of the concentration of our investments.

LIQUIDITY AND CAPITAL RESOURCES (dollars in thousands, except per share data)

Liquidity is a measure of our ability to meet potential cash requirements, including ongoing commitments to fund our lending commitments, repay or meet margin calls resulting from our borrowings, if any, fund and maintain our assets and operations, make distributions to our shareholders and fund other business operating requirements. Our sources of cash flows include cash on hand, payments of principal, interest and fees we receive on our investments, other cash we may generate from our business and operations and any unused borrowing capacity, including under our Secured Financing Facilities or other repurchase agreements or financing arrangements we may obtain, which may also include bank loans or public or private issuances of debt or equity securities. We believe that these sources of funds will be sufficient to meet our operating and capital expenses, pay our debt service obligations owed and make any distributions to our shareholders for the next 12 months and for the foreseeable future. For further information regarding the risks associated with our loan portfolio, see Part I, Item 1A, "Risk Factors" of our 2021 Annual Report and elsewhere in this Management Discussion and Analysis of Financial Condition and Operating Results.

Pursuant to the terms of our UBS Master Repurchase Facility and our Citibank Master Repurchase Facility, we may sell to, and later repurchase from, UBS and Citibank, the purchased assets related to the applicable facility. The initial purchase price paid by UBS or Citibank of each purchased asset is up to 75% of the lesser of the market value of the purchased asset or the unpaid principal balance of such purchased asset, subject to UBS's or Citibank's approval. Upon the repurchase of a purchased asset, we are required to pay UBS or Citibank, as applicable, the outstanding purchase price of the purchased asset, accrued interest and all accrued and unpaid expenses of UBS or Citibank, as applicable, relating to such purchased asset. The interest rate relating to an existing UBS purchased asset is equal to one month LIBOR plus a premium within a fixed range, determined by the debt yield and property type of the purchased asset's real estate collateral. The interest rates related to our Citibank and UBS purchased assets were amended earlier this year as part of the amendments to the Citibank Master Repurchase Agreement and UBS Master Repurchase Agreement to replace one month LIBOR with one month SOFR plus a premium within a fixed range, determined by the debt yield and property type of the purchased asset's real estate collateral. UBS and Citibank each has the discretion to make advancements at margins higher than 75%.

Loans issued under the BMO Facility are coterminous with the corresponding pledged mortgage loan investments, are not subject to margin calls and allow for up to an 80% advance rate, subject to certain loan to cost and LTV limits. Interest on advancements under the BMO Facility are calculated at SOFR plus a premium. Loans issued under the BMO Facility are secured by a security interest and collateral assignment of the underlying loans to our borrowers which are secured by real property underlying such loans. We are required to pay an upfront fee equal to a percentage of the aggregate amount of the facility loan, such percentage to be determined at the time of approval of the separate facility loan agreements with BMO, or the BMO Facility Loan Agreements.

On March 11, 2022, one of our wholly owned subsidiaries entered into the Wells Fargo Master Repurchase Agreement for the Wells Fargo Master Repurchase Facility, pursuant to which we may sell to, and later repurchase from Wells Fargo, the purchased assets related to the facility. The initial purchase price paid by Wells Fargo for each purchased asset is up to 75% or 80%, depending on the property type of the purchased asset's real estate collateral, of the lesser of the market value of the purchased asset or the unpaid principal balance of such purchased asset, and subject to Wells Fargo's approval. Upon the repurchase of a purchased asset, we are required to pay Wells Fargo the outstanding purchase price of the purchased asset, accrued interest and all accrued and unpaid expenses of Wells Fargo relating to such purchased asset. Interest on advancements under the Wells Fargo Master Repurchase Facility is calculated at SOFR plus a premium.

For further information regarding our Secured Financing Facilities, see Note 4 to the Unaudited Condensed Consolidated Financial Statements included in Part I Item 1, of this Quarterly Report on Form 10-Q and "—Overview-Financing Activities" above.

The following is a summary of our sources and uses of cash flows for the periods presented:

	Six Months Ended June 30,	
	2022	2021
Cash, cash equivalents and restricted cash at beginning of period	$ 26,295	$ 103,564
Net cash provided by (used in):		
Operating activities	6,307	(2,093)
Investing activities	(89,512)	(118,075)
Financing activities	105,306	47,211
Cash, cash equivalents and restricted cash at end of period	$ 48,396	$ 30,607

The increase in cash provided by operating activities for the 2022 period compared to the 2021 period was primarily the result of our origination activities. As of June 30, 2022, we have increased the size of our loan portfolio from 9 loans to 28 loans since July 1, 2021. The decrease in cash used in investing activities is primarily due to the repayment of loans in the 2022 period, partially offset by an increase in origination activity in the 2022 period. The increase in cash used in financing activities is primarily due to increased proceeds received from our Secured Financing Facilities during the 2022 period, partially offset by repayments on our Secured Financing Facilities and an increase in distributions to our common shareholders for the 2022 period.

Distributions

During the six months ended June 30, 2022, we paid distributions to our common shareholders totaling $7,298, or $0.50 per common share, using cash on hand.

On July 14, 2022, we declared a quarterly distribution of $0.25 per common share, or $3,660, to shareholders of record on July 25, 2022. We expect to pay this distribution to our common shareholders on August 18, 2022 using cash on hand.

For further information regarding distributions, see Note 6 to the Unaudited Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Contractual Obligations and Commitments

Our contractual obligations and commitments as of June 30, 2022 were as follows:

		Payment Due by Period			
	Total	Less than 1 Year	1 - 3 Years	3 - 5 Years	More than 5 years
Unfunded loan commitments [1]	$ 52,694	$ 4,551	$ 48,143	$ —	$ —
Principal payments on Secured Financing Facilities [2]	455,044	55,512	399,532	—	—
Interest payments [3]	29,061	14,547	14,514	—	—
	$ 536,799	$ 74,610	$ 462,189	$ —	$ —

(1) The allocation of our unfunded loan commitments is based on the current loan maturity date to which the individual commitments relate.

(2) The allocation of outstanding advancements under our Secured Financing Facilities is based on the earlier of the current maturity date of each loan investment with respect to which the individual borrowing relates or the maturity date of the respective Secured Financing Facilities.

