SVC
Nasdaq Listed

Service Properties Trust
Third Quarter 2019
Supplemental Operating and Financial Data

Sonesta Suites Scottsdale Gainey Ranch
Scottsdale, AZ
Operator: Sonesta International Hotels Corporation
Guest Rooms: 164

All amounts in this report are unaudited.

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CORPORATE INFORMATION

Kimpton Hotel Palomar
Washington, D.C.
Operator: InterContinental Hotels Group
Guest Rooms: 335

COMPANY PROFILE

The Company:

Service Properties Trust (formerly known as Hospitality Properties Trust), or SVC, we, our, or us, is a real estate investment trust, or REIT, which owns a diverse portfolio of hotels and net lease service and necessity-based retail properties across the United States and in Puerto Rico and Canada with 185 brands across 24 distinct industries. SVC's properties are primarily operated under long term management or lease agreements. SVC is a component of 85 market indices and it comprises more than 1% of the following indices as of September 30, 2019: Bloomberg REIT Hotels Index (BBREHOTL) and the Solactive Global SuperDividend Index (SOLSDIV).

Management:

SVC is managed by The RMR Group LLC, or RMR LLC, the operating subsidiary of The RMR Group Inc. (Nasdaq: RMR), or RMR Inc., RMR is an alternative asset management company that was founded in 1986 to manage real estate companies and related businesses. RMR primarily provides management services to four publicly traded equity REITs and three real estate related operating businesses. In addition to managing SVC, RMR manages Industrial Logistics Properties Trust, a REIT that owns industrial and logistics properties, Office Properties Income Trust, a REIT that owns buildings primarily leased to single tenants and those with high credit quality characteristics such as government entities, and Senior Housing Properties Trust, a REIT that primarily owns healthcare, senior living and medical office buildings. RMR also provides management services to Five Star Senior Living Inc., a publicly traded operator of senior living communities, Sonesta International Hotels Corporation, or Sonesta, a privately owned operator and franchisor of hotels (including some of the hotels that SVC owns), truck service facilities and cruise boats, and TravelCenters of America Inc., or TA, a publicly traded operator and franchisor of travel centers along the U.S. Interstate Highway System (including all but three of the travel centers that SVC owns), truck service facilities and restaurants. RMR also advises the RMR Real Estate Income Fund, a publicly traded closed end fund that invests in publicly traded securities of real estate companies, and Tremont Mortgage Trust, a publicly traded mortgage REIT, through wholly owned SEC registered investment advisory subsidiaries, as well as manages the RMR Office Property Fund, a private, open end core plus fund focused on the acquisition, ownership and leasing of a diverse portfolio of multi-tenant office properties throughout the U.S. As of September 30, 2019, RMR had $32.8 billion of real estate assets under management and the combined RMR managed companies had approximately $12 billion of annual revenues, over 2,200 properties and more than 50,000 employees. We believe that being managed by RMR is a competitive advantage for SVC because of RMR's depth of management and experience in the real estate industry. We also believe RMR provides management services to us at costs that are lower than we would have to pay for similar quality services.

Corporate Headquarters:

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Newton, MA 02458-1634
(t) (617) 964-8389

Stock Exchange Listing:

Nasdaq

Trading Symbol:

Common Shares: SVC

Senior Unsecured Debt Ratings:

Standard & Poor's: BBB-
Moody's: Baa3

Key Data (as of September 30, 2019):

(dollars in 000s)

Total properties:		1,274
Hotels		328
Net lease properties		946
Number of hotel rooms/suites		51,086
Total net lease square feet		17,563,459
Q3 2019 total revenues	$	599,772
Q3 2019 net income	$	40,074
Q3 2019 Normalized FFO [(1)]	$	155,635

(1) See page 20 for the calculation of FFO and Normalized FFO and a reconciliation of net income, determined in accordance with U.S. generally accepted accounting principles, or GAAP, to these amounts.

COMPANY PROFILE
As of September 30, 2019
(dollars in thousands)

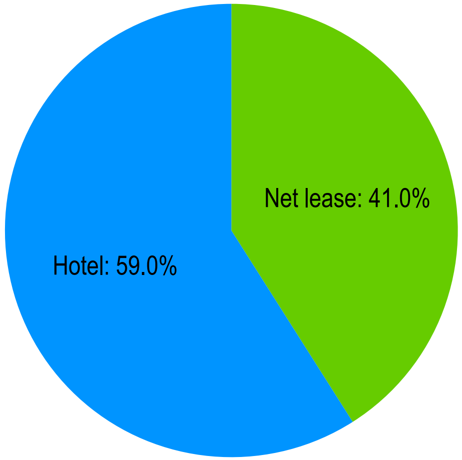
Number of Properties		
Hotel Properties		328
Net Lease Properties		946
Total Properties		1,274
Diversification Facts		
Tenants/Operators		286
Brands		185
Industries		24
States (2)		48
Investments (3)		
Hotels	$	6,863,985
Net Lease Properties		5,785,197
Total Investments	$	12,649,182
Annualized Minimum Return and Rent (3)		
Hotels	$	601,841
Net Lease Properties		418,635
Total Annualized Minimum Returns and Rents	$	1,020,476
Minimum Return/ Rent Coverage (3)		
Hotels		0.87x
Net Lease		2.27x
Total		1.44x

(1) Based on the Minimum Returns and Rents.

(2) We also own one property in Washington D.C., two in Canada and one in Puerto Rico.

(3) See pages 34 and 35 for our definition of investment, and minimum return and rent, and coverage.

Portfolio composition (1)



INVESTOR INFORMATION

Senior Management

John G. Murray
President and Chief Executive Officer

Brian E. Donley
Chief Financial Officer and Treasurer

Ethan S. Bornstein
Senior Vice President

Todd W. Hargreaves
Vice President

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SVC is followed by the analysts and its publicly held debt is rated by the rating agencies listed above. Please note that any opinions, estimates or forecasts regarding SVC's performance made by these analysts or agencies do not represent opinions, forecasts or predictions of SVC or its management. SVC does not by its reference above imply its endorsement of or concurrence with any information, conclusions or recommendations provided by any of these analysts or agencies.

FINANCIALS

InterContinental Atlanta Perimeter (Ravinia)
Atlanta, GA
Operator: InterContinental Hotels Group
Guest Rooms: 495

KEY FINANCIAL DATA

(dollars in thousands, except per share data)

	As of and For the Three Months Ended				
	9/30/2019	6/30/2019	3/31/2019	12/31/2018	9/30/2018
Selected Balance Sheet Data:					
Total gross assets [1]	$ 12,602,187	$ 10,204,219	$ 10,235,599	$ 10,150,463	$ 10,250,294
Total assets	$ 9,515,503	$ 7,177,746	$ 7,255,804	$ 7,177,079	$ 7,251,553
Total liabilities	$ 6,906,517	$ 4,520,304	$ 4,519,238	$ 4,579,648	$ 4,458,982
Total shareholders' equity	$ 2,608,986	$ 2,657,442	$ 2,736,566	$ 2,597,431	$ 2,792,571
Selected Income Statement Data:					
Total revenues	$ 599,772	$ 610,562	$ 524,908	$ 550,799	$ 603,153
Net income (loss)	$ 40,074	$ 8,782	$ 225,787	$ (108,860)	$ 117,099
Adjusted EBITDA*re* [2] [3]	$ 209,545	$ 218,972	$ 195,901	$ 149,773	$ 225,676
FFO [4]	$ 147,184	$ 168,766	$ 144,640	$ 99,994	$ 174,653
Normalized FFO [3] [4]	$ 155,635	$ 168,766	$ 144,640	$ 99,994	$ 174,653
Per Common Share Data (basic and diluted):					
Net income (loss)	$ 0.24	$ 0.05	$ 1.37	$ (0.66)	$ 0.71
FFO [4]	$ 0.90	$ 1.03	$ 0.88	$ 0.61	$ 1.06
Normalized FFO [3] [4]	$ 0.95	$ 1.03	$ 0.88	$ 0.61	$ 1.06
Dividend Data:					
Annualized dividends paid per share during the period	$ 2.16	$ 2.16	$ 2.12	$ 2.12	$ 2.12
Annualized dividend yield (at end of period) [5]	8.4%	8.6%	8.1%	8.9%	7.4%
Normalized FFO payout ratio [3] [4]	56.8%	52.4%	60.2%	86.9%	50.0%

(1) Total gross assets is total assets plus accumulated depreciation.

(2) See page 19 for the calculation of EBITDA, EBITDA*re* and Adjusted EBITDA*re* and a reconciliation of net income (loss) determined in accordance with GAAP to these amounts.

(3) Adjusted EBITDA*re* and Normalized FFO for the three months ended December 31, 2018 include $53,635, or $0.33 per common share, of business management incentive fee expense.

(4) See page 20 for the calculation of FFO and Normalized FFO and a reconciliation of net income (loss) determined in accordance with GAAP to these amounts.

(5) Annualized dividend yield is the annualized dividend paid during the period divided by the closing price of our common shares at the end of the period.

