

**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 September 30, 2023

OR

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

Commission File Number 1-11527

SERVICE PROPERTIES TRUST

(Exact Name of Registrant as Specified in Its Charter)

Maryland

(State or Other Jurisdiction of
Incorporation or Organization)

04-3262075

(I.R.S. Employer Identification No.)

Two Newton Place, 255 Washington Street, Suite 300, Newton, Massachusetts, 02458-1634

(Address of Principal Executive Offices) (Zip Code)

617-964-8389

(Registrant's Telephone Number, Including Area Code)

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	SVC	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 (§ 232.405 of this chapter) 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 pursuant to 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, \$.01 par value per share, outstanding as of November 3, 2023: 165,770,240

SERVICE PROPERTIES TRUST
FORM 10-Q
September 30, 2023

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References in this Quarterly Report on Form 10-Q to the Company, SVC, we, us or our include Service Properties Trust and our consolidated subsidiaries unless otherwise expressly stated or the context indicates otherwise.

Part I. Financial Information
Item 1. Financial Statements

SERVICE PROPERTIES TRUST
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(dollars in thousands, except share data)

	September 30, 2023	December 31, 2022
ASSETS		
Real estate properties:		
Land	\$ 1,972,945	\$ 1,902,587
Buildings, improvements and equipment	7,745,858	7,658,282
Total real estate properties, gross	9,718,803	9,560,869
Accumulated depreciation	(3,129,087)	(2,970,133)
Total real estate properties, net	6,589,716	6,590,736
Acquired real estate leases and other intangibles, net	137,366	252,357
Assets held for sale	13,567	121,905
Cash and cash equivalents	418,162	38,369
Restricted cash	17,366	7,051
Equity method investments	110,533	112,617
Investment in equity securities	—	53,055
Due from related persons	28,497	35,033
Other assets, net	289,104	277,068
Total assets	\$ 7,604,311	\$ 7,488,191
LIABILITIES AND SHAREHOLDERS' EQUITY		
Senior unsecured notes, net	\$ 5,164,302	\$ 5,655,530
Mortgage notes payable, net	556,447	—
Accounts payable and other liabilities	568,325	425,960
Due to related persons	13,287	17,909
Total liabilities	6,302,361	6,099,399
Commitments and contingencies		
Shareholders' equity:		
Common shares of beneficial interest, \$.01 par value; 200,000,000 shares authorized; 165,772,040 and 165,452,566, shares issued and outstanding, respectively	1,658	1,655
Additional paid in capital	4,556,991	4,554,861
Cumulative other comprehensive income	2,139	2,383
Cumulative net income available for common shareholders	2,513,823	2,503,279
Cumulative common distributions	(5,772,661)	(5,673,386)
Total shareholders' equity	1,301,950	1,388,792
Total liabilities and shareholders' equity	\$ 7,604,311	\$ 7,488,191

The accompanying notes are an integral part of these condensed consolidated financial statements.

SERVICE PROPERTIES TRUST
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)
(amounts in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Revenues:				
Hotel operating revenues	\$ 395,526	\$ 400,453	\$ 1,134,649	\$ 1,116,843
Rental income	101,299	97,798	295,164	290,949
Total revenues	<u>496,825</u>	<u>498,251</u>	<u>1,429,813</u>	<u>1,407,792</u>
Expenses:				
Hotel operating expenses	317,752	318,266	926,418	933,803
Other operating expenses	4,802	3,511	13,079	9,162
Depreciation and amortization	94,498	101,514	289,108	306,147
General and administrative	10,849	11,293	34,180	35,743
Transaction related costs	115	—	1,933	1,920
Loss on asset impairment, net	512	1,172	9,517	9,720
Total expenses	<u>428,528</u>	<u>435,756</u>	<u>1,274,235</u>	<u>1,296,495</u>
Gain (loss) on sale of real estate	123	(164)	41,959	44,235
Gains on equity securities, net	—	23,056	48,837	2,737
Interest income	5,626	1,442	11,880	2,735
Interest expense (including amortization of debt issuance costs and debt discounts and premiums of \$6,608, \$4,595, \$18,644 and \$15,529, respectively)	(82,280)	(81,740)	(246,363)	(263,904)
Loss on early extinguishment of debt	—	—	(282)	(791)
(Loss) income before income taxes and equity in earnings of an investee	(8,234)	5,089	11,609	(103,691)
Income tax benefit (expense)	2,242	(390)	775	(1,558)
Equity in earnings (losses) of an investee	<u>1,864</u>	<u>2,801</u>	<u>(1,840)</u>	<u>4,277</u>
Net (loss) income	(4,128)	7,500	10,544	(100,972)
Other comprehensive income:				
Equity interest in investee's unrealized (losses) gains	(245)	684	(244)	734
Other comprehensive (loss) income	<u>(245)</u>	<u>684</u>	<u>(244)</u>	<u>734</u>
Comprehensive (loss) income	<u>\$ (4,373)</u>	<u>\$ 8,184</u>	<u>\$ 10,300</u>	<u>\$ (100,238)</u>
Weighted average common shares outstanding (basic and diluted)	<u>165,027</u>	<u>164,745</u>	<u>164,933</u>	<u>164,697</u>
Net (loss) income per common share (basic and diluted)	<u>\$ (0.03)</u>	<u>\$ 0.05</u>	<u>\$ 0.06</u>	<u>\$ (0.61)</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

SERVICE PROPERTIES TRUST
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Unaudited)
(dollars in thousands, except share data)

	Common Shares			Additional Paid in Capital	Cumulative Net Income Available for Common Shareholders	Cumulative Other Comprehensive Income (Loss)	Total
	Number of Shares	Common Shares	Cumulative Common Distributions				
Balance at December 31, 2022	165,452,566	\$ 1,655	\$ (5,673,386)	\$ 4,554,861	\$ 2,503,279	\$ 2,383	\$ 1,388,792
Net income	—	—	—	—	25,950	—	25,950
Equity in unrealized losses of investees	—	—	—	—	—	(214)	(214)
Common share grants	—	—	—	514	—	—	514
Common share repurchases	(4,971)	—	—	(46)	—	—	(46)
Common share forfeitures	(1,600)	—	—	(1)	—	—	(1)
Distributions	—	—	(33,090)	—	—	—	(33,090)
Balance at March 31, 2023	165,445,995	1,655	(5,706,476)	4,555,328	2,529,229	2,169	1,381,905
Net loss	—	—	—	—	(11,278)	—	(11,278)
Equity in unrealized gains of investees	—	—	—	—	—	215	215
Common share grants	56,000	—	—	1,474	—	—	1,474
Common share repurchases	(16,761)	—	—	(150)	—	—	(150)
Common share forfeitures	(1,400)	—	—	(2)	—	—	(2)
Distributions	—	—	(33,089)	—	—	—	(33,089)
Balance at June 30, 2023	165,483,834	1,655	(5,739,565)	4,556,650	2,517,951	2,384	1,339,075
Net loss	—	—	—	—	(4,128)	—	(4,128)
Equity in unrealized gains of investees	—	—	—	—	—	(245)	(245)
Common share grants	382,000	4	—	999	—	—	1,003
Common share repurchases	(76,194)	(1)	—	(600)	—	—	(601)
Common share forfeitures	(17,600)	—	—	(58)	—	—	(58)
Distributions	—	—	(33,096)	—	—	—	(33,096)
Balance at September 30, 2023	165,772,040	\$ 1,658	\$ (5,772,661)	\$ 4,556,991	\$ 2,513,823	\$ 2,139	\$ 1,301,950

SERVICE PROPERTIES TRUST
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Unaudited)
(dollars in thousands, except share data)

	Common Shares			Additional Paid in Capital	Cumulative Net Income Available for Common Shareholders	Cumulative Other Comprehensive Income (Loss)	Total
	Number of Shares	Common Shares	Cumulative Common Distributions				
Balance at December 31, 2021	165,092,333	\$ 1,651	\$ (5,635,342)	\$ 4,552,558	\$ 2,635,660	\$ 779	\$ 1,555,306
Net loss	—	—	—	—	(119,822)	—	(119,822)
Equity in unrealized gains of investees	—	—	—	—	—	4	4
Common share grants	—	—	—	462	—	—	462
Common share forfeitures	(800)	—	—	—	—	—	—
Distributions	—	—	(1,651)	—	—	—	(1,651)
Balance at March 31, 2022	165,091,533	1,651	(5,636,993)	4,553,020	2,515,838	783	1,434,299
Net income	—	—	—	—	11,350	—	11,350
Equity in unrealized gains of investees	—	—	—	—	—	46	46
Common share grants	49,000	—	—	836	—	—	836
Common share repurchases	(478)	—	—	(4)	—	—	(4)
Common share forfeitures	(1,600)	—	—	(4)	—	—	(4)
Distributions	—	—	(1,651)	—	—	—	(1,651)
Balance at June 30, 2022	165,138,455	1,651	(5,638,644)	4,553,848	2,527,188	829	1,444,872
Net income	—	—	—	—	7,500	—	7,500
Equity in unrealized gains of investees	—	—	—	—	—	684	684
Common share grants	384,500	4	—	972	—	—	976
Common share repurchases	(68,371)	(1)	—	(458)	—	—	(459)
Common share forfeitures	(1,000)	—	—	(4)	—	—	(4)
Distributions	—	—	(1,651)	—	—	—	(1,651)
Balance at September 30, 2022	165,453,584	\$ 1,654	\$ (5,640,295)	\$ 4,554,358	\$ 2,534,688	\$ 1,513	\$ 1,451,918

The accompanying notes are an integral part of these condensed consolidated financial statements.

SERVICE PROPERTIES TRUST
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(dollars in thousands)

	For the Nine Months Ended September 30,	
	2023	2022
Cash flows from operating activities:		
Net income (loss)	\$ 10,544	\$ (100,972)
Adjustments to reconcile net income (loss) to cash used in operating activities:		
Depreciation and amortization	289,108	306,147
Net amortization of debt issuance costs, discounts and premiums as interest	18,644	15,529
Straight line rental income	(6,867)	5,530
Loss on early extinguishment of debt	282	791
Loss on asset impairment, net	9,517	9,720
Gains on equity securities, net	(48,837)	(2,737)
Equity in losses (earnings) of an investee	1,840	(4,277)
Gain on sale of real estate	(41,959)	(44,235)
Other non-cash income, net	(897)	(1,635)
Changes in assets and liabilities:		
Due from related persons	(873)	(19,949)
Other assets	11,743	4,990
Accounts payable and other liabilities	163,155	(13,096)
Due to related persons	(3,442)	(8,692)
Net cash provided by operating activities	401,958	147,114
Cash flows from investing activities:		
Acquisition of real estate properties	(165,843)	(2,765)
Proceeds from sale of TA common shares	101,892	—
Proceeds from sale of tradenames and trademarks	89,400	—
Real estate improvements	(118,785)	(68,790)
Hotel managers' purchases with restricted cash	(3,943)	(3,951)
Net proceeds from sale of real estate	148,245	517,956
Investment in Sonesta	—	(45,470)
Net cash provided by investing activities	50,966	396,980
Cash flows from financing activities:		
Proceeds from mortgage notes payable, net of discounts	576,946	—
Repayment of mortgage notes payable	(1,142)	—
Repayment of senior unsecured notes	(500,000)	(500,000)
Borrowings under revolving credit facility	—	20,000
Repayments of revolving credit facility	—	(925,000)
Deferred financing costs	(38,548)	(2,959)
Repurchase of common shares	(797)	(463)
Distributions to common shareholders	(99,275)	(4,953)
Net cash used in financing activities	(62,816)	(1,413,375)
Increase (decrease) in cash and cash equivalents and restricted cash	390,108	(869,281)
Cash and cash equivalents and restricted cash at beginning of period	45,420	947,418
Cash and cash equivalents and restricted cash at end of period	\$ 435,528	\$ 78,137
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:		
Cash and cash equivalents	\$ 418,162	\$ 67,246
Restricted cash ⁽¹⁾	17,366	10,891
Total cash and cash equivalents and restricted cash	\$ 435,528	\$ 78,137
⁽¹⁾ Restricted cash consists of amounts escrowed pursuant to the terms of our hotel management agreements to fund capital improvements at our hotels and amounts escrowed at certain of our mortgaged net lease properties.		
Supplemental cash flow information:		
Cash paid for interest	\$ 243,204	\$ 269,461
Cash paid for income taxes	\$ 1,463	\$ 1,647
Non-cash investing activities:		
Real estate improvements accrued, not paid	\$ 25,555	\$ 16,625

The accompanying notes are an integral part of these condensed consolidated financial statements.

SERVICE PROPERTIES TRUST
Notes to Condensed Consolidated Financial Statements
(dollars in thousands, except share data)
(Unaudited)

Note 1. Organization and Basis of Presentation

Service Properties Trust, or we, us or our, is a real estate investment trust, or REIT, organized on February 7, 1995 under the laws of the State of Maryland, which invests in hotels and service-focused retail net lease properties. At September 30, 2023, we owned, directly and through our subsidiaries, 221 hotels and 761 net lease properties.

Basis of Presentation

The accompanying condensed consolidated financial statements of us 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 condensed consolidated financial statements and notes contained in our Annual Report on Form 10-K for the year ended December 31, 2022, or our 2022 Annual Report. In the opinion of management, all adjustments, consisting of normal recurring accruals considered necessary for a fair statement of results for the interim period, have been included. These condensed consolidated financial statements include our accounts and the accounts of our subsidiaries, all of which are 100% owned directly or indirectly by us. All intercompany transactions and balances with or among our consolidated subsidiaries have been eliminated. Our operating results for interim periods and those of our managers and tenants 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 our condensed consolidated financial statements include the allowance for credit losses, purchase price allocations, useful lives of fixed assets, and impairment of real estate and related intangibles.

We have determined that each of our wholly owned taxable REIT subsidiaries, or TRSs, is a variable interest entity, or VIE, as defined under the Consolidation Topic of the Financial Accounting Standards Board, or FASB, *Accounting Standards Codification*[™]. We have concluded that we must consolidate each of our wholly owned TRSs because we are the entity with the power to direct the activities that most significantly impact such VIEs' performance and we have the obligation to absorb losses or the right to receive benefits from each VIE that could be significant to the VIE and are, therefore, the primary beneficiary of each VIE. The assets of our TRSs were \$163,889 and \$142,542 as of September 30, 2023 and December 31, 2022, respectively, and consist primarily of our TRSs' investment in Sonesta Holdco Corporation's, or Sonesta's, common stock and amounts due from and working capital advances to certain of our hotel managers. The liabilities of our TRSs were \$104,943 and \$82,454 as of September 30, 2023 and December 31, 2022, respectively, and consist primarily of amounts payable to certain of our hotel managers. The assets of our TRSs are available to satisfy our TRSs' obligations and we have guaranteed certain obligations of our TRSs.

Note 2. Revenue Recognition

We report hotel operating revenues for managed hotels in our condensed consolidated statements of comprehensive income (loss). We generally recognize hotel operating revenues, consisting primarily of room and food and beverage sales, when goods and services are provided.

We report rental income for leased properties in our condensed consolidated statements of comprehensive income (loss). We recognize rental income from operating leases on a straight line basis over the term of the lease agreements. We increased rental income by \$6,548 and reduced rental income by \$1,845 for the three months ended September 30, 2023 and 2022, respectively, and increased rental income by \$6,867 and reduced rental income by \$5,530 for the nine months ended September 30, 2023 and 2022, respectively, to record scheduled rent changes under certain of our leases on a straight line basis. Due from related persons included \$7,522 of straight line rent receivables related to our TravelCenters of America Inc., or TA, leases at December 31, 2022. TA was no longer a related person as of September 30, 2023. Other assets, net, includes \$48,986 and \$32,247 of straight line rent receivables at September 30, 2023 and December 31, 2022, respectively. See Notes 5 and 10 for further information regarding our TA leases.

SERVICE PROPERTIES TRUST
Notes to Condensed Consolidated Financial Statements
(dollars in thousands, except share data)
(Unaudited)

Certain of our lease agreements require additional percentage rent if gross revenues of our properties exceed certain thresholds defined in our lease agreements. We determine percentage rent due to us under our leases monthly, quarterly or annually, as applicable, depending on the specific lease terms, and recognize it when all contingencies are met and the rent is earned. We recorded percentage rent of \$591 and \$2,279 for the three months ended September 30, 2023 and 2022, respectively, and \$5,383 and \$3,421 for the nine months ended September 30, 2023 and 2022, respectively. We had no deferred estimated percentage rent for either the three or nine months ended September 30, 2023. We had deferred estimated percentage rent of \$830 and \$6,168 for the three and nine months ended September 30, 2022, respectively. See Note 5 for further information on this deferred estimated percentage rent.

Note 3. Weighted Average Common Shares

We calculate basic earnings per common share under the two class method. We calculate diluted earnings per share using the more dilutive of the two class method or the treasury stock method. Unvested share awards, and the related impact on earnings, are considered when calculating diluted earnings per share. For the three and nine months ended September 30, 2023 and 2022, there were no dilutive common shares and certain unvested common shares were not included in the calculation of diluted earnings per share because to do so would have been antidilutive.

Note 4. Real Estate Properties

At September 30, 2023, we owned 221 hotels with an aggregate of 37,777 rooms or suites and 761 service oriented retail properties with an aggregate of 13,430,345 square feet that are primarily subject to “triple net” leases, or net leases where the tenant is generally responsible for payment of operating expenses and capital expenditures of the property during the lease term. Our properties had an aggregate undepreciated carrying value of \$9,733,131, including \$14,328 related to properties classified as held for sale as of September 30, 2023.

We made capital expenditures at certain of our properties of \$129,742 during the nine months ended September 30, 2023.

Acquisitions

On June 1, 2023, we acquired a 250-room hotel located in Miami Beach, Florida for \$165,400, excluding closing costs of \$466. We allocated the purchase price for this acquisition based on the estimated fair value of the acquired assets as follows:

Acquisition Date	Location	Property Type	Purchase Price	Land	Building and Improvements	Furniture, Fixtures and Equipment
June 1, 2023	Miami Beach, FL	Hotel	\$ 165,866	\$ 83,200	\$ 77,987	\$ 4,679

Dispositions

During the nine months ended September 30, 2023, we sold 22 properties for an aggregate sales price of \$161,575, excluding closing costs, as presented in the table below. The sales of these properties do not represent significant dispositions, nor do they represent a strategic shift. As a result, the results of the operations of these properties are included in continuing operations through the date of sale in our condensed consolidated statements of comprehensive income (loss).

Quarter Sold	Property Type	Number of Properties	Rooms or Suites / Square Footage	Gross Sales Price	Gain / (Loss) on Sale
<i>Properties sold during the nine months ended September 30, 2023</i>					
Q1 2023	Hotels	18	2,526	\$ 157,230	\$ 41,898
Q2 2023	Net Lease	2	2,384	620	(62)
Q3 2023	Net Lease	2	39,133	3,725	123
		22	2,526 / 41,517	\$ 161,575	\$ 41,959

As of September 30, 2023, we had 18 net lease properties with 246,952 square feet and an aggregate carrying value of \$13,408 classified as held for sale.

From October 1, 2023 through November 3, 2023, we sold two net lease properties with an aggregate 9,537 square feet and carrying value of \$1,594 for an aggregate sales price of \$1,190.