(3) Projected interest payments are attributable only to our debt service obligations at existing rates as of June 30, 2022 and are not intended to estimate future interest costs which may result from debt prepayments, additional borrowings, new debt issuances or changes in interest rates.

Debt Covenants

Our principal debt obligations as of June 30, 2022 were the outstanding balances under our Secured Financing Facilities. The agreements governing our Master Repurchase Facilities, or our Master Repurchase Agreements, provide for acceleration of the date of repurchase of any then purchased assets and the liquidation of the purchased assets by UBS, Citibank or Wells Fargo, as applicable, upon the occurrence and continuation of certain events of default, including a change of control of us, which includes Tremont ceasing to act as our sole manager or to be a wholly owned subsidiary of RMR. Our Master Repurchase Agreements also provide that upon the repurchase of any then purchased asset, we are required to pay UBS, Citibank or Wells Fargo the outstanding purchase price of such purchased asset and accrued interest and any and all accrued and unpaid expenses of UBS, Citibank or Wells Fargo, as applicable, relating to such purchased asset.

In connection with our Master Repurchase Agreements, we entered into our guarantees, or the Master Repurchase Guarantees, which require us to guarantee 25% of the aggregate repurchase price and 100% of losses in the event of certain bad acts, as well as any costs and expenses of UBS, Citibank and Wells Fargo, as applicable, related to our Master Repurchase Agreements. The Master Repurchase Guarantees contain financial covenants, which require us to maintain a minimum tangible net worth, a minimum liquidity and a minimum interest coverage ratio and to satisfy a total indebtedness to stockholders' equity ratio.

In connection with the BMO Loan Program Agreement, we have agreed to guarantee certain of the obligations under the BMO Loan Program Agreement and the BMO Facility Loan Agreements pursuant to a limited guaranty from us to and for the benefit of the administrative agent for itself and such other lenders, or the BMO Guaranty. Specifically, the BMO Guaranty requires us to guarantee 25% of the then current outstanding principal balance of the facility loans and 100% of losses or the entire indebtedness in the event of certain bad acts as well as any costs and expenses of the administrative agent or lenders related to the BMO Loan Program Agreement. In addition, the BMO Guaranty contains financial covenants that require us to maintain a minimum tangible net worth and a minimum liquidity and to satisfy a total indebtedness to stockholders' equity ratio. The BMO Loan Program Agreement and the BMO Guaranty contain representations, warranties, covenants, conditions precedent to funding, events of default and indemnities that are customary for agreements of these types.

As of June 30, 2022, we had a $372,768 aggregate outstanding principal balance under our Master Repurchase Facilities. Our Master Repurchase Agreements are structured with risk mitigation mechanisms, including a cash flow sweep, which would allow UBS, Citibank and Wells Fargo, as applicable, to control interest payments from our borrowers under our loans that are financed under our respective Master Repurchase Facilities, and the ability to accelerate dates of repurchase and institute margin calls, which may require us to pay down balances associated with one or more of our loans that are financed under our Master Repurchase Facilities.

As of June 30, 2022, we had a $82,276 aggregate outstanding principal balance under the BMO Facility.

As of June 30, 2022, we were in compliance with all covenants and other terms under our Secured Financing Facilities.

Related Person Transactions

We have relationships and historical and continuing transactions with Tremont, RMR, RMR Inc. and others related to them. For further information about these and other such relationships and related person transactions, see Notes 7 and 8 to the Unaudited Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q, our 2021 Annual Report, our definitive Proxy Statement for our 2022 Annual Meeting of Shareholders and our other filings with the SEC. In addition, see the section captioned “Risk Factors” of our 2021 Annual Report for a description of risks that may arise as a result of these and other related person transactions and relationships. We may engage in additional transactions with related persons, including businesses to which RMR, Tremont or their respective subsidiaries provide management services.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

Item 4. Controls and Procedures

As of the end of the period covered by this Quarterly Report on Form 10-Q, our management carried out an evaluation, under the supervision and with the participation of our Managing Trustees, our President and our Chief Financial Officer and Treasurer, of the effectiveness of our disclosure controls and procedures pursuant to Rules 13a-15 and 15d-15 under the Securities Exchange Act of 1934, as amended. Based upon that evaluation, our Managing Trustees, our President and our Chief Financial Officer and Treasurer concluded that our disclosure controls and procedures are effective.

There have been no changes in our internal control over financial reporting during the quarter ended June 30, 2022 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 statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and other securities laws. Also, whenever we use words such as "believe", "expect", "anticipate", "intend", "plan", "estimate", "will", "may" and negatives or derivatives of these or similar expressions, we are making forward-looking statements. These forward-looking statements are based upon our present intent, beliefs or expectations, but forward-looking statements are not guaranteed to occur and may not occur. Forward-looking statements in this Quarterly Report on Form 10-Q relate to various aspects of our business, including:

- Our expectations about our borrowers' business plans and their abilities to successfully execute them;
- Our expectations regarding the diversity and other characteristics of our loan portfolio;
- Our ability to carry out our business strategy and take advantage of opportunities for our business that we believe exist;
- Our expectations of the impact of inflation, geopolitical risk and possible economic recession on the CRE lending market, us and our borrowers;
- Our expectations of the market demand for CRE debt and the volume of transactions and opportunities that will exist in the CRE debt market, including the middle market;
- Our ability to utilize our existing available Secured Financing Facilities and to obtain additional capital to enable us to attain our target leverage, to make additional investments and to increase our potential returns;
- The impact of the COVID-19 pandemic on us and our borrowers;
- Our ability to pay distributions to our shareholders and to increase and sustain the amount of such distributions;
- Our operating and investment targets, investment and financing strategies and leverage policies;
- Our expected operating results;
- The amount and timing of cash flows we receive from our investments;
- The ability of Tremont to make suitable investments for us, to monitor, service and administer our existing investments and to otherwise implement our investment strategy;
- Our ability to maintain and increase the net interest spread between the interest we earn on our investments and the interest we pay on our borrowings;
- Our belief that there will be significant opportunities for us to provide creative, flexible debt capital for a wide array of circumstances and business plans and our ability to successfully act on those opportunities and to benefit as a result;
- The expectation that the secondary debt markets will stabilize in the latter half of 2022;
- Our belief that we are well positioned to lend to private equity sponsors of middle market and transitional CRE assets;
- The origination, extension, exit, prepayment or other fees we may earn from our investments;
- Yields that may be available to us from mortgages on middle market and transitional CRE;
- The duration and other terms of our loan agreements with borrowers;
- The credit qualities of our borrowers;
- The ability and willingness of our borrowers to repay our investments in a timely manner or at all;
- Our projected leverage;
- The cost and availability of additional advancements under our Secured Financing Facilities or other debt financing we may obtain;

- Our qualification for taxation as a REIT;
- Our ability to maintain our exemption from registration under the 1940 Act;
- Our understanding of the competitive nature of our industry and our ability to successfully compete under such circumstances;
- Market trends in our industry or with respect to interest rates, real estate values, the debt securities markets or the economy generally; and
- Regulatory requirements and the effect they may have on us or our competitors.