CONDENSED CONSOLIDATED BALANCE SHEETS

(dollar amounts in thousands, except share data)

	As of September 30, 2019	As of December 31, 2018
ASSETS		
Real estate properties:		
Land	$ 2,062,776	$ 1,626,239
Buildings, improvements and equipment	9,237,760	7,896,734
Total real estate properties, gross	11,300,536	9,522,973
Accumulated depreciation	(3,086,684)	(2,973,384)
Total real estate properties, net	8,213,852	6,549,589
Acquired real estate leases and other intangibles	392,673	105,749
Assets held for sale	604,989	144,008
Cash and cash equivalents	16,990	25,966
Restricted cash	53,519	50,037
Due from related persons	72,587	91,212
Other assets, net	160,893	210,518
Total assets	$ 9,515,503	$ 7,177,079
LIABILITIES AND SHAREHOLDERS' EQUITY		
Unsecured revolving credit facility	$ 790,000	$ 177,000
Unsecured term loan, net	397,740	397,292
Senior unsecured notes, net	5,284,933	3,598,295
Security deposits	122,763	132,816
Accounts payable and other liabilities	292,161	211,332
Due to related persons	18,920	62,913
Total liabilities	6,906,517	4,579,648
Commitments and contingencies		
Shareholders' equity:		
Common shares of beneficial interest, $.01 par value; 200,000,000 shares authorized; 164,565,303 and 164,441,709 shares issued and outstanding	1,646	1,644
Additional paid in capital	4,547,055	4,545,481
Cumulative other comprehensive loss	(175)	(266)
Cumulative net income available for common shareholders	3,506,538	3,231,895
Cumulative common distributions	(5,446,078)	(5,181,323)
Total shareholders' equity	2,608,986	2,597,431
Total liabilities and shareholders' equity	$ 9,515,503	$ 7,177,079

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(amounts in thousands, except share data)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2019	2018	2019	2018
Revenues:				
Hotel operating revenues (1)	$ 525,290	$ 520,618	$ 1,521,368	$ 1,494,283
Rental income (2)	73,619	81,322	210,509	245,543
FF&E reserve income (3)	863	1,213	3,365	3,911
Total revenues	599,772	603,153	1,735,242	1,743,737
Expenses:				
Hotel operating expenses (1)	377,895	365,526	1,076,011	1,052,121
Other operating expenses	1,707	1,468	4,419	3,936
Depreciation and amortization	103,160	101,007	301,721	300,308
General and administrative (4)	12,464	13,425	36,906	38,280
Total expenses	495,226	481,426	1,419,057	1,394,645
Gain on sale of real estate (5)	—	—	159,535	—
Dividend income	—	626	1,752	1,878
Unrealized gains and (losses) on equity securities, net (6)	(3,950)	43,453	(43,761)	89,348
Interest income	688	478	1,774	1,093
Interest expense (including amortization of debt issuance costs and debt discounts and premiums of $2,689, $2,570, $7,829 and $7,607, respectively)	(52,375)	(49,308)	(151,742)	(145,589)
Loss on early extinguishment of debt (7)	(8,451)	—	(8,451)	(160)
Income before income taxes and equity in earnings of an investee	40,458	116,976	275,292	295,662
Income tax expense	(467)	(707)	(1,266)	(1,949)
Equity in earnings of an investee	83	830	617	881
Net income	$ 40,074	$ 117,099	274,643	294,594
Weighted average common shares outstanding (basic)	164,321	164,232	$ 164,294	$ 164,212
Weighted average common shares outstanding (diluted)	164,348	164,274	$ 164,332	$ 164,242
Net income per common share (basic and diluted)	$ 0.24	$ 0.71	$ 1.67	$ 1.79

See Notes to Condensed Consolidated Statements of Income on page 12.

NOTES TO CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(dollar amounts in thousands, except share data)

(1) As of September 30, 2019, we owned 328 hotels; 326 of these hotels were managed by hotel operating companies and two hotels were leased to hotel operating companies. As of September 30, 2019, we also owned 946 net lease properties. Our condensed consolidated statements of income include hotel operating revenues and expenses of managed hotels and rental income and other operating expenses from our leased hotels and net lease properties. Certain of our managed hotels had net operating results that were, in the aggregate, $19,631 and $9,216 less than the minimum returns due to us for the three months ended September 30, 2019 and 2018, respectively, and $54,112 and $31,030 less than the minimum returns due to us for the nine months ended September 30, 2019 and 2018, respectively. When managers of these hotels are required to fund the shortfalls under the terms of our management agreements or their guarantees, we reflect such fundings (including security deposit applications) in our condensed consolidated statements of income as a reduction of hotel operating expenses. We reduced hotel operating expenses by $3,630 and $299 for the three months ended September 30, 2019 and 2018, respectively, and $17,166 and $2,377 for the nine months ended September 30, 2019 and 2018, respectively. When we reduce the amounts of the security deposit we hold for any of our operating agreements for payment deficiencies, it does not result in additional cash flows to us of the deficiency amounts, but reduces the refunds due to the respective tenants or managers who have provided us with these deposits upon expiration of the applicable operating agreement. The security deposits are non-interest bearing and are not held in escrow. We had shortfalls at certain of our managed hotel portfolios not funded by the managers of these hotels under the terms of our management agreements of $17,758 and $9,818 for the three months ended September 30, 2019 and 2018, respectively, and $41,555 and $28,653 for the nine months ended September 30, 2019 and 2018, respectively, which represent the unguaranteed portions of our minimum returns from our Sonesta and Wyndham agreements. Certain of our managed hotel portfolios had net operating results that were, in the aggregate, $9,076 and $21,321 more than the minimum returns due to us for the three months ended September 30, 2019 and 2018, respectively and $16,966 and $47,901 more than the minimum returns due to us for the nine months ended September 30, 2019 and 2018, respectively. Certain of our guarantees and our security deposits may be replenished by a share of future cash flows from the applicable hotel operations in excess of the minimum returns due to us pursuant to the terms of the applicable agreements. When our guarantees and security deposits are replenished by cash flows from hotel operations, we reflect such replenishments in our condensed consolidated statements of income as an increase to hotel operating expenses. We had $3,631 and $5,204 of guaranty and security deposit replenishments for the three months ended September 30, 2019 and 2018, respectively, and $3,910 and $14,299 of guaranty and security deposit replenishments for the nine months ended September 30, 2019 and 2018, respectively.

(2) We reduced rental income by $3,046 and $7,368 for the three and nine months ended September 30, 2019, respectively, and increased rental income by $3,136 and $9,359 for the three and nine months ended September 30, 2018, respectively, to record scheduled rent changes under certain of our leases, the deferred rent obligations under our leases with TA and the estimated future payments to us under our leases with TA for the cost of removing underground storage tanks on a straight line basis.

(3) Various percentages of total sales at certain of our hotels are escrowed as reserves for future renovations or refurbishments, or FF&E reserve escrows. We own all the FF&E reserve escrows for our hotels. We report deposits by our tenants into the escrow accounts under our hotel leases as FF&E reserve income. We do not report the amounts which are escrowed as FF&E reserves for our managed hotels as FF&E reserve income.

(4) Incentive fees under our business management agreement with RMR LLC are payable after the end of each calendar year, are calculated based on common share total return, as defined, and are included in general and administrative expense in our condensed consolidated statements of income. In calculating net income in accordance with GAAP, we recognize estimated business management incentive fee expense, if any, in the first, second and third quarters. Although we recognize this expense, if any, in the first, second and third quarters for purposes of calculating net income, we do not include these amounts in the calculation of Normalized FFO or Adjusted EBITDA*re* until the fourth quarter, which is when the business management incentive fee expense amount for the year, if any, is determined. No estimated business management incentive fee expense was recorded for the three and nine months ended September 30, 2019 or 2018.

(5) We recorded a $159,535 gain on sale of real estate during the three months ended March 31, 2019 in connection with the sales of 20 travel centers.

(6) Unrealized gains and (losses) on equity securities, net represent the adjustment required to adjust the carrying value of our investments in RMR Inc. and TA common shares to their fair value. We sold our shares in RMR Inc. on July 1, 2019.

(7) We recorded a loss of $8,451 on early extinguishment of debt in the three months ended September 30, 2019 related to the termination of a term loan commitment we arranged in connection with our acquisition of 767 service oriented net lease properties for $2,400,000, or the SMTA transaction. We also recorded a loss of $160 on early extinguishment of debt in the three months ended June 30, 2018 in connection with amending our revolving credit facility and term loan.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (in thousands)

	For the Nine Months Ended September 30, 2019	2018
Cash flows from operating activities:		
Net income	$ 274,643	$ 294,594
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	301,721	300,308
Amortization of debt issuance costs and debt discounts and premiums as interest	7,829	7,607
Straight line rental income	7,368	(9,359)
Security deposits replenished (utilized)	(10,052)	7,687
Loss on early extinguishment of debt	8,451	160
Unrealized (gains) and losses on equity securities, net	43,761	(89,348)
Equity in earnings of an investee	(617)	(881)
Gain on sale of real estate	(159,535)	—
Other non-cash (income) expense, net	109	(2,226)
Changes in assets and liabilities:		
Due from related persons	3,609	(585)
Other assets	(6,352)	(8,627)
Accounts payable and other liabilities	12,743	(21,259)
Due to related persons	(51,148)	(74,667)
Net cash provided by operating activities	432,530	403,404
Cash flows from investing activities:		
Real estate acquisitions and deposits	(2,659,186)	(95,208)
Real estate improvements	(71,024)	(111,248)
Hotel managers' purchases with restricted cash	(143,692)	(89,401)
Hotel managers' deposit of insurance proceeds into restricted cash	14,325	18,000
Net proceeds from sale of real estate	308,200	—
Proceeds from sale of equity securities	93,892	—
Net cash used in investing activities	(2,457,485)	(277,857)
Cash flows from financing activities:		
Proceeds from issuance of senior unsecured notes, after discounts and premiums	1,693,879	389,976
Borrowings under unsecured revolving credit facility	997,000	395,000
Repayments of unsecured revolving credit facility	(384,000)	(650,000)
Deferred financing costs	(21,869)	(12,242)
Repurchase of common shares	(794)	(606)
Distributions to common shareholders	(264,755)	(259,678)
Net cash provided by (used in) financing activities	2,019,461	(137,550)
Decrease in cash and cash equivalents and restricted cash	(5,494)	(12,003)
Cash and cash equivalents and restricted cash at beginning of period	76,003	97,496
Cash and cash equivalents and restricted cash at end of period	$ 70,509	$ 85,493

Supplemental disclosure of cash and cash equivalents and restricted cash:

