

2020 ANNUAL REPORT



BRAEMAR
HOTELS & RESORTS

Dear Fellow Shareholder,

2020 was an extraordinary and unforgettable year. The COVID-19 pandemic brought incredible challenges, creating both social and economic disruption on an unprecedented level as well as a volatile landscape throughout the hospitality industry. Braemar's leadership team has been steadfast in its commitment to protecting our stakeholders during this unprecedented time, and I am proud of our efforts to pivot the operations of our hotels, ensure the safety of our associates and guests, and maintain financial flexibility to position the company for future success.

A few objectives have guided us in our efforts. The health and safety of our employees, guests and the communities in which we operate was among our highest priorities. In the early parts of the pandemic, in response to government travel and other restrictions, we took steps to temporarily suspend operations at eleven of our properties. We also quickly adjusted the staffing model at our hotels while reducing other operating expenses in an effort to preserve cash and minimize near-term losses.

By July, the majority of our portfolio was fully reopened to the public; the remaining assets reopened during the third quarter. To enhance guest safety, all of our properties instituted stringent safety measures and protocols consistent with evolving best practice recommendations regarding COVID-19, ranging from enhanced hygiene standards to keyless check-in and electrostatic sprayers to protect guests.

Given the uncertainties created by the pandemic, during the year, we also took proactive and aggressive actions to protect and enhance our corporate liquidity. This included cutting expenses at the corporate level and significantly reducing our planned capital expenditures for the year. Until we have more clarity on the recovery and direction of the economy, we will continue to prioritize preserving our cash. All in, we estimate that we have reduced our run rate corporate G&A and reimbursable expenses under our advisory agreement by approximately 25%. We also closed on two amendments to our corporate credit facility. With a paydown of \$10 million, the first amendment converted the \$75 million revolving credit facility into a \$65 million term loan with the same maturity date in October 2022. The second amendment further extended our covenant waive period through the end of 2021, while reducing fixed charge covenant thresholds in 2022. Additionally, we worked with our property managers and lenders on agreements that allowed us to defer interest in some cases as well as to utilize lender and manager held reserves to fund operating shortfalls at our hotels. We have no defaults across our borrowings and, with all of our hotels currently open and operating, we believe that we have sufficient liquidity to manage through to the end of the pandemic and return to positive corporate cashflow by the end of 2021.

While our operating results suffered due to hotel closures and a decrease in demand across the portfolio, we are confident in our ability to survive the effects of the pandemic and defend our assets. Importantly, the implementation of a new leverage strategy in 2017 had Braemar well prepared financially to successfully navigate through this very challenging operating environment. Additionally, four years ago we also implemented a new strategy within our portfolio focused on investing primarily in high RevPAR luxury resorts versus luxury urban properties, which we believed were becoming overpriced. This shift in portfolio strategy ended up paying dividends during the pandemic as demonstrated by the early resurgence in luxury leisure demand, especially in drive-to resort markets, starting last summer. In short, our balance sheet is in good shape, and with high-quality assets situated in high barriers to entry resort and urban markets, we believe we are well positioned for the ultimate recovery in our industry.

In addition to our swift response to the unique challenges of the pandemic, Braemar also continued to focus on ways to maximize value for our shareholders. In October, we announced the opening of The Clancy, located in San Francisco's vibrant South of Market ("SoMa") district. The former Courtyard San Francisco Downtown underwent a rebranding and renovation in excess of \$30 million to create The Clancy. The Clancy features 410 guest rooms and over 11,000 square feet of modern meeting space throughout 16 event rooms. It joins Marriott International's Autograph Collection® Hotels, a diverse portfolio of more than 180 independent hotels around the world that reflects unique vision, design and environments. While construction restrictions delayed The Clancy's reopening by several months, and we expect that, in the short term, occupancy levels will be challenged given COVID-19's negative impact on group and business transient demand in that market, we look forward to realizing enhanced financial performance from this property over the long term as a result of the rebranding and renovation.

As for our capital investment initiatives, fortunately, we invested heavily in our portfolio during 2019 to enhance our competitive positioning. These investments include the conversion of the Courtyard Philadelphia Downtown to The Notary Hotel, the completion of the 3-suite presidential villa at the Bardessono Hotel and value-add projects during the rebuild of the Ritz-Carlton St. Thomas. These initiatives have allowed us to get by with considerably reduced spending on capital expenditures during the COVID-19 pandemic. In total, during 2020, we spent approximately \$26 million on capital expenditures. This included the completion of the conversion of the Courtyard San Francisco Downtown to The Clancy as well as completing the renovation of the guestrooms at the Pier House Resort in Key West.

Turning to our operating performance, since reopening, overall our properties have performed well as many of our hotels are in leisure markets and directly benefit from the resurgence of leisure demand. While our urban assets have been more challenged by the current environment, our resort hotels, which include the Ritz-Carlton Sarasota, Bardessono, Hotel Yountville, Ritz-Carlton Lake Tahoe, Pier House Resort, Park Hyatt Beaver Creek, Hilton La Jolla Torrey Pines and Ritz-Carlton St. Thomas, have performed well and resulted in the overall portfolio achieving positive Hotel EBITDA during both the third and fourth quarters.

As we enter 2021, we are encouraged by the news regarding vaccines and continue to be pleased with the recovery trends we are seeing at our properties. Looking ahead, we will continue to exercise financial discipline around both strengthening our balance sheet and evaluating new acquisition opportunities. With a focus on luxury properties, we are optimistic about the quality and diversity of our portfolio, which we believe will continue to highlight our luxury-focused strategy that should result in superior long-term RevPAR growth trends versus the other chain scale segments.

Come join us on this journey as we look ahead optimistically towards 2021 and beyond.

Thank you for your continued investment in Braemar Hotels & Resorts.

Sincerely,



Richard J. Stockton
President & Chief Executive Officer

Gallery



The Ritz-Carlton Lake Tahoe
Truckee, CA



The Notary Hotel
Philadelphia, PA



The Capital Hilton
Washington, DC



Hotel Yountville
Yountville, CA



Bardessono Hotel and Spa
Yountville, CA



Park Hyatt Beaver Creek
Beaver Creek, CO



The Ritz-Carlton St. Thomas
St. Thomas, USVI



Pier House Resort
Key West, FL



The Ritz-Carlton Sarasota
Sarasota, FL



Sofitel Chicago Magnificent Mile
Chicago, IL



The Clancy
San Francisco, CA



Marriott Seattle
Seattle, WA



Hilton La Jolla Torrey Pines
La Jolla, CA

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K**

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

For the fiscal year ended December 31, 2020

OR

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

For the transition period from _____ to _____

Commission file number: 001-35972

BRAEMAR HOTELS & RESORTS INC.

(Exact name of registrant as specified in its charter)

Maryland

(State or other jurisdiction of incorporation or organization)

46-2488594

(IRS employer identification number)

14185 Dallas Parkway
Suite 1100
Dallas
Texas

(Address of principal executive offices)

75254

(Zip code)

(972) 490-9600

(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	BHR	New York Stock Exchange
Preferred Stock, Series B	BHR-PB	New York Stock Exchange
Preferred Stock, Series D	BHR-PD	New York Stock Exchange

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

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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," "small reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 USC. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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

As of June 30, 2020, the aggregate market value of 31,424,007 shares of the registrant's common stock held by non-affiliates was approximately \$89,873,000.

As of March 3, 2021, the registrant had 40,453,693 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement pertaining to the 2021 Annual Meeting of Stockholders are incorporated herein by reference into Part III of this Form 10-K.

BRAEMAR HOTELS & RESORTS INC.
YEAR ENDED DECEMBER 31, 2020
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SIGNATURES

As used in this Annual Report on Form 10-K, unless the context otherwise indicates, the references to “we,” “us,” “our,” the “Company” or “Braemar” refer to Braemar Hotels & Resorts Inc., a Maryland corporation, and, as the context may require, its consolidated subsidiaries, including Braemar Hospitality Limited Partnership, a Delaware limited partnership, which we refer to as “our operating partnership” or “Braemar OP.” “Our TRSs” refers to our taxable REIT subsidiaries, including Braemar TRS Corporation, a Delaware corporation, which we refer to as “Braemar TRS,” and its subsidiaries, together with the two taxable REIT subsidiaries that lease our two hotels held in a consolidated joint venture and are wholly-owned by the joint venture and the U.S. Virgin Islands’ (“USVI”) taxable REIT subsidiary that owns The Ritz-Carlton St. Thomas hotel. “Ashford Trust” or “AHT” refers to Ashford Hospitality Trust, Inc., a Maryland corporation, and, as the context may require, its consolidated subsidiaries, including Ashford Hospitality Limited Partnership, a Delaware limited partnership and Ashford Trust’s operating partnership, which we refer to as “Ashford Trust OP.” “Ashford Inc.” refers to Ashford Inc., a Nevada corporation and, as the context may require, its consolidated subsidiaries. “Ashford LLC” or “our advisor” refers to Ashford Hospitality Advisors LLC, a Delaware limited liability company and a subsidiary of Ashford Inc. “Premier” refers to Premier Project Management LLC, a Maryland limited liability company and a subsidiary of Ashford LLC. “Remington Lodging” refers to Remington Lodging & Hospitality, LLC, a Delaware limited liability company and a hotel management company that was owned by Mr. Monty J. Bennett, chairman of our board of directors, and his father, Mr. Archie Bennett, Jr., chairman emeritus of Ashford Trust before its acquisition by Ashford Inc. on November 6, 2019. “Remington Hotels” refers to the same entity after the acquisition was completed resulting in Remington Lodging & Hospitality, LLC becoming a subsidiary of Ashford Inc.

This Annual Report on Form 10-K contains registered trademarks that are the exclusive property of their respective owners, which are companies other than us, including Marriott International®, Hilton Worldwide®, Sofitel®, Hyatt® and Accor®.

FORWARD-LOOKING STATEMENTS

Throughout this Annual Report on Form 10-K and documents incorporated herein by reference, we make forward-looking statements that are subject to risks and uncertainties. Forward-looking statements are generally identifiable by use of forward-looking terminology such as “may,” “will,” “should,” “potential,” “intend,” “expect,” “anticipate,” “estimate,” “approximately,” “believe,” “could,” “project,” “predict,” or other similar words or expressions. Additionally, statements regarding the following subjects are forward-looking by their nature:

- the impact of COVID-19 and numerous governmental travel restrictions and other orders on our business, including one or more possible recurrences of COVID-19 cases causing state and local governments to reinstate travel restrictions;
- our business and investment strategy;
- our projected operating results and dividend rates;
- our ability to obtain future financing arrangements or restructure existing indebtedness;
- our understanding of our competition;
- market trends;
- projected capital expenditures;
- anticipated acquisitions or dispositions; and
- the impact of technology on our operations and business.

Such forward-looking statements are based on our beliefs, assumptions and expectations of our future performance taking into account all information currently known to us. These beliefs, assumptions, and expectations can change as a result of many potential events or factors, not all of which are known to us. If a change occurs, our business, financial condition, liquidity, results of operations, plans, and other objectives may vary materially from those expressed in our forward-looking statements. You should carefully consider this risk when you make an investment decision concerning our securities. Additionally, the following factors could cause actual results to vary from our forward-looking statements:

- the factors discussed in this Annual Report under the sections entitled “Risk Factors,” “Legal Proceedings,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” “Business,” and “Properties,” as updated in our subsequent Quarterly Reports on Form 10-Q and other filings under the Securities Exchange Act of 1934, as amended (the “Exchange Act”);
- adverse effects of the COVID-19 pandemic, including a significant reduction in business and personal travel and travel restrictions in regions where our hotels are located, and one or more possible recurrences of COVID-19 cases causing

a further reduction in business and personal travel and potential reinstatement of travel restrictions by state or local governments;

- our ability to raise sufficient capital and/or take other actions to improve our liquidity position or otherwise meet our liquidity requirements;
- actions by our lenders to accelerate loan balances and foreclose on the hotel properties that are security for our loans if we are unable to make debt service payments or satisfy our other obligations under the forbearance agreements;
- general volatility of the capital markets and the market price of our common and preferred stock;
- general business and economic conditions affecting the lodging and travel industry;
- changes in our business or investment strategy;
- availability, terms and deployment of capital;
- unanticipated increases in financing and other costs, including a rise in interest rates;
- changes in our industry and the markets in which we operate, interest rates, or local economic conditions;
- the degree and nature of our competition;
- actual and potential conflicts of interest with Ashford Trust, Ashford Inc. and its subsidiaries (including Ashford LLC, Remington Hotels and Premier) and our executive officers and our non-independent director;
- changes in personnel of Ashford LLC or the lack of availability of qualified personnel;
- changes in governmental regulations, accounting rules, tax rates and similar matters;
- our ability to implement effective internal controls to address the material weakness identified in this report;
- the timing or outcome of the SEC investigation;
- legislative and regulatory changes, including changes to the Internal Revenue Code of 1986, as amended (the “Code”) and related rules, regulations and interpretations governing the taxation of REITs; and
- limitations imposed on our business and our ability to satisfy complex rules in order for us to qualify as a REIT for U.S. federal income tax purposes.

When considering forward-looking statements, you should keep in mind the risk factors and other cautionary statements in this Annual Report on Form 10-K. The matters summarized under “Item 1A. Risk Factors,” and elsewhere, could cause our actual results and performance to differ significantly from those contained in our forward-looking statements. Accordingly, we cannot guarantee future results or performance. Readers are cautioned not to place undue reliance on any of these forward-looking statements, which reflect our views as of the date of this Annual Report on Form 10-K. Furthermore, we do not intend to update any of our forward-looking statements after the date of this Annual Report on Form 10-K to conform these statements to actual results and performance, except as may be required by applicable law.

PART I

Item 1. Business

Our Company

We are an externally-advised Maryland corporation formed in 2013 that invests primarily in high revenue per available room (“RevPAR”) luxury hotels and resorts. High RevPAR, for purposes of our investment strategy, means RevPAR of at least twice the then-current U.S. national average RevPAR for all hotels as determined by Smith Travel Research. Two times the U.S. national average RevPAR was \$91 for the year ended December 31, 2020. We have elected to be taxed as a REIT under the Code beginning in the year ended December 31, 2013. We conduct our business and own substantially all of our assets through our operating partnership, Braemar OP.

We operate in the direct hotel investment segment of the hotel lodging industry. As of March 3, 2021, we owned interests in thirteen hotel properties in six states, the District of Columbia and St. Thomas, U.S. Virgin Islands with 3,722 total rooms, or 3,487 net rooms, excluding those attributable to our joint venture partner. The hotel properties in our current portfolio are predominantly located in U.S. urban and resort locations with favorable growth characteristics resulting from multiple demand generators. We own eleven of our hotel properties directly, and the remaining two hotel properties through an investment in a majority-owned consolidated joint venture entity.

We are advised by Ashford LLC, a subsidiary of Ashford Inc., through an advisory agreement. All of the hotel properties in our portfolio are currently asset-managed by Ashford LLC. Asset management functions include acquisition, renovation, financing and disposition of assets, operational accountability of managers, budget review, capital expenditures and property-level strategies as compared to the day-to-day management of our hotel properties, which is performed by our hotel managers. We do not have any employees. All of the advisory services that might be provided by employees are provided to us by Ashford LLC.

We do not operate any of our hotel properties directly; instead we employ hotel management companies to operate them for us under management contracts. On November 6, 2019, Ashford Inc. completed its acquisition of Remington Lodging’s hotel management business from Mr. Monty J. Bennett, chairman of our board of directors, and Mr. Archie Bennett, Jr., chairman emeritus of Ashford Trust. Remington Hotels, a subsidiary of Ashford Inc. after November 6, 2019, manages three of our thirteen hotel properties. Third-party management companies manage the remaining hotel properties.

Ashford Inc. also provides other products and services to us or our hotel properties through certain entities in which Ashford Inc. has an ownership interest. These products and services include, but are not limited to project management services, debt placement and related services, audio visual services, real estate advisory services, insurance claims services, hypoallergenic premium rooms, watersport activities, travel/transportation services, mobile key technology and broker-dealer services. See note 16 to our consolidated financial statements.

As of December 31, 2020, Mr. Monty J. Bennett and Mr. Archie Bennett, Jr., together owned approximately 597,006 shares of Ashford Inc. common stock, which represented an approximate 20.8% ownership interest in Ashford Inc., and owned 18,758,600 shares of Ashford Inc. Series D Convertible Preferred Stock, which was exercisable (at an exercise price of \$117.50 per share) into an additional approximate 3,991,191 shares of Ashford Inc. common stock, which if exercised as of March 3, 2021 would have increased the Bennetts’ ownership interest in Ashford Inc. to approximately 66.9%. The 18,758,600 shares of Series D Convertible Preferred Stock owned by Mr. Monty J. Bennett and Mr. Archie Bennett, Jr. include 360,000 shares owned by trusts.

As of December 31, 2020, Mr. Monty J. Bennett, chairman of our board of directors and his father, Mr. Archie Bennett, Jr., together owned approximately 3,377,299 common shares of the Company (including common units, long-term incentive plan (“LTIP”) units and performance LTIP units), which represented an approximate 7.9% ownership in the Company.

The negative impact on room demand within our portfolio stemming from the COVID-19 pandemic was significant in 2020. A more detailed discussion of the ongoing impact of COVID-19 on our business is contained in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Our Investment and Growth Strategies

Our principal business objectives are to generate attractive returns on our invested capital and long-term growth in cash flow to maximize total returns to our stockholders. To achieve our objectives, we pursue the following strategies:

Focused Investment Strategy. Our strategy is to invest in premium branded and high quality independent luxury hotels and resorts that are anticipated to generate RevPAR at least twice the average RevPAR for the U.S. lodging industry, as determined by Smith Travel Research and are located predominantly in North America.

We intend to concentrate our investments in markets where we believe there are significant growth opportunities, taking into consideration the risk of additional supply. In determining anticipated RevPAR for a particular asset, we may take into account forecasts and other considerations, including without limitation, conversions or repositioning of assets, capital plans, brand changes and other factors which may reasonably be forecasted to raise RevPAR after stabilization. Stabilization with respect to a hotel, after the completion of an initiative such as a capital plan, conversion or change of brand name or change of the business mix or other operating characteristics, is generally expected to occur within 12 to 24 months after the completion of the related renovation, repositioning or brand change.

In connection with this investment strategy, we frequently evaluate opportunities to acquire additional hotel properties, either through direct ownership, joint ventures, partnership participations or similar arrangements. We may use cash or debt or issue common units or other securities of ours or our operating partnership, Braemar OP, or our other subsidiaries as currency for a transaction. Some or all of these acquisitions, if completed, may be material to our company, individually or in the aggregate. We may, from time to time, be party to letters of intent, term sheets and other non-binding agreements relating to potential acquisitions. We cannot assure you that we will enter into definitive acquisition agreements with respect to any potential acquisitions.

Active Asset Management Strategy. We rely on Ashford LLC to asset manage the hotel properties in our portfolio, and will rely on Ashford LLC to asset manage any hotel properties we may acquire in the future, to help maximize the operating performance, cash flow and value of each hotel. Asset management is intended to include actively “managing” the hotel managers and holding them accountable to drive top line and bottom line operating performance. Ashford LLC aims to achieve this goal by benchmarking each asset’s performance compared to similar hotel properties within our portfolio. Ashford LLC also closely monitors all hotel operating expenses, as well as third-party vendor and service contracts. If expense levels are not commensurate with the property revenues, Ashford LLC works with the property manager to implement cost cutting initiatives. Ashford LLC is also very active in evaluating and proposing improved strategies for the sales, marketing and revenue management initiatives of the property manager as well as its ability to drive ancillary hotel revenues (for example, spa, food and beverage, parking, and Internet). In addition to supervising and directing the property manager, Ashford LLC works with the brands and management companies to negotiate favorable franchise agreement and hotel management agreement terms. Ashford LLC also actively participates in brand advisory committee meetings to provide feedback and input on new hotel brand initiatives.

Disciplined Capital Allocation Strategy. We intend to pursue a disciplined capital allocation strategy as it relates to the acquisition, operation, disposition and financing of assets in our portfolio and those that we may acquire in the future. Ashford LLC utilizes its extensive industry experience and capital markets expertise to influence the timing of capital deployment and recycling, and we may selectively sell hotel properties that are no longer consistent with our investment strategy or as to which returns appear to have been maximized. To the extent we sell hotel properties, we generally intend to redeploy the capital into investment opportunities that we believe will achieve higher returns or buy back our common stock or other securities.

Our Hotels

As of March 3, 2021, we own interests in a high-quality, geographically diverse portfolio of thirteen hotel properties located in six states, the District of Columbia and St. Thomas, U.S. Virgin Islands. Our properties have 3,722 total rooms, or 3,487 net rooms, excluding those attributable to our joint venture partner. All of the hotel properties in our portfolio are generally located in markets that exhibit strong growth characteristics resulting from multiple demand generators. Eight of the thirteen hotel properties in our portfolio operate under premium brands affiliated with Marriott International, Inc. (“Marriott”) and Hilton Worldwide, Inc. (“Hilton”). One hotel property is managed by Accor Management US Inc. (“Accor”), one is managed by Hyatt Corporation (“Hyatt”) and three hotel properties are managed by Remington Hotels, a subsidiary of Ashford Inc. The material terms of these hotel management agreements are described below in “Certain Agreements—Hotel Management Agreements.” Each of our hotel properties is encumbered by loans as described in “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Indebtedness.” For the year ended December 31, 2020,

approximately 85% of the rooms revenue was generated by transient business; approximately 13% was generated by group sales and 2% was generated by contract sales.

The following table sets forth additional information for our hotel properties (dollars in thousands, except ADR and RevPAR) for the year ended December 31, 2020:

Hotel Property	Location	Total Rooms	% Owned	Year Ended December 31, 2020			Hotel EBITDA ⁽¹⁾
				Occupancy	ADR	RevPAR	
Hilton La Jolla Torrey Pines ⁽²⁾	La Jolla, CA	394	75 %	37.84 %	\$ 175.17	\$ 66.29	\$ 353
Capital Hilton	Washington, D.C.	550	75 %	19.15 %	197.00	37.73	(5,076)
Marriott Seattle Waterfront	Seattle, WA	361	100 %	20.68 %	205.12	42.41	(1,733)
The Clancy ⁽³⁾	San Francisco, CA	410	100 %	19.52 %	281.66	54.97	(3,695)
The Notary Hotel	Philadelphia, PA	499	100 %	24.20 %	166.25	40.24	(1,633)
The Ritz-Carlton Lake Tahoe ⁽⁴⁾	Truckee, CA	170	100 %	43.68 %	553.44	241.72	1,867
The Ritz-Carlton Sarasota	Sarasota, FL	266	100 %	53.95 %	410.53	221.49	11,502
Sofitel Chicago Magnificent Mile	Chicago, IL	415	100 %	27.87 %	141.25	39.36	(5,388)
Pier House Resort & Spa	Key West, FL	142	100 %	55.41 %	425.89	235.99	6,707
Bardessono Hotel and Spa ⁽⁵⁾	Yountville, CA	65	100 %	40.32 %	778.43	313.89	1,018
The Ritz-Carlton St. Thomas	St. Thomas, U.S. Virgin Islands	180	100 %	38.85 %	665.20	258.43	4,624
Park Hyatt Beaver Creek Resort & Spa	Beaver Creek, CO	190	100 %	33.92 %	544.68	184.75	4,977
Hotel Yountville	Yountville, CA	80	100 %	29.46 %	526.17	155.01	(86)
Total / Weighted Average ⁽⁶⁾		3,722		30.25 %	\$ 327.43	\$ 99.05	\$ 13,437

⁽¹⁾ See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures” for a reconciliation of Hotel EBITDA by property. We own the Hilton La Jolla Torrey Pines and the Capital Hilton in a joint venture. The Hotel EBITDA represents the total amount for each hotel during our period of ownership, not our pro rata amount based on our ownership percentage.

⁽²⁾ Subject to a ground lease that expires in 2067. The ground lease contains one extension option of either 10 or 20 years dependent upon capital investment spend during the lease term.

⁽³⁾ On October 1, 2020, the Company announced the opening The Clancy (previously known as “Courtyard San Francisco Downtown”).

⁽⁴⁾ The above information, excluding Hotel EBITDA, does not include the operations of ten condominium units not owned by The Ritz-Carlton Lake Tahoe.

⁽⁵⁾ Subject to a ground lease that initially expires in 2065. The ground lease contains two 25-year extension options, at our election.

⁽⁶⁾ Calculated on a portfolio basis for the thirteen hotel properties in our portfolio as of December 31, 2020.

Hilton La Jolla Torrey Pines, La Jolla, CA

We own a 75% partnership interest in Ashford HHC Partners III LP, which is subject to a ground lease in the Hilton La Jolla Torrey Pines expiring in 2067. CHH Torrey Pines Hotel Partners LP, a subsidiary of Ashford HHC Partners III LP, leases the Hilton La Jolla Torrey Pines hotel to CHH Torrey Pines Tenant Corp. The remaining 25% partnership interest in Ashford HHC Partners III LP is owned by Park Hotels & Resorts, Inc. The hotel opened in 1989 and is comprised of 394 guest rooms, including 232 king rooms, 152 queen/queen rooms and 10 suites. Approximately \$30.1 million has been spent on capital expenditures since the acquisition of the hotel by Ashford HHC Partners III LP in 2007, which included lobby, restaurant, meeting space and room renovations.

The hotel’s location attracts all three major demand segments: corporate transient, group meetings and leisure transient. The famous Torrey Pines Golf Course, located on the property’s western boundary, appeals to each demand segment. Each room has a private balcony or patio with ocean, garden or golf course views. In addition to the attraction of the golf course, the hotel is located within walking distance of the Torrey Pines State Nature Reserve with access to a number of outdoor activities and Pacific Ocean beaches. Numerous hospitals and research facilities are located within close proximity of the hotel.

Additional property highlights include:

- **Meeting Space:** Approximately 60,000 square feet of meeting space, including:
 - 21,000 square feet of function space in 21 rooms to accommodate up to 1,500 people;
 - over 32,000 square feet of outdoor function space; and
 - the 6,203 square foot Fairway Pavilion Ballroom overlooking the 18th fairway of Torrey Pines Golf Course South Course.
- **Food and Beverage:** The Hilton La Jolla Torrey Pines hosts the Torreyana Grill and Lounge, an all-purpose three-meal restaurant with 205 seats and the Horizons Lounge. Both outlets overlook the golf course and the Pacific Ocean.

- *Other Amenities:* The hotel has a fitness center, outdoor pool, outdoor whirlpool, tennis courts, basketball court, business center, valet parking and a gift shop.

Location and Access. The hotel is located near the Pacific Ocean in a secluded area of the famous Torrey Pines Golf Course. The hotel is approximately 17 miles from the San Diego International Airport—Lindbergh Field.

Operating History. The following table shows certain historical information regarding the Hilton La Jolla Torrey Pines since **2016**:

	Year Ended December 31,				
	2020	2019	2018	2017	2016
Rooms.....	394	394	394	394	394
Occupancy.....	37.8 %	83.1 %	85.3 %	83.7 %	83.8 %
ADR.....	\$ 175.17	\$ 216.18	\$ 214.34	\$ 205.19	\$ 194.93
RevPAR.....	\$ 66.29	\$ 179.56	\$ 182.91	\$ 171.64	\$ 163.41

Selected Financial Information. The following tables show certain selected financial information regarding the Hilton La Jolla Torrey Pines since **2018** (dollars in thousands):

	Year Ended December 31,		
	2020	2019	2018
Total Revenue.....	\$ 15,389	\$ 46,973	\$ 46,471
Rooms Revenue.....	9,559	25,822	26,304
Hotel EBITDA ⁽¹⁾	353	15,695	15,468
EBITDA Margin ⁽¹⁾	2.3 %	33.4 %	33.3 %

⁽¹⁾ See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures” for a reconciliation of net income (loss) to Hotel EBITDA by property. We own the Hilton La Jolla Torrey Pines in a joint venture. The Hotel EBITDA amount for this hotel represents the total amount for this hotel, not our pro rata amount based on our 75% ownership percentage.

Capital Hilton, Washington, D.C.

We own a 75% partnership interest in Ashford HHC Partners III LP, which has a fee simple interest in the Capital Hilton. CHH Capital Hotel Partners LP, a subsidiary of Ashford HHC Partners III LP, leases the Capital Hilton to CHH Capital Tenant Corp. The remaining 25% partnership interest in Ashford HHC Partners III LP is owned by Park Hotels & Resorts, Inc. The hotel opened in 1943 and is comprised of 550 guest rooms, including 283 king rooms, 94 queen/queen rooms, 90 double/double rooms, 81 single queen rooms and two parlor suites. Approximately \$65.1 million has been spent on capital expenditures since the acquisition of the hotel by Ashford HHC Partners III LP in 2007, which included renovations to the guest rooms, public space, meeting space, lobby and restaurant.

The hotel is strategically located at 16th and K Street, in close proximity to the White House and other government facilities. The hotel has significant historical connotations and is located near numerous Washington, D.C. attractions including the National Mall. The offices of a number of legal firms and national associations are located within walking distance of the property.

Additional property highlights include:

- *Meeting Space:* Approximately 31,000 square feet of contiguous meeting space located on the same floor.
- *Food and Beverage:* The Capital Hilton hosts (i) the Northgate Grill, a full service restaurant with 130 seats and (ii) the Statler Lounge, a lobby bar with 72 seats.
- *Other Amenities:* The hotel has a newly renovated health club as well as a gift shop, business center and valet parking.

Location and Access. The hotel is conveniently located in the center of Washington, D.C., north of the White House and near the National Mall and numerous tourist attractions. By virtue of its size and clear signage, it is visible from both directions on 16th street. The hotel is approximately five miles from Ronald Reagan Washington National Airport.

Operating History. The following table shows certain historical information regarding the Capital Hilton since 2016:

	Year Ended December 31,				
	2020	2019	2018	2017	2016
Rooms.....	550	550	550	550	550
Occupancy.....	19.2 %	83.0 %	83.5 %	88.6 %	88.6 %
ADR.....	\$ 197.00	\$ 232.62	\$ 233.73	\$ 237.87	\$ 230.69
RevPAR.....	\$ 37.73	\$ 192.95	\$ 195.22	\$ 210.83	\$ 204.36

Selected Financial Information. The following tables show certain selected financial information regarding the Capital Hilton since 2018 (dollars in thousands):

	Year Ended December 31,		
	2020	2019	2018
Total Revenue.....	\$ 12,718	\$ 57,285	\$ 55,081
Rooms Revenue.....	7,595	38,735	39,191
Hotel EBITDA ⁽¹⁾	(5,076)	14,141	13,748
EBITDA Margin ⁽¹⁾	(39.9)%	24.7 %	25.0 %

⁽¹⁾ See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures” for a reconciliation of net income (loss) to Hotel EBITDA by property. We own the Capital Hilton in a joint venture. The Hotel EBITDA amount for this hotel represents the total amount for this hotel, not our pro rata amount based on our 75% ownership percentage.

Marriott Seattle Waterfront, Seattle, WA

Our subsidiary, Ashford Seattle Waterfront LP, owns a fee simple interest in the Marriott Seattle Waterfront. The hotel opened in 2003 and is comprised of 348 guest rooms and 13 suites, including 204 king rooms, 155 double/double rooms and two murphy beds. About half of the hotel’s guest rooms have water views overlooking Elliott Bay with the remaining guest rooms having partial water views. Approximately \$14.0 million has been spent on capital expenditures since the acquisition of the hotel in 2007. Capital improvements for 2017 included the relocation of the M Club from the eighth floor to the lobby level, which recaptured three guest rooms. A model room was recently completed in anticipation of a rooms renovation which is expected to occur in 2022.

The hotel is located on the Seattle Waterfront within walking distance of Pike Place Market, a unique retail experience and a major Seattle tourist attraction. Numerous food vendors providing locally produced food, retail shops offering a variety of merchandise and the original Starbucks Coffee Shop complement the venue. The Seattle Great Wheel, one of the tallest Ferris wheels in the western United States, and the Seattle Aquarium are located along Alaskan Way in close proximity to the hotel. The hotel is also located directly across from the Pier 66 cruise terminal, a strong leisure demand generator during the six month long cruise season.

Additional property highlights include:

- *Meeting Space:* Approximately 18,000 square feet of meeting space.
- *Food and Beverage:* The Marriott Seattle Waterfront hosts (i) Hook and Plow, a full-service restaurant with 192 seats; (ii) Lobby Bar/Library with 120 seats; and (iii) the “Market” offering snacks, drinks and sundry items.
- *Other Amenities:* The hotel has a fitness center, indoor/outdoor connected pool, business center, guest laundry facilities, valet parking and three electric vehicle charging stations.

Location and Access. The hotel is conveniently located on the Seattle waterfront, just off of the Alaskan Way S. exit from Highway 99 N. The hotel is approximately 13 miles from the Seattle/Tacoma International Airport.

Operating History. The following table shows certain historical information regarding the Marriott Seattle Waterfront since 2016:

	Year Ended December 31,				
	2020	2019	2018	2017	2016
Rooms.....	361	361	361	361	358
Occupancy.....	20.7 %	83.2 %	84.8 %	88.0 %	83.1 %
ADR.....	\$ 205.12	\$ 266.62	\$ 283.59	\$ 272.19	\$ 264.10
RevPAR.....	\$ 42.41	\$ 221.87	\$ 240.49	\$ 239.50	\$ 219.40

Selected Financial Information. The following tables show certain selected financial information regarding the Marriott Seattle Waterfront since 2018 (dollars in thousands):

	Year Ended December 31,		
	2020	2019	2018
Total Revenue.....	\$ 7,021	\$ 37,497	\$ 39,891
Rooms Revenue.....	5,604	29,235	31,688
Hotel EBITDA ⁽¹⁾	(1,733)	14,250	15,885
EBITDA Margin ⁽¹⁾	(24.7)%	38.0 %	39.8 %

⁽¹⁾ See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures” for a reconciliation of net income (loss) to Hotel EBITDA by property.

The Clancy, San Francisco, CA

Our subsidiary, Ashford San Francisco II LP, owns a fee simple interest in The Clancy. The hotel opened in 2001 and is comprised of 410 guest rooms, including 196 king rooms, 184 queen/queen rooms and 30 suites. Approximately \$73.4 million has been spent on capital expenditures since the acquisition of the hotel in 2007, which included a restaurant renovation, a guest room soft goods renovation and a meeting space renovation. In early 2017, the hotel began an extensive custom designed guest room renovation. As part of this renovation we increased the room count from 405 to 410 rooms utilizing former conference suites. The new guest rooms reflect the hotel’s ideal location in the new and evolving SoMa district. Bold vibrant colors with calming grey undertones mimic the stunning visual beauty expressed in the iconic city of San Francisco. Innovative smart technology combined with comfort and luxury to provide travelers with an intriguing and unique experience.

On November 1, 2017, we announced plans to convert the Courtyard San Francisco Downtown into a full service hotel within Marriott’s Autograph Collection®. The conversion included a complete redesign of the lobby, front desk, food and beverage outlets, public areas and façade. Additional amenities and accessories were added to the guest rooms to make them more commensurate with an upper upscale brand. The reimaged public space and modern guest rooms elevate The Clancy within the upper upscale market. On October 1, 2020, we announced the opening of The Clancy.

The hotel is located conveniently downtown in the heart of the SoMa district of San Francisco. The hotel is located near numerous high tech businesses and attractions, including the Moscone Convention Center, Transbay Transit Center, Oracle Park, Union Square and the Metreon Complex.

Additional property highlights include:

- *Meeting Space:* Approximately 8,700 square feet of indoor meeting space and nearly 1,000 square feet of private outdoor reception areas.
- *Food and Beverage:* The transformed food and beverage outlets at The Clancy includes completely reconfigured outlets. The Seven Square Tap Room, open for breakfast, lunch and dinner has 118 seats. The dining area seats 78. The Bar and Lounge area of Seven Square seats six at the bar and 34 in the lounge. The Lobby Lounge is configured with a bar, couches, small tables and a community table, seating a total of 43 guests including 10 at the bar, 10 at the community table and 23 in various other seating configurations. The Radiator Coffee Salon, open for breakfast and light lunches seats 35 patrons at tables and stadium style seating. An exterior sales window allows the outlet to capture business from local residents and office commuters. Two exterior venues are available for both group and transient guests: the original outdoor courtyard, renamed Block 9 and a completely new space, the Parklet. Block 9 includes a fire pit and has been redesigned to be flexible enough to offer overflow seating for the lobby lounge and for private

receptions. Total seating in Block 9 encompasses 56 seats in lounge, table and stadium seating configurations. The Parklet is completely covered and can be used for small receptions and outdoor seating.

- *Other Amenities:* The hotel has a fully equipped fitness center with plans to expand this area. SOMA Mercantile, a gift shop of approximately 100 square feet contains food and retail items unique to San Francisco, along with national brand favorites. Valet parking is available in a two level subterranean garage.
- *Original Art:* During the conversion process, we commissioned two new outdoor murals, located in Block 9 and the Parklet and two sculptures, one located on a lobby wall and one on the exterior of the building. The hotel’s original art piece, a globe representing San Francisco’s unique position as a world class city, was moved from Block 9 to a prominent position in the Parklet.

Location and Access. The hotel is located in downtown San Francisco and is easily accessible from Interstate 80 and US 101. The hotel is approximately 14 miles from the San Francisco International Airport.

Operating History. The following table shows certain historical information regarding The Clancy since 2016:

	Year Ended December 31,				
	2020	2019	2018	2017	2016
Rooms.....	410	410	410	408	405
Occupancy.....	19.5 %	90.0 %	86.7 %	79.9 %	89.6 %
ADR.....	\$ 281.66	\$ 301.30	\$ 285.70	\$ 270.38	\$ 273.07
RevPAR.....	\$ 54.97	\$ 271.14	\$ 247.58	\$ 216.12	\$ 244.54

Selected Financial Information. The following tables show certain selected financial information regarding The Clancy since 2018 (dollars in thousands):

	Year Ended December 31,		
	2020	2019	2018
Total Revenue.....	\$ 9,622	\$ 44,167	\$ 41,933
Rooms Revenue.....	8,249	40,576	37,032
EBITDA Margin ⁽¹⁾	(3,695)	14,248	13,834
EBITDA Margin ⁽¹⁾	(38.4)%	32.3 %	33.0 %

⁽¹⁾ See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures” for a reconciliation of net income (loss) to Hotel EBITDA by property.

The Notary Hotel, Philadelphia, PA

Our subsidiary, Ashford Philadelphia Annex LP, owns a fee simple interest in The Notary Hotel. The hotel opened in 1999 and is comprised of 499 guest rooms, including 311 king rooms, 109 queen/queen rooms, 77 double/double rooms and two Parlor Suites. Approximately \$56.6 million has been spent on capital expenditures since the acquisition of the hotel in 2007.

On July 17, 2019, we announced the opening of The Notary Hotel. Listed on the National Register of Historic Places, the former Courtyard by Marriott Philadelphia Downtown underwent a rebranding and renovation in excess of \$20 million to create The Notary Hotel. Improvements included a complete renovation of the guest rooms, guest corridors, and lobby. Additionally the restaurant was renovated and repositioned as an upscale tapas bar.

The property joined Marriott’s Autograph Collection® Hotels, a diverse portfolio of independent hotels around the world that reflect unique vision, design and environments. It is located in the center of Philadelphia’s downtown business district, across from City Hall and one block from the Philadelphia Convention Center. The hotel is also conveniently located next to the historical district, the Reading Terminal Market, the University of Pennsylvania and Independence Hall.

Additional property highlights include:

- *Meeting Space:* Approximately 10,000 square feet of meeting space throughout 12 event rooms.
- *Food and Beverage:* The Notary Hotel hosts (i) Sabroso+Sorbo, an exciting restaurant with Latin-inspired fare and specialty cocktails and (ii) La Colombe®, the hotel's popular onsite coffee outlet featuring grab-and-go sandwiches, appetizing snacks, fresh salads and delectable pastries.
- *Other Amenities:* The hotel has a fitness center, sundries shop/market, business center and valet parking.

Location and Access. The hotel is located in downtown Philadelphia and is accessible from Interstate 676. The hotel's corner location and clear signage make it easily visible from both Juniper Street and South Penn Square. The hotel is approximately 10 miles from the Philadelphia International Airport.

Operating History. The following table shows certain historical information regarding The Notary Hotel since **2016**:

	Year Ended December 31,				
	2020	2019	2018	2017	2016
Rooms.....	499	499	499	499	499
Occupancy.....	24.2 %	72.2 %	82.9 %	81.8 %	81.8 %
ADR.....	\$ 166.25	\$ 197.97	\$ 186.10	\$ 176.71	\$ 182.46
RevPAR.....	\$ 40.24	\$ 142.84	\$ 154.32	\$ 144.60	\$ 149.26

Selected Financial Information. The following tables show certain selected financial information regarding The Notary Hotel since **2018** (dollars in thousands):

	Year Ended December 31,		
	2020	2019	2018
Total Revenue.....	\$ 9,000	\$ 31,887	\$ 34,983
Rooms Revenue.....	7,349	26,016	28,107
Hotel EBITDA ⁽¹⁾	(1,633)	9,850	14,038
EBITDA Margin ⁽¹⁾	(18.1)%	30.9 %	40.1 %

⁽¹⁾ See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures" for a reconciliation of net income (loss) to Hotel EBITDA by property.

Sofitel Chicago Magnificent Mile, Chicago, IL

On February 24, 2014, we acquired a fee simple interest in the Sofitel Chicago Magnificent Mile. The hotel opened in 2002 and is comprised of 415 guest rooms, including 63 suites. Approximately \$18.1 million has been spent on capital expenditures at the hotel since the acquisition of the hotel in 2014. The fitness center and lobby bar were extensively renovated in the first quarter of 2017. A comprehensive guest room and corridor renovation began in the fourth quarter of 2017 and was completed in the second quarter of 2018.

The hotel is located one block west of Chicago's Magnificent Mile on a 0.6 acre parcel in an area of Chicago known as the Gold Coast. The 32-story building was designed by French architect Jean-Paul Viguier and has views of Lake Michigan and the Chicago skyline. It is located in the heart of the Gold Coast neighborhood, proximate to some of Chicago's largest leisure demand generators, on the corner of Chestnut Street and Wabash Avenue.

Additional property highlights include:

- *Meeting Space:* Approximately 12,500 square feet of conference space.
- *Food and Beverage:* The Sofitel Chicago Magnificent Mile includes (i) the Café des Architectes, an 82 seat contemporary, Michelin Guide recommended restaurant featuring modern French cuisine; (ii) Le Bar, a 45 seat modern cocktail lounge; (iii) La Tarrasse, a 40 seat outdoor patio and lounge serving the cuisine of Café des Architectes; and (iv) Cigale, a restaurant space featuring an exhibition kitchen and frontage on Wabash Avenue overlooking Connors Park (currently utilized only for event space).
- *Other Amenities:* The hotel has a fitness center, a business center and valet parking.

Location and Access. The hotel is located one block west of Chicago’s Magnificent Mile on a 0.6 acre parcel in an area of Chicago known as the Gold Coast. The hotel has easy access to the Chicago “L” train and is located approximately 18 miles from O’Hare International Airport and 13 miles from Midway International Airport.