Our actual results may differ materially from those contained in or implied by our forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control. Risks, uncertainties and other factors that could have a material adverse effect on our forward-looking statements and upon our business, financial condition, liquidity, results of operations, cash flows, prospects and ability to make distributions include, but are not limited to:

- The impact of conditions in the economy, the CRE industry and the capital markets on us and our borrowers;
- Competition within the CRE lending industry;
- Changes in the availability, sourcing and structuring of CRE lending;
- Defaults by our borrowers;
- Compliance with, and changes to, federal, state or local laws or regulations, accounting rules, tax laws or similar matters;
- Limitations imposed on our business and our ability to satisfy complex rules in order for us to maintain our qualification for taxation as a REIT for U.S. federal income tax purposes;
- Actual and potential conflicts of interest with our related parties, including our Managing Trustees, Tremont, RMR, and others affiliated with them; and
- Acts of terrorism, war, pandemics, including the COVID-19 pandemic, or other manmade or natural disasters beyond our control.

For example:

- We have a limited operating history originating and investing in first mortgage loans secured by middle market and transitional CRE and we may not be able to operate our business successfully or generate sufficient revenue to make or sustain distributions to our shareholders;
- To make additional investments and continue to grow our business after we invest our existing available capital, we will need to obtain additional cost-effective capital. We cannot be sure that we will be successful in obtaining any such additional capital. If we are unable to obtain such additional capital, we may not be able to further grow our business by making additional investments;
- Our distributions and distribution rate are set from time to time by our Board of Trustees. The timing, amount and form of future distributions will be determined at the discretion of our Board of Trustees and will depend upon various factors that our Board of Trustees deems relevant, including our historical and projected income, our Distributable Earnings, Distributable Earnings per common share, Adjusted Distributable Earnings and Adjusted Distributable Earnings per common share, the then current and expected needs and availability of cash to pay our obligations and fund our investments, distributions which may be required to be paid by us to maintain our qualification for taxation as a REIT, limitations on distributions contained in our financing arrangements and other factors deemed relevant by our Board of Trustees in its discretion. Accordingly, our future distribution rates may be increased or decreased and we can provide no assurances as to the rate at which future distributions will be paid;
- Competition may limit our ability to identify and make desirable investments with any additional capital we may obtain or with any proceeds we may receive from repayments of our investments;
- Our belief that there will be strong demand for alternative sources of CRE debt capital;

- The value of our loans depends upon our borrowers' ability to generate cash flows from operating the underlying collateral for our loans. Our borrowers may not have sufficient cash flows to repay our loans according to their terms, which may result in delinquency and foreclosure on our loans;
- Our investments contain certain risk mitigation mechanisms that may help protect us against investment losses by mitigating the impact from our borrowers being unable to pay their debt service obligations owed to us as scheduled for a temporary period. However, these mechanisms may not adequately cover the debt service amount and will likely not be able to fully fund the debt service obligations owed to us if the tenants' businesses fail or they default on their debt service obligations owed to us;
- The impact of the COVID-19 pandemic affected all parts of the economy and continues to particularly affect certain aspects of the economy, including certain of our borrowers. In addition, current inflationary pressures, supply chain issues and geopolitical risks may adversely impact the economy and our borrowers' businesses and their ability and willingness to fund their obligations to us. As a result, we may not have sufficient capital to fund our debt obligations or to satisfy any margin calls or other commitments we may have under our Secured Financing Facilities, including as a result of any actions that our lenders under our Master Repurchase Facilities may take if our borrowers default on their loan obligations to us or the value of our collateral that secures those loans declines below required levels;
- Prepayment of our loans may adversely affect the value of our loan portfolio and our ability to make or sustain distributions to our shareholders;
- Loans secured by properties in transition involve a greater risk of loss than loans secured by stabilized properties;
- Tremont and RMR have limited historical experience managing or servicing mortgage REITs;
- We may incur significant debt, and our governing documents contain no limit on the amount of debt we may incur;
- Although, to date, we have not received a margin call under our Master Repurchase Agreements, these lenders may do so in the future in accordance with such agreements;
- Continued availability of additional advancements under our Secured Financing Facilities is subject to us identifying suitable loans to invest in and our satisfying certain financial covenants and other conditions, as applicable, that we may be unable to satisfy;
- Financing for floating rate mortgages and other related assets that we may seek to sell pursuant to our Secured Financing Facilities is subject to approval by those lenders, whose approval we may not obtain;
- The phase out of LIBOR could negatively impact our investments and our debt financing arrangements;
- Actual costs under our Secured Financing Facilities and our other debt facilities will be higher than the applicable interest index rate plus a premium because of fees and expenses associated with our debt;
- We are dependent upon Tremont, its affiliates and their personnel. We may be unable to find suitable replacements if our management agreement is terminated;
- We believe that our relationships with our related parties, including our Managing Trustees, Tremont, RMR and others affiliated with them may benefit us and provide us with competitive advantages in operating and growing our business. However, the advantages we believe we may realize from these relationships may not materialize;
- Our intention to remain exempt from registration under the 1940 Act imposes limits on our operations, and we may fail to remain exempt from registration under the 1940 Act; and
- Our failure to remain qualified for taxation as a REIT could have significant adverse consequences.

Currently unexpected results could occur due to many different circumstances, some of which are beyond our control, such as acts of terrorism, pandemics, such as a continuation of the COVID-19 pandemic, inflation, war, geopolitical risks, natural disasters, global climate change or changes in capital markets or the economy generally.