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

	2019	2018
Cash and cash equivalents	$ 16,990	$ 19,849
Restricted cash	53,519	65,644
Total cash and cash equivalents and restricted cash	$ 70,509	$ 85,493

Supplemental cash flow information:

	2019	2018
Cash paid for interest	$ 171,418	$ 158,056
Cash paid for income taxes	2,614	2,804

DEBT SUMMARY

As of September 30, 2019
(dollars in thousands)

	Interest Rate	Principal Balance	Maturity Date	Due at Maturity	Years to Maturity
Unsecured Floating Rate Debt:					
$1,000,000 unsecured revolving credit facility (1) (2)	2.916%	$ 790,000	7/15/22	$ 790,000	2.8
$400,000 unsecured term loan (2) (3)	3.200%	400,000	7/15/23	400,000	3.8
Subtotal / weighted average	3.012%	$ 1,190,000		$ 1,190,000	3.1
Unsecured Fixed Rate Debt:					
Senior unsecured notes due 2021	4.250%	$ 400,000	2/15/21	$ 400,000	1.4
Senior unsecured notes due 2022	5.000%	500,000	8/15/22	500,000	2.9
Senior unsecured notes due 2023	4.500%	500,000	6/15/23	500,000	3.7
Senior unsecured notes due 2024	4.650%	350,000	3/15/24	350,000	4.5
Senior unsecured notes due 2024	4.350%	825,000	10/1/24	825,000	5.0
Senior unsecured notes due 2025	4.500%	350,000	3/15/25	350,000	5.5
Senior unsecured notes due 2026	5.250%	350,000	2/15/26	350,000	6.4
Senior unsecured notes due 2026	4.750%	450,000	10/1/26	450,000	7.0
Senior unsecured notes due 2027	4.950%	400,000	2/15/27	400,000	7.4
Senior unsecured notes due 2028	3.950%	400,000	1/15/28	400,000	8.3
Senior unsecured notes due 2029	4.950%	425,000	10/1/29	425,000	10.0
Senior unsecured notes due 2030	4.375%	400,000	2/15/30	400,000	10.4
Subtotal / weighted average	4.604%	$ 5,350,000		$ 5,350,000	5.9
Total / weighted average (4)	4.314%	$ 6,540,000		$ 6,540,000	5.4

(1) We are required to pay interest on borrowings under our revolving credit facility at a rate of LIBOR plus a premium of 100 basis points per annum. We also pay a facility fee of 20 basis points per annum on the total amount of lending commitments under our revolving credit facility. Both the interest rate premium and facility fee are subject to adjustment based upon changes to our credit ratings. The interest rate listed above is as of September 30, 2019. Subject to the payment of an extension fee and meeting certain other conditions, we may extend the maturity date of our credit facility for two additional six month periods.

(2) The maximum borrowing availability under our revolving credit facility and term loan combined may be increased to up to $2,300,000 subject to certain terms and conditions.

(3) We are required to pay interest on the amount outstanding under our term loan at a rate of LIBOR plus a premium of 110 basis points per annum, subject to adjustment based on changes to our credit ratings. The interest rate listed above is as of September 30, 2019. Our term loan is prepayable without penalty at any time.

(4) The carrying value of our total debt of $6,472,673 as of September 30, 2019 is net of unamortized discounts and premiums and certain issuance costs totaling $67,327.

DEBT MATURITY SCHEDULE

As of September 30, 2019
(dollars in thousands)

Year	Unsecured Floating Rate Debt		Unsecured Fixed Rate Debt	Total [3]
2019	$ —		—	$ —
2020	—		—	—
2021	—		400,000	400,000
2022	790,000	[1]	500,000	1,290,000
2023	400,000	[2]	500,000	900,000
2024	—		1,175,000	1,175,000
2025	—		350,000	350,000
2026	—		800,000	800,000
2027	—		400,000	400,000
2028	—		400,000	400,000
2029	—		425,000	425,000
2030	—		400,000	400,000
	$ 1,190,000		$ 5,350,000	$ 6,540,000
Percent of total debt	18.2%		81.8%	100%

(1) Represents amounts outstanding under our $1,000,000 revolving credit facility at September 30, 2019. Subject to the payment of an extension fee and meeting certain other conditions, we may extend the maturity date for two additional six month periods.

(2) Represents amounts outstanding on our term loan at September 30, 2019. Our term loan is prepayable without penalty at any time.

(3) The carrying value of our total debt of $6,472,673 as of September 30, 2019 is net of unamortized discounts and premiums and certain issuance costs totaling $67,327.

LEVERAGE RATIOS, COVERAGE RATIOS AND PUBLIC DEBT COVENANTS

	As of and For the Three Months Ended				
	9/30/2019	6/30/2019	3/31/2019	12/31/2018	9/30/2018
Leverage Ratios:					
Net debt (1) / total gross assets (2)	51.8%	40.4%	40.7%	41.4%	40.7%
Net debt (1) / gross book value of real estate assets (3)	56.0%	42.4%	43.0%	44.0%	43.1%
Secured debt (1) / total assets	0.0%	0.0%	0.0%	0.0%	0.0%
Variable rate debt (1) / Net debt (1)	18.2%	11.9%	13.0%	13.7%	13.0%
Coverage Ratios:					
Adjusted EBITDA*re* (4) (5) / interest expense	4.0x	4.4x	3.9x	3.0x	4.6x
Net debt (1) / annualized Adjusted EBITDA*re* (4) (5)	6.6x	4.7x	5.3x	7.0x	4.6x
Public Debt Covenants:					
Total debt (1) / adjusted total assets (6) - allowable maximum 60.0%	51.1%	40.4%	40.8%	40.9%	41.1%
Secured debt (1) / adjusted total assets (6) - allowable maximum 40.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Consolidated income available for debt service (7) / debt service - required minimum 1.50x	3.81x	4.22x	3.77x	2.79x	4.39x
Total unencumbered assets (6) / unsecured debt (1) - required minimum 150%	195.8%	247.6%	245.3%	244.3%	243.1%

(1) Debt amounts reflect the principal balance as of the date reported. Net debt means total debt less unrestricted cash and cash equivalents as of the date reported.

(2) Total gross assets is total assets plus accumulated depreciation.

(3) Gross book value of real estate assets is real estate properties at cost, before purchase price allocations, less impairment write-downs, if any.

(4) See page 19 for the calculation of EBITDA, EBITDA*re* and Adjusted EBITDA*re*, and a reconciliation of net income (loss) determined in accordance with GAAP to these amounts.

(5) We completed the SMTA transaction on September 20, 2019. For purpose of calculating coverage ratios for the three months ended September 30, 2019, we included our pro forma estimates of the annualized Adjusted EBITDA*re* we expect to be generated from the SMTA portfolio. Adjusted EBITDA*re* for the three months ended December 31, 2018 includes $53,635 of business management incentive fee expense. Excluding business management incentive fee expense, Adjusted EBITDA*re* / interest expense and Net debt / annualized Adjusted EBITDA*re* would have been 4.1x and 5.2x, respectively, for the three months ended December 31, 2018.

(6) Adjusted total assets and total unencumbered assets include original cost of real estate assets calculated in accordance with GAAP before impairment write-downs, if any, and exclude depreciation and amortization, accounts receivable and intangible assets.

(7) Consolidated income available for debt service is earnings from operations excluding interest expense, unrealized gains and losses on equity securities, depreciation and amortization, loss on asset impairment, unrealized appreciation on assets held for sale, gains and losses on early extinguishment of debt, gains and losses on sales of property and amortization of deferred charges. Consolidated income available for debt service for the three months ended December 31, 2018 includes $53,635 of business management incentive fee expense. No business management incentive fee expense was recorded for the three months ended September 30, 2019, June 30, 2019, March 31, 2019, or September 30, 2018.

RESTRICTED CASH ACTIVITY [1]

(dollars in thousands)

	As of and For the Three Months Ended				
	9/30/2019	6/30/2019	3/31/2019	12/31/2018	9/30/2018
Total restricted cash (beginning of period)	$ 37,792	$ 75,129	$ 50,037	$ 65,644	$ 73,279
Manager deposits	46,618	21,484	11,335	20,213	18,353
SVC fundings [2]:					
Marriott No. 1	1,252	934	13,593	7,281	915
Marriott No. 234	—	9,600	9,000	2,675	2,675
Radisson	1,891	6,532	10,611	—	—
Hotel improvements	(34,034)	(48,973)	(46,361)	(45,776)	(29,578)
FF&E reserves (end of period)	53,519	64,706	48,215	50,037	65,644
SVC sale proceeds [3]	—	(26,914)	26,914	—	—
Total restricted cash (end of period)	$ 53,519	$ 37,792	$ 75,129	$ 50,037	$ 65,644

(1) Most of our hotel operating agreements require the deposit of a percentage of gross hotel revenues into escrows to fund FF&E reserves. Our management agreement with Wyndham requires FF&E reserve deposits subject to available cash flows, as defined in our Wyndham agreement. Our Sonesta agreement does not require FF&E reserve deposits. We own all the FF&E reserve escrows for our hotels. Our net lease agreements do not require FF&E escrow deposits; however, certain tenants may request that we fund capital improvements in return for increases in the annual minimum rent. Our tenants are generally not obligated to request and we are not obligated to fund any such improvements.

(2) Represents FF&E reserve deposits not funded by hotel operations, but separately funded by us. The operating agreements for our hotels generally provide that, if necessary, we will provide FF&E funding in excess of escrowed reserves. To the extent we make such fundings, our contractual annual minimum returns or rents generally increase by a percentage of the amounts we fund.

(3) Represents a portion of the proceeds from our sales of 20 travel centers in January 2019 restricted for the purpose of facilitating a tax deferred like-kind exchange pursuant to Section 1031 of the Internal Revenue Code of 1986, as amended, which was completed in the second quarter of 2019.