SERVICE PROPERTIES TRUST
Notes to Condensed Consolidated Financial Statements
(dollars in thousands, except share data)
(Unaudited)

As of November 3, 2023, we have entered into agreements to sell six net lease properties with an aggregate 82,159 square feet for an aggregate sales price of \$6,093. These pending sales are subject to conditions; accordingly, we cannot be sure that we will complete these sales, that these sales will not be delayed or that the terms will not change. We continue to market 11 net lease properties with an aggregate 162,676 square feet for sale. We expect the sales of these net lease properties to be completed by the end of the first quarter of 2024.

See Notes 5 and 13 for further information on our property sales.

Note 5. Management Agreements and Leases

As of September 30, 2023, we owned 221 hotels which were included in four operating agreements and 761 service oriented retail properties net leased to 174 tenants. We do not operate any of our properties.

At September 30, 2023, all 221 of our hotels were operated by subsidiaries of the following companies: Sonesta (195 hotels), Hyatt Hotels Corporation, or Hyatt (17 hotels), Radisson Hospitality, Inc., or Radisson (eight hotels), and InterContinental Hotels Group, plc, or IHG (one hotel). At September 30, 2023, we owned 761 net lease properties with 174 tenants, including 176 travel centers leased to TA, our largest tenant. Hereinafter, these companies are sometimes referred to as our managers and/or tenants, or collectively, operators.

Hotel agreements

Sonesta agreement. As of September 30, 2023, Sonesta managed 40 of our full-service hotels, 111 of our extended stay hotels, and 44 of our select service hotels pursuant to management agreements for all of the hotels, or our Sonesta agreements. The hotels Sonesta managed for us comprised approximately 49.6% of our total historical real estate investments.

We acquired one hotel in June 2023, and we and Sonesta added this hotel to our Sonesta agreement. We sold 65 Sonesta branded hotels during the calendar year ended December 31, 2022, and we sold two Sonesta branded hotels during the nine months ended September 30, 2023. See Note 4 for further information regarding our 2023 acquisition and disposition activities.

Our Sonesta agreement provides that we are paid an annual owner's priority return if gross revenues of the hotels, after payment of hotel operating expenses and management and related fees (other than Sonesta's incentive fee, if applicable), are sufficient to do so. The Sonesta agreement further provides that we are paid an additional return equal to 80% of the operating profits, as defined therein, after paying the owner's priority return, reimbursing owner or manager advances, funding the reserve established for the regular refurbishment of our hotels, or FF&E reserves, and paying Sonesta's incentive fee, if applicable. We realized returns of \$67,868 and \$67,765 during the three months ended September 30, 2023 and 2022, respectively, and \$183,004 and \$148,217 during the nine months ended September 30, 2023 and 2022, respectively, under our Sonesta agreement.

Our Sonesta agreement requires us to fund capital expenditures that we approve at the hotels. We incurred capital expenditures for hotels included in our Sonesta agreement in an aggregate amount of \$97,745 and \$56,297 during the nine months ended September 30, 2023 and 2022, respectively, which resulted in increases in our contractual annual owner's priority returns of \$5,864 and \$3,378, respectively. Our annual priority return under our Sonesta agreement as of September 30, 2023 was \$349,521. We owed Sonesta \$7,710 and \$8,889 for capital expenditures and other reimbursements at September 30, 2023 and December 31, 2022, respectively. Sonesta owed us \$28,384 and \$2,975 in owner's priority returns and other amounts as of September 30, 2023 and December 31, 2022, respectively. Amounts due from Sonesta are included in due from related persons and amounts owed to Sonesta are included in due to related persons in our condensed consolidated balance sheets. Our agreement with Sonesta requires that 5% of the hotel gross revenues be escrowed for future capital expenditures as FF&E reserves, subject to available cash flows after payment of the owner's priority returns due to us. No FF&E escrow deposits were required during either of the three or nine months ended September 30, 2023 or 2022.

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Pursuant to our Sonesta agreement, we incurred management, reservation and system fees and reimbursement costs for certain guest loyalty, marketing programs and third-party reservation transmission fees of \$32,055 and \$31,136 for the three months ended September 30, 2023 and 2022, respectively, and \$90,312 and \$87,615 for the nine months ended September 30, 2023 and 2022, respectively. These fees and costs are included in hotel operating expenses in our condensed consolidated statements of comprehensive income (loss). In addition, we incurred procurement and construction supervision fees payable to Sonesta of \$459 and \$284 for the three months ended September 30, 2023 and 2022, respectively, and \$1,007 and \$840 for the nine months ended September 30, 2023 and 2022, respectively, which amounts have been capitalized in our condensed consolidated balance sheets and are depreciated over the estimated useful lives of the related capital assets.

We are required to maintain working capital for each of our hotels managed by Sonesta and have advanced a fixed amount based on the number of rooms in each hotel to meet the cash needs for hotel operations. As of September 30, 2023 and December 31, 2022, we had advanced \$48,490 and \$48,580, respectively, of initial working capital to Sonesta net of any working capital returned to us on termination of the applicable management agreements in connection with hotels we have sold. These amounts are included in other assets in our condensed consolidated balance sheets. Any remaining working capital would be returned to us upon termination in accordance with the terms of our Sonesta agreement.

See Notes 6 and 10 for further information regarding our relationship, agreements and transactions with Sonesta.

Hyatt agreement. As of September 30, 2023, Hyatt managed 17 of our select service hotels pursuant to a portfolio management agreement that expires on March 31, 2031, or our Hyatt agreement, and provides that, as of September 30, 2023, we are to be paid an annual owner's priority return of \$13,813. Any returns we receive from Hyatt are currently limited to the hotels' available cash flows, if any, after payment of operating expenses. Hyatt has provided us with a \$30,000 limited guarantee for 75% of the aggregate annual owner's priority returns due to us that will become effective upon substantial completion of planned renovations of the hotels which we currently expect to occur by the end of the first quarter of 2024. We realized returns of \$2,974 and \$3,116 during the three months ended September 30, 2023 and 2022, respectively, and \$9,685 and \$9,504 for the nine months ended September 30, 2023 and 2022, respectively, under our Hyatt agreement. During the nine months ended September 30, 2023 and 2022, we incurred capital expenditures for certain hotels included in our Hyatt agreement of \$17,652 and \$12,611, respectively, which resulted in an aggregate increase in our contractual annual owner's priority returns of \$1,059 and \$757, respectively.

Radisson agreement. As of September 30, 2023, Radisson managed eight of our full service hotels pursuant to a portfolio management agreement that expires on July 31, 2031, or our Radisson agreement, and provides that we are to be paid an annual owner's priority return of \$10,820. Radisson has provided us with a \$22,000 limited guarantee for 75% of the aggregate annual owner's priority returns due to us that became effective on January 1, 2023, subject to adjustment for planned renovations of certain of the hotels we currently expect to occur by the end of 2023. We realized returns of \$2,364 and \$2,873 during the three months ended September 30, 2023 and 2022, respectively, and \$5,728 and \$6,347 for the nine months ended September 30, 2023 and 2022, respectively, under our Radisson agreement. During the nine months ended September 30, 2023, the hotels under this agreement generated cash flows that exceeded the guaranteed owner's priority level due to us for the period. The available balance of the guaranty was \$22,000 as of September 30, 2023. During the nine months ended September 30, 2023 and 2022, we incurred capital expenditures of \$6,898 and \$2,433, respectively, for the hotels included in our Radisson agreement which resulted in an aggregate increase in our contractual owner's priority returns of \$414 and \$146, respectively.

Marriott agreement. As of September 30, 2023, we sold all 16 hotels previously managed by Marriott International, Inc., or Marriott. We realized net operating losses of \$2,762 during the nine months ended September 30, 2023 and realized returns of \$3,818 and \$7,411 during the three and nine months ended September 30, 2022, respectively, under our management agreement with Marriott. We did not incur capital expenditures for any of the hotels included in our management agreement with Marriott during the nine months ended September 30, 2023 or 2022.

IHG agreement. Our management agreement with IHG for one hotel expires on January 31, 2026. We realized returns of \$1,482 and \$1,273 during the three months ended September 30, 2023 and 2022, respectively, and \$3,762 and \$2,610 for the nine months ended September 30, 2023 and 2022, respectively, under our management agreement with IHG. Any returns we receive from IHG are limited to the hotel's available cash flows, if any, after payment of operating expenses.

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Net lease portfolio

As of September 30, 2023, we owned 761 service oriented retail net lease properties with 13,430,345 square feet with leases requiring annual minimum rents of \$374,445 with a weighted (by annual minimum rents) average remaining lease term of 9.1 years. Our net lease properties were 95.8% occupied and leased by 174 tenants operating under 135 brands in 21 distinct industries.

TA leases. TA is our largest tenant, representing 29.0% of our total historical real estate investments as of September 30, 2023. We lease to TA a total of 176 travel centers under five leases that expire in 2033, or our TA leases, subject to TA's right to extend those leases, and require annual minimum rents of \$254,000 as of September 30, 2023.

We recognized rental income from our TA leases of \$67,809 and \$64,011 for the three months ended September 30, 2023 and 2022, respectively, and \$195,210 and \$188,280 for the nine months ended September 30, 2023 and 2022, respectively. Rental income was increased by \$4,309 and reduced by \$3,240 for the three months ended September 30, 2023 and 2022, respectively, and reduced by \$3,623 and \$9,825 for the nine months ended September 30, 2023 and 2022, respectively, to record the scheduled rent changes on a straight line basis. TA was required to pay us previously deferred rent obligations in quarterly installments of \$4,404 through January 31, 2023. TA paid us the final quarterly installment owed to us in January 2023. As of September 30, 2023 and December 31, 2022, we had receivables for current rent amounts owed to us by TA and straight line rent adjustments of \$13,891 and \$30,764, respectively, included in other assets, net and due from related persons, respectively, in our condensed consolidated balance sheets.

Until May 15, 2023, our TA leases required TA to pay us percentage rent based upon increases in certain sales. We recognized percentage rent due under our TA leases as rental income when all contingencies were met. We recognized percentage rent of \$3,507 during the nine months ended September 30, 2023 and \$1,861 during the three and nine months ended September 30, 2022 under our TA leases. We had no deferred percentage rent for either the three or nine months ended September 30, 2023. We had aggregate deferred percentage rent of \$831 and \$6,168 during the three and nine months ended September 30, 2022, respectively, under our TA leases.

On May 15, 2023, BP Products North America Inc., or BP, acquired TA pursuant to a merger, or the TA Merger, for \$86.00 per share in cash. At the effective time of the TA Merger, we entered into amended and restated lease agreements, or the A&R Leases, for 176 of our travel center properties. Under the A&R Leases, the aggregate annual minimum rent due to our applicable subsidiaries is \$254,000, with annual 2% increases throughout the initial term of 10 years and any of the five 10-year extension options that may be exercised, and there is no percentage rent requirement. TA prepaid \$188,000 of rent under the A&R Leases at the effective time of the TA Merger and TA will receive monthly rent credits totaling \$25,000 per year over the 10-year initial term of the A&R Leases. In addition, we received \$89,400 for certain tradenames and trademarks associated with TA's business that we sold to TA in connection with the TA Merger, which amount equaled our net book value for those tradenames and trademarks. TA is required to maintain the leased travel centers, including structural and non-structural components. In addition, TA has a right of first offer with respect to certain potential sales of travel center properties included in the A&R Leases.

Pursuant to the amended and restated guaranty amendments entered into at the effective time of the TA Merger, or the A&R Guarantees, BP Corporation North America Inc. guaranteed payment under each of the A&R Leases. BP Corporation North America Inc.'s obligations under the A&R Guarantees are limited by an initial aggregate cap of approximately \$3,040,000. Following the TA Merger, TA ceased being a related party.

For more information regarding our relationship with TA, including the TA Merger and related transactions, see Notes 6 and 10.

Our other net lease agreements generally provide for minimum rent payments and in addition may include variable payments. Rental income from operating leases, including any payments derived by index or market-based indices, is recognized on a straight line basis over the lease term when we have determined that the collectability of substantially all of the lease payments is probable. Some of our leases have options to extend or terminate the lease exercisable at the option of our tenants, which are considered when determining the lease term. We recognized rental income from our net lease properties (excluding TA) of \$33,490 and \$33,787 for the three months ended September 30, 2023 and 2022, respectively, which included \$2,239 and \$1,395, respectively, of adjustments to record scheduled rent changes under certain of our leases on a straight line basis, and \$99,954 and \$102,669 for the nine months ended September 30, 2023 and 2022, respectively, which included \$3,244 and \$4,296, respectively, of adjustments to record scheduled rent changes under certain of our leases on a straight line basis.

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We continually review receivables related to rent, straight line rent and property operating expense reimbursements and determine collectability by taking into consideration the tenant's payment history, the financial condition of the tenant, business conditions in the industry in which the tenant operates and economic conditions in the area in which the property is located. The review includes an assessment of whether substantially all of the amounts due under a tenant's lease are probable of collection. For leases that are deemed probable of collection, revenue continues to be recorded on a straight line basis over the lease term. For leases that are deemed not probable of collection, revenue is recorded as cash is received. We recognize all changes in the collectability assessment for an operating lease as an adjustment to rental income. We reduced reserves for uncollectable amounts and increased rental income by \$1,041 for the three months ended September 30, 2023 and increased reserves and reduced rental income by \$4,312 for the nine months ended September 30, 2023, based on our assessment of the collectability of rents. We increased our reserves for uncollectable amounts and reduced rental income by \$352 for the three months ended September 30, 2022 and reduced our reserves and increased rental income by \$315 for the nine months ended September 30, 2022, based on our assessment of the collectability of rents. We had reserves for uncollectable rents of \$2,825 and \$7,697 as of September 30, 2023 and December 31, 2022, respectively, included in other assets in our condensed consolidated balance sheets.

Note 6. Other Investments

Equity method investment

As of both September 30, 2023 and December 31, 2022, we owned approximately 34% of Sonesta's outstanding common stock. We account for our 34% non-controlling interest in Sonesta under the equity method of accounting.

As of September 30, 2023 and December 31, 2022, our investment in Sonesta had a carrying value of \$110,533 and \$112,617, respectively. The cost basis of our investment in Sonesta exceeded our proportionate share of Sonesta's total stockholders' equity book value on the date of acquisition of our initial equity interest in Sonesta, February 27, 2020, by an aggregate of \$8,000. As required under GAAP, we are amortizing this difference to equity in earnings of an investee over 31 years, the weighted average remaining useful life of the real estate assets and intangible assets and liabilities owned by Sonesta as of the date of our acquisition. We recorded amortization of the basis difference of \$65 in each of the three months ended September 30, 2023 and 2022 and \$195 in each of the nine months ended September 30, 2023 and 2022. We recognized income of \$1,864 and \$2,866 related to our investment in Sonesta for the three months ended September 30, 2023 and 2022, respectively, and losses of \$1,840 and income of \$4,472 for the nine months ended September 30, 2023 and 2022, respectively. These amounts are included in equity in earnings (losses) of an investee in our condensed consolidated statements of comprehensive income (loss).

We recorded a liability for the fair value of our initial investment in Sonesta, as no cash consideration was exchanged related to the modification of our management agreement with, and investment in, Sonesta. This liability for our investment in Sonesta is included in accounts payable and other liabilities in our condensed consolidated balance sheet and is being amortized on a straight line basis through January 31, 2037, as a reduction to hotel operating expenses in our condensed consolidated statements of comprehensive income (loss). We reduced hotel operating expenses by \$621 for each of the three months ended September 30, 2023 and 2022, respectively, and \$1,863 for each of the nine months ended September 30, 2023 and 2022, respectively, for amortization of this liability. As of September 30, 2023 and December 31, 2022, the unamortized balance of this liability was \$33,100 and \$34,963, respectively.

In 2022, we funded an aggregate of \$45,470 of capital contributions to Sonesta related to Sonesta's acquisition of a portfolio of four hotels located in New York, New York. We continue to maintain our 34% ownership in Sonesta after giving effect to these fundings.

Investment in equity securities

The TA Merger occurred on May 15, 2023. We received \$86.00 in cash for each TA common share that we owned, or a total of \$101,892, as a result of the TA Merger. As of May 15, 2023 and December 31, 2022, we owned 1,184,797 shares of TA common stock, representing approximately 7.8% of TA's outstanding shares of common stock, and reported them at fair value based on quoted market prices (Level 1 inputs as defined in the fair value hierarchy under GAAP). Our TA shares had a carrying value of \$101,893 and \$53,055 as of May 15, 2023 and December 31, 2022, respectively. Our historical cost basis for these shares was \$24,418 as of both May 15, 2023 and December 31, 2022. We recorded gains of \$23,056 for the three months ended September 30, 2022, and gains of \$48,837 and \$2,737 for the nine months ended September 30, 2023 and 2022, respectively, to adjust the carrying value of our investment in shares of TA common stock to its fair value.

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See Notes 5 and 10 for further information regarding our relationships, agreements and transactions with TA.

Note 7. Indebtedness

Our principal debt obligations at September 30, 2023 were: (1) \$5,200,000 aggregate outstanding principal amount of senior unsecured notes; and (2) \$609,058 aggregate outstanding principal amount of net lease mortgage notes. We had no amounts outstanding under our revolving credit facility as of September 30, 2023.

On June 29, 2023, we entered into an amended and restated credit agreement, or our credit agreement, governing our \$650,000 secured revolving credit facility. This new facility replaced our prior \$800,000 secured revolving credit facility, which had a maturity date of July 15, 2023, and is available for general business purposes, including acquisitions. We can borrow, repay, and reborrow funds available under the new facility until maturity and no principal repayments are due until maturity. The maturity date of the new facility is June 29, 2027, and, subject to the payment of an extension fee and meeting certain other conditions, we have an option to further extend the stated maturity date of the new facility by two additional six-month periods.

Interest payable on drawings under the new facility is based on the secured overnight financing rate, or SOFR, plus a margin ranging from 1.50% to 3.00% based on our leverage ratio, as defined in our credit agreement, which was 2.50% as of September 30, 2023. Our obligations under the new facility are secured by 69 properties, including 66 hotels and three net lease properties, with an undepreciated book value of \$1,544,227 as of September 30, 2023. We also pay unused commitment fees of 20 to 30 basis points per annum on the total amount of lending commitments under our revolving credit facility based on amounts outstanding. As of September 30, 2023, the annual interest rate payable on borrowings under our revolving credit facility was 7.93%. We had no borrowings outstanding under either the new or prior facility for either the three or nine months ended September 30, 2023. The weighted average annual interest rate for borrowings under the prior facility was 4.37% and 3.36%, respectively, for the three and nine months ended September 30, 2022. As a result of the amendment and restatement, we recorded a loss on early extinguishment of debt of \$238 during the nine months ended September 30, 2023, which represented the write-off of certain unamortized issuance costs.

Our debt agreements provide for acceleration of payment of all amounts outstanding upon the occurrence and continuation of certain events of default, such as, in the case of our credit agreement, a change of control of us, which includes The RMR Group LLC, or RMR, ceasing to act as our business manager. Our debt agreements also contain covenants, including those that restrict our ability to incur debts or to make distributions under certain circumstances and generally require us to maintain certain financial ratios. We believe we were in compliance with the terms and conditions of our debt agreements as of September 30, 2023.