The information contained elsewhere in this Quarterly Report on Form 10-Q and our 2021 Annual Report, or in our other filings with the SEC, including under the caption "Risk Factors", herein or therein, or incorporated herein or therein, identifies other important factors that could cause differences from our forward-looking statements. Our filings with the SEC are available on the SEC's website at www.sec.gov.

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

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

Statement Concerning Limited Liability

The Declaration of Trust of Seven Hills Realty Trust, a copy of which, together with any amendments or supplements thereto, is duly filed with the State Department of Assessments and Taxation of Maryland, provide that the name Seven Hills Realty Trust refers to the trustees collectively as trustees, but not individually or personally. No trustee, officer, shareholder, employee or agent of Seven Hills Realty Trust shall be held to any personal liability, jointly or severally, for any obligation of, or claim against, Seven Hills Realty Trust. All persons or entities dealing with Seven Hills Realty Trust, in any way, shall look only to the assets of Seven Hills Realty Trust for the payment of any sum or the performance of any obligation.

Part II. Other Information

Item 1A. Risk Factors

There have been no material changes to the risk factors previously disclosed in our 2021 Annual Report.

Item 6. Exhibits

Exhibit Number	Description
3.1	Declaration of Trust of the Company, dated December 21, 2021. (Incorporated by reference to Exhibit 3.1 of the Current Report on Form 8-K filed by the Company on December 22, 2021.)
3.2	Bylaws of the Company, dated December 22, 2021. (Incorporated by reference to Exhibit 3.2 of the Current Report on Form 8-K filed by the Company on December 22, 2021.)
4.1	Form of Common Share Certificate. (Incorporated by reference to Exhibit 4.1 of the Company's Annual Report on Form 10-K for the year ended December 31, 2021.)
10.1	First Amendment to Facility Loan Program Agreement and Security Agreement, dated April 25, 2022, by and between Seven Hills BH Lender, LLC and BMO Harris Bank N.A. (Incorporated by reference to Exhibit 10.4 of the Quarterly Report on Form 10-Q filed by the Company on April 27, 2022.)
10.2	First Amendment to Guaranty, dated April 25, 2022, by the Company, to and for the benefit of BMO Harris Bank N.A. † (Incorporated by reference to Exhibit 10.5 of the Quarterly Report on Form 10-Q filed by the Company on April 27, 2022.)
10.3	Amendment No. 2 to Master Repurchase Agreement, dated March 9, 2022, by and between RMTG Lender LLC and UBS AG. (Filed herewith.)
10.4	Summary of Trustee Compensation. (Incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed by the Company on May 27, 2022.)
31.1	Rule 13a-14(a) Certification. (Filed herewith.)
31.2	Rule 13a-14(a) Certification. (Filed herewith.)
31.3	Rule 13a-14(a) Certification. (Filed herewith.)
31.4	Rule 13a-14(a) Certification. (Filed herewith.)
32.1	Section 1350 Certification. (Furnished herewith.)
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema Document. (Filed herewith.)
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document. (Filed herewith.)
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document. (Filed herewith.)
101.LAB	XBRL Taxonomy Extension Label Linkbase Document. (Filed herewith.)
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document. (Filed herewith.)
104	Cover Page Interactive Data File. (Formatted as Inline XBRL and contained in Exhibit 101.)

† This document was previously filed as Exhibit 10.2 to our Current Report on Form 8-K, filed with the SEC on November 12, 2021, and has been amended to correct a scrivener's error.

SIGNATURES

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.

SEVEN HILLS REALTY TRUST

By: /s/ Thomas J. Lorenzini
Thomas J. Lorenzini
President
Dated: July 27, 2022

By: /s/ G. Douglas Lanois
G. Douglas Lanois
Chief Financial Officer and Treasurer
(principal financial and accounting officer)
Dated: July 27, 2022

AMENDMENT NO. 2 TO
MASTER REPURCHASE AGREEMENT

AMENDMENT NO. 2 TO MASTER REPURCHASE AGREEMENT, dated as of March 9, 2022 (this "Amendment"), between RMTG LENDER LLC, a Delaware limited liability company ("Seller") and UBS AG, BY AND THROUGH ITS NEW YORK BRANCH OFFICE AT 1285 AVENUE OF THE AMERICAS, NEW YORK, NEW YORK, a Delaware corporation ("Buyer"). Capitalized terms used but not otherwise defined herein shall have the meanings given to them in the Repurchase Agreement (as defined below) or in the Pricing Letter (as defined in the Repurchase Agreement), as applicable.

RECITALS

WHEREAS, Seller and Buyer are parties to that certain Master Repurchase Agreement, dated as of February 18, 2021 (as amended by Amendment No. 1 to Pricing Letter, Limited Guaranty, Fee Side Letter and Repurchase Agreement, dated as of October 18, 2021, between and among Seller, Buyer and Seven Hills Realty Trust (f/k/a RMR Mortgage Trust), the "Repurchase Agreement");

WHEREAS, Seller and Buyer have agreed, subject to the terms and conditions hereof, that the Repurchase Agreement shall be amended as set forth in this Amendment.

NOW THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Seller and Buyer each agree as follows:

Section a. Amendments to Repurchase Agreement.

(a) Section 2 is hereby amended by inserting the following new definitions in the correct alphabetical order:

"Alternate Rate" shall mean, with respect to each Pricing Rate Period, the per annum rate of interest of the Alternate Rate Index determined as of the applicable Pricing Rate Determination Date, plus the Applicable Spread.

"Alternate Rate Index" shall mean the first alternative set forth in the order below that can be determined by Buyer as of the Benchmark Replacement Date:

1. The sum of (A) Compounded SOFR and (B) the Alternate Rate Spread Adjustment;
2. The sum of: (A) the alternate rate of interest that has been selected or recommended by the Federal Reserve as the replacement for the then-current Benchmark and (B) the Alternate Rate Spread Adjustment;
3. The sum of: (A) the ISDA Fallback Rate and (B) the Alternate Rate Spread Adjustment; or
4. The sum of: (A) the alternate rate of interest that has been selected by Buyer as the replacement for the then-current Benchmark giving due

consideration to any evolving or then-prevailing market convention for determining a rate of interest as a replacement for the then-current Benchmark for U.S. dollar denominated securitizations at such time and (B) the Alternate Rate Spread Adjustment,

provided that, in the case of clause (1) above, such rate, or the underlying rates component thereof, is or are displayed on a screen or other information service that publishes such rate or rates from time to time as selected by Buyer in its reasonable discretion. In no event shall the Alternate Rate Index be less than the Benchmark Floor.