Operating History. The following table shows certain historical information regarding the Sofitel Chicago Magnificent Mile since 2016:

	Year Ended December 31,				
	2020	2019	2018	2017	2016
Rooms.....	415	415	415	415	415
Occupancy.....	27.9 %	82.4 %	79.2 %	80.9 %	82.4 %
ADR.....	\$ 141.25	\$ 203.34	\$ 216.11	\$ 202.66	\$ 215.89
RevPAR.....	\$ 39.36	\$ 167.46	\$ 171.04	\$ 164.00	\$ 177.93

Selected Financial Information. The following table shows certain selected financial information regarding the Sofitel Chicago Magnificent Mile since 2018 (dollars in thousands):

	Year Ended December 31,		
	2020	2019	2018
Total Revenue.....	\$ 7,882	\$ 34,770	\$ 35,398
Rooms Revenue.....	5,979	25,366	25,909
Hotel EBITDA ⁽¹⁾	(5,388)	7,169	7,663
Hotel EBITDA Margin ⁽¹⁾	(68.4)%	20.6 %	21.6 %

⁽¹⁾ See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures” for a reconciliation of net income (loss) to Hotel EBITDA by property.

Pier House Resort & Spa, Key West, FL

On March 1, 2014, we acquired a fee simple interest in the Pier House Resort & Spa from Ashford Trust pursuant to an option agreement that we entered into in connection with our spin-off from Ashford Trust. The hotel opened in 1968 and is comprised of 142 guest rooms, including 76 king rooms, 43 queen/queen rooms and 23 suites. Approximately \$14.8 million has been spent on capital expenditures since the acquisition of the hotel in May 2013, which included spa, fitness center and guest rooms refresh renovations.

The hotel is located on a six acre parcel in Key West, Florida. In addition to its secluded private beach, the hotel is well situated at the north end of Duval Street providing easy access to the heart of Key West and its many demand generators.

Additional property highlights include:

- *Meeting Space:* Approximately 2,600 square feet of conference space and 2,000 square feet of wedding space overlooking the Gulf of Mexico.
- *Food and Beverage:* The Pier House Resort & Spa provides an al fresco beach bar, the 152 seat One Duval Restaurant as well as the 18 seat Chart Room.
- *Other Amenities:* The hotel has a full service spa, a private beach, a heated outdoor pool and a private dock for charter pick-ups.

Location and Access. The hotel is located on a six acre compound in the historic district of Key West, Florida, on Duval Street, at the Gulf of Mexico. Key West, which is the southernmost point of the Florida peninsula, is 160 miles south of Miami. Key West International Airport is approximately four miles from the property and the Marathon and Miami airports are all within driving distance.

Operating History. The following table shows certain historical information regarding the Pier House Resort & Spa since **2016**:

	Year Ended December 31,				
	2020	2019	2018	2017	2016
Rooms.....	142	142	142	142	142
Occupancy.....	55.4 %	82.1 %	81.0 %	77.1 %	87.9 %
ADR.....	\$ 425.89	\$ 451.84	\$ 431.67	\$ 430.59	\$ 410.79
RevPAR.....	\$ 235.99	\$ 371.12	\$ 349.64	\$ 331.87	\$ 361.08

Selected Financial Information. The following table shows certain selected financial information regarding the Pier House Resort & Spa since **2018** (dollars in thousands):

	Year Ended December 31,		
	2020	2019	2018
Total Revenue.....	\$ 15,753	\$ 25,056	\$ 23,609
Rooms Revenue.....	12,265	19,235	18,122
Hotel EBITDA ⁽¹⁾	6,707	11,700	10,907
EBITDA Margin ⁽¹⁾	42.6 %	46.7 %	46.2 %

⁽¹⁾ See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures” for a reconciliation of net income (loss) to Hotel EBITDA by property.

Bardessono Hotel and Spa, Yountville, CA

On July 9, 2015, we acquired a 100% leasehold interest in the Bardessono Hotel and Spa in Yountville, California, which is subject to a ground lease that initially expires in 2065, with two 25-year extension options. The Bardessono Hotel and Spa was built in 2009 and has 65 luxurious rooms and suites. Built and operated with a primary focus on green practices, the hotel is one of two LEED Platinum certified hotels in California and one of five LEED Platinum certified hotels in the U.S. In 2016 the meeting space was renovated. In 2019 we completed construction of a 3,705 square foot Maple Grove Villa, which consists of three large suites, each of which boasts a distinctive great room, stately king bedroom, spa bathroom, courtyard and plunge pool. Approximately \$9.2 million has been spent on capital expenditures since the acquisition of the hotel in July 2015.

The hotel is located in Yountville, California and enjoys a central location in the heart of Napa Valley. It offers exceptional amenities, including large, well-appointed guest rooms and suites with private patios/balconies. Guest rooms have fireplaces and oversized bathrooms, many featuring steam showers and a second shower located outdoors in a private garden.

Additional property highlights include:

- *Meeting Space:* Approximately 2,100 square feet of indoor and outdoor meeting space.
- *Food and Beverage:* The Bardessono Hotel and Spa offers the acclaimed 84 seat Lucy restaurant and bar.
- *Other Amenities:* The hotel offers an on-site spa and a fitness center. Outdoor amenities include a rooftop pool and a vegetable garden. Carbon fiber bicycles and five Lexus vehicles are available for guest use.

Location and Access. The hotel is approximately 60 miles north of San Francisco, approximately 68 miles from the San Francisco International Airport and approximately 60 miles from the Oakland International Airport. The hotel is located within the town of Yountville, offering numerous retail and restaurant establishments including the famed French Laundry. Yountville is in the heart of the Napa Valley, a premier wine and culinary destination with over 450 wineries. In addition to the valley’s traditional wine and dining attractions, the region is also known as a popular leisure destination for hiking, biking, golfing, shopping and festivals.

Operating History. The following table shows certain historical information regarding the Bardessono Hotel and Spa since 2016:

	Year Ended December 31,				
	2020	2019	2018	2017	2016
Rooms.....	65	65	62	62	62
Occupancy.....	40.3 %	75.1 %	76.8 %	77.0 %	84.4 %
ADR.....	\$ 778.43	\$ 792.41	\$ 796.93	\$ 770.19	\$ 733.66
RevPAR.....	\$ 313.89	\$ 595.19	\$ 611.84	\$ 592.77	\$ 619.02

Selected Financial Information. The following table shows certain selected financial information regarding the Bardessono Hotel and Spa since 2018 (dollars in thousands):

	Year Ended December 31,		
	2020	2019	2018
Total Revenue.....	\$ 9,921	\$ 19,060	\$ 19,693
Rooms Revenue.....	7,467	13,633	13,846
Hotel EBITDA ⁽¹⁾	1,018	5,610	6,464
EBITDA Margin ⁽¹⁾	10.3 %	29.4 %	32.8 %

⁽¹⁾ See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures” for a reconciliation of net income (loss) to Hotel EBITDA by property.

The Ritz-Carlton, St. Thomas, U.S. Virgin Islands

On December 15, 2015, we acquired a 100% interest in The Ritz-Carlton St. Thomas on the island of St. Thomas, U.S. Virgin Islands. The Ritz-Carlton St. Thomas opened in 1996 and has 155 luxurious guest rooms and 25 suites all featuring a spacious private balcony with ocean or resort views. Approximately \$109.7 million has been spent on capital expenditures since the acquisition of the hotel in December 2015. Capital investment has recently been focused on remediation and reconstruction effort due to damage sustained after Hurricane Irma. The hotel operated as a 59 room Marriott-affiliated non-branded hotel for the majority of 2019 and re-opened as a full service Ritz-Carlton resort in late November 2019.

Additional property highlights include:

- *Meeting Space:* The property has more than 10,000 square feet of indoor and outdoor meeting and function space offering stunning views of Great Bay and neighboring St. John.
- *Food and Beverage:* The property features (i) the 163 seat Bleuwater Restaurant; (ii) Alloro, a 100 seat Italian restaurant; (iii) Sails, a 155 seat beachside restaurant and bar; (iv) Coconut Cove, a second beachside 118 seat restaurant, on the grounds of the adjacent Ritz-Carlton Destination Club. A new fresh service market, Southwind, opened in 2020, serving coffee, sandwiches, ice cream and other light fare.
- *Other Amenities:* The resort offers a beachfront infinity-edge pool as well as a children’s pool and hot tub, a 7,500 square foot full-service award-winning spa and a 2,000 square foot fitness center. The resort also offers the Ritz Kids Club.

Location and Access. The hotel is located on 30 oceanfront acres along Great Bay, St. Thomas, U.S. Virgin Islands. It is 1.6 miles from Urman Victor Fredericks Marine Terminal in Red Hook and 11 miles from Cyril E. King Airport.

Operating History. The following table shows certain historical information regarding The Ritz-Carlton St. Thomas since **2016**:

	Year Ended December 31,				
	2020	2019	2018	2017	2016
Rooms.....	180	180	180	180	180
Occupancy.....	38.9 %	48.6 %	79.2 %	79.9 %	78.5 %
ADR.....	\$ 665.20	\$ 616.91	\$ 283.22	\$ 553.27	\$ 537.75
RevPAR.....	\$ 258.43	\$ 299.87	\$ 224.31	\$ 442.26	\$ 421.90

Selected Financial Information. The following table shows certain selected financial information regarding The Ritz-Carlton St. Thomas since **2018** (dollars in thousands):

	Year Ended December 31,		
	2020	2019	2018
Total Revenue.....	\$ 31,595	\$ 26,122	\$ 21,634
Rooms Revenue.....	16,771	3,295	6,604
Hotel EBITDA ⁽¹⁾	4,624	11,399	10,291
EBITDA Margin ⁽¹⁾	14.6 %	43.6 %	47.6 %

⁽¹⁾ See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures” for a reconciliation of net income (loss) to Hotel EBITDA by property.

The Park Hyatt Beaver Creek Resort & Spa, Beaver Creek, CO

On March 31, 2017, we acquired a 100% interest in the 190-room Park Hyatt Beaver Creek Resort & Spa in Beaver Creek, Colorado. Located in the heart of Beaver Creek Village, approximately 100 miles west of Denver, it is located in one of the most exclusive resort destinations in North America. The Park Hyatt Beaver Creek Resort & Spa is an integral part of the Beaver Creek Village as the only full service hotel with direct ski in/ski out access. The Park Hyatt Beaver Creek Resort & Spa was built in 1989 and has 190 luxurious and spacious rooms, including 81 king rooms, 66 double/double rooms, 20 double/queen rooms, one suite parlor and 22 suites. The hotel underwent a full lobby renovation in 2019, which included a new lobby bar and the addition of an epicurean market. Approximately \$10.1 million has been spent on capital expenditures since the acquisition of the hotel in March 2017.

Additional property highlights include:

- *Meeting Space:* The property has over 20,000 square feet of flexible indoor and outdoor event space and is home to the largest ballroom in Vail Valley.
- *Food and Beverage:* The property has five food and beverage outlets, including the world-class 8100 Mountainside Bar & Grill, the Brass Bear Bar, the Café, the Fall Line epicurean market and Powder 8 Kitchen & Tap, serving the Beaver Creek community and hotel guests during the ski season.
- *Other Amenities:* The resort offers an array of amenities, including the award-winning 30,000 square foot Exhale Spa, a heated outdoor pool and five outdoor hot tubs beneath a mountain waterfall, 24-hour state-of-the-art fitness club, ski valet service, outdoor fire pits and guest access to two private championship golf courses and the Beaver Creek Tennis Center. The Property also features over 18,800 square feet of fully leased, highly visible retail space in the heart of Beaver Creek.

Location and Access. Located in the heart of Beaver Creek Village, Colorado, the Park Hyatt Beaver Creek Resort & Spa is positioned as the leading resort in one of North America’s most renowned luxury resort destinations. Beyond the world-class hotel, guests have easy access to Beaver Creek’s famous amenities, including exceptional dining and luxury boutique shopping, the 535-seat Vilar Performing Arts Center where festivals and large event are held and an outdoor ice skating rink. While the Vail Valley is home to some of the top ski areas in the world and is a well-known winter destination, it has become very popular as a summer destination due to its proximity to diverse leisure activities, including hiking, biking, horseback riding, white water rafting, fishing, golfing, and festivals.

Operating History. The following table shows certain historical information regarding the Park Hyatt Beaver Creek Resort & Spa since **2016**:

	Year Ended December 31,			Year Ended December 31, 2017 (combined)	Period from March 31, 2017 through December 31, 2017	Period from January 1, 2017 through March 30, 2017	Year Ended December 31, 2016
	2020	2019	2018				
Rooms.....	190	190	190	190	190	190	190
Occupancy.....	33.9 %	59.1 %	61.7 %	61.3 %	53.9 %	83.7 %	62.0 %
ADR.....	\$ 544.68	\$ 444.54	\$ 428.59	\$ 441.98	\$ 310.52	\$ 700.74	\$ 435.33
RevPAR.....	\$ 184.75	\$ 262.57	\$ 264.59	\$ 270.90	\$ 167.51	\$ 586.82	\$ 270.02

Selected Financial Information. The following table shows certain selected financial information regarding the Park Hyatt Beaver Creek Resort & Spa since **2018** (dollars in thousands):

	Year Ended December 31,		
	2020	2019	2018
Total Revenue.....	\$ 25,554	\$ 40,688	\$ 40,292
Rooms Revenue.....	12,847	18,209	18,349
Hotel EBITDA ⁽¹⁾	4,977	10,142	9,238
EBITDA Margin ⁽¹⁾	19.5 %	24.9 %	22.9 %

⁽¹⁾ See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures” for a reconciliation of net income (loss) to Hotel EBITDA by property.

The hotel operating results for the period from March 31, 2017 through December 31, 2017, represent the operating results since the acquisition of the hotel on March 31, 2017. The hotel operating results for the period from January 1, 2017 through March 30, 2017 and for the year ended December 31, 2016 represent periods before our ownership and were obtained from the prior owner. The Company performed a limited review of the information as part of its analysis of the acquisition. The financial statements as of and for the year ended December 31, 2016 were audited and included in an amendment to our Current Report on Form 8-K filed on June 13, 2017. No financial statements were prepared, audited or reviewed for the period from January 1, 2017 through March 30, 2017.

Hotel Yountville, Yountville, CA

On May 11, 2017, we acquired a 100% interest in the 80-room Hotel Yountville in Yountville, California. The Hotel Yountville was originally built in 1998 and, in 2011, underwent an extensive expansion and renovation that upgraded all guest rooms, adding 29 new guest rooms, and added a restaurant, spa, meeting and event space, an outdoor pool, and lounge patio. Currently, the property has 80 luxury rooms consisting of 62 king rooms, eight double/queen rooms and 10 suites. We are in the early stages of planning a rooms renovation which is expected to occur in 2021. Approximately \$2.2 million has been spent on capital expenditures since the acquisition of the hotel in May 2017.

Additional property highlights include:

- *Meeting Space:* The property has approximately 1,200 square feet of indoor and 1,500 square feet of outdoor meeting space.
- *Food and Beverage:* The property has the acclaimed 46-seat Heritage Oak restaurant and bar, in-room dining service and complimentary wine tastings.
- *Other Amenities:* The property offers well-appointed guest rooms and suites with private patios/balconies and a 6,500 square foot on-site spa. Its outdoor amenities are notable as well, including a resort-style outdoor heated pool and lounge, landscaping and water features, and the availability of complimentary bicycles for guest use.

Location and Access. Located in the heart of Yountville, CA, the Hotel Yountville is approximately 60 miles north of San Francisco and enjoys a central location in the heart of the Napa Valley, widely acclaimed as the continent’s premier wine and culinary destination with over 450 wineries. Known as the “Culinary Capital of the Napa Valley,” Yountville boasts an array of restaurants by famed chefs, earning more Michelin stars per capita than any other place in North America. In addition to the

valley’s traditional wine and dining attractions, the region is also known as a popular leisure destination for hiking, biking, golfing, shopping and festivals.

Operating History. The following table shows certain historical information regarding the Hotel Yountville since **2016**:

	Year Ended December 31,			Year Ended December 31, 2017 (combined)	Period from May 11, 2017 through December 31, 2017	Period from January 1, 2017 through May 10, 2017	Year Ended December 31, 2016
	2020	2019	2018				
Rooms.....	80	80	80	80	80	80	80
Occupancy.....	29.5 %	73.9 %	74.7 %	73.1 %	71.8 %	75.5%	86.4 %
ADR.....	\$ 526.17	\$ 558.52	\$ 558.38	\$ 543.95	\$ 603.21	\$ 442.11	\$ 541.31
RevPAR.....	\$ 155.01	\$ 412.82	\$ 417.08	\$ 397.69	\$ 433.00	\$ 333.88	\$ 467.82

Selected Financial Information. The following table shows certain selected financial information regarding the Hotel Yountville since **2018** (dollars in thousands):

	Year Ended December 31,		
	2020	2019	2018
Total Revenue.....	\$ 5,751	\$ 15,305	\$ 15,570
Rooms Revenue.....	4,539	12,054	12,179
Hotel EBITDA ⁽¹⁾	(86)	6,202	6,418
EBITDA Margin ⁽¹⁾	(1.5)%	40.5 %	41.2 %

⁽¹⁾ See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures” for a reconciliation of net income (loss) to Hotel EBITDA by property.

The hotel operating results for the period from May 11, 2017 through December 31, 2017, represent the operating results since the acquisition of the hotel on May 11, 2017. The hotel operating results for the period from January 1, 2017 through May 10, 2017 and for the year ended December 31, 2016 represent periods before our ownership and were obtained from the prior owner. The Company performed a limited review of the information as part of its analysis of the acquisition. The financial statements as of and for the year ended September 30, 2016 were audited and as of and for the three months ended December 31, 2016 were reviewed and included in an amendment to our Current Report on Form 8-K filed on July 17, 2017. No financial statements were prepared, audited or reviewed for the period from January 1, 2017 through May 10, 2017.

The Ritz-Carlton, Sarasota, FL

On April 4, 2018, we acquired a 100% interest in the 266-room Ritz-Carlton Sarasota in Sarasota, Florida for \$171.4 million and a 22-acre plot of vacant land for \$9.7 million. Approximately \$8.4 million has been spent on capital expenditures since the acquisition of the hotel in April 2018.

The Ritz-Carlton Sarasota was built in 2001 and has 266 luxurious and spacious rooms, including 31 suites. The resort also offers an array of amenities, including a 26,000 square foot Beach Club with 410 feet of beachfront, a private, luxury Tom Fazio designed Golf Club, the award-winning 15,000 square foot Ritz-Carlton Spa, eight food and beverage outlets, including the acclaimed Jack Dusty waterfront restaurant, 29,000 square feet of flexible indoor meeting space, two outdoor pools, 24-hour state-of-the-art fitness club and lighted tennis courts.

Additional property highlights include:

- *Meeting Space:* The property has a 26,000-square-foot conference center, outdoor venues for up to 1,200 guests as well venues overlooking the Gulf of Mexico.
- *Food and Beverage:* The property features four different restaurants - including the nautically inspired Jack Dusty and Ridley’s Porch, the relaxed beachfront Lido key Tiki Bar as well as the Golf Club Grille overlooking the entire golf course.
- *Other Amenities:* The property offers 266 guest rooms with private balconies, a serene private beach club on Lido Key, 18 holes of championship golf and a luxurious spa.

Location and Access. Located on Sarasota Bay in downtown Sarasota, the property, with its premier location, luxury brand affiliation and world-class amenities, is positioned as the leading resort in one of country’s fastest growing markets. Sarasota, located approximately 60 miles south of Tampa, is a popular and growing upscale, year-round destination on the west coast of Florida. Beyond the first-class hotel experience, guests have easy access to the Sarasota area’s many amenities and activities, including exceptional dining and shops, art galleries, beaches, museums, boating, fishing, and golfing.

Operating History. The following table shows certain historical information regarding The Ritz-Carlton Sarasota since 2017:

	<u>Year Ended December 31,</u>		<u>Year Ended December 31, 2018 (combined)</u>	<u>Period from April 4, 2018 through December 31, 2018</u>	<u>Period from January 1, 2018 through April 3, 2018</u>	<u>Year Ended December 31, 2017</u>
	<u>2020</u>	<u>2019</u>				
Rooms.....	266	266	266	266	266	266
Occupancy.....	54.0 %	73.4 %	73.4 %	71.5 %	78.9 %	78.1 %
ADR.....	\$ 410.53	\$ 391.92	\$ 375.23	\$ 334.02	\$ 484.46	\$ 364.04
RevPAR.....	\$ 221.49	\$ 287.68	\$ 275.25	\$ 238.74	\$ 382.06	\$ 284.38

Selected Financial Information. The following table shows certain selected financial information regarding The Ritz-Carlton Sarasota since 2018 (dollars in thousands):

	<u>Year Ended December 31,</u>		<u>Year Ended December 31, 2018 (combined)</u>	<u>Period from April 4, 2018 through December 31, 2018</u>	<u>Period from January 1, 2018 through April 3, 2018</u>
	<u>2020</u>	<u>2019</u>			
Total Revenue.....	\$ 49,531	\$ 65,524	\$ 62,305	\$ 42,232	\$ 20,073
Rooms Revenue.....	21,564	27,931	26,724	17,273	9,451
Hotel EBITDA ⁽¹⁾	11,502	13,626	12,709	7,142	5,567
EBITDA Margin ⁽¹⁾ ..	23.2 %	20.8 %	20.4 %	16.9 %	27.7 %

⁽¹⁾ See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures” for a reconciliation of net income (loss) to Hotel EBITDA by property.

The hotel operating results for the period from April 4, 2018 through December 31, 2018, represent the operating results since the acquisition of the hotel on April 4, 2018. The hotel operating results for the period from January 1, 2018 through April 3, 2018 and for the year ended December 31, 2017 represent periods before our ownership and were obtained from the prior owner. The Company performed a limited review of the information as part of its analysis of the acquisition. The financial statements as of and for the year ended December 31, 2017 were audited and included in an amendment to our Current Report on Form 8-K filed on June 20, 2018. No financial statements were prepared, audited or reviewed for the period from January 1, 2018 through April 3, 2018.

The Ritz-Carlton, Lake Tahoe, CA

On January 15, 2019, we acquired a 100% interest in the 170-room Ritz-Carlton Lake Tahoe located in Truckee, California for \$120.0 million. Approximately \$2.8 million has been spent on capital expenditures since the acquisition of the hotel in January 2019.

The Ritz-Carlton Lake Tahoe was built in 2009 and has 170 luxurious and spacious rooms, including 17 suites. The resort also offers an array of amenities, including ski-in/ski-out access to Northstar Ski Mountain, an ultra-luxury Lake Club on the shore of Lake Tahoe, a 17,000 square foot full-service spa, six food and beverage outlets, including the acclaimed Manzanita restaurant, over 37,000 square feet of flexible indoor/outdoor meeting space, two outdoor pools, state-of-the-art fitness club and yoga studio, and the Ritz Kids Club.

Additional property highlights include:

- *Meeting Space:* The property has over 37,000 square feet of meeting space including 15,000 square feet of outdoor event space with the dramatic fireside terrace, two elegant ballrooms and the waterfront Lake Club, a multi-level venue for intimate events.

- *Food and Beverage:* The property features six food and beverage outlets including the extraordinary North Lake Tahoe dining in Manzanita featuring artfully crafted cuisine and Backyard Bar and BBQ featuring St. Louis style BBQ favorites.
- *Other Amenities:* The property offers 170 luxurious guest rooms and suites with in-room gas fire places and floor-to-ceiling windows, a 17,000 square foot slope-side spa with treatments themed around nature and the Ritz Kids children’s program.

Location and Access. Located in the North Lake Tahoe area, the property is situated mid-mountain at the Northstar Ski Area. With its premier location, luxury brand affiliation and world-class amenities, The Ritz-Carlton Lake Tahoe is positioned as the leading resort in one of the country’s most popular tourist destinations. North Lake Tahoe, located approximately 45 minutes from Reno, Nevada and two hours from Sacramento, is a popular and growing upscale, year-round tourist destination. Beyond the first-class hotel experience, guests have easy access to the Lake Tahoe area’s many amenities and activities, including world-class skiing and winter sports, boating, fishing, hiking, golfing, as well as exceptional dining and shops.

Operating History. The following table shows certain historical information regarding The Ritz-Carlton Lake Tahoe since 2018:

	Year Ended December 31, 2020		Year Ended December 31, 2019 (combined)		Period from January 15, 2019 through December 31, 2019		Period from January 1, 2019 through January 14, 2019		Year Ended December 31, 2018 (unaudited)	
Rooms.....	170		170		170		170		170	
Occupancy.....	43.7 %		67.8 %		67.4 %		77.5 %		66.6 %	
ADR.....	\$	553.44	\$	572.58	\$	556.11	\$	931.53	\$	512.66
RevPAR.....	\$	241.72	\$	388.09	\$	374.76	\$	722.13	\$	341.64

The above information does not include the operations of ten condominium units not owned by The Ritz-Carlton Lake Tahoe.

Selected Financial Information. The following table shows certain selected financial information regarding The Ritz-Carlton Lake Tahoe since 2018 (dollars in thousands):

	Year Ended December 31, 2020		Year Ended December 31, 2019 (combined)		Period from January 15, 2019 through December 31, 2019		Period from January 1, 2019 through January 14, 2019		Year Ended December 31, 2018 (unaudited)	
Total Revenue.....	\$	27,237	\$	46,172	\$	43,274	\$	2,898	\$	40,434
Rooms Revenue ⁽¹⁾		15,040		24,081		22,362		1,719		21,199
Hotel EBITDA ⁽²⁾		1,867		9,007		8,175		832		8,021
EBITDA Margin ⁽²⁾ ...		6.9 %		19.5 %		18.9 %		28.7 %		19.8 %

⁽¹⁾ Rooms revenue does not include the operations of ten condominium units not owned by The Ritz-Carlton Lake Tahoe.

⁽²⁾ See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures” for a reconciliation of net income (loss) to Hotel EBITDA by property.

The hotel operating results for the year ended December 31, 2018, represent the period before our ownership and were obtained from the prior owner. The Company performed a limited review of the information as part of its analysis of the acquisition. No financial statements were prepared, audited or reviewed for the year ended December 31, 2018 and the period from January 1, 2019 through January 14, 2019.

Asset Management

The senior management team, provided to us by Ashford LLC, facilitated all asset management services for our hotel properties prior to our spin-off from Ashford Trust and continues to do so, including for the properties we acquired after the spin-off. The team of professionals provided by Ashford LLC proactively works with our third-party hotel management companies and Remington Hotels to attempt to maximize profitability at each of our hotel properties. The asset management team monitors the performance of our hotel properties on a daily basis and holds frequent ownership meetings with personnel at the hotel properties and key executives with the brands and management companies. The asset management team works closely with our third-party hotel management companies and Remington Hotels on key aspects of each hotel’s operation, including,

among others, revenue management, market positioning, cost structure, capital and operational budgeting as well as the identification of return on investment initiatives and overall business strategy. In addition, we retain approval rights on key staffing positions at many of our hotel properties, such as the hotel’s general manager and director of sales. We believe that our strong asset management process helps to ensure that each hotel is being operated to our and our hotel management companies’ stated standards, that our hotel properties are being adequately maintained in order to preserve the value of the asset and the safety of the hotel to customers, and that our hotel management companies are maximizing revenue and enhancing operating margins. See “Certain Agreements—The Advisory Agreement.”

Hotel Management

As a result of Ashford Inc.’s November 2019 acquisition of the hotel management business from Remington Lodging, Ashford Inc. also provides us with hotel management services through Remington Hotels, including hotel operations, sales and marketing, revenue management, budget oversight, guest service, asset maintenance (not involving capital expenditures) and related services. See “Certain Agreements-Hotel Management Agreement.”

Project Management

As a result of Ashford Inc.’s August 2018 acquisition of Premier from affiliates of Remington Lodging, Ashford Inc. also provides us with project management services through Premier, including construction management, interior design, architectural oversight, and the purchasing, expediting, warehousing coordination, freight management and supervision of installation of FF&E, and related services. See “Certain Agreements—Premier Master Project Management Agreement.”

Third-Party Agreements

Hotel Management Agreements. Ten of our hotel properties are operated pursuant to a hotel management agreement with one of four brand hotel management companies and three of our hotel properties are operated pursuant to a hotel management agreement with Remington Hotels, a hotel management company acquired by Ashford Inc. on November 6, 2019, from Mr. Monty J. Bennett, chairman of our board of directors and chairman, chief executive officer and a significant stockholder of Ashford Inc., and Mr. Archie Bennett, Jr., chairman emeritus of Ashford Trust. Each hotel management company receives a base management fee and is also eligible to receive an incentive management fee if hotel operating income, as defined in the respective management agreement, exceeds certain thresholds. The incentive management fee is generally calculated as a percentage of hotel operating income after we have received a priority return on our investment in the hotel. See “Certain Agreements—Hotel Management Agreements.”

Franchise Agreements. None of our hotel properties operate under franchise agreements. The hotel management agreements with Marriott (or its affiliates), Hilton (or its affiliates), Hyatt or Accor allow ten of our hotel properties to operate under the Marriott, Autograph Collection, The Ritz-Carlton, Hilton, Park Hyatt or Sofitel brand names, as applicable, and provide benefits typically associated with franchise agreements and licenses, including, among others, the use of the Marriott, Hilton, Hyatt or Accor, as applicable, reservation system and guest loyalty and reward program. Any intellectual property and trademarks of Marriott (or its affiliates), Hilton (or its affiliates), Hyatt (or its affiliates) or Accor (or its affiliates), as applicable, are exclusively owned and controlled by the applicable manager or an affiliate of such manager which grants the manager rights to use such intellectual property or trademarks with respect to the applicable hotel.

Licensing Agreement. The Ritz-Carlton St. Thomas is subject to a License and Royalty Agreement (the “Royalty Agreement”) which allows us to use The Ritz-Carlton brand for 50 years, subject to automatic renewal for two 10-year periods, unless the brand management company notifies us of election not to renew at least one year before the end of the initial term or the then-current renewal term. The Royalty Agreement is coterminous with the management agreement. In connection with our ability to use The Ritz-Carlton brand, we are obligated to pay a royalty fee of 2.6% of gross revenues and an incentive royalty of 20% of operating profit in excess of owner’s priority.

Our Financing Strategy

As of December 31, 2020, our indebtedness was approximately \$1.1 billion, with a weighted average interest rate of 2.53% per annum. As of December 31, 2020, 100.0% of our debt is variable rate debt with a weighted average interest rate of LIBOR plus 2.44%. We intend to continue to use variable-rate debt or a mix of fixed and variable-rate debt as we see fit, and we may, if appropriate, enter into interest rate hedges.

We intend to finance our long-term growth and liquidity needs with operating cash flow, equity issuances of both common and preferred stock, joint ventures, a revolving line of credit and secured and unsecured debt financings having staggered

maturities. We target leverage of 45% net debt to gross assets. We may also issue common units or other interests in our operating partnership to acquire properties from sellers who seek a tax-deferred transaction. We may also from time to time receive additional capital from our advisor pursuant to the Enhanced Return Funding Program (the “ERFP Agreement”). See “Certain Agreements—ERFP Agreement.”

We may utilize Lismore Capital II LLC (“Lismore”), a subsidiary of Ashford Inc. and its affiliates, to provide debt placement and related services, which otherwise would be provided by third parties, for debt financings. The services provided by Lismore include access to their deep industry contacts to achieve competitive terms in the market, due diligence support and assistance in completing the financing transaction.

We may use the proceeds from any borrowings for working capital, consistent with industry practice, to:

- purchase interests in partnerships or joint ventures;
- finance the origination or purchase of debt investments; or
- finance acquisitions, expand, redevelop or improve existing properties, or develop new properties or other uses.

Certain Agreements

The Advisory Agreement

We are advised by Ashford LLC, a subsidiary of Ashford Inc., pursuant to the Fifth Amended and Restated Advisory Agreement, dated as of April 18, 2018, as amended on January 15, 2019, among us, Braemar OP, Braemar TRS, Ashford Inc. and Ashford LLC. Pursuant to our advisory agreement, Ashford LLC acts as our advisor, responsible for implementing our investment strategies and decisions and the management of our day-to-day operations, subject to the supervision and oversight of our board of directors. We rely on Ashford LLC to provide, or obtain on our behalf, the personnel and services necessary for us to conduct our business, and we have no employees of our own. All of our officers are also employees of Ashford LLC.

Pursuant to the terms of our advisory agreement, Ashford LLC and its affiliates provide us with our management team, along with appropriate support personnel as Ashford LLC deems reasonably necessary. Ashford LLC and its affiliates are not obligated to dedicate any of their respective employees exclusively to us, nor are Ashford LLC, its affiliates or any of their employees obligated to dedicate any specific portion of its or their time to our business except as necessary to perform the service required of them in their capacity as our advisor. Ashford LLC is at all times subject to the supervision and oversight of our board of directors. So long as Ashford LLC is our advisor, our governing documents require us to include two persons designated by Ashford LLC as candidates for election as director at any stockholder meeting at which directors are to be elected. Such nominees may be executive officers of our advisor. If the size of our board of directors is increased at any time to more than seven directors, Ashford LLC’s right to nominate shall be increased by such number of directors as shall be necessary to maintain the ratio of directors nominated by Ashford LLC to the directors otherwise nominated, as nearly as possible (rounding to the next larger whole number), equal to the ratio that would have existed if our board of directors consisted of seven members. The advisory agreement requires Ashford LLC to manage our business affairs in conformity with the policies and the guidelines that are approved and monitored by our board of directors. Additionally, Ashford LLC must refrain from taking any action that would (a) adversely affect our status as a REIT, (b) subject us to regulation under the Investment Company Act of 1940, as amended, (c) knowingly and intentionally violate any law, rule or regulation of any governmental body or agency having jurisdiction over us, (d) violate any of the rules or regulations of any exchange on which our securities are listed or (e) violate our charter, bylaws or resolutions of our board of directors, all as in effect from time to time.

Duties of Ashford LLC. Subject to the supervision of our board of directors, Ashford LLC is responsible for our day-to-day operations, including all of our subsidiaries and joint ventures, and shall perform (or cause to be performed) all services necessary to operate our business as outlined in the advisory agreement. Those services include sourcing and evaluating hotel acquisition and disposition opportunities, asset managing the hotel properties in our portfolio and overseeing the hotel managers, handling all of our accounting, treasury and financial reporting requirements, and negotiating terms of loan documents for our debt financings, as well as other duties and services outlined in the advisory agreement.

Any increase in the scope of duties or services to be provided by Ashford LLC must be jointly approved by us and Ashford LLC and will be subject to additional compensation as outlined in the advisory agreement.

Ashford LLC is our sole and exclusive provider of asset management, project management and certain other services offered by Ashford Inc. and its subsidiaries.

Ashford LLC also has the power to delegate all or any part of its rights and powers to manage and control our business and affairs to such officers, employees, affiliates, agents and representatives of Ashford LLC or our company as it may deem appropriate. Any authority delegated by Ashford LLC to any other person is subject to the limitations on the rights and powers of our advisor specifically set forth in the advisory agreement or our charter.

Ashford LLC also acknowledges receipt of our code of business conduct and ethics, code of conduct for the chief executive officer, chief financial officer and chief accounting officer and policy on insider trading and agrees to require its employees who provide services to us to comply with the codes and the policy.

Limitations on Liability and Indemnification. The advisory agreement provides that Ashford LLC has no responsibility other than to render the services and take the actions described in the advisory agreement in good faith and with the exercise of due care and will not be responsible for any action our board of directors takes in following or declining to follow any of Ashford LLC's advice or recommendations. The advisory agreement provides that Ashford LLC (including its officers, directors, managers, employees and members) will not be liable for any act or omission by it (or them) performed in accordance with and pursuant to the advisory agreement, except by reason of acts constituting gross negligence, bad faith, willful misconduct or reckless disregard of duties under the advisory agreement.

We have agreed to indemnify and hold harmless Ashford LLC (including its partners, directors, officers, stockholders, managers, members, agents, employees and each other person or entity, if any, controlling Ashford LLC) to the full extent lawful, from and against any and all losses, claims, damages or liabilities of any nature whatsoever with respect to or arising from Ashford LLC's acts or omission (including ordinary negligence) in its capacity as such, except with respect to losses, claims, damages or liabilities with respect to or arising out of Ashford LLC's gross negligence, bad faith or willful misconduct, or reckless disregard of its duties under the advisory agreement (for which Ashford LLC will indemnify us).

Term and Termination. The initial term of our advisory agreement shall expire on January 24, 2027, with up to seven successive additional ten-year terms upon Ashford LLC's written notice to us not less than 210 days prior to the expiration of the then-current term of Ashford LLC's election to extend the term of our advisory agreement.

We may terminate the advisory agreement at any time, including during the 10-year initial term, without the payment of a termination fee under the following circumstances:

- immediately upon providing written notice to Ashford LLC, following its conviction (including a plea or nolo contendere) of a felony;
- immediately upon providing written notice to Ashford LLC, if it commits an act of fraud against us, misappropriates our funds or acts in a manner constituting willful misconduct, gross negligence or reckless disregard in the performance of its material duties under the advisory agreement (including a failure to act); provided, however, that if any such actions or omissions are caused by an employee and/or an officer of Ashford LLC (or an affiliate of Ashford LLC) and Ashford LLC takes all reasonable necessary and appropriate action against such person and cures the damage caused by such actions or omissions within 45 days of Ashford LLC's actual knowledge of its commission or omission, we will not have the right to terminate the advisory agreement;
- immediately, upon the commencement of an action for dissolution of our advisor; or
- (i) upon the entry by a court of competent jurisdiction of a final non-appealable order awarding monetary damages to us based on a finding that our advisor committed a material breach or default of a material term, condition, obligation or covenant of the advisory agreement, which breach or default had a material adverse effect on us, but only where our advisor fails to pay the monetary damages in full within 60 days of the date when the monetary judgment becomes final and non-appealable; provided, however, that if our advisor notified us that our advisor is unable to pay any judgment for monetary damages in full within 60 days of when the judgment becomes final and non-appealable, we may not terminate the advisory agreement if, within the 60-day period, our advisor delivers a promissory note to us having a principal amount equal to the unpaid balance of the judgment and bearing interest at 8.00% per annum, which note shall mature on the 12 month anniversary of the date that the judgment becomes final and non-appealable; and (ii) upon no less than 60 days' written notice to our advisor, prior to initiating any proceeding claiming a material breach or default by our advisor, of the nature of the default or breach and providing our advisor with an opportunity to cure the default or breach, or if the default or breach is not reasonably susceptible to cure within 60 days, an additional cure period as is reasonably necessary to cure the default or breach so long as our advisor is diligently and in good faith pursuing the cure.

Either party may also terminate the advisory agreement, with the payment of a termination fee, upon the occurrence of a change of control of the Company, provided that the party desiring to terminate the advisory agreement shall give written notice to the other party on a date (i) no earlier than the date on which: (1) we enter into a change of control agreement; (2) our board

of directors recommends that our stockholders accept the offer made in a change of control tender; or (3) a voting control event occurs; and (ii) no later than two days after the closing of a transaction contemplated by a change of control agreement, completion of a change of control tender, or occurrence of a voting control event.

In connection with a termination due to a Company change of control event, our advisor may agree, in its sole discretion, to provide transition services agreed to by the parties for a period of up to 30 days.

Fees and Expenses.

- ***Base Fee.*** The total monthly base fee is in an amount equal to 1/12th of the sum of (i) 0.70% of the total market capitalization of our company for the prior month, plus (ii) the Net Asset Fee Adjustment (as defined below), if any, on the last day of the prior month during which our advisory agreement was in effect; provided, however in no event shall the base fee for any month be less than the minimum base fee as provided by our advisory agreement. The base fee is payable on the 5th business day of each month.

“Net Asset Fee Adjustment” shall be equal to (i) the product of the Sold Non-ERFP Asset Amount (as more particularly defined in the advisory agreement, but generally equal to the net sales prices of real property (other than any Enhanced Return Hotel Assets (as defined in the ERFP Agreement)) sold or disposed of after the date of the ERFP Agreement, commencing with and including the first such sale) and 0.70% plus (ii) the product of the Sold ERFP Asset Amount (as more particularly defined in the advisory agreement, but generally equal to the net sales prices of Enhanced Return Hotel Assets sold or disposed of after the date of the ERFP Agreement, commencing with and including the first such sale) and 1.07%.

The minimum base fee for Braemar for each month will be equal to the greater of:

- 90% of the base fee paid for the same month in the prior year; and
- 1/12th of the “G&A Ratio” multiplied by the total market capitalization of Braemar.

The “G&A Ratio” is calculated as the simple average of the ratios of total general and administrative expenses, including any dead deal costs, less any non-cash expenses, paid in the applicable month by each member of a select peer group, divided by the total market capitalization of such peer group member. The peer group for each company may be adjusted from time-to-time by mutual agreement between Ashford LLC and a majority of our independent directors. Each month’s base fee is determined based on prior month results and is payable in cash on the fifth business day of the month for which the fee is applied.

- ***Incentive Fee.*** In each year that (i) our common stock is listed for trading on a national securities exchange for each day of the applicable year; and (ii) our total stockholder return (“TSR”) exceeds the “average TSR of our peer group” we have agreed to pay an incentive fee.

For purposes of this calculation, our TSR means the sum, expressed as a percentage, of (i) the change in our common stock price during the applicable period, plus (ii) the dividend yield paid during the applicable period (determined by dividing dividends paid during the applicable period by our common stock price at the beginning of the applicable period and including the value of any dividends or distributions with respect to common stock not paid in cash valued in the reasonable discretion of our advisor).

The annual incentive fee is calculated as (i) 5% of the amount (expressed as a percentage but in no event greater than 25%) by which our annual TSR exceeds the average TSR for our peer group, multiplied by (ii) the fully diluted equity value of our company at December 31 of the applicable year. To determine the fully diluted equity value, we will assume that all units in our operating partnership, including long-term incentive plan (“LTIP”) units that have achieved economic parity with the common units, if any, have been converted into shares of common stock and that the per share value of each share of our common stock is equal to the closing price of our stock on the last trading day of the year.

The incentive fee, if any, subject to the FCCR Condition (defined below), is payable in arrears in three equal annual installments with the first installment payable on January 15 following the applicable year for which the incentive fee relates and on January 15 of the next two successive years. Notwithstanding the foregoing, upon any termination of the advisory agreement for any reason, any unpaid incentive fee (including any incentive fee installment for the stub period ending on the termination date) will become fully earned and immediately due and payable without regard to the FCCR Condition defined below. Except in the case when the incentive fee is payable on the date of termination of the advisory agreement, up to 50% of the incentive fee may be paid in our common stock or in common units of our operating partnership, at our discretion, with the balance payable in cash unless at the time for payment of the incentive fee, Ashford LLC owns common stock or common units in an amount greater than or equal to three times the

base fee for the preceding four quarters or payment in such securities would cause the advisor to be subject to the provision of the Investment Company Act of 1940, as amended, or payment in such securities would not be legally permissible for any reason, in which case the entire incentive fee will be payable in cash.

Upon the determination of the incentive fee, except in the case of any termination of the advisory agreement in which case the incentive fee for the stub period and all unpaid installments of an incentive fee shall be deemed earned and fully due and payable, each one-third installment of the incentive fee shall not be deemed earned by the advisor or otherwise payable by us unless we, as of the December 31 immediately preceding the due date for the payment of the incentive fee installment, have a FCCR of 0.20x or greater (the "FCCR Condition"). For purposes of this calculation, "FCCR" means our fixed charge coverage ratio, which is the ratio of adjusted EBITDA for the previous four consecutive fiscal quarters to fixed charges, which includes all (i) our and our subsidiaries' interest expense, (ii) our and our subsidiaries' regularly scheduled principal payments, other than balloon or similar principal payments which repay indebtedness in full and payments under cash flow mortgages applied to principal, and (iii) preferred dividends paid by us.