On February 10, 2023, our wholly owned, special purpose bankruptcy remote, indirect subsidiary, SVC ABS LLC, or the Issuer, issued \$610,200 in aggregate principal amount of net lease mortgage notes. Net proceeds from this issuance were \$550,564 after initial purchaser discounts and offering costs. The Issuer is a separate legal entity and is the sole owner of its assets and liabilities. The assets of the Issuer are not available to pay or otherwise satisfy obligations to the creditors of any owners or affiliates of the Issuer.

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The Class A notes and the Class B notes require monthly principal repayments at an annualized rate of 0.50% and 0.25% of the balance outstanding, respectively, and the Class C notes require interest payments only, with balloon payments due at maturity. The notes mature in February 2028 and may be redeemed without penalty 24 months prior to the scheduled maturity date beginning in February 2026. The notes are non-recourse and are secured by 308 net lease retail properties owned by the Issuer. The current leases relating to those properties require annual minimum rents of \$65,137 and had a gross book value of \$754,966 as of September 30, 2023.

Our net lease mortgage notes are summarized below:

Note Class	Principal Outstanding as of September 30, 2023	Coupon Rate	Term (in years)	Maturity
Class A	\$ 304,110	5.15%	5	February 2028
Class B	172,748	5.55%	5	February 2028
Class C	132,200	6.70%	5	February 2028
Total / weighted average	<u>\$ 609,058</u>	<u>5.60%</u>		

On March 8, 2023, we redeemed at par all of our outstanding 4.50% senior notes due in 2023 for a redemption price equal to the principal amount of \$500,000, plus accrued and unpaid interest. As a result of the redemption, we recorded a loss on early extinguishment of debt of \$44 in the nine months ended September 30, 2023, which represented the unamortized issuance costs related to these notes.

Note 8. Shareholders' Equity

Share Awards

On June 13, 2023, in accordance with our Trustee compensation arrangements, we awarded 7,000 of our common shares, valued at \$8.96 per share, the closing price of our common shares on The Nasdaq Stock Market LLC, or Nasdaq, on that day to each of our eight Trustees as part of their annual compensation.

On September 13, 2023, we awarded under our equity compensation plan an aggregate of 382,000 of our common shares, valued at \$7.72 per common share, the closing price of our common shares on Nasdaq on that day, to our officers and certain other officers and employees of RMR.

Share Purchases

During the nine months ended September 30, 2023, we purchased an aggregate of 97,926 of our common shares, valued at a weighted average share price of \$8.14 per share, from our officers and certain other current and former officers and employees of RMR in satisfaction of tax withholding and payment obligations in connection with the vesting of awards of our common shares.

Distributions

During the nine months ended September 30, 2023, we declared and paid regular quarterly distributions to common shareholders as follows:

Declaration Date	Record Date	Paid Date	Dividend Per Common Share	Total Distributions
January 12, 2023	January 23, 2023	February 16, 2023	\$ 0.20	\$ 33,090
April 13, 2023	April 24, 2023	May 18, 2023	0.20	33,089
July 13, 2023	July 24, 2023	August 17, 2023	0.20	33,096
			<u>\$ 0.60</u>	<u>\$ 99,275</u>

On October 12, 2023, we declared a regular quarterly distribution to common shareholders of record as of October 23, 2023 of \$0.20 per share, or approximately \$33,154. We expect to pay this amount on or about November 16, 2023.

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Note 9. Business and Property Management Agreements with RMR

We have no employees. The personnel and various services we require to operate our business are provided to us by RMR. We have two agreements with RMR to provide management services to us: (1) a business management agreement, which relates to our business generally, and (2) a property management agreement, which relates to our property level operations of our net lease portfolio, the office building component of one of our hotels and major renovation or repositioning activities at our hotels that we may request RMR to manage from time to time. Effective as of the completion of the TA Merger, we and RMR amended our property management agreement to include properties that we lease to TA.

We recognized net business management fees payable to RMR of \$8,287 and \$8,272 for the three months ended September 30, 2023 and 2022, respectively, and \$24,959 and \$27,455 for the nine months ended September 30, 2023 and 2022, respectively. Based on our common share total return, as defined in our business management agreement, as of each of September 30, 2023 and 2022, no incentive fees are included in the net business management fees we recognized for the three and nine months ended September 30, 2023 or 2022. The actual amount of annual incentive fees for 2023, if any, will be based on our common share total return, as defined in our business management agreement, for the three-year period ending December 31, 2023, and will be payable in January 2024. We did not incur an incentive fee payable to RMR for the year ended December 31, 2022. We include business management fee amounts in general and administrative expenses in our condensed consolidated statements of comprehensive income (loss).

We recognized property management and construction supervision fees payable to RMR of \$2,031 and \$1,628 for the three months ended September 30, 2023 and 2022, respectively, and \$5,289 and \$4,527 for the nine months ended September 30, 2023 and 2022, respectively. Of those amounts, for the three months ended September 30, 2023 and 2022, \$923 and \$975, respectively, of property management fees were expensed to other operating expenses in our condensed consolidated statements of comprehensive income (loss) and \$1,108 and \$653, respectively, of construction and supervision fees were capitalized for the three months ended September 30, 2023 and 2022. The amounts capitalized are included in building, improvements and equipment in our condensed consolidated balance sheets. For the nine months ended September 30, 2023 and 2022, \$2,805 and \$3,007, respectively, of property management fees were expensed to other operating expenses in our condensed consolidated statements of comprehensive income (loss) and \$2,484 and \$1,520, respectively, of construction and supervision fees were capitalized and included in building, improvements and equipment in our condensed consolidated balance sheets. The amounts capitalized are being depreciated over the estimated useful lives of the related capital assets.

We are generally responsible for all our operating expenses, including certain expenses incurred or arranged by RMR on our behalf. We are generally not responsible for payment of RMR's employment, office or administrative expenses incurred to provide management services to us, except for the employment and related expenses of RMR employees assigned to work exclusively or partly at our net lease properties, our share of the wages, benefits and other related costs of RMR's centralized accounting personnel, our share of RMR's costs for providing our internal audit function, and as otherwise agreed. We reimbursed RMR \$1,182 and \$892 for these expenses and costs for the three months ended September 30, 2023 and 2022, respectively, and \$3,301 and \$2,331 for the nine months ended September 30, 2023 and 2022, respectively. We included these amounts in other operating expenses and general and administrative expenses, as applicable, in our condensed consolidated statements of comprehensive income (loss).

Note 10. Related Person Transactions

We have relationships and historical and continuing transactions with TA, Sonesta, 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. As of the effective time of the TA Merger on May 15, 2023, TA is no longer a related person to us. RMR is a majority owned operating subsidiary of RMR Inc. The Chair of our Board of Trustees and one of our Managing 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., the chair of the board of directors, a managing director and the president and chief executive officer of RMR Inc. and an officer and employee of RMR. John G. Murray, our other Managing Trustee and our former President and Chief Executive Officer, also serves as an officer and employee of RMR, and each of our other officers serves as an officer of RMR. Some of our Independent Trustees also serve as independent trustees of other public companies to which RMR or its subsidiaries provide management services. Mr. Portnoy serves as chair of the boards and as a managing trustee of those companies. Other officers of RMR, including certain of our officers, serve as managing trustees or officers of certain of these companies.

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See Note 8 for information relating to the annual share awards we made in September 2023 to our officers and certain other officers and employees of RMR and common shares we purchased from our officers and certain other current and former officers and employees of RMR in satisfaction of tax withholding and payment obligations in connection with the vesting of awards of our common shares to them. We include amounts recognized as expense for share awards to RMR employees in general and administrative expenses in our condensed consolidated statements of comprehensive income (loss).

RMR provides management services to us and, until the TA Merger, provided services to TA, and Mr. Portnoy, until the TA Merger, also served as the chair of the board of directors and as a managing director of TA and, as of immediately prior to the TA Merger, beneficially owned 661,505 shares of TA common stock (including through RMR), representing approximately 4.4% of TA's outstanding shares of common stock.

See Notes 5 and 6 for further information regarding our relationships, agreements, and investments with TA.

Sonesta. Sonesta is a private company. Mr. Portnoy is the largest owner and controlling shareholder and a director of Sonesta. Mr. Murray is a director of Sonesta and is its president and chief executive officer, and he is an officer and employee of RMR. Sonesta's other director serves as RMR's and RMR Inc.'s executive vice president, general counsel and secretary, as a managing director of RMR Inc. and as our Secretary. RMR also provides services to Sonesta. As of September 30, 2023, we owned approximately 34% of Sonesta and Sonesta managed 195 of our hotels. See Notes 4, 5 and 6 for further information regarding our relationships, agreements and transactions with Sonesta.

Our Manager, RMR. We have two agreements with RMR to provide management services to us. See Note 9 for further information regarding our management agreements with RMR.

For further information about these and certain other such relationships and certain other related person transactions, refer to our 2022 Annual Report.

Note 11. Income Taxes

We have elected to be taxed as a REIT under the United States Internal Revenue Code of 1986, as amended, or the IRC, and, as such, are generally not subject to federal and most state income taxation on our operating income provided we distribute our taxable income to our shareholders and meet certain organization and operating requirements. We are subject to income tax in Canada, Puerto Rico and certain states despite our qualification for taxation as a REIT. Further, we lease our managed hotels to our wholly owned TRSs that, unlike most of our subsidiaries, file a separate consolidated tax return and are subject to federal, state and foreign income taxes. Our consolidated income tax provision includes the income tax provision related to the operations of our TRSs and certain state and foreign income taxes incurred by us despite our qualification for taxation as a REIT.

During the three months ended September 30, 2023, we recognized an income tax benefit of \$2,242, which includes \$1,773 of state tax benefit and \$469 of foreign tax benefit. During the three months ended September 30, 2022, we recognized income tax expense of \$390, which includes \$318 of state taxes and \$72 of foreign taxes.

During the nine months ended September 30, 2023, we recognized income tax benefit of \$775, which includes \$1,186 of state tax benefit and \$411 of foreign taxes. During the nine months ended September 30, 2022, we recognized income tax expense of \$1,558, which includes \$1,153 of state taxes and \$405 of foreign taxes.

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Note 12. Segment Information

We aggregate our hotels and net lease portfolio into two reportable segments, hotel investments and net lease investments, based on their similar operating and economic characteristics.

		For the Three Months Ended September 30, 2023			
		Hotels	Net Lease	Corporate	Consolidated
Revenues:					
Hotel operating revenues	\$	395,526	\$	—	\$ 395,526
Rental income		—	101,299	—	101,299
Total revenues		395,526	101,299	—	496,825
Expenses:					
Hotel operating expenses		317,752	—	—	317,752
Other operating expenses		—	4,802	—	4,802
Depreciation and amortization		54,402	40,096	—	94,498
General and administrative		—	—	10,849	10,849
Transaction related costs		115	—	—	115
Loss on asset impairment, net		—	512	—	512
Total expenses		372,269	45,410	10,849	428,528
Gain on sale of real estate, net		—	123	—	123
Interest income		54	55	5,517	5,626
Interest expense		—	(11,526)	(70,754)	(82,280)
Income (loss) before income taxes and equity in earnings of an investee		23,311	44,541	(76,086)	(8,234)
Income tax benefit		—	—	2,242	2,242
Equity in earnings of an investee		—	—	1,864	1,864
Net income (loss)	\$	23,311	\$ 44,541	\$ (71,980)	\$ (4,128)
		For the Nine Months Ended September 30, 2023			
		Hotels	Net Lease	Corporate	Consolidated
Revenues:					
Hotel operating revenues	\$	1,134,649	\$	—	\$ 1,134,649
Rental income		—	295,164	—	295,164
Total revenues		1,134,649	295,164	—	1,429,813
Expenses:					
Hotel operating expenses		926,418	—	—	926,418
Other operating expenses		—	13,079	—	13,079
Depreciation and amortization		161,236	127,872	—	289,108
General and administrative		—	—	34,180	34,180
Transaction related costs		588	415	930	1,933
Loss on asset impairment, net		—	9,517	—	9,517
Total expenses		1,088,242	150,883	35,110	1,274,235
Gain on sale of real estate, net		41,918	41	—	41,959
Gain on equity securities, net		—	—	48,837	48,837
Interest income		105	80	11,695	11,880
Interest expense		—	(29,283)	(217,080)	(246,363)
Loss on early extinguishment of debt		—	—	(282)	(282)
Income (loss) before income taxes and equity in earnings of an investee		88,430	115,119	(191,940)	11,609
Income tax benefit		—	—	775	775
Equity in losses of an investee		—	—	(1,840)	(1,840)
Net income (loss)	\$	88,430	\$ 115,119	\$ (193,005)	\$ 10,544
		As of September 30, 2023			
		Hotels	Net Lease	Corporate	Consolidated
Total assets	\$	3,916,470	\$ 3,122,823	\$ 565,018	\$ 7,604,311

SERVICE PROPERTIES TRUST
Notes to Condensed Consolidated Financial Statements
(dollars in thousands, except share data)
(Unaudited)

For the Three Months Ended September 30, 2022				
	Hotels	Net Lease	Corporate	Consolidated
Revenues:				
Hotel operating revenues	\$ 400,453	\$ —	\$ —	\$ 400,453
Rental income	—	97,798	—	97,798
Total revenues	400,453	97,798	—	498,251
Expenses:				
Hotel operating expenses	318,266	—	—	318,266
Other operating expenses	—	3,511	—	3,511
Depreciation and amortization	55,780	45,734	—	101,514
General and administrative	—	—	11,293	11,293
Loss on asset impairment, net	867	305	—	1,172
Total expenses	374,913	49,550	11,293	435,756
(Loss) gain on sale of real estate, net	(188)	24	—	(164)
Gain on equity securities, net	—	—	23,056	23,056
Interest income	6	28	1,408	1,442
Interest expense	—	—	(81,740)	(81,740)
Income (loss) before income taxes and equity in earnings of an investee	25,358	48,300	(68,569)	5,089
Income tax expense	—	—	(390)	(390)
Equity in earnings of an investee	—	—	2,801	2,801
Net income (loss)	\$ 25,358	\$ 48,300	\$ (66,158)	\$ 7,500
For the Nine Months Ended September 30, 2022				
	Hotels	Net Lease	Corporate	Consolidated
Revenues:				
Hotel operating revenues	\$ 1,116,843	\$ —	\$ —	\$ 1,116,843
Rental income	—	290,949	—	290,949
Total revenues	1,116,843	290,949	—	1,407,792
Expenses:				
Hotel operating expenses	933,803	—	—	933,803
Other operating expenses	—	9,162	—	9,162
Depreciation and amortization	167,821	138,326	—	306,147
General and administrative	—	—	35,743	35,743
Transaction related costs	—	—	1,920	1,920
Loss on asset impairment, net	9,483	237	—	9,720
Total expenses	1,111,107	147,725	37,663	1,296,495
Gain (loss) on sale of real estate, net	44,682	(447)	—	44,235
Gain on equity securities	—	—	2,737	2,737
Interest income	7	28	2,700	2,735
Interest expense	—	—	(263,904)	(263,904)
Loss on early extinguishment of debt	—	—	(791)	(791)
Income (loss) before income taxes and equity in earnings of an investee	50,425	142,805	(296,921)	(103,691)
Income tax expense	—	—	(1,558)	(1,558)
Equity in earnings of an investee	—	—	4,277	4,277
Net income (loss)	\$ 50,425	\$ 142,805	\$ (294,202)	\$ (100,972)
As of December 31, 2022				
	Hotels	Net Lease	Corporate	Consolidated
Total assets	\$ 3,882,701	\$ 3,376,295	\$ 229,195	\$ 7,488,191

SERVICE PROPERTIES TRUST
Notes to Condensed Consolidated Financial Statements
(dollars in thousands, except share data)
(Unaudited)

Note 13. Fair Value of Assets and Liabilities

The table below presents certain of our assets carried at fair value at September 30, 2023, categorized by the level of inputs, as defined in the fair value hierarchy under GAAP, used in the valuation of each asset.

Description	Total	Fair Value at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Non-recurring Fair Value Measurement Assets:				
Assets of properties held for sale ⁽¹⁾	\$ 13,252	\$ —	\$ 2,165	\$ 11,087

(1) We recorded a loss on asset impairment, net of \$9,517 during the nine months ended September 30, 2023, to reduce the carrying value of 16 properties in our condensed consolidated balance sheet to their estimated fair value less costs to sell based on purchase agreements with third parties (Level 2 inputs as defined in the fair value hierarchy under GAAP) or brokers' opinion of values (Level 3 inputs as defined in the fair value hierarchy under GAAP).

In addition to the assets included in the table above, our financial instruments include our cash and cash equivalents, restricted cash, rents receivable, revolving credit facility, net lease mortgage notes payable and senior notes. At September 30, 2023 and December 31, 2022, the fair values of these additional financial instruments approximated their carrying values in our condensed consolidated balance sheets due to their short-term nature or floating interest rates, except as follows:

	September 30, 2023		December 31, 2022	
	Carrying Value ⁽¹⁾	Fair Value	Carrying Value ⁽¹⁾	Fair Value
Senior Unsecured Notes, due 2023 at 4.50%	\$ —	\$ —	\$ 499,925	\$ 491,345
Senior Unsecured Notes, due 2024 at 4.65%	349,814	345,230	349,510	334,292
Senior Unsecured Notes, due 2024 at 4.35%	823,591	791,423	822,487	749,983
Senior Unsecured Notes, due 2025 at 4.50%	349,009	327,562	348,493	301,893
Senior Unsecured Notes, due 2025 at 7.50%	795,424	785,952	793,673	762,344
Senior Unsecured Notes, due 2026 at 5.25%	347,319	318,861	346,472	292,282
Senior Unsecured Notes, due 2026 at 4.75%	448,194	385,925	447,736	354,128
Senior Unsecured Notes, due 2027 at 4.95%	397,483	337,752	396,916	315,040
Senior Unsecured Notes, due 2027 at 5.50%	445,349	384,584	444,505	387,522
Net Lease Mortgage Notes, due 2028 at 5.60%	556,447	566,384	—	—
Senior Unsecured Notes, due 2028 at 3.95%	395,068	311,580	394,206	283,996
Senior Unsecured Notes, due 2029 at 4.95%	420,278	321,347	419,684	293,718
Senior Unsecured Notes, due 2030 at 4.375%	392,773	287,048	391,923	264,280
Total financial liabilities	\$ 5,720,749	\$ 5,163,648	\$ 5,655,530	\$ 4,830,823

(1) Carrying value includes unamortized discounts and premiums and issuance costs.

At September 30, 2023 and December 31, 2022, we estimated the fair values of our senior notes using an average of the bid and ask price of our then outstanding issuances of senior notes (Level 2 inputs). At September 30, 2023, we estimated the fair value of our net lease mortgage notes using discounted cash flow analyses and current prevailing market rates as of the measurement date (Level 3 inputs). As Level 3 inputs are unobservable, our estimated value may differ materially from the actual fair value.

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 notes thereto included in Part I, Item 1 of this Quarterly Report on Form 10-Q and with our 2022 Annual Report.

Overview (dollar amounts in thousands, except share amounts and per-room hotel data)

We are a REIT organized under the laws of the State of Maryland. As of September 30, 2023, we owned 982 properties in 46 states, the District of Columbia, Canada and Puerto Rico.