"Alternate Rate Index Conforming Changes" shall mean, with respect to any conversion of a Transaction to an Alternate Rate Transaction, any technical, administrative or operational changes (including changes to the definition of "Pricing Rate Period", "Remittance Date", "Pricing Rate Determination Date", "Business Day" and/or "U.S. Government Securities Business Day", timing and frequency of determining rates and making payments of interest and preceding and succeeding business day conventions and other administrative matters) that Buyer decides may be appropriate to reflect the adoption and implementation of such Alternate Rate Index and to permit the administration thereof by Buyer in a manner substantially consistent with market practice (or, if Buyer decides that adoption of any portion of such market practice is not administratively feasible or if Buyer or its designee determines that no market practice for use of the Alternate Rate Index exists, in such other manner as Buyer determines is reasonably necessary); provided, however, that no such conforming changes will be made by Buyer and applied to Seller unless Buyer is imposing changes similar in substance on its similarly situated customers domiciled in the United States under repurchase facilities under which Buyer has a comparable contractual right, which repurchase facilities finance commercial real estate mortgage loans similar to the affected Purchased Loans.

"Alternate Rate Spread Adjustment" shall mean the first alternative set forth in the order below that can be determined by Buyer as of the Benchmark Replacement Date:

1. the spread adjustment, or method for calculating or determining such spread adjustment (which may be a positive or negative value or zero) that has been selected, endorsed or recommended by the Federal Reserve for the applicable Unadjusted Alternate Rate Index; or if the applicable Unadjusted Alternate Rate Index is equivalent to the ISDA Fallback Rate, then the ISDA Fallback Adjustment, or

2. the spread adjustment (which may be a positive or negative value or zero) that has been selected by Buyer giving due consideration to any evolving or then-prevailing market convention for determining a spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the then current Benchmark with the applicable Unadjusted Alternate Rate Index for U.S. dollar denominated securitization transactions at such time,

provided that, in the case of clause (1) above, such adjustment is displayed on a screen or other information service that publishes such Alternate Rate Spread Adjustment from time to time as selected by Buyer in its reasonable discretion.

"Alternate Rate Transaction" shall mean any Transaction at such time as Price Differential thereon accretes at a rate based upon the Alternate Rate.

"Applicable Spread" shall mean, with respect to a Transaction involving a Purchased Asset:

(i) with respect to any Purchased Asset and any Pricing Rate Period, so long as no Event of Default shall have occurred and be continuing, the incremental *per annum* rate (expressed as a number of “basis points”, each basis point being equivalent to 1/100 of 1%) as determined by Buyer in its sole discretion within the range set forth in Schedule I attached to the Fee Letter, or such other rate as may be agreed upon between Seller and Buyer and, in each case, as set forth in the related Confirmation for such Purchased Asset; and

(ii) after the occurrence and during the continuance of an Event of Default, the applicable incremental per annum rate described in clause (i) of this definition, plus 500 basis points (5.0%).

“Benchmark” shall mean (i) initially, the Term SOFR Reference Rate with a tenor of one month and (ii), on and after the conversion to an Alternate Rate Index pursuant to Article 3 hereof, the Alternate Rate Index determined in accordance with the terms hereto.

“Benchmark Floor” shall mean, with respect to any Transaction, the greater of (a) zero and (b) such other amount, if any, as may be specified in the Confirmation related to such Transaction.

“Benchmark Replacement Date” shall mean:

(1) in the case of clause (1) or (2) of the definition of “Benchmark Transition Event,” the later of (a) the date of the public statement or publication of information referenced therein and (b) the date on which the administrator of the relevant Benchmark permanently or indefinitely ceases to provide such Benchmark, or

(2) in the case of clause (3) of the definition of “Benchmark Transition Event,” the first date on which the Benchmark has been determined and announced by the regulatory supervisor for the administrator of the Benchmark to be non-representative; provided, that such non-representativeness will be determined by reference to the most recent statement or publication referenced in such clause (3) even if the Benchmark continues to be provided on such date; or

(3) in the case of clause (4) of the definition of “Benchmark Transition Event”, such date of determination by Buyer; or

(4) in the case of clause (5) of the definition of “Benchmark Transition Event”, the date of the Benchmark Unavailability Determination.

“Benchmark Transition Event” shall mean the occurrence of one or more of the following events with respect to the then current Benchmark:

(1) a public statement or publication of information by or on behalf of the administrator of the Benchmark announcing that the administrator has ceased or will cease to provide the Benchmark permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark;

(2) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark, the central bank for the currency of the Benchmark, an insolvency official with jurisdiction over the administrator for the Benchmark, a resolution authority with jurisdiction over the

administrator for the Benchmark or a court or an entity with similar insolvency or resolution authority over the administrator for the Benchmark, which states that the administrator of the Benchmark has ceased or will cease to provide the Benchmark permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark;

(3) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark announcing that the Benchmark is not, or as of a specified future date will not be representative;

(4) the determination by Buyer in its sole good faith discretion that use if the Benchmark by Buyer is prohibited or restricted by or in accordance with any Requirement of Law;

(5) a Benchmark Unavailability Period has occurred or exists with respect to such Benchmark, and Buyer determines in its sole and absolute discretion that such Benchmark shall no longer be used as the Benchmark under this Agreement (a "Benchmark Unavailability Determination").

"Benchmark Unavailability Period" shall mean each (if any) Pricing Rate Period for which Buyer determines (which determination shall be conclusive and binding absent manifest error) that adequate and reasonable means do not exist for ascertaining the Pricing Rate for the applicable Pricing Rate Period (including, if the Benchmark is Term SOFR or Compounded SOFR, that Term SOFR or Compounded SOFR, as applicable, cannot be determined in accordance with the definition thereof).