- **Equity Compensation.** To incentivize employees, officers, consultants, non-employee directors, affiliates and representatives of Ashford LLC, or its affiliates, to achieve our goals and business objectives, as established by our board of directors, in addition to the base fee and the incentive fee described above, our board of directors has the authority to make equity awards to Ashford LLC or directly to employees, officers, consultants and non-employee directors of Ashford LLC, or its affiliates, based on our achievement of certain financial and other hurdles established by our board of directors. These annual equity awards are intended to provide an incentive to Ashford LLC and its employees to promote the success of our business. The compensation committee of our board of directors has full discretion regarding the grant of any annual equity awards, and other than the overall limitation on the total number of shares that are authorized to be granted under the 2013 Equity Incentive Plan and the Advisor Equity Incentive Plan, there are no limitations on the amount of these equity awards.
- **Expense Reimbursement.** Ashford LLC is responsible for all wages, salaries, cash bonus payments and benefits related to its employees providing services to us (including any of our officers who are also employees or officers of Ashford LLC), with the exception of any equity compensation that may be awarded by us to the employees of Ashford LLC, or its affiliates, who provide services to us, the provision of certain internal audit, asset management and risk management services and the international office expenses described below. We are responsible to pay or reimburse Ashford LLC monthly for all other costs incurred by it on our behalf or in connection with the performance of its services and duties to us, including, without limitation, tax, legal, accounting advisory, investment banking and other third party professional fees, director fees and insurance (including errors and omissions insurance and any other insurance required pursuant to the terms of the advisory agreement), debt service, taxes, insurance, underwriting, brokerage, reporting, registration, listing fees and charges, travel and entertainment expenses, conference sponsorships, transaction diligence and closing costs, dead deal costs, dividends, office space, the cost of all equity awards or compensation plans established by us, including the value of awards made by us to Ashford LLC's employees, and any other costs which are reasonably necessary for the performance by Ashford LLC, or its affiliates, of its duties and functions. In addition, we pay a pro rata share of Ashford LLC's office overhead and administrative expenses incurred in the performance of its duties and functions under the advisory agreement. There is no specific limitation on the amount of such reimbursements.

In addition to the expenses described above, we are required to reimburse Ashford LLC monthly for our pro rata share (as reasonably agreed to between Ashford LLC and a majority of our independent directors or our audit committee, chairman of our audit committee or lead director) of (i) employment expenses of Ashford LLC's internal audit managers, insurance advisory and other Ashford LLC employees who are actively engaged in providing internal audit services to us, (ii) the reasonable travel and other out-of-pocket expenses of Ashford LLC relating to the activities of its internal audit employees and the reasonable third-party expenses which Ashford LLC incurs in connection with its provision of internal audit services to us and (iii) all reasonable international office expenses, overhead, personnel costs, travel and other costs directly related to Ashford LLC's non-executive personnel who are located internationally or that oversee the operations of international assets or related to our advisor's personnel that source, investigate or provide diligence services in connection with possible acquisitions or investments internationally. Such expenses shall include but are not limited to salary, wage payroll taxes and the cost of employee benefit plans.

- **Additional Services.** If, and to the extent that, we request Ashford LLC to render services on our behalf other than those required to be rendered by it under the advisory agreement, such additional services shall be compensated separately at market rates, as defined in the advisory agreement.

Assignment. Ashford LLC may assign its rights under the agreement without our approval to any affiliate under the control of Ashford Inc.

Relationship with the Advisor. Ashford LLC is a subsidiary of Ashford Inc. and advises us and Ashford Trust. Ashford LLC, its equity holders and employees are permitted to have other advisory clients, which may include other REITs operating in the real estate industry. If we materially revise our initial investment guidelines without the express written consent of Ashford LLC, Ashford LLC will use its best judgment to allocate investment opportunities to us and other entities it advises, taking into account such factors as it deems relevant, in its discretion, subject to any then-existing obligations of Ashford LLC to such other entities. We have agreed that we will not revise our initial investment guidelines to be directly competitive with the investment guidelines of Ashford Trust as of November 19, 2013. The advisory agreement gives us the right to equitable treatment with respect to other clients of Ashford LLC, but does not give us the right to preferential treatment, except that Ashford LLC and Ashford Trust have agreed that, so long as we have not materially changed our initial investment guidelines without the express consent of Ashford LLC, any individual hotel investment opportunities that satisfy our investment focus will be presented to our board of directors, who will have up to 10 business days to accept such opportunity prior to it being available to Ashford Trust or any other entity advised by Ashford LLC.

To minimize conflict between us and Ashford Trust, the advisory agreement requires us to designate an investment focus by targeted RevPAR, segments, markets and other factors or financial metrics. After consultation with Ashford LLC, we may modify or supplement our investment guidelines from time to time by giving written notice to Ashford LLC; however, if we materially change our investment guidelines without the express consent of Ashford LLC, Ashford LLC will use its best judgment to allocate investment opportunities to us and Ashford Trust, taking into account such factors as it deems relevant, in its discretion, subject to any then-existing obligations of Ashford LLC to other entities. In the advisory agreement, we declared our initial investment guidelines to be hotel real estate assets primarily consisting of equity or ownership interests, as well as debt investments when such debt is acquired with the intent of obtaining an equity or ownership interest, in:

- full service hotels and resorts with trailing 12 month average RevPAR or anticipated 12 month average RevPAR of at least twice the then-current U.S. national average RevPAR for all hotels as determined with reference to the most current Smith Travel Research reports, generally in the 20 most populous metropolitan statistical areas, as estimated by the United States Census Bureau and delineated by the U.S. Office of Management and Budget;
- luxury hotels and resorts meeting the RevPAR criteria set forth above and situated in markets that may be generally recognized as resort markets; and
- international hospitality assets predominantly focused in areas that are general destinations or in close proximity to major transportation hubs or business centers, such that the area serves as a significant entry or departure point to a foreign country or region of a foreign country for business or leisure travelers and meet the RevPAR criteria set forth above (after any applicable currency conversion to U.S. dollars).

When determining whether an asset satisfies our investment guidelines, Ashford LLC must make a good faith determination of projected RevPAR, taking into account historical RevPAR as well as such additional considerations as conversions or reposition of assets, capital plans, brand changes and other factors that may reasonably be forecasted to raise RevPAR after stabilization of such initiative.

If we elect to spin-off, carve-out, split-off or otherwise consummate a transfer of a division or subset of assets for the purpose of forming a joint venture, a newly created private platform or a new publicly traded company to hold such division or subset of assets constituting a distinct asset type and/or investment guidelines, we have agreed that any such new entity will be advised by Ashford LLC pursuant to an advisory agreement containing substantially the same material terms set forth in our advisory agreement.

If we desire to engage a third party for services or products (other than services exclusively required to be provided by our hotel managers), Ashford LLC has the exclusive right to provide such services or products at typical market rates provided that we are able to control the award of the applicable contract. Ashford LLC will have at least 20 days after we give notice of the terms and specifications of the products or services that we intend to solicit to provide such services or products at market rates, as determined by reference to fees charged by third-party providers who are not discounting their fees as a result of fees generated from other sources. If a majority of our independent directors determine that Ashford LLC's pricing proposal is not at market rates, we are required to engage a consultant to determine the market rate for the services or products in question. We will be required to pay for the services of the consultant and to engage Ashford LLC at the market rates determined by the consultant if the consultant finds that the proposed pricing of Ashford LLC was at or below market rates. Alternatively, Ashford LLC will pay the consultant's fees and will have the option to provide the services or product at the market rates determined by the consultant should the consultant find that the proposed pricing was above market rates.

To minimize conflicts between us and Ashford LLC on matters arising under the advisory agreement, the Company's Corporate Governance Guidelines provide that any waiver, consent, approval, modification, enforcement matters or elections

which the Company may make pursuant to the terms of the advisory agreement shall be within the exclusive discretion and control of a majority of the independent members of our board of directors (or higher vote thresholds specifically set forth in such agreements). In addition, our board of directors has established a Related Party Transactions Committee comprised solely of independent members of our board of directors to review all related party transactions that involve conflicts. The Related Party Transactions Committee may make recommendations to the independent members of our board of directors (including rejection of any proposed transaction). All related party transactions are approved by either the Related Party Transactions Committee or the independent members of our board of directors.

ERFP Agreement

General. On January 15, 2019, we entered into the ERFP Agreement and Amendment No. 1 to the Fifth Amended and Restated Advisory Agreement with the other parties to our advisory agreement. The independent members of our board of directors and the independent members of the board of directors of Ashford Inc., with the assistance of separate and independent legal counsel, engaged to negotiate the ERFP Agreement on our behalf and on behalf of Ashford Inc., respectively. The ERFP Agreement replaced the “key money investments” previously contemplated by our advisory agreement.

Under the ERFP Agreement, Ashford LLC agreed to provide \$50 million to us in connection with our acquisition of additional hotels recommended by Ashford LLC, with the option to increase the funding commitment to up to \$100 million upon mutual agreement by the parties. Under the ERFP Agreement, Ashford LLC is obligated to provide us with 10% of the acquired hotel’s purchase price in exchange for FF&E at our properties, which is subsequently leased by Ashford LLC to our TRSs on a rent-free basis. As a result of The Ritz-Carlton Lake Tahoe acquisition, we received \$10.3 million from Ashford LLC in the form of future purchases of hotel FF&E at Braemar hotel properties that is leased to us by Ashford LLC rent free.

Under the ERFP Agreement, we must provide reasonable advance notice to Ashford LLC to request ERFP funds in accordance with the ERFP Agreement. The ERFP Agreement requires that Ashford LLC acquire the related FF&E either at the time of the property acquisition or at any time generally within two years of our acquisition of the hotel property.

Conditions to Funding. Ashford LLC has no obligation to provide any enhanced return investment in the event that (i) we or our subsidiaries, as applicable, has materially breached any provision of the advisory agreement (provided that we shall be entitled to cure any such breach prior to the applicable date of required acquisition of FF&E), (ii) any event or condition has occurred or is reasonably likely to occur which would give rise to a right of termination in favor of Ashford LLC under the advisory agreement or the ERFP Agreement, (iii) there would exist, immediately after such proposed enhanced return investment, a Sold ERFP Asset Amount (as defined in the ERFP Agreement, but generally equal to the net sales prices of Enhanced Return Hotel Assets sold or disposed of after the date of the ERFP Agreement, commencing with and including the first such sale), or (iv) (a) Ashford LLC’s Unrestricted Cash Balance (as defined below) is, after taking into account the cash amount anticipated to be required for the proposed enhanced return investment, less than fifteen million dollars (\$15,000,000) (the “Cash Threshold”) as of one week after the date that Braemar OP requires that Ashford LLC commit to fund an enhanced return investment with respect to an Enhanced Return Hotel Asset or (b) Ashford LLC reasonably expects, in light of its then-anticipated contractual funding commitments (including amounts committed pursuant to the ERFP Agreement but not yet paid) and cash flows, to have an Unrestricted Cash Balance that is less than the Cash Threshold immediately after the expected date of closing of the purchase of the Enhanced Return Hotel Asset.

For purposes of the ERFP Agreement, “Unrestricted Cash Balance” means, unrestricted cash of Ashford LLC; provided, that any cash or working capital of Ashford Inc. or its other subsidiaries, including without limitation, Ashford Hospitality Services LLC (“Ashford Services”), will be included in the calculation of “Unrestricted Cash Balance” if such funds have been contributed, transferred or loaned from Ashford LLC to Ashford Services or such other subsidiaries for the purpose of avoiding, hindering or delaying Ashford LLC’s obligations under the ERFP Agreement (it being understood that good faith loans or advances to, or investments in, Ashford Services’ or such other subsidiaries’ existing business or new services or other businesses, or the provision of working capital to Ashford Services or such other subsidiaries generally consistent with Ashford Services’ or such other subsidiaries past practices, will not be deemed to have been made for the purpose of avoiding, hindering or delaying Ashford LLC’s obligations under the ERFP Agreement).

Repayment Events. With respect to any acquisition of FF&E by Ashford LLC pursuant to the ERFP Agreement, if prior to the date that is two years after such acquisition, (i) we are subject to a Company Change of Control (as defined in the advisory agreement) or (ii) we or Ashford Inc. terminates the advisory agreement and we are required to pay the Termination Fee thereunder (each of clauses (i) and (ii), a “Repayment Event”), Braemar OP is required to pay to Ashford LLC an amount equal to one hundred percent (100%) of any enhanced return investments actually funded by Ashford LLC during such two year period.

Disposition of Enhanced Return Hotel Assets. If Braemar OP or its subsidiaries dispose of or cause to be disposed any Enhanced Return Hotel Asset or other real property with respect to which Ashford LLC owns FF&E, including by way of a foreclosure or deed-in-lieu of foreclosure by a mortgage or mezzanine lender of Braemar OP or its subsidiaries, we will promptly identify, and Ashford LLC will acquire, in exchange for such FF&E, FF&E for use at another real property asset leased by the applicable TRS and with a fair market value equal to the value of such FF&E as established in connection with such disposition.

Term. The initial term of the ERFPA Agreement is two (2) years (the “Initial Term”), which began on January 19, 2019. At the end of the Initial Term, the ERFPA Agreement automatically renewed for one year and will automatically renew for successive one (1) year periods (each such period a “Renewal Term”) unless either we or Ashford Inc., as applicable, provides written notice to the other at least sixty (60) days in advance of the expiration of the Initial Term or Renewal Term, as applicable, that such notifying party intends not to renew the ERFPA Agreement. The ERFPA Agreement may be terminated by us in the event we have a right to terminate the advisory agreement or by Ashford Inc. in the event that it is entitled to transfer cash owned by us but controlled by our advisor to the Termination Fee Escrow Account (as defined in the advisory agreement). The amendments to the advisory agreement set forth in the ERFPA Agreement will continue in force notwithstanding any termination of the ERFPA Agreement.

Hotel Management Agreements

General

For us to qualify as a REIT, we cannot directly or indirectly operate any of our hotel properties. Third parties must operate our hotel properties. Our hotel properties are leased to TRS lessees (except for The Ritz-Carlton St. Thomas, which is owned by a TRS), which in turn have engaged hotel managers to manage our hotel properties. Each of our hotel properties other than the Pier House Resort & Spa, the Bardessono Hotel and Spa and Hotel Yountville (which are operated by Remington Hotels) are operated pursuant to a hotel management agreement with one of four independent hotel management companies: (1) Hilton Management LLC, (2) Marriott Hotel Services, Inc. or its affiliates, Ritz-Carlton (Virgin Islands), Inc. and The Ritz-Carlton Hotel Company, L.L.C., (3) Accor and (4) Hyatt. The Ritz-Carlton is a registered trademark of The Ritz-Carlton Hotel Company, L.L.C. an affiliate of Marriott and Sofitel is a registered trademark of affiliates of Accor.

The terms of each of the hotel management agreements, as well as any remaining extension, are set forth in the table below:

Hotel	Effective Date	Expiration Date	Extension Options By Manager
Hilton La Jolla Torrey Pines.....	12/17/2003	12/31/2023	Three 10-year options
Capital Hilton.....	12/17/2003	12/31/2023	Three 10-year options
Marriott Seattle Waterfront.....	5/23/2003	12/31/2028	Five 10-year options
The Clancy.....	10/1/2020	12/31/2027	Five 5-year options
The Notary Hotel.....	7/16/2019	12/31/2041	Two 10-year options
The Ritz-Carlton Sarasota.....	1/1/2015	12/31/2030	Two 10-year options
Sofitel Chicago Magnificent Mile.....	3/30/2006	12/31/2030	Three 10-year options
Pier House Resort & Spa.....	11/6/2019	11/06/2029	Three 7-year options and one 4-year option
Bardessono Hotel and Spa.....	11/6/2019	11/06/2029	Three 7-year options and one 4-year option
The Ritz-Carlton St. Thomas.....	12/15/2015	12/31/2065	Two 10-year options
Park Hyatt Beaver Creek Resort & Spa.....	12/11/1987	12/31/2029	One 10-year option
Hotel Yountville.....	11/6/2019	11/06/2029	Three 7-year options and one 4-year option
The Ritz-Carlton Lake Tahoe.....	3/28/2006	12/31/2034	Two 10-year options

Each hotel management company receives a base management fee (expressed as a percentage of gross revenues) ranging from 2.5%–5.0%, as well as an incentive management fee calculated as a percentage of hotel operating income, in certain cases

after funding of certain requirements, including the capital renewal reserve, and in certain cases after we have received a priority return on our investment in the hotel (referred to as the owner's priority), as summarized in the chart below:

Hotel	Management Fee⁽¹⁾	Incentive Fee	Marketing Fee	Owner's Priority⁽²⁾	Owner's Investment⁽²⁾
Hilton La Jolla Torrey Pines	3%	20% of operating cash flow (after deduction for capital renewals reserve and owner's priority)	Reimbursement of hotel's pro rata share of group services	11.5% of owner's total investment	\$117,465,746
Capital Hilton	3%	20% of operating cash flow (after deduction for capital renewals reserve and owner's priority)	Reimbursement of hotel's pro rata share of group services	11.5% of owner's total investment	\$139,691,230
Marriott Seattle Waterfront ⁽³⁾	2.5%	After payment of owner's 1st priority, remaining operating profit is split between owner and manager, such that manager receives 30% of remaining operating profit that is less than the sum of \$15,133,000 plus 10.75% of owner-funded capital expenses, and 50% of the operating profit in excess of such sum	Reimbursement of the hotel's pro rata share of chain services, capped at 2.2% of gross revenues per fiscal year	Owner's 1st Priority: 10.75% of owner's investment Owner's 2nd Priority: After payment of the owner's 1st priority, remaining operating profit is split between owner and manager, such that owner receives 70% of remaining operating profit that is less than the sum of \$15,133,000 plus 10.75% of owner-funded capital expenses, and 50% of the operating profit in excess of such sum	\$89,732,178
The Clancy	5%	50% of the excess of operating profit (after deduction for contributions to the FF&E reserve) over owner's priority up to the Spread Threshold of \$3,000,000, reduced to 25% for Operating Profit exceeding the Spread Threshold.	System wide contribution to the marketing fund (1.5% of gross room sales)	\$12,279,659, plus 11.5% of owner funded capital expenses	Not applicable
The Notary Hotel	4%	20% of the excess of operating profit over owner's priority	System wide contribution to the marketing fund (1.5% of gross room sales).	2019: \$7,021,388 Thereafter: \$8,938,867 Plus 10.25% of owner-funded capital expenditures after the effective date, the amount of reserve shortfalls funded by Owner after the effective date, and the amount of owner-funded capital expenditures spent for completion of the conversion of the hotel to The Notary Hotel, up to \$18,000,000	Not applicable
Sofitel Chicago Magnificent Mile	3%	20% of the amount by which the hotel's annual net operating income exceeds a threshold amount (equal to 8% of our total investment in the hotel), capped at 2.5% of gross hotel revenues	2% of gross hotel revenues	Not applicable	Not applicable
Pier House Resort & Spa	Greater of \$14,288.17 monthly or 3%	The lesser of 1% of gross revenues or the amount by which actual house profit exceeds budgeted house profit	Not applicable	Not applicable	Not applicable
Bardessono Hotel and Spa	Greater of \$14,288.17 monthly or 3%	The lesser of 1% of gross revenues or the amount by which actual house profit exceeds budgeted house profit	Not applicable	Not applicable	Not applicable

Hotel	Management Fee⁽¹⁾	Incentive Fee	Marketing Fee	Owner's Priority⁽²⁾	Owner's Investment⁽²⁾
The Ritz-Carlton St. Thomas	3.0%, comprised of a management fee of 0.4% and a royalty fee of 2.6%	20% of the excess, if any, of Operating Profit for such Fiscal Year over Owner's Priority for such Fiscal Year	1.0% of gross revenues	\$8,000,000 plus 10.25% of the amount of Owner-Funded Capital Expenditures ⁽⁴⁾	Not applicable
Park Hyatt Beaver Creek Resort & Spa	Greater of 3.0% or \$2,035,009 (increased annually by lesser of CPI or 8% of prior year management fee)	12.5% Profit plus 15% of Profit less the Base Fee that is in excess of \$4 million	Not applicable	Not applicable	Not applicable
Hotel Yountville	Greater of \$14,288.17 monthly or 3%	The lesser of 1% of gross revenues or the amount by which actual house profit exceeds budgeted house profit	Not applicable	Not applicable	Not applicable
The Ritz-Carlton Sarasota	3%	20% of Available cash flow defined as Net Operating Income minus the Owner's Priority	1% of gross hotel revenues for each fiscal year, excluding member dues, initiation, or joining fees or deposits of Club members	\$7,465,000 plus 10.25% of the amount of Owner-Funded Capital Expenditures	Not applicable
The Ritz-Carlton Lake Tahoe	3%	The sum of (i) 15% by which Adjusted House Profit ("AHP") for such Fiscal Year exceeds the Owner's Priority but is less than \$10.8 million plus (ii) 20% of the amount by which AHP exceeds \$10.8 million; provided, however, that in no event shall the total, aggregate sum of the Base Fee and the Incentive Fee paid to Operator in any given Fiscal Year exceed 6% of gross revenues for such Fiscal Year	1% of gross revenues for each fiscal year	\$8,200,000 plus 10% of the amount of Owner-Funded Capital Expenditures in excess of amounts in the reserve	Not applicable

(1) Management fee is expressed as a percentage of gross hotel revenue.

(2) Owner's priority and owner's investment amounts disclosed in the table are based on the most recent certification provided to us by the applicable manager. For some properties these amounts will continue to increase over time by the amount of additional owner-funded capital expenses.

(3) The Management fee at this hotel was subject to a temporary reduction with the opening of a new Marriott branded hotel. The management fee returns to 3.0% in 2021.

(4) In addition, dollar amounts no greater than \$19,000,000 in the aggregate that are funded by Owner for Renovation projects will be treated as Owner-Funded Capital Expenditures and give a one-time adjustment to Owner's Priority for 13% of the amounts.

The hotel management agreements allow each hotel to operate under the Marriott, The Ritz-Carlton, Hilton, Sofitel or Park Hyatt brand names, as applicable, and provide benefits typically associated with franchise agreements, including, among others, the use of the Marriott, The Ritz-Carlton, Hilton, Sofitel or Hyatt, as applicable, reservation system and guest loyalty and reward program. Any intellectual property and trademarks of Marriott (or its affiliates), The Ritz-Carlton, Hilton (or its affiliates), Accor (or its affiliates), or Hyatt (or its affiliates), as applicable, are exclusively owned and controlled by the applicable manager or an affiliate of such manager who grants the manager rights to use such intellectual property or trademarks with respect to the applicable hotel.

Below is a summary of the principal terms of the hotel management agreements with Marriott (or its affiliates), Hilton (or its affiliates), Accor, Hyatt and Remington Hotels.

Marriott Management Agreements

Term. The remaining base term of each of our six management agreements with Marriott (or its affiliates) ranges from approximately 7 to 45 years, expiring between December 31, 2027 and December 31, 2065. Each of these agreements has remaining automatic extension options at the discretion of the manager, ranging from two 10-year extension to five 10-year extensions.

Events of Default. An “Event of Default” under the hotel management agreements with Marriott (or its affiliates) is generally defined to include the bankruptcy or insolvency of either party, the failure to make a payment under the hotel management agreement and failure to cure such non-payment after due notice, and a breach by either party of any other covenants or obligations in the hotel management agreement which continues beyond the applicable notice and cure period.

Termination Upon Event of Default. A non-defaulting party may terminate the hotel management agreement upon an Event of Default (as defined in the applicable hotel management agreement) generally after the expiration of any notice and cure periods; provided, however, the hotel management agreement may not be terminated by the non-defaulting party unless and until such Event of Default has a material adverse effect on the non-defaulting party. In the case of The Notary Hotel and The Clancy, if the defaulting party contests such Event of Default or such material adverse effect, the non-defaulting party may not terminate unless a court of competent jurisdiction has issued a final, binding and non-appealable order finding that the Event of Default has occurred and that the default resulted in a material adverse effect.

Early Termination for Casualty. The termination provisions for our hotel properties in the event of casualty are summarized as follows:

- If the hotel suffers a total casualty (meaning the cost of the damage to be repaired or replaced would be equal to 30% or more of the then total replacement cost in the case of the Marriott Seattle Waterfront, 33% or more of the then replacement cost in the case of The Ritz-Carlton Lake Tahoe and The Ritz-Carlton Sarasota, and 60% or more of the then total replacement cost in the case of The Ritz-Carlton St. Thomas, The Clancy and The Notary Hotel), then either party may terminate the hotel management agreement.

Early Termination for Condemnation. If all or substantially all of the hotel (meaning 1/3 or more of the replacement cost therefor with respect to The Ritz-Carlton Lake Tahoe and The Ritz-Carlton Sarasota and 50% or more of the replacement value of the hotel with respect to The Ritz-Carlton St. Thomas) is taken in any condemnation or similar proceeding, or a portion of the hotel is so taken, and the result is that it is unreasonable to continue to operate the hotel in accordance with the hotel management agreement, the hotel management agreement shall terminate (provided, however, with respect to The Ritz-Carlton Lake Tahoe and The Ritz-Carlton Sarasota the hotel management agreement will be terminated at our option or the manager’s option, and with respect to The Clancy and The Notary Hotel, the hotel management agreement will be terminated only at the manager’s option).

Performance Termination. All of the hotel management agreements with Marriott (or its affiliates) are structured to provide us with a right to terminate the hotel management agreement without the payment of a termination fee if the manager fails to achieve certain criteria relating to the performance of the applicable hotel. The performance period is measured with respect to any two consecutive fiscal years. The performance criteria generally includes each of the following: (i) operating profit for each such fiscal year is less than the applicable performance termination threshold (as defined in the hotel management agreement) which ranges from 9.5% to 10.25% of the approximate total investment in the hotel; provided, however, in the case of The Notary Hotel is 85% of the owner’s priority return (as defined in the hotel management agreement), and in the case of The Clancy, it is 82.6% of the owner’s priority return (as defined in the hotel management agreement), (ii) the RevPAR penetration index of the hotel during each such fiscal year is less than the revenue index threshold (as such terms are defined in the hotel management agreements) which range from 0.65 to 1.00 (this item is not applicable for The Ritz-Carlton Lake Tahoe), and (iii) the fact that the criteria set forth in (i) or (ii) is not the result of an extraordinary event or force majeure, any major renovation of the hotel adversely affecting a material portion of the income generating areas (or any major renovation with respect to The Notary Hotel, The Ritz-Carlton Lake Tahoe, The Ritz-Carlton Sarasota, and The Ritz-Carlton St. Thomas), or any default by us under the hotel management agreement. The manager has a right to avoid a performance termination by paying to us the total amount by which the operating profit for each of the fiscal years in question was less than the performance termination threshold for such fiscal years, or in the case of The Notary Hotel and The Clancy, by waiving base management fees (and, with respect to The Ritz-Carlton St. Thomas, certain royalty fees owed to Marriott Switzerland Licensing Company S.ar.L (St. Kitts & Nevis Branch)) until such time as the total amount of waived base management fees equals the shortfall of operating profit for each of the fiscal years in question to the performance termination threshold for such fiscal years.

Limitation on Termination Rights. Our ability to exercise termination rights is subject to certain limitations if the manager or any of its affiliates are providing certain credit enhancements, loans or fundings as described in the hotel management agreement, or in certain cases, if manager's incentive management fee is outstanding.

Assignment and Sale. Each management agreement with Marriott (or its affiliates) contains restrictions on our ability to sell the applicable hotel property or engage in certain change of control actions if, such as (i) we are in default under the hotel management agreement, (ii) such party is known to be of bad moral character or has been convicted of a felony or is in control of or controlled by persons who have been convicted of felonies, (iii) such party does not (in the reasonable judgment of manager) have sufficient financial resources and liquidity to fulfill our obligations under the hotel management agreement, or (iv) such party has an ownership interest, either directly or indirectly, in a brand or group of hotels that competes with the manager or any affiliate thereof. The management agreements with Marriott (or its affiliates) may have additional restrictions on our ability to sell the applicable hotel property or engage in certain change of control actions. Any sale of the property (which includes any equity transfer, whether directly or indirectly) is subject to certain conditions, including the provision of notice of such sale to the manager.

Right of First Offer. All of the management agreements with Marriott (or its affiliates) (except for the management agreement for The Ritz-Carlton Lake Tahoe) provide the manager with a right of first negotiation with respect to a sale of the hotel (which includes the equity transfer of a controlling interest in the owner of the hotel property, whether directly or indirectly). A sale or transfer to an affiliate is specifically excluded from this right (except in the management agreement for The Ritz-Carlton Sarasota). After notice of a proposed sale to the manager, we have a specified time period, ranging from 10 business days to 60 days, to negotiate an acceptable purchase and sale agreement. If after such time period no agreement is signed, we are free to sell or lease the hotel to a third party, subject to certain conditions, such as providing notice of sale to the manager (with certain details regarding the terms of sale). The manager then has a specified time period, ranging from 20 to 45 days, depending on our compliance with the assignment and sale provisions above, to either consent to such sale or not consent to such sale. If the manager does not timely respond or consents to such sale, certain of the management agreements provide that the sale must occur 180 days after provision of the notice of sale (the management agreement for The Ritz-Carlton St. Thomas also requires that the sale must occur within 15 months after the manager's 30-day negotiation period if the manager makes an offer acceptable to us pursuant to the manager's right of first offer; The Ritz-Carlton Sarasota management agreement requires that the sale must occur within 365 days after the manager's receipt of our original notice pertaining to the manager's right of first offer and The Notary Hotel and The Clancy management agreements require that the sale must occur within one year after the expiration of the right of first negotiation period) or the notice of sale is deemed void and we must provide a new notice to the manager.

Hilton Management Agreements

Term. The base term of each of our two management agreements with Hilton (or its affiliates) was 10 years, expiring December 31, 2013. Each of these agreements has been extended through December 31, 2023 and has three 10-year automatic extension options remaining, at the discretion of the manager.

Events of Default. An "Event of Default" under the hotel management agreements with Hilton (or its affiliates) is generally defined to include the bankruptcy or insolvency of either party, the failure to make a payment under the hotel management agreement and failure to cure such non-payment after due notice, a breach by either party of any other covenants or obligations in the hotel management agreement which continues beyond the applicable notice and grace period, failure to maintain certain alcohol licenses and permits under certain circumstances, failure by us to provide manager with sufficient working capital to operate the hotel after due notice and a termination of our operating lease due to our default under the operating lease.

Termination Upon Event of Default. If an event of default occurs and continues beyond any applicable notice and cure periods set forth in the hotel management agreement, the non-defaulting party generally has, among other remedies, the option of terminating the applicable hotel management agreement upon written notice to the defaulting party.

Performance Termination. Each of the management agreements with Hilton (or its affiliates) provide us with a right to terminate the hotel management agreement without the payment of a termination fee if the manager fails to achieve certain criteria relating to the performance of the applicable hotel. The performance period is measured with respect to any two consecutive fiscal years. The performance criteria are: (i) the hotel's operating cash flow (before deducting our priority return) does not equal or exceed 85% of the our priority return (as defined in the hotel management agreement); and (ii) the hotel's yield index is below the base yield index (as such terms are defined in the hotel management agreement), which is 90%. The manager has a right to avoid a performance termination by paying to us an amount within 30 days of due notice equal to the

deficiency set forth in (i) above to cure such performance default, but in no event may the manager exercise such cure with respect to more than four full operating years during the initial term or with respect to more than four full operating years during any single extension term. The amount of any shortfall payable by manager to us shall be reduced to the extent of any portion attributable to a force majeure event, performance of certain capital renewals and major capital improvements adversely affecting a material portion of the income generating areas of the hotel, or certain uncontrollable expenses that could not have been reasonably anticipated by the manager.

Early Termination for Casualty. In the event the applicable hotel is substantially damaged by fire or other casualty such that it cannot be restored within 240 days, or in the event our lender doesn't provide adequate insurance proceeds to restore the hotel, we may terminate the hotel management agreement. If we undertake to restore the hotel or if we are required to restore the hotel because it was not substantially damaged and fail to commence such repairs within 60 days of receiving sufficient insurance proceeds to complete such work, or fail to complete such repairs within 240 days of the casualty, the manager may terminate the agreement. We have no obligation to restore the premises, however, if the casualty occurs in the last five years of the third renewal term or thereafter.

Early Termination for Condemnation. If all or substantially all of the applicable hotel is taken in any condemnation or similar proceeding which, in our reasonable opinion, makes it infeasible to restore or continue to operate the hotel in accordance with the hotel management agreement, the hotel management agreement shall terminate. If it is reasonably feasible to restore the premises and operate the hotel and we fail to complete the restoration within two years of the taking, the manager may terminate the agreement. We have no obligation to restore the premises, however, if the taking occurs in the last five years of the third renewal term or thereafter.

Assignment and Sale. Each management agreement with Hilton (or its affiliates) provides that we cannot sell the applicable hotel to any unrelated third party, which includes the transfer of an equity interest, or engage in certain change of control actions (i) if such party has an ownership interest, either directly or indirectly, in a brand of hotels totaling at least 10 hotels and such brand competes with the manager or any affiliate thereof; (ii) if such party is known to be of ill repute or an unsuitable business associate (per gaming industry regulations where the manager holds a gaming license); (iii) if such party does not have the ability to fulfill our financial obligations under the hotel management agreement; or (iv) if certain conditions are not satisfied, including cure of any existing or potential defaults, receipt of evidence of proper insurance coverage, payment of fees and expenses which will accrue to the manager through the date of closing, and provision of sufficient notice of the contemplated sale to the manager.

Right of First Offer. Each of the management agreements with Hilton (or its affiliates) provides the manager with a right of first negotiation with respect to a sale of the hotel (which includes any equity transfer, whether directly or indirectly) or lease of the hotel (if applicable). After notice of a proposed sale or lease to the manager, the manager has 30 days to elect or decline to exercise its right to purchase or lease. If the manager makes an election to purchase or lease, the parties have 30 days to execute an agreement for purchase (or lease, if applicable) and an additional 30 days to consummate the purchase or lease (if applicable). If the manager declines to exercise its right to purchase or lease, the sale or lease must occur within 180 days at greater than 90% of the price or the notice of sale must be renewed to manager.

Accor Management Agreement

In connection with our acquisition of the Sofitel Chicago Magnificent Mile, our TRS lessee, as lessee of the hotel, assumed a management agreement (as amended, the "Accor management agreement") with Accor that allows us to operate under the Sofitel brand name and utilize Accor's services and experience in connection with the management and operation of the Sofitel Chicago Magnificent Mile. The material terms of the Accor management agreement are summarized as follows:

Term. The initial term of the management agreement expires on December 31, 2030 and automatically renews for three consecutive 10-year renewal terms, unless the manager terminates the agreement by written notice at least 180 days prior to the expiration of the then-current term.

Events of Default. An "Event of Default" is generally defined to include the failure to make a payment under the Accor management agreement and failure to cure such non-payment after the applicable notice and cure period, the bankruptcy or insolvency of either party, a failure by either party to maintain at all times all of the insurance required to be maintained by such party and failure to cure such default after the applicable notice and cure period, the failure by either party to perform any of the material covenants in the Accor management agreement which continues beyond the applicable notice and cure period and a transfer of the Accor management agreement by either party in violation of the provisions of the Accor management agreement. The occurrence of an Event of Default prevents the defaulting party from transferring the Accor management agreement without the consent of the non-defaulting party.

Termination. A non-defaulting party may terminate the Accor management agreement if the defaulting party (i) has breached any material representation or fails to perform any material provision of the Accor management agreement or (ii) becomes insolvent or bankrupt, in each case after the expiration of any applicable notice and cure period. In addition, the manager may terminate the Accor management agreement if we default under a mortgage relating to the hotel and fail to cure such default within the times provided.

Performance Termination. We have the right to terminate the Accor management agreement without the payment of a termination fee if the manager fails to achieve certain criteria relating to the performance of the hotel managed by Accor. The performance period is measured with respect to any two consecutive operating years. The performance criteria are: (i) the RevPAR for the hotel is less than 90% of the RevPAR for the hotel's competitive set for each such operating year and (ii) the adjusted net operating income (meaning the net operating income less the hurdle amount of approximately \$10.2 million plus 8% of any amounts we spent on capital expenditures) is a negative number (i.e. less than zero) for each such operating year, provided that for any operating year in which the operation of the hotel is materially and adversely affected by a force majeure event, a refurbishing program or major capital improvements, the RevPAR for the hotel and the adjusted net operating income for such operating years shall be adjusted equitably. The manager will have a right up to three times in any eight-year period to avoid a performance termination by paying to us a cure amount that equals, for any operating year, the lower of (i) the amount by which the adjusted net operating income is less than zero and (ii) the amount that we would have been entitled to receive as a distribution from the hotel had the hotel not had a RevPAR shortfall.

Early Termination for Condemnation. If all of the hotel, or a portion of the hotel that in our reasonable opinion makes it imprudent or unsuitable to use and operate the remaining portion of the hotel in accordance with the standards maintained by the Sofitel brand, is taken in any condemnation or similar proceeding, we may terminate the Accor management agreement.

Early Termination for Casualty. If a material part of the hotel is damaged or destroyed by fire or other casualty, then we may terminate the Accor management agreement and elect not to restore the hotel. If we elect to restore the hotel, we must commence such process within 120 days after the date of the casualty and diligently proceed with the restoration of the hotel so that it meets the standards maintained by the Sofitel brand. If we fail to complete the restoration within two years after the date of the casualty, then for so long as such failure continues, the manager may terminate the Accor management agreement. If we or the manager terminate the management agreement because of a casualty, if we have not restored the hotel and desire to lease or sell it, we must first offer to sell the hotel to the manager. If we repair, rebuild or replace the premises within five years, the manager may reinstate the Accor management agreement.

Assignment and Sale. So long as we are not in default under the Accor management agreement and any advances made by the manager on our behalf would be repaid in connection with the sale, we may sell the Sofitel Chicago Magnificent Mile and assign the Accor management agreement (including as a result of a change of control) without the consent of the manager to any of our affiliates or to any person that (i) is not a competitor of the manager (as defined in the Accor management agreement), (ii) is not generally recognized in the community as being a person of ill repute or with whom a prudent business person would not wish to associate in a commercial venture and (iii) has a minimum net worth required by the Accor management agreement, if the assignee expressly assumes the Accor management agreement.

For recent developments regarding the Accor management agreement, see "Item 3. Legal Proceedings."

Park Hyatt Beaver Creek Resort & Spa Management Agreement

Term. The term of the Park Hyatt Beaver Creek Resort & Spa management agreement was 30 years, expiring December 31, 2019. This management agreement has been extended through December 31, 2029, and has one 10-year extension option remaining, at the discretion of the manager.

Events of Default. An "Event of Default" under the Park Hyatt Beaver Creek Resort & Spa hotel management agreement is generally defined to include the failure to make a payment under the hotel management agreement and failure to cure such non-payment after due notice and a breach by either party of any other covenants or obligations in the hotel management agreement which continues beyond the applicable notice and grace period.

Termination Upon Event of Default. If an event of default occurs and continues beyond any applicable notice and cure periods set forth in the hotel management agreement, the non-defaulting party generally has, among other remedies, the option of terminating the applicable hotel management agreement upon fifteen days' written notice to the defaulting party.

Early Termination for Casualty. In the event the applicable hotel is substantially damaged by fire or other casualty, and if, in connection with any casualty, the cost of restoring the hotel equals or exceeds 25% of the replacement cost of the hotel in the

case that the casualty is covered by insurance, or 10% of the replacement cost of the hotel in the case that the casualty is not covered by insurance, then we may elect, by providing notice to Hyatt within 90 days of the occurrence of the casualty to not restore the hotel and to terminate the agreement.

Early Termination for Eminent Domain. If all or substantially all of the hotel is taken in any eminent domain procedure so as to render the hotel untenable, we have the right to terminate the agreement upon 90 days' prior written notice to Hyatt.

Assignment and Sale. The agreement provides that we cannot sell or assign our interest in the hotel without the prior approval of Hyatt, which shall not be unreasonably withheld. Hyatt's approval of a sale or assignment is based on the following factors: (i) the ability of the prospective assignee to fulfill the financial obligations of the owner of the hotel; (ii) the integrity and business reputation of the prospective assignee; and (iii) any potential conflicts of interest which may arise in connection with the assignment. Pursuant to the agreement, an assignment is deemed to have occurred if more than 40% of the beneficial ownership of the owner of the hotel is transferred.

Remington Hotels Master Hotel Management Agreement

General. In 2013, we entered into a master hotel management agreement with Remington Lodging governing the terms of Remington Lodging's provision of hotel management services and project management services with respect to hotels owned or leased by us. In connection with Ashford Inc.'s acquisition of Premier from Remington Lodging in August 2018, we amended and restated the original master hotel management agreement to provide only for hotel management services to be provided to our TRS lessees by Remington Lodging by entering into the Amended and Restated Hotel Master Management Agreement dated as of August 8, 2018, which agreement we refer to below as the "master hotel management agreement." In connection with Ashford Inc.'s acquisition of the hotel management business of Remington Lodging on November 6, 2019, Remington Hotels became a subsidiary of Ashford Inc., and the master hotel management agreement between Remington Hotels and us remains in effect. Pursuant to the master hotel management agreement, Remington Hotels currently manages the Pier House Resort & Spa, the Bardessono Hotel and Spa and Hotel Yountville. The master hotel management agreement will also govern the management of hotels we acquire in the future that are managed by Remington Hotels, which has the right to manage and operate hotel properties we acquire in the future unless our independent directors either (i) unanimously elect not to engage Remington Hotels, or (ii) by a majority vote, elect not to engage Remington Hotels because they have determined, in their reasonable business judgment, (A) special circumstances exist such that it would be in our best interest not to engage Remington Hotels for the particular hotel, or (B) based on the prior performance of Remington Hotels, another manager or developer could perform the management duties materially better than Remington Lodging for the particular hotel. See "Certain Agreements—Mutual Exclusivity Agreements—Remington Hotels Hotel Management MEA—Exclusivity Rights of Remington Hotels." Prior to its acquisition by Ashford Inc. on November 6, 2019, Remington Lodging was owned 100% by Mr. Monty J. Bennett, chairman of our board of directors and the chairman, chief executive officer and significant stockholder of Ashford Inc. and Mr. Archie Bennett, Jr.

Term. The master hotel management agreement provides for an initial term of 10 years as to each hotel governed by the agreement. The term may be renewed by Remington Hotels, at its option, subject to certain performance tests, for three successive periods of seven years each and, thereafter, a final term of four years, provided that at the time the option to renew is exercised, Remington Hotels is not then in default under the master hotel management agreement. If at the time of the exercise of any renewal period, Remington Hotels is in default, then the exercise of the renewal option will be conditional on timely cure of such default, and if such default is not timely cured, then our TRS lessee may terminate the master hotel management agreement regardless of the exercise of such option and without the payment of any fee or liquidated damages. If Remington Hotels desires to exercise any option to renew, it must give our TRS lessee written notice of its election to renew the master hotel management agreement no less than 90 days before the expiration of the then current term of the master hotel management agreement.