In response to inflationary pressures, the U.S. Federal Reserve has increased the federal funds rate multiple times since the beginning of 2022 and further increases may occur. These inflationary pressures and rising interest rates in the United States and globally have given rise to economic uncertainty and they have caused disruptions in the financial markets. Consumer confidence, corporate travel and lodging demand will continue to be affected by economic and market conditions, unemployment levels, work from home policies, use of technologies and broader economic trends. Increased labor costs and other price inflation may continue to negatively impact our hotel operations and the operations of our tenants. An economic recession or continued or intensified disruptions in the financial markets could adversely affect our financial condition, operations at our hotels, our tenants and their ability or willingness to renew our leases or pay rent to us, may restrict our ability to obtain new or replacement financing, would likely increase our cost of capital, and may cause the values of our properties and of our securities to decline.

Management Agreements and Leases. At September 30, 2023, we owned 221 hotels operated under four agreements. We leased all of these hotels to our wholly owned TRSs that are managed by hotel operating companies as of that date. At September 30, 2023, we owned 761 service oriented properties leased to 174 tenants subject to "triple net" leases, where the tenants are generally responsible for the payment of operating expenses and capital expenditures. Our condensed consolidated statements of comprehensive income (loss) include hotel operating revenues and hotel operating expenses of our managed hotels and rental income and other operating expenses from our net lease properties.

Hotel Portfolio. As of September 30, 2023, we owned 221 hotels. In the three and nine months ended September 30, 2023, the U.S. hotel industry generally realized increases in average daily rate, or ADR, revenue per available room, or RevPAR, and occupancy compared to the corresponding 2022 periods. The following table provides a summary for all of our hotels with these revenue metrics for the periods presented, which we believe are key indicators of performance at our hotels.

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2023	2022	Change	2023	2022	Change
All Hotels						
No. of hotels	221	242	(21)	221	242	(21)
No. of rooms or suites	37,777	40,563	(2,786)	37,777	40,563	(2,786)
Occupancy	67.2 %	65.8 %	1.4 pts	64.2 %	61.9 %	2.3 pts
ADR	\$ 140.77	\$ 140.05	0.5 %	\$ 142.05	\$ 134.19	5.9 %
RevPAR	\$ 94.60	\$ 92.15	2.7 %	\$ 91.20	\$ 83.06	9.8 %

Comparable Hotels Data. We present RevPAR, ADR and occupancy for the periods presented on a comparable basis to facilitate comparisons between periods. We generally define comparable hotels as those that were owned by us and were open and operating for the entire periods being compared. For the three and nine months ended September 30, 2023 and 2022, our comparable results exclude two hotels. One of the hotels was not owned for the entirety of the periods and the other suspended operations during part of the periods presented. The following table provides a summary of these revenue metrics for the periods presented.

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2023	2022	Change	2023	2022	Change
Comparable Hotels						
No. of hotels	219	219	—	219	219	—
No. of rooms or suites	37,429	37,429	—	37,429	37,429	—
Occupancy	67.3 %	66.4 %	0.9 pts	64.3 %	62.6 %	1.7 pts
ADR	\$ 140.47	\$ 141.23	(0.5) %	\$ 140.97	\$ 135.32	4.2 %
RevPAR	\$ 94.54	\$ 93.78	0.8 %	\$ 90.64	\$ 84.71	7.0 %

Net Lease Portfolio. As of September 30, 2023, we owned 761 service oriented retail properties with 13,430,345 square feet leased to 174 tenants subject to “triple net” leases (where the tenants are responsible for payments of operating expenses and capital expenditures) requiring annual minimum rent of \$374,445. Our net lease properties were 95.8% occupied as of September 30, 2023 with a weighted (by annual minimum rent) lease term of 9.1 years, operating under 135 brands in 21 distinct industries. TA is our largest tenant. On May 15, 2023, BP completed the TA Merger and we amended our TA leases. We received \$379,292 in cash as part of the transaction, including \$188,000 of prepaid rent, \$101,892 for outstanding TA common shares we owned and \$89,400 for certain tradenames and trademarks associated with TA’s businesses we owned. As of September 30, 2023, we leased 176 of our travel centers to TA under five leases that expire in 2033 and require annual minimum rents of \$254,000, and BP Corporation North America Inc. guarantees payment under these leases, subject to a cap. TA receives an annual credit of \$25,000 as a result of the prepaid rent.

Additional details of our hotel operating agreements and our net lease agreements are set forth in Notes 5 and 10 to our condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q and in the tables and notes thereto below.

Results of Operations (dollar amounts in thousands, except share amounts)

Three Months Ended September 30, 2023 compared to the Three Months Ended September 30, 2022

	For the Three Months Ended September 30,			
	2023	2022	Increase (Decrease)	% Increase (Decrease)
Revenues:				
Hotel operating revenues	\$ 395,526	\$ 400,453	\$ (4,927)	(1.2)%
Rental income	101,299	97,798	3,501	3.6 %
Total revenues	496,825	498,251	(1,426)	(0.3)%
Expenses:				
Hotel operating expenses	317,752	318,266	(514)	(0.2)%
Other operating expenses	4,802	3,511	1,291	36.8 %
Depreciation and amortization - hotels	54,402	55,780	(1,378)	(2.5)%
Depreciation and amortization - net lease properties	40,096	45,734	(5,638)	(12.3)%
Total depreciation and amortization	94,498	101,514	(7,016)	(6.9)%
General and administrative	10,849	11,293	(444)	(3.9)%
Transaction related costs	115	—	115	n/m
Loss on asset impairment, net	512	1,172	(660)	(56.3)%
Total expenses	428,528	435,756	(7,228)	(1.7)%
Other operating income:				
Gain (loss) on sale of real estate	123	(164)	287	n/m
Gain on equity securities, net	—	23,056	23,056	(100.0)%
Interest income	5,626	1,442	4,184	n/m
Interest expense	(82,280)	(81,740)	540	0.7 %
Income before income taxes and equity in losses of an investee	(8,234)	5,089	(13,323)	n/m
Income tax benefit (expense)	2,242	(390)	2,632	n/m
Equity in earnings of an investee	1,864	2,801	(937)	(33.5)%
Net (loss) income	\$ (4,128)	\$ 7,500	\$ (11,628)	n/m
Weighted average shares outstanding (basic and diluted)	165,027	164,745	282	0.2 %
Net (loss) income per common share (basic and diluted)	\$ (0.03)	\$ 0.05	\$ (0.08)	n/m

References to changes in the income and expense categories below relate to the comparison of consolidated results for the three months ended September 30, 2023, compared to the three months ended September 30, 2022.

Hotel operating revenues. The decrease in hotel operating revenues is primarily a result of our sale of certain hotels since July 1, 2022 (\$21,734), partially offset by higher ADR and RevPAR at certain of our hotels (\$16,807). Additional operating statistics of our hotels are included in the table on page 33.

Rental income. The increase in rental income is primarily a result of the amended TA leases in the 2023 period.

Hotel operating expenses. The decrease in hotel operating expenses is primarily a result of our sale of certain hotels since July 1, 2022 (\$19,473), partially offset by an increase in occupancy at certain managed hotels resulting in an increase in wages and benefits (\$9,718), and an increase in rooms, food and beverage, marketing and sales expenses, management fees and other operating expenses (\$9,241).

Other operating expenses. The increase in other operating expenses is primarily the result of higher operating expenses at certain net lease properties (\$1,300), partially offset by our sale of certain net lease properties since July 1, 2022 (\$9).

Depreciation and amortization - hotels. The decrease in depreciation and amortization - hotels is primarily a result of certain of our depreciable assets becoming fully depreciated (\$1,975) and our sale of certain hotels since July 1, 2022 (\$2,116), partially offset by depreciation and amortization related to capital expenditures made since July 1, 2022 (\$1,771) and our acquisition of a hotel in the 2023 period (\$942).

Depreciation and amortization - net lease properties. The decrease in depreciation and amortization - net lease properties is primarily a result of certain of our depreciable assets being fully depreciated (\$4,257), our sale of certain net lease properties since July 1, 2022 (\$187), and depreciation and amortization related to other capital expenditures (\$1,194).

General and administrative. The decrease in general and administrative costs is primarily due to a decrease in franchise and other taxes (\$415).

Transaction related costs. Transaction related costs for the three months ended September 30, 2023 primarily consisted of costs related to hotel rebranding activity.

Loss on asset impairment, net. We recorded a \$512 loss on asset impairment, net during the three months ended September 30, 2023 to reduce the carrying value of three net lease properties to their estimated fair value less costs to sell. We recorded a \$1,172 loss on asset impairment, net during the three months ended September 30, 2022 to reduce the carrying value of three hotels and one net lease property to their estimated fair value less costs to sell.

Gain (loss) on sale of real estate. We recorded a \$123 net gain on sale of real estate during the three months ended September 30, 2023 in connection with the sale of two net lease properties. We recorded a \$164 net loss on sale of real estate during the three months ended September 30, 2022 in connection with the sale of five hotels and six net lease properties.

Gain on equity securities, net. Gain on equity securities, net represents the adjustment to the carrying value of our former investment in shares of TA common stock to its fair value.

Interest income. The increase in interest income is due to higher interest rates during the 2023 period.

Interest expense. The increase in interest expense is primarily due to amounts incurred in relation to the net lease mortgage notes issued in the 2023 period.

Income tax benefit (expense). The change in income tax benefit (expense) is primarily a result of recording state and foreign tax benefits during the 2023 period compared to income tax expense in the 2022 period.

Equity in earnings of an investee. Equity in earnings of an investee represents our proportionate share of the earnings of Sonesta.

Net (loss) income. Our net (loss) income and net (loss) income per common share (basic and diluted) each changed in the 2023 period compared to the 2022 period primarily due to the revenue and expense changes discussed above.

Nine Months Ended September 30, 2023 compared to the Nine Months Ended September 30, 2022

	For the Nine Months Ended September 30,			
	2023	2022	Increase (Decrease)	% Increase (Decrease)
Revenues:				
Hotel operating revenues	\$ 1,134,649	\$ 1,116,843	\$ 17,806	1.6 %
Rental income	295,164	290,949	4,215	1.4 %
Total revenues	1,429,813	1,407,792	22,021	1.6 %
Expenses:				
Hotel operating expenses	926,418	933,803	(7,385)	(0.8)%
Other operating expenses	13,079	9,162	3,917	42.8 %
Depreciation and amortization - hotels	161,236	167,821	(6,585)	(3.9)%
Depreciation and amortization - net lease properties	127,872	138,326	(10,454)	(7.6)%
Total depreciation and amortization	289,108	306,147	(17,039)	(5.6)%
General and administrative	34,180	35,743	(1,563)	(4.4)%
Transaction related costs	1,933	1,920	13	0.7 %
Loss on asset impairment, net	9,517	9,720	(203)	(2.1)%
Total expenses	1,274,235	1,296,495	(22,260)	(1.7)%
Other operating income:				
Gain on sale of real estate	41,959	44,235	(2,276)	(5.1)%
Gain on equity securities, net	48,837	2,737	46,100	n/m
Interest income	11,880	2,735	9,145	n/m
Interest expense	(246,363)	(263,904)	(17,541)	(6.6)%
Loss on early extinguishment of debt	(282)	(791)	509	64.3 %
Income (loss) before income taxes and equity in losses of an investee	11,609	(103,691)	115,300	(111.2)%
Income tax benefit (expense)	775	(1,558)	2,333	149.7 %
Equity in (losses) earnings of an investee	(1,840)	4,277	(6,117)	n/m
Net income (loss)	\$ 10,544	\$ (100,972)	\$ 111,516	n/m
Weighted average shares outstanding (basic and diluted)	164,933	164,697	236	0.1 %
Net income (loss) per common share (basic and diluted)	\$ 0.06	\$ (0.61)	\$ 0.67	n/m

References to changes in the income and expense categories below relate to the comparison of consolidated results for the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022.

Hotel operating revenues. The increase in hotel operating revenues is primarily a result of higher occupancies and average rates at certain of our hotels in the 2023 period (\$115,084), partially offset by our sale of certain hotels since January 1, 2022 (\$97,278). Additional operating statistics of our hotels are included in the table on page 33.

Rental income. The increase in rental income is primarily a result of the amended TA leases in the 2023 period (\$6,930), partially offset by our sale of certain net lease properties since January 1, 2022 (\$3,919).

Hotel operating expenses. The decrease in hotel operating expenses is primarily a result of our sale of certain hotels since January 1, 2022 (\$93,369), partially offset by an increase in occupancy at certain managed hotels resulting in an increase in wages and benefits (\$53,388), an increase in rooms, food and beverage, marketing and sales expenses, management fees and other operating expenses (\$32,596).

Other operating expenses. The increase in other operating expenses is primarily the result of higher operating expenses at certain net lease properties (\$4,370), partially offset by our sale of certain net lease properties since January 1, 2022 (\$453).

Depreciation and amortization - hotels. The decrease in depreciation and amortization - hotels is primarily a result of certain of our depreciable assets becoming fully depreciated since January 1, 2022 (\$6,618) and our sale of certain hotels

(\$6,344), partially offset by depreciation and amortization related to capital expenditures made since January 1, 2022 (\$5,121) and our acquisition of a hotel in the 2023 period (\$1,256).

Depreciation and amortization - net lease properties. The decrease in depreciation and amortization - net lease properties is primarily a result of certain of our depreciable assets being fully depreciated since January 1, 2022 and our sale of certain net lease properties since January 1, 2022 (\$12,184), partially offset by depreciation and amortization related to other capital expenditures (\$1,730).

General and administrative. The decrease in general and administrative costs is primarily due to a decrease in business management fees (\$2,495), partially offset by increases in share award expenses (\$664) and other professional fees (\$268).

Transaction related costs. Transaction related costs for the nine months ended September 30, 2023 are primarily related to hotel rebranding activity, demolition of certain vacant properties and potential acquisitions. Transaction related costs for the nine months ended September 30, 2022 are primarily costs related to exploration of possible financing transactions.

Loss on asset impairment, net. We recorded a \$9,517 loss on asset impairment, net during the nine months ended September 30, 2023 to reduce the carrying value of 16 net lease properties to their estimated fair value less costs to sell. We recorded a \$9,720 loss on asset impairment during the nine months ended September 30, 2022 to reduce the carrying value of 25 hotels and four net lease properties to their estimated fair value less costs to sell.

Gain on sale of real estate. We recorded a \$41,959 net gain on sale of real estate in the 2023 period in connection with the sale of 18 hotels and four net lease properties. We recorded a \$44,235 net gain on sale of real estate in the 2022 period in connection with the sales of 61 hotels and 19 net lease properties.

Gain on equity securities, net. Gain on equity securities, net represents the adjustment to the carrying value of our former investment in shares of TA common stock to its fair value.

Interest income. The increase in interest income is primarily due to higher interest rates during the 2023 period.

Interest expense. The decrease in interest expense is due to lower outstanding debt balances, partially offset by higher weighted average interest rates in the 2022 period.

Loss on early extinguishment of debt. We recorded a \$282 loss on early extinguishment of debt in connection with our redemption of certain senior unsecured notes and the write off of certain deferred financing costs relating to the amendment of our revolving credit facility in the 2023 period. We recorded a \$791 loss on early extinguishment of debt in the 2022 period related to the write off of deferred financing costs and unamortized discounts relating to our amendment to our revolving credit facility and the repayment of \$500,000 of unsecured senior notes.

Income tax benefit (expense). The change in income tax benefit (expense) is primarily a result of recording a state income tax benefit in the 2023 period compared to income tax expense in the 2022 period.

Equity in (losses) earnings of an investee. Equity in (losses) earnings of an investee represents our proportionate share of the earnings (losses) of Sonesta.

Net income (loss). Our net income (loss) and net income (loss) per common share (basic and diluted) each changed in the 2023 period compared to the 2022 period primarily due to the revenue and expense changes discussed above.

Liquidity and Capital Resources (dollar amounts in thousands, except share amounts)

Our Managers and Tenants

As of September 30, 2023, all 221 of our hotels were managed by four hotel operating companies. Our 761 net lease properties were leased to 174 tenants as of September 30, 2023. The costs of operating and maintaining our properties are generally paid by the hotel managers as agents for us or by our tenants for their own account. Our hotel managers and tenants derive their funding for property operating expenses and for returns and rents due to us generally from property operating revenues and, to the extent that these parties themselves fund our owner's priority returns and rents, from their separate resources. As of September 30, 2023, our hotel managers included Sonesta (195 hotels), Hyatt (17 hotels), Radisson (eight hotels), and IHG (one hotel). TA is our largest tenant (176 travel centers).

We reduced reserves for uncollectable amounts and increased rental income by \$1,041 for the three months ended September 30, 2023 and increased reserves and reduced rental income by \$4,312 for the nine months ended September 30, 2023, based on our assessment of the collectability of rents. We increased our reserves for uncollectable amounts and reduced rental income by \$352 for the three months ended September 30, 2022 and reduced our reserves and increased rental income by \$315 for the nine months ended September 30, 2022, based on our assessment of the collectability of rents. We had reserves for uncollectable rents of \$2,825 and \$7,697 as of September 30, 2023 and December 31, 2022, respectively, included in other assets in our condensed consolidated balance sheets.

We define net lease coverage as 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. Tenants with no minimum rent required under the lease are excluded. EBITDAR amounts used to determine rent coverage are generally for the latest twelve-month period, based on the most recent operating information, 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. In instances where we do not have tenant financial information, we calculate an implied coverage ratio for the period based on other tenants with available financial statements operating the same brand or within the same industry. As a result, we believe using this implied coverage metric provides a more reasonable estimated representation of recent operating results and financial condition for those tenants. Our net lease properties generated coverage of 2.72x and 2.88x as of September 30, 2023 and 2022, respectively.

Our Operating Liquidity and Capital Resources

Our principal sources of funds to meet operating and capital expenses, debt service obligations and distributions to our shareholders are owner's priority returns from our hotels, rents from our net lease portfolio and borrowings under our revolving credit facility. We receive owner's priority returns and rents from our managers and tenants monthly. We may receive additional returns, percentage rents and our share of the operating profits of our managed hotels after payment of management fees and other deductions, if any, either monthly or quarterly, and these amounts are usually subject to annual reconciliations. We believe that these sources of funds will be sufficient to meet our operating expenses and capital expenditures, pay debt service obligations and make distributions to our shareholders for the next twelve months and for the foreseeable future thereafter. However, as a result of economic conditions, including if the U.S. enters an economic recession, or otherwise, our managers and tenants may become unable or unwilling to pay owner's priority returns and rents to us when due, and, as a result, our cash flows and net income would decline and we may need to reduce the amount of, or even eliminate, our distributions to common shareholders.

The following is a summary of our sources and uses of cash flows for the periods presented (dollars in thousands):

	Nine Months Ended September 30,	
	2023	2022
Cash and cash equivalents and restricted cash at the beginning of the period	\$ 45,420	\$ 947,418
Net cash provided by (used in):		
Operating activities	401,958	147,114
Investing activities	50,966	396,980
Financing activities	(62,816)	(1,413,375)
Cash and cash equivalents and restricted cash at the end of the period	\$ 435,528	\$ 78,137

The increase in cash provided by operating activities for the 2023 period compared to the prior year period is primarily due to \$188,000 of prepaid rent received from TA, higher returns earned from our hotel portfolio and lower interest expense in the 2023 period. The decrease in cash flows provided by investing activities in the 2023 period compared to the 2022 period is primarily due to lower proceeds from the sale of real estate, our hotel acquisition and increased real estate improvements during the 2023 period, partially offset by proceeds from the TA Merger. The decrease in cash flows used in financing activities in the 2023 period compared to the prior year is primarily due to higher debt repayments made in the 2022 period, partially offset by proceeds from our net lease mortgage notes issuance and increased distributions during the 2023 period.