PROPERTY ACQUISITION AND DISPOSITION INFORMATION SINCE JANUARY 1, 2019

(dollars in thousands except per room and per sq. ft. data)

ACQUISITIONS:

Date Acquired	Properties	Brand	Location	Number of Rooms or Suites (Hotels) / Square Footage (Net Lease)	Operating Agreement	Purchase Price (1)	Average Purchase Price per Room or Suite / Square Foot (000)
2/22/2019	1	Kimpton Hotel Palomar	Washington, D.C.	335	IHG	$ 141,450	$ 422
5/7/2019	1	Crowne Plaza	Milwaukee, WI	198	IHG	30,000	152
9/20/2019	767	Various (2)	Various	12,372,762	Various	2,482,382	201
10/9/2019	1	Kimpton Hotel Palomar	Chicago, IL	261	IHG	55,000	211
Total / Weighted Average	770			814 / 12,372,762		$ 2,708,832	$278 / $201

(1) Represents cash purchase price and excludes acquisition related costs.

(2) On September 20, 2019, we acquired a portfolio of net lease assets located in 43 states from SMTA. The purchase price represents our total consideration paid including transaction related costs.

DISPOSITIONS:

Date Disposed	Properties	Brand	Location	Square Footage	Former Operating Agreement	Sales Price (1)	Average Sales Price per Square Foot
1/17/2019	9	TA	Various (2)	250,977	Various	$ 140,510	$ 560
1/23/2019	8	TA & Petro	Various (2)	217,826	Various	137,810	633
1/29/2019	3	TA	Various (2)	72,680	Various	29,880	411
10/22/2019	1	N/A	Hermantown, MN	103,631	Home Furniture Inc.	6,250	60
10/29/2019	1	N/A	Las Vegas, NV	138,558	Station Casino Inc.	57,000	411
Total / Weighted Average	22			783,672		$ 371,450	$ 474

(1) Represents cash sales price and excludes closing related costs.

(2) We sold 20 travel centers that we had leased under our TA nos. 1, 2, 3, 4 and 5 agreements.

CALCULATION OF EBITDA, EBITDA*re* AND ADJUSTED EBITDA*re* (1)

(in thousands)

		For the Three Months Ended					For the Nine Months Ended September 30,	
		9/30/2019	6/30/2019	3/31/2019	12/31/2018	9/30/2018	2019	2018
Net income (loss)		$ 40,074	$ 8,782	$ 225,787	$ (108,860)	$ 117,099	$ 274,643	$ 294,594
Add (Less):	Interest expense	52,375	49,601	49,766	49,624	49,308	151,742	145,589
	Income tax expense (benefit)	467	(260)	1,059	(754)	707	1,266	1,949
	Depreciation and amortization	103,160	99,196	99,365	102,769	101,007	301,721	300,308
EBITDA		196,076	157,319	375,977	42,779	268,121	729,372	742,440
Less:	Gain on sale of real estate (2)	—	—	(159,535)	—	—	(159,535)	—
EBITDA*re*		196,076	157,319	216,442	42,779	268,121	569,837	742,440
Add (Less):	General and administrative expense paid in common shares (3)	1,068	865	436	909	1,008	2,369	2,278
	Loss on early extinguishment of debt (4)	8,451	—	—	—	—	8,451	160
	Unrealized gains and losses on equity securities, net (5)	3,950	60,788	(20,977)	106,085	(43,453)	43,761	(89,348)
Adjusted EBITDA*re*		$ 209,545	$ 218,972	$ 195,901	$ 149,773	$ 225,676	$ 624,418	$ 655,530

(1) Please see page 34 for definitions of EBITDA, EBITDA*re* and Adjusted EBITDA*re* and a description of why we believe the presentation of these measures provide useful information to investors.

(2) We recorded a $159,535 gain on sale of real estate in the three months ended March 31, 2019, in connection with the sales of 20 travel centers.

(3) Amounts represent the equity compensation awarded to our trustees, our officers and certain other employees of RMR LLC.

(4) We recorded a loss of $8,451 on early extinguishment of debt in the three months ended September 30, 2019 related to the termination of a term loan commitment we arranged in connection with the SMTA transaction. We also recorded a $160 loss on early extinguishment of debt in the three months ended June 30, 2018 in connection with the amendment of our revolving credit facility and term loan.

(5) Unrealized gains and losses on equity securities, net represent the adjustment required to adjust the carrying value of our investments in RMR Inc. and TA common shares to their fair value as of the end of the period. We sold our shares of RMR Inc. in July 2019.

CALCULATION OF FFO AND NORMALIZED FFO [1]

(amounts in thousands, except share data)

	For the Three Months Ended					For the Nine Months Ended September 30,	
	9/30/2019	6/30/2019	3/31/2019	12/31/2018	9/30/2018	2019	2018
Net income (loss)	$ 40,074	$ 8,782	$ 225,787	$ (108,860)	$ 117,099	$ 274,643	$ 294,594
Add (Less): Depreciation and amortization	103,160	99,196	99,365	102,769	101,007	301,721	300,308
Gain on sale of real estate [2]	—	—	(159,535)	—	—	(159,535)	—
Unrealized gains and losses on equity securities, net [3]	3,950	60,788	(20,977)	106,085	(43,453)	43,761	(89,348)
FFO	147,184	168,766	144,640	99,994	174,653	460,590	505,554
Add: Loss on early extinguishment of debt [4]	8,451	—	—	—	—	8,451	160
Normalized FFO	$ 155,635	$ 168,766	$ 144,640	$ 99,994	$ 174,653	$ 469,041	$ 505,714
Weighted average shares outstanding (basic)	164,321	164,284	164,278	164,278	164,232	164,294	164,212
Weighted average shares outstanding (diluted)	164,348	164,326	164,322	164,278	164,274	164,332	164,242
Basic and diluted per share common share amounts:							
Net income (loss)	$ 0.24	$ 0.05	$ 1.37	$ (0.66)	$ 0.71	$ 1.67	$ 1.79
FFO	$ 0.90	$ 1.03	$ 0.88	$ 0.61	$ 1.06	$ 2.80	$ 3.08
Normalized FFO	$ 0.95	$ 1.03	$ 0.88	$ 0.61	$ 1.06	$ 2.85	$ 3.08

(1) Please see page 34 for definitions of FFO and Normalized FFO, a description of why we believe the presentation of these measures provides useful information to investors regarding our financial condition and results of operations and a description of how we use these measures.

(2) We recorded a $159,535 gain on sale of real estate in the three months ended March 31, 2019 in connection with the sales of 20 travel centers.

(3) Unrealized gains and losses on equity securities, net represent the adjustment required to adjust the carrying value of our investments in RMR Inc. and TA common shares to their fair value as of the end of the period. We sold our shares of RMR Inc. in July 2019.

(4) We recorded a loss of $8,451 on early extinguishment of debt in the three months ended September 30, 2019 related to the termination of a term loan commitment we arranged in connection with the SMTA transaction. We also recorded a $160 loss on early extinguishment of debt in the three months ended June 30, 2018 in connection with the amendment of our revolving credit facility and term loan.

PORTFOLIO INFORMATION

Petro Travel Center, 2154 S. Beltline Boulevard
I-77, Exit 5
Columbia, SC
Operator: TravelCenters of America

CONSOLIDATED PORTFOLIO BY BRAND AFFILIATION

As of September 30, 2019

(dollars in thousands except per room and sq. ft. data)

Brand Affiliation	Number of Properties	Percent of Total Number of Properties	Number of Rooms or Suites (Hotels) / Square Footage (Net Lease)	Percent of Total Number of Rooms or Suites (Hotels) / Square Footage (Net Lease)	Investment (1) (2)	Percent of Total Investment	Investment Per Room / SF	Annual Minimum Return / Rent (1) (2)	Percent of Total Annual Minimum Return / Rent
Marriott	122	9.7%	17,085	33.5 %	$ 1,843,159	14.6%	$ 108	$ 191,256	18.7 %
IHG	102	8.0%	16,893	33.1 %	2,267,462	17.9%	134	207,411	20.3 %
Sonesta	51	4.0%	8,862	17.3 %	1,763,319	13.9%	199	131,229	12.9 %
Wyndham	22	1.7%	3,583	7.0 %	398,964	3.2%	111	29,466	2.9 %
Hyatt	22	1.7%	2,724	5.3 %	301,942	2.4%	111	22,037	2.2 %
Radisson	9	0.7%	1,939	3.8 %	289,139	2.3%	149	20,442	2.0 %
Subtotal / Average Hotels	328	25.8%	51,086	100.0 %	6,863.985	54.3%	134	601,841	59.0 %
TravelCenters of America	134	10.5%	3,720,693	21.2 %	2,281,589	18.0%	613	167,990	16.5 %
Petro Stopping Centers	45	3.5%	1,470,004	8.4 %	1,021,226	8.1%	695	78,099	7.7 %
AMC Theatres	14	1.1%	696,471	4.0 %	123,553	1.0%	177	10,725	1.1 %
The Great Escape	14	1.1%	542,666	3.1 %	98,242	0.8%	181	7,140	0.7 %
Creme de la Creme	9	0.7%	190,061	1.1 %	68,712	0.5%	362	5,811	0.6 %
Goodrich Quality Theaters	4	0.3%	245,388	1.4 %	59,743	0.5%	243	5,396	0.5 %
Life Time Fitness	3	0.2%	420,335	2.4 %	92,617	0.7%	220	5,246	0.5 %
Casual Male	1	0.1%	755,992	4.3 %	69,973	0.6%	93	5,221	0.5 %
Buehler's Fresh Foods	5	0.4%	502,727	2.9 %	76,536	0.6%	152	5,143	0.5 %
CarMax	4	0.3%	201,000	1.1 %	66,119	0.5%	329	4,878	0.5 %
Other (3)	713	56.0%	8,818,122	50.1 %	1,826,887	14.4%	207	122,986	11.9 %
Subtotal / Average Net Lease (4)	946	74.2%	17,563,459	100.0 %	5,785,197	45.7%	329	418,635	41.0 %
Total / Average	1,274	100.0%	51,086 / 17,563,459	100% / 100%	$ 12,649,182	100.0%	$134 / $329	$ 1,020,476	100.0 %

(1) See page 35 for our definitions of investment and minimum rent or returns.

