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Reconciliation of Non-GAAP Financial Measures (Unaudited)

Non-GAAP financial measures are measures of our historical financial performance that are different from measures calculated and presented in accordance with accounting principles generally accepted in the United States of America ("GAAP"). We report Funds from Operations ("FFO"), Adjusted FFO ("AFFO"), Earnings Before Interest, Taxes, Depreciation, and Amortization ("EBITDA"), EBITDA for real estate ("EBITDA*re*"), Adjusted EBITDA*re*, and Hotel EBITDA as non-GAAP measures that we believe are useful to investors as key measures of our operating results and which management uses to facilitate a periodic evaluation of our operating results relative to those of our peers. Our non-GAAP measures should not be considered as an alternative to U.S. GAAP net earnings as an indication of financial performance or to U.S. GAAP cash flows from operating activities as a measure of liquidity. Additionally, these measures are not indicative of funds available to fund cash needs or our ability to make cash distributions as they have not been adjusted to consider cash requirements for capital expenditures, property acquisitions, debt service obligations, or other commitments.

FFO and AFFO

The following table reconciles net earnings to FFO and AFFO for the three months ended March 31, 2019 and 2018 (in thousands). All amounts presented include our portion of the results of our unconsolidated Atlanta JV.

	Three months ended March 31,	
Reconciliation of Net earnings to FFO and AFFO	**2019**	**2018**
Net earnings	$ 15	$ 792
Depreciation and amortization expense	2,362	2,259
Depreciation and amortization expense from JV	297	285
Net (gain) loss on disposition of assets	(39)	24
Net loss on disposition of assets from JV	-	7
Impairment recovery, net	-	(93)
FFO	2,635	3,274
Dividends declared on preferred stock	(145)	(144)
FFO attributable to common shares and common units	2,490	3,130
Net loss (gain) on derivatives and convertible debt	237	(447)
Net loss on derivatives from JV	1	-
Acquisition and terminated transactions expense	7	19
Stock-based compensation expense	336	402
Amortization of deferred financing fees	373	353
Amortization of deferred financing fees from JV	45	45
AFFO attributable to common shares and common units	$ 3,489	$ 3,502
FFO attributable to common shares and common units - Basic Shares	$ 2,490	$ 3,130
Convertible note interest and fair value adjustments	78	-
Preferred dividends and fair value adjustments	-	111
FFO attributable to common shares and common units - Diluted Shares	$ 2,568	$ 3,241
FFO per common share and common unit - Basic	$ 0.21	$ 0.26
FFO per common share and common unit - Diluted	$ 0.20	$ 0.26
Weighted average common shares and common units - Basic FFO	11,879,444	11,835,279
Weighted average common shares and common units - Diluted FFO	12,584,456	12,536,203
AFFO attributable to common shares and common units - Basic Shares	$ 3,489	$ 3,502
Convertible note interest	16	16
Preferred dividends at stated rates	144	144

AFFO attributable to common shares and common units - Diluted Shares	$ 3,649	$ 3,662
AFFO per common share and common unit - Basic	$ 0.29	$ 0.30
AFFO per common share and common unit - Diluted	$ 0.29	$ 0.29
Weighted average common shares and common units - Basic AFFO	11,879,444	11,835,279
Weighted average common shares and common units - Diluted AFFO	12,681,725	12,633,472

We calculate FFO in accordance with the standards established by the National Association of Real Estate Investment Trusts (“NAREIT”), which defines FFO as net earnings or loss computed in accordance with GAAP, excluding gains or losses from sales of real estate assets, impairment, and the depreciation and amortization of real estate assets. FFO is calculated both for the Company in total and as FFO attributable to common shares and common units, which is FFO reduced by preferred stock dividends. AFFO is FFO attributable to common shares and common units adjusted to exclude items we do not believe are representative of the results from our core operations, including non-cash gains or losses on derivatives and convertible debt, stock-based compensation expense, amortization of certain fees, losses on debt extinguishment, and in-kind dividends above stated rates, and cash charges for acquisition and equity transaction costs. All REITs do not calculate FFO and AFFO in the same manner; therefore, our calculation may not be the same as the calculation of FFO and AFFO for similar REITs.

We consider FFO to be a useful additional measure of performance for an equity REIT because it facilitates an understanding of the operating performance of our properties without giving effect to real estate depreciation and amortization, which assumes that the value of real estate assets diminishes predictably over time. Since real estate values have historically risen or fallen with market conditions, we believe that FFO provides a meaningful indication of our performance. We believe that AFFO provides useful supplemental information to investors regarding our ongoing operating performance that, when considered with net income and FFO, is beneficial to an investor’s understanding of our operating performance. We present FFO and AFFO per common share and common unit because our common units are redeemable for common shares. We believe it is meaningful for the investor to understand FFO and AFFO applicable to common shares and common units.

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

The following table reconciles net earnings to EBITDA, EBITDA*re*, Adjusted EBITDA*re*, and Hotel EBITDA for the three months ended March 31, 2019 and 2018 (in thousands). All amounts presented our portion of the results of our unconsolidated Atlanta JV.