We maintain our qualification for taxation as a REIT under the IRC by meeting certain requirements. We lease 221 hotels to our wholly owned TRSs that are managed by hotel operating companies. As a REIT, we do not expect to pay federal income taxes on the majority of our income; however, the income realized by our TRSs in excess of the rent they pay to us is subject to U.S. federal income tax at corporate income tax rates. In addition, the income we receive from our hotels in Canada and Puerto Rico is subject to taxes in those jurisdictions and we are subject to taxes in certain states where we have properties despite our qualification for taxation as a REIT.

Our Investment and Financing Liquidity and Capital Resources

Our hotel operating agreements generally provide that, if necessary, we may provide our managers with funding for capital improvements to our hotels in excess of amounts otherwise available in escrowed FF&E reserves or when no FF&E reserves are available. During the nine months ended September 30, 2023, we funded \$122,667 for capital improvements in excess of FF&E reserves available to our hotels. We currently expect to fund \$75,000 for capital improvements to certain hotels during the last three months of 2023 using cash on hand.

Various percentages of total sales at some of our hotels are escrowed as FF&E reserves to fund future capital improvements. We own all the FF&E escrows for our hotels. During the nine months ended September 30, 2023, certain of our hotel managers deposited \$5,487 to these accounts and spent \$3,941 from the FF&E reserve escrow accounts to renovate and refurbish our hotels. As of September 30, 2023, there was \$8,534 on deposit in these escrow accounts, which was held directly by us and is reflected in our condensed consolidated balance sheets as restricted cash.

Our net lease portfolio leases do not require FF&E escrow deposits and tenants under these leases are generally required to maintain the leased properties, including structural and non-structural components. We may provide tenant improvement allowances to tenants in certain cases or may develop sites with the intent to lease them. During the nine months ended September 30, 2023, we funded \$3,323 for capital improvements to our net lease properties. As of September 30, 2023, we had \$2,692 of unspent leasing-related obligations related to certain net lease tenants.

During the nine months ended September 30, 2023, we sold 18 hotels with 2,526 rooms for an aggregate sales price of \$157,230, excluding closing costs and four net lease properties with 41,517 square feet for an aggregate sales price of \$4,345, excluding closing costs. From October 1, 2023 through November 3, 2023, we sold two net lease properties with an aggregate 9,537 square feet and carrying value of \$1,594 for an aggregate sales price of \$1,190. As of November 3, 2023, we have entered into agreements to sell six net lease properties with an aggregate 82,159 square feet for an aggregate sales price of \$6,093. These pending sales are subject to conditions; accordingly, we cannot be sure that we will complete these sales, that these sales will not be delayed or that the terms will not change. We continue to market 11 net lease properties with an aggregate 162,676 square feet for sale. We expect to use the proceeds from the asset sales for general business purposes, which may include the repayment of debt.

BP completed its acquisition of TA on May 15, 2023. We received \$379,293 in cash as part of this transaction, including \$188,000 in prepaid rent from TA, \$101,892 in merger consideration for the outstanding TA common shares we owned, and \$89,400 for certain tradenames and trademarks associated with TA's business we owned.

During the nine months ended September 30, 2023, we purchased one hotel in Miami, FL with 250 rooms for a sales price of \$165,400, excluding closing costs using cash on hand.

During the nine months ended September 30, 2023, we declared and paid regular quarterly distributions to common shareholders using cash on hand as follows:

Declaration Date	Record Date	Paid Date	Dividend Per Common Share	Total Distributions
January 12, 2023	January 23, 2023	February 16, 2023	\$ 0.20	\$ 33,090
April 13, 2023	April 24, 2023	May 18, 2023	0.20	33,089
July 13, 2023	July 24, 2023	August 17, 2023	0.20	33,096
			\$ 0.60	\$ 99,275

On October 12, 2023, we declared a regular quarterly distribution to common shareholders of record as of October 23, 2023 of \$0.20 per share, or approximately \$33,096. We expect to pay this amount on or about November 16, 2023.

In order to meet cash needs that may result from our desire or need to make distributions or pay operating or capital expenses, we maintain a \$650,000 secured revolving credit facility which is governed by the amended and restated credit agreement we entered into on June 29, 2023. This new facility replaced our prior \$800,000 secured revolving credit facility, which had a maturity date of July 15, 2023, and is available for general business purposes, including acquisitions. We can borrow, repay, and reborrow funds available under the new facility until maturity and no principal repayments are due until maturity. The maturity date of the new facility is June 29, 2027, and, subject to the payment of an extension fee and meeting certain other conditions, we have an option to further extend the stated maturity date of the new facility by two additional six-month periods.

Interest payable on drawings under the new facility is based on SOFR plus a margin ranging from 1.50% to 3.00% based on our leverage ratio, as defined in our credit agreement, which was 2.50% as of September 30, 2023. Our obligations under the new facility are secured by 69 properties, including 66 hotels and three net lease properties, with an undepreciated book value of \$1,544,227 as of September 30, 2023. We also pay unused commitment fees of 20 to 30 basis points per annum on the total amount of lending commitments under our revolving credit facility based on amounts outstanding. As of September 30, 2023, the annual interest rate payable on borrowings under our revolving credit facility was 7.93%. We had no borrowings outstanding under either the new or prior facility for either the three or nine months ended September 30, 2023. The weighted average annual interest rate for borrowings under the prior facility was 4.37% and 3.36%, respectively, for the three and nine months ended September 30, 2022.

Our term debt maturities (other than our revolving credit facility) as of September 30, 2023 were as follows:

Type	Year	Maturity
Senior unsecured notes	2024	\$ 1,175,000
Senior unsecured notes	2025	1,150,000
Senior unsecured notes	2026	800,000
Senior unsecured notes	2027	850,000
Senior unsecured notes	2028	400,000
Net lease mortgage notes	2028	609,058
Senior unsecured notes	2029	425,000
Senior unsecured notes	2030	400,000
		<u>\$ 5,809,058</u>

None of our unsecured debt obligations require principal or sinking fund payments prior to their maturity dates. Our mortgage notes require monthly principal payments as described in Part I, Item 3 of this Quarterly Report on Form 10-Q.

On February 10, 2023, the Issuer issued \$610,200 in aggregate principal amount of net lease mortgage notes. The notes are non-recourse and secured by the assets of the Issuer, which includes 308 net lease properties with annual minimum rents of \$65,137 and a gross book carrying value of \$754,966 as of September 30, 2023. The net proceeds from this issuance were \$550,564 after initial purchaser discounts and offering costs. We simultaneously announced the early redemption of our outstanding 4.50% Senior Notes due in 2023 at a redemption price equal to the principal amount of \$500,000, plus accrued and unpaid interest to, but excluding the date of redemption. This redemption occurred March 8, 2023 using the proceeds from the net lease mortgage notes described.

The net lease mortgage notes are summarized as follows:

Note Class	S&P Rating	Principal Outstanding as of September 30, 2023	Coupon Rate	Term	Maturity
Class A	AAA	\$ 304,110	5.15%	5 years	February 2028
Class B	AA	172,748	5.55%	5 years	February 2028
Class C	A	132,200	6.70%	5 years	February 2028
Total / weighted average		<u>\$ 609,058</u>	<u>5.60%</u>		

We currently expect to use cash on hand, the cash flows from our operations, borrowings under our revolving credit facility, net proceeds from any asset sales and net proceeds of offerings of equity or the incurrence of debt to fund our operations, capital expenditures, investments, future debt maturities, distributions to our shareholders and other general business purposes.

When significant amounts are outstanding for an extended period of time under our revolving credit facility, or the maturities of our indebtedness approach, we currently expect to explore refinancing alternatives. Such alternatives may include incurring additional debt, issuing new equity securities and the sale of properties. We have an effective shelf registration statement that allows us to issue public securities on an expedited basis, but it does not assure that there will be buyers for such securities. We may also seek to participate in joint ventures or other arrangements that may provide us additional sources of financing. We may also assume mortgage debt on properties we may acquire or obtain mortgage financing on our existing properties.

While we believe we will generally have access to various types of financings, including debt or equity, to fund our future acquisitions and to pay our debts and other obligations, we cannot be sure that we will be able to complete any debt or equity offerings or other types of financings or that our cost of any future public or private financings will not increase.

Our ability to complete, and the costs associated with, future debt transactions depend primarily upon credit market conditions and our then perceived creditworthiness. We have no control over market conditions. Our credit ratings depend upon evaluations by credit rating agencies of our business practices and plans, including our ability to maintain our earnings, to stagger our debt maturities and to balance our use of debt and equity capital so that our financial performance and leverage ratios afford us flexibility to withstand any reasonably anticipated adverse changes. Similarly, our ability to raise equity capital in the future will depend primarily upon equity capital market conditions and our ability to conduct our business to maintain and grow our operating cash flows. We intend to conduct our business activities in a manner which will afford us reasonable access to capital for investment and financing activities. However, as discussed elsewhere in this Quarterly Report on Form 10-Q, the impacts of the current, and possibly future, inflationary conditions, increasing or sustained high interest rates and a possible economic recession are uncertain and may have various negative consequences on us and our operations, including a decline in financing availability and increased costs for financing. Further, such conditions could also disrupt the capital markets generally and limit our access to financing from public sources or on favorable terms, particularly if the global financial markets experience significant disruptions.

Debt Covenants

Our debt obligations at September 30, 2023 consisted of \$5,200,000 of publicly issued term debt and \$609,058 aggregate principal amounts of mortgage notes secured by 308 net lease properties. For further information regarding our indebtedness, see Note 7 to our condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Our publicly issued term debt is governed by our indentures and related supplements. These indentures and related supplements and our credit agreement contain covenants that generally restrict our ability to incur debts, including debts secured by mortgages on our properties, in excess of calculated amounts, and require us to maintain various financial ratios. Our credit agreement, net lease mortgage notes and our unsecured senior notes, indentures and their supplements provide for acceleration of payment of all amounts outstanding upon the occurrence and continuation of certain events of default, such as, in the case of our credit agreement, a change of control of us, which includes RMR ceasing to act as our business manager. As of September 30, 2023, we believe we were in compliance with all of the covenants under our indentures and their supplements, net lease mortgage notes and our credit agreement.

Senior Notes Indenture Covenants

The following table summarizes the results of the financial tests required by the indentures and related supplements for our senior unsecured notes as of September 30, 2023:

	Actual Results	Covenant Requirement
Total debt / adjusted total assets	53.2%	Maximum of 60%
Secured debt / adjusted total assets	5.6%	Maximum of 40%
Consolidated income available for debt service / debt service	2.02x	Minimum of 1.50x
Total unencumbered assets / unsecured debt	163.2%	Minimum 150%

As of September 30, 2023, adjusted total assets for covenant purposes as defined in our unsecured senior notes indentures were \$10,923,462 and assets encumbered under our revolving credit facility or serving as collateral for our net lease mortgage notes represented \$2,438,949 of adjusted total assets, as defined in our unsecured senior notes indentures. Our unencumbered hotels, travel centers, other net lease properties and other corporate assets represent \$4,528,912, \$2,484,633, \$924,907 and \$546,061 of adjusted total assets, respectively.

The following table presents the calculation of adjusted total assets to total assets in accordance with GAAP:

Total assets	\$	7,604,311
Plus: accumulated depreciation		3,129,087
Plus: impairment and other adjustments to reflect original cost of real estate assets		416,879
Less: accounts receivable and intangibles		(226,815)
Adjusted total assets	\$	10,923,462

Our ability to incur additional debt is subject to meeting the required covenant levels and subject to the provisions of our credit agreement and senior notes indentures.

Acceleration and Cross-Default

Our public debt indentures and their supplements contain cross default provisions to any other debt of \$20,000 or more (\$50,000 or more in the case of our indenture entered into in February 2016 and its supplements). Similarly, our credit agreement has cross default provisions to other indebtedness that is recourse of \$25,000 or more and indebtedness that is non-recourse of \$75,000 or more. Neither our indentures and their supplements nor our credit agreement contain provisions for acceleration which could be triggered by a change in our debt ratings.

Supplemental Guarantor Information

Our \$800,000 of 7.50% unsecured senior notes due 2025, or the 2025 Notes, and our \$450,000 of 5.50% unsecured senior notes due 2027, or the 2027 Notes, are fully and unconditionally guaranteed, on a joint and several basis and on a senior unsecured basis, by all of our subsidiaries, except for certain excluded subsidiaries, including our foreign subsidiaries and our subsidiaries pledged under our credit agreement. The notes and the guarantees will be effectively subordinated to all of our and the subsidiary guarantors' secured indebtedness, respectively, to the extent of the value of the collateral securing such secured indebtedness, and will be structurally subordinated to all indebtedness and other liabilities and any preferred equity of any of our subsidiaries that do not guarantee the notes. Our remaining \$3,950,000 of senior unsecured notes do not have the benefit of any guarantees.

A subsidiary guarantor's guarantee of the 2025 Notes and 2027 Notes and all other obligations of such subsidiary guarantor under the indentures governing the notes will automatically terminate and such subsidiary guarantor will automatically be released from all of its obligations under such subsidiary guarantee and such indenture under certain circumstances, including on or after the date on which (a) the notes have received a rating equal to or higher than Baa2 (or the equivalent) by Moody's Investor Services, or Moody's, or BBB (or the equivalent) by Standard & Poor's Ratings Services, or S&P, or if Moody's or S&P ceases to rate the notes for reasons outside of our control, the equivalent investment grade rating from any other rating agency and (b) no default or event of default has occurred and is continuing under the indenture. Our non-guarantor subsidiaries are separate and distinct legal entities and will have no obligation, contingent or otherwise, to pay any amounts due on these notes or the guarantees, or to make any funds available therefor, whether by dividend, distribution, loan or other payments. The rights of holders of these notes to benefit from any of the assets of our non-guarantor subsidiaries are subject to the prior satisfaction of claims of those subsidiaries' creditors and any preferred equity holders. As a result, these notes and the related guarantees will be structurally subordinated to all indebtedness, guarantees and other liabilities of our subsidiaries that do not guarantee these notes, including guarantees of or pledges under other indebtedness of ours, payment obligations under lease agreements, trade payables and preferred equity.

The following table presents summarized financial information for us and the subsidiary guarantors, on a combined basis after elimination of (i) intercompany transactions and balances among us and the subsidiary guarantors and (ii) equity in earnings from, and any investments in, any of our non-guarantor subsidiaries:

	As of September 30, 2023		As of December 31, 2022	
Real estate properties, net ⁽¹⁾	\$	4,882,719	\$	5,316,318
Intercompany balances ⁽²⁾		388,183		580,684
Other assets, net		771,009		723,092
Indebtedness, net	\$	5,164,302	\$	5,655,530
Other liabilities		535,402		366,936
			Nine Months Ended September 30, 2023	
Revenues			\$	997,930
Expenses				1,032,657
Net loss				(34,727)

(1) Real estate properties, net as of September 30, 2023 includes \$684,728 of properties owned directly by us and not included in the assets of the subsidiary guarantors.

(2) Intercompany balances represent receivables from non-guarantor subsidiaries.

Property and Operating Statistics (dollar amounts in thousands, except hotel statistics)

As of September 30, 2023, we owned and managed a diverse portfolio of hotels and net lease properties across the United States and in Puerto Rico and Canada with 144 distinct brands across 22 industries.

Hotel Portfolio

The following tables summarize the operating statistics, including ADR, occupancy and RevPAR reported to us by our hotel managers by hotel brand for the periods indicated. All operating data presented are based upon the operating results provided by our hotel managers for the indicated periods. We have not independently verified our managers' operating data.

<i>Comparable Hotels*</i>				Occupancy			ADR			RevPAR		
Brand	Service Level	No. of Hotels	No. of Rooms or Suites	Three Months Ended September 30,			Three Months Ended September 30,			Three Months Ended September 30,		
				2023	2022	Change	2023	2022	Change	2023	2022	Change
Sonesta Hotels & Resorts	Full Service	22	7,149	67.9 %	63.2 %	4.7 pts	\$ 153.34	\$ 154.00	(0.4)%	\$ 104.12	\$ 97.33	7.0 %
Royal Sonesta	Full Service	17	5,663	62.3 %	60.3 %	2.0 pts	230.44	241.75	(4.7)%	143.56	145.78	(1.5)%
Radisson Hotel	Full Service	5	1,149	64.1 %	65.8 %	(1.7) pts	148.18	138.88	6.7 %	94.98	91.38	3.9 %
Crowne Plaza	Full Service	1	495	62.5 %	59.0 %	3.5 pts	142.56	135.27	5.4 %	89.10	79.81	11.6 %
Country Inn and Suites	Full Service	3	430	76.4 %	74.1 %	2.3 pts	155.66	160.31	(2.9)%	118.92	118.79	0.1 %
Full Service Total/Average		48	14,886	65.5 %	62.4 %	3.1 pts	180.63	184.93	(2.3)%	118.31	115.40	2.5 %
Sonesta Select	Select Service	44	6,427	59.1 %	58.0 %	1.1 pts	121.79	124.46	(2.1)%	71.98	72.19	(0.3)%
Hyatt Place	Select Service	17	2,107	70.8 %	71.1 %	(0.3) pts	121.65	121.30	0.3 %	86.13	86.24	(0.1)%
Select Service Total/Average		61	8,534	62.0 %	61.2 %	0.8 pts	121.75	123.55	(1.5)%	75.49	75.61	(0.2)%
Sonesta ES Suites	Extended Stay	60	7,643	72.6 %	72.5 %	0.1 pts	129.21	130.19	(0.8)%	93.81	94.39	(0.6)%
Sonesta Simply Suites	Extended Stay	50	6,366	72.1 %	75.5 %	(3.4) pts	90.56	88.70	2.1 %	65.29	66.97	(2.5)%
Extended Stay Total/Average		110	14,009	72.4 %	73.8 %	(1.4) pts	111.73	111.07	0.6 %	80.89	81.97	(1.3)%
Comparable Hotels Total/Average		219	37,429	67.3 %	66.4 %	0.9 pts	\$ 140.47	\$ 141.23	(0.5)%	\$ 94.54	\$ 93.78	0.8 %

<i>Comparable Hotels*</i>				Occupancy			ADR			RevPAR		
Brand	Service Level	No. of Hotels	No. of Rooms or Suites	Nine Months Ended September 30,			Nine Months Ended September 30,			Nine Months Ended September 30,		
				2023	2022	Change	2023	2022	Change	2023	2022	Change
Sonesta Hotels & Resorts	Full Service	22	7,149	64.4 %	61.0 %	3.4 pts	\$ 154.07	\$ 152.54	1.0 %	\$ 99.22	\$ 93.05	6.6 %
Royal Sonesta	Full Service	17	5,663	57.7 %	52.5 %	5.2 pts	238.60	236.17	1.0 %	137.67	123.99	11.0 %
Radisson Hotel	Full Service	5	1,149	64.8 %	64.5 %	0.3 pts	148.68	134.84	10.3 %	96.34	86.97	10.8 %
Crowne Plaza	Full Service	1	495	63.5 %	54.6 %	8.9 pts	140.97	130.66	7.9 %	89.52	71.34	25.5 %
Country Inn and Suites	Full Service	3	430	69.0 %	65.5 %	3.5 pts	139.86	138.52	1.0 %	96.50	90.73	6.4 %
Full Service Total/Average		48	14,886	62.0 %	57.9 %	4.1 pts	182.90	178.95	2.2 %	113.40	103.61	9.4 %
Sonesta Select	Select Service	44	6,427	56.2 %	52.0 %	4.2 pts	119.71	118.60	0.9 %	67.28	61.67	9.1 %
Hyatt Place	Select Service	17	2,107	69.7 %	68.1 %	1.6 pts	124.17	118.99	4.4 %	86.55	81.03	6.8 %
Select Service Total/Average		61	8,534	59.5 %	56.0 %	3.5 pts	121.00	118.72	1.9 %	72.00	66.48	8.3 %
Sonesta ES Suites	Extended Stay	60	7,643	69.2 %	70.8 %	(1.6) pts	129.69	124.30	4.3 %	89.75	88.00	2.0 %
Sonesta Simply Suites	Extended Stay	50	6,366	70.1 %	72.7 %	(2.6) pts	90.65	84.96	6.7 %	63.55	61.77	2.9 %
Extended Stay Total/Average		110	14,009	69.6 %	71.7 %	(2.1) pts	111.91	106.32	5.3 %	77.89	76.23	2.2 %
Comparable Hotels Total/Average		219	37,429	64.3 %	62.6 %	1.7 pts	\$ 140.97	\$ 135.32	4.2 %	\$ 90.64	\$ 84.71	7.0 %

* We generally define comparable hotels as those that were owned by us and were open and operating for the entire periods being compared. For the three and nine months ended September 30, 2023 and 2022, our comparable results exclude two hotels from our comparable results. One of the hotels was not owned for the entirety of the periods and the other suspended operations during part of the periods presented.