(2) As of September 30, 2019, we had 148 net lease properties with a carrying value of $604,989 and annual minimum rent of $43,081 classified as held for sale.

(3) Other includes 153 distinct brands with an average investment of $11,940 and average annual minimum rent of $804.

(4) The brands listed in the table above represent the top 10 net lease brands as a percentage of total annual minimum rent as of September 30, 2019.

CONSOLIDATED PORTFOLIO DIVERSIFICATION BY INDUSTRY

As of September 30, 2019

(dollars in thousands)

	Industry	No. of Properties	Rooms/ Square Footage	Investments (1) (2)	Percent of Total Investment	Annual Minimum Return/ Rent (1) (2)	Percent of Total Annualized Minimum Return/Rent
1.	Hotels	328	51,086	$ 6,863,985	54.3%	601,841	59.0%
2.	Travel Centers	182	5,238,766	3,344,496	26.4%	249,209	24.4%
3.	Restaurants-Quick Service	301	1,196,126	382,275	3.0%	25,473	2.5%
4.	Movie Theaters	29	1,518,737	271,441	2.0%	23,479	2.3%
5.	Restaurants-Casual Dining	87	706,159	302,734	2.3%	19,095	1.9%
6.	Health and Fitness	17	966,066	208,975	1.7%	12,704	1.2%
7.	Miscellaneous Retail	21	716,871	129,364	1.0%	9,986	1.0%
8.	Medical/Dental Office	73	495,545	127,973	1.0%	8,886	0.9%
9.	Automotive Parts and Service	79	414,772	126,263	1.0%	8,719	0.9%
10.	Grocery	19	1,020,131	129,219	1.0%	8,587	0.8%
11.	Automotive Dealers	12	322,696	110,059	0.9%	8,176	0.8%
12.	Educational Services	14	328,890	95,227	0.8%	7,677	0.8%
13.	Home Furnishings	18	1,047,680	123,653	1.0%	7,549	0.7%
14.	Apparel	3	1,019,064	82,284	0.7%	6,086	0.6%
15.	Other	3	182,645	64,366	0.5%	5,001	0.5%
16.	Entertainment	4	199,853	61,436	0.5%	4,222	0.4%
17.	Sporting Goods	3	331,864	52,022	0.4%	3,481	0.3%
18.	Miscellaneous Manufacturing	7	763,312	32,873	0.3%	2,402	0.2%
19.	Car Washes	6	48,442	32,028	0.3%	2,319	0.2%
20.	Building Materials	28	458,492	31,124	0.2%	2,124	0.2%
21.	Drug Stores and Pharmacies	8	82,543	23,970	0.2%	1,646	0.2%
22.	Legal Services	5	25,429	11,362	0.1%	974	0.1%
23.	General Merchandise	3	99,233	7,492	0.1%	555	0.1%
24.	Dollar Stores	5	54,784	7,196	0.1%	285	—%
25.	Vacant	19	325,359	27,365	0.2%	—	—%
	Total	1,274	51,086 / 17,563,459	$ 12,649,182	100.0%	$ 1,020,476	100.0%

(1) See page 35 for our definitions of investment and minimum return and rent.

(2) As of September 30, 2019, we had 148 net lease properties with a carrying value of $604,989 and annual minimum rent of $43,081 classified as held for sale.

HOTEL PORTFOLIO BY OPERATING AGREEMENT AND MANAGER

As of September 30, 2019

(dollars in thousands)

By Operating Agreement [1]:	Number of Hotel Properties	Percent of Total Number of Hotel Properties	Number of Rooms or Suites	Percent of Total Number of Rooms or Suites	Investment [2]	Percent of Total Hotel Investment	Investment Per Room or Suite	Annual Minimum Return / Rent [2]	Percent of Total Hotel Annual Minimum Return / Rent
Marriott (no. 1)	53	16%	7,609	15%	$ 722,087	11%	$ 95	$ 71,714	12%
Marriott (no. 234)	68	21%	9,120	18%	1,030,994	15%	113	109,024	18%
Marriott (no. 5)	1	—%	356	1%	90,078	1%	253	10,518	2%
Subtotal / Average Marriott	122	37%	17,085	34%	1,843,159	27%	108	191,256	32%
IHG	102	31%	16,893	33%	2,267,462	33%	134	207,411	34%
Sonesta	51	16%	8,862	17%	1,763,319	26%	199	131,229	22%
Wyndham	22	7%	3,583	7%	398,964	6%	111	29,466	5%
Hyatt	22	7%	2,724	5%	301,942	4%	111	22,037	4%
Radisson	9	2%	1,939	4%	289,139	4%	149	20,442	3%
Total / Average Hotels	328	100%	51,086	100%	$ 6,863,985	100%	$ 134	$ 601,841	100%

(1) See pages 26 through 27 for additional information regarding each of our hotel operating agreements.

(2) See page 35 for our definitions of investment and minimum return and rent.

HOTEL PORTFOLIO BY BRAND

As of September 30, 2019
(dollars in thousands)

Brand	Manager	Number of Hotels	Percent of Total Number of Hotels	Number of Rooms or Suites	Percent of Total Number of Rooms or Suites	Investment (1)	Percent of Total Hotel Investment	Investment Per Room or Suite
Courtyard by Marriott®	Marriott	71	21.6%	10,264	20.1%	$ 1,015,258	14.8%	$ 99
Royal Sonesta Hotels®	Sonesta	6	1.8%	2,332	4.6%	745,055	10.9%	319
Sonesta ES Suites®	Sonesta	39	11.9%	4,730	9.3%	647,337	9.4%	137
Crowne Plaza®	IHG	11	3.4%	4,141	8.1%	617,488	9.0%	149
Candlewood Suites®	IHG	61	18.6%	7,553	14.6%	586,546	8.5%	78
Residence Inn by Marriott®	Marriott	35	10.8%	4,488	8.8%	554,602	8.1%	124
Kimpton® Hotels & Restaurants	IHG	4	1.2%	1,160	2.3%	424,036	6.2%	366
Sonesta Hotels & Resorts®	Sonesta	6	1.8%	1,800	3.5%	370,928	5.4%	206
Staybridge Suites®	IHG	20	6.1%	2,481	4.9%	347,592	5.1%	140
Hyatt Place®	Hyatt	22	6.7%	2,724	5.3%	301,942	4.4%	111
Wyndham Hotels and Resorts® and Wyndham Grand®	Wyndham	6	1.8%	1,827	3.6%	296,714	4.3%	162
InterContinental Hotels and Resorts®	IHG	3	0.9%	804	1.6%	218,469	3.2%	272
Radisson® Hotels & Resorts and Radisson Blu®	Radisson	6	1.8%	1,509	3.0%	235,724	3.4%	156
Marriott Hotels and Resorts®	Marriott	2	0.6%	748	1.5%	131,576	1.9%	176
TownePlace Suites by Marriott®	Marriott	12	3.7%	1,321	2.6%	116,262	1.7%	88
Hawthorn Suites®	Wyndham	16	4.9%	1,756	3.4%	102,251	1.5%	58
Country Inns & Suites® by Radisson	Radisson	3	0.9%	430	0.8%	53,415	0.8%	124
Holiday Inn®	IHG	3	0.9%	754	1.5%	73,331	1.0%	97
SpringHill Suites by Marriott®	Marriott	2	0.6%	264	0.5%	25,459	0.4%	96
Total / Average Hotels		328	100.0%	51,086	100.0%	$ 6,863,985	100.0%	$ 134

(1) See page 35 for our definition of investment.

HOTEL OPERATING AGREEMENT INFORMATION

As of September 30, 2019

(dollars in thousands)

Marriott No. 1 - We lease 53 Courtyard by Marriott® branded hotels in 24 states to one of our taxable REIT subsidiaries, or TRSs. The hotels are managed by a subsidiary of Marriott under a combination management agreement which expires in 2024; Marriott has two renewal options for 12 years each for all, but not less than all, of the hotels.

We have no security deposit or guarantee from Marriott for these 53 hotels. Accordingly, payment by Marriott of the minimum return due to us under this management agreement is limited to the hotels' available cash flows after payment of operating expenses and funding of the FF&E reserve. In addition to our minimum return, this agreement provides for payment to us of 50% of the hotels' available cash flows after payment of hotel operating expenses, funding of the required FF&E reserve, payment of our minimum return and payment of certain management fees.

Marriott No. 234 - We lease 68 of our Marriott® branded hotels (one full service Marriott®, 35 Residence Inn by Marriott®, 18 Courtyard by Marriott®, 12 TownePlace Suites by Marriott® and two SpringHill Suites by Marriott® hotels) in 22 states to one of our TRSs. The hotels are managed by subsidiaries of Marriott under a combination management agreement which expires in 2025; Marriott has two renewal options for 10 years each for all, but not less than all, of the hotels.

We originally held a security deposit of $64,700 under this agreement to cover payment shortfalls of our minimum return. As of September 30, 2019, the available balance of this security deposit was $36,621. This security deposit may be replenished from a share of the hotels' available cash flows in excess of our minimum return and certain management fees. Marriott has also provided us with a $40,000 limited guaranty to cover payment shortfalls up to 90% of our minimum return after the available security deposit balance has been depleted. This limited guaranty expires on December 31, 2019. As of September 30, 2019, the available Marriott guaranty was $30,672.

In addition to our minimum return, this agreement provides for payment to us of 62.5% of the hotels' available cash flows after payment of hotel operating expenses, funding of the required FF&E reserve, payment of our minimum return, payment of certain management fees and replenishment of the security deposit. This additional return amount is not guaranteed or secured by the security deposit.