Amounts Payable under the Master Hotel Management Agreement. Remington Hotels receives a base management fee, and if the hotels meet and exceed certain thresholds, an additional incentive fee. The base management fee for each hotel will be due monthly and will be equal to the greater of:

- \$14,288 (increased annually based on consumer price index adjustments); or
- 3% of the gross revenues associated with that hotel for the related month.

The incentive management fee, if any, for each hotel will be due annually in arrears within 90 days of the end of the fiscal year and will be equal to the lesser of (i) 1% of gross revenues and (ii) the amount by which the actual house profit (gross operating profit of the applicable hotel before deducting management fees or franchise fees) exceeds the target house profit as set forth in the annual operating budget approved for the applicable fiscal year, except with respect to hotels where Remington

Hotels takes over management upon our acquisition, in which case, for the first five years, the incentive management fee to be paid to Remington Hotels, if any, is the amount by which the hotel's actual house profit exceeds the projected house profit for such calendar year as set forth in our acquisition pro forma. If, however, based on actual operations and revised forecasts from time to time, it is reasonably anticipated that the incentive fee is reasonably expected to be earned, the TRS lessee will consider payment of the incentive fee pro rata on a quarterly basis.

The incentive fee is designed to encourage Remington Hotels to generate higher house profit at each hotel by increasing the fee due to Remington Hotels when the hotels generate house profit above certain threshold levels. Any increased revenues will generate increased lease payments under the percentage leases and should thereby benefit our stockholders.

Termination. The master hotel management agreement may be terminated as to one or more of the hotels earlier than the stated term if certain events occur, including:

- a sale of a hotel;
- the failure of Remington Hotels to satisfy certain performance standards;
- for the convenience of our TRS lessee;
- in the event of a casualty to, condemnation of, or force majeure involving a hotel; or
- upon a default by Remington Hotels or us that is not cured prior to the expiration of any applicable cure periods.

In certain cases of early termination of the master hotel management agreement with respect to one or more of the hotels, we must pay Remington Hotels termination fees, plus any amounts otherwise due to Remington Hotels pursuant to the terms of the master hotel management agreement. We will be obligated to pay termination fees in the circumstances described below, provided that Remington Hotels is not then in default, subject to certain cure and grace periods:

- *Sale.* If any hotel subject to the master hotel management agreement is sold during the first 12 months of the date such hotel becomes subject to the master hotel management agreement, our TRS lessee may terminate the master hotel management agreement with respect to such sold hotel, provided that it pays to Remington Hotels an amount equal to the management fee (both base fees and incentive fees) estimated to be payable to Remington Hotels with respect to the applicable hotel pursuant to the then-current annual operating budget for the balance of the first year of the term. If any hotel subject to the master hotel management agreement is sold at any time after the first year of the term and the TRS lessee terminates the master hotel management agreement with respect to such hotel, our TRS lessee will have no obligation to pay any termination fees.
- *Casualty.* If any hotel subject to the master hotel management agreement is the subject of a casualty during the first year of the initial 10-year term and the TRS lessee elects not to rebuild, then we must pay to Remington Hotels the termination fee, if any, that would be owed if the hotel had been sold. However, after the first year of the initial 10-year term, if a hotel is the subject of a casualty and the TRS lessee elects not to rebuild the hotel even though sufficient casualty insurance proceeds are available to do so, then the TRS lessee must pay to Remington Hotels a termination fee equal to the product obtained by multiplying (i) 65% of the aggregate management fees (both base fees and incentive fees) estimated to be paid to Remington Hotels with respect to the applicable hotel pursuant to the then-current annual operating budget (but in no event less than the management fees for the preceding full fiscal year) by (ii) nine.
- *Condemnation or Force Majeure.* In the event of a condemnation of, or the occurrence of any force majeure event with respect to, any of the hotels, the TRS lessee has no obligation to pay any termination fees if the master hotel management agreement terminates as to those hotels.
- *Failure to Satisfy Performance Test.* If any hotel subject to the master hotel management agreement fails to satisfy a certain performance test, the TRS lessee may terminate the master hotel management agreement with respect to such hotel, and in such case, the TRS lessee must pay to Remington Hotels an amount equal to 60% of the product obtained by multiplying (i) 65% of the aggregate management fees (both base fees and incentive fees) estimated to be paid to Remington Hotels with respect to the applicable hotel pursuant to the then-current annual operating budget (but in no event less than the management fees for the preceding full fiscal year) by (ii) nine. Remington Hotels will have failed the performance test with respect to a particular hotel if during any fiscal year during the term (i) such hotel's gross operating profit margin for such fiscal year is less than 75% of the average gross operating profit margins of comparable hotels in similar markets and geographical locations, as reasonably determined by Remington Hotels and the TRS lessee, and (ii) such hotel's RevPAR yield penetration is less than 80%. Upon a performance test failure, the TRS lessee must give Remington Hotels two years to cure. If, after the first year, the performance test failure has not been cured, then the TRS lessee may, in order not to waive any such failure, require Remington Hotels to engage a consultant with significant hotel lodging experience reasonably acceptable to both Remington Hotels and the TRS

lessee, to make a determination as to whether or not another management company could manage the hotel in a materially more efficient manner. If the consultant's determination is in the affirmative, then Remington Hotels must engage such consultant to assist with the cure of such performance failure for the second year of the cure period after that failure. If the consultant's determination is in the negative, then Remington Hotels will be deemed not to be in default under the performance test. The cost of such consultant will be shared by the TRS lessee and Remington Hotels equally. If Remington Hotels fails the performance test for the second year of the cure period and, after that failure, the consultant again makes a finding that another management company could manage the hotel in a materially more efficient manner than Remington Hotels, then the TRS lessee has the right to terminate the management agreement with respect to such hotel upon 45 days' written notice to Remington Hotels and to pay to Remington Hotels the termination fee described above. Further, if any hotel subject to the Remington Hotels master hotel management agreement is within a cure period due to a failure of the performance test, an exercise of a renewal option shall be conditioned upon timely cure of the performance test failure, and if the performance failure is not timely cured, the TRS lessee may elect to terminate the management agreement without paying any termination fee.

- *For Convenience.* With respect to any hotel managed by Remington Hotels pursuant to the master hotel management agreement, if the TRS lessee elects for convenience to terminate the management of such hotel, at any time, including during any renewal term, the TRS lessee must pay a termination fee to Remington Hotels, equal to the product of (i) 65% of the aggregate management fees for such hotel (both base fees and incentive fees) estimated to be payable to Remington Hotels with respect to the applicable hotel pursuant to the then-current annual operating budget (but in no event less than the management fees for the preceding full fiscal year) and (ii) nine.

If the master hotel management agreement terminates as to all of the hotels covered in connection with a default under the master hotel management agreement, the hotel management MEA can also be terminated at the non-defaulting party's election. See "Certain Agreements—Mutual Exclusivity Agreements—Remington Hotels Hotel Management MEA."

Maintenance and Modifications. Remington Hotels must maintain each hotel in good repair and condition and make such routine maintenance, repairs and minor alterations as it deems reasonably necessary. The cost of all such routine maintenance, repairs and alterations will be paid by the TRS lessee. All non-routine repairs and maintenance, either to a hotel or its fixtures, furniture and equipment pursuant to the capital improvement budget described below, will be managed by Premier pursuant to the master project management agreement.

Insurance. Remington Hotels must coordinate with the TRS lessee the procurement and maintenance of all workers' compensation, employer's liability, and other appropriate and customary insurance related to its operations as a property manager, the cost of which is the responsibility of the TRS lessee.

Assignment and Subleasing. Neither Remington Hotels nor the TRS lessee may assign or transfer the master hotel management agreement without the other party's prior written consent. However, Remington Hotels may assign its rights and obligations to an affiliate that satisfies the eligible independent contractor requirements and is "controlled" by Mr. Monty J. Bennett, Mr. Archie Bennett, Jr., or their respective family partnerships or trusts, the sole members or beneficiaries of which are at all times lineal descendants of Messrs. Monty or Archie Bennett, Jr. (including step children) and spouses. "Controlled" means (i) the possession of a majority of the capital stock (or ownership interest) and voting power of such affiliate, directly or indirectly, or (ii) the power to direct or cause the direction of the management and policies of such affiliate in the capacity of chief executive officer, president, chairman, or other similar capacity where they are actively engaged or involved in providing such direction or control and spend a substantial amount of time managing such affiliate. No assignment will release Remington Hotels from any of its obligations under the master hotel management agreement.

Damage to Hotels. If any of our insured properties is destroyed or damaged, the TRS lessee is obligated, subject to the requirements of the underlying lease, to repair or replace the damaged or destroyed portion of the hotel to the same condition as existed prior to such damage or destruction. If the lease relating to such damaged hotel is terminated pursuant to the terms of the lease, the TRS lessee has the right to terminate the master hotel management agreement with respect to such damaged hotel upon 60 days' written notice. In the event of a termination, neither the TRS lessee nor Remington Hotels will have any further liabilities or obligations under the master hotel management agreement with respect to such damaged hotel, except that we may be obligated to pay to Remington Hotels a termination fee, as described above. If the hotel management agreement remains in effect with respect to such damaged hotel, and the damage does not result in a reduction of gross revenues at the hotel, the TRS lessee's obligation to pay management fees will be unabated. If, however, the master hotel management agreement remains in effect with respect to such damaged hotel, but the damage does result in a reduction of gross revenues at the hotel, the TRS lessee will be entitled to partial, pro rata abatement of the management fees while the hotel is being repaired.

Condemnation of a Property or Force Majeure. If all or substantially all of a hotel is subject to a total condemnation or a partial taking that prevents use of the property as a hotel, the master hotel management agreement, with respect to such hotel, will terminate, subject to the requirements of the applicable lease. In the event of termination, neither the TRS lessee nor Remington Hotels will have any further rights, remedies, liabilities or obligations under the master hotel management agreement with respect to such hotel. If any partial taking of a property does not make it unreasonable to continue to operate the hotel, there is no right to terminate the master hotel management agreement. If there is an event of force majeure or any other cause beyond the control of Remington Hotels that directly involves a hotel and has a significant adverse effect upon the continued operations of that hotel, then the master hotel management agreement may be terminated by the TRS lessee. In the event of such a termination, neither the TRS lessee nor Remington Hotels will have any further rights, remedies, liabilities or obligations under the master hotel management agreement with respect to such hotel.

Annual Operating Budget. The master hotel management agreement provides that not less than 45 days prior to the beginning of each fiscal year during the term of the master hotel management agreement, Remington Hotels will submit to the TRS lessee for each of the hotels, an annual operating budget setting forth in detail an estimated profit and loss statement for each of the next 12 months (or for the balance of the fiscal year in the event of a partial first fiscal year), including a schedule of hotel room rentals and other rentals and a marketing and business plan for each of the hotels. The budget is subject to the TRS lessee approval, which may not be unreasonably withheld. The budget may be revised from time to time, taking into account such circumstances as the TRS lessee deems appropriate or as business and operating conditions shall demand, subject to the reasonable approval of Remington Hotels.

Capital Improvement Budget. Premier must prepare a capital improvement budget of the expenditures necessary for replacement of FF&E and building repairs for the hotels during the following fiscal year and provide such budget to the relevant TRS lessee and landlord for approval at the same time Remington Hotels submits the proposed annual operating budget for approval by TRS lessee. Remington Hotels may not make any other expenditures for these items without the relevant TRS lessee and landlord approval, except expenditures which are provided in the capital improvements budget or are required by reason of any (i) emergency, (ii) applicable legal requirements, (iii) the terms of any franchise agreement or (iv) are otherwise required for the continued safe and orderly operation of our hotels.

Indemnity Provisions. Remington Hotels has agreed to indemnify the TRS lessee against all damages not covered by insurance that arise from: (i) the fraud, willful misconduct or gross negligence of Remington Hotels subject to certain limitations; (ii) infringement by Remington Hotels of any third party's intellectual property rights; (iii) employee claims based on a substantial violation by Remington Hotels of employment laws or that are a direct result of the corporate policies of Remington Hotels; (iv) the knowing or reckless placing, discharge, leakage, use or storage of hazardous materials in violation of applicable environmental laws on or in any of our hotels by Remington Hotels; or (v) the breach by Remington Hotels of the master hotel management agreement, including action taken by Remington Hotels beyond the scope of its authority under the master hotel management agreement, which is not cured.

Except to the extent indemnified by Remington Hotels as described in the preceding paragraph, the TRS lessee will indemnify Remington Hotels against all damages not covered by insurance and that arise from: (i) the performance of Remington Hotels' services under the master hotel management agreement; (ii) the condition or use of our hotels; (iii) certain liabilities to which Remington Hotels is subjected, including pursuant to the WARN Act, in connection with the termination of the master hotel management agreement; (iv) all employee cost and expenses; or (v) any claims made by an employee of Remington Hotels against Remington Hotels that are based on a violation or alleged violation of the employment laws.

Events of Default. Events of default under the master hotel management agreement include:

- The TRS lessee or Remington Hotels files a voluntary bankruptcy petition, or experiences a bankruptcy-related event not discharged within 90 days.
- The TRS lessee or Remington Hotels fails to make any payment due under the master hotel management agreement, subject to a 10-day notice and cure period.
- The TRS lessee or Remington Hotels fails to observe or perform any other term of the master hotel management agreement, subject to a 30-day notice and cure period. There are certain instances in which the 30-day notice and cure period can be extended to up to 120 days.
- Remington Hotels does not qualify as an "eligible independent contractor" as such term is defined in Section 856(d)(9) of the Code.

If an event of default occurs and continues beyond any grace period, the non-defaulting party will have the option of terminating the master hotel management agreement, on 30 days' notice to the other party.

To minimize conflicts between us and Remington Hotels on matters arising under the master hotel management agreement, the Company's Corporate Governance Guidelines provide that any waiver, consent, approval, modification, enforcement matters or elections which the Company may make pursuant to the terms of the master hotel management agreement shall be within the exclusive discretion and control of a majority of the independent members of the board of directors (or higher vote thresholds specifically set forth in such agreements). In addition, our board of directors has established a Related Party Transactions Committee comprised solely of independent members of our board of directors to review all related party transactions that involve conflicts. The Related Party Transactions Committee may make recommendations to the independent members of our board of directors (including rejection of any proposed transaction). All related party transactions are approved by either the Related Party Transactions Committee or the independent members of our board of directors.

Premier Master Project Management Agreement

General. In 2013, we entered into a master hotel management agreement with Remington Lodging governing the terms of Remington Lodging's provision of hotel management services and project management services with respect to hotels owned or leased by us. In connection with Ashford Inc.'s acquisition of Premier from Remington Lodging in August 2018, Braemar OP, our TRSs and Premier entered into an agreement for project management services to be provided to us by Premier, solely in order to effect the transfer of the project management business to Premier, by entering into the Master Project Management Agreement dated as of August 8, 2018, which agreement we refer to below as the "master project management agreement." Pursuant to the master project management agreement, Premier currently provides project management services to all of our hotels. The master project management agreement will also govern the provision of project management services to hotels we acquire in the future, as Premier has the right to provide project management services to hotel properties we acquire in the future, to the extent we have the right and/or control the right to direct the development and construction of and/or capital improvements to or refurbishment of, such hotels, unless our independent directors either (i) unanimously elect not to engage Premier, or (ii) by a majority vote, elect not to engage Premier because they have determined, in their reasonable business judgment, (A) special circumstances exist such that it would be in our best interest not to engage Premier for the particular hotel, or (B) based on the prior performance of Premier, another manager or developer could perform the project management, project related services or development duties materially better than Premier for the particular hotel. See "Certain Agreements—Mutual Exclusivity Agreements—Premier Project Management MEA—Exclusivity Rights of Premier."

Term. The master project management agreement provides for an initial term of 10 years as to each hotel governed by the agreement; provided that the initial term of the master project agreement with respect to hotels owned or leased by us as of the date of the master project management agreement shall be until January 17, 2029. The term may be renewed by Premier, at its option, for three successive periods of seven years each and, thereafter, a final term of four years, provided that at the time the option to renew is exercised, Premier is not then in default under the master project management agreement. If at the time of the exercise of any renewal period, Premier is in default, then the exercise of the renewal option will be conditional on timely cure of such default, and if such default is not timely cured, then our TRS lessee may terminate the master project management agreement regardless of the exercise of such option and without the payment of any fee or liquidated damages. If Premier desires to exercise any option to renew, it must give our TRS lessee written notice of its election to renew the master project management agreement no less than 90 days before the expiration of the then-current term of the master project management agreement.

Amounts Payable under the Master Project Management Agreement. The master project management agreement provides that the TRS lessee will pay Premier a project management fee equal to 4% of the total project costs associated with the implementation of the approved capital improvement budget for a hotel until such time that the capital improvement budget and/or renovation project costs involve expenditures in excess of 5% of gross revenues of such hotel, whereupon the project management fee will be 3% of total project costs in excess of the 5% of gross revenue threshold. In addition, the TRS lessee will pay Premier additional fees as follows:

- architecture - 6.5% of total construction costs;
- construction management - 10.0% of total construction costs (for projects without a general contractor);
- interior design - 6.0% of the amount selected (including the cost of any and all items selected by Premier or which are specified in the general contractor's scope of work but excluding any associated charges for labor, freight and tax); and
- FF&E purchasing - 8.0% of the purchased amount (which includes the selected items, freight and tax) unless the total purchased amount for a single hotel property in a single year is greater than \$2.0 million, in which case the fee is reduced to 6.0% of the purchased amount in excess of \$2 million.

Termination. The master project management agreement may be terminated as to one or more of the hotels earlier than the stated term if certain events occur, including:

- a sale of a hotel;
- for the convenience of our TRS lessee;
- in the event of a casualty to, condemnation of, or force majeure involving a hotel; or
- upon a default by Premier or us that is not cured prior to the expiration of any applicable cure periods.

In certain cases of early termination of the master project management agreement with respect to one or more of the hotels, we must pay Premier termination fees, plus any amounts otherwise due to Premier pursuant to the terms of the master project management agreement. We will be obligated to pay termination fees in the circumstances described below, provided that Premier is not then in default, subject to certain cure and grace periods:

- *Sale.* If any hotel subject to the master project management agreement is sold, our TRS lessee may terminate the master project management agreement with respect to such sold hotel, and our TRS lessee will have no obligation to pay any termination fees.
- *Casualty, Condemnation or Force Majeure.* In the event of a casualty with respect to, condemnation of, or the occurrence of any force majeure event with respect to, any of the hotels, the TRS lessee has no obligation to pay any termination fees if the master project management agreement terminates as to those hotels.
- *For Convenience.* With respect to any hotel project-managed by Premier pursuant to the master project management agreement, if the TRS lessee elects for convenience to terminate the project management of such hotel, at any time, including during any renewal term, the TRS lessee must pay a termination fee to Premier, equal to the product of (i) 65% of the aggregate project management fees and market service fees for such hotel estimated to be payable to Premier with respect to the applicable hotel for the full current fiscal year in which such termination is to occur (but in no event less than the project management fees and market service fees for the preceding full fiscal year) and (ii) nine.

Implementation of Capital Improvement Budget. Premier, on behalf of TRS lessee, shall cause to be made non-routine repairs and other work, either to the hotel's building or its FF&E, pursuant to the capital improvement budget prepared by Premier pursuant to the master project management agreement and approved by TRS lessee.

Insurance. Premier must coordinate with the TRS lessee the procurement and maintenance of all general compensation, employer's liability, and other appropriate and customary insurance related to its operations as a project manager, the cost of which is the responsibility of the TRS lessee.

Assignment and Subleasing. Neither Premier nor the TRS lessee may assign or transfer the master project management agreement without the other party's prior written consent. However, Premier may assign its rights and obligations to any entity that is "controlled" by Mr. Monty J. Bennett, Mr. Archie Bennett, Jr., or their respective family partnerships or trusts, the sole members or beneficiaries of which are at all times lineal descendants of Messrs. Monty or Archie Bennett, Jr. (including step children) and spouses. "Controlled" means (i) the possession of a majority of the capital stock (or ownership interest) and voting power of such affiliate, directly or indirectly, or (ii) the power to direct or cause the direction of the management and policies of such affiliate in the capacity of chief executive officer, president, chairman, or other similar capacity where they are actively engaged or involved in providing such direction or control and spend a substantial amount of time managing such affiliate. No assignment will release Premier from any of its obligations under the master project management agreement.

Damage to Hotels. If any of our insured properties is destroyed or damaged, the TRS lessee is obligated, subject to the requirements of the underlying lease, to repair or replace the damaged or destroyed portion of the hotel to the same condition as existed prior to such damage or destruction. If the lease relating to such damaged hotel is terminated pursuant to the terms of the lease, the TRS lessee has the right to terminate the master project management agreement with respect to such damaged hotel upon 60 days' written notice. In the event of a termination, neither the TRS lessee nor Premier will have any further liabilities or obligations under the master project management agreement with respect to such damaged hotel.

Condemnation of a Property or Force Majeure. If all or substantially all of a hotel is subject to a total condemnation or a partial taking that prevents use of the property as a hotel, the master project management agreement, with respect to such hotel, will terminate, subject to the requirements of the applicable lease. In the event of termination, neither the TRS lessee nor Premier will have any further rights, remedies, liabilities or obligations under the master project management agreement with respect to such hotel. If any partial taking of a property does not make it unreasonable to continue to operate the hotel, there is no right to terminate the master project management agreement. If there is an event of force majeure or any other cause beyond the control of Premier that directly involves a hotel and has a significant adverse effect upon the continued operations of that

hotel, then the master project management agreement may be terminated by the TRS lessee. In the event of such a termination, neither the TRS lessee nor Premier will have any further rights, remedies, liabilities or obligations under the master project management agreement with respect to such hotel.

Indemnity Provisions. Premier has agreed to indemnify the TRS lessee against all damages not covered by insurance that arise from: (i) the fraud, willful misconduct or gross negligence of Premier; (ii) infringement by Premier of any third party's intellectual property rights; (iii) the knowing or reckless placing, discharge, leakage, use or storage of hazardous materials in violation of applicable environmental laws on or in any of our hotels by Premier; or (iv) the breach by Premier of the master project management agreement, including action taken by Premier beyond the scope of its authority under the master project management agreement, which is not cured.

Except to the extent indemnified by Premier as described in the preceding paragraph, the TRS lessee will indemnify Premier against all damages not covered by insurance and that arise from: (i) the performance of Premier's services under the master project management agreement; or (ii) the condition or use of our hotels.

Events of Default. Events of default under the master project management agreement include:

- The TRS lessee or Premier files a voluntary bankruptcy petition, or experiences a bankruptcy-related event not discharged within 90 days.
- The TRS lessee or Premier fails to make any payment due under the master project management agreement, subject to a 10-day notice and cure period.
- The TRS lessee or Premier fails to observe or perform any other term of the master project management agreement, subject to a 30-day notice and cure period. There are certain instances in which the 30-day notice and cure period can be extended to up to 120 days.

If an event of default occurs and continues beyond any grace period, the non-defaulting party will have the option of terminating the master project management agreement, on 30 days' notice to the other party.

To minimize conflicts between us and Premier on matters arising under the master project management agreement, the Company's Corporate Governance Guidelines provide that any waiver, consent, approval, modification, enforcement matters or elections which the Company may make pursuant to the terms of the master project management agreement shall be within the exclusive discretion and control of a majority of the independent members of the board of directors (or higher vote thresholds specifically set forth in such agreements). In addition, our board of directors has established a Related Party Transactions Committee comprised solely of independent members of our board of directors to review all related party transactions that involve conflicts. The Related Party Transactions Committee may make recommendations to the independent members of our board of directors (including rejection of any proposed transaction). All related party transactions are approved by either the Related Party Transactions Committee or the independent members of our board of directors.

Mutual Exclusivity Agreements

Remington Hotels Hotel Management MEA

General. In 2013, we entered into a mutual exclusivity agreement with Remington Lodging. Remington Lodging gave us a first right of refusal to purchase any lodging-related investments identified by Remington Lodging and any of its affiliates that met our initial investment criteria, and we agreed to engage Remington Lodging to provide hotel management, project management and development services for hotels we acquired or invested in, to the extent that we had the right or controlled the right to direct such matters, subject to certain conditions. In connection with Ashford Inc.'s acquisition of Premier from Remington Lodging in August 2018, we amended and restated the original mutual exclusivity agreement to provide that Remington Lodging gave us a first right of refusal to purchase any lodging-related investments identified by Remington Lodging and any of its affiliates that met our initial investment criteria, and we agreed to engage Remington Lodging to provide hotel management for hotels we acquired or invested in, to the extent that we had the right or controlled the right to direct such matters. As a result, concurrently with Ashford Inc.'s acquisition of Premier, we, Braemar OP and Remington Lodging entered into the Amended and Restated Mutual Exclusivity Agreement dated as of August 8, 2018, which agreement we refer to below as the "hotel management MEA." In connection with Ashford Inc.'s acquisition of the hotel management business of Remington Lodging on November 6, 2019, Remington Hotels became a subsidiary of Ashford Inc., and the mutual exclusivity agreement between Remington Hotels and us remains in effect.

Term. The initial term of the hotel management MEA is 10 years from November 19, 2013. This term automatically extends for three additional renewal periods of seven years each and a final renewal period of four years, for a total of up to 35 years. The agreement may be sooner terminated because of:

- an event of default (see “Events of Default”),
- a party’s early termination rights (see “Early Termination”), or
- a termination of all our master hotel management agreement between TRS lessee and Remington Hotels because of an event of default under the master hotel management agreement that affects all properties (see “Relationship with Master Hotel Management Agreement”).

Modification of Investment Guidelines. In the event that we materially modify our initial investment guidelines without the written consent of Remington Hotels, which consent may be withheld at its sole and absolute discretion, and may further be subject to the consent of Ashford Trust parties, the Remington Hotels parties will have no obligation to present or offer us investment opportunities at any time thereafter. Instead, the Remington Hotels parties, subject to the superior rights of the Ashford Trust parties or any other party with which the Remington Hotels parties may have an existing agreement, shall use their reasonable discretion to determine how to allocate investment opportunities it identifies. In the event we materially modify our investment guidelines without the written consent of Remington Hotels, the Ashford Trust parties will have superior rights to investment opportunities identified by the Remington Hotels parties, and we will no longer retain preferential treatment to investment opportunities identified by the Remington Hotels parties. A material modification for this purpose means any modification of our initial investment guidelines to be competitive with Ashford Trust’s investment guidelines.

Our Exclusivity Rights. Remington Hotels and Mr. Monty J. Bennett have granted us a first right of refusal to pursue certain lodging investment opportunities identified by Remington Hotels or its affiliates (including Mr. Bennett), including opportunities to buy hotel properties, to buy land and build hotels, or to otherwise invest in hotel properties that satisfy our initial investment guidelines and are not considered excluded transactions pursuant to the hotel management MEA. If investment opportunities are identified and are subject to the hotel management MEA, and we have not materially modified our initial investment guidelines without the written consent of Remington Hotels, then Remington Hotels, Mr. Bennett and their affiliates, as the case may be, will not pursue those opportunities (except as described below) and will give us a written notice and description of the investment opportunity, and we will have 10 business days to either accept or reject the investment opportunity. If we reject the opportunity, Remington Hotels may then pursue such investment opportunity, subject to a right of first refusal in favor of Ashford Trust pursuant to an existing agreement between Ashford Trust and Remington Hotels, on materially the same terms and conditions as offered to us. If the terms of such investment opportunity materially change, then Remington Hotels must offer the revised investment opportunity to us, whereupon we will have 10 business days to either accept or reject the opportunity on the revised terms.

Reimbursement of Costs. If we accept an investment opportunity from Remington Hotels, we will be obligated to reimburse Remington Hotels or its affiliates for the actual out-of-pocket and third-party costs and expenses paid by Remington Hotels or its affiliates in connection with such investment opportunity, including any earnest money deposits, but excluding any finder’s fee, brokerage fee, development fee or other compensation paid by Remington Hotels or its affiliates. Remington Hotels must submit to us an accounting of the costs in reasonable detail.

Exclusivity Rights of Remington Hotels. If we elect to pursue an investment opportunity that consists of the management and operation of a hotel property, we will hire Remington Hotels to provide such services unless our independent directors either (i) unanimously elect not to engage Remington Hotels, or (ii) by a majority vote, elect not to engage Remington Hotels because they have determined, in their reasonable business judgment, (A) special circumstances exist such that it would be in our best interest not to engage Remington Hotels for the particular hotel, or (B) based on the prior performance of Remington Hotels, another manager or developer could perform the management duties materially better than Remington Hotels for the particular hotel. In return, Remington Hotels has agreed that it will provide those services.

Excluded Investment Opportunities. The following are excluded from the hotel management MEA and are not subject to any exclusivity rights or right of first refusal:

- With respect to Remington Hotels, an investment opportunity where our independent directors have unanimously voted not to engage Remington Hotels as the manager or developer.
- With respect to Remington Hotels, an investment opportunity where our independent directors, by a majority vote, have elected not to engage Remington Hotels as the manager or developer based on their determination, in their reasonable business judgment, that special circumstances exist such that it would be in our best interest not to engage Remington Hotels with respect to the particular hotel.

- With respect to Remington Hotels, an investment opportunity where our independent directors, by a majority vote, have elected not to engage Remington Hotels as the manager or developer because they have determined, in their reasonable business judgment, that another manager or developer could perform the management, development or other duties materially better than Remington Hotels for the particular hotel, based on Remington Hotels' prior performance.
- Existing hotel investments of Remington Hotels or its affiliates with any of their existing joint venture partners, investors or property owners.
- Existing bona fide arm's length third-party management arrangements (or arrangements for other services) of Remington Hotels or any of its affiliates with third parties other than us and our affiliates.
- Like-kind exchanges made pursuant to existing contractual obligations by any of the existing joint venture partners, investors or property owners in which Remington Hotels or its affiliates have an ownership interest, provided that Remington Hotels provides us with notice 10 days' prior to such transaction.

Management or Development. If we hire Remington Hotels to manage or operate a hotel, it will be pursuant to the terms of the master hotel management agreement agreed to between us and Remington Hotels.

Events of Default. Each of the following is a default under the hotel management MEA:

- we or Remington Hotels experience a bankruptcy-related event;
- we fail to reimburse Remington Hotels as described under "Reimbursement of Costs," subject to a 30-day cure period; and
- we or Remington Hotels does not observe or perform any other term of the agreement, subject to a 30-day cure period (which may be increased to a maximum of 120 days in certain instances).

If a default occurs, the non-defaulting party will have the option of terminating the hotel management MEA subject to 30 days' written notice and pursuing its rights and remedies under applicable law.

Early Termination. Remington Hotels has the right to terminate the exclusivity rights granted to us if:

- Mr. Monty J. Bennett is removed as our chief executive officer or as chairman of our board of directors or is not re-appointed to either position, or he resigns as chief executive officer or chairman of our board of directors;
- we terminate the Remington Hotels exclusivity rights pursuant to the terms of the hotel management MEA; or
- our advisory agreement with Ashford LLC is terminated for any reason pursuant to its terms and Mr. Monty J. Bennett is no longer serving as our chief executive officer and chairman of our board of directors.

We may terminate the exclusivity rights granted to Remington Hotels if:

- Remington Hotels fails to qualify as an "eligible independent contractor" as defined in Section 856(d)(9) of the Code and for that reason, we terminate the master hotel management agreement with Remington Hotels;
- Remington Hotels is no longer "controlled" by Mr. Monty J. Bennett or Mr. Archie Bennett, Jr. or their respective family partnership or trusts, the sole members of which are at all times lineal descendants of Mr. Archie Bennett, Jr. or Mr. Monty J. Bennett (including step children) and spouses;
- we experience a change in control and terminate the master hotel management agreement between us and Remington Hotels with respect to all hotels and have paid a termination fee equal to the product of (i) 65% of the aggregate management fees budgeted in the annual operating budget applied to the hotels for the full current fiscal year in which such termination is to occur for such hotels (both base fees and incentive fees, but in no event less than the base fees and incentive fees for the preceding full fiscal year) and (ii) nine;
- the Remington Hotels parties terminate our exclusivity rights pursuant to the terms of the mutual exclusivity agreement; or
- our advisory agreement with Ashford LLC is terminated for any reason pursuant to its terms and Mr. Monty J. Bennett is no longer serving as our chief executive officer and chairman of our board of directors.

Assignment. The hotel management MEA may not be assigned by any of the parties without the prior written consent of the other parties, provided that Remington Hotels can assign its interest in the hotel management MEA, without the written consent of the other parties, to a "manager affiliate entity" as that term is defined in the agreement, so long as such affiliate qualifies as an "eligible independent contractor" at the time of such transfer.

Relationship with Master Hotel Management Agreement. The rights provided to us and to Remington Hotels in the hotel management MEA may be terminated if the master hotel management agreement between us and Remington Hotels terminates in its entirety because of an event of default as to all of the then-managed properties. A termination of Remington Hotels' management rights with respect to one or more hotels (but not all hotels) does not terminate the hotel management MEA. A termination of the hotel management MEA does not terminate the master hotel management agreement either in part or in whole, and the master hotel management agreement would continue in accordance with its terms as to the hotels covered, despite a termination of the hotel management MEA.

Premier Project Management MEA

General. In connection with Ashford Inc.'s acquisition of Premier from Remington Lodging in August 2018, we entered into the Mutual Exclusivity Agreement dated as of August 8, 2018 with Braemar OP and Premier, which agreement we refer to below as the "project management MEA," pursuant to which Premier gave us a first right of refusal to purchase any lodging-related investments identified by Premier and any of its affiliates that met our initial investment criteria, and we agreed to engage Premier to provide project management for hotels we acquired or invested in, to the extent that we had the right or controlled the right to direct such matters.

Term. The initial term of the project management MEA is 10 years from November 19, 2013. This term automatically extends for three additional renewal periods of seven years each and a final renewal period of four years, for a total of up to 35 years. The agreement may be sooner terminated because of:

- an event of default (see "Events of Default"),
- a termination of all our master project management agreements between the TRS lessee and Premier because of an event of default under the master project management agreement that affects all properties (see "Relationship with Master Project Management Agreement").

Modification of Investment Guidelines. In the event that we materially modify our initial investment guidelines without the written consent of Premier, which consent may be withheld at its sole and absolute discretion, Premier will have no obligation to present or offer us investment opportunities at any time thereafter pursuant to the project management MEA. Instead, Premier shall allocate investment opportunities it identifies pursuant to the terms of our advisory agreement. A material modification for this purpose means any modification of our initial investment guidelines to be competitive with Ashford Trust's investment guidelines.

Our Exclusivity Rights. Premier and its affiliates have granted us a first right of refusal to pursue certain lodging investment opportunities identified by Premier and its affiliates (including Mr. Bennett), including opportunities to buy hotel properties, to buy land and build hotels, or to otherwise invest in hotel properties that satisfy our initial investment guidelines and are not considered excluded transactions pursuant to the project management MEA. If investment opportunities are identified and are subject to the project management MEA, and we have not materially modified our initial investment guidelines, then Premier and its affiliates, as the case may be, will not pursue those opportunities (except as described below) and will give us a written notice and description of the investment opportunity, and we will have 10 business days to either accept or reject the investment opportunity. If we reject the opportunity, Premier may then pursue such investment opportunity, on materially the same terms and conditions as offered to us. If the terms of such investment opportunity materially change, then Premier and its affiliates must offer the revised investment opportunity to us, whereupon we will have 10 business days to either accept or reject the opportunity on the revised terms.

Reimbursement of Costs. If we accept an investment opportunity from Premier, we will be obligated to reimburse Premier or its affiliates for the actual out-of-pocket and third-party costs and expenses paid by Premier or its affiliates in connection with such investment opportunity, including any earnest money deposits, but excluding any finder's fee, brokerage fee, development fee or other compensation paid by Premier or its affiliates. Premier must submit to us an accounting of the costs in reasonable detail.

Exclusivity Rights of Premier. If we acquire or invest in a hotel or a property for the development or construction of a hotel and have the right and/or control the right to direct the development and construction of and/or capital improvements to or refurbishment of, or the provision of project management or other services, such as purchasing, interior design, freight management, or construction management for such hotel or hotel improvements, we will hire Premier to provide such services unless our independent directors either (i) unanimously elect not to engage Premier, or (ii) by a majority vote, elect not to engage Premier because they have determined, in their reasonable business judgment, (A) special circumstances exist such that it would be in our best interest not to engage Premier for the particular hotel, or (B) based on the prior performance of Premier,

another manager or developer could perform the project management, project related services or development duties materially better than Premier for the particular hotel. In return, Premier has agreed that it will provide those services.

Excluded Investment Opportunities. The following are excluded from the project management MEA and are not subject to any exclusivity rights or right of first refusal:

- With respect to Premier, an investment opportunity where our independent directors have unanimously voted not to engage Premier as the manager or developer.
- With respect to Premier, an investment opportunity where our independent directors, by a majority vote, have elected not to engage Premier as the manager or developer based on their determination, in their reasonable business judgment, that special circumstances exist such that it would be in our best interest not to engage Premier with respect to the particular hotel.
- With respect to Premier, an investment opportunity where our independent directors, by a majority vote, have elected not to engage Premier as the manager or developer because they have determined, in their reasonable business judgment, that another manager or developer could perform the project management, project related services or development duties materially better than Premier for the particular hotel, based on Premier's prior performance.
- Existing hotel investments of Premier or its affiliates with any of their existing joint venture partners, investors or property owners.
- Existing bona fide arm's length third-party project management arrangements of Premier or any of its affiliates with third parties other than us and our affiliates.
- Like-kind exchanges made pursuant to existing contractual obligations by any of the existing joint venture partners, investors or property owners in which Premier or its affiliates have an ownership interest, provided that Premier provides us with notice 10 days' prior to such transaction.
- Any hotel investment that does not satisfy our initial investment guidelines.

Development or Construction. If we hire Premier to develop and construct a hotel, the terms of the development and construction will be pursuant to the terms of the master project management agreement that has been agreed to by us and Premier.

Events of Default. Each of the following is a default under the project management MEA:

- we or Premier experience a bankruptcy-related event;
- we fail to reimburse Premier as described under "Reimbursement of Costs," subject to a 30-day cure period; and
- we or Premier does not observe or perform any other term of the agreement, subject to a 30-day cure period (which may be increased to a maximum of 120 days in certain instances).

If a default occurs, the non-defaulting party will have the option of terminating the project management MEA subject to 30 days' written notice and pursuing its rights and remedies under applicable law.

Assignment. The project management MEA may not be assigned by any of the parties without the prior written consent of the other parties, provided that Premier can assign its interest in the project management MEA, without the written consent of the other parties, to a "manager affiliate entity" as that term is defined in the agreement.

Relationship with Master Project Management Agreement. The rights provided to us and to Premier in the project management MEA may be terminated if the master project management agreement between us and Premier terminates in its entirety because of an event of default as to all of the then-managed properties. A termination of Premier's project management rights with respect to one or more hotels (but not all hotels) does not terminate the project management MEA. A termination of the project management MEA does not terminate the master project management agreement either in part or in whole, and the management agreements would continue in accordance with its terms as to the hotels covered, despite a termination of the project management MEA.

Ashford Trust Right of First Offer Agreement

The right of first offer agreement provides us the first right to acquire each of the subject hotels owned by Ashford Trust, to the extent the board of directors of Ashford Trust determines to market and sell the hotel, subject to any prior rights of the managers of the hotel or other third parties and the limitations with respect to hotels in a joint venture set forth in the right of first offer agreement. In addition, so long as we do not materially change our initial investment guidelines without the express

consent of Ashford LLC, the right of first offer agreement extends to hotels later acquired by Ashford Trust that satisfy our initial investment guidelines.

If Ashford Trust decides to offer for sale an asset that fits our investment guidelines, it must give us a written notice describing the sale terms and granting us the right to purchase the asset at a purchase price equal to the price set forth in the offer. We will have 30 days to agree to the terms of the sale. If terms are not met, Ashford Trust will be free to sell the asset to any person upon substantially the same terms as those contained in the written notice for 180 days, but not for a price less than 95% of the offered purchase price. If during such 180-day period, Ashford Trust desires to accept an offer that is not on substantially the same terms as those contained in the written notice or that is less than 95% of the offered purchase price, Ashford Trust must give us written notice of the new terms and we will have 10 days in which to agree to the terms of the sale. If Ashford Trust does not close on the sale or refinancing of the asset within 180 days following the expiration of the initial 30-day period, the right to purchase the asset will be reinstated on the same terms.

Likewise, we have agreed to give Ashford Trust a right of first offer with respect to any properties that we acquire in a portfolio transaction, to the extent our board of directors determines it is appropriate to market and sell such assets and we control the disposition, provided such assets satisfy Ashford Trust's investment guidelines. Any such right of first offer granted to Ashford Trust will be subject to certain prior rights, if any, granted to the managers of the related properties or other third parties.

The right of first offer agreement has an initial term of 10 years and is subject to automatic one year renewal periods unless one party notifies the other at least 180 days prior to the expiration of the current term that it does not intend to renew the agreement. The agreement may be terminated by either party (i) upon a default of the other party upon giving notice of such default and the defaulting party fails to cure within 45, or in some circumstances up to 90, days subject to certain exclusions, and (ii) if the other party experiences specified bankruptcy events. Also, if we materially modify our initial investment guidelines without consent of Ashford Trust (which consent may be withheld in its sole discretion), our right of first refusal for any assets owned or later acquired by Ashford Trust and its affiliates, other than the initial assets subject to the right of first offer agreement, will terminate unless otherwise agreed by the parties. Further, the agreement will automatically terminate upon a termination of our advisory agreement or upon a change of control of either us or Ashford Trust, excluding any change of control that may occur as a result of a spin-off, carve-out, split-off or other similar event.

TRS Leases

Three of the hotels we acquired from Ashford Trust in connection with the spin-off are owned by our operating partnership and leased to subsidiaries of Braemar TRS. Two of our hotels are held in a joint venture in which we have a 75% equity interest. The two hotels owned by the joint venture are leased to subsidiaries of the joint venture, which two subsidiaries we have elected to treat as TRSs. Since 2013 Braemar TRS has formed multiple subsidiaries which lease acquired hotels. Braemar TRS has elected to be treated as a TRS. Generally, we intend to lease all hotels we acquire in the future, other than pursuant to sale-leaseback transactions with unrelated third parties, to a TRS lessee, pursuant to the terms of leases that are generally similar to the terms of the existing leases, unless not appropriate based on relevant regulatory factors. Ashford LLC will negotiate the terms and provisions of each future lease, considering such things as the purchase price paid for the hotel, then current economic conditions and any other factors deemed relevant at the time. One hotel property, located in the U.S. Virgin Islands, is owned by our USVI TRS.

Term. The leases for our hotel properties include a term of five years, which expires on December 31, 2025. The leases may be terminated earlier than the stated term if certain events occur, including specified damages to the related hotel, a condemnation of the related hotel or the sale of the related hotel, or an event of default that is not cured within any applicable cure or grace periods. The lessor must pay a termination fee to the TRS lessee if and to the extent the TRS lessee is obligated to pay a termination fee to the managers as a result of the termination of the lease.

Amounts Payable Under Leases. The leases generally provide for each TRS lessee to pay in each calendar month the base rent plus, in each calendar quarter, percentage rent, if any. The percentage rent for each hotel equals: (i) an agreed percentage of gross revenue that exceeds a threshold amount, less (ii) all prior percentage rent payments.