<i>All Hotels*</i>				Occupancy			ADR			RevPAR		
Brand	Service Level	No. of Hotels	No. of Rooms or Suites	Three Months Ended September 30,			Three Months Ended September 30,			Three Months Ended September 30,		
				2023	2022	Change	2023	2022	Change	2023	2022	Change
Sonesta Hotels & Resorts	Full Service	23	7,399	67.8 %	63.4 %	4.4 pts	\$154.46	\$157.15	(1.7)%	\$ 104.72	\$ 99.63	5.1 %
Royal Sonesta	Full Service	17	5,663	62.3 %	60.3 %	2.0 pts	230.44	241.75	(4.7)%	143.56	145.78	(1.5)%
Radisson Hotel	Full Service	5	1,149	64.1 %	65.8 %	(1.7) pts	148.18	138.88	6.7 %	94.98	91.38	3.9 %
Crowne Plaza	Full Service	1	495	62.5 %	59.0 %	3.5 pts	142.56	135.27	5.4 %	89.10	79.81	11.6 %
Country Inn and Suites	Full Service	3	430	76.4 %	74.1 %	2.3 pts	155.66	160.31	(2.9)%	118.92	118.79	0.1 %
Full Service Total/Average		49	15,136	65.5 %	62.6 %	2.9 pts	180.76	185.91	(2.8)%	118.40	116.38	1.7 %
Sonesta Select	Select Service	44	6,427	59.1 %	58.0 %	1.1 pts	121.79	124.46	(2.1)%	71.98	72.19	(0.3)%
Hyatt Place	Select Service	17	2,107	70.8 %	71.1 %	(0.3) pts	121.65	121.30	0.3 %	86.13	86.24	(0.1)%
Select Service Total/Average		61	8,534	62.0 %	61.2 %	0.8 pts	121.75	123.55	(1.5)%	75.49	75.61	(0.2)%
Simply ES Suites	Extended Stay	60	7,643	72.6 %	72.5 %	0.1 pts	129.21	130.19	(0.8)%	93.81	94.39	(0.6)%
Sonesta Simply Suites	Extended Stay	51	6,464	71.4 %	74.7 %	(3.3) pts	90.56	88.70	2.1 %	64.66	66.26	(2.4)%
Extended Stay Total/Average		111	14,107	72.1 %	73.5 %	(1.4) pts	111.73	111.07	0.6 %	80.56	81.64	(1.3)%
All Hotels Total/Average		221	37,777	67.2 %	66.3 %	0.9 pts	\$140.77	\$141.90	(0.8)%	\$ 94.60	\$ 94.08	0.6 %

<i>All Hotels*</i>				Occupancy			ADR			RevPAR		
Brand	Service Level	No. of Hotels	No. of Rooms or Suites	Nine Months Ended September 30,			Nine Months Ended September 30,			Nine Months Ended September 30,		
				2023	2022	Change	2023	2022	Change	2023	2022	Change
Sonesta Hotels & Resorts	Full Service	23	7,399	64.4 %	61.0 %	3.4 pts	\$159.13	\$160.40	(0.8)%	\$ 102.48	\$ 97.84	4.7 %
Royal Sonesta	Full Service	17	5,663	57.7 %	52.5 %	5.2 pts	238.60	236.17	1.0 %	137.67	123.99	11.0 %
Radisson Hotel	Full Service	5	1,149	64.8 %	64.5 %	0.3 pts	148.68	134.84	10.3 %	96.34	86.97	10.8 %
Crowne Plaza	Full Service	1	495	63.5 %	54.6 %	8.9 pts	140.97	130.66	7.9 %	89.52	71.34	25.5 %
Country Inn and Suites	Full Service	3	430	69.0 %	65.5 %	3.5 pts	139.86	138.52	1.0 %	96.50	90.73	6.4 %
Full Service Total/Average		49	15,136	62.0 %	58.0 %	4.0 pts	184.96	182.46	1.4 %	114.68	105.83	8.4 %
Sonesta Select	Select Service	44	6,427	56.2 %	52.0 %	4.2 pts	119.71	118.60	0.9 %	67.28	61.67	9.1 %
Hyatt Place	Select Service	17	2,107	69.7 %	68.1 %	1.6 pts	124.17	118.99	4.4 %	86.55	81.03	6.8 %
Select Service Total/Average		61	8,534	59.5 %	56.0 %	3.5 pts	121.00	118.72	1.9 %	72.00	66.48	8.3 %
Simply ES Suites	Extended Stay	60	7,643	69.2 %	70.8 %	(1.6) pts	129.69	124.30	4.3 %	89.75	88.00	2.0 %
Sonesta Simply Suites	Extended Stay	51	6,464	69.4 %	71.9 %	(2.5) pts	90.65	84.96	6.7 %	62.91	61.09	3.0 %
Extended Stay Total/Average		111	14,107	69.3 %	71.3 %	(2.0) pts	111.91	106.32	5.3 %	77.55	75.81	2.3 %
All Hotels Total/Average		221	37,777	64.2 %	62.5 %	1.7 pts	\$142.05	\$136.91	3.8 %	\$ 91.20	\$ 85.57	6.6 %

* Results of all hotels owned as of September 30, 2023. Excludes the results of hotels sold during the periods presented and includes data for one hotel for periods prior to when we acquired it.

Net Lease Portfolio

As of September 30, 2023, our net lease properties were 95.8% occupied and we had 32 properties available for lease. During the nine months ended September 30, 2023, we entered into lease renewals for 5,592,790 rentable square feet (206 properties) at weighted (by rentable square feet) average rents that were 9.5% above the prior rents for the same space. The weighted (by rentable square feet) average lease term for these leases was 10.2 years. We also entered into new leases for 111,109 rentable square feet (three properties) for rent that was 32.1% above the prior rent for the same space. The weighted (by rentable square feet) average lease term for these leases was 10.3 years.

Generally, lease agreements with our net lease tenants require payment of minimum rent to us. Certain of these minimum rent payment amounts are secured by full or limited guarantees. Annualized minimum rent represents cash amounts and excludes adjustments, if any, necessary to record scheduled rent changes on a straight line basis or any expense reimbursement. Annualized minimum rent excludes the impact of rents prepaid by TA.

As of September 30, 2023, our net lease tenants operated across 135 brands. The following table identifies the top ten brands based on annualized minimum

	Brand	No. of Properties	Investment ⁽¹⁾	Percent of Total Investment	Annualized Minimum Rent	Percent of Total Annualized Minimum Rent	Coverage ⁽³⁾
1.	TravelCenters of America Inc.	132	\$ 2,258,977	44.5 %	\$ 173,403	46.3 %	2.26 x ⁽⁵⁾
2.	Petro Stopping Centers	44	1,015,156	20.0 %	80,597	21.5 %	2.26 x ⁽⁵⁾
3.	The Great Escape	14	98,242	1.9 %	7,711	2.1 %	6.20 x
4.	Life Time Fitness	3	92,617	1.8 %	5,770	1.5 %	2.35 x
5.	AMC Theatres	8	77,738	1.5 %	4,713	1.3 %	1.46 x
6.	Buehler's Fresh Foods	5	76,469	1.5 %	5,657	1.5 %	3.08 x
7.	Heartland Dental	59	61,120	1.2 %	4,699	1.3 %	4.24 x
8.	Norms	10	53,673	1.1 %	3,693	1.0 %	3.35 x
9.	Express Oil Change	23	49,724	1.0 %	3,717	1.0 %	4.32 x
10.	Pizza Hut	40	45,285	0.9 %	3,401	0.9 %	2.35 x
	Other ⁽⁴⁾	423	1,247,146	24.6 %	81,084	21.6 %	3.74 x
	Total	761	\$ 5,076,147	100.0 %	\$ 374,445	100.0 %	2.72 x

rent.

(1) Represents historical cost of our properties plus capital improvements funded by us less impairment write-downs, if any.

(2) See page 34 for our definition of annualized minimum rent.

(3) See page 27 for our definition of coverage.

(4) Consists of 125 distinct brands with an average investment of \$2,948 and average annual minimum rent of \$192 per property.

(5) Rent coverage information provided by tenant is for all 176 sites on a consolidated basis and is as of September 30, 2023.

As of September 30, 2023, our top ten net lease tenants based on annualized minimum rent are listed below.

	Tenant	Brand Affiliation	No. of Properties	Investment ⁽¹⁾	Percent of Total Investment	Annualized Minimum Rent ⁽²⁾	Percent of Total Annualized Minimum Rent	Coverage ⁽³⁾
1.	TravelCenters of America Inc.	TravelCenters of America / Petro Stopping Centers	176	\$ 3,274,133	64.5 %	\$ 254,000	67.8 %	2.26x ⁽⁴⁾
2.	Universal Pool Co., Inc.	The Great Escape	14	98,242	1.9 %	7,711	2.1 %	6.20x
3.	Healthy Way of Life II, LLC	Life Time Fitness	3	92,617	1.8 %	5,770	1.5 %	2.35x
4.	American Multi-Cinema, Inc.	AMC Theatres	8	77,738	1.5 %	4,713	1.3 %	1.46x
5.	Styx Acquisition, LLC	Buehler's Fresh Foods	5	76,469	1.5 %	5,657	1.5 %	3.08x
6.	Professional Resource Development, Inc.	Heartland Dental	59	61,120	1.2 %	4,699	1.3 %	4.24x
7.	Norms Restaurants, LLC	Norms	10	53,673	1.1 %	3,693	1.0 %	3.35x
8.	Express Oil Change, L.L.C.	Express Oil Change	23	49,724	1.0 %	3,717	1.0 %	4.32x
9.	Pilot Travel Centers LLC	Flying J Travel Plaza	3	41,681	0.8 %	3,247	0.9 %	6.40x
10.	Capitol Racquet Sports, Inc.	Courthouse Athletic Club	4	39,688	0.8 %	1,906	0.5 %	1.25x
	Subtotal, top 10		305	3,865,085	76.1 %	295,113	78.9 %	2.48x
11.	Other ⁽⁵⁾	Various	456	1,211,062	23.9 %	79,332	21.1 %	3.63x
	Total		761	\$ 5,076,147	100.0 %	\$ 374,445	100.0 %	2.72x

(1) Represents historical cost of our net lease properties plus capital improvements funded by us less impairment write-downs, if any.

(2) See page 34 for our definition of annualized minimum rent.

(3) See page 27 for our definition of coverage.

(4) TA is our largest tenant. We lease 176 travel centers (132 under the TravelCenters of America brand and 44 under the Petro Stopping Centers brand) to a subsidiary of TA under five master leases that expire in 2033. TA has five renewal options for 10 years each for all of the travel centers. BP Corporation North America Inc. guarantees payments under each of the five master leases, limited by an initial aggregate cap of approximately \$3,040,000. Annualized minimum rent excludes the impact of rents prepaid by TA. Rent coverage was 2.17x, 2.31x, 2.32x, 2.42x and 2.15x, for our TA leases no. 1, no. 2, no. 3, no. 4 and no. 5, respectively. Rent coverage is as of September 30, 2023.

(5) Consists of 164 tenants with an average investment of \$2,656 and an average annual minimum rent of \$174 per property.

As of September 30, 2023, our net lease tenants operated across 21 distinct industries within the service oriented retail sector of the U.S. economy.

Industry	No. of Properties	Investment ⁽¹⁾	Percent of Total Investment	Annualized Minimum Rent ⁽²⁾	Percent of Total Annualized Minimum Rent	Coverage ⁽³⁾
Travel Centers	179	\$ 3,315,814	65.3%	\$ 257,247	68.6 %	2.31 x ⁽⁴⁾
Restaurants - Quick Service	209	283,225	5.6%	19,284	5.1 %	2.85 x
Health and Fitness	13	186,362	3.7%	11,148	2.9 %	1.99 x
Restaurants - Casual Dining	51	184,262	3.6%	11,549	3.0 %	2.92 x
Movie Theaters	18	160,060	3.2%	8,941	2.4 %	1.72 x
Grocery Stores	19	129,152	2.5%	9,223	2.5 %	3.65 x
Home Goods and Leisure	20	121,066	2.4%	10,505	2.8 %	5.36 x
Automotive Equipment and Services	64	107,054	2.1%	7,737	2.1 %	4.41 x
Medical, Dental Office	70	103,849	2.0%	7,713	2.1 %	3.72 x
Automotive Dealers	8	62,651	1.2%	4,964	1.3 %	5.84 x
Entertainment	4	61,436	1.2%	4,329	1.2 %	3.35 x
Educational Services	8	54,759	1.1%	4,356	1.2 %	1.63 x
General Merchandise Stores	4	55,457	1.1%	3,929	1.0 %	2.53 x
Building Materials	29	33,464	0.7%	2,832	0.8 %	7.50 x
Car Washes	5	28,658	0.6%	2,214	0.6 %	3.07 x
Miscellaneous Manufacturing	5	24,148	0.5%	1,711	0.5 %	15.25 x
Drug Stores and Pharmacies	7	19,251	0.4%	1,245	0.3 %	0.55 x
Sporting Goods	3	17,742	0.3%	1,092	0.3 %	5.47 x
Legal Services	5	11,362	0.2%	1,054	0.3 %	5.49 x
Dollar Stores	3	2,971	0.1%	189	0.1 %	2.54 x
Other	5	27,244	0.5%	3,183	0.9 %	5.70 x
Vacant	32	86,160	1.7%	—	— %	— x
Total	761	\$ 5,076,147	100.0%	\$ 374,445	100.0%	2.72 x

(1) Represents historical cost of our net lease properties plus capital improvements funded by us less impairment write-downs, if any.

(2) See page 34 for our definition of annualized minimum rent.

(3) See page 27 for our definition of coverage.

(4) Rent coverage for TA is as of September 30, 2023.

As of September 30, 2023, lease expirations at our net lease properties by year are as follows:

Year ⁽¹⁾	Square Feet	Annualized Minimum Rent Expiring ⁽²⁾	Percent of Total Annualized Minimum Rent Expiring	Cumulative Percent of Total Annualized Minimum Rent Expiring
2023	113,612	\$ 397	0.1%	0.1%
2024	711,352	8,482	2.3%	2.4%
2025	436,038	8,975	2.4%	4.8%
2026	1,053,914	11,833	3.2%	8.0%
2027	939,989	12,504	3.3%	11.3%
2028	670,157	10,880	2.9%	14.2%
2029	256,618	5,630	1.5%	15.7%
2030	138,590	4,208	1.1%	16.8%
2031	372,186	4,731	1.3%	18.1%
2032	143,954	2,972	0.8%	18.9%
2033	5,349,669	259,674	69.4%	88.3%
2034	307,101	4,953	1.3%	89.6%
2035	1,089,282	18,713	5.0%	94.6%
2036	297,074	5,271	1.4%	96.0%
2037	296,403	2,145	0.6%	96.6%
2038	66,700	1,254	0.3%	96.9%
2039	134,901	3,219	0.9%	97.8%
2040	115,142	2,406	0.6%	98.4%
2041	216,040	2,225	0.6%	99.0%
2042	—	—	—%	99.0%
2043	57,543	155	—%	99.0%
2044	83,635	125	—%	99.0%
2045	63,490	3,693	1.0%	100.0%
Total	12,913,390	\$ 374,445	100%	

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

(2) See page 34 for our definition of annualized minimum rent.

As of September 30, 2023, shown below is the list of our top ten states where our net lease properties are located. No other state represents more than 3% of our net lease annual minimum rents.

State	Square Feet	Annualized Minimum Rent ⁽¹⁾	Percent of Total Annualized Minimum Rent
Texas	1,176,854	\$ 33,407	8.9%
Ohio	1,339,304	26,876	7.2%
Illinois	1,010,047	26,990	7.2%
California	399,045	25,260	6.7%
Georgia	590,245	20,377	5.4%
Florida	529,040	16,598	4.4%
Arizona	476,651	16,062	4.3%
Indiana	654,927	15,679	4.2%
Pennsylvania	544,003	15,437	4.1%
New Mexico	246,478	11,602	3.1%
Other	6,463,751	166,157	44.5%
Total	13,430,345	\$ 374,445	100.0%

(1) See page 34 for our definition of annualized minimum rent.

Related Person Transactions

We have relationships and historical and continuing transactions with RMR, RMR Inc., TA and Sonesta and others related to them. For further information about these and other such relationships and related person transactions, see Notes 5, 6, 9 and 10 to our Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q, our 2022 Annual Report, our definitive Proxy Statement for our 2023 Annual Meeting of Shareholders and our other filings with the Securities and Exchange Commission, or SEC. In addition, see the section captioned “Risk Factors” in our 2022 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 or its subsidiaries provide management services.

Critical Accounting Estimates

The preparation of our condensed consolidated 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 condensed consolidated financial statements include consolidation of VIEs, purchase price allocations, the determination of useful lives of fixed assets, classification of leases, and the assessment of the carrying values and impairment of real estate intangible assets and equity investments.

A discussion of our critical accounting estimates is included in our 2022 Annual Report. There have been no significant changes in our critical accounting estimates since the year ended December 31, 2022.

Non-GAAP Financial Measures

We present certain “non-GAAP financial measures” within the meaning of the applicable SEC rules, including funds from operations, or FFO, and normalized funds from operations, or Normalized FFO. These measures do not represent cash generated by operating activities in accordance with GAAP and should not be considered alternatives to net (loss) income as indicators of our operating performance or as measures of our liquidity. These measures should be considered in conjunction with net (loss) income as presented in our condensed consolidated statements of comprehensive income (loss). We consider these non-GAAP measures to be appropriate supplemental measures of operating performance for a REIT, along with net (loss) income. 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.