Marriott No. 5 - We lease one Marriott® branded hotel in Kauai, HI to a subsidiary of Marriott under a lease that expires in 2019. Marriott has four renewal options for 15 years each. On August 31, 2016, Marriott notified us that it will not exercise its renewal option at the expiration of the current lease term ending on December 31, 2019. This lease is guaranteed by Marriott and provides for increases in the annual minimum rent payable to us based on changes in the consumer price index.

IHG - We lease 101 IHG branded hotels (20 Staybridge Suites®, 61 Candlewood Suites®, two InterContinental®, 11 Crowne Plaza®, four Kimpton® Hotels & Restaurants and three Holiday Inn®) in 30 states in the U.S., the District of Columbia and Ontario, Canada to one of our TRSs. These 101 hotels are managed by subsidiaries of IHG under a combination management agreement. We lease one additional InterContinental® branded hotel in Puerto Rico to a subsidiary of IHG. The annual minimum return amount presented in the table on page 24 includes $7,908 of minimum rent related to the leased Puerto Rico hotel. The management agreement and the lease expire in 2036; IHG has two renewal options for 15 years each for all, but not less than all, of the hotels.

As of September 30, 2019, we held a security deposit of $85,741 under this agreement to cover payment shortfalls of our minimum return. This security deposit, if utilized, may be replenished and increased up to $100,000 from the hotels' available cash flows in excess of our minimum return and certain management fees. Under this agreement, IHG is required to maintain a minimum security deposit of $37,000.

In addition to our minimum return, this management agreement provides for an annual additional return payment to us of $12,067 from the hotels' available cash flows after payment of hotel operating expenses, funding of the required FF&E reserve, if any, payment of our minimum return, payment of certain management fees and replenishment and expansion of the security deposit. In addition, the agreement provides for payment to us of 50% of the hotels' available cash flows after payment to us of the annual additional return amount. These additional return amounts are not guaranteed or secured by the security deposit we hold.

HOTEL OPERATING AGREEMENT INFORMATION

As of September 30, 2019

(dollars in thousands)

Sonesta - We lease our 51 Sonesta branded hotels (six Royal Sonesta® Hotels, six Sonesta Hotels & Resorts® and 39 Sonesta ES Suites® hotels) in 26 states to one of our TRSs. The hotels are managed by Sonesta under a combination management agreement which expires in 2037; Sonesta has two renewal options for 15 years each for all, but not less than all, of the hotels.

We have no security deposit or guaranty from Sonesta. Accordingly, payment by Sonesta of the minimum return due to us under this management agreement is limited to the hotels' available cash flows after the payment of operating expenses, including certain management fees, and we are financially responsible for operating cash flows deficits, if any.

In addition to our minimum return, this management agreement provides for payment to us of 80% of the hotels' available cash flows after payment of hotel operating expenses, management fees to Sonesta, our minimum return, an imputed FF&E reserve to us and reimbursement of operating loss or working capital advances, if any.

Wyndham - We lease our 22 Wyndham branded hotels (six Wyndham Hotels and Resorts® and 16 Hawthorn Suites® hotels) in 14 states to one of our TRSs. The hotels are managed by subsidiaries of Wyndham under a combination management agreement which expires in 2038; Wyndham has two renewal options for 15 years each for all, but not less than all, of the hotels.

We have a limited guaranty of $35,656 under the management agreement to cover payment shortfalls of our minimum return, subject to an annual payment limit of $17,828. This guaranty expires in 2020. As of September 30, 2019, the Wyndham guaranty was depleted. This guaranty may be replenished from the hotels' available cash flows in excess of our minimum return. This agreement provides that if the hotel cash flows available after payment of hotel operating expenses are less than the minimum returns due to us and if the guaranty is depleted, to avoid a default, Wyndham is required to pay us the greater of the available hotel cash flows after payment of hotel operating expenses and 85% of our minimum return.

In addition to our minimum return, this management agreement provides for payment to us of 50% of the hotels' available cash flows after payment of hotel operating expenses, payment of our minimum return, funding of the FF&E reserve, if any, payment of certain management fees and reimbursement of any Wyndham guaranty advances. This additional return amount is not guaranteed.

We lease 48 vacation units in one of the hotels to a subsidiary of Wyndham Destinations, Inc. (NYSE: WYND), or Destinations, under a lease that expires in 2037; Destinations has two renewal options for 15 years each for all, but not less than all, of the vacation units. The lease is guaranteed by Destinations and provides for rent increases of 3% per annum. The annual minimum return amount presented in the table on page 24 includes $1,493 of minimum rent related to the Destinations lease.

Hyatt - We lease our 22 Hyatt Place® branded hotels in 14 states to one of our TRSs. The hotels are managed by a subsidiary of Hyatt Hotels Corporation, or Hyatt, under a combination management agreement that expires in 2030; Hyatt has two renewal options for 15 years each for all, but not less than all, of the hotels.

We have a limited guaranty of $50,000 under this agreement to cover payment shortfalls of our minimum return. As of September 30, 2019, the available Hyatt guaranty was $21,346. The guaranty is limited in amount but does not expire in time and may be replenished from a share of the hotels' available cash flows in excess of our minimum return.

In addition to our minimum return, this management agreement provides for payment to us of 50% of the hotels' available cash flows after payment of operating expenses, funding the required FF&E reserve, payment of our minimum return and reimbursement to Hyatt of working capital and guaranty advances, if any. This additional return is not guaranteed.

Radisson - We lease our nine Radisson branded hotels (five Radisson® Hotels & Resorts, three Country Inns & Suites® by Radisson and one Radisson Blu® hotel) in six states to one of our TRSs and these hotels are managed by a subsidiary of Radisson under a combination management agreement which expires in 2035 and Radisson has two 15 year renewal options for all, but not less than all, of the hotels.

We have a limited guaranty of $47,523 under this agreement to cover payment shortfalls of our minimum return. As of September 30, 2019, the available Radisson guaranty was $42,466. The guaranty is limited in amount but does not expire in time and may be replenished from a share of the hotels' available cash flows in excess of our minimum return. Also, this guaranty cap may be increased if we fund excess renovation costs under our agreement with Radisson.

In addition to our minimum return, this management agreement provides for payment to us of 50% of the hotels' available cash flows after payment of operating expenses, funding the required FF&E reserve, payment of our minimum return and reimbursement to Radisson of working capital and guaranty advances, if any. This additional return is not guaranteed.

HOTEL OPERATING STATISTICS BY OPERATING AGREEMENT

	No. of Hotels	No. of Rooms or Suites	For the Three Months Ended September 30, 2019	2018	Change	For the Nine Months Ended September 30, 2019	2018	Change
ADR								
Marriott (no. 1)	53	7,609	$ 132.70	$ 132.67	—%	$ 134.27	$ 132.19	1.6%
Marriott (no. 234)	68	9,120	132.40	134.75	(1.7%)	134.44	134.05	0.3%
Marriott (no. 5)	1	356	308.12	301.59	2.2%	304.95	290.71	4.9%
Subtotal / Average Marriott	122	17,085	136.82	137.88	(0.8%)	138.67	137.32	1.0%
IHG (1)	102	16,893	120.44	123.97	(2.8%)	122.04	125.37	(2.7%)
Sonesta (1) (2)	51	8,862	140.45	146.63	(4.2%)	147.47	149.31	(1.2%)
Wyndham	22	3,583	100.63	103.40	(2.7%)	97.67	100.96	(3.3%)
Hyatt	22	2,724	105.76	109.34	(3.3%)	109.67	112.64	(2.6%)
Radisson (1)	9	1,939	141.65	141.16	0.3%	136.66	134.29	1.8%
All Hotels Total / Average	328	51,086	$ 127.82	$ 130.68	(2.2%)	$ 129.91	$ 131.15	(0.9%)
OCCUPANCY								
Marriott (no. 1)	53	7,609	73.1%	72.5%	0.6 pts	68.8%	70.1%	-1.3 pts
Marriott (no. 234)	68	9,120	77.4%	76.7%	0.7 pts	74.9%	76.2%	-1.3 pts
Marriott (no. 5)	1	356	88.6%	87.0%	1.6 pts	87.7%	91.7%	-4.0 pts
Subtotal / Average Marriott	122	17,085	75.7%	75.1%	0.6 pts	72.4%	73.8%	-1.4 pts
IHG (1)	102	16,893	79.8%	82.0%	-2.2 pts	77.7%	80.0%	-2.3 pts
Sonesta (1) (2)	51	8,862	73.8%	72.3%	1.5 pts	70.0%	69.2%	0.8 pts
Wyndham	22	3,583	74.5%	72.3%	2.2 pts	69.4%	69.6%	-0.2 pts
Hyatt	22	2,724	79.4%	80.1%	-0.7 pts	78.9%	80.5%	-1.6 pts
Radisson (1)	9	1,939	79.5%	75.4%	4.1 pts	72.7%	74.6%	-1.9 pts
All Hotels Total / Average	328	51,086	77.0%	77.0%	0.0 pts	73.9%	75.1%	-1.2 pts
RevPAR								
Marriott (no. 1)	53	7,609	$ 97.00	$ 96.19	0.8%	$ 92.38	$ 92.67	(0.3%)
Marriott (no. 234)	68	9,120	102.48	103.35	(0.8%)	100.70	102.15	(1.4%)
Marriott (no. 5)	1	356	272.99	262.38	4.0%	267.44	266.58	0.3%
Subtotal / Average Marriott	122	17,085	103.57	103.55	—%	100.40	101.34	(0.9%)
IHG (1)	102	16,893	96.11	101.66	(5.5%)	94.83	100.30	(5.5%)
Sonesta (1) (2)	51	8,862	103.65	106.01	(2.2%)	103.23	103.32	(0.1%)
Wyndham	22	3,583	74.97	74.76	0.3%	67.78	70.27	(3.5%)
Hyatt	22	2,724	83.97	87.58	(4.1%)	86.53	90.68	(4.6%)
Radisson (1)	9	1,939	112.61	106.43	5.8%	99.35	100.18	(0.8%)
All Hotels Total / Average	328	51,086	$ 98.42	$ 100.62	(2.2%)	$ 96.00	$ 98.49	(2.5%)

(1) Operating data includes data for certain hotels for periods prior to when we acquired them.