	Three months ended March 31,	
Reconciliation of Net earnings to EBITDA, EBITDA*re*, Adjusted EBITDA*re*, and Hotel EBITDA	**2019**	**2018**
Net earnings	$ 15	$ 792
Interest expense	2,163	1,928
Interest expense from JV	547	492
Income tax expense	186	129
Depreciation and amortization expense	2,362	2,259
Depreciation and amortization expense from JV	297	285
EBITDA	5,570	5,885
Net (gain) loss on disposition of assets	(39)	24
Net loss on disposition of assets from JV	-	7
Impairment recovery, net	-	(93)
EBITDA*re*	5,531	5,823
Net loss (gain) on derivatives and convertible debt	237	(447)
Net loss on derivative from JV	1	-
Stock-based compensation expense	336	402
Acquisition and terminated transactions expense	7	19
Adjusted EBITDA*re*	6,112	5,797
General and administrative expense, excluding stock compensation expense	1,327	1,467
Other expense, net	29	14
Unallocated hotel and property operations expense	45	89
Hotel EBITDA	$ 7,513	$ 7,367
Revenue	$ 15,903	$ 16,679
JV revenue	3,100	2,618
Condor and JV revenue	$ 19,003	$ 19,297
Hotel EBITDA as a percentage of revenue	39.5%	38.2%

We calculate EBITDA, EBITDA*re*, and Adjusted EBITDA*re* by adding back to net earnings or loss certain non-operating expenses and certain non-cash charges which are based on historical cost accounting that we believe may be of limited significance in evaluating current performance. We believe these adjustments can help eliminate the accounting effects of depreciation and amortization and financing decisions and facilitate comparisons of core operating profitability between periods. In calculating EBITDA, we add back to net earnings or loss interest expense, loss on debt extinguishment, income tax expense, and depreciation and amortization expense. NAREIT adopted EBITDA*re* in order to promote an industry-wide measure of REIT operating performance. We adjust EBITDA by adding back net gain/loss on disposition of assets and impairment charges to calculate EBITDA*re*. To calculate Adjusted EBITDA*re*, we adjust EBITDA*re* to add back acquisition and terminated transactions expense and equity transactions expense, which are cash charges. We also add back stock –based compensation expense and gain/loss on derivatives and convertible debt, which are non-cash charges. EBITDA, EBITDA*re*, and Adjusted EBITDA*re*, as presented, may not be comparable to similarly titled measures of other companies.

We believe EBITDA, EBITDA*re*, and Adjusted EBITDA*re* to be useful additional measures of our operating performance, excluding the impact of our capital structure (primarily interest expense), our asset base (primarily depreciation and amortization expense), and other items we do not believe are representative of the results from our core operations.

The Company further excludes general and administrative expenses, other non-operating income or expense, and certain hotel and property operations expenses that are not allocated to individual properties in assessing hotel performance (primarily certain general liability and other insurance costs, land lease costs, and office and banking fees) from Adjusted EBITDA*re* to calculate Hotel EBITDA. Hotel EBITDA, as presented, may not be comparable to similarly titled measures of other companies.

Hotel EBITDA is intended to isolate property level operational performance over which the Company's hotel operators have direct control. We believe Hotel EBITDA is helpful to investors as it better communicates the comparability of our hotels' operating results for all of the Company's hotel properties and is used by management to measure the performance of the Company's hotels and the effectiveness of the operators of the hotels.

Same-Store Revenue and Hotel EBITDA

The following tables present our same-store revenue, Hotel EBITDA, and Hotel EBITDA margin broken down by property type for the three months ended March 31, 2019 and 2018 (in thousands) and reconcile these same-store measures to total revenue and Hotel EBITDA as presented above. Same-store results include all our hotels owned at March 31, 2019. Results for the hotels for periods prior to our ownership were provided to us by prior owners and have not been adjusted by us or audited or reviewed by our independent auditors. All amounts presented include our portion of the results of our unconsolidated Atlanta Aloft JV. Results for periods prior to the Company's ownership have not been included in the Company's actual consolidated financial statements and are included here only for comparison purposes.

	Revenue - Reconciliation of Actual to Same-Store	
	Three months ended March 31,	
	2019	**2018**
Condor and JV Revenue - Actual	$ 19,003	$ 19,297
Revenue earned on properties disposed of prior to March 31, 2019 during the period of ownership	(272)	(1,869)
Revenue earned on properties owned at March 31, 2019 prior to ownership	-	637
Total Revenue - Same-Store	$ 18,731	$ 18,065

	Hotel EBITDA - Reconciliation of Actual to Same-Store	
	Three months ended March 31,	
	2019	**2018**
Condor and JV Hotel EBITDA - Actual	$ 7,513	$ 7,367
Hotel EBITDA earned on properties disposed of prior to March 31, 2019 during the period of ownership	(63)	(423)
Hotel EBITDA earned on properties owned at March 31, 2019 prior to ownership	-	285
Total Hotel EBITDA - Same-Store	$ 7,450	$ 7,229

	Hotel EBITDA Margin	
	Three months ended March, 31	
	2019	2018
Total Hotel EBITDA Margin	39.8%	40.0%