Maintenance and Modifications. Each TRS lessee is required to establish and fund, in respect of each fiscal year during the terms of the leases, a reserve account, in the amount of at least 4% of gross revenues per year to cover the cost of capital expenditures, which costs will be paid by our operating partnership. Each TRS lessee shall be required to make (at our sole cost and expense) all capital expenditures required in connection with emergency situations, legal requirements, maintenance of the applicable franchise agreement, the performance by lessee of its obligations under the lease and other permitted additions to the leased property. We also have the right to make additions, modifications or improvements so long as our actions do not

significantly alter the character or purposes of the property, significantly detract from the value or operating efficiency of the property, significantly impair the revenue producing capability of the property or affect the ability of the lessee to comply with the terms of their lease. All capital expenditures relating to material structural components involving expenditures of \$1 million or more are subject to the approval of our operating partnership. Each TRS lessee is responsible for all routine repair and maintenance of the hotels, and our operating partnership will be responsible for non-routine capital expenditures.

We own substantially all personal property (other than inventory, linens, ERFPP FF&E and other nondepreciable personal property) not affixed to, or deemed a part of, the real estate or improvements on our hotels, unless ownership of such personal property would cause the rent under a lease not to qualify as “rents from real property” for REIT income test purposes.

Insurance and Property Taxes. We pay real estate and personal property taxes on the hotels (except to the extent that personal property associated with the hotels is owned by the applicable TRS lessee). We pay for property and casualty insurance relating to the hotel properties and any personal property owned by us. Each TRS lessee pays for all insurance on its personal property, comprehensive general public liability, workers’ compensation, vehicle, and other appropriate and customary insurance. Each TRS lessee must name us as an additional insured on any policies it carries.

Assignment and Subleasing. The TRS lessees are not permitted to sublet any part of the hotels or assign their respective interests under any of the leases without our prior written consent, which cannot be unreasonably withheld. No assignment or subletting will release any TRS lessee from any of its obligations under the leases.

Damage to Hotels. If any of our insured hotels is destroyed or damaged, whether or not such destruction or damage prevents use of the property as a hotel, the applicable TRS lessee will have the obligation, but only to the extent of insurance proceeds that are made available, to restore the hotel. All insurance proceeds will be paid to our operating partnership (except such proceeds payable for loss or damage to the TRS lessee’s personal property) and be paid to the applicable TRS lessee for the reasonable costs of restoration or repair. Any excess insurance proceeds remaining after the cost of repair or restoration will be retained by us. If the insurance proceeds are not sufficient to restore the hotel, the TRS lessee or we have the right to terminate the lease upon written notice. In that event, neither we nor the TRS lessee will have any further liabilities or obligations under the lease, except that, if we terminate the lease, we have to pay the TRS lessee termination fees, if any, within 45 days that become due under the management agreement. If the lease is so terminated, we will keep all insurance proceeds received as a result of such destruction or damage. If the lease is terminated by a TRS lessee, we have the right to reject the termination of the lease and to require the TRS lessee to restore the hotel, provided we agree to pay for all restoration costs in excess of available insurance proceeds. In that event, the related lease will not terminate and we will pay all insurance proceeds to the TRS lessee.

If the cost of restoration exceeds the amount of insurance proceeds, we will contribute any excess amounts necessary to complete the restoration to the TRS lessee before requiring the work to begin. In the event of damage or destruction not covered by insurance, our obligations, as well as those of the applicable TRS lessee, will be the same as in the case of inadequate insurance proceeds. However, regardless of insurance coverage, if damage or destruction rendering the property unsuitable for its primary intended purpose occurs within 24 months of the end of the lease term, we may terminate the lease with 30 days’ notice. If the lease remains in effect and the damage does not result in a reduction of gross revenues at the hotel, the TRS lessee’s obligation to pay rent will be unabated. If, however, the lease remains in effect but the damage does result in a reduction of gross revenues at the hotel, the TRS lessee will be entitled to a certain amount of rent abatement while the hotel is being repaired. We will keep all proceeds from loss of income insurance.

Condemnation. If any of our hotels is subject to a total condemnation or a partial taking that prevents use of the property as a hotel, we and the TRS lessee each have the option to terminate the related lease. We will share in the condemnation award with the TRS lessee in accordance with the provisions of the related lease. If any partial taking of a hotel does not prevent use of the property as a hotel, the TRS lessee is obligated to restore the untaken portion of the hotel to a complete architectural unit but only to the extent of any available condemnation award. If the condemnation award is not sufficient to restore the hotel, the TRS lessee or we have the right to terminate the lease upon written notice. If the lease is terminated by the TRS lessee, we have the right to reject the termination of the lease within 30 days and to require the TRS lessee to restore the hotel, provided we agree to pay for all restoration costs in excess of the available condemnation award. We will contribute the cost of such restoration to the TRS lessee. If a partial taking occurs, the base rent will be abated to some extent, taking into consideration, among other factors, the number of usable rooms, the amount of square footage, or the revenues affected by the partial taking.

Events of Default. Events of Default under the leases include:

- The TRS lessee fails to pay rent or other amounts due under the lease, provided that the TRS lessee has a 10-day cure period after receiving a written notice from us that such amounts are due and payable before an event of default would occur.
- The TRS lessee does not observe or perform any other term of a lease, provided that the TRS lessee has a 30-day cure period after receiving a written notice from us that a term of the lease has been violated before an event of default of default would occur. There are certain instances in which the 30-day grace period can be extended to a maximum of 120 days.
- The TRS lessee is the subject of a bankruptcy, reorganization, insolvency, liquidation or dissolution event.
- The TRS lessee voluntarily ceases operations of the hotels for a period of more than 30 days, except as a result of damage, destruction, condemnation, or certain specified unavoidable delays.
- The default of the TRS lessee under the management agreement for the related hotel because of any action or failure to act by the TRS lessee and the TRS lessee has failed to cure the default within 30 days.

If an event of default occurs and continues beyond any grace period, we have the option of terminating the related lease. If we decide to terminate a lease, we must give the TRS lessee 10 days' written notice. Unless the event of default is cured before the termination date we specify in the termination notice, the lease will terminate on the specified termination notice. In that event, the TRS lessee will be required to surrender possession of the related hotel and pay liquidated damages at our option, as provided by the applicable lease.

Termination of Leases. Our operating partnership generally has the right to terminate any lease prior to the expiration date so long as we pay a termination fee. The termination fee is equal to any termination fee due to a manager under the management agreement.

Indemnification. Each TRS lessee is required to indemnify us for claims arising out of (i) accidents occurring on or about the leased property, (ii) any past, present or future use or condition of the hotel by TRS lessee or any of its agents, employees or invitees, (iii) any impositions that are the obligation of the TRS hotel by lessee, (iv) any failure of the TRS lessee to perform under the lease, and (v) the non-performance of obligations under any sub-lease by the landlord thereunder. We are required to indemnify each TRS lessee for any claim arising out of our gross negligence or willful misconduct arising in connection with the lease and for any failure to perform our obligations under the lease. All indemnification amounts must be paid within 10 days of a determination of liability.

Breach by Us. If we breach any of the leases, we will have 30 days from the time we receive written notice of the breach from the TRS lessee to cure the breach. This cure period may be extended in the event of certain specified, unavoidable delays.

Ground Leases

Two of our hotels are subject to ground leases that cover all of the land underlying the respective hotels.

Hilton La Jolla Torrey Pines. The Hilton La Jolla Torrey Pines is subject to a ground lease with the City of San Diego and expires May 31, 2067. The lease term may be extended by either 10 years or 20 years depending on the amount of capital spent at the hotel. If 5% of gross income is spent on capital expenditures during the lease term, the term may be extended by 10 years. If 6% of gross income is spent on capital expenditures during the lease term, the term may be extended by 20 years. Rent is payable monthly and is the greater of minimum rent or percentage rent, determined monthly, with an annual true-up. Commencing January 1, 1993 and every five years thereafter, minimum rent is adjusted to be 80% of the annual average of actual rents paid or accrued during the preceding five-year period, but in no event may such rent be adjusted downwards. Percentage rent is determined from a percentage of room and banquet rental revenue, food and beverage sales, alcohol sales, lobby, gift shop and coin operated machine and telephone sales and other authorized uses. Percentage rent is adjusted at least six months prior to the end of (December 31, 2027) and thereafter at least six months prior to each 10th year by mutual agreement to provide fair rental to landlord. The lease may be assigned with the landlord's prior written consent. Upon any assignment or a sublease of a majority of the Premises, 2% of the gross amounts paid for the assignment or sublease are payable to the Landlord except in the instances of a transfer to an affiliate or a mortgage foreclosure. In addition, 2% of the net proceeds are payable to the Landlord in the event of a refinancing.

Bardessono Hotel and Spa. The Bardessono Hotel and Spa is subject to a ground lease with Bardessono Brothers LLC and expires October 31, 2065, with two 25-year extension options. Rent is payable monthly and is the greater of minimum rent or percentage rent with an annual true-up on October 1. Each year, annual base minimum rent is increased (but never decreased)

by an amount equal to the percentage increase in CPI Index during the prior 12-month period that starts on September 1 and ends on August 31. In no event will the index percentage be less than 101.5% nor more than 103.5% multiplied by the annual base minimum rent payable by tenant during the lease year just ending. A percentage rent, which is calculated on the positive difference (if any) between the greater of 8% of net rooms revenue OR 4.5% of net operating revenue and the aggregate base minimum rent actually paid by the tenant during the same calendar year will be paid on a calendar year basis. Within 90 days after end of calendar year tenant must provide landlord an officer's certificate containing tenant's financial statements and percentage rent payment, if any. The lease may be assigned with the landlord's prior written consent at least 60 days but not more than 90 days before the effective date of the proposed assignment. Tenant must submit to landlord a statement containing contact and financial information, operating and property ownership history, and other information with respect to the proposed assignee or subtenant as landlord may reasonably require, the type of use proposed for the inn parcel or resort, and all of the principal terms of the proposed assignment; copy of proposed assignment; and a copy of the landlord's consent to assignment. In August of 2016, the lease was amended to allow for the expansion of the leased premises by 10,000 square feet to accommodate construction of the Presidential Villa.

Regulation

General

Our hotels are subject to various U.S. federal, state and local laws, ordinances and regulations, including regulations relating to common areas and fire and safety requirements. We believe that each of our hotels has the necessary permits and approvals to operate its business.

Governmental Regulations

Our properties are subject to various federal, state and local regulatory laws and requirements, including, but not limited to, the Americans with Disabilities Act of 1990, as amended (the "ADA"), zoning regulations, building codes and land use laws, and building, occupancy and other permit requirements. Noncompliance could result in the imposition of governmental fines or the award of damages to private litigants. While we believe that we are currently in material compliance with these regulatory requirements, the requirements may change or new requirements may be imposed that could require significant unanticipated expenditures by us. Additionally, local zoning and land use laws, environmental statutes, health and safety rules and other governmental requirements may restrict, or negatively impact, our property operations, or expansion, rehabilitation and reconstruction activities and such regulations may prevent us from taking advantage of economic opportunities. Future changes in federal, state or local tax regulations applicable to REITs, real property or income derived from our real estate could impact the financial performance, operations, and value of our properties and the Company.

Environmental Matters

Under various laws relating to the protection of the environment, a current or previous owner or operator (including tenants) of real estate may be liable for contamination resulting from the presence or discharge of hazardous or toxic substances at that property and may be required to investigate and clean up such contamination at that property or emanating from that property. These costs could be substantial and liability under these laws may attach without regard to whether the owner or operator knew of, or was responsible for, the presence of the contaminants, and the liability may be joint and several. The presence of contamination or the failure to remediate contamination at our hotels may expose us to third-party liability or materially and adversely affect our ability to sell, lease or develop the real estate or to incur debt using the real estate as collateral.

Our hotels are subject to various federal, state, and local environmental, health and safety laws and regulations that address a wide variety of issues, including, but not limited to, storage tanks, air emissions from emergency generators, storm water and wastewater discharges, lead-based paint, mold and mildew and waste management. Our hotels incur costs to comply with these laws and regulations and could be subject to fines and penalties for non-compliance.

Some of our hotels may contain or develop harmful mold or suffer from other adverse conditions, which could lead to liability for adverse health effects and costs of remediation. The presence of significant mold or other airborne contaminants at any of our hotels could require us to undertake a costly remediation program to contain or remove the mold or other airborne contaminants from the affected hotel or increase indoor ventilation. In addition, the presence of significant mold or other airborne contaminants could expose us to liability from guests or employees at our hotels and others if property damage or health concerns arise.

Insurance

We carry comprehensive general liability, “All Risk” property, business interruption, cyber security, rental loss coverage and umbrella liability coverage on all of our hotels and earthquake, wind, flood and hurricane coverage on hotels in areas where we believe such coverage is warranted, in each case with limits of liability that we deem adequate. Similarly, we are insured against the risk of direct physical damage in amounts we believe to be adequate to reimburse us, on a replacement basis, for costs incurred to repair or rebuild each hotel, including loss of rental income during the reconstruction period. We have selected policy specifications and insured limits which we believe to be appropriate given the relative risk of loss, the cost of the coverage and industry practice. We do not carry insurance for generally uninsured losses, including, but not limited to losses caused by riots, war or acts of God. In the opinion of our management, our hotels are adequately insured.

Competition

The hotel industry is highly competitive and the hotels in which we invest are subject to competition from other hotels for guests. Competition is based on a number of factors, most notably convenience of location, availability of rooms, brand affiliation, price, range of services, guest amenities or accommodations offered and quality of customer service. Competition is often specific to the individual markets in which our properties are located and includes competition from existing and new hotels. Increased competition could have a material adverse effect on the occupancy rate, average daily room rate and rooms revenue per available room of our hotels or may require us to make capital improvements that we otherwise would not have to make, which may result in decreases in our profitability.

Our principal competitors include other hotel operating companies, ownership companies and national and international hotel brands. We face increased competition from providers of less expensive accommodations, such as select service hotels or independent owner-managed hotels, during periods of economic downturn when leisure and business travelers become more sensitive to room rates. We also experience competition from alternative types of accommodations such as home sharing companies.

We face competition for the acquisition of hotels from institutional pension funds, private equity funds, REITs, hotel companies and others who are engaged in the acquisition of hotels. Some of these competitors have substantially greater financial and operational resources and access to capital than we have and may have greater knowledge of the markets in which we seek to invest. This competition may reduce the number of suitable investment opportunities offered to us and decrease the attractiveness of the terms on which we may acquire our targeted hotel investments, including the cost thereof.

Employees

We have no employees. Our appointed officers are provided by Ashford LLC, a subsidiary of Ashford Inc. (collectively, our “advisor”). Advisory services which would otherwise be provided by employees are provided by subsidiaries of Ashford Inc. and by our appointed officers. Subsidiaries of Ashford Inc. have approximately 96 full-time employees who provide advisory services to us. These employees directly or indirectly perform various acquisition, development, asset management, capital markets, accounting, tax, risk management, legal, redevelopment, and corporate management functions pursuant to the terms of our advisory agreement.

Seasonality

Our properties’ operations historically have been seasonal as certain properties maintain higher occupancy rates during the summer months, while certain other properties maintain higher occupancy rates during the winter months. This seasonality pattern can cause fluctuations in our quarterly revenue. Quarterly revenue also may be adversely affected by renovations and repositionings, our managers’ effectiveness in generating business and by events beyond our control, such as the COVID-19 pandemic and government-issued travel restrictions in response, extreme weather conditions, natural disasters, terrorist attacks or alerts, civil unrest, government shutdowns, airline strikes or reduced airline capacity, economic factors and other considerations affecting travel. To the extent that cash flows from operations are insufficient during any quarter to enable us to make quarterly distributions to maintain our REIT status due to temporary or seasonal fluctuations in lease revenue, we expect to utilize cash on hand, cash generated through borrowings and issuances of common or preferred stock to fund required distributions. However, we cannot make any assurances that we will make distributions in the future.

Access to Reports and Other Information

We maintain a website at www.bhrreit.com. On our website, we make available free of charge our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and other reports filed or furnished pursuant to

Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after we electronically file such material with the Securities and Exchange Commission (“SEC”). All of our filed reports can also be obtained at the SEC’s website at www.sec.gov. In addition, our Code of Business Conduct and Ethics, Code of Ethics for the Chief Executive Officer, Chief Financial Officer, and Chief Accounting Officer, Corporate Governance Guidelines, and Board Committee Charters are also available free-of-charge on our website or can be made available in print upon request. A description of any substantive amendment or waiver of our Code of Business Conduct and Ethics or our Code of Ethics for the Executive Officer, Chief Financial Officer and Chief Accounting Officer will be disclosed on our website under the Corporate Governance section. Any such description will be located on our website for a period of 12 months following the amendment or waiver. We also use our website to distribute company information, and such information may be deemed material. Accordingly, investors should monitor our website, in addition to our press releases, SEC filings and public conference calls and webcasts. The contents of our website are not, however, a part of this report.

Item 1A. Risk Factors

Summary Risk Factors

Our business is subject to a number of risks, including risks that may prevent us from achieving our business objectives or may adversely affect our business, financial condition, results of operations, cash flows, and prospects. Moreover, many risk factors set forth below should be interpreted as heightened risks as a result of the impact of the COVID-19 pandemic. These risks are discussed more fully below and include, but are not limited to, risks related to:

- adverse effects of the COVID-19 pandemic, including a significant reduction in business and personal travel and travel restrictions in regions where our hotels are located, and one or more possible recurrences of COVID-19 cases causing a further reduction in business and personal travel and potential reinstatement of travel restrictions by state or local governments;
- our ability to raise sufficient capital and/or take other actions to improve our liquidity position or otherwise meet our liquidity requirements;
- actions by our lenders to accelerate loan balances and foreclose on the hotel properties that are security for our loans if we are unable to make debt service payments or satisfy our other obligations under the forbearance agreements;
- general volatility of the capital markets and the market price of our common and preferred stock;
- availability, terms and deployment of capital;
- unanticipated increases in financing and other costs, including a rise in interest rates;
- availability of qualified personnel to our advisor;
- actual and potential conflicts of interest with Ashford Trust, Ashford Inc. and its subsidiaries (including Ashford LLC, Remington Hotels and Premier) and our executive officers and our non-independent director;
- changes in personnel of Ashford LLC or the lack of availability of qualified personnel;
- changes in governmental regulations, accounting rules, tax rates and similar matters;
- our ability to implement effective internal controls to address the material weakness identified in this report;
- the timing or outcome of the SEC investigation;
- legislative and regulatory changes, including changes to the Internal Revenue Code of 1986, as amended (the “Code”) and related rules, regulations and interpretations governing the taxation of REITs; and
- limitations imposed on our business and our ability to satisfy complex rules in order for us to qualify as a REIT for U.S. federal income tax purposes.

Risks Related to Our Business and Properties

A financial crisis, economic slowdown, pandemic, or epidemic or other economically disruptive event may harm the operating performance of the hotel industry generally. If such events occur, we may be impacted by declines in occupancy, average daily room rates and/or other operating revenues.

The performance of the lodging industry has been closely linked with the performance of the general economy and, specifically, growth in the U.S. GDP. We invest in hotels that are classified as luxury. In an economic downturn, these types of hotels may be more susceptible to a decrease in revenue, as compared to hotels in other categories that have lower room rates. This characteristic may result from the fact that luxury hotels generally target business and high-end leisure travelers. In periods of economic difficulties or concerns with respect to communicable disease, business and leisure travelers may seek to reduce

travel costs and/or health risks by limiting travel or seeking to reduce costs on their trips. Any economic recession will likely have an adverse effect on our business, operating results and prospects. Our business has been and will continue to be materially affected by the impact of the COVID-19 pandemic, see the risk factor “The outbreak of COVID-19 has and will continue to significantly reduce our occupancy rates and RevPAR.”

As a result of the impact of the COVID-19 pandemic, our ability to continue to have the liquidity necessary to service our debt, meet contractual payment obligations under our loan and forbearance agreements and fund our operations depends on many factors and we are unable to estimate future financial performance with certainty.

As a result of the suspension of operations at some of our hotels and the severe decline in revenues resulting from the COVID-19 pandemic, beginning on April 1, 2020, we did not make at least one interest payment under nearly all of our loan agreements, which constituted an “Event of Default” as such term is defined under the applicable loan agreement. Further, the Company triggered an “Event of Default,” as defined under the secured revolving credit facility agreement as a result of the Company being in default on mortgage and mezzanine loans with an aggregate principal amount in excess of \$200 million. Such Event of Default under the senior revolving credit facility agreement was eliminated by the First Amendment to Second Amended and Restated Credit Agreement, dated June 8, 2020, which provides that defaults under mortgage and mezzanine loans with an aggregate principal amount in excess of \$200 million do not trigger a default under the senior revolving credit agreement unless such mortgage or mezzanine loans are also accelerated, and excluding from the \$200 million threshold, any default and acceleration under those certain mortgage and mezzanine loans having an aggregate principal amount of \$435 million and secured by the Marriott Seattle Waterfront, Sofitel Chicago Magnificent Mile, The Notary Hotel and The Clancy.

As previously disclosed on September 24, 2020, the Company signed a forbearance agreement on its mortgage loan on the Capital Hilton and Hilton La Jolla Torrey Pines. The forbearance agreement allowed the Company to defer interest on the loan for a period of six months through the September payment date. The forbearance agreement also allowed the Company to utilize lender and manager-held reserve accounts, which are included in restricted cash on the Company’s balance sheet, in order to fund operating shortfalls at the hotels.

As of the date of this filing, we have entered into forbearance and other agreements with varying terms and conditions that conditionally waive or defer payment defaults for our property level secured debt. If we fail to make any required payments or breach any covenants, we may trigger an Event of Default under our respective forbearance agreements. In such event, we would seek to negotiate new forbearance agreements. If we are unsuccessful in negotiating such forbearance agreements, the lenders could potentially accelerate payments or foreclose on our assets. A foreclosure may also result in reputational risks with lenders that could make it more difficult, or more costly, to obtain loans in the future.

As of December 31, 2020, the Company maintained unrestricted cash of \$78.6 million and restricted cash of \$34.5 million. During the three months ended December 31, 2020, we utilized cash, cash equivalents and restricted cash of ###. Based on certain circumstances, it is possible that the Company could utilize all of its cash, cash equivalents and restricted cash within the next twelve months.

We cannot predict when hotel operating levels will return to normalized levels after the effects of the pandemic subside; whether our hotels will be forced to shut down operations or whether one or more governmental entities may impose additional travel restrictions due to a resurgence of COVID-19 cases in the future. As a result of these factors resulting from the impact of the pandemic, we are unable to estimate future financial performance with certainty. There can be no assurances that in the future we will be able to timely service our debt, meet other contractual payment obligations or fund our other liquidity needs for any reason, and in such event, we would need to seek additional waivers of or amendments to our contractual obligations for payment, reduce or delay scheduled capital expenditures, sell material assets or seek alternative financing. The occurrence of any of the foregoing could have a material adverse impact on our liquidity, financial conditions and ability to continue as a going concern.

We are dependent on the services provided by our advisor, Ashford Inc., and there is a substantial doubt about our advisor’s ability to continue as a going concern.

We have no employees. Our appointed officers are provided by our advisor, and employees of our advisor perform various services pursuant to the advisory agreement and other agreements that enable us to run our business, including acquisition, asset management, capital markets, accounting, tax, risk management, legal, redevelopment, and other corporate management services and functions. Our advisor has publicly disclosed that it had a negative \$49.3 million working capital position as of September 30, 2020 and that, as a result of the effect of the COVID-19 pandemic on our advisor’s business and its financial condition, there is a substantial doubt about our advisor’s ability to continue as a going concern. If as a result of our advisor’s

financial condition the level or quality of the services our advisor provides were materially to decline, it would impair our business and potentially lead to disputes with our advisor. If our advisor were to suffer certain insolvency events (including by declaring bankruptcy), we would be permitted to terminate our advisory agreement without payment of a termination fee to our advisor, but entering into an advisory arrangement with a replacement advisor would be highly disruptive to our operations and would likely have a material adverse effect on our ability to operate our business.

We did not pay dividends on our common stock in fiscal year 2020 and do not expect to pay dividends on our common stock for the foreseeable future, and we may not pay dividends on our preferred stock in the future.

We did not pay dividends on our common stock in fiscal year 2020 and do not expect to pay dividends on our common stock for the foreseeable future, and we may not pay dividends on our preferred stock in the future, particularly in light of the downturn in our business occasioned by the COVID-19 pandemic and the demands of our property-level lenders. Our board of directors decides each quarter whether to pay dividends on our common or preferred stock, based on a variety of factors deemed relevant by our directors, including the current business environment, overall funding levels, other contractual obligations and expected future business conditions. If we continue to fail to pay dividends on our common stock, the market price of our common stock will likely be adversely affected.

In light of the downturn of our business and Ashford Inc.'s business occasioned by COVID-19, we may not realize the anticipated benefits of the Enhanced Return Funding Program.

On January 15, 2019, we entered into the Enhanced Return Funding Program Agreement and Amendment No. 1 to the Fifth Amended and Restated Advisory Agreement (the "ERFP Agreement") with Ashford Inc. and Ashford LLC, which generally provides that Ashford LLC will provide funding to facilitate the acquisition of properties by us that are recommended by Ashford LLC, in an aggregate amount of up to \$50 million (subject to increase to up to \$100 million by mutual agreement). In light of the downturn of our business and Ashford Inc.'s business occasioned by COVID-19, we may not realize the anticipated benefits of the ERFP Agreement. Specifically, as of the date of this filing, Ashford LLC has a remaining commitment to provide approximately \$39.7 million in ERFP funding to us in respect of its initial \$50 million commitment under the ERFP Agreement. Ashford LLC, however, is not required to commit to provide funding under the ERFP Agreement if its unrestricted cash balance, after taking into account the cash amount required for such funding, would be less than \$15.0 million. Given the significant negative impact that COVID-19 has had on the business of Ashford Inc. and Ashford LLC, it is uncertain whether Ashford LLC will be able to provide us with this additional funding, either because Ashford LLC's unrestricted cash balance falls below \$15.0 million or Ashford LLC is otherwise financially unable or unwilling to provide such funding. Furthermore, if Ashford Inc. and Ashford LLC do not fulfill their contractual obligations pursuant to the ERFP Agreement, we may choose not to enforce, or to enforce less vigorously, our rights because of our desire to maintain our ongoing relationship with Ashford Inc. and Ashford LLC, and legal action against either party could negatively impact that relationship.

Additionally, under the terms of the ERFP Agreement, we are required on a going forward basis to pay asset management fees to our advisor, Ashford Inc., with respect to any hotel purchased with money funded pursuant to the ERFP Agreement, even after such hotel is disposed of, including as a result of foreclosure. As a result, if any hotel purchased with funds provided pursuant to the ERFP Agreement is foreclosed upon or otherwise disposed of, we will still be obligated to pay Ashford Inc. asset management fees as if we continued to own the hotels.

We are required to make minimum base advisory fee payments to our advisor, Ashford Inc., under our advisory agreement, which must be paid even if our total market capitalization and performance decline. Similarly, we are required to make minimum base hotel management fee payments under our hotel management agreements with Remington Hotels, a subsidiary of Ashford Inc., which must be paid even if revenues at our hotels decline significantly.

Pursuant to the advisory agreement between us and our advisor, we must pay our advisor on a monthly basis a base advisory fee (based on our total market capitalization and performance), subject to a minimum base advisory fee. The minimum base advisory fee is equal to the greater of: (i) 90% of the base fee paid for the same month in the prior fiscal year; and (ii) 1/12th of the "G&A Ratio" for the most recently completed fiscal quarter multiplied by our total market capitalization on the last balance sheet date included in the most recent quarterly report on Form 10-Q or annual report on Form 10-K that we file with the SEC. Thus, even if our total market capitalization and performance decline, including as a result of the impact of COVID-19, we will still be required to make monthly payments to our advisor equal to the minimum base management fee (which we expect will equal 90% of the base fee paid for the same month in the prior fiscal year), which could adversely impact our liquidity and financial condition.

Similarly, pursuant to our hotel management agreement with Remington Hotels, a subsidiary of Ashford Inc., we pay Remington Hotels monthly base hotel management fees on a per hotel basis equal to the greater of approximately \$14,000 per hotel (increased annually based on consumer price index adjustments) or 3% of gross revenues. As a result, even if revenues at our hotels decline significantly, we will still be required to make minimum monthly payments to Remington Hotels equal to approximately \$14,000 per hotel (increased annually based on consumer price index adjustments), which could adversely impact our liquidity and financial condition.

We face risks related to an ongoing Securities and Exchange Commission investigation.

In June 2020, each of the Ashford Companies received an administrative subpoena from the SEC. The Company's administrative subpoena requires the production of documents and other information since January 1, 2018 relating to, among other things, (1) related party transactions among the Ashford Companies (including the Lismore Agreement between the Company and Lismore pursuant to which the Company engaged Lismore to negotiate the refinancing, modification or forbearance of certain mortgage debt) or between any of the Ashford Companies and any officer, director or owner of the Ashford Companies or any entity controlled by any such person, and (2) the Company's accounting policies, procedures, and internal controls related to such related party transactions. In addition, in October 2020, Mr. Monty J. Bennett, chairman of our board of directors, received an administrative subpoena from the SEC requiring testimony and the production of documents and other information substantially similar to the requests in the subpoenas received by the Ashford Companies.

The Company and Mr. Monty J. Bennett are responding to the administrative subpoenas. At this point, we are unable to predict what the timing or the outcome of the SEC investigation may be or what, if any, consequences the SEC investigation may have with respect to the Company. However, the SEC investigation could result in considerable legal expenses, divert management's attention from other business concerns and harm our business. If the SEC were to determine that legal violations occurred, we could be required to pay significant civil and/or criminal penalties or other amounts and remedies or conditions could be imposed as part of any resolution. We can provide no assurances as to the outcome of the SEC investigation.

We identified a material weakness in our internal controls over financial reporting that existed for the period ended December 31, 2020. Although the Company designed a new control that we intended to remediate this material weakness whereby management will engage a third-party accounting expert to assist management in assessing the accounting for similar transactions in its consolidated financial statements, it was not possible for the Company to test whether the new control was designed and operating effectively as of December 31, 2020 because there were no similar transactions to evaluate in the fourth quarter of 2020. If we fail to properly remediate this material weakness, or fail to properly identify or remediate any future weaknesses or deficiencies, or achieve and maintain effective internal control, our ability to produce accurate and timely financial statements or comply with applicable laws and regulations could be impaired and investors could lose confidence in our financial statements.

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with GAAP. As discussed in "Item 9A. Controls and Procedures," we became aware of a deficiency in the operating effectiveness of our controls that led to a misstatement in our consolidated financial statements for the three and nine months ended September 30, 2020, related to the accounting for troubled debt restructurings. We have corrected the misstatement; however, the lack of proper controls resulted in a material weakness in internal control over financial reporting as defined in Public Company Accounting Oversight Board Auditing Standard No. 2201.

To prevent future material weaknesses from arising in similar circumstances, during the fourth quarter of 2020, the Company designed a new control whereby management will engage a third-party accounting expert to assist management in assessing the accounting for similar transactions in its consolidated financial statements. However, the Company did not enter into any similar transactions during the fourth quarter of 2020, and therefore it was not possible for the Company to test whether the new control was designed and operating effectively as of December 31, 2020. As a result, the material weakness still exists as of December 31, 2020. We anticipate that our remedial actions will have a material impact on our internal control over financial reporting in future periods, but because there were no similar transactions to evaluate in the fourth quarter of 2020 and the timing on when we can remediate this material weakness is dependent on the Company entering into similar transactions, we can give no assurance as to when it will be completed.

Additionally, when a similar transaction does occur at the Company, there can be no assurance that our new control will be sufficient to address this material weakness or that our internal control over financial reporting will not be subject to additional material weaknesses or significant deficiencies in the future. If the remedial actions that we are taking and may take in the future are insufficient to address the material weakness or if additional material weaknesses or significant deficiencies in our

internal control are discovered or occur in the future, our consolidated financial statements may contain material misstatements, we could be required to restate our financial results, our access to capital markets may be affected, we may be unable to maintain or regain compliance with applicable securities laws and NYSE listing requirements, and we may be subject to regulatory investigations and penalties. Additionally, we may encounter problems or delays in implementing any additional changes necessary for management to make a favorable assessment of our internal control over financial reporting. If we cannot favorably assess the effectiveness of our internal control over financial reporting, investors could lose confidence in our financial information and the price of our common or preferred stock could decline.

Our business is significantly influenced by the economies and other conditions in the specific markets in which we operate, particularly in the metropolitan areas where we have high concentrations of hotels.

Our hotels are located in the Washington D.C., San Francisco, San Diego, Sarasota, Seattle, Philadelphia, Chicago, Key West, Vail/Beaver Creek, Lake Tahoe and St. Thomas metropolitan areas. As a result, we are particularly susceptible to adverse market conditions in these areas and any additional areas in which we may acquire assets in the future, including industry downturns, relocation of businesses and any oversupply of hotel rooms or a reduction in lodging demand. Adverse economic developments in the markets in which we have a concentration of hotels, or in any of the other markets in which we operate, or any increase in hotel supply or decrease in lodging demand resulting from the local, regional or national business climate, could adversely affect our business, operating results and prospects.

Our investments are concentrated in the hotel industry, and our business would be adversely affected by an economic downturn in that sector.

Our investments are concentrated in the hotel industry. This concentration may expose us to the risk of economic downturns in the hotel real estate sector, including as a result of COVID-19, to a greater extent than if our properties were more diversified across other sectors of the real estate industry.

We face risks related to changes in the global economic and political environment, including capital and credit markets.

Our business may be harmed by global economic conditions, which recently have been volatile. Political crises in individual countries or regions, including sovereign risk related to a deterioration in the creditworthiness of or a default by local governments, has contributed to this volatility. If the global economy experiences continued volatility or significant disruptions, such disruptions or volatility could hurt the U.S. economy and our business. More specifically, in addition to experiencing reduced demand for business and leisure travel because of a slow-down in the general economy, we could be harmed by disruptions resulting from tighter credit markets or by illiquidity resulting from an inability to access credit markets to obtain cash to support operations or make distributions to our stockholders as a result of global or international developments.

We invest in the luxury segments of the lodging market, which are highly competitive and generally subject to greater volatility than most other market segments and could negatively affect our profitability.

The luxury segments of the hotel business are highly competitive. Our hotel properties compete on the basis of location, room rates, quality, amenities, service levels, reputation and reservations systems, among many factors. There are many competitors in the luxury segments, and many of these competitors may have substantially greater marketing and financial resources than we have. This competition could reduce occupancy levels and rooms revenue at our hotels. Over-building in the lodging industry may increase the number of rooms available and may decrease occupancy and room rates. In addition, in periods of weak demand, as may occur during a general economic recession, our profitability may be negatively affected by the relatively high fixed costs of operating luxury hotels. If our hotels cannot compete effectively for guests, they will earn less revenue, which would result in lower cash available for us to meet debt service obligations, operating expenses, and make requisite distributions to stockholders.

Because we depend upon Ashford LLC and its affiliates to conduct our operations, any adverse changes in the financial condition of Ashford LLC or its affiliates or our relationship with them could hinder our operating performance.

We depend on Ashford LLC to manage our assets and operations. Any adverse changes in the financial condition of Ashford LLC, or its affiliates or our relationship with Ashford LLC could hinder its ability to manage us successfully. Also, see the risk factor “In light of the downturn of our business and Ashford Inc.’s business occasioned by COVID-19, we may not realize the anticipated benefits of the Enhanced Return Funding Program.”

We depend on Ashford LLC's key personnel with long-standing business relationships. The loss of Ashford LLC's key personnel could threaten our ability to operate our business successfully.

Our future success depends, to a significant extent, upon the continued services of Ashford LLC's management team. In particular, the hotel industry experience of Messrs. Monty J. Bennett, Richard J. Stockton, Robert G. Haiman, Deric S. Eubanks, Jeremy Welter, Mark L. Nunneley, and J. Robison Hays III, and the extent and nature of the relationships they have developed with hotel franchisors, operators, and owners and hotel lending and other financial institutions are critically important to the success of our business. The loss of services of one or more members of Ashford LLC's management team could harm our business and our prospects.

The aggregate amount of fees and expense reimbursements paid to our advisor will exceed the average of internalized expenses of our industry peers (as provided in our advisory agreement), as a percentage of total market capitalization. As a part of these fees, we must pay a minimum advisory fee to our advisor regardless of our performance.

Pursuant to the advisory agreement between us and our advisor, we must pay our advisor a monthly base management fee (subject to a minimum fee described below) in an amount equal to 1/12th of the sum of (i) 0.70% of the total market capitalization of our company for the prior month, and (ii) the Net Asset Fee Adjustment (as defined in our advisory agreement), an annual incentive fee that will be based on our achievement of certain minimum performance thresholds and certain expense reimbursements. The monthly minimum base management fee will be equal to the greater of (i) 90% of the base fee paid for the same month in the prior year; and (ii) 1/12th of the "G&A Ratio" for the most recently completed fiscal quarter multiplied by the Total Market Capitalization (as defined in our advisory agreement) on the last balance sheet date included in the most recent Quarterly Report on Form 10-Q or Annual Report on Form 10-K filed by the Company with the SEC. The "G&A Ratio" will be calculated as the simple average of the ratios of total general and administrative expenses paid, less any non-cash expenses but including any dead-deal costs, in the applicable quarter by each member of a select peer group, divided by the total market capitalization of such peer group member (as provided in our advisory agreement). Since the base management fee is subject to this minimum amount and because a portion of such fees are contingent on our performance, the fees we pay to our advisor may fluctuate over time. However, regardless of our advisor's performance, the total amount of fees and reimbursements paid to our advisor as a percentage of market capitalization will never be less than the average of internalized expenses of our industry peers (as provided in our advisory agreement), and there may be times when the total amount of fees and incentives paid to our advisor greatly exceeds the average of internalized expenses of our industry peers.

Our advisor's entitlement to non-performance-based compensation, including the minimum base management fee, might reduce its incentive to devote its time and effort to seeking investments that provide attractive risk-adjusted returns for our portfolio. Further, our incentive fee structure may induce our advisor to encourage us to acquire certain assets, including speculative or high risk assets, or to acquire assets with increased leverage, which could increase the risk to our portfolio. For additional information, see the risk factor "We are required to make minimum base advisory fee payments to our advisor, Ashford Inc., under our advisory agreement, which must be paid even if our total market capitalization and performance decline. Similarly, we are required to make minimum base hotel management fee payments under our hotel management agreements with Remington Hotels, a subsidiary of Ashford Inc., which must be paid even if revenues at our hotels decline significantly."

Our business strategy depends on acquiring additional hotel properties on attractive terms and the failure to do so or to otherwise manage our planned growth successfully may adversely affect our business and operating results.

We intend to acquire additional hotel properties in the future. We face significant competition for attractive investment opportunities from other well-capitalized investors, some of which have greater financial resources and greater access to debt and equity capital than we have. This competition increases as investments in real estate become increasingly attractive relative to other forms of investment. This competition could limit the number of suitable investment opportunities offered to us. It may also increase the bargaining power of property owners seeking to sell to us, making it more difficult for us to acquire new properties on attractive terms or on the terms contemplated in our business plan. As a result of such competition, we may be unable to acquire hotel properties that we deem attractive at prices that we consider appropriate or on terms that are satisfactory to us. If we do identify an appropriate acquisition candidate, we may not be able to successfully negotiate the terms of the acquisition. In addition, we expect to finance future acquisitions through a combination of the use of retained cash flows, property-level debt, and offerings of equity and debt securities, which may result in additional leverage or dilution to our stockholders. Any delay or failure on our part to identify, negotiate, finance on favorable terms, consummate and integrate such acquisitions could materially impede our growth.

In addition, we expect to compete to sell hotel properties. Availability of capital, the number of hotel properties available for sale and market conditions, all affect prices. We may not be able to sell hotel assets at our targeted price.

There is no guarantee that Ashford Trust will sell us any of the properties that are subject to the right of first offer agreement.

We may not be able to acquire any of the properties that are subject to the right of first offer agreement, either because Ashford Trust does not elect to sell such properties or we are not in a position to acquire the properties when Ashford Trust elects to sell. Further, if we materially change our investment guidelines without the express consent of Ashford LLC, no hotels acquired by Ashford Trust after the date of such change will be subject to the right of first offer.

We may be unable to successfully integrate and operate acquired properties, which may have a material adverse effect on our business and operating results.

Even if we are able to make acquisitions on favorable terms, we may not be able to successfully integrate and operate them. We may be required to invest significant capital and resources after an acquisition to maintain or grow the properties that we acquire. In addition, we may need to adapt our management, administrative, accounting, and operational systems, or hire and retain sufficient operational staff, to integrate and manage successfully any future acquisitions of additional assets. These and other integration efforts may disrupt our operations, divert Ashford LLC's attention away from day-to-day operations and cause us to incur unanticipated costs. The difficulties of integration may be increased by the necessity of coordinating operations in geographically dispersed locations. Our failure to integrate successfully any acquisitions into our portfolio could have a material adverse effect on our business and operating results. Further, acquired properties may have liabilities or adverse operating issues that we fail to discover through due diligence prior to the acquisition. The failure to discover such issues prior to such acquisition could have a material adverse effect on our business and results of operations.

Because our board of directors and Ashford LLC have broad discretion to make future investments, we may make investments that result in returns that are substantially below expectations or in net operating losses. In addition, our investment policies may be revised from time to time at the discretion of our board of directors, without a vote of our stockholders. Such discretion could result in investments with yield returns inconsistent with stockholders' expectations.

Our joint venture investments could be adversely affected by our lack of sole decision-making authority, our reliance on a co-venturer's financial condition and disputes between us and our co-venturers.

We own interests in two hotels through a joint venture and we do not have sole decision-making authority regarding these two properties. In addition, we may continue to co-invest with third parties through partnerships, joint ventures or other entities, acquiring controlling or noncontrolling interests in, or sharing responsibility for, managing the affairs of a property, partnership, joint venture or other entity. We may not be in a position to exercise sole decision-making authority regarding any future properties that we may hold in a partnership or joint venture. Investments in partnerships, joint ventures or other entities may, under certain circumstances, involve risks not present were a third party not involved, including the possibility that partners or co-venturers might become bankrupt, suffer a deterioration in their financial condition or fail to fund their share of required capital contributions. Partners or co-venturers may have economic or other business interests or goals which are inconsistent with our business interests or goals, and may be in a position to take actions contrary to our policies or objectives. Such investments may also have the potential risk of impasses on decisions, such as a sale, budgets, or financing, because neither we nor the partner or co-venturer have full control over the partnership or joint venture. Disputes between us and partners or co-venturers may result in litigation or arbitration that would increase our expenses and prevent our officers and/or directors from focusing their time and effort on our business. Consequently, actions by, or disputes with, partners or co-venturers might result in subjecting properties owned by the partnership or joint venture to additional risk. In addition, we may in certain circumstances be liable for the actions of our third-party partners or co-venturers.

Hotel franchise or management agreement requirements or the loss of such an agreement could adversely affect us.