(2) Operating data includes data for one hotel for periods prior to when it was managed by Sonesta.

"ADR" is average daily rate; "RevPAR" is room revenue per available room. All operating data presented are based upon the operating results provided by our managers and tenants for the indicated periods. We have not independently verified our managers' or tenants' operating data.

HOTEL COVERAGE BY OPERATING AGREEMENT (1)

Operating Agreement	Number of Properties	For the Twelve Months Ended 9/30/2019	6/30/2019	3/31/2019	12/31/2018	9/30/2018
Marriott (no. 1)	53	1.16x	1.18x	1.19x	1.20x	1.20x
Marriott (no. 234)	68	1.04x	1.06x	1.08x	1.09x	1.10x
Marriott (no. 5)	1	1.01x	0.97x	1.03x	1.05x	1.07x
Subtotal Marriott	122	1.08x	1.10x	1.12x	1.13x	1.13x
IHG	102	0.90x	0.97x	1.02x	1.06x	1.12x
Sonesta	51	0.58x	0.62x	0.64x	0.66x	0.68x
Wyndham	22	0.58x	0.59x	0.61x	0.67x	0.75x
Hyatt	22	0.90x	0.95x	1.00x	1.04x	1.08x
Radisson	9	0.95x	0.93x	0.97x	1.11x	1.10x
Total Hotels	328	0.87x	0.92x	0.95x	0.98x	1.01x

Operating Agreement	Number of Properties	For the Three Months Ended 9/30/2019	6/30/2019	3/31/2019	12/31/2018	9/30/2018
Marriott (no. 1)	53	1.30x	1.44x	0.89x	0.99x	1.38x
Marriott (no. 234)	68	1.06x	1.22x	0.92x	0.95x	1.14x
Marriott (no. 5)	1	1.17x	0.96x	1.04x	0.86x	1.04x
Subtotal Marriott	122	1.16x	1.29x	0.91x	0.96x	1.22x
IHG	102	0.88x	1.09x	0.79x	0.83x	1.18x
Sonesta	51	0.48x	0.87x	0.44x	0.50x	0.68x
Wyndham	22	0.93x	0.90x	0.07x	0.42x	0.99x
Hyatt	22	0.77x	1.20x	0.92x	0.71x	0.95x
Radisson	9	1.38x	1.13x	0.45x	0.79x	1.34x
Total Hotels	328	0.90x	1.10x	0.71x	0.77x	1.07x

All operating data presented are based upon the operating results provided by our managers and tenants for the indicated periods. We have not independently verified our managers' or tenants' operating data.

(1) See page 34 for our definition of hotel coverage. Coverage amounts for our IHG, Sonesta and Radisson agreements include data for certain hotels for periods prior to when we acquired ownership of them. Coverage amounts for our Sonesta agreement include data for one hotel prior to when it was managed by Sonesta. Coverage amounts for our Radisson agreement leases exclude data for certain properties we sold during the periods presented.

Net Lease Portfolio by Brand

As of September 30, 2019

(dollars in thousands)

	Brand	No. of Buildings	Investment (1) (2)	Percent of Total Investment	Annualized Minimum Rent (1) (2)	Percent of Total Annualized Minimum Rent	Coverage (1) (4)
1.	TravelCenters of America	134	$ 2,281,589	39.3%	$ 167,990	40.1%	1.95x
2.	Petro Stopping Centers	45	1,021,227	17.7%	78,099	18.7%	1.62x
3.	AMC Theatres	14	123,554	2.1%	10,725	2.6%	1.36x
4.	The Great Escape	14	98,242	1.7%	7,140	1.7%	4.12x
5.	Creme de la Creme	9	68,712	1.2%	5,811	1.4%	1.84x
6.	Goodrich Quality Theaters	4	59,743	1.0%	5,396	1.3%	1.48x
7.	Life Time Fitness	3	92,617	1.6%	5,246	1.3%	3.56x
8.	Casual Male	1	69,973	1.2%	5,221	1.2%	1.24x
9.	Buehler's Fresh Foods	5	76,536	1.3%	5,143	1.2%	2.22x
10.	CarMax	4	66,119	1.1%	4,878	1.2%	2.51x
11.	Heartland Dental	59	61,120	1.1%	4,427	1.1%	3.50x
12.	Pizza Hut	62	61,434	1.1%	4,112	1.0%	1.45x
13.	Regal Cinemas	6	44,476	0.8%	3,658	0.9%	1.84x
14.	Station Casinos (3)	1	56,083	1.0%	3,561	0.9%	3.00x
15.	Express Oil Change	23	49,724	0.9%	3,379	0.8%	3.62x
16.	Burger King	34	51,737	0.9%	3,236	0.8%	2.95x
17.	Flying J Travel Plaza	3	41,681	0.7%	3,120	0.7%	3.49x
18.	B&B Theatres	4	34,369	0.6%	3,100	0.7%	1.72x
19.	Norms	10	53,673	0.9%	3,046	0.7%	3.76x
20.	Golden Corral	10	42,277	0.7%	3,015	0.7%	1.90x
21.	Hardee's	30	44,809	0.8%	2,925	0.7%	1.07x
22.	Popeye's Chicken & Biscuits	28	39,116	0.7%	2,700	0.6%	1.65x
23.	America's Auto Auction	6	34,314	0.6%	2,672	0.6%	5.20x
24.	Church's Chicken	45	35,995	0.6%	2,576	0.6%	1.83x
25.	Mills Fleet Farm	1	37,802	0.7%	2,571	0.6%	3.35x
26.	Other (4)	391	1,138,275	19.7%	74,888	17.9%	3.48x
	Total	946	$ 5,785,197	100.0%	$ 418,635	100.0%	2.27x

(1) See pages 34 and 35 for our definition of investment, minimum rent and coverage.
(2) As of September 30, 2019, we had 148 net lease properties with a carrying value of $604,989 and annual minimum rent of $43,081 classified as held for sale.
(3) We sold this property on October 30, 2019.
(4) Coverage amounts include data for certain properties for periods prior to when we assumed ownership of them.
(5) Other includes 138 distrinct brands with an average investment of $8,187 and average annual minimum rent of $559.

Net Lease Portfolio by Industry

As of September 30, 2019

(dollars in thousands)

	Industry	No. of Buildings	Investment (1) (2)	Percent of Total Investment	Annualized Minimum Rent (1) (2)	Percent of Total Annualized Minimum Rent	Coverage (3)
1.	Travel Centers	182	$ 3,344,497	58.0%	$ 249,209	59.4%	1.85x
2.	Restaurants-Quick Service	301	382,275	6.6%	25,473	6.1%	2.27x
3.	Movie Theaters	29	271,441	4.7%	23,479	5.6%	1.51x
4.	Restaurants-Casual Dining	87	302,734	5.2%	19,095	4.6%	2.56x
5.	Health and Fitness	17	208,975	3.6%	12,704	3.0%	2.40x
6.	Miscellaneous Retail	21	129,364	2.2%	9,986	2.4%	3.49x
7.	Medical/Dental Office	79	127,973	2.2%	8,886	2.1%	4.98x
8.	Automotive Parts and Service	73	126,263	2.2%	8,719	2.1%	2.75x
9.	Grocery	19	129,219	2.2%	8,587	2.1%	2.99x
10.	Automotive Dealers	12	110,059	1.9%	8,176	2.0%	3.65x
11.	Educational Services	14	95,227	1.6%	7,677	1.8%	1.46x
12.	Home Furnishings	18	123,653	2.1%	7,549	1.8%	2.69x
13.	Apparel	3	82,284	1.4%	6,086	1.5%	1.57x
14.	Other	3	64,366	1.1%	5,001	1.2%	2.47x
15.	Entertainment	4	61,436	1.1%	4,222	1.0%	1.97x
16.	Sporting Goods	3	52,022	0.9%	3,481	0.8%	2.82x
17.	Miscellaneous Manufacturing	7	32,873	0.6%	2,402	0.6%	25.28x
18.	Car Washes	6	32,028	0.6%	2,319	0.6%	4.56x
19.	Building Materials	28	31,124	0.5%	2,124	0.5%	3.15x
20.	Drug Stores and Pharmacies	8	23,970	0.4%	1,646	0.4%	1.79x
21.	Legal Services	5	11,362	0.2%	974	0.2%	1.47x
22.	General Merchandise	3	7,492	0.1%	555	0.1%	3.27x
23.	Dollar Stores	5	7,196	0.1%	285	0.1%	2.89x
24	Vacant	19	27,364	0.5%	—	—%	N/A
	Total	946	$ 5,785,197	100.0%	$ 418,635	100.0%	2.27x

(1) See pages 34 and 35 for our definition of investment, minimum rent and coverage.

(2) As of September 30, 2019, we had 148 net lease properties with a carrying value of $604,989 and annual minimum rent of $43,081 classified as held for sale.

(3) Coverage amounts include data for certain properties for periods prior to when we assumed ownership of them.