"Compounded SOFR" shall mean the compounded average of SOFR for approximately a one-month period, with the rate, or methodology for this rate, and conventions for this rate (which, for example, may be calculated in advance or in arrears with a lookback and/or suspension period as a mechanism to determine the interest amount payable prior to the end of each Pricing Rate Period) being established by Buyer in accordance with:

1. the rate, or methodology for the rate, and conventions for the rate selected or recommended by the Federal Reserve for determining compounded SOFR; provided, that
2. if, and to the extent that, Buyer determines that Compounded SOFR cannot be so determined in accordance with clause (1) above, then Compounded SOFR will mean the rate, or methodology for the rate, and conventions for the rate that have been selected by Buyer giving due consideration to any industry-accepted market practice for similar U.S. dollar denominated master repurchase or credit facilities at such time (as a result of amendment or as originally executed);

provided, further, that if Buyer decides that any such rate, methodology or convention determined in accordance with clause (1) or clause (2) is not administratively feasible for Buyer, then Compounded SOFR will be deemed unable to be determined for purposes of the definition of "Alternate Rate Index."

"Early Opt-in Effective Date" shall mean with respect to any Early Opt-in Election, the fifth (5^{th}) Business Day after the date notice of such Early Opt-in Election is provided to Seller.

"Early Opt-in Election" shall mean the election by Buyer (at any time after the date hereof, in its sole and absolute discretion) to trigger a fallback from the then-current Benchmark and the provision by Buyer of written notice of such election to Seller.

"Federal Reserve" shall mean the Board of Governors of the Federal Reserve System and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Board of Governors of the Federal Reserve System and/or the Federal Reserve Bank of New York or any successor thereto.

"Federal Reserve Bank of New York's Website" shall mean the website of the Federal Reserve Bank of New York at https://www.newyorkfed.org, or any successor source.

"ISDA Definitions" shall mean the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. or any successor thereto, as amended or supplemented from time to time, or any successor definitional booklet for interest rate derivatives published from time to time.

"ISDA Fallback Adjustment" shall mean the spread adjustment, (which may be a positive or negative value or zero) that would apply for derivatives transactions referencing the ISDA Definitions to be determined upon the occurrence of an index cessation event with respect to the then-current Benchmark.

"ISDA Fallback Rate" shall mean the rate that would apply for derivatives transactions referencing the ISDA Definitions to be effective upon the occurrence of an index cessation date with respect to the then-current Benchmark, excluding the applicable ISDA Fallback Adjustment.

"One-Month LIBOR Pricing Rate" shall mean, with respect to each Pricing Rate Period, the per annum rate equal to (i) the greater of One-Month LIBOR and the applicable Benchmark Floor plus (ii) the Applicable Spread.

"One-Month LIBOR Transaction" shall mean, with respect to any Pricing Rate Period, any Transaction with respect to which the Pricing Rate is determined for such Pricing Rate Period with reference to One-Month LIBOR.

"One-Month LIBOR Transition Date" shall mean a date that shall occur with respect to specified One-Month LIBOR Transactions upon the earliest to occur of the following:

(a) with respect to all One-Month LIBOR Transactions, the date that One-Month LIBOR has either (i) permanently or indefinitely ceased to be provided by the administrator of One-Month LIBOR; provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide One-Month LIBOR or (ii) been announced by the regulatory supervisor of the administrator of One-Month LIBOR pursuant to public statement or publication of information to be no longer representative;

(b) for any Transaction with respect to which Seller is required to fund any Future Funding Obligation to the applicable Mortgagor in respect of the related Purchased Asset and Buyer participates in such funding under the Agreement, the "One-Month LIBOR Transition Date" for such Transaction shall mean the first date after the Second Amendment Date as of which Buyer has agreed to so fund any additional Purchase Price on such Purchased Asset in respect of such Future Funding Obligations;

(c) for all Transactions, the first date after the Second Amendment Date on which the Termination Date has been extended pursuant to Section 3(f) hereto;

(d) the Early Opt-in Effective Date; and

(e) such other date as Buyer and Seller may mutually agree.

"Periodic Term SOFR Determination Day" shall mean the day that is two (2) U.S. Government Securities Business Days prior to the first day of an applicable Pricing Rate Period.

"Rate Conversion Effective Date" shall mean the date on which a One-Month LIBOR Transaction is converted to a Term SOFR Transaction or a Term SOFR Transaction is converted to an Alternate Rate Transaction.

"Second Amendment Date" shall mean March 9, 2022.

"SOFR" shall mean a rate equal to the secured overnight financing rate as administered by the SOFR Administrator.

"SOFR Administrator" shall mean the Federal Reserve Bank of New York (or a successor administrator of the secured overnight financing rate).

"SOFR Administrator's Website" shall mean the Federal Reserve Bank of New York's Website for the secured overnight financing rate identified as such by the SOFR Administrator from time to time.

"Term SOFR" shall mean, with respect to each Pricing Rate Period, the Term SOFR Reference Rate for a one-month tenor on the relevant Periodic Term SOFR Determination Day; provided, however, that if as of 5:00 p.m. (New York City time) on any Periodic Term SOFR Determination Day, the Term SOFR Reference Rate for the applicable tenor has not been published by the Term SOFR Administrator and a Benchmark Replacement Date with respect to the Term SOFR Reference Rate has not occurred, then Term SOFR will be the Term SOFR Reference Rate for such tenor as published by the Term SOFR Administrator on the first preceding U.S. Government Securities Business Day for which such Term SOFR Reference Rate for such tenor was published by the Term SOFR Administrator so long as such first preceding U.S. Government Securities Business Day is not more than three (3) U.S. Government Securities Business Days prior to such Periodic Term SOFR Determination Day; provided, further, Term SOFR for any Transaction shall in no event be less than the Benchmark Floor applicable to such Transaction.

"Term SOFR Adjustment" shall mean 0.11448% per annum.

"Term SOFR Administrator" shall mean CME Group Benchmark Administration Limited (CBA), or a successor administrator of the Term SOFR Reference Rate selected by Buyer in its reasonable discretion.

"Term SOFR Pricing Rate" shall mean, with respect to each Pricing Rate Period, the per annum rate of interest equal to the sum of (i) Term SOFR and (ii) the Pricing Spread.

"Term SOFR Reference Rate" shall mean the forward-looking term rate based on SOFR.

"Term SOFR Transaction" shall mean a Transaction bearing interest at Term SOFR.

"Unadjusted Alternate Rate Index" shall mean the Alternate Rate Index excluding the Alternate Rate Spread Adjustment.