We must comply with operating standards, terms, and conditions imposed by the franchisors or managers of the hotel brands under which our hotels operate. Franchisors periodically inspect their licensed hotels to confirm adherence to their operating standards. The failure of a hotel to maintain these standards could result in the loss or cancellation of a franchise license or other authority pursuant to which our hotels are branded and operated. With respect to operational standards, we rely on our hotel managers to conform to such standards. Franchisors or managers may also require us to make certain capital improvements to maintain the hotel in accordance with system standards, the cost of which can be substantial. A franchisor or manager could condition the continuation of branding and operational support based on the completion of capital improvements that Ashford LLC or our board of directors determines is not economically feasible in light of general economic conditions, the

operating results or prospects of the affected hotel or other circumstances. In that event, Ashford LLC or our board of directors may elect to allow the franchise or management agreement to lapse or be terminated, which could result in a termination charge as well as a change in branding or operation of the hotel as an independent hotel. In addition, when the term of such agreement expires there is no obligation to issue a new franchise.

The loss of a franchise or management agreement could have a material adverse effect on the operations and/or the underlying value of the affected hotel because of the loss of associated name recognition, marketing support and centralized reservation systems provided by the franchisor or manager. Any such material adverse effect on one or more of our hotels may, in turn, have a material adverse effect on our business and operating results.

We do not have any employees, and rely on our hotel managers to employ the personnel required to operate the hotels we own. As a result, we have less ability in the COVID-19 environment to reduce staffing at our hotels than we would if we employed such personnel directly. Additionally, our reliance on third-party hotel managers to operate our hotels and for a substantial majority of our cash flow may adversely affect us.

We do not have any employees. We contractually engage hotel managers, such as Marriott (or its affiliates), Hilton (or its affiliates), Hyatt, Accor and our affiliate, Remington Hotels, which is owned by Ashford Inc., to operate, and to employ the personnel required to operate, our hotels. Each hotel manager is required under the applicable hotel management agreement to determine appropriate staffing levels; and we are required to reimburse the applicable hotel manager for the cost of these employees. As a result, we are dependent on our hotel managers to make appropriate staffing decisions and to appropriately reduce staffing when market conditions are poor, and have less ability in the COVID-19 environment to reduce staffing at our hotels than we would if we employed such personnel directly. As a result, our hotels may be staffed at a level higher than we would choose if we employed the personnel required to operate the hotels. In addition, we may be less likely to take aggressive actions (such as delaying payments owed to our hotel managers) in order to influence the staffing decisions made by Remington Hotels, which is our affiliate.

Additionally, because U.S. federal income tax laws restrict REITs and their subsidiaries from operating or managing hotels, third parties must operate our hotels. A REIT may lease its hotels to taxable REIT subsidiaries (“TRSs”) in which the REIT can own up to a 100% interest. A TRS pays corporate-level income tax and may retain any after-tax income. A REIT must satisfy certain conditions to use the TRS structure. One of those conditions is that the TRS must hire, to manage the hotels, an “eligible independent contractor” (“EIC”) that is actively engaged in the trade or business of managing hotels for parties other than the REIT. An EIC cannot (i) own more than 35% of the REIT, (ii) be owned more than 35% by persons owning more than 35% of the REIT, or (iii) provide any income to the REIT (i.e., the EIC cannot pay fees to the REIT, and the REIT cannot own any debt or equity securities of the EIC). Accordingly, while we may lease hotels to a TRS that we own, the TRS must engage a third-party operator to manage the hotels. Thus, our ability to direct and control how our hotels are operated is less than if we were able to manage our hotels directly.

We are parties to hotel management agreements under which unaffiliated third-party hotel managers manage our hotels. We have also entered into a master hotel management agreement with Remington Hotels, a subsidiary of Ashford Inc., pursuant to which Remington Hotels currently manages the Pier House Resort & Spa, the Bardessono Hotel and Spa and Hotel Yountville. We do not supervise any of the hotel managers or their respective personnel on a day-to-day basis. Without such supervision, our hotel managers may not manage our properties in a manner that is consistent with their respective obligations under the applicable management agreement or our obligations under our hotel management agreements, which are similar to franchise agreements, be negligent in their performance, engage in criminal or fraudulent activity, or otherwise default on their respective management obligations to us. If any of these events occur, our relationships with any managers may be damaged, we may be in breach of our management agreement, and we could incur liabilities resulting from loss or injury to our property or to persons at our properties. In addition, from time to time, disputes may arise between us and our third-party managers regarding their performance or compliance with the terms of the hotel management agreements, which in turn could adversely affect us. If we are unable to resolve such disputes through discussions and negotiations, we may choose to terminate our management agreement, litigate the dispute or submit the matter to third-party dispute resolution, the expense of which may be material and the outcome of which may harm our business, operating results or prospects.

On October 24, 2019, the Company provided notice to Accor of the material breach of its responsibilities under the Accor management agreement for the Sofitel Chicago Magnificent Mile at 20 East Chestnut Street in Chicago, Illinois. On November 7, 2019, Accor filed a complaint against Ashford TRS Chicago II in the Supreme Court of the State of New York, New York County, seeking a declaratory judgment that no breach had occurred. Accor’s complaint was dismissed on or about February 27, 2020. On January 6, 2020, Ashford TRS Chicago II filed a complaint against Accor in the Supreme Court of the State of New York, New York County, alleging breach of the Accor management agreement and seeking declaration of its right to

terminate the Accor management agreement. On July 20, 2020, Accor filed an Amended Answer and Counterclaims against Ashford TRS Chicago II. For more information, see “Item 3. Legal Proceedings.”

Our management agreements could adversely affect our ability to sell or finance our hotel properties.

Our management agreements do not allow us to replace hotel managers on relatively short notice or with limited cost and also contain other restrictive covenants. We may enter into additional such agreements or acquire properties subject to such agreements in the future. For example, the terms of a management agreement may restrict our ability to sell a property unless the purchaser is not a competitor of the manager, assumes the management agreement and meets other conditions. Also, the terms of a long-term management agreement encumbering our property may reduce the value of the property. When we enter into or acquire properties subject to any such management agreements, we may be precluded from taking actions that we believe to be in our best interest and could incur substantial expense as a result.

Eight of our hotels currently operate under Marriott or Hilton brands; therefore, we are subject to risks associated with concentrating our portfolio in just two brand families.

Eight of our thirteen hotels utilize brands owned by Marriott (or its affiliates) or Hilton (or its affiliates). As a result, our success is dependent in part on the continued success of Marriott and Hilton and their respective brands (or the brands of their affiliates). We believe that building brand value is critical to increase demand and build customer loyalty. Consequently, if market recognition or the positive perception of Marriott and/or Hilton is reduced or compromised, the goodwill associated with the Marriott- and Hilton-branded hotels in our portfolio may be adversely affected. Furthermore, if our relationship with Marriott or Hilton were to deteriorate as a result of disputes regarding the management of our hotels or for other reasons, Marriott and/or Hilton might terminate its current management agreements or franchise licenses with us or decline to manage or provide franchise licenses for hotels we may acquire in the future.

If we cannot obtain additional capital, our growth will be limited.

We are required to distribute to our stockholders at least 90% of our REIT taxable income, excluding net capital gains, each year to qualify and maintain our qualification as a REIT. As a result, our retained earnings, if any, available to fund acquisitions, development, or other capital expenditures are nominal. As such, we rely upon the availability of additional debt or equity capital to fund these activities. Our long-term ability to grow through acquisitions or development, which is an important strategy for us, will be limited if we cannot obtain additional financing or equity capital. Market conditions may make it difficult to obtain financing or equity capital, and we may not be able to obtain additional debt or equity financing or obtain it on favorable terms. Also, see the risk factor, “As a result of the impact of the COVID-19 pandemic, our ability to continue to have the liquidity necessary to service our debt, meet contractual payment obligations under our loan and forbearance agreements and fund our operations depends on many factors and we are unable to estimate future financial performance with certainty.”

Some of our hotels are subject to ground leases; if we are found to be in breach of a ground lease or are unable to renew a ground lease, our business could be materially and adversely affected.

Some of our hotels are on land subject to ground leases, two of which cover the entire property. Accordingly, we only own a long-term leasehold or similar interest, rather than a fee interest, in those two hotels. We may not continue to make payments due on our ground leases, particularly in light of the downturn in our business occasioned by COVID-19. If we fail to make a payment on a ground lease or are otherwise found to be in breach of a ground lease, we could lose the right to use the hotel or the portion of the hotel property that is subject to the ground lease. In addition, unless we can purchase the fee simple interest in the underlying land and improvements, or extend the terms of these ground leases before their expiration, we will lose our right to operate these properties and our interest in the improvements upon expiration of the ground leases. We may not be able to renew any ground lease upon its expiration, or if renewed, the terms may not be favorable. Our ability to exercise any extension options relating to our ground leases is subject to the condition that we are not in default under the terms of the ground lease at the time we exercise such options. If we lose the right to use a hotel due to a breach or non-renewal of the ground lease, we would be unable to derive income from such hotel and would need to purchase an interest in another hotel to attempt to replace that income, which could materially and adversely affect our business, operating results and prospects. Our ability to refinance a hotel property subject to a ground lease may be negatively impacted as the ground lease expiration date approaches.

In any eminent domain proceeding with respect to a hotel, we will not recognize any increase in the value of the land or improvements subject to our ground leases or at expiration and may only receive a portion of compensation paid.

Unless we purchase a fee interest in the land and improvements subject to our ground leases, we will not have any economic interest in the land or improvements at the expiration of our ground leases. As a result, we will not share in any increase in value of the land or improvements beyond the term of a ground lease, notwithstanding our capital outlay to purchase our interest in the hotel or fund improvements thereon, and will lose our right to use the hotel. Furthermore, if the state or federal government seizes a hotel subject to a ground lease under its eminent domain power, we may only be entitled to a portion of any compensation awarded for the seizure.

The expansion of our business into new markets outside of the United States will expose us to risks relating to owning hotels in those international markets.

As part of our business strategy, we may acquire hotels that meet our investment criteria and are located in international markets. We may have difficulty managing our expansion into new geographic markets where we have limited knowledge and understanding of the local economy, an absence of business relationships in the area, or unfamiliarity with local governmental and permitting procedures and regulations. There are risks inherent in conducting business outside of the United States, which include risks related to:

- foreign employment laws and practices, which may increase the reimbursable costs incurred under our advisory agreement associated with international employees;
- foreign tax laws, which may provide for income or other taxes or tax rates that exceed those of the U.S. and which may provide that foreign earnings that are repatriated, directly or indirectly, are subject to dividend withholding tax requirements or other restrictions;
- compliance with and unexpected changes in regulatory requirements or monetary policy;
- the willingness of domestic or international lenders to provide financing and changes in the availability, cost and terms of such financing;
- adverse changes in local, political, economic and market conditions;
- increased costs of insurance coverage related to terrorist events;
- changes in interest rates and/or currency exchange rates;
- regulations regarding the incurrence of debt; and
- difficulties in complying with U.S. rules governing REITs while operating outside of the United States.

Any of these factors could affect adversely our ability to obtain all of the intended benefits of expanding internationally. If we do not effectively manage this expansion and successfully integrate the international hotels into our organization, our operating results and financial condition may be adversely affected.

Compliance with international laws and regulations may require us to incur substantial costs.

The operations of our international properties, if any, will be subject to a variety of U.S. and international laws and regulations, including the United States Foreign Corrupt Practices Act (“FCPA”). Before we invest in international markets, we will adopt policies and procedures designed to promote compliance with the FCPA and other anti-corruption laws, but we may not continue to be found to be operating in compliance with, or be able to detect violations of, any such laws or regulations. In addition, we cannot predict the nature, scope or effect of future regulatory requirements to which our international properties might be subject and the manner in which existing laws might be administered or interpreted.

Exchange rate fluctuations could adversely affect our financial results.

If we acquire hotels or conduct operations in an international jurisdiction, currency exchange rate fluctuations could adversely affect our results of operations and financial position. If we have international operations, a portion of our revenue and expenses could be generated in foreign currencies such as the Euro, the Canadian dollar and the British pound sterling. Any steps we take to reduce our exposure to fluctuations in the value of foreign currencies, such as entering into foreign exchange agreements or currency exchange hedging arrangements will not eliminate such risk entirely. To the extent that we are unable to match revenue received in foreign currencies with expenses paid in the same currency, exchange rate fluctuations could have a negative impact on our results of operations and financial condition. Additionally, because our consolidated financial results are reported in U.S. dollars, if we generate revenues or earnings in other currencies, the conversion of such amounts into U.S. dollars can result in an increase or decrease in the amount of our revenues or earnings.

We are increasingly dependent on information technology, and potential cyber-attacks, security problems or other disruption and expanding social media vehicles present new risks.

Ashford LLC and our hotel managers rely on information technology networks and systems, including the Internet, to process, transmit and store electronic information, and to manage or support a variety of business processes, including financial transactions and records, personal identifying information, reservations, billing and operating data. The collection and use of personally identifiable information is governed by federal and state laws and regulations. Privacy and information security laws continue to evolve and may be inconsistent from one jurisdiction to another. Compliance with all such laws and regulations may increase the Company's operating costs and adversely impact the Company's ability to market the Company's properties and services.

Ashford LLC and our hotel managers may purchase some of our information technology from vendors, on whom our systems will depend, and Ashford LLC relies on commercially available systems, software, tools and monitoring to provide security for processing, transmission and storage of confidential operator and other customer information. We depend upon the secure transmission of this information over public networks. Ashford LLC's and hotel managers' networks and storage applications could be subject to unauthorized access by hackers or others through cyber-attacks, which are rapidly evolving and becoming increasingly sophisticated, or by other means, or may be breached due to operator error, malfeasance or other system disruptions. Privacy and information security risks have generally increased in recent years because of the proliferation of new technologies, such as ransomware, and the increased sophistication and activities of perpetrators of cyber-attacks. In light of the increased risks, including due to the increased remote access associated with work-from-home arrangements as a result of the COVID-19 pandemic. Ashford LLC has dedicated additional resources on our behalf to strengthen the security of our computer systems. In the future, Ashford LLC may expend additional resources on our behalf to continue to enhance our information security measures and/or to investigate and remediate any information security vulnerabilities. Despite these steps, there can be no assurance that we will not suffer a significant data security incident in the future, that unauthorized parties will not gain access to sensitive data stored on our systems or that any such incident will be discovered in a timely manner.

In addition, the use of social media could cause us to suffer brand damage or information leakage. Negative posts or comments about us, our hotel managers or our hotels on any social networking website could damage our or our hotels' reputations. In addition, employees or others might disclose non-public sensitive information relating to our business through external media channels. The continuing evolution of social media will present us with new challenges and risks.

We may experience losses caused by severe weather conditions, natural disasters or the effects of climate change.

Our properties are susceptible to revenue loss, cost increase or damage caused by severe weather conditions or natural disasters such as hurricanes, earthquakes, tornadoes and floods, as well as the effects of climate change. To the extent climate change causes changes in weather patterns, our hotel properties could experience increases in storm intensity and rising sea-levels. Over time, these conditions could result in declining hotel demand, significant damage to our properties or our inability to operate the affected hotels at all.

We believe that our properties are adequately insured, consistent with industry standards, to cover reasonably anticipated losses that may be caused by hurricanes, earthquakes, tornadoes, floods and other severe weather conditions and natural disasters, including the effects of climate change. Nevertheless, we are subject to the risk that such insurance will not fully cover all losses and, depending on the severity of the event and the impact on our properties, such insurance may not cover a significant portion of the losses including but not limited to the costs associated with evacuation. These losses may lead to an increase in our cost of insurance, a decrease in our anticipated revenues from an affected property or a loss of all or a portion of the capital we have invested in an affected property. In addition, we may not purchase insurance under certain circumstances if the cost of insurance exceeds, in our judgment, the value of the coverage relative to the risk of loss. Also, changes in federal and state legislation and regulation relating to climate change could result in increased capital expenditures to improve the energy efficiency and resiliency of our existing properties and could also necessitate us to spend more on our new development properties without a corresponding increase in revenue.

Changes in laws, regulations or policies may adversely affect our business.

The laws and regulations governing our business or the regulatory or enforcement environment at the federal level or in any of the states in which we operate may change at any time and may have an adverse effect on our business. We are unable to predict how this or any other future legislative or regulatory proposals or programs will be administered or implemented or in what form, or whether any additional or similar changes to statutes or regulations, including the interpretation or implementation thereof, will occur in the future. Any such action could affect us in substantial and unpredictable ways and could have an adverse effect on our results of operations and financial condition. Our inability to remain in compliance with

regulatory requirements in a particular jurisdiction could have a material adverse effect on our operations in that market and on our reputation generally. Applicable laws or regulations may be amended or construed differently and new laws and regulations may be adopted, either of which could materially adversely affect our business, financial condition, or results of operations.

We may from time to time be subject to litigation, which could have a material adverse effect on our financial condition, results of operations, cash flow and trading price of our common stock.

We may from time to time be subject to litigation. Some of these claims may result in defense costs, settlements, fines or judgments against us, some of which may not be covered by insurance. Payment of any such costs, settlements, fines or judgments that are not insured could have a material adverse impact on our financial position and results of operations. Negative publicity regarding claims or judgments made against us or involving our hotels may damage our, or our hotels', reputations. In addition, certain litigation or the resolution of certain litigation may affect the availability or cost of some of our insurance coverage, which could adversely impact our results of operations and cash flows, expose us to increased risks that would be uninsured, and/or adversely impact our ability to attract officers and directors.

A class action lawsuit has been filed against one of the Company's hotel management companies alleging violations of certain California employment laws, which class action affects two hotels owned by subsidiaries of the Company. For more information, see "Item 3. Legal Proceedings."

Risks Related to our Debt Financing

We have a significant amount of debt, and our organizational documents have no limitation on the amount of additional indebtedness that we may incur in the future.

As of December 31, 2020, we had approximately \$1.1 billion of outstanding indebtedness, including approximately \$1.1 billion of variable interest rate debt, and we expect to incur additional indebtedness, including additional variable-rate debt. In the future, we may incur additional indebtedness to finance future hotel acquisitions, capital improvements and development activities and other corporate purposes.

A substantial level of indebtedness could have adverse consequences for our business, results of operations and financial position because it could, among other things:

- require us to dedicate a substantial portion of our cash flow from operations to make principal and interest payments on our indebtedness, thereby reducing our cash flow available to fund working capital, capital expenditures and other general corporate purposes, including to pay dividends on our common stock and our preferred stock as currently contemplated or necessary to satisfy the requirements for qualification as a REIT;
- increase our vulnerability to general adverse economic and industry conditions and limit our flexibility in planning for, or reacting to, changes in our business and our industry;
- limit our ability to borrow additional funds or refinance indebtedness on favorable terms or at all to expand our business or ease liquidity constraints; and
- place us at a competitive disadvantage relative to competitors that have less indebtedness.

Our charter and bylaws do not limit the amount or percentage of indebtedness that we may incur, and we are subject to risks normally associated with debt financing. Generally, our mortgage debt carries maturity dates or call dates such that the loans become due prior to their full amortization. It may be difficult to refinance or extend the maturity of such loans on terms acceptable to us, or at all, and we may not have sufficient borrowing capacity on our secured revolving credit facility to repay any amounts that we are unable to refinance. Although we believe that we will be able to refinance or extend the maturity of these loans, or will have the capacity to repay them, if necessary, using draws under our secured revolving credit facility, there can be no assurance that our secured revolving credit facility will be available to repay such maturing debt, as draws under our secured revolving credit facility are subject to limitations based upon our unencumbered assets and certain financial covenants. These conditions could adversely affect our financial position, results of operations, and cash flows or the market price of our stock.

Under our advisory agreement, Ashford LLC is entitled to receive a monthly base fee in an amount equal to 1/12th of the sum of (i) 0.70% of the total market capitalization of our company for the prior month, and (ii) the Net Asset Value Fee Adjustment, which is defined in the advisory agreement to include our indebtedness and other factors. This fee increases as the aggregate principal amount of our consolidated indebtedness (including our proportionate share of debt of any entity that is not consolidated but excluding our joint venture partners' proportionate share of consolidated debt) increases. As a result, any increase in our consolidated indebtedness will also increase the fees we pay to Ashford LLC. The structure of this fee may

incentivize Ashford LLC to recommend we increase our indebtedness, thereby increasing the fee, when it may not be in the best interest of our stockholders to do so.

In addition, changes in economic conditions, our financial condition or operating results or prospects could:

- result in higher interest rates on our variable-rate debt,
- reduce the availability of debt financing generally or debt financing at favorable rates,
- reduce cash available for distribution to stockholders, or
- increase the risk that we could be forced to liquidate assets to repay debt.

Increases in interest rates could increase our debt payments.

As of December 31, 2020, we had approximately \$1.1 billion of outstanding indebtedness, including approximately \$1.1 billion of variable interest rate debt, and we expect to incur additional indebtedness, including additional variable-rate debt. Increases in interest rates increase our interest costs on our variable-rate debt and could increase interest expense on any future fixed rate debt we may incur, and interest we pay reduces our cash available for distributions, expansion, working capital and other uses. Moreover, periods of rising interest rates heighten the risks described immediately above under “We have a significant amount of debt, and our organizational documents have no limitation on the amount of additional indebtedness that we may incur in the future.”

We have defaulted on our property level secured debt and, although we have entered into forbearance or other agreements on our property level secured debt, if we are unable to comply with such agreements, the lenders may foreclose on our hotels.

All of the Company’s properties are pledged as collateral for a variety of loans. On or about March 17, 2020, we sent notice to all of our lenders notifying such lenders that the spread of COVID-19 was having a significant negative impact on the travel and hospitality industry and that our hotels were experiencing a severe decrease in revenue, resulting in a negative impact on cash flow. While our loan agreements do not contain forbearance rights, we requested a modification to the terms of the loans. Specifically, we requested that for a period of time, shortfalls in debt service payments accrue without penalty and all extension options be deemed granted notwithstanding the existence of any debt service payment accruals. Beginning on April 1, 2020, we did not make at least one interest payment under nearly all of our loan agreements, which constituted an “Event of Default” as such term is defined under the applicable loan documents. Further, the Company triggered an “Event of Default,” as defined under the secured revolving credit facility agreement as a result of the Company being in default on mortgage and mezzanine loans with an aggregate principal amount in excess of \$200 million. Pursuant to the terms of the applicable loan documents, such an Event of Default caused an automatic increase in the interest rate on our outstanding loan balance for the period such Event of Default remains outstanding. Following an Event of Default, our lenders can generally elect to accelerate all principal and accrued interest payments that remain outstanding under the applicable loan agreement and foreclose on the applicable hotel properties that are security for such loans. Such Event of Default under the senior revolving credit facility agreement was eliminated by the First Amendment to Second Amended and Restated Credit Agreement, dated June 8, 2020, which provides that defaults under mortgage and mezzanine loans with an aggregate principal amount in excess of \$200 million do not trigger a default under the senior revolving credit agreement unless such mortgage or mezzanine loans are also accelerated, and excluding from the \$200 million threshold, any default and acceleration under those certain mortgage and mezzanine loans having an aggregate principal amount of \$435 million and secured by the Marriott Seattle Waterfront, Sofitel Chicago Magnificent Mile, The Notary Hotel and The Clancy.

As of the date of this filing, we have entered into forbearance and other agreements with varying terms and conditions that conditionally waive or defer payment defaults for our property level debt. Although we intend to make payments on all of our property level debt in accordance with our respective forbearance agreements, there is no assurance we will be able to maintain compliance with all applicable covenants and requirements. If we fail to make any required payments or breach any covenants, we may trigger an Event of Default under our respective forbearance agreements. In such event, we would seek to negotiate new forbearance agreements. If we were unsuccessful in negotiating such forbearance agreements, the lenders could potentially accelerate payments or foreclose on our assets. A foreclosure may also result in reputational risks with lenders that could make it more difficult, or more costly, to obtain loans in the future.

Any such Event of Default, acceleration of payments, or foreclosure of our assets could have a material adverse effect on our financial condition, results of operations and cash flows and ability to continue to operate or make distributions to our stockholders in the future. In addition, an Event of Default could trigger a termination fee under the advisory agreement with Ashford Inc. An Event of Default could significantly limit our financing alternatives, which could cause us to curtail our

investment activities and/or dispose of assets. It is also possible that we could become involved in litigation related to matters concerning the defaulted loans, and such litigation could result in significant costs to us.

In addition to losing the applicable properties, a foreclosure may result in recognition of taxable income. Under the Code, a foreclosure of property securing non-recourse debt would be treated as a sale of the property for a purchase price equal to the outstanding balance of the debt secured by the mortgage. If the outstanding balance of the debt secured by the mortgage exceeds our tax basis in the property, we would recognize taxable income on foreclosure even though we did not receive any cash proceeds. As a result, we may be required to identify and utilize other sources of cash for distributions to our stockholders.

We may enter into other transactions which could further exacerbate the risks to our financial condition. The use of debt to finance future acquisitions could restrict operations, inhibit our ability to grow our business and revenues, and negatively affect our business and financial results.

We intend to incur additional debt in connection with future hotel acquisitions. We may, in some instances, borrow under our secured revolving credit facility or borrow new funds to acquire hotels. In addition, we may incur mortgage debt by obtaining loans secured by a portfolio of some or all of the hotels that we own or acquire. If necessary or advisable, we also may borrow funds to make distributions to our stockholders to maintain our qualification as a REIT for U.S. federal income tax purposes. To the extent that we incur debt in the future and do not have sufficient funds to repay such debt at maturity, it may be necessary to refinance the debt through debt or equity financings, which may not be available on acceptable terms or at all and which could be dilutive to our stockholders. If we are unable to refinance our debt on acceptable terms or at all, we may be forced to dispose of hotels at inopportune times or on disadvantageous terms, which could result in losses. To the extent we cannot meet our future debt service obligations, we will risk losing to foreclosure some or all of our hotels that may be pledged to secure our obligation.

Covenants, “cash trap” provisions or other terms in our mortgage loans and our secured revolving credit facility, as well as any future credit facility, could limit our flexibility and adversely affect our financial condition or our qualification as a REIT.

Some of our loan agreements and our secured revolving credit facility contain financial and other covenants. If we violate covenants in any debt agreements, we could be required to repay all or a portion of our indebtedness before maturity at a time when we might be unable to arrange financing for such repayment on attractive terms, if at all. Violations of certain debt covenants may also prohibit us from borrowing unused amounts under our lines of credit, even if repayment of some or all the borrowings is not required. In addition, financial covenants under our current or future debt obligations could impair our planned business strategies by limiting our ability to borrow beyond certain amounts or for certain purposes.

Some of our loan agreements also contain cash trap provisions that are triggered if the performance of our hotels decline. When these provisions are triggered, substantially all of the profit generated by our hotels is deposited directly into lockbox accounts and then swept into cash management accounts for the benefit of our various lenders. Cash is not distributed to us at any time after the cash trap provisions have been triggered until we have cured performance issues. This could affect our liquidity and our ability to make distributions to our stockholders. If we are not able to make distributions to our stockholders, we may not qualify as a REIT.

There is refinancing risk associated with our debt.

We finance our long-term growth and liquidity needs with, among other things, a revolving line of credit and secured and unsecured debt financings having staggered maturities, and use variable-rate debt or a mix of fixed and variable-rate debt as appropriate based on favorable interest rates, principal amortization and other terms. In the event that we do not have sufficient funds to repay the debt at the maturity of these loans, we will need to refinance this debt. If the credit environment is constrained at the time of our debt maturities, we would have a very difficult time refinancing debt. When we refinance our debt, prevailing interest rates and other factors may result in paying a greater amount of debt service, which will adversely affect our cash flow, and, consequently, our cash available for distribution to our stockholders. If we are unable to refinance our debt on acceptable terms, we may be forced to choose from a number of unfavorable options. These options include agreeing to otherwise unfavorable financing terms on one or more of our unencumbered assets, selling one or more hotels on disadvantageous terms, including unattractive prices or defaulting on the mortgage and permitting the lender to foreclose. Any one of these options could have a material adverse effect on our business, financial condition, results of operations and our ability to make distributions to our stockholders.

Our hedging strategies may not be successful in mitigating our risks associated with interest rates and could reduce the overall returns on an investment in our Company.

We may use various financial instruments, including derivatives, to provide a level of protection against interest rate increases and other risks, but no hedging strategy can protect us completely. These instruments, such as the risk that the counterparties may fail to honor their obligations under these arrangements, that these arrangements may not be effective in reducing our exposure to interest rate changes or other risks and that a court could rule that such agreements are not legally enforceable. These instruments may also generate income that may not be treated as qualifying REIT income. In addition, the nature and timing of hedging transactions may influence the effectiveness of our hedging strategies. Poorly designed strategies or improperly executed transactions could actually increase our risk and losses. Moreover, hedging strategies involve transaction and other costs. We cannot assure you that our hedging strategy and the instruments that we use will not adequately offset the risk of interest rate volatility or other risks or that our hedging transactions will not result in losses that may reduce the overall return on your investment.

We may be adversely affected by changes in LIBOR reporting practices, the method in which LIBOR is determined or the use of alternative reference rates.

As of December 31, 2020, we had approximately \$1.1 billion of variable interest rate debt as well as interest rate derivatives including caps and floors that are indexed to the London Interbank Offered Rate (“LIBOR”). In July 2017, the United Kingdom regulator that regulates LIBOR announced its intention to phase out LIBOR rates by the end of 2021. The Alternative Reference Rates Committee (“ARRC”), a steering committee comprised of large U.S. financial institutions, has proposed replacing USD-LIBOR with a new index calculated by short-term repurchase agreements, the Secured Overnight Financing Rate (“SOFR”). At this time, no consensus exists as to what rate or rates may become accepted alternatives to LIBOR, and it is impossible to predict whether and to what extent banks will continue to provide LIBOR submissions to the administrator of LIBOR, whether LIBOR rates will cease to be published or supported before or after 2021 or whether any additional reforms to LIBOR may be enacted in the United Kingdom or elsewhere. Such developments and any other legal or regulatory changes in the method by which LIBOR is determined or the transition from LIBOR to a successor benchmark may result in, among other things, a sudden or prolonged increase or decrease in LIBOR, a delay in the publication of LIBOR, and changes in the rules or methodologies in LIBOR, which may discourage market participants from continuing to administer or to participate in LIBOR’s determination and, in certain situations, could result in LIBOR no longer being determined and published. If a published U.S. dollar LIBOR rate is unavailable after 2021, the interest rates on our debt which is indexed to LIBOR will be determined using various alternative methods, any of which may result in interest obligations which are more than or do not otherwise correlate over time with the payments that would have been made on such debt if U.S. dollar LIBOR was available in its current form. Further, the same costs and risks that may lead to the unavailability of U.S. dollar LIBOR may make one or more of the alternative methods impossible or impracticable to determine. Any of these proposals or consequences could have a material adverse effect on our financing costs, and as a result, our financial condition, operating results and cash flows.

Risks Related to Conflicts of Interest

Our separation and distribution agreement, our advisory agreement, the original master hotel management agreement, the original mutual exclusivity agreement and other agreements entered into in connection with the spin-off, as well as the master project management agreement, the master hotel management agreement, the hotel management MEA and the project management MEA entered into in connection with Ashford Inc.’s August 2018 acquisition of Premier and the ERFPA Agreement were not negotiated on an arm’s-length basis with an unaffiliated third party, and we may pursue less vigorous enforcement of the terms of the current agreements because of conflicts of interest with certain of our executive officers and directors and key employees of Ashford LLC.

Because our officers and the chairman of our board of directors are also key employees of Ashford LLC or its affiliates and have ownership interests in Ashford Trust, our separation and distribution agreement, our advisory agreement, our original master hotel management agreement, our original mutual exclusivity agreement and other agreements entered into in connection with the spin-off were not negotiated on an arm’s-length basis, and we did not have the benefit of arm’s-length negotiations of the type normally conducted with an unaffiliated third party. Due to the subsequent spin-off of Ashford Inc., the parent company of Ashford LLC in November 2014, these officers and directors also have ownership interests in the parent company of Ashford LLC and its subsidiaries. As a result of our affiliations with Ashford Trust, Ashford Inc. and its subsidiaries (including Ashford LLC, Remington Hotels and Premier), the terms, including fees and other amounts payable, of agreements between us and Ashford Trust, Ashford LLC or Remington Hotels, including our master hotel management agreement and hotel management MEA with Remington Hotels and our master project management agreement and project management MEA with Premier, may not be as favorable to us as the terms under an arm’s-length agreement. Furthermore, we

may choose not to enforce, or to enforce less vigorously, our rights under these agreements because of our desire to maintain our ongoing relationship with Ashford Trust and Ashford LLC.

Ashford LLC may also manage other entities or assets in the future. Our officers and certain of our directors may also be key officers or directors of such future entities or their affiliates and may have ownership interests in such entities. Any such positions or interests could present additional conflicts of interest for our officers and certain of our directors.

Ashford LLC was a subsidiary of Ashford Trust until its spin-off and may be able to direct attractive investment opportunities to Ashford Trust and away from us.

Until its spin-off on November 12, 2014, Ashford LLC was a subsidiary of Ashford Trust, a publicly-traded hotel REIT, with investment objectives that are similar to ours. So long as Ashford LLC is our external advisor, our governing documents require us to include persons designated by Ashford LLC as candidates for election as director at any stockholder meeting at which directors are to be elected, as described in our governing documents. Each of our executive officers and one of our directors also serve as employees and/or officers of Ashford LLC. In addition each of our officers, other than Mr. Richard Stockton, and one of our directors serve as officers and/or directors of Ashford Trust. Furthermore, Mr. Monty J. Bennett, our previous chief executive officer and current chairman, is also the chairman of Ashford Trust and the chairman, chief executive officer and a significant stockholder of Ashford Inc. Our advisory agreement requires Ashford LLC to present investments that satisfy our investment guidelines to us before presenting them to Ashford Trust or any future client of Ashford LLC. Our board may modify or supplement our investment guidelines from time to time so long as we do not change our investment guidelines in such a way as to be directly competitive with all or any portion of Ashford Trust's investment guidelines as of the date of the advisory agreement. If we materially change our investment guidelines without the express consent of Ashford LLC, then Ashford LLC will not have an obligation to present investment opportunities to us and instead Ashford LLC will use its best judgment to allocate investment opportunities and other entities it advises, taking into account such factors as Ashford LLC deems relevant, in its discretion, subject to any then-existing obligations of Ashford LLC to such other entities.

However, some portfolio investment opportunities may include hotels that satisfy our investment objectives as well as hotels that satisfy the investment objectives of Ashford Trust or other entities advised by Ashford LLC. If the portfolio cannot be equitably divided, Ashford LLC will necessarily have to make a determination as to which entity will be presented with the opportunity. In such a circumstance, our advisory agreement requires Ashford LLC to allocate portfolio investment opportunities between us and Ashford Trust or other entities advised by Ashford LLC in a fair and equitable manner, consistent with our, Ashford Trust's and such other entities' investment objectives. In making this determination, Ashford LLC, using substantial discretion, is required to consider the investment strategy and guidelines of each entity with respect to acquisition of properties, portfolio concentrations, tax consequences, regulatory restrictions, liquidity requirements, leverage and other factors deemed appropriate. In making the allocation determination, Ashford LLC has no obligation to make any such investment opportunity available to us. Ashford LLC and Ashford Trust have agreed that any new investment opportunities that satisfy our investment guidelines will be presented to our board of directors; however, our board will have only ten business days to make a determination with respect to such opportunity prior to it being available to Ashford Trust. The above mentioned dual responsibilities may create conflicts of interest for our officers that could result in decisions or allocations of investments that may benefit Ashford Trust more than they benefit our company, and Ashford Trust may compete with us with respect to certain investments that we may want to acquire.

Ashford LLC and its employees, some of whom are our executive officers, face competing demands relating to their time and this may adversely affect our operations.

We rely on Ashford LLC, its subsidiaries and its employees for the day-to-day operation of our business and management of our assets and the provision of project management services. Until its spin-off, Ashford LLC was wholly-owned by Ashford Trust. Ashford LLC is led by our current management team, which is also the current management team of Ashford Trust (in each case, other than Mr. Richard Stockton). Because some of Ashford LLC's employees have duties to Ashford Trust as well as to our company, we do not have their undivided attention and they face conflicts in allocating their time and resources between our company, Ashford Inc. and Ashford Trust. If Ashford LLC advises and/or leads any additional entities, or manages additional assets, in the future, this could present additional conflicts with respect to the allocation of the time and resources of our management team. As a result of the spin-off of Ashford LLC, its employees have additional responsibilities relating to Ashford Inc.'s status as a public company. During turbulent market conditions, such as during the COVID-19 pandemic, or other times when we need focused support and assistance from Ashford LLC, other entities for which Ashford LLC also acts as an external advisor or Ashford Trust may likewise require greater focus and attention, placing competing high levels of demand on the limited time and resources of Ashford LLC's employees. We may not receive the necessary support and assistance we require or would otherwise receive if we were internally managed by persons working exclusively for us.

While we have agreed to provide funds to Ashford Inc. to fund the formation, registration and ongoing funding needs of Ashford Securities, there can be no assurance Ashford Securities will be successful in helping us raise capital.

In connection with the formation of Ashford Securities by Ashford Inc. in September of 2019, we and Ashford Trust have entered into a contribution agreement to provide funds to Ashford Inc. to fund the formation, registration and ongoing funding requirements of Ashford Securities. As a result, Ashford Securities' operation and management may be influenced or affected by conflicts of interest arising out of its relationship with us and Ashford Trust. Additionally, the agreements between us and our related parties, including Ashford Securities, may not be arm's-length agreements and may not be as favorable to our investors as would be the case if the parties were operating at arm's-length. Notwithstanding our agreement to provide funds to Ashford Inc. relating to Ashford Securities, there can be no assurance that Ashford Securities will be successful in helping us to raise capital.

Conflicts of interest with Remington Hotels and Premier, each of which is a subsidiary of Ashford Inc., could result in our management acting other than in our stockholders' best interest.

Remington Hotels, a subsidiary of Ashford Inc., currently manages the Pier House Resort & Spa, the Bardessono Hotel and Spa and Hotel Yountville. We expect Remington Hotels will manage certain of the hotels we acquire in the future. Premier, also a subsidiary of Ashford Inc., currently provides project management services to us. We expect Premier will also provide project management services to us in the future. Conflicts of interest in general and specifically relating to Remington Hotels and Premier may lead to management decisions that are not in our stockholders' best interest. Mr. Monty J. Bennett and Mr. Archie Bennett, Jr., beneficially owned 100% of Remington Lodging prior to its acquisition by Ashford Inc. on November 6, 2019. As of December 31, 2020, Mr. Monty J. Bennett, chairman of our board of directors and chairman, chief executive officer and a significant stockholder of Ashford Inc. and Mr. Archie Bennett, Jr. together owned approximately 597,006 shares of Ashford Inc. common stock, which represented an approximate 20.8% ownership interest in Ashford Inc., and owned 18,758,600 shares of Ashford Inc. Series D Convertible Preferred Stock, which was exercisable (at an exercise price of \$117.50 per share) into an additional approximate 3,991,191 shares of Ashford Inc. common stock, which if exercised as of December 31, 2020 would have increased the Bennetts' ownership interest in Ashford Inc. to 66.9%. The 18,758,600 shares of Series D Convertible Preferred Stock owned by Mr. Monty J. Bennett and Mr. Archie Bennett, Jr. include 360,000 shares owned by trusts.

We have entered into a hotel management MEA and a master hotel management agreement with Remington Hotels and a project management MEA and master project management agreement with Premier. To the extent we have the right or control the right to direct such matters, the hotel management MEA requires us to engage Remington Hotels to provide, under the master hotel management agreement, hotel management services for all future properties that we acquire, unless our independent directors either (i) unanimously vote not to hire Remington Hotels, or (ii) based on special circumstances or past performance, by a majority vote, elect not to engage Remington Hotels because they have determined, in their reasonable business judgment, that it would be in our best interest not to engage Remington Hotels or that another manager or developer could perform the duties materially better. The project management MEA and master project management agreement with Premier contains similar provisions. A beneficial owner of a significant position in Ashford Inc. would receive (through Premier) any project management and termination fees payable by us under the master project management agreement. Mr. Monty J. Bennett may influence our decisions to sell, acquire, or develop hotels when it is not in the best interest of our stockholders to do so.

Mr. Monty J. Bennett's ownership interests in and management obligations to Ashford Inc. present him with conflicts of interest in making management decisions related to the commercial arrangements between us and Ashford Inc., and his management obligations to Ashford Inc. reduce the time and effort he spends overseeing our company. Our board of directors has adopted a policy that requires all material approvals, actions or decisions which we have the right to make under the master hotel management agreement with Remington Hotels and the master project management agreement with Premier be approved by a majority or, in certain circumstances, all, of our independent directors. However, given the authority and/or operational latitude provided to Remington Hotels under the master hotel management agreement and to Premier under the master project management agreement, Mr. Monty J. Bennett, as the chairman and chief executive officer of Ashford Inc., could take actions or make decisions that are not in our stockholders' best interest or that are otherwise inconsistent with his obligations to us under the master hotel management agreement or our obligations under the applicable franchise agreements or his obligations to us under the master project management agreement.

Ashford Inc.'s ability to exercise significant influence over the determination of the competitive set for any hotels managed by Remington Hotels could artificially enhance the perception of the performance of a hotel, making it more difficult to use managers other than Remington Hotels for future properties.

Under our master hotel management agreement with Remington Hotels, we have the right to terminate Remington Hotels based on the performance of the applicable hotel, subject to the payment of a termination fee. The determination of performance is based on the applicable hotel's gross operating profit margin and its RevPAR penetration index, which provides the relative revenue per room generated by a specified property as compared to its competitive set. For each hotel managed by Remington Hotels, its competitive set consists of a small group of hotels in the relevant market that we and Remington Hotels believe are comparable for purposes of benchmarking the performance of such hotel. Ashford Inc. has significant influence over the determination of the competitive set for any of our hotels that it manages. Ashford Inc. could artificially enhance the perception of the performance of a hotel by selecting a competitive set that is not performing well or is not comparable to the Remington Hotels-managed hotel, thereby making it more difficult for us to elect not to use Remington Hotels for future hotel management.

Remington Hotels may be able to pursue lodging investment opportunities that compete with us.

Pursuant to the terms of our hotel management MEA with Remington Hotels, if investment opportunities that satisfy our investment criteria are identified by Remington Hotels or its affiliates, Remington Hotels will give us a written notice and description of the investment opportunity. We will have 10 business days to either accept or reject the investment opportunity. If we reject the opportunity, Remington Hotels may then pursue such investment opportunity, subject to a right of first refusal in favor of Ashford Trust pursuant to an existing agreement between Ashford Trust and Remington Hotels, on materially the same terms and conditions as offered to us. If we reject such an investment opportunity, either Ashford Trust or Remington Hotels could pursue the opportunity and compete with us. In such a case, Mr. Monty J. Bennett, chairman of our board, in his capacity as chairman and chief executive officer of Ashford Trust could be in a position of directly competing with us, and Remington Hotels may compete with us with respect to certain investments that we may want to acquire.

Our fiduciary duties as the general partner of our operating partnership could create conflicts of interest, which may impede business decisions that could benefit our stockholders.