Net Lease Portfolio by Tenant (Top 10)

As of September 30, 2019

(dollars in thousands)

	Tenant	Brand Affiliation	No. of Buildings	Investment (1) (2)	Percent of Total Investment	Annualized Minimum Rent (1) (2)	Percent of Total Annualized Minimum Rent	Coverage (3)
1.	TravelCenters of America Inc.	TravelCenters of America / Petro Stopping Centers	179	$ 3,302,816	57.0%	$ 246,088	58.7%	1.84x (4) (5)
2.	Universal Pool Co., Inc.	The Great Escape	14	98,242	1.7%	7,140	1.7%	4.12x
3.	Creme De La Creme, Inc.	Creme De La Creme	9	68,712	1.2%	5,811	1.4%	1.84x (4)
4.	Goodrich Quality Theaters, Inc.	Goodrich Quality Theaters	4	59,743	1.0%	5,396	1.3%	1.48x
5.	Healthy Way of Life II, LLC	Life Time Fitness	3	92,617	1.6%	5,246	1.3%	3.56x (4)
6.	Destination XL Group, Inc.	Casual Male	1	69,973	1.2%	5,221	1.2%	1.24x
7.	Styx Acquisition, LLC	Buehler's Fresh Foods	5	76,536	1.3%	5,143	1.2%	2.22x
8.	Professional Resource Development, Inc.	Heartland Dental	59	61,120	1.1%	4,427	1.1%	3.50x
9.	Station Casinos, Inc. (6)	Station Casino	1	56,083	1.0%	3,561	0.9%	3.00x
10.	Express Oil Change, L.L.C.	Express Oil Change	23	49,724	0.9%	3,379	0.8%	3.62x
	Sub-total, top 10		298	3,935,566	68.0%	291,412	69.6%	1.88x
11.	Other (7)	Various	648	1,849,631	32.0%	127,223	30.4%	2.95x
	Total		946	$ 5,785,197	100.0%	$ 418,635	100.0%	2.27x

(1) See page 34 and 35 for our definition of investment, minimum rent and coverage.

(2) As of September 30, 2019, we had 148 net lease properties with a carrying value of $604,989 and annual minimum rent of $43,081 classified as held for sale.

(3) Coverage amounts include data for certain properties for periods prior to when we assumed ownership of them.

(4) Leases subject to full or partial guarantee.

(5) TA is our largest tenant. As of September 30, 2019, we leased 179 travel centers (134 under the TravelCenters of America brand and 45 under the Petro Stopping Centers brand) to a subsidiary of TA under five master leases that expire in 2029, 2031, 2032, 2033 and 2035, respectively. TA has two renewal options for 15 years each for all of the travel centers. In addition to the payment of our minimum rent, these leases provide for payment to us of percentage rent based on increases in total non-fuel revenues over base levels (3% of non-fuel revenues above 2015 non-fuel revenues). Commencing in 2020, these leases provide for payment of additional half percent (0.5%) of non-fuel revenues above 2019 non-fuel base revenues. TA's remaining deferred rent obligation of $61,650 is due in quarterly installments of $4,404 through January 31, 2023.

(6) We sold this property on October 29, 2019.

(7) Other includes 270 tenants with an average investment of $6,850 and average annual minimum rent of $470.

NET LEASE PORTFOLIO - EXPIRATION SCHEDULE

As of 9/30/2019
(dollars in thousands)

Year(1)	Square Feet	Annualized Minimum Rent Expiring (2)	Percent of Total Annualized Minimum Rent Expiring	Cumulative % of Total Minimum Rent Expiring
2019	215,102	$ 1,313	0.3%	0.3%
2020	482,492	6,799	1.6%	1.9%
2021	708,121	9,398	2.2%	4.1%
2022	1,071,820	12,408	3.0%	7.1%
2023	371,812	4,200	1.0%	8.1%
2024	773,833	11,924	2.8%	10.9%
2025	496,061	11,995	2.9%	13.8%
2026	1,805,166	17,702	4.2%	18.0%
2027	1,903,833	24,643	5.9%	23.9%
2028	796,385	13,838	3.3%	27.2%
2029	1,590,922	50,122	12.0%	39.2%
2030	201,492	4,443	1.1%	40.3%
2031	1,405,662	50,535	12.1%	52.4%
2032	1,230,829	50,182	12.0%	64.4%
2033	1,217,338	52,466	12.5%	76.9%
2034	399,368	11,903	2.8%	79.7%
2035	2,241,467	79,995	19.1%	98.8%
2036	274,141	3,854	1.0%	99.8%
2037	—	—	—%	—%
2038	10,183	409	0.1%	99.9%
2039	40,334	438	0.1%	100.0%
2040	1,739	68	0.0%	100.0%
Total	17,238,100	$ 418,635	100.0%	
Weighted Average Lease Term	9.43	11.34		

(1) The year of lease expiration is pursuant to contract terms.

(2) As of September 30, 2019, we had 148 net lease properties with a carrying value of $604,989 and annual minimum rent of $43,081 classified as held for sale.

NON-GAAP FINANCIAL MEASURES AND CERTAIN DEFINITIONS

Non-GAAP Financial Measures

We present certain "non-GAAP financial measures" within the meaning of applicable Securities and Exchange Commission, or SEC, rules, including EBITDA, EBITDA*re*, Adjusted EBITDA*re*, FFO and Normalized FFO. These measures do not represent cash generated by operating activities in accordance with GAAP and should not be considered alternatives to net income (loss) as indicators of our operating performance or as measures of our liquidity. These measures should be considered in conjunction with net income (loss) as presented in our condensed consolidated statements of income. We consider these non-GAAP measures to be appropriate supplemental measures of operating performance for a REIT, along with net income (loss). We believe these measures provide useful information to investors because by excluding the effects of certain historical amounts, such as depreciation and amortization expense, they may facilitate a comparison of our operating performance between periods and with other REITs.

EBITDA, EBITDA*re* and Adjusted EBITDA*re*

We calculate earnings before interest, taxes, depreciation and amortization, or EBITDA, EBITDA for real estate, or EBITDA*re,* and Adjusted EBITDA*re* as shown on page 19. EBITDA*re* is calculated on the basis defined by The National Association of Real Estate Investment Trusts, or Nareit, which is EBITDA, excluding gains and losses on the sale of real estate, loss on impairment of real estate assets, if any, as well as certain other adjustments currently not applicable to us. In calculating Adjusted EBITDA*re*, we adjust for the items shown on page 19 and include business management incentive fees only in the fourth quarter versus the quarter when they are recognized as expense in accordance with GAAP due to their quarterly volatility not necessarily being indicative of our core operating performance and the uncertainty as to whether any such business management incentive fees will be payable when all contingencies for determining such fees are known at the end of the calendar year. Other real estate companies and REITs may calculate EBITDA, EBITDA*re* and Adjusted EBITDA*re* differently than we do.

FFO and Normalized FFO

We calculate funds from operations, or FFO, and Normalized FFO as shown on page 20. FFO is calculated on the basis defined by Nareit, which is net income (loss), calculated in accordance with GAAP, excluding any gain or loss on sale of properties and loss on impairment of real estate assets, if any, plus real estate depreciation and amortization, less any unrealized gains and losses on equity securities, as well as certain other adjustments currently not applicable to us. In calculating Normalized FFO, we adjust for the item shown on page 20 and include business management incentive fees, if any, only in the fourth quarter versus the quarter when they are recognized as expense in accordance with GAAP due to their quarterly volatility not necessarily being indicative of our core operating performance and the uncertainty as to whether any such business management incentive fees will be payable when all contingencies for determining such fees are known at the end of the calendar year. FFO and Normalized FFO are among the factors considered by our Board of Trustees when determining the amount of distributions to our shareholders. Other factors include, but are not limited to, requirements to maintain our qualification for taxation as a REIT, limitations in our credit agreement and public debt covenants, the availability to us of debt and equity capital, our distribution rate as a percentage of the trading price of our common shares, or dividend yield, and to the dividend yield of other REITs, our expectation of our future capital requirements and operating performance and our expected needs for and availability of cash to pay our obligations. Other real estate companies and REITs may calculate FFO and Normalized FFO differently than we do.

Coverage

We define hotel coverage as total hotel revenues minus all hotel expenses and FF&E reserve escrows which are not subordinated to minimum returns due to SVC divided by the minimum returns or rents due to SVC.

We define net lease coverage as annual property level adjusted earnings before interest, taxes, depreciation, amortization and rent, or EBITDAR, divided by the annual minimum rent due to us weighted by the minimum rent of the property to total minimum rents of the net lease portfolio. The annual property level adjusted EBITDAR is determined based on the most recent operating statements, if any, furnished by the tenant. Operating statements furnished by the tenant often are unaudited and, in certain cases, may not have been prepared in accordance with GAAP and are not independently verified by us. Properties that do not report operating information are excluded from the coverage calculations.

NON-GAAP FINANCIAL MEASURES AND CERTAIN DEFINITIONS

Minimum Return/Rent

Each of our management agreements or leases with hotel operators provides for payment to us of an annual minimum return or minimum rent, respectively. Certain of these minimum payment amounts are secured by full or limited guarantees or security deposits. In addition, certain of our hotel management agreements provide for payment to us of additional amounts to the extent of available cash flows as defined in the management agreement. Payments of these additional amounts are not guaranteed or secured by deposits.

Each of our agreements with our net lease tenants provides for payment to us of minimum rent. Certain of these minimum payment amounts are secured by full or limited guarantees. Annualized minimum rent amounts represent cash rent amounts due to us and exclude adjustments, if any, necessary to record scheduled rent changes under certain of our leases, the deferred rent obligations payable to us under our leases with TA and the estimated future payments to us under our TA leases for the cost of removing underground storage tanks at our travel centers on a straight line basis or any reimbursement of expenses paid by us.

Investment

We define hotel investment as historical cost of our properties plus capital improvements funded by us less impairment write-downs, if any, and excludes capital improvements made from FF&E reserves funded from hotel operations that do not result in increases in minimum returns or rents.

We define net lease investment as historical cost of our properties plus capital improvements funded by us less impairment write-downs, if any .

Warning Concerning Forward-Looking Statements

This supplemental operating and financial data may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and other securities laws. 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. 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.

The information contained in our filings with the SEC, including under “Risk Factors” in our periodic reports, or incorporated therein, identifies important factors that could cause our actual results to differ materially from those stated in or implied by 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.