"U.S. Government Securities Business Day" shall mean any day except for (i) a Saturday, (ii) a Sunday or (iii) a day on which the Securities Industry and Financial Markets Association, or any successor thereto, recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in United States Government securities.

(b) Section 6 of the Repurchase Agreement is hereby amended as follows:

(i) Section 6(d) is hereby deleted in its entirety and replaced with the following:

"[Reserved.]"

(ii) The following is inserted as a new sub-section (f) following sub-section (e) thereunder:

"(f) Use of SOFR and legacy One-Month LIBOR Transactions.

Notwithstanding the foregoing or anything to the contrary contained herein:

(i) for each Transaction:

(A) for which the Purchase Date is on or after January 1, 2022, such Transaction shall be a Term SOFR Transaction and shall bear interest at an annual rate equal to the Term SOFR Pricing Rate applicable to such Transaction;

(B) for which the Purchase Date is prior to January 1, 2022 and is a One-Month LIBOR Transaction, each such One-Month LIBOR Transaction shall, after the One-Month LIBOR Transition Date occurs with respect to such Transaction, be converted to bear interest at an annual rate equal to the sum of (i) the Term SOFR Pricing Rate applicable to such Transaction utilizing the Pricing Spread in place as of the One-Month LIBOR Transition Date, plus (ii) the Term SOFR Adjustment.

(2) Notwithstanding anything to the contrary herein or in any other Transaction Document, with respect to any One-Month LIBOR Transaction, if the One-Month LIBOR Transition Date has occurred prior to the Pricing Rate Determination Date in respect of any setting of One-Month LIBOR for any Pricing Rate Period of such One-Month LIBOR Transaction, then each One-Month LIBOR Transaction hereunder shall be permanently converted to being a Term SOFR Transaction as of the first day of such Pricing Rate Period without any amendment to, or further action or consent of any other party to, this Agreement or any other Transaction Document; provided, that except as otherwise expressly specified in any Confirmation (or amended and restated Confirmation) entered into by Buyer and Seller following the First Amendment Effective Date, from and after the Rate Conversion Effective Date, the Applicable Spread (as in effect immediately prior to the effectiveness of such Rate Conversion) for each such LIBOR Transaction converted to a Term SOFR Transaction shall be increased

by an amount equal to the Term SOFR Adjustment without any amendment to, or further action or consent of any other party to, this Agreement or any other Repurchase Document.

(3) In the event that Buyer shall have determined in its sole good faith discretion (which determination shall be conclusive and binding upon Seller absent manifest error) that with respect to any Transaction, one or more Benchmark Transition Events shall have occurred, then Buyer shall determine the corresponding Benchmark Replacement Date and Buyer shall, at any time after the Benchmark Replacement Date, have the sole and exclusive right at its election, to be exercised in its sole but good faith discretion, to convert any Transaction from a Term SOFR Transaction to an Alternate Rate Transaction based on the applicable Benchmark Replacement selected by Buyer, or if any Transaction had previously been converted to an Alternate Rate Transaction based upon a Benchmark Replacement, to an Alternate Rate Transaction based on the applicable alternative Benchmark Replacement selected by Buyer; provided in each case that such conversion shall be subject to satisfaction of the following conditions: (i) at the time of conversion, such applicable Benchmark Replacement is a floating rate index that is then commonly used by Buyer and/or other market participants as an alternative to then-current Benchmark as determined by Buyer in its sole but good faith discretion, and (ii) such applicable Benchmark Replacement is administratively and commercially reasonable for Buyer to implement, as determined by Buyer in its sole but good faith discretion. In the event the foregoing conditions shall be satisfied and the applicable Transaction is converted to an Alternate Rate Transaction as provided above, the Transaction shall bear interest at the applicable Alternate Pricing Rate, effective as of the first day of the next succeeding Pricing Rate Period which is at least five (5) Business Days after notice has been provided to Seller hereunder. Buyer will promptly notify Seller of the conversion of any Transaction to an Alternate Rate Transaction. Notwithstanding any provision of this Agreement to the contrary, in no event shall Seller have the right to convert (x) a Term SOFR Transaction to an Alternate Rate Transaction or (y) an Alternate Rate Transaction accruing interest at a rate based upon the then-current Benchmark Replacement, to an alternative Alternate Rate Transaction accruing interest at a rate based upon any alternative Benchmark Replacement.

(4) In connection with the use or administration of any Benchmark Replacement, as applicable, Buyer shall have the right to make Alternate Rate Index Conforming Changes from time to time as Buyer determines in its sole but good faith discretion (and in the case of Benchmark Replacement, as necessary in connection with such Rate Conversion and/or the implementation thereof), and notwithstanding anything to the contrary herein or in any other Transaction Document, any amendments implementing such Alternate Rate Index Conforming Changes as provided in the definition thereof will become effective without any further action or consent of Seller. Buyer will promptly notify Seller of (i) the effectiveness of any such Alternate Rate Index Conforming Changes, (ii) the implementation of any Benchmark Replacement, and (iii) the effectiveness of any Alternate Rate Index Conforming Changes. Any such determination, decision or election that

may be made by Buyer, including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection, will be conclusive and binding absent manifest error and may be made in its sole discretion and without consent from Seller or any other party to this Agreement or any other Transaction Document.

(5) Seller hereby agrees to promptly pay to Buyer, upon demand, any additional amounts necessary to compensate Buyer for any actual out of pocket costs (not to include any lost profit or opportunity) incurred by Buyer in making any conversion in accordance with this Agreement, including without limitation, any interest or fees payable by Buyer to Buyers of funds obtained by it in order to make or maintain any Transaction hereunder. If any such conversion of a Transaction occurs on a day which is not the last day of the then current Pricing Rate Period with respect to such Transaction, Seller shall pay to Buyer such amounts, if any, as may be required pursuant to the terms hereof.

Section a. Conditions Precedent. This Amendment shall become effective on the date on which this Amendment is executed and delivered by a duly authorized officer of each of the Seller, Guarantor and Buyer.

Section b. Seller's Representations and Warranties. On and as of the date first above written, Seller hereby represents and warrants to Buyer that (a) Seller has taken all necessary action to authorize the execution, delivery and performance of this Amendment and (b) this Amendment has been duly executed and delivered by or on behalf of Seller and constitutes the legal, valid and binding obligation of Seller enforceable against Seller in accordance with its terms subject to bankruptcy, insolvency, and other limitations on creditors' rights generally and to equitable principles.