As the general partner of our operating partnership, we have fiduciary duties to the other limited partners in our operating partnership, the discharge of which may conflict with the interests of our stockholders. The limited partners of our operating partnership have agreed that, in the event of a conflict in the fiduciary duties owed by us to our stockholders and, in our capacity as general partner of our operating partnership, to such limited partners, we are under no obligation to give priority to the interests of such limited partners. In addition, persons holding common units have the right to vote on certain amendments to the operating partnership agreement (which require approval by a majority in interest of the limited partners, including us) and individually to approve certain amendments that would adversely affect their rights. These voting rights may be exercised in a manner that conflicts with the interests of our stockholders. For example, we cannot modify the rights of limited partners to receive distributions as set forth in the operating partnership agreement in a manner that adversely affects their rights without their consent, even though such modification might be in the best interest of our stockholders.

In addition, conflicts may arise when the interests of our stockholders and the limited partners of our operating partnership diverge, particularly in circumstances in which there may be an adverse tax consequence to the limited partners. Tax consequences to holders of common units upon a sale or refinancing of our properties may cause the interests of Ashford Trust or the key employees of Ashford LLC (who are executive officers of Ashford Trust and have ownership interests in Ashford Trust) to differ from our stockholders. As a result of unrealized built-in gain attributable to contributed property at the time of contribution, some holders of common units, including Ashford Trust, may suffer different and more adverse tax consequences than holders of our common stock upon the sale or refinancing of the properties owned by our operating partnership, including disproportionately greater allocations of items of taxable income and gain upon a realization event. As those holders will not receive a correspondingly greater distribution of cash proceeds, they may have different objectives regarding the appropriate pricing, timing and other material terms of any sale or refinancing of certain properties, or whether to sell or refinance such properties at all. As a result, Ashford LLC may cause us to sell, not sell or refinance certain properties, even if such actions or inactions might be financially advantageous to our stockholders, or to enter into tax deferred exchanges with the proceeds of such sales when such a reinvestment might not otherwise be in our best interest.

Our conflicts of interest policy may not adequately address all of the conflicts of interest that may arise with respect to our activities.

We have adopted a conflicts of interest policy to address specifically some of the conflicts relating to our activities which requires the approval of a majority of our disinterested directors to approve any transaction, agreement or relationship in which any of our directors or officers, Ashford LLC or its employees or Ashford Trust has an interest. In connection with this policy, our board of directors has established a Related Party Transactions Committee (consisting of Messrs. Fearn and Rinaldi and Ms. Carter), which is empowered to deny a new proposed interested party transaction or recommend the transaction for approval by a majority of the independent directors. Our policies, however may not be adequate to address all of the conflicts that may arise. In addition, it may not address such conflicts in a manner that is favorable to us.

The potential for conflicts of interest as a result of our management structure may provoke dissident stockholder activities that result in significant costs.

Particularly following periods of volatility in the overall market or declines in the market price of the company's securities, REITs, including us have been targets of stockholder litigation, stockholder director nominations and stockholder proposals by dissident stockholders that allege conflicts of interest in business dealings with affiliated and related persons and entities. Our relationships with Ashford LLC, Ashford Inc., Ashford Trust, the other businesses and entities to which Ashford LLC and Ashford Inc. provide management or other services, Mr. Monty J. Bennett, Mr. Archie Bennett, Jr. and with other related parties of Ashford Inc. and Ashford Trust may precipitate such activities. These activities, if instituted against us, could result in substantial costs and a diversion of our management's attention even if the action is unfounded.

Responding to actions by activist investors can be costly and time-consuming, disrupting our operations and diverting the attention of management and our employees. Stockholder activism could create perceived uncertainties as to our future direction, which could result in the loss of potential business opportunities and make it more difficult for our advisor to attract and retain qualified personnel and business partners. Furthermore, the election of individuals to our board of directors with a specific agenda could adversely affect our ability to effectively and timely implement our strategic plans.

Risks Related to Hotel Investments

We are subject to general risks associated with operating hotels.

We own hotel properties, which have different economic characteristics than many other real estate assets and a hotel REIT is structured differently than many other types of REITs. A typical office property, for example, has long-term leases with third-party tenants, which provides a relatively stable long-term stream of revenue. Hotels, on the other hand, generate revenue from guests that typically stay at the hotel for only a few nights, which causes the room rate and occupancy levels at each of our hotels to change every day, and results in earnings that can be highly volatile. In addition, our hotels are subject to various operating risks common to the hotel industry, many of which are beyond our control, and are discussed in more detail below.

The outbreak of COVID-19 has and will continue to significantly reduce our occupancy rates and RevPAR.

Our business has been and will continue to be materially adversely affected by the impact of, and the public concern about, a pandemic disease. In December 2019, COVID-19 was identified in Wuhan, China, subsequently spread to other regions of the world, and has resulted in increased travel restrictions and extended shutdown of certain businesses in every state in the United States. Since late February 2020, we have experienced a significant decline in occupancy and RevPAR and we expect the significant occupancy and RevPAR declines associated with the COVID-19 to continue as we are experiencing significant reservation cancellations as well as a significant reduction in new reservations. The prolonged presence of the virus has resulted in health and other government authorities imposing widespread restrictions on travel and other businesses. The hotel industry and our portfolio have experienced the postponement or cancellation of a significant number of business conferences and similar events. At this time those restrictions are very fluid and evolving. We have been and will continue to be negatively impacted by those restrictions. Given that the type, degree and length of such restrictions are not known at this time, we cannot predict the overall impact of such restrictions on us or the overall economic environment. Even after the restrictions are lifted, the propensity of people to travel and for businesses to hold conferences will likely remain below historical levels for an additional period of time that is difficult to predict. In addition, one or more possible recurrences of COVID-19 cases could result in further reductions in business and personal travel and could cause state and local governments to reinstate travel restrictions. We may also face increased risk of litigation if we have guests or employees who become ill due to COVID-19.

As such, the full impact these restrictions may have on our financial position, operating results and liquidity cannot be reasonably estimated at this time, but the impact will be material. Additionally, the public perception of a risk of a pandemic or

media coverage of these diseases, or public perception of health risks linked to perceived regional food and beverage safety has materially adversely affected us by reducing demand for our hotels. The length of time required for an effective vaccine or therapy to become widely available is uncertain. These events have resulted in a sustained, significant drop in demand for our hotels and could have a material adverse effect on us.

Declines in or disruptions to the travel industry could adversely affect our business and financial performance.

Our business and financial performance are affected by the health of the worldwide travel industry. Travel expenditures are sensitive to personal and business-related discretionary spending levels, tending to decline or grow more slowly during economic downturns, as well as to disruptions due to other factors, including those discussed below. Decreased travel expenditures could reduce the demand for our services, thereby causing a reduction in revenue. For example, during regional or global recessions, domestic and global economic conditions can deteriorate rapidly, resulting in increased unemployment and a reduction in expenditures for both business and leisure travelers. A slower spending on the services we provide could have a negative impact on our revenue growth.

Other factors that could negatively affect our business include: terrorist incidents and threats and associated heightened travel security measures; political and regional strife; acts of God such as earthquakes, hurricanes, fires, floods, volcanoes and other natural disasters; war; concerns with or threats of pandemics, contagious diseases or health epidemics, such as COVID-19, Ebola, H1N1 influenza (swine flu), MERS, SARs, avian flu, the Zika virus or similar outbreaks; environmental disasters; lengthy power outages; increased pricing, financial instability and capacity constraints of air carriers; airline job actions and strikes; fluctuations in hotel supply, occupancy and ADR; changes to visa and immigration requirements or border control policies; imposition of taxes or surcharges by regulatory authorities; and increases in gasoline and other fuel prices.

Because these events or concerns, and the full impact of their effects, are largely unpredictable, they can dramatically and suddenly affect travel behavior by consumers and decrease demand. Any decrease in demand, depending on its scope and duration, together with any future issues affecting travel safety, could significantly and adversely affect our business, working capital and financial performance over the short and long-term. In addition, the disruption of the existing travel plans of a significant number of travelers upon the occurrence of certain events, such as severe weather conditions, actual or threatened terrorist activity, war or travel-related health events, could result in significant additional costs and decrease our revenues, in each case, leading to constrained liquidity. Also, see the risk factor “The outbreak of COVID-19 has and will continue to significantly reduce our occupancy rates and RevPAR.”

We may have to make significant capital expenditures to maintain our hotel properties, and any development activities we undertake may be more costly than we anticipate.

Our hotels have an ongoing need for renovations and other capital improvements, including replacements, from time to time, of furniture, fixtures, and equipment. Managers or franchisors of our hotels also require that we make periodic capital improvements pursuant to our management agreements or as a condition of maintaining franchise licenses. Generally, we are responsible for the cost of these capital improvements. As part of our long-term growth strategy, we may also develop hotels. Hotel renovation and development involves substantial risks, including:

- construction cost overruns and delays;
- the disruption of operations and displacement of revenue at operating hotels, including revenue lost while rooms, restaurants or meeting space under renovation are out of service;
- the cost of funding renovations or developments and inability to obtain financing on attractive terms;
- the return on our investment in these capital improvements or developments failing to meet expectations;
- inability to obtain all necessary zoning, land use, building, occupancy, and construction permits;
- loss of substantial investment in a development project if a project is abandoned before completion;
- environmental problems; and
- disputes with franchisors or hotel managers regarding compliance with relevant franchise agreements or management agreements.

If we have insufficient cash flow from operations to fund needed capital expenditures, then we will need to borrow, sell assets or sell additional equity securities to fund future capital improvements.

The hotel business is seasonal, which affects our results of operations from quarter to quarter.

The hotel industry is seasonal in nature. This seasonality can cause quarterly fluctuations in our financial condition and operating results, including in the amount available for distributions on our common stock. Our quarterly operating results may be adversely affected by factors outside our control, including weather conditions and poor economic factors in certain markets in which we operate. Our cash flows may not be sufficient to offset any shortfalls that occur as a result of these fluctuations. As a result, we may have to reduce distributions or enter into short-term borrowings in certain quarters in order to make distributions to our stockholders. Such borrowings may not be available on favorable terms, if at all.

The cyclical nature of the lodging industry may cause fluctuations in our operating performance, which could have a material adverse effect on our business and operating results.

The lodging industry historically has been highly cyclical in nature. Fluctuations in lodging demand and, therefore, hotel operating performance, are caused largely by general economic and local market conditions, which subsequently affect levels of business and leisure travel. In addition to general economic conditions, new hotel room supply is an important factor that can affect the lodging industry's performance, and overbuilding has the potential to further exacerbate the negative impact of an economic recession. Room rates and occupancy, and thus RevPAR, tend to increase when demand growth exceeds supply growth. An adverse change in lodging fundamentals could result in returns that are substantially below our expectations or result in losses, which could have a material adverse effect on our business and operating results.

Many of our real estate-related costs are fixed, and will not decrease even if revenue from our hotels decreases.

Many costs, such as real estate taxes, insurance premiums and maintenance costs, generally are not reduced even when a hotel is not fully occupied, room rates decrease or other circumstances cause a reduction in revenues. In addition, newly acquired or renovated hotels may not produce the revenues we anticipate immediately, or at all, and the hotel's operating cash flow may be insufficient to pay the operating expenses and debt service associated with these new hotels. If we are unable to offset real estate costs with sufficient revenues across our portfolio, our operating results and our ability to make distributions to our stockholders may be adversely affected.

The increasing use of Internet travel intermediaries by consumers may adversely affect our profitability.

Some of our hotel rooms are booked through Internet travel intermediaries, including, but not limited to, Travelocity.com, Expedia.com and Priceline.com. As Internet bookings increase, these intermediaries may be able to obtain higher commissions, reduced room rates or other significant contract concessions from our management companies. Moreover, some of these Internet travel intermediaries are attempting to offer hotel rooms as a commodity, by increasing the importance of price and general indicators of quality (such as "three-star downtown hotel") at the expense of brand identification. These intermediaries hope that consumers will eventually develop brand loyalties to their reservations system rather than to the brands under which our properties are franchised. If the amount of sales made through Internet intermediaries increases significantly and results in a decrease in consumer loyalty to the brands under which our hotels are franchised, our rooms revenues may be lower than expected, and our profitability may be adversely affected.

Our revenues and profitability may be adversely affected by increased use of business-related technology, which may reduce the need for business-related travel.

The increased use of teleconference and video-conference technology by businesses could result in decreased business travel as companies increase the use of technologies that allow multiple parties from different locations to participate at meetings without traveling to a centralized meeting location. To the extent that such technologies play an increased role in day-to-day business and the necessity for business-related travel decreases, hotel room demand may decrease and our revenues, profitability and ability to make distributions to our stockholders may be adversely affected.

Future terrorist attacks or changes in terror alert levels could materially and adversely affect our business.

Previous terrorist attacks and subsequent terrorist alerts have adversely affected the U.S. travel and hospitality industries since 2001, often disproportionately to the effect on the overall economy. The extent of the impact that actual or threatened terrorist attacks in the U.S. or elsewhere could have on domestic and international travel and our business in particular cannot be determined, but any such attacks or the threat of such attacks could have a material adverse effect on travel and hotel demand, our ability to finance our business and our ability to insure our hotels. Any of these events could materially and adversely affect our business, our operating results and our prospects.

We are subject to risks associated with the employment of hotel personnel, particularly with respect to hotels that employ unionized labor.

Our managers, including Remington Hotels, a subsidiary of Ashford Inc., and unaffiliated third-party managers are responsible for hiring and maintaining the labor force at each of our hotels. Although we do not directly employ or manage employees at our hotels, we still are subject to many of the costs and risks generally associated with the hotel labor force, particularly at those hotels with unionized labor. From time to time, hotel operations may be disrupted as a result of strikes, lockouts, public demonstrations or other negative actions and publicity. We also may incur increased legal costs and indirect labor costs as a result of contract disputes involving our managers and their labor force or other events. The resolution of labor disputes or re-negotiated labor contracts could lead to increased labor costs, a significant component of our hotel operating costs, either by increases in wages or benefits or by changes in work rules that raise hotel operating costs. We do not have the ability to affect the outcome of these negotiations. Our third party managers may also be unable to hire quality personnel to adequately staff hotel departments, which could result in a sub-standard level of service to hotel guests and hotel operations.

Hotels where our managers have collective bargaining agreements with their employees are more highly affected by labor force activities than others. The resolution of labor disputes or re-negotiated labor contracts could lead to increased labor costs, either by increases in wages or benefits or by changes in work rules that raise hotel operating costs. Furthermore, labor agreements may limit the ability of our hotel managers to reduce the size of hotel workforces during an economic downturn because collective bargaining agreements are negotiated between the hotel managers and labor unions. Our ability, if any, to have any material impact on the outcome of these negotiations is restricted by and dependent on the individual management agreement covering a specific property, and we may have little ability to control the outcome of these negotiations.

In addition, changes in labor laws may negatively impact us. For example, the implementation of new occupational health and safety regulations, minimum wage laws, and overtime, working conditions, employment status and citizenship requirements and the Department of Labor's proposed regulations expanding the scope of non-exempt employees under the Fair Labor Standards Act to increase the entitlement to overtime pay could significantly increase the cost of labor in the workforce, which would increase the operating costs of our hotel properties and may have a material adverse effect on our business or profitability.

Risks Related to the Real Estate Industry

Illiquidity of real estate investments could significantly impede our ability to respond to adverse changes in the performance of our hotel properties and harm our financial condition.

Because real estate investments are relatively illiquid, our ability to sell promptly one or more hotel properties for reasonable prices in response to changing economic, financial, and investment conditions is limited.

We may decide to sell hotel properties in the future. We cannot predict whether we will be able to sell any hotel property for the price or on the terms set by us, or whether any price or other terms offered by a prospective purchaser would be acceptable to us. We also cannot predict the length of time needed to find a willing purchaser and to close the sale of a hotel property.

We may be required to expend funds to correct defects or to make improvements before a property can be sold. We may not have funds available to correct those defects or to make those improvements. In addition, when we acquire a hotel property, we may agree to lock-out provisions that materially restrict us from selling that property for a period of time or impose other restrictions, such as a limitation on the amount of debt that can be placed or repaid on that property. These and other factors could impede our ability to respond to adverse changes in the performance of our hotel properties or a need for liquidity.

Increases in property taxes would increase our operating costs, reduce our income and adversely affect our ability to make distributions to our stockholders.

Each of our hotel properties is subject to real and personal property taxes. These taxes may increase as tax rates change and as the properties are assessed or reassessed by taxing authorities. If property taxes increase, our financial condition, results of operations and our ability to make distributions to our stockholders could be materially and adversely affected and the market price of our common stock could decline.

The costs of compliance with or liabilities under environmental laws may harm our operating results.

Operating expenses at our hotels could be higher than anticipated due to the cost of complying with existing or future environmental laws and regulations. In addition, our hotel properties may be subject to environmental liabilities. An owner or

operator of real property can face liability for environmental contamination created by the presence or discharge of hazardous substances on the property. We may face liability regardless of:

- our knowledge of the contamination;
- the timing of the contamination;
- the cause of the contamination; or
- the party responsible for the contamination.

There may be environmental problems associated with our hotel properties of which we are unaware. Some of our hotel properties use, or may have used in the past, underground tanks for the storage of petroleum-based or waste products that could create a potential for release of hazardous substances. If environmental contamination exists on a hotel property, we could become subject to strict, joint and several liabilities for the contamination if we own the property.

The discovery of material environmental liabilities at our properties could subject us to unanticipated significant costs. The presence of hazardous substances on a property may adversely affect our ability to sell the property on favorable terms or at all, and we may incur substantial remediation costs.

Our environmental insurance policies may not provide sufficient coverage for any environmental liabilities at our properties. In addition, if environmental liabilities are discovered during the underwriting of the insurance policies for any property that we acquire in the future, we may be unable to obtain insurance coverage for the liabilities at commercially reasonable rates or at all. We may experience losses as a result of any of these events.

Numerous treaties, laws and regulations have been enacted to regulate or limit carbon emissions. Changes in the regulations and legislation relating to climate change, and complying with such laws and regulations, may require us to make significant investments in our hotels and could result in increased energy costs at our properties.

Our properties may contain or develop harmful mold, which could lead to liability for adverse health effects and costs of remediating the problem.

When excessive moisture accumulates in buildings or on building materials, mold growth may occur, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. Some molds may produce airborne toxins or irritants. Concern about indoor exposure to mold has been increasing as exposure to mold may cause a variety of adverse health effects and symptoms, including allergic or other reactions. Some of the properties in our portfolio may contain microbial matter such as mold and mildew. As a result, the presence of significant mold at any of our properties could require us to undertake a costly remediation program to contain or remove the mold from the affected property. In addition, the presence of significant mold could expose us to liability from hotel guests, hotel employees, and others if property damage or health concerns arise.

Compliance with the ADA and fire, safety, and other regulations may require us to incur substantial costs.

All of our properties are required to comply with the ADA. The ADA requires that “public accommodations,” such as hotels, be made accessible to people with disabilities. Compliance with the ADA’s requirements could require removal of access barriers and non-compliance could result in imposition of fines by the U.S. government or an award of damages to private litigants, or both. In addition, we are required to operate our properties in compliance with fire and safety regulations, building codes, and other land use regulations as they may be adopted by governmental agencies and bodies and become applicable to our properties. Any requirement to make substantial modifications to our hotel properties, whether to comply with the ADA or other changes in governmental rules and regulations, could be costly.

We may experience uninsured or underinsured losses.

We maintain property and casualty insurance with respect to our hotel properties and other insurance, in each case, with loss limits and coverage thresholds deemed reasonable by our management team (and to satisfy the requirements of lenders and franchisors). In doing so, we make decisions with respect to what deductibles, policy limits, and terms are reasonable based on management’s experience, our risk profile, the loss history of our hotel managers and our properties, the nature of our properties and our businesses, our loss prevention efforts, and the cost of insurance.

Various types of catastrophic losses may not be insurable or may not be economically insurable. In the event of a substantial loss, our insurance coverage may not cover the full current market value or replacement cost of our lost investment. Inflation, changes in building codes and ordinances, environmental considerations, and other factors might cause insurance

proceeds to be insufficient to fully replace or renovate a hotel after it has been damaged or destroyed. Accordingly, it is possible that:

- the insurance coverage thresholds that we have obtained may not fully protect us against insurable losses (i.e., losses may exceed coverage limits);
- we may incur large deductibles that adversely affect our earnings;
- we may incur losses from risks that are not insurable or that are not economically insurable; and
- current coverage thresholds may not continue to be available at reasonable rates.

In the future, we may choose not to maintain terrorism insurance on any of our properties. As a result, one or more large uninsured or underinsured losses could have a material adverse effect on our business, operating results and financial condition.

Each of our current lenders requires us to maintain certain insurance coverage thresholds. If a lender does not believe we have complied with these requirements, the lender could obtain additional coverage thresholds and seek payment from us, or declare us in default under the loan documents. In the former case, we could spend more for insurance than we otherwise deem reasonable or necessary or, in the latter case, the hotels collateralizing one or more loans could be foreclosed upon. In addition, a material casualty to one or more hotels collateralizing loans may result in the insurance company applying to the outstanding loan balance insurance proceeds that otherwise would be available to repair the damage caused by the casualty, which would require us to fund the repairs through other sources. The lender may also foreclose on the hotels if there is a material loss that is not insured.

Risks Related to Investments in Securities

Our earnings are dependent, in part, upon the performance of our investment portfolio.

To the extent permitted by the Code, we may invest in and own securities of private companies, other public companies and REITs. To the extent that the value of those investments declines or those investments do not provide an attractive return, our earnings and cash flow could be adversely affected.

Our prior investment performance is not indicative of future results.

The performance of our prior investments is not necessarily indicative of the results that can be expected for the investments to be made by our subsidiaries. On any given investment, total loss of the investment is possible. Although our management team has experience and has had success in making investments in real estate-related lodging debt and hotel assets, the past performance of these investments is not necessarily indicative of the results of our future investments.

Our investment portfolio will likely contain investments concentrated in a single industry and will not be fully diversified.

We hold an investment in OpenKey, which operates in the lodging industry. To the extent we seek additional investments, we would expect that they will generally be in lodging-related entities. As such, our investment portfolio will likely contain investments concentrated in a single industry and may not be fully diversified by asset class, geographic region or other criteria, which will expose us to significant loss due to concentration risk. Investors have no assurance that the degree of diversification in our investment portfolio will increase at any time in the future.

Risks Related to Our Organization and Structure

Our charter contains provisions that may delay or prevent a change of control transaction.

Our charter contains 9.8% ownership limits. For the purpose of preserving our REIT qualification, our charter prohibits direct or constructive ownership by any person of more than:

- 9.8% of the lesser of the total number or value of the outstanding shares of our common stock, or
- 9.8% of the lesser of the total number or value of the outstanding shares of any class or series of our preferred stock or any other stock of our company, unless our board of directors grants a waiver.

Our charter's constructive ownership rules are complex and may cause stock owned actually or constructively by a group of related individuals and/or entities to be deemed to be constructively owned by one individual or entity. As a result, the acquisition of less than 9.8% of our common stock by an individual or entity could nevertheless cause that individual or entity to own constructively in excess of 9.8% of the outstanding common stock, and thus be subject to our charter's ownership limit.

Any attempt to own or transfer shares of our common stock in excess of the ownership limit without the consent of our board of directors will be void, and could result in the shares being automatically transferred to a charitable trust.

Our board of directors may create and issue an additional class or series of common stock or preferred stock without stockholder approval.

Our charter authorizes our board of directors to issue common stock or preferred stock in one or more classes and to establish the preferences and rights of any class of common stock or preferred stock issued. Subject to the terms of any outstanding classes or series of preferred stock, these actions can be taken without obtaining stockholder approval. Our issuance of additional classes of common stock or preferred stock could have the effect of delaying or preventing someone from taking control of us, even if our stockholders believe that a change in control was in their best interests.

Certain provisions in the partnership agreement for our operating partnership may delay or prevent unsolicited acquisitions of us.

Provisions in the partnership agreement of our operating partnership may delay or make more difficult unsolicited acquisitions of us or changes in our control. These provisions could discourage third parties from making proposals involving an unsolicited acquisition of us or change of our control, although some stockholders might consider such proposals, if made, desirable. These provisions include, among others:

- redemption rights of qualifying parties;
- transfer restrictions on our common units;
- the ability of the general partner in some cases to amend the partnership agreement without the consent of the limited partners; and
- the right of the limited partners to consent to transfers of the general partnership interest and mergers of the operating partnership under specified circumstances.

Because provisions contained in Maryland law and our charter may have an anti-takeover effect, investors may be prevented from receiving a “control premium” for their shares.

Provisions contained in our charter and Maryland general corporation law may have effects that delay, defer, or prevent a takeover attempt, which may prevent stockholders from receiving a “control premium” for their shares. For example, these provisions may defer or prevent tender offers for our common stock or purchases of large blocks of our common stock, thereby limiting the opportunities for our stockholders to receive a premium for their common stock over then-prevailing market prices.

These provisions include the following:

- The ownership limit in our charter limits related investors, including, among other things, any voting group, from acquiring over 9.8% of our common stock or of any class of our preferred stock without our permission.
- Our charter authorizes our board of directors to issue common stock or preferred stock in one or more classes and to establish the preferences and rights of any class of common stock or preferred stock issued. These actions can be taken without soliciting stockholder approval. Our common stock and preferred stock issuances could have the effect of delaying or preventing someone from taking control of us, even if a change in control were in our stockholders’ best interests.

Maryland statutory law provides that an act of a director relating to or affecting an acquisition or a potential acquisition of control of a corporation may not be subject to a higher duty or greater scrutiny than is applied to any other act of a director. Hence, directors of a Maryland corporation by statute are not required to act in certain takeover situations under the same standards of care, and are not subject to the same standards of review, as apply in Delaware and other corporate jurisdictions.

Certain provisions of Maryland law could inhibit changes in control.

Certain provisions of the Maryland General Corporation Law (the “MGCL”) may have the effect of inhibiting a third party from making a proposal to acquire us under circumstances that otherwise could provide our stockholders with the opportunity to realize a premium over the then-prevailing market price of our common stock or a “control premium” for their shares or inhibit a transaction that might otherwise be viewed as being in the best interest of our stockholders. These provisions include:

- “business combination” provisions that, subject to limitations, prohibit certain business combinations between us and an “interested stockholder” (defined generally as any person who beneficially owns 10% or more of the voting power of our shares or an affiliate thereof) for five years after the most recent date on which the stockholder becomes an

interested stockholder, and thereafter impose special stockholder voting requirements on these business combinations, unless certain fair price requirements set forth in the MGCL are satisfied; and

- “control share” provisions that provide that “control shares” of our company (defined as shares which, when aggregated with other shares controlled by the stockholder, entitle the stockholder to exercise one of three increasing ranges of voting power in electing directors) acquired in a “control share acquisition” (defined as the direct or indirect acquisition of ownership or control of outstanding “control shares”) have no voting rights except to the extent approved by our stockholders by the affirmative vote of at least two-thirds of all the votes entitled to be cast on the matter, excluding all interested shares.

In addition, Subtitle 8 of Title 3 of the MGCL permits a Maryland corporation with a class of equity securities registered under the Exchange Act and at least three independent directors to elect to be subject, notwithstanding any contrary provision in the charter or bylaws, to any or all of the following five provisions: a classified board; a two-thirds stockholder vote requirement for removal of a director; a requirement that the number of directors be fixed only by vote of the directors; a requirement that a vacancy on the board of directors be filled only by the remaining directors and for the remainder of the full term of the class of directors in which the vacancy occurred; and a requirement that the holders of at least a majority of all votes entitled to be cast request a special meeting of stockholders.

Our charter opts out of the business combination/moratorium and control share provisions of the MGCL. Our charter also prevents us from making any elections under Subtitle 8 of the MGCL unless approved by our stockholders by a majority of the votes cast. Through a provision unrelated to Subtitle 8, our charter provides that directors may only be removed for cause and by the vote of a majority of the stockholders. Because the opt outs from the business combination/moratorium and control share provisions of the MGCL are contained in our charter, they cannot be amended unless the board of directors recommends the amendment and the stockholders approve the amendment.

Our board of directors can take many actions without stockholder approval.

Our board of directors has overall authority to oversee our business and affairs and determine our major corporate policies. This authority includes significant flexibility. For example, our board of directors can do the following without stockholder approval:

- amend or revise at any time our dividend policy with respect to our common stock or preferred stock (including by eliminating, failing to declare, or significantly reducing dividends on these securities);
- terminate Ashford LLC under certain conditions pursuant to our advisory agreement;
- amend or revise at any time and from time to time our investment, financing, borrowing and dividend policies and our policies with respect to all other activities, including growth, debt, capitalization and operations;
- amend our policies with respect to conflicts of interest provided that such changes are consistent with applicable legal requirements;
- subject to the terms of our charter, prevent the ownership, transfer and/or accumulation of shares in order to protect our status as a REIT or for any other reason deemed to be in the best interests of us and our stockholders;
- subject to the terms of any outstanding classes or series of preferred stock, issue additional shares without obtaining stockholder approval, which could dilute the ownership of our then-current stockholders;
- subject to the terms of any outstanding classes or series of preferred stock, amend our charter to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series, without obtaining stockholder approval;
- subject to the terms of any outstanding classes or series of preferred stock, classify or reclassify any unissued shares of our common stock or preferred stock and set the preferences, rights and other terms of such classified or reclassified shares, including provisions that may have an anti-takeover effect, without obtaining stockholder approval;
- employ and compensate affiliates (subject to disinterested director approval);
- direct our resources toward investments that do not ultimately appreciate over time; and
- determine that it is no longer in our best interests to attempt to qualify, or to continue to qualify, as a REIT.

Any of these actions could increase our operating expenses, impact our ability to make distributions or reduce the value of our assets without giving our stockholders the right to vote on whether we should take such actions.

Our rights and the rights of our stockholders to take action against our directors and officers are limited.

Maryland law provides that a director or officer has no liability in that capacity if he or she performs his or her duties in good faith, in a manner he or she reasonably believes to be in our best interests and with the care that an ordinarily prudent person in a like position would use under similar circumstances. In addition, our charter eliminates our directors' and officers' liability to us and our stockholders for money damages except for liability resulting from actual receipt of an improper benefit or profit in money, property or services or a judgment of active and deliberate dishonesty that was material to the cause of action. Our charter requires us to indemnify our directors and officers and to advance expenses prior to the final disposition of a proceeding to the maximum extent permitted by Maryland law for liability actually incurred in connection with any proceeding to which they may be made, or threatened to be made, a party, except to the extent that the act or omission of the director or officer was material to the matter giving rise to the proceeding and was either committed in bad faith or was the result of active and deliberate dishonesty, the director or officer actually received an improper personal benefit in money, property or services, or, in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful. As a result, we and our stockholders may have more limited rights against our directors and officers than might otherwise exist under common law. In addition, we are generally obligated to advance the defense costs incurred by our directors and officers, prior to any determination regarding the availability of indemnification if actions are taken against them in their capacity as directors and officers.

Future issuances of securities, including our common stock and preferred stock, could reduce existing investors' relative voting power and percentage of ownership and may dilute our share value.

Our charter authorizes the issuance of up to 250,000,000 shares of common stock and 80,000,000 shares of preferred stock. As of March 3, 2021, we had 40,453,693 shares of our common stock issued and outstanding, 5,031,473 shares of our Series B Cumulative Convertible Preferred Stock and 1,600,000 shares of our Series D Cumulative Preferred Stock. We also have also authorized 10,000,000 shares of our Series C Preferred Stock, 28,000,000 shares of our Series E Preferred Stock and 28,000,000 shares of our Series M Preferred Stock, and no shares of Series C Preferred Stock, Series E Preferred Stock and Series M Preferred Stock are issued. Accordingly, we may issue up to an additional 209,546,307 shares of common stock and 73,368,527 shares of preferred stock.

Future issuances of common stock or preferred stock, including through our "at-the-market" equity offering program, our SEDA (as defined below), the issuance of Series E Preferred Stock and Series M Preferred Stock (for which we have an effective registration statement on file with the SEC) and privately negotiated exchange agreements with holders of our preferred stock in reliance on Section 3(a)(9) of the Securities Act of 1933, as amended (the "Securities Act"), could decrease the relative voting power of our common stock or preferred stock and may cause substantial dilution in the ownership percentage of our then existing holders of common or preferred stock. We may value any common stock or preferred stock issued in the future on an arbitrary basis including for services or acquisitions or other corporate actions that may have the effect of reducing investors' relative voting power and/or diluting the net tangible book value of the shares held by our stockholders, and might have an adverse effect on any trading market for our securities. Our board of directors may designate the rights, terms and preferences of our authorized but unissued common shares or preferred shares at its discretion, including conversion and voting preferences without stockholder approval.

Risks Related to Our Status as a REIT

Failure to qualify as a REIT, or failure to remain qualified as a REIT, would cause us to be taxed as a regular corporation, which would substantially reduce funds available for distributions to our stockholders.

We operate in a manner intended to allow us to qualify as a REIT for U.S. federal income tax purposes. We believe that our organization and current and proposed method of operation will enable us to meet the requirements for qualification and taxation as a REIT commencing with our taxable year ended December 31, 2013. However, we may not qualify or remain qualified as a REIT or we may be required to rely on a REIT "savings clause." If we were to rely on a REIT "savings clause," we would have to pay a penalty tax, which could be material.

If we fail to qualify as a REIT in any taxable year, we will face serious tax consequences that will substantially reduce the funds available for distributions to our stockholders because:

- we would not be allowed a deduction for dividends paid to stockholders in computing our taxable income and would be subject to U.S. federal income tax at regular corporate rates;
- we could be subject to the federal alternative minimum tax for the taxable years beginning before January 1, 2018, and possibly increased state and local income taxes; and

- unless we are entitled to relief under certain U.S. federal income tax laws, we could not re-elect REIT status until the fifth calendar year after the year in which we failed to qualify as a REIT.

If, as a result of covenants applicable to our future debt, we are restricted from making distributions to our stockholders, we may be unable to make distributions necessary for us to avoid U.S. federal corporate income and excise taxes and to qualify and maintain our qualification as a REIT, which could materially and adversely affect us. In addition, if we fail to qualify as a REIT, we will no longer be required to make distributions. As a result of all these factors, our failure to qualify as a REIT could impair our ability to expand our business and raise capital, make distributions to our stockholders and it would adversely affect the value of our securities.

If Ashford Trust failed to qualify as a REIT in any of its 2009 through 2013 taxable years, we would be prevented from electing to qualify as a REIT under applicable Treasury Regulations until the fifth year after such failure.

Under applicable Treasury Regulations, if Ashford Trust failed to qualify as a REIT in any of its 2009 through 2013 taxable years, unless Ashford Trust's failure to qualify as a REIT was subject to relief under U.S. federal income tax laws, we would be prevented from electing to qualify as a REIT prior to the fifth calendar year following the year in which Ashford Trust failed to qualify.

Even if we qualify and remain qualified as a REIT, we may face other tax liabilities that reduce our cash flow.

Even if we qualify and remain qualified for taxation as a REIT, we may be subject to certain federal, state, and local taxes on our income and assets, as well as foreign taxes to the extent that we own assets or conduct operations in international jurisdictions. For example:

- We will be required to pay tax on undistributed REIT taxable income.
- If we have net income from the disposition of foreclosure property held primarily for sale to customers in the ordinary course of business or other non-qualifying income from foreclosure property, we must pay tax on that income at the highest corporate rate.
- If we sell a property in a "prohibited transaction," our gain from the sale would be subject to a 100% penalty tax.
- Each of our TRSs is a fully taxable corporation and will be subject to federal and state taxes on its income.
- We may experience increases in our state and local income tax burden. Over the past several years, certain state and local taxing authorities have significantly changed their income tax regimes in order to raise revenues. The changes enacted include the taxation of modified gross receipts (as opposed to net taxable income), the suspension of and/or limitation on the use of net operating loss deductions, increases in tax rates and fees, the addition of surcharges, and the taxation of our partnership income at the entity level. Facing mounting budget deficits, more state and local taxing authorities have indicated that they are going to revise their income tax regimes in this fashion and/or eliminate certain federally allowed tax deductions such as the REIT dividends paid deduction.

Failure to make required distributions would subject us to U.S. federal corporate income tax.

We intend to operate in a manner that allows as a REIT for U.S. federal income tax purposes. In order to qualify as a REIT, we generally are required to distribute at least 90% of our REIT taxable income, determined without regard to the dividends paid deduction and excluding any net capital gain, each year to our stockholders. To the extent that we satisfy this distribution requirement, but distribute less than 100% of our REIT taxable income, we will be subject to U.S. federal corporate income tax on our undistributed taxable income. In addition, we will be subject to a 4% nondeductible excise tax if the actual amount that we pay out to our stockholders in a calendar year is less than a minimum amount specified under the Code.

Our TRS structure increases our overall tax liability.

Our TRSs are subject to federal, state and local income tax on their taxable income, which consists of the revenues from the hotel properties leased by our TRS lessees, or, in the case of The Ritz-Carlton St. Thomas hotel, owned by our TRS, net of the operating expenses for such hotel properties and, in the case of hotel properties leased by our TRS lessees, rent payments to us. Accordingly, although our ownership of our TRS allows us to participate in the operating income from our hotel properties in addition to receiving rent, the net operating income is fully subject to income tax. The after-tax net income of our TRS is available for distribution to us, subject to any applicable withholding requirements.

If our leases with our TRS lessees are not respected as true leases for U.S. federal income tax purposes, we would fail to qualify as a REIT.

To qualify as a REIT, we are required to satisfy two gross income tests, pursuant to which specified percentages of our gross income must be passive income, such as rent. For the rent paid pursuant to the hotel leases with our TRS lessees, which constitutes substantially all of our gross income, to qualify for purposes of the gross income tests, the leases must be respected as true leases for U.S. federal income tax purposes and must not be treated as service contracts, joint ventures or some other type of arrangement. We have structured our leases, and intend to structure any future leases, so that the leases will be respected as true leases for U.S. federal income tax purposes, but the IRS may not agree with this characterization. If the leases were not respected as true leases for U.S. federal income tax purposes, we would not be able to satisfy either of the two gross income tests applicable to REITs and likely would fail to qualify as a REIT.

Our ownership of TRSs is limited and our transactions with our TRSs will cause us to be subject to a 100% penalty tax on certain income or deductions if those transactions are not conducted on arm's-length terms.

A REIT may own up to 100% of the stock of one or more TRSs. A TRS may hold assets and earn income that would not be qualifying assets or income if held or earned directly by a REIT, including gross operating income from hotels that are operated by eligible independent contractors pursuant to hotel management agreements. Both the subsidiary and the REIT must jointly elect to treat the subsidiary as a TRS. A corporation of which a TRS directly or indirectly owns more than 35% of the voting power or value of the stock will automatically be treated as a TRS. Overall, no more than 20% of the value of a REIT's assets may consist of stock or securities of one or more TRSs. In addition, the TRS rules limit the deductibility of interest paid or accrued by a TRS to its parent REIT to assure that the TRS is subject to an appropriate level of corporate taxation. The rules also impose a 100% excise tax on certain transactions between a TRS and its parent REIT that are not conducted on an arm's-length basis. Finally the 100% excise tax also applies to the underpricing of services by a TRS to its parent REIT in contexts where the services are unrelated to services for REIT tenants.

Our TRSs are subject to federal, foreign, state and local income tax on their taxable income, and their after-tax net income is available for distribution to us but is not required to be distributed to us. We believe that the aggregate value of the stock and securities of our TRSs is less than 20% of the value of our total assets (including our TRS stock and securities).

We monitor the value of our respective investments in our TRSs for the purpose of ensuring compliance with TRS ownership limitations. In addition, we scrutinize all of our transactions with our TRSs to ensure that they are entered into on arm's-length terms to avoid incurring the 100% excise tax described above. For example, in determining the amounts payable by our TRSs under our leases, we engaged a third party to prepare transfer pricing studies to ascertain whether the lease terms we established are on an arm's-length basis as required by applicable Treasury Regulations. However, the receipt of a transfer pricing study does not prevent the IRS from challenging the arm's length nature of the lease terms between a REIT and its TRS lessees. Consequently, we may not be able to avoid application of the 100% excise tax discussed above. Moreover, the IRS may impose excise taxes and penalties based on transactions that occurred prior to the spin-off.

If our hotel managers, including Ashford Hospitality Services, LLC and its subsidiaries (including Remington Hotels) do not qualify as "eligible independent contractors," we would fail to qualify as a REIT.

Rent paid by a lessee that is a "related party tenant" of ours will not be qualifying income for purposes of the two gross income tests applicable to REITs. We lease all of our hotels to our TRS lessees, except for The Ritz-Carlton St. Thomas hotel, which is owned by one of our TRSs. A TRS lessee will not be treated as a "related party tenant," and will not be treated as directly operating a lodging facility, which is prohibited, to the extent the TRS lessee leases properties from us that are managed by an "eligible independent contractor."

We believe that the rent paid by our TRS lessees is qualifying income for purposes of the REIT gross income tests and that our TRSs qualify to be treated as TRSs for U.S. federal income tax purposes, but there can be no assurance that the IRS will not challenge this treatment or that a court would not sustain such a challenge. If we failed to meet either the asset or gross income tests, we would likely lose our REIT qualification for U.S. federal income tax purposes, unless certain relief provisions applied.

If our hotel managers, including Ashford Hospitality Services, LLC ("AHS") and its subsidiaries (including Remington Hotels), do not qualify as "eligible independent contractors," we would fail to qualify as a REIT. Each of the hotel management companies that enters into a management contract with our TRS lessees must qualify as an "eligible independent contractor" under the REIT rules in order for the rent paid to us by our TRS lessees to be qualifying income for our REIT income test requirements. Among other requirements, in order to qualify as an eligible independent contractor a manager must not own more than 35% of our outstanding shares (by value) and no person or group of persons can own more than 35% of our

outstanding shares and the ownership interests of the manager, taking into account only owners of more than 5% of our shares and, with respect to ownership interests in such managers that are publicly-traded, only holders of more than 5% of such ownership interests. Complex ownership attribution rules apply for purposes of these 35% thresholds. Although we intend to monitor ownership of our shares by our hotel managers and their owners, it is possible that these ownership levels could be exceeded. Additionally, we and AHS and its subsidiaries, including Remington Hotels, must comply with the provisions of the private letter ruling we obtained from the IRS in connection with Ashford Inc.'s acquisition of Remington Hotels to ensure that AHS and its subsidiaries, including Remington Hotels, continue to qualify as "eligible independent contractors."

Complying with REIT requirements may cause us to forego otherwise attractive opportunities.

To qualify as a REIT for U.S. federal income tax purposes, we must continually satisfy tests concerning, among other things, the sources of our income, the nature and diversification of our assets, the amounts we distribute to our stockholders and the ownership of our shares of beneficial interest. In order to meet these tests, we may be required to forego investments we might otherwise make. Thus, compliance with the REIT requirements may have a material adverse effect on our performance.

Complying with REIT requirements may force us to liquidate otherwise attractive investments.

To qualify as a REIT, we must also ensure that at the end of each calendar quarter at least 75% of the value of our assets consists of cash, cash items, government securities, and qualified REIT real estate assets. The remainder of our investment in securities (other than government securities and qualified real estate assets) generally cannot include more than 10% of the outstanding voting securities of any one issuer or more than 10% of the total value of the outstanding securities of any one issuer. In addition, in general, no more than 5% of the value of our assets (other than government securities and qualified real estate assets) can consist of the securities of any one issuer, no more than 20% of the value of our total assets can be represented by securities of one or more TRSs and no more than 25% of the value of our total assets can be represented by certain publicly offered REIT debt instruments.