Funds From Operations and Normalized Funds From Operations

We calculate FFO and Normalized FFO as shown below. FFO is calculated on the basis defined by The National Association of Real Estate Investment Trusts, which is net (loss) income, 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 gains and losses on equity securities, as well as adjustments to reflect our share of FFO attributable to an investee and certain other adjustments currently not applicable to us. In calculating Normalized FFO, we adjust for the items shown below. 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 satisfy our REIT distribution requirements, 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.

Our calculations of FFO and Normalized FFO for the three and nine months ended September 30, 2023 and 2022 and reconciliations of net income, the most directly comparable financial measure under GAAP reported in our condensed consolidated financial statements, to those amounts appear in the following table (amounts in thousands, except per share amounts).

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
Net (loss) income	\$ (4,128)	\$ 7,500	\$ 10,544	\$ (100,972)
Add (less): Depreciation and amortization	94,498	101,514	289,108	306,147
Loss on asset impairment, net ⁽¹⁾	512	1,172	9,517	9,720
(Gain) loss on sale of real estate, net ⁽²⁾	(123)	164	(41,959)	(44,235)
Gain on equity securities, net ⁽³⁾	—	(23,056)	(48,837)	(2,737)
Adjustments to reflect our share of FFO attributable to an investee ⁽⁴⁾	972	1,103	3,003	2,674
FFO	91,731	88,397	221,376	170,597
Add (less): Transaction related costs ⁽⁵⁾	115	—	1,933	1,920
Loss on early extinguishment of debt ⁽⁶⁾	—	—	282	791
Adjustments to reflect our share of Normalized FFO attributable to an investee ⁽⁴⁾	263	61	791	899
Normalized FFO	\$ 92,109	\$ 88,458	\$ 224,382	\$ 174,207
Weighted average shares outstanding (basic and diluted) ⁽⁷⁾	165,027	164,745	164,933	164,697
Basic and diluted per common share amounts:				
Net (loss) income	\$ (0.03)	\$ 0.05	\$ 0.06	\$ (0.61)
FFO	\$ 0.56	\$ 0.54	\$ 1.34	\$ 1.04
Normalized FFO	\$ 0.56	\$ 0.54	\$ 1.36	\$ 1.06
Distributions declared per share	\$ 0.20	\$ 0.01	\$ 0.60	\$ 0.03

- (1) We recorded a net loss on asset impairment of \$512 to reduce the carrying value of three net lease properties to their estimated fair value less costs to sell during the three months ended September 30, 2023, a net loss on impairment of \$9,517 to reduce the carrying value of 16 net lease properties to their estimated fair value less costs to sell during the nine months ended September 30, 2023, a net loss on impairment of \$1,172 to reduce the carrying value of three hotels and one net lease property to their estimated fair value less costs to sell during the three months ended September 30, 2022, and a net loss on impairment of \$9,720 to reduce the carrying value of 28 hotels and five net lease properties to their estimated fair value less costs to sell during the nine months ended September 30, 2022.
- (2) We recorded a \$123 net gain on sale of real estate during the three months ended September 30, 2023 in connection with the sale of two net lease properties, a \$164 net loss on sale of real estate during the three months ended September 30, 2022 in connection with the sale of five hotels and six net lease properties, a \$41,959 net gain on sale of real estate during the nine months ended September 30, 2023 in connection with the sale of 18 hotels and four net lease properties and a \$44,235 net gain on sale of real estate during the nine months ended September 30, 2022 in connection with the sale of 61 hotels and 19 net lease properties.
- (3) Gain on equity securities, net represents the adjustment required to adjust the carrying value of our former investment in shares of TA common stock to its fair value.
- (4) Represents adjustments to reflect our proportionate share of FFO and normalized FFO related to our equity investment in Sonesta.
- (5) Transaction related costs for the three and nine months ended September 30, 2023 of \$115 and \$1,933, respectively, primarily consisted of costs related to hotel rebranding activity, demolition of certain vacant properties, and potential acquisitions. Transaction related costs for the nine months ended September 30, 2022 of \$1,920 primarily consisted of costs related to our exploration of possible financing transactions.

- (6) We recorded a \$282 loss on early extinguishment of debt during the nine months ended September 30, 2023 related to the write off of unamortized issuance costs relating to our amendment to our revolving credit agreement and the write off of deferred financing costs relating to our repayment of \$500,000 of unsecured senior notes due in March 2023. We recorded a \$791 loss on early extinguishment of debt during the three and nine months ended September 30, 2022 related to the write off of deferred financing costs and unamortized discounts relating to our amendment to our revolving credit facility and the repayment of \$500,000 of unsecured senior notes.
- (7) Represents weighted average common shares adjusted to reflect the potential dilution of unvested share awards, if any.

Item 3. Quantitative and Qualitative Disclosures About Market Risk (dollar amounts in thousands, except per share amounts)

We are exposed to risks associated with market changes in interest rates. We manage our exposure to this market risk by monitoring available financing alternatives. Our strategy to manage exposure to changes in interest rates has not materially changed since December 31, 2022. Other than as described below, we do not currently foresee any significant changes in our exposure to fluctuations in interest rates or in how we manage this exposure in the near future.

Fixed Rate Debt

At September 30, 2023, our outstanding publicly tradable debt consisted of 11 issues of unsecured fixed rate senior notes and secured fixed rate net lease mortgage notes:

Debt	Principal Balance	Annual Interest Rate	Annual Interest Expense	Maturity	Interest Payments Due
Unsecured Senior Notes	\$ 350,000	4.650 %	\$ 16,275	2024	Semi-Annually
Unsecured Senior Notes	825,000	4.350 %	35,888	2024	Semi-Annually
Unsecured Senior Notes	350,000	4.500 %	15,750	2025	Semi-Annually
Unsecured Senior Notes	800,000	7.500 %	60,000	2025	Semi-Annually
Unsecured Senior Notes	350,000	5.250 %	18,375	2026	Semi-Annually
Unsecured Senior Notes	450,000	4.750 %	21,375	2026	Semi-Annually
Unsecured Senior Notes	400,000	4.950 %	19,800	2027	Semi-Annually
Unsecured Senior Notes	450,000	5.500 %	24,750	2027	Semi-Annually
Unsecured Senior Notes	400,000	3.950 %	15,800	2028	Semi-Annually
Net Lease Mortgage Notes	609,058	5.600 %	34,627	2028	Monthly
Unsecured Senior Notes	425,000	4.950 %	21,038	2029	Semi-Annually
Unsecured Senior Notes	400,000	4.375 %	17,500	2030	Semi-Annually
	<u>\$ 5,809,058</u>		<u>\$ 301,178</u>		

No principal repayments are due under our unsecured senior notes until maturity. Our net lease mortgage notes require principal and interest payments through maturity pursuant to amortization schedules. Because these notes require interest at fixed rates, changes in market interest rates during the term of these debts will not affect our interest obligations. If these notes were refinanced at interest rates which are one percentage point higher than the rates shown above, our per annum interest cost would increase by approximately \$58,091. Changes in market interest rates would affect the fair value of our fixed rate debt obligations; increases in market interest rates decrease the fair value of our fixed rate debt while decreases in market interest rates increase the fair value of our fixed rate debt. The U.S. Federal Reserve has raised the federal funds rate multiple times since the beginning of 2022 and further increases may occur. Based on the balances outstanding at September 30, 2023 and discounted cash flows analyses through the respective maturity dates, and assuming no other changes in factors that may affect the fair value of our fixed rate debt obligations, a hypothetical immediate one percentage point change in interest rates would change the fair value of those debt obligations by approximately \$134,285.

Each of these fixed rate debt arrangements allows us to make repayments earlier than the stated maturity date. We are generally allowed to make prepayments only at a premium equal to a make whole amount, as defined, which is generally designed to preserve a stated yield to the noteholder. Also, we have in the past repurchased and retired some of our outstanding debts and we may do so again in the future. These prepayment rights and our ability to repurchase and retire outstanding debt may afford us opportunities to mitigate the risks of refinancing our debts at their maturities at higher rates by refinancing prior to maturity.

Floating Rate Debt

At September 30, 2023, we had no amounts outstanding under our revolving credit facility. The maturity date of our revolving credit facility is June 29, 2027, and, subject to our meeting certain conditions, including our payment of an extension fee, we have an option to extend the stated maturity date of the facility by two six-month periods. No principal repayments are required under our revolving credit facility prior to maturity and repayments may be made and redrawn subject to conditions at any time without penalty.

Borrowings under our revolving credit facility are in U.S. dollars and require interest to be paid at a rate of SOFR plus premiums. Accordingly, we are vulnerable to changes in U.S. dollar based short term interest rates, specifically SOFR. In addition, upon renewal or refinancing of our revolving credit facility, we are vulnerable to increases in interest rate premiums due to market conditions or our perceived credit characteristics. Generally, a change in interest rates would not affect the value of this floating rate debt but would affect our operating results.

The following table presents the impact a one percentage point increase in interest rates would have on our annual floating rate interest expense at September 30, 2023 if we were fully drawn on our revolving credit facility.

	Impact of Increase in Interest Rates			
	Interest Rate Per Year ⁽¹⁾	Outstanding Debt	Total Interest Expense Per Year	Annual Per Share Impact ⁽²⁾
At September 30, 2023	7.93 %	\$ 650,000	\$ 51,545	\$ 0.31
One percentage point increase	8.93 %	\$ 650,000	\$ 58,045	\$ 0.35

(1) Based on SOFR plus a premium, which was 250 basis points per annum, as of September 30, 2023.

(2) Based on diluted weighted average common shares outstanding for the nine months ended September 30, 2023.

The foregoing table shows the impact of an immediate change in floating interest rates as of September 30, 2023. If interest rates were to change gradually over time, the impact would be spread over time. Our exposure to fluctuations in floating interest rates will increase or decrease in the future with increases or decreases in the outstanding amounts under our revolving credit facility or other floating rate debt, if any. Although we have no present plans to do so, we may in the future enter into hedge arrangements from time to time to mitigate our exposure to changes in interest rates.

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 Chief Investment Officer 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 Chief Investment Officer 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 September 30, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Warning Concerning Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and other securities laws that are subject to risks and uncertainties. These statements may include words such as “believe”, “expect”, “anticipate”, “intend”, “plan”, “estimate”, “will”, “may” and negatives or derivatives of these or similar expressions. These forward-looking statements include, among others, statements about: economic and market conditions and their potential impacts on us, our hotel managers and our tenants; expectations regarding demand for corporate travel and lodging; the sufficiency of our liquidity; our liquidity needs, sources and expected uses; our capital expenditure plans and commitments; our property dispositions and expected use of proceeds; and the amount and timing of future distributions.

Forward-looking statements reflect our current expectations, are based on judgments and assumptions, are inherently uncertain and are subject to risks, uncertainties and other factors, which could cause our actual results, performance or achievements to differ materially from expected future results, performance or achievements expressed or implied in those forward-looking statements. Some of the risks, uncertainties and other factors that may cause our actual results, performance or achievements to differ materially from those expressed or implied by forward-looking statements include, but are not limited to, the following:

- Sonesta’s ability to successfully operate the hotels it manages for us,
- Our ability and the ability of our managers and tenants to operate under unfavorable market and economic conditions, rising or sustained high interest rates, high inflation, labor market challenges, disruption and volatility in the public equity and debt markets, global geopolitical hostilities and tensions and economic recessions or downturns,
- If and when business transient hotel business will return to historical pre-COVID-19 pandemic levels and whether any improved hotel industry conditions will continue, increase or be sustained,
- Whether and the extent to which our managers and tenants will pay the contractual amounts of returns, rents or other obligations due to us,
- Competition within the commercial real estate, hotel, transportation and travel center and other industries in which our managers and tenants operate, particularly in those markets in which our properties are located,
- Our ability to repay or refinance our debts as they mature or otherwise become due,
- Our ability to maintain sufficient liquidity, including the availability of borrowings under our revolving credit facility,
- Our ability to pay interest on and principal of our debt,
- Our ability to acquire properties that realize our targeted returns,
- Our ability to sell properties at prices we target,
- Our ability to raise or appropriately balance the use of debt or equity capital,
- Potential defaults under our management agreements and leases by our managers and tenants,
- Our ability to increase hotel room rates and rents at our net leased properties as our leases expire in excess of our operating expenses and to grow our business,

- Our ability to increase and maintain hotel room and net lease property occupancy at our properties,
- Our ability to pay distributions to our shareholders and to increase or sustain the amount of such distributions,
- The impact of increasing labor costs and shortages and commodity and other price inflation due to supply chain challenges or other market conditions,
- Our ability to make cost-effective improvements to our properties that enhance their appeal to hotel guests and net lease tenants,
- Our ability to engage and retain qualified managers and tenants for our hotels and net lease properties on satisfactory terms,
- Our ability to diversify our sources of rents and returns that improve the security of our cash flows,
- Our credit ratings,
- The ability of our manager, RMR, to successfully manage us,
- Actual and potential conflicts of interest with our related parties, including our Managing Trustees, Sonesta, RMR and others affiliated with them,
- Our ability to realize benefits from the scale, geographic diversity, strategic locations and variety of service levels of our hotels,
- 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,
- Compliance with, and changes to, federal, state and local laws and regulations, accounting rules, tax laws and similar matters,
- Acts of terrorism, outbreaks or continuation of pandemics or other significant adverse public health safety events or conditions, war or other hostilities, supply chain disruptions, climate change or other man-made or natural disasters beyond our control, and
- Other matters.

These risks, uncertainties and other factors are not exhaustive and should be read in conjunction with other cautionary statements that are included in our periodic filings. The information contained in our filings with the SEC, including under the caption “Risk Factors” in our periodic reports, or incorporated therein, identifies important factors that could cause differences from the forward-looking statements in this Quarterly Report on Form 10-Q. Our filings with the SEC are available on the SEC’s website and 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 Amended and Restated Declaration of Trust establishing Service Properties Trust dated August 21, 1995, as amended and supplemented, as filed with the State Department of Assessments and Taxation of Maryland, provides that no trustee, officer, shareholder, employee or agent of Service Properties Trust shall be held to any personal liability, jointly or severally, for any obligation of, or claim against, Service Properties Trust. All persons dealing with Service Properties Trust in any way shall look only to the assets of Service Properties 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 risk factors from those we previously disclosed in our 2022 Annual Report.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer purchases of equity securities. The following table provides information about our purchases of our equity securities during the quarter ended September 30, 2023:

Calendar Month	Number of Shares Purchased ⁽¹⁾	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
July 1, 2023 - July 31, 2023	1,610	\$ 9.03	\$ —	\$ —
September 1, 2023 - September 30, 2023	74,584	7.86	—	—
Total	76,194	\$ 7.88	\$ —	\$ —

- (1) These common share withholdings and purchases were made to satisfy tax withholding and payment obligations from our officers and certain other current and former officers and employees of RMR in connection with the vesting of awards of our common shares to them. We withheld and purchased these shares at their fair market values based upon the trading prices of our common shares at the close of trading on Nasdaq on the purchase dates.

Item 6. Exhibits

Exhibit Number	Description
3.1	Composite Copy of Amended and Restated Declaration of Trust, dated as of August 21, 1995, as amended to date. (Incorporated by reference to the Company's Post-Effective Amendment No. 2 to Registration Statement on Form S-3, filed on July 15, 2020, File No. 333-226944.)
3.2	Articles Supplementary to the Declaration of Trust of the Company, dated June 10, 2020. (Incorporated by reference to the Company's Current Report on Form 8-K filed on June 10, 2020.)
3.3	Second Amended and Restated Bylaws of the Company, adopted effective June 13, 2023. (Incorporated by reference to the Company's Current Report on Form 8-K filed on June 14, 2023.)
4.1	Form of Common Share Certificate. (Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 2019.)
4.2	Indenture, dated as of February 25, 1998, between the Company and U.S. Bank Trust Company, National Association (as successor in interest to U.S. Bank National Association, as successor trustee to State Street Bank and Trust Company). (Incorporated by reference to Exhibit 4.3 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997.)
4.3	Authentication Order, dated January 13, 2017, from the Company to U.S. Bank Trust Company, National Association (as successor in interest to U.S. Bank National Association), relating to the Company's 4.500% Senior Notes due 2023. (Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 2016.)
4.4	Supplemental Indenture No. 16, dated as of March 12, 2014, between the Company and U.S. Bank Trust Company, National Association (as successor in interest to U.S. Bank National Association), relating to the Company's 4.650% Senior Notes due 2024, including form thereof. (Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2014.)
4.5	Supplemental Indenture No. 17, dated as of September 12, 2014, between the Company and U.S. Bank Trust Company, National Association (as successor in interest to U.S. Bank National Association), relating to the Company's 4.50% Senior Notes due 2025, including form thereof. (Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014.)
4.6	Indenture, dated as of February 3, 2016, between the Company and U.S. Bank Trust Company, National Association (as successor in interest to U.S. Bank National Association). (Incorporated by reference to the Company's Current Report on Form 8-K filed on February 4, 2016.)
4.7	Second Supplemental Indenture, dated as of February 3, 2016, between the Company and U.S. Bank National Association, relating to the Company's 5.25% Senior Notes due 2026, including form thereof. (Incorporated by reference to the Company's Current Report on Form 8-K filed on February 4, 2016.)
4.8	Third Supplemental Indenture, dated as of January 13, 2017, between the Company and U.S. Bank Trust Company, National Association (as successor in interest to U.S. Bank National Association), relating to the Company's 4.950% Senior Notes due 2027, including form thereof. (Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 2016.)
4.9	Fourth Supplemental Indenture, dated as of October 26, 2017, between the Company and U.S. Bank Trust Company, National Association (as successor in interest to U.S. Bank National Association), relating to the Company's 3.950% Senior Notes due 2028, including form thereof. (Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2017.)
4.10	Fifth Supplemental Indenture, dated as of February 2, 2018, between the Company and U.S. Bank Trust Company, National Association (as successor in interest to U.S. Bank National Association), relating to the Company's 4.375% Senior Notes due 2030, including form thereof. (Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 2017.)
4.11	Sixth Supplemental Indenture, dated as of September 18, 2019, between the Company and U.S. Bank Trust Company, National Association (as successor in interest to U.S. Bank National Association), relating to the Company's 4.350% Senior Notes due 2024, including form thereof. (Incorporated by reference to the Company's Current Report on Form 8-K filed on September 18, 2019.)
4.12	Seventh Supplemental Indenture, dated as of September 18, 2019, between the Company and U.S. Bank Trust Company, National Association (as successor in interest to U.S. Bank National Association), relating to the Company's 4.750% Senior Notes due 2026, including form thereof. (Incorporated by reference to the Company's Current Report on Form 8-K filed on September 18, 2019.)
4.13	Eighth Supplemental Indenture, dated as of September 18, 2019, between the Company and U.S. Bank Trust Company, National Association (as successor in interest to U.S. Bank National Association), relating to the Company's 4.950% Senior Notes due 2029, including form thereof. (Incorporated by reference to the Company's Current Report on Form 8-K filed on September 18, 2019.)