Section c. Acknowledgments of Guarantor. In connection with this Amendment, Guarantor hereby acknowledges (a) the execution and delivery of this Amendment by Seller and agrees that Guarantor continues to be bound by the Guarantee Agreement to the extent of the Obligations (as defined therein), as such obligations may be increased and otherwise modified in connection with the terms of this Amendment, and (b) that, as of the date hereof, Buyer is in compliance with its undertakings and obligations under the Repurchase Agreement and each of the other Transaction Documents.

Section d. Limited Effect. Except as expressly amended and modified by this Amendment, the Repurchase Agreement shall continue to be, and shall remain, in full force and effect in accordance with its terms; provided, however, that upon the Second Amendment Effective Date, all references in the Repurchase Agreement to the "Transaction Documents" shall be deemed to include, in any event, this Amendment. Each reference to Repurchase Agreement in any of the Transaction Documents shall be deemed to be a reference to the Repurchase Agreement as amended hereby.

Section e. Counterparts. This Amendment may be executed in counterparts, each of which so executed shall be deemed to be an original, but all of such counterparts shall together constitute but one and the same instrument. Delivery of an executed counterpart of a signature page to this Amendment in Portable Document Format (.PDF) or by facsimile transmission shall be effective as delivery of a manually executed original counterpart thereof.

Section f. Costs and Expenses. Seller shall pay Buyer's reasonable actual out of pocket costs and expenses, including reasonable fees and expenses of accountants, attorneys and advisors, incurred in connection with the preparation, negotiation, execution and consummation of this Amendment.

Section g. No Novation, Effect of Agreement. Guarantor, Seller and Buyer have entered into this Amendment solely to amend the terms of the Repurchase Agreement and do not intend this Amendment or the transactions contemplated hereby to be, and this Amendment and the transactions contemplated hereby shall not be construed to be, a novation of any of the obligations owing by Seller or Guarantor (the "Repurchase Parties") under or in connection with the Repurchase Agreement or any of the other document executed in connection therewith to which any Repurchase Party is a party (the "Repurchase Documents"). It is the intention of each of the parties hereto that (i) the perfection and priority of all security interests securing the payment of the obligations of the Repurchase Parties under the Repurchase Agreement and the other Repurchase Documents are preserved, (ii) the liens and security interests granted under the Repurchase Agreement continue in full force and effect, and (iii) any reference to the Repurchase Agreement in any such Repurchase Document shall be deemed to also reference this Amendment.

Section h. Consent to Jurisdiction; Waiver of Jury Trial.

(a) Each party irrevocably and unconditionally (i) submits to the non-exclusive jurisdiction of any United States Federal or New York State court sitting in Manhattan, and any appellate court from any such court, solely for the purpose of any suit, action or proceeding brought to enforce its obligations under this Amendment or relating in any way to this Amendment or any Transaction under the Repurchase Agreement and (ii) waives, to the fullest extent each may effectively do so, the defense of an inconvenient forum to the maintenance of such action or proceeding and irrevocably consent to the service of any summons and complaint and any other process by the mailing of copies of such process to them at their respective address specified in the Repurchase Agreement. The parties hereby agree that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Section 10 shall affect the right of Buyer to serve legal process in any other manner permitted by law or affect the right of Buyer to bring any action or proceeding against Seller or its property in the courts of other jurisdictions.

(i)EACH OF THE PARTIES HEREBY IRREVOCABLY WAIVES ALL RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AMENDMENT, ANY OTHER TRANSACTION DOCUMENT OR ANY INSTRUMENT OR DOCUMENT DELIVERED HEREUNDER OR THEREUNDER.

Section i. GOVERNING LAW. THIS AMENDMENT AND ANY CLAIM, CONTROVERSY OR DISPUTE ARISING UNDER OR RELATED TO THIS AMENDMENT, THE RELATIONSHIP OF THE PARTIES TO THIS AMENDMENT, AND/OR THE INTERPRETATION AND ENFORCEMENT OF THE RIGHTS AND DUTIES OF THE PARTIES TO THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS AND DECISIONS OF THE STATE OF NEW YORK, WITHOUT REGARD TO THE CHOICE OF LAW RULES THEREOF. THE PARTIES HERETO INTEND THAT THE PROVISIONS OF SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW SHALL APPLY TO THIS AMENDMENT.

[SIGNATURES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered as of the day and year first above written.

BUYER:

UBS AG, BY AND THROUGH ITS NEW YORK BRANCH OFFICE AT 1285 AVENUE OF THE AMERICAS, NEW YORK, NEW YORK, a Delaware corporation

By: /s/ Andrew Lisa
Name: Andrew Lisa
Title: Director

By: /s/ Michael Zoccoli
Name: Michael Zoccoli
Title: Executive Director

SELLER:

RMTG LENDER LLC, a Delaware limited liability company

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

Exhibit 31.1

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

I, Thomas J. Lorenzini, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Seven Hills Realty Trust;
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: July 27, 2022

/s/ Thomas J. Lorenzini

Thomas J. Lorenzini
President

Exhibit 31.2

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

I, G. Douglas Lanois, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Seven Hills Realty Trust;
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: July 27, 2022

/s/ G. Douglas Lanois
G. Douglas Lanois
Chief Financial Officer and Treasurer

Exhibit 31.3

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 Seven Hills Realty Trust;
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: July 27, 2022

/s/ Matthew P. Jordan

Matthew P. Jordan
Managing Trustee

Exhibit 31.4

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 Seven Hills Realty Trust;
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: July 27, 2022

/s/ Adam D. Portnoy
Adam D. Portnoy
Managing Trustee

Exhibit 32.1

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

In connection with the filing by Seven Hills Realty Trust (the "Company") of the Quarterly Report on Form 10-Q for the period ended June 30, 2022 (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	/s/ Thomas J. Lorenzini
Adam D. Portnoy Managing Trustee	Thomas J. Lorenzini President
/s/ Matthew P. Jordan	/s/ G. Douglas Lanois
Matthew P. Jordan Managing Trustee	G. Douglas Lanois Chief Financial Officer and Treasurer

Date: July 27, 2022