Exhibit Number	Description
4.14	<u>Ninth Supplemental Indenture, dated as of June 17, 2020, among the Company, certain subsidiaries of the Company named therein as guarantors and U.S. Bank Trust Company, National Association (as successor in interest to U.S. Bank National Association), relating to the Company's 7.50% Senior Notes due 2025, including form thereof. (Incorporated by reference to the Company's Current Report on Form 8-K filed on June 18, 2020.)</u>
4.15	<u>Supplemental Indenture, dated as of July 15, 2020, among the Company, Highway Ventures Properties Trust, HPTWN Properties Trust, HPT Suite Properties Trust, SVCN 2 LLC and U.S. Bank Trust Company, National Association (as successor in interest to U.S. Bank National Association), relating to the Company's 7.50% Senior Notes due 2025. (Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2020.)</u>
4.16	<u>Supplemental Indenture, dated as of October 9, 2020, among the Company, Banner NewCo LLC, SVCN 3 LLC and U.S. Bank Trust Company, National Association (as successor in interest to U.S. Bank National Association), relating to the Company's 7.50% Senior Notes due 2025. (Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2020.)</u>
4.17	<u>Supplemental Indenture, dated as of November 13, 2020, among the Company, SVC Jersey City TRS LLC, SVC Morris Plains TRS LLC, SVC Nanuet TRS LLC, SVC NJ TRS LLC, SVC Randolph Street TRS LLC, SVC Redondo Beach TRS LLC and U.S. Bank Trust Company, National Association (as successor in interest to U.S. Bank National Association), relating to the Company's 7.50% Senior Notes due 2025. (Incorporated by reference to the Company's Current Report on Form 8-K filed on November 17, 2020.)</u>
4.18	<u>Supplemental Indenture, dated as of January 29, 2021, among the Company, SVC Gatehall Drive TRS LLC and U.S. Bank Trust Company, National Association (as successor in interest to U.S. Bank National Association), relating to the Company's 7.50% Senior Notes due 2025. (Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2021.)</u>
4.19	<u>Supplemental Indenture, dated as of July 8, 2021, among the Company, SVCN 1 LLC, SVCN 4 LLC and U.S. Bank Trust Company, National Association (as successor in interest to U.S. Bank National Association), relating to the Company's 7.50% Senior Notes due 2025. (Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2021.)</u>
4.20	<u>Supplemental Indenture, dated as of October 28, 2021, among the Company, SVC Minneapolis TRS LLC and U.S. Bank Trust Company, National Association (as successor in interest to U.S. Bank National Association), relating to the Company's 7.50% Senior Notes due 2025. (Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2021.)</u>
4.21	<u>Supplemental Indenture, dated as of July 27, 2023, among the Company, HPTWN Properties Trust, Highway Ventures Properties Trust, Highway Ventures Properties LLC, HPT TA Properties LLC and U.S. Bank Trust Company, National Association (as successor in interest to U.S. Bank National Association), relating to the Company's 7.50% Senior Notes due 2025. (Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2023.)</u>
4.22	<u>Tenth Supplemental Indenture, dated as of November 20, 2020, among the Company, certain subsidiaries of the Company named therein as guarantors and U.S. Bank Trust Company, National Association (as successor in interest to U.S. Bank National Association), relating to the Company's 5.50% Senior Notes due 2027, including form thereof. (Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 2020.)</u>
4.23	<u>Supplemental Indenture, dated as of January 29, 2021, among the Company, SVC Gatehall Drive TRS LLC and U.S. Bank Trust Company, National Association (as successor in interest to U.S. Bank National Association), relating to the Company's 5.50% Senior Notes due 2027. (Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2021.)</u>
4.24	<u>Supplemental Indenture, dated as of July 8, 2021, among the Company, SVCN 1 LLC, SVCN 4 LLC and U.S. Bank Trust Company, National Association (as successor in interest to U.S. Bank National Association), relating to the Company's 5.50% Senior Notes due 2027. (Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2021.)</u>
4.25	<u>Supplemental Indenture, dated as of October 28, 2021, among the Company, SVC Minneapolis TRS LLC and U.S. Bank Trust Company, National Association (as successor in interest to U.S. Bank National Association), relating to the Company's 5.50% Senior Notes due 2027. (Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2021.)</u>
4.26	<u>Supplemental Indenture, dated as of July 27, 2023, among the Company, HPTWN Properties Trust, Highway Ventures Properties Trust, Highway Ventures Properties LLC, HPT TA Properties LLC and U.S. Bank Trust Company, National Association (as successor in interest to U.S. Bank National Association), relating to the Company's 5.50% Senior Notes due 2027. (Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2023.)</u>
4.27	<u>Registration Rights and Lock-Up Agreement, dated as of June 5, 2015, among the Company, ABP Trust (f/k/a Reit Management & Research Trust) and Adam D. Portnoy. (Incorporated by reference to the Company's Current Report on Form 8-K filed on June 8, 2015.)</u>

Exhibit Number	Description
10.1	Form of Share Award Agreement. (Filed herewith.)
10.2	Release of Certain Guarantors, dated as of September 28, 2023, by U.S. Bank Trust Company, National Association (f/k/a U.S. Bank National Association) (Filed herewith.)
10.3	Release of Certain Guarantors, dated as of September 28, 2023, by U.S. Bank Trust Company, National Association (Filed herewith.)
22.1	List of Subsidiary Guarantors. (Filed herewith.)
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).

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.

SERVICE PROPERTIES TRUST

/s/ Todd W. Hargreaves

Todd W. Hargreaves
President and Chief Investment Officer
Dated: November 6, 2023

/s/ Brian E. Donley

Brian E. Donley
Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)
Dated: November 6, 2023

FORM OF
SERVICE PROPERTIES TRUST
Share Award Agreement

This Share Award Agreement (this “Agreement”) is made as of «DATE», 2023, between «NAME» (the “Recipient”) and Service Properties Trust (the “Company”).

In consideration of the mutual promises and covenants contained in this Agreement, and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Award of Shares. Subject to the terms and conditions hereinafter set forth and the terms and conditions of the Service Properties Trust Amended and Restated 2012 Equity Compensation Plan, as it may be amended from time to time (the “Plan”), the Company hereby awards to the Recipient, effective as of the date of this Agreement, «NUMBER» of its common shares of beneficial interest, par value \$.01 per share (the “Common Shares”). The shares so awarded are hereinafter referred to as the “Shares,” which term shall also include any shares of the Company issued to the Recipient by virtue of his or her ownership of the Shares, by share dividend, share split or combination, recapitalization or otherwise. Capitalized terms that are used but not defined herein shall have the meaning set forth in the Plan.

2. Vesting; Forfeiture of Shares.

(a) Subject to Sections 2(b) and 2(c) hereof, the Shares shall vest one-fifth of the total number of Shares as of the date hereof and as to a further one-fifth of such total number of Shares on each anniversary of the date hereof for the next four calendar years. Any Shares not vested as of any date are herein referred to as “Unvested Shares.”

(b) Subject to Section 2(c) hereof, at the option of the Company, in the event the Recipient ceases to render significant services, whether as an employee or otherwise, to (i) the Company, (ii) the entity which is the manager or shared services provider to the Company or an entity controlled by, under common control with or controlling such entity (collectively, the “Manager”), or (iii) an affiliate of the Company (which shall be deemed for such purpose to include any other entity to which the Manager is the manager or shared services provider), all or any portion of the Unvested Shares shall be forfeited by the Recipient on or after the date the Recipient ceases to render all such services, as determined by the Company. The Company may exercise such option by delivering or mailing to the Recipient (or his or her estate), at any time after the Recipient has ceased to render such services, a written notice of exercise of such option. Such notice shall specify the number of Unvested Shares to be forfeited.

(c) Notwithstanding anything in this Agreement to the contrary, immediately upon the occurrence of a Change in Control, Termination Event or the death of a Recipient, all of the Unvested Shares shall vest and any forfeiture or other rights of the Company described in Section 2(b) shall lapse in their entirety. By executing this Agreement, the Recipient hereby agrees and acknowledges that the provisions of the Plan related to the occurrence of a Change in Control shall apply to each award of Common Shares of the Company previously awarded to the Recipient which remains subject to comparable vesting restrictions (“Prior Awards”) and shall supersede the corresponding provisions of such Prior Awards.

3. Legends. Vested and Unvested Shares awarded under this Agreement may bear or contain, as applicable, such legends and notations as may be required by the Plan or the Company’s declaration of trust, any applicable supplement thereto or bylaws, each as in effect from time to time, or as the Company may otherwise determine appropriate.

Promptly following the request of the Recipient with respect to any Shares (or any other Common Shares previously awarded to the Recipient), the Company shall take, at its sole cost and expense, all such actions as may be required to permit the Recipient to sell such shares including, as applicable and without limitation, providing to the Company’s transfer agent certificates of officers of the Company, and opinions of counsel and/or filing an appropriate registration statement, and taking all such other actions as may be required to remove the legends set forth above with respect to transfer and vesting restrictions from the certificates evidencing such shares and, if applicable, from the share books and records of the Company. The Company shall reimburse the Recipient, promptly upon the receipt of a request for payment, for all expenses (including legal expenses) reasonably incurred by the Recipient in connection with the enforcement of the Recipient’s rights under this paragraph.

4. Tax Withholding. To the extent required by law, the Company or the Manager shall withhold or cause to be withheld income and other taxes incurred by the Recipient by reason of an award of Common Shares, and the Recipient agrees that he or she shall, upon the request of the Company or the Manager, pay to the Company or to the Manager an amount sufficient to satisfy his or her tax withholding obligations from time to time (including as Shares become vested).

5. Miscellaneous.

(a) Amendments. Neither this Agreement nor any provision hereof may be changed or modified except by an agreement in writing executed by the Recipient and the Company; provided, however, that any change or modification that does not adversely affect the rights hereunder of the Recipient, as they may exist immediately prior to the effective date of such change or modification, may be adopted by the Company without an agreement in writing executed by the Recipient, and the Company shall give the Recipient written notice of such change or modification reasonably promptly following the adoption of such change or modification.

(b) Binding Effect of the Agreement. This Agreement shall inure to the benefit of, and be binding upon, the Company, the Recipient and their respective estates, heirs, executors, transferees, successors, assigns and legal representatives.

(c) Provisions Separable. In the event that any of the terms of this Agreement shall be or become or is declared to be illegal or unenforceable by any court or other authority of competent jurisdiction, such terms shall be null and void and shall be deemed deleted from this Agreement, and all the remaining terms of this Agreement shall remain in full force and effect.

(d) Notices. Any notice in connection with this Agreement shall be deemed to have been properly delivered if it is in writing and is delivered by hand or by facsimile or sent by registered certified mail, postage prepaid, to the party addressed as follows, unless another address has been substituted by notice so given:

To the Recipient: To the Recipient's address as set forth on the signature page hereof.

To the Company: Service Properties Trust
Two Newton Place
255 Washington Street, Suite 300
Newton, MA 02458
Attn: Secretary

(e) Construction. The headings and subheadings of this Agreement have been inserted for convenience only, and shall not affect the construction of the provisions hereof. All references to sections of this Agreement shall be deemed to refer as well to all subsections which form a part of such section.

(f) Employment Agreement. This Agreement shall not be construed as an agreement by the Company, the Manager or any affiliate of the Company or the Manager to employ the Recipient, nor is the Company, the Manager or any affiliate of the Company or the Manager obligated to continue employing the Recipient by reason of this Agreement or the award of the Shares to the Recipient hereunder.

(g) Applicable Law. This Agreement shall be construed and enforced in accordance with the laws of the State of Maryland, without giving effect to the principles of conflicts of law of such state.

(h) Binding Arbitration. Any disputes regarding this Agreement, any award or vesting of Common Shares and/or any related matters shall be settled by binding arbitration in accordance with any Mutual Agreement to Resolve Disputes and Arbitrate Claims between the Recipient and the Manager. In the absence of such an agreement, any such claims or disputes shall be resolved through binding arbitration before one arbitrator conducted under the rules of JAMS in Boston, Massachusetts.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement, or caused this Agreement to be executed under seal, as of the date first above written.

SERVICE PROPERTIES TRUST

By: _____

Name:

Title:

RECIPIENT:

«NAME»

«ADDRESS»

«CITY», «ST» «ZIP»

RELEASE OF CERTAIN GUARANTORS

Reference is made to that certain Ninth Supplemental Indenture, dated as of June 17, 2020, as supplemented by that certain Supplemental Indenture, dated as of July 15, 2020, that certain Supplemental Indenture, dated as of October 9, 2020, that certain Supplemental Indenture, dated as of November 13, 2020, that certain Supplemental Indenture, dated as of January 29, 2021, that certain Supplemental Indenture, dated as of July 8, 2021, that certain Supplemental Indenture, dated as of October 28, 2021, and that certain Supplemental Indenture, dated as of July 27, 2023 (the "Ninth Supplemental Indenture"), among Service Properties Trust (formerly known as Hospitality Properties Trust), a Maryland real estate investment trust, U.S. Bank Trust Company, National Association (as successor in interest to U.S. Bank National Association), as Trustee (the "Trustee"), each of the Subsidiaries listed on Schedule 1 attached hereto (each, a "Released Guarantor") and certain other Subsidiaries of the Company, as Guarantors, to the Indenture, dated as of February 3, 2016 (the "Indenture"), between the Company and the Trustee, relating to the Company's 7.50% Senior Notes due 2025 (the "Notes"). The terms defined in the Ninth Supplemental Indenture are used herein as therein defined, unless otherwise defined herein.

Pursuant to Section 6 of the Ninth Supplemental Indenture, the undersigned, as Trustee, hereby confirms the release and discharge of each Released Guarantor from any and all obligations and liabilities under the Subsidiary Guarantee, and further hereby confirms the termination and release of each Released Guarantor of all other obligations under the Ninth Supplemental Indenture, the Indenture or the Notes, each as of June 29, 2023.

Dated as of September 28, 2023.

U.S. Bank Trust Company, National Association, as Trustee

By: /s/ David W. Doucette

Name: David W. Doucette

Title: Vice President

SCHEDULE 1

RELEASED GUARANTORS

1. Banner NewCo LLC, a Delaware limited liability company
2. HPT Suite Properties Trust, a Maryland real estate investment trust
3. HPTMI Properties Trust, a Maryland real estate investment trust
4. HPT Cambridge LLC, a Massachusetts limited liability company
5. Royal Sonesta, Inc., a Louisiana corporation
6. HPTMI Hawaii, Inc., a Delaware corporation

RELEASE OF CERTAIN GUARANTORS

Reference is made to that certain Tenth Supplemental Indenture, dated as of November 20, 2020, as supplemented by that certain Supplemental Indenture, dated as of January 29, 2021, that certain Supplemental Indenture, dated as of July 8, 2021, that certain Supplemental Indenture, dated as of October 28, 2021, and that certain Supplemental Indenture, dated as of July 27, 2023 (the “Tenth Supplemental Indenture”), among Service Properties Trust (formerly known as Hospitality Properties Trust), a Maryland real estate investment trust, U.S. Bank Trust Company, National Association (as successor in interest to U.S. Bank National Association), as Trustee (the “Trustee”), each of the Subsidiaries listed on Schedule 1 attached hereto (each, a “Released Guarantor”) and certain other Subsidiaries of the Company, as Guarantors, to the Indenture, dated as of February 3, 2016 (the “Indenture”), between the Company and the Trustee, relating to the Company’s 5.50% Senior Notes due 2027 (the “Notes”). The terms defined in the Tenth Supplemental Indenture are used herein as therein defined, unless otherwise defined herein.

Pursuant to Section 6 of the Tenth Supplemental Indenture, the undersigned, as Trustee, hereby confirms the release and discharge of each Released Guarantor from any and all obligations and liabilities under the Subsidiary Guarantee, and further hereby confirms the termination and release of each Released Guarantor of all other obligations under the Tenth Supplemental Indenture, the Indenture or the Notes, each as of June 29, 2023.

Dated as of September 28, 2023.

U.S. Bank Trust Company, National Association, as Trustee

By: /s/ David W. Doucette

Name: David W. Doucette

Title: Vice President

SCHEDULE 1

RELEASED GUARANTORS

1. Banner NewCo LLC, a Delaware limited liability company
2. HPT Suite Properties Trust, a Maryland real estate investment trust
3. HPTMI Properties Trust, a Maryland real estate investment trust
4. HPT Cambridge LLC, a Massachusetts limited liability company
5. Royal Sonesta, Inc., a Louisiana corporation
6. HPTMI Hawaii, Inc., a Delaware corporation

List of Subsidiary Guarantors

The following subsidiaries of Service Properties Trust, a Maryland real estate investment trust (the “Trust”), jointly and severally and fully and unconditionally, guaranteed the Trust’s 7.50% Senior Notes due 2025 and the Trust’s 5.50% Senior Notes due 2027:

<u>Exact Name of Subsidiary Guarantor</u>	<u>Jurisdiction</u>
Cambridge TRS, Inc.	Maryland
Harbor Court Associates, LLC	Maryland
Highway Ventures Borrower LLC	Delaware
Highway Ventures LLC	Delaware
Highway Ventures Properties LLC	Maryland
Highway Ventures Properties Trust	Maryland
HPT Clift TRS LLC	Maryland
HPT CW MA Realty LLC	Maryland
HPT CW MA Realty Trust	Massachusetts
HPT CY TRS, Inc.	Maryland
HPT Geary ABC Holdings LLC	Maryland
HPT Geary Properties Trust	Maryland
HPT IHG Chicago Property LLC	Maryland
HPT IHG GA Properties LLC	Maryland
HPT IHG-2 Properties Trust	Maryland
HPT IHG-3 Properties LLC	Maryland
HPT SN Holding, Inc.	New York
HPT State Street TRS LLC	Maryland
HPT TA Properties LLC	Maryland
HPT TA Properties Trust	Maryland
HPT TRS IHG-2, Inc.	Maryland
HPT TRS Inc.	Maryland
HPT TRS MRP, Inc.	Maryland
HPT TRS SPES II, Inc.	Maryland
HPT TRS WYN, Inc.	Maryland
HPT Wacker Drive TRS LLC	Maryland
HPTCY Properties Trust	Maryland
HPTWN Properties Trust	Maryland
SVC Gatehall Drive TRS LLC	Maryland
SVC Holdings LLC	Maryland
SVC Jersey City TRS LLC	Maryland
SVC Minneapolis TRS LLC	Maryland
SVC Morris Plains TRS LLC	Maryland
SVC Nanuet TRS LLC	Maryland
SVC NJ TRS LLC	Maryland

SVC Randolph Street TRS LLC
SVC Redondo Beach TRS LLC
SVCN 1 LLC
SVCN 2 LLC
SVCN 3 LLC
SVCN 4 LLC
SVCN 5 LLC

Maryland
Maryland
Delaware
Delaware
Delaware
Delaware
Delaware

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

I, Todd W. Hargreaves, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Service Properties 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: November 6, 2023

/s/ Todd W. Hargreaves

Todd W. Hargreaves

President and Chief Investment Officer

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

I, Brian E. Donley, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Service Properties 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: November 6, 2023

/s/ Brian E. Donley

Brian E. Donley

Chief Financial Officer and Treasurer

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 Service Properties 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: November 6, 2023

/s/ Adam D. Portnoy

Adam D. Portnoy

Managing Trustee

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

I, John G. Murray, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Service Properties 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: November 6, 2023

/s/ John G. Murray

John G. Murray

Managing Trustee

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

In connection with the filing by Service Properties Trust (the “Company”) of the Quarterly Report on Form 10-Q for the period ended September 30, 2023 (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

Adam D. Portnoy

Managing Trustee

/s/ John G. Murray

John G. Murray

Managing Trustee

/s/ Todd W. Hargreaves

Todd W. Hargreaves

President and Chief Investment Officer

/s/ Brian E. Donley

Brian E. Donley

Chief Financial Officer and Treasurer

Date: November 6, 2023