If we fail to comply with these requirements at the end of any calendar quarter, we must correct such failure within 30 days after the end of the calendar quarter to avoid losing our REIT status and suffering adverse tax consequences. As a result, we may be required to liquidate otherwise attractive investments.

Complying with REIT requirements may force us to borrow to make distributions to stockholders.

As a REIT, we must distribute at least 90% of our annual REIT taxable income, excluding net capital gains, (subject to certain adjustments) to our stockholders. To the extent that we satisfy the distribution requirement, but distribute less than 100% of our taxable income, we will be subject to federal corporate income tax on our undistributed taxable income. In addition, we will be subject to a 4% nondeductible excise tax if the actual amount that we pay out to our stockholders in a calendar year is less than a minimum amount specified under federal tax laws.

From time to time, we may generate taxable income greater than our net income for financial reporting purposes or our taxable income may be greater than our cash flow available for distribution to stockholders. If we do not have other funds available in these situations, we could be required to borrow funds, sell investments at disadvantageous prices, or find another alternative source of funds to make distributions sufficient to enable us to pay out enough of our taxable income to satisfy the distribution requirement and to avoid corporate income tax and the 4% excise tax in a particular year. These alternatives could increase our costs or reduce the value of our equity.

We may elect to pay dividends on our common stock in cash or a combination of cash and shares of securities as permitted under U.S. federal income tax laws governing REIT distribution requirements. To the extent that we make distributions in excess of our current and accumulated earnings and profits (as determined for U.S. federal income tax purposes), such distributions would generally be considered a return of capital for U.S. federal income tax purposes to the extent of the holder's adjusted tax basis in its shares. A return of capital is not taxable, but it has the effect of reducing the holder's adjusted tax basis in its investment. To the extent that distributions exceed the adjusted tax basis of a holder's shares, they will be treated as gain from the sale or exchange of such stock.

We may pay taxable dividends in our common stock and cash, in which case stockholders may sell our common stock to pay tax on such dividends, placing downward pressure on the market price of our common stock.

We may distribute taxable dividends that are payable in cash and common stock at the election of each stockholder subject to certain limitations, including that the cash portion be at least 20% of the total distribution.

If we make a taxable dividend payable in cash and common stock, taxable stockholders receiving such dividends will be required to include the full amount of the dividend as ordinary income to the extent of our current and accumulated earnings and profits, as determined for U.S. federal income tax purposes. As a result, stockholders may be required to pay income tax with respect to such dividends in excess of the cash dividends received. If a U.S. stockholder sells the common stock that it receives as a dividend in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of our common stock at the time of the sale. Furthermore, with respect to certain non-U.S. stockholders, we may be required to withhold U.S. federal income tax with respect to such dividends, including in respect of all or a portion of such dividend that is payable in common stock. If we made a taxable dividend payable in cash and our common stock and a significant number of our stockholders determine to sell shares of our common stock in order to pay taxes owed on dividends, it may put downward pressure on the trading price of our common stock. We do not currently intend to pay taxable dividends of our common stock and cash, although we may choose to do so in the future.

The prohibited transactions tax may limit our ability to dispose of our properties.

A REIT's net income from prohibited transactions is subject to a 100% tax. In general, prohibited transactions are sales or other dispositions of property, other than foreclosure property, held primarily for sale to customers in the ordinary course of business. We may be subject to the prohibited transaction tax equal to 100% of net gain upon a disposition of real property. We may not be able to comply with the safe harbor to the characterization of the sale of real property by a REIT as a prohibited transaction. Consequently, we may choose not to engage in certain sales of our properties or we may conduct such sales through our TRS, which would be subject to federal and state income taxation.

The ability of our board of directors to revoke our REIT qualification without stockholder approval may cause adverse consequences to our stockholders.

Our charter provides that our board of directors may revoke or otherwise terminate our REIT election, without the approval of our stockholders, if it determines that it is no longer in our best interest to continue to qualify as a REIT. If we cease to qualify as a REIT, we would become subject to U.S. federal and state and local income taxes on our taxable income and would no longer be required to distribute most of our taxable income to our stockholders, which may have adverse consequences on the total return received by our stockholders.

Dividends payable by REITs do not qualify for the reduced tax rates available for some dividends.

The maximum U.S. federal income tax rate applicable to "qualified dividend income" payable to U.S. stockholders that are taxed at individual rates is 20%. Dividends payable by REITs, however, generally are not eligible for this reduced maximum rate on qualified dividend income. However, under the Tax Cuts and Jobs Act, a non-corporate taxpayer may deduct 20% of ordinary REIT dividends that are not "capital gain dividends" or "qualified dividend income" resulting in an effective maximum U.S. federal income tax rate of 29.6%. Individuals, trusts and estates whose income exceeds certain thresholds are also subject to a 3.8% Medicare tax on dividends received from us. The more favorable rates applicable to regular corporate qualified dividends could cause investors who are taxed at individual rates to perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends, which could adversely affect the value of the shares of REITs, including our stock.

We may be subject to adverse legislative or regulatory tax changes that could reduce the market price of our securities.

At any time, the U.S. federal income tax laws governing REITs or the administrative interpretations of those laws may be amended. We cannot predict when or if any new U.S. federal income tax law, regulation or administrative interpretation, or any amendment to any existing U.S. federal income tax law, regulation or administrative interpretation, will be adopted, promulgated or become effective and any such law, regulation, or interpretation may take effect retroactively. We and our stockholders could be adversely affected by any such change in the U.S. federal income tax laws, regulations or administrative interpretations. It is possible that future legislation would result in a REIT having fewer advantages, and it could become more advantageous for a company that invests in real estate to elect to be taxed, for U.S. federal income tax purposes, as a corporation.

If our operating partnership failed to qualify as a partnership for U.S. federal income tax purposes, we would cease to qualify as a REIT and suffer other adverse consequences.

We believe that our operating partnership will be treated as a partnership for U.S. federal income tax purposes. As a partnership, our operating partnership is not subject to U.S. federal income tax on its income. Instead, each of its partners, including us, is allocated, and may be required to pay tax with respect to, its share of our operating partnership's income. The

IRS could challenge the status of our operating partnership or any other subsidiary partnership in which we own an interest as a partnership for U.S. federal income tax purposes, and a court could sustain such a challenge. If the IRS were successful in treating our operating partnership or any such other subsidiary partnership as an entity taxable as a corporation for U.S. federal income tax purposes, we would fail to meet the gross income tests and certain of the asset tests applicable to REITs and, accordingly, we would likely cease to qualify as a REIT. Also, the failure of our operating partnership or any subsidiary partnerships to qualify as a partnership could cause it to become subject to federal and state corporate income tax, which would reduce significantly the amount of cash available for debt service and for distribution to its partners, including us.

Note that although partnerships have traditionally not been subject to U.S. federal income tax at the entity level as described above, new audit rules, effective for tax years ending after December 31, 2017, will generally apply to the partnership. Under the new rules, unless an entity elects otherwise, taxes arising from audit adjustments are required to be paid by the entity rather than by its partners or members. We will have the authority to utilize, and intend to utilize, any exceptions available under the new provisions (including any changes) and Treasury Regulations so that the partners, to the fullest extent possible, rather than the partnership itself, will be liable for any taxes arising from audit adjustments to the issuing entity's taxable income. One such exception is to apply an elective alternative method under which the additional taxes resulting from the adjustment are assessed from the affected partners (often referred to as a "push-out election"), subject to a higher rate of interest than otherwise would apply. When a push-out election causes a partner that is itself a partnership to be assessed with its share of such additional taxes from the adjustment, such partnership may cause such additional taxes to be pushed out to its own partners. In addition, Treasury Regulations provide that a partner that is a REIT may be able to use deficiency dividend procedures with respect to such adjustments. Many questions remain as to how the partnership audit rules will apply, and it is not clear at this time what effect these rules will have on us. However, it is possible that these changes could increase the U.S. federal income tax, interest, and/or penalties otherwise borne by us in the event of a U.S. federal income tax audit of a subsidiary partnership (such as our operating partnership).

Qualifying as a REIT involves highly technical and complex provisions of the Code.

Qualification as a REIT involves the application of highly technical and complex Code provisions for which, in certain instances, only limited judicial and administrative authorities exist. Even a technical or inadvertent violation could jeopardize our REIT qualification. Our qualification as a REIT will depend on our satisfaction or deemed satisfaction (through the application of REIT "savings clauses") of certain asset, income, organizational, distribution, stockholder ownership and other requirements on a continuing basis. New legislation, court decisions or administrative guidance, in each case possibly with retroactive effect, may make it more difficult or impossible for us to qualify as a REIT.

Declines in the values of our investments may make it more difficult for us to maintain our qualification as a REIT or exemption from the Investment Company Act.

If the market value or income potential of real estate-related investments declines as a result of increased interest rates or other factors, we may need to increase our real estate-related investments and income or liquidate our non-qualifying assets in order to maintain our REIT qualification or exemption from the Investment Company Act of 1940 (the "Investment Company Act"). If the decline in real estate asset values and/or income occurs quickly, this may be especially difficult to accomplish. This difficulty may be exacerbated by the illiquid nature of any non-qualifying assets that we may own. We may have to make investment decisions that we otherwise would not make absent the REIT and Investment Company Act considerations.

Risks Related to our Common Stock

Broad market fluctuations could negatively impact the market price of our stock.

The market price of our common stock may be volatile. In addition, the trading volume in our common stock may fluctuate and cause significant price variations to occur. Some of the factors that could affect our stock price or result in fluctuations in the price or trading volume of our common stock include:

- actual or anticipated variations in our quarterly operating results;
- changes in our operations or earnings estimates or publication of research reports about us or the industry;
- changes in market valuations of similar companies;
- adverse market reaction to any increased indebtedness we incur in the future;
- additions or departures of key management personnel;

- actions by institutional stockholders;
- failure to meet and maintain REIT qualification;
- speculation in the press or investment community; and
- general market and economic conditions.

In addition, the stock market has experienced price and volume fluctuations that have affected the market prices of many companies in industries similar or related to ours and may have been unrelated to operating performances of these companies. These broad market fluctuations could reduce the market price of our common stock. During the fiscal year ended December 31, 2020, the high of our stock price was \$9.12 and the low was \$1.14.

Future offerings of debt securities, which would be senior to our common stock upon liquidation, and future offerings of equity securities, which would dilute our existing stockholders and may be senior to our common stock for the purposes of dividend and liquidating distributions, may adversely affect the market price of our common stock.

In the future, we may attempt to increase our capital resources by making offerings of debt or equity securities, including commercial paper, medium-term notes, senior or subordinated notes, convertible securities, and classes of preferred stock or common stock or classes of preferred units. Upon liquidation, holders of our debt securities and preferred stock or preferred units and lenders with respect to other borrowings will receive a distribution of our available assets prior to the holders of our common stock. Equity offerings may dilute the holdings of our existing stockholders or reduce the market price of our common stock, or both. Preferred stock and preferred units, if issued, could have a preference on liquidating distributions or a preference on dividend payments that could limit our ability to make a distribution to the holders of our common stock. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing, or nature of our future offerings. Thus, our stockholders bear the risk of our future offerings reducing the market price of our securities and diluting their securities holdings in us.

The number of shares available for future sale could adversely affect the per share trading price of our common stock.

We cannot predict whether future issuances of shares of our common stock or the availability of shares for resale in the open market will decrease the per share trading price of our common stock. The issuance of substantial numbers of shares of our common stock in the public market, or upon exchange of common units of our operating partnership, or the perception that such issuances might occur, could adversely affect the per share trading price of our common stock. Sales of substantial amounts of shares of our common stock in the public market, or upon exchange of the common units, or speculation that such sales might occur, could adversely affect the liquidity of the market for our common stock or the prevailing market price of our common stock. In addition, the exchange of common units for common stock, the exercise of any stock options or the vesting of any restricted stock granted under the 2013 Equity Incentive Plan and the Advisor Equity Incentive Plan, the issuance of our common stock or common units in connection with property, portfolio or business acquisitions and other issuances of our common stock or common units could adversely affect the market price of our common stock. Our directors and executive officers own common units in our Company. Such common units may be redeemed by the holders for shares of our common stock or, at our option, cash on a one-for-one basis. The holders of these common units may sell shares issued to them, if any, upon redemption of the common units. So long as the holders of common units retain significant ownership in us and are able to sell such shares in the public markets, the market price of our common stock may be adversely affected. Moreover, the existence of shares of our common stock reserved for issuance as restricted shares or upon exchange of options or common units may adversely affect the terms upon which we may be able to obtain additional capital through the sale of equity securities. Any future sales by us of our common stock or securities convertible into common stock may be dilutive to existing stockholders.

The market price of our common stock could be adversely affected by our level of cash distributions.

The market value of the equity securities of a REIT is based primarily upon the market's perception of the REIT's growth potential and its current and potential future cash distributions, whether from operations, sales or refinancings, and is secondarily based upon the real estate market value of the underlying assets. For that reason, our common stock may trade at prices that are higher or lower than our net asset value per share. To the extent we retain operating cash flow for investment purposes, working capital reserves or other purposes, these retained funds, while increasing the value of our underlying assets, may not correspondingly increase the market price of our common stock. Our failure to meet the market's expectations with regard to future earnings and cash distributions likely would adversely affect the market price of our common stock. See the risk factor "The outbreak of COVID-19 has and will continue to significantly reduce our occupancy rates and RevPAR."

Our stock repurchase program could increase the volatility of the price of our common stock.

Our board of directors has approved a share repurchase program under which we may purchase up to \$50 million of our common stock from time to time. The specific timing, manner, price, amount and other terms of the repurchases, if any, will be at management's discretion and will depend on market conditions, corporate and regulatory requirements and other factors. We are not required to repurchase shares under the repurchase program, and the board of directors may modify, suspend or terminate the repurchase program at any time for any reason. As of March 3, 2021, \$50.0 million remains available for repurchases under the current stock repurchase program. We cannot predict the impact that future repurchases, if any, of our common stock under this program will have on our stock price or earnings per share. Important factors that could cause us to discontinue or decrease our share repurchases include, among others, unfavorable market conditions, the market price of our common stock, the nature of other investment or strategic opportunities presented to us from time to time, the rate of dilution of our equity compensation programs, our ability to make appropriate, timely, and beneficial decisions as to when, how, and whether to purchase shares under the stock repurchase program, and the availability of funds necessary to continue purchasing stock. If we curtail our repurchase program, our stock price may be negatively affected.

Item 1B. *Unresolved Staff Comments*

None.

Item 2. *Properties*

Offices

We lease our headquarters located at 14185 Dallas Parkway, Suite 1100, Dallas, Texas 75254.

Hotel Properties

As of December 31, 2020, we held ownership interests in thirteen hotel properties that were included in our consolidated operations, which included direct ownership in eleven hotel properties and 75% ownership in two hotel properties through equity investments with our partner. Twelve of our hotel properties are located in the United States and one is located in the U.S. Virgin Islands. Each of the thirteen hotel properties is encumbered by loans as described in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Indebtedness."

The following table presents certain information related to our hotel properties:

Hotel Property	Location	Total Rooms	% Owned	Owned Rooms	Year Ended December 31, 2020		
					Occupancy	ADR	RevPAR
<i>Fee Simple Properties</i>							
Capital Hilton.....	Washington D.C.	550	75 %	413	19.15 %	\$ 197.00	\$ 37.73
Marriott Seattle Waterfront	Seattle, WA	361	100 %	361	20.68 %	205.12	42.41
The Notary Hotel.....	Philadelphia, PA	499	100 %	499	24.20 %	166.25	40.24
The Clancy.....	San Francisco, CA	410	100 %	410	19.52 %	281.66	54.97
Sofitel Chicago Magnificent Mile.....	Chicago, IL	415	100 %	415	27.87 %	141.25	39.36
Pier House Resort & Spa.....	Key West, FL	142	100 %	142	55.41 %	425.89	235.99
The Ritz-Carlton St. Thomas.....	St. Thomas, USVI	180	100 %	180	38.85 %	665.20	258.43
Park Hyatt Beaver Creek Resort & Spa.....	Beaver Creek, CO	190	100 %	190	33.92 %	544.68	184.75
Hotel Yountville.....	Yountville, CA	80	100 %	80	29.46 %	526.17	155.01
The Ritz-Carlton Sarasota.....	Sarasota, FL	266	100 %	266	53.95 %	410.53	221.49
The Ritz-Carlton Lake Tahoe ⁽¹⁾	Truckee, CA	170	100 %	170	43.68 %	553.44	241.72
<i>Ground Lease Properties</i> ⁽²⁾							
Hilton La Jolla Torrey Pines ⁽³⁾	La Jolla, CA	394	75 %	296	37.84 %	175.17	66.29
Bardessono Hotel and Spa ⁽⁴⁾	Yountville, CA	65	100 %	65	40.32 %	778.43	313.89
Total.....		<u>3,722</u>		<u>3,487</u>	<u>30.25 %</u>	<u>\$ 327.43</u>	<u>\$ 99.05</u>

⁽¹⁾ The above information does not include the operations of ten condominium units not owned by The Ritz-Carlton Lake Tahoe.

⁽²⁾ Some of our hotel properties are on land subject to ground leases, two of which cover the entire property.

⁽³⁾ The ground lease expires in 2067. The ground lease contains one extension option of either 10 or 20 years dependent upon capital investment spend during the lease term.

⁽⁴⁾ The initial ground lease expires in 2065. The ground lease contains two 25-year extension options, at our election.

Item 3. Legal Proceedings

On October 24, 2019, the Company provided notice to Accor of the material breach of its responsibilities under the Accor management agreement for the Sofitel Chicago Magnificent Mile at 20 East Chestnut Street in Chicago, Illinois. On November 7, 2019, Accor filed a complaint against Ashford TRS Chicago II in the Supreme Court of the State of New York, New York County, seeking a declaratory judgment that no breach has occurred. Accor's complaint was dismissed on or about February 27, 2020. On January 6, 2020, Ashford TRS Chicago II filed a complaint against Accor in the Supreme Court of the State of New York, New York County, alleging breach of the Accor management agreement and seeking declaration of its right to terminate the Accor management agreement. On July 20, 2020, Accor filed an Amended Answer and Counterclaims against Ashford TRS Chicago II, Accor asserts two causes of action: First, Accor asserts a counterclaim for declaratory judgment that Accor correctly calculated the amount payable to Ashford TRS Chicago II under the management agreement to "cure" Accor's performance test failure (the "Cure Amount"). Second, Accor asserts a counterclaim for breach of contract on the basis that Ashford TRS Chicago II breached the management agreement by wrongfully maintaining that the Cure Amount for the 2018 and 2019 Performance Test failure is \$1,031,549 instead of \$535,120. As of December 31, 2020, no amounts have been accrued.

One of the Company's hotel management companies is currently involved in litigation regarding its employment policies and practices at multiple California hotels, including one of the Company's hotels. The Company believes it is probable that the litigation will result in a loss due to a potential pre-trial settlement, in which case the Company estimates its potential loss will be approximately \$500,000; however, it is entitled to indemnification for a portion of such loss. As of December 31, 2020, approximately \$500,000 has been accrued.

In June 2020, each of the Company, Ashford Trust, Ashford Inc., and Lismore, a subsidiary of Ashford Inc. (collectively with the Company, Ashford Trust, Ashford Inc. and Lismore, the "Ashford Companies"), received an administrative subpoena from the SEC. The Company's administrative subpoena requires the production of documents and other information since January 1, 2018 relating to, among other things, (1) related party transactions among the Ashford Companies (including the Lismore Agreement between the Company and Lismore pursuant to which the Company engaged Lismore to negotiate the refinancing, modification or forbearance of certain mortgage debt) or between any of the Ashford Companies and any officer, director or owner of the Ashford Companies or any entity controlled by any such person, and (2) the Company's accounting policies, procedures, and internal controls related to such related party transactions. In addition, in October 2020, Mr. Monty J. Bennett, chairman of our board of directors, received an administrative subpoena from the SEC requiring testimony and the production of documents and other information substantially similar to the requests in the subpoenas received by the Ashford Companies. The Company and Mr. Monty J. Bennett are responding to the administrative subpoenas.

A class action lawsuit has been filed against one of the Company's hotel management companies alleging violations of certain California employment laws, which class action affects two hotels owned by subsidiaries of the Company. The court has entered an order granting class certification with respect to: (1) a statewide class of non-exempt employees of our manager who were allegedly deprived of rest breaks as a result of our manager's previous policy requiring its employees to stay on premises during rest breaks; and (2) a derivative class of non-exempt former employees of our manager who were not paid for allegedly missed breaks upon separation from employment. Notices to potential class members were sent out on February 2, 2021. Potential class members have until April 4, 2021 to opt out of the class. There is a Case Management Conference scheduled for March 5, 2021, at which time the parties expect the court to address the timing for any motions for summary judgment and trial. While we believe it is reasonably possible that we may incur a loss associated with this litigation, because the class size has not yet been determined and there is uncertainty under California law with respect to a significant legal issue, we do not believe any potential loss to the Company is reasonably estimable at this time. As of December 31, 2020, no amounts have been accrued.

We are also engaged in other legal proceedings that have arisen but have not been fully adjudicated. To the extent the claims giving rise to these legal proceedings are not covered by insurance, they relate to the following general types of claims: employment matters, tax matters, matters relating to compliance with applicable law (for example, the ADA and similar state laws. The likelihood of loss from these legal proceedings is based on the definitions within contingency accounting literature. We recognize a loss when we believe the loss is both probable and reasonably estimable. Based on the information available to us relating to these legal proceedings and/or our experience in similar legal proceedings, we do not believe the ultimate resolution of these proceedings, either individually or in the aggregate, will have a material adverse effect on our consolidated financial position, results of operations, or cash flow. However, our assessment may change depending upon the development of these legal proceedings, and the final results of these legal proceedings cannot be predicted with certainty. If we do not prevail in one or more of these legal matters, and the associated realized losses exceed our current estimates of the range of potential losses, our consolidated financial position, results of operations, or cash flows could be materially adversely affected in future periods.

Item 4. Mine Safety Disclosures

None.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Price and Dividend Information

Our common stock is listed and traded on the NYSE under the symbol "BHR." Prior to April 24, 2018, it was listed and traded on the NYSE under the symbol "AHP." On March 3, 2021, there were 622 holders of record.

Distributions and Our Distribution Policy

In December 2019, the board of directors approved our dividend policy for 2020, which stated our then-expectation to pay a quarterly dividend of \$0.16 per share during 2020. As previously disclosed, the approval of our dividend policy did not commit our board of directors to declare future dividends with respect to any quantity or the amount thereof. On March 16, 2020, the Company and its board of directors announced a suspension of its previously disclosed 2020 common stock dividend policy. The Company did not pay a dividend on its common stock for during any quarter of 2020. On December 10, 2020, the Company announced that it plans to continue its suspension of the common stock dividend into 2021 to protect liquidity and will evaluate future dividend declarations on a quarterly basis going forward. The board of directors will continue to review our dividend policy and make announcements with respect thereto. For the year ended December 31, 2019, the board of directors declared dividends of \$0.64. For income tax purposes, distributions paid consist of ordinary income, capital gains, return of capital or a combination thereof.

To qualify as a REIT, we must distribute to our stockholders an amount at least equal to:

- (i) 90% of our REIT taxable income, determined before the deduction for dividends paid and excluding any net capital gain (which does not necessarily equal net income as calculated in accordance with GAAP); plus
- (ii) 90% of the excess of our net income from foreclosure property over the tax imposed on such income by the Code; less
- (iii) any excess non-cash income (as determined under the Code).

Distributions made by us are authorized and determined by our board of directors in its sole discretion out of funds legally available therefor and are dependent upon a number of factors, including restrictions under applicable law, actual and projected financial condition, liquidity, EBITDA, FFO and results of operations, the revenue we actually receive from our properties, our operating expenses, our debt service requirements, our capital expenditures, prohibitions and other limitations under our financing arrangements, our REIT taxable income, the annual REIT distribution requirements and such other factors as our board of directors deems relevant. For more information regarding risk factors that could materially and adversely affect our ability to make distributions. See "Risk Factors-Risks Related to Our Status as a REIT." We expect that, at least initially, our distributions may exceed our net income under GAAP because of non-cash expenses included in net income. To the extent that our cash available for distribution is less than 90% of our REIT taxable income, we may consider various means to cover any such shortfall, including borrowing under our secured revolving credit facility or other loans, selling certain of our assets or using a portion of the net proceeds we receive from future offerings of equity, equity-related or debt securities or declaring taxable stock dividends. In addition, our charter allows us to issue preferred stock that could have a preference on distributions, and, if we elect such issuance, the distribution preference on the preferred stock could limit our ability to make distributions to the holders of our common stock. We cannot assure our stockholders that our distribution policy will not change in the future.

Characterization of Distributions

For income tax purposes, distributions paid consist of ordinary income or capital gains. Distributions paid per share were characterized as follows:

	2020		2019		2018	
	Amount	%	Amount	%	Amount	%
Common Stock (cash):						
Ordinary income.....	\$ —	— %	\$ —	— %	\$ —	— %
Capital gain.....	—	—	—	—	—	—
Unrecaptured 1250 gain.....	—	—	—	—	—	—
Return of capital.....	0.1600 ⁽¹⁾	100.0000	0.6400 ⁽¹⁾	100.0000	0.6400 ⁽¹⁾	100.0000
Total.....	<u>\$ 0.1600</u>	<u>100.0000 %</u>	<u>\$ 0.6400</u>	<u>100.0000 %</u>	<u>\$ 0.6400</u>	<u>100.0000 %</u>
Common Stock (stock - NYSE: AINC):						
Ordinary income.....	\$ —	— %	\$ —	— %	\$ —	— %
Capital gain.....	—	—	—	—	—	—
Unrecaptured 1250 gain.....	—	—	—	—	—	—
Return of capital.....	—	—	0.1066 ⁽²⁾	100.0000	—	—
Total.....	<u>\$ —</u>	<u>— %</u>	<u>\$ 0.1066</u>	<u>100.0000 %</u>	<u>\$ —</u>	<u>— %</u>
Preferred Stock – Series B:						
Ordinary income.....	\$ —	— %	\$ —	— %	\$ 0.3324 ⁽¹⁾	32.2300 %
Capital gain.....	—	—	—	—	—	—
Unrecaptured 1250 gain.....	—	—	—	—	—	—
Return of capital.....	1.3752 ⁽¹⁾	100.0000	1.3752 ⁽¹⁾	100.0000	0.6990 ⁽¹⁾	67.7700
Total.....	<u>\$ 1.3752</u>	<u>100.0000 %</u>	<u>\$ 1.3752</u>	<u>100.0000 %</u>	<u>\$ 1.0314</u>	<u>100.0000 %</u>
Preferred Stock – Series D:						
Ordinary income.....	\$ —	— %	\$ —	— %	\$ —	— %
Capital gain.....	—	—	—	—	—	—
Unrecaptured 1250 gain.....	—	—	—	—	—	—
Return of capital.....	2.0624 ⁽¹⁾	100.0000	1.7817 ⁽¹⁾	100.0000	—	—
Total.....	<u>\$ 2.0624</u>	<u>100.0000 %</u>	<u>\$ 1.7817</u>	<u>100.0000 %</u>	<u>\$ —</u>	<u>— %</u>

⁽¹⁾ The fourth quarter 2017 distributions paid January 16, 2018 to stockholders of record as of December 31, 2017 are treated as 2018 distributions for tax purposes. The fourth quarter 2018 distributions paid January 15, 2019 to stockholders of record as of December 31, 2018 are treated as 2019 distributions for tax purposes. The fourth quarter 2019 distributions paid January 15, 2020 to stockholders of record as of December 31, 2019 are treated as 2020 distributions for tax purposes. The fourth quarter 2020 distributions paid January 15, 2021 to stockholders of record as of December 31, 2020 are treated as 2021 distributions for tax purposes.

⁽²⁾ On November 5, 2019 Braemar distributed its remaining shares of common stock in Ashford Inc. (NYSE: AINC) to the common shareholders of record as of the close of business of the New York Stock Exchange on October 29, 2019.

Equity Compensation Plan Information

The following table sets forth certain information with respect to securities authorized and available for issuance under our equity compensation plans.

	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price Of Outstanding Options, Warrants, And Rights	Number of Securities Remaining Available for Future Issuance
Equity compensation plans approved by security holders.....	None	N/A	2,348,281 ⁽¹⁾
Equity compensation plans not approved by security holders	None	N/A	None
Total.....	None	N/A	2,348,281

⁽¹⁾ As of December 31, 2020, approximately 748,000 shares of our common stock, or securities convertible into approximately 748,000 shares of our common stock, remained available for issuance under our 2013 Equity Incentive Plan and 1.6 million shares of our common stock, or securities convertible into 1.6 million shares of our common stock, remained available for issuance under our Advisor Equity Incentive Plan. On February 23, 2021, the board of directors terminated the Advisor Equity Incentive Plan. 1.6 million shares of common stock reserved pursuant with the Advisor Incentive Plan were never utilized (and no shares were ever issued thereunder). Following the termination of the Advisor Equity Incentive Plan, no shares may be issued thereunder.

Purchases of Equity Securities by the Issuer

On December 5, 2017, our board of directors approved the stock repurchase program pursuant to which the board of directors granted a repurchase authorization to acquire shares of the Company's common stock having an aggregate value of up to \$50 million. The board of directors' authorization replaced any previous repurchase authorizations.

No shares were purchased during the year ended December 31, 2020, pursuant to the authorization. \$50 million remains authorized by the board of directors pursuant to the December 5, 2017 approval.

The following table provides the information with respect to purchases of our common stock during each of the months in the quarter ended December 31, 2020:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of a Publicly Announced Plan	Maximum Dollar Value of Shares That May Yet Be Purchased Under the Plan
Common stock:				
October 1 to October 31.....	421	\$ — ⁽²⁾	—	\$ 50,000,000
November 1 to November 30.....	11,723 ⁽¹⁾	\$ 2.42 ⁽²⁾	—	\$ 50,000,000
December 1 to December 31.....	—	\$ —	—	\$ 50,000,000
Total.....	<u>12,144</u>	<u>\$ 2.42</u>	<u>—</u>	

⁽¹⁾ Includes 11,650 shares that were withheld to cover tax-withholding requirements related to the vesting of restricted shares of our common stock issued to employees of our advisor pursuant to the Company's stockholder-approved stock incentive plan.

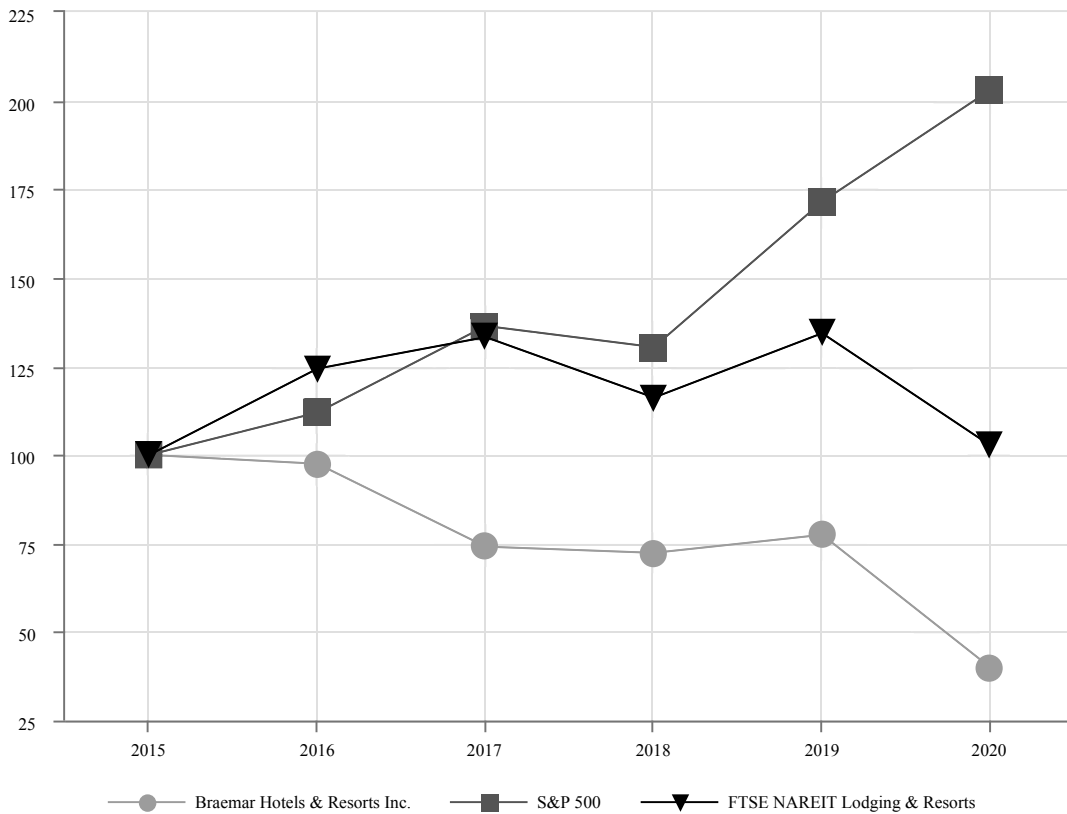
⁽²⁾ There is no cost associated with the forfeiture of restricted shares of 421 and 73 of our common stock in October and November, respectively.

Performance Graph

The following graph compares the percentage change in the cumulative total stockholder return on our common stock with the cumulative total return of the S&P 500 Stock Index and the FTSE NAREIT Lodging & Resorts Index for the period from December 31, 2015 through December 31, 2020, assuming an initial investment of \$100 in stock on December 31, 2015 with reinvestment of dividends. The NAREIT Lodging Resorts Index is not a published index; however, we believe the companies included in this index provide a representative example of enterprises in the lodging resort line of business in which we engage. Stockholders who wish to request a list of companies in the FTSE NAREIT Lodging & Resorts Index may send written requests to Braemar Hotels & Resorts Inc., Attention: Investor Relations, 14185 Dallas Parkway, Suite 1100, Dallas, Texas 75254.

The stock price performance shown below on the graph is not necessarily indicative of future stock price performance.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN Among Braemar Hotels & Resorts Inc., the S&P Index and the FTSE NAREIT Lodging & Resorts Index



Item 6. Selected Financial Data

The following sets forth our selected consolidated financial and operating information on a historical basis and should be read together with “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and notes thereto, which are included in “Item 8. Financial Statements and Supplementary Data.”

The selected historical consolidated financial information as of December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 has been derived from the audited financial statements appearing elsewhere in this Annual Report on Form 10-K. The selected historical consolidated financial information as of December 31, 2018, 2017 and 2016 has been derived from the related audited financial statements not included in this Annual Report on Form 10-K. The selected historical information in this section is not intended to replace these audited financial statements.

	Year Ended December 31,				
	2020	2019	2018	2017	2016
	(in thousands, except per share amounts)				
Statements of Operations Data:					
Total revenue	\$ 226,974	\$ 487,614	\$ 431,398	\$ 414,063	\$ 405,857
Total operating expenses	\$ 316,974	\$ 448,375	\$ 381,311	\$ 375,221	\$ 358,716
Gain (loss) on insurance settlement, disposition of assets and sale of hotel properties	\$ 10,149	\$ 25,165	\$ 15,738	\$ 23,797	\$ 26,359
Operating income (loss)	\$ (79,851)	\$ 64,404	\$ 65,825	\$ 62,639	\$ 73,500
Net income (loss)	\$ (124,677)	\$ 1,196	\$ 2,585	\$ 28,324	\$ 24,320
Net income (loss) attributable to the Company	\$ (105,262)	\$ 371	\$ 1,320	\$ 23,022	\$ 19,316
Net income (loss) attributable to common stockholders	\$ (115,481)	\$ (9,771)	\$ (5,885)	\$ 16,227	\$ 15,456
Diluted income (loss) per common share	\$ (3.39)	\$ (0.32)	\$ (0.19)	\$ 0.51	\$ 0.55
Weighted average diluted common shares	33,998	32,289	31,944	34,706	31,195
	December 31,				
	2020	2019	2018	2017	2016
	(in thousands)				
Balance Sheet Data:					
Investments in hotel properties, gross	\$ 1,784,849	\$ 1,791,174	\$ 1,562,806	\$ 1,403,110	\$ 1,258,412
Accumulated depreciation	\$ (360,259)	\$ (309,752)	\$ (262,905)	\$ (257,268)	\$ (243,880)
Investments in hotel properties, net	\$ 1,424,590	\$ 1,481,422	\$ 1,299,901	\$ 1,145,842	\$ 1,014,532
Cash and cash equivalents	\$ 78,606	\$ 71,995	\$ 182,578	\$ 137,522	\$ 126,790
Restricted cash	\$ 34,544	\$ 58,388	\$ 75,910	\$ 47,820	\$ 37,855
Note receivable	\$ —	\$ —	\$ —	\$ 8,098	\$ 8,098
Total assets	\$ 1,674,021	\$ 1,758,947	\$ 1,636,487	\$ 1,423,819	\$ 1,256,997
Indebtedness, net	\$ 1,130,594	\$ 1,058,486	\$ 985,873	\$ 820,959	\$ 764,616
Total stockholders’ equity of the Company	\$ 276,258	\$ 369,267	\$ 397,476	\$ 381,305	\$ 308,796
	Year Ended December 31,				
	2020	2019	2018	2017	2016
	(in thousands, except per share amounts)				
Other Data:					
Cash provided by (used in) operating activities	\$ (50,287)	\$ 66,262	\$ 70,733	\$ 70,608	\$ 58,607
Cash provided by (used in) investing activities	\$ (16,541)	\$ (226,425)	\$ (166,824)	\$ (173,942)	\$ 103,489
Cash provided by (used in) financing activities	\$ 49,595	\$ 32,058	\$ 169,237	\$ 124,031	\$ (135,625)
Cash dividends declared per common share	\$ —	\$ 0.64	\$ 0.64	\$ 0.64	\$ 0.46
EBITDAre (unaudited) ⁽¹⁾	\$ (20,754)	\$ 102,418	\$ 96,400	\$ 96,272	\$ 86,313
Hotel EBITDA (unaudited) ⁽¹⁾	\$ 13,437	\$ 142,207	\$ 137,621	\$ 128,300	\$ 128,995
Funds From Operations (FFO) (unaudited) ⁽¹⁾	\$ (68,182)	\$ 30,788	\$ 32,057	\$ 44,897	\$ 34,050

⁽¹⁾ A more detailed description and computation of EBITDAre and FFO is contained in the “Non-GAAP Financial Measures” section of Management’s Discussion and Analysis of Financial Condition and Results of Operations in Item 7.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following Management’s Discussion and Analysis (“MD&A”) is intended to help the reader understand our results of operations and financial condition. This MD&A is provided as a supplement to, and should be read in conjunction with, our audited consolidated financial statements and the accompanying notes thereto included in Item 8. In addition to historical financial information, the following discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our results and the timing of selected events may differ materially from those anticipated in these forward-looking statements as a result of many factors, including those discussed under “Item 1A. Risk Factors” and elsewhere in this Annual Report on Form 10-K. See “Forward-Looking Statements.”

This section of this Form 10-K generally discusses 2020 and 2019 items and year-to-year comparisons between 2020 and 2019. Discussions of 2018 items and year-to-year comparisons between 2019 and 2018 that are not included in this Form 10-K can be found in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part II, Item 7 of the Company’s Annual Report on Form 10-K for the year ended December 31, 2019.

Overview

We are a Maryland corporation formed in April 2013 that invests primarily in high revenue per available room (“RevPAR”), luxury hotels and resorts. High RevPAR, for purposes of our investment strategy, means RevPAR of at least twice the then-current U.S. national average RevPAR for all hotels as determined by Smith Travel Research. Two times the U.S. national average was \$91 for the year ended December 31, 2020. We have elected to be taxed as a REIT under the Code. We conduct our business and own substantially all of our assets through our operating partnership, Braemar OP.

We operate in the direct hotel investment segment of the hotel lodging industry. As of December 31, 2020, we owned interests in thirteen hotel properties in six states, the District of Columbia and St. Thomas, U.S. Virgin Islands with 3,722 total rooms, or 3,487 net rooms, excluding those attributable to our joint venture partner. The hotel properties in our current portfolio are predominantly located in U.S. urban markets and resort locations with favorable growth characteristics resulting from multiple demand generators. We own eleven of our hotel properties directly, and the remaining two hotel properties through an investment in a majority-owned consolidated entity.

We are advised by Ashford LLC, a subsidiary of Ashford Inc., through an advisory agreement. All of the hotel properties in our portfolio are currently asset-managed by Ashford LLC. We do not have any employees. All of the services that might be provided by employees are provided to us by Ashford LLC.

We do not operate any of our hotel properties directly; instead we employ hotel management companies to operate them for us under management contracts. As of December 31, 2020, Remington Hotels, a subsidiary of Ashford Inc., managed three of our thirteen hotel properties. Third-party management companies managed the remaining hotel properties.

Ashford Inc. also provides other products and services to us or our hotel properties through certain entities in which Ashford Inc. has an ownership interest. These products and services include, but are not limited to project management services, debt placement and related services, broker-dealer and distribution services, audio visual services, real estate advisory services, insurance claims services, hypoallergenic premium rooms, watersport activities, travel/transportation services and mobile key technology.

Pursuant to the provisions of the Fifth Amended and Restated Advisory Agreement with Ashford LLC, as amended on January 15, 2019, the revenues and expenses used to calculate Net Earnings (as defined) for the twelve months ended December 31, 2020, are as follows (in thousands):

Revenues.....	\$	24,337
Expenses.....		10,981
Net earnings.....	\$	<u>13,556</u>

COVID-19, Management’s Plans and Liquidity

In December 2019, COVID-19 was identified in Wuhan, China, subsequently spread to other regions of the world, and has resulted in significant travel restrictions and extended shutdown of numerous businesses in every state in the United States. In March 2020, the World Health Organization declared COVID-19 to be a global pandemic. Beginning in late February 2020, we have experienced a significant decline in occupancy and RevPAR associated with COVID-19 as we experienced significant reservation cancellations as well as a significant reduction in new reservations. The prolonged presence of the virus has resulted

in health and other government authorities imposing widespread restrictions on travel and other businesses. The hotel industry and our portfolio have experienced the postponement or cancellation of a significant number of business conferences and similar events. Following the government mandates and health official orders in March 2020, the Company temporarily suspended operations at 11 of its 13 hotels and dramatically reduced staffing and expenses at its hotels that remained operational. COVID-19 has had a significant negative impact on the Company's operations and financial results to date. The full financial impact of the reduction in hotel demand caused by the pandemic and suspension of operations at the Company's hotels cannot be reasonably estimated at this time due to uncertainty as to its severity and duration. In addition, one or more possible recurrences of COVID-19 cases could result in further reductions in business and personal travel and could cause state and local governments to reinstate travel restrictions. The Company expects that the COVID-19 pandemic will continue to have a negative impact on the Company's results of operations, financial position and cash flow in 2021 and potentially much longer. As a result, in March 2020, the Company fully drew down its \$75 million secured revolving credit facility, which was later converted into a term loan, suspended the quarterly cash dividend on its common stock, reduced planned capital expenditures, and, working closely with its hotel managers, significantly reduced its hotels' operating expenses. See note 7 to our consolidated financial statements.

All of the Company's property-level debt is non-recourse. Beginning on April 1, 2020, we did not make at least one interest payment under nearly all of our loan agreements, which constituted an "Event of Default" as such term is defined under the applicable loan documents. Further, the Company triggered an "Event of Default," as defined under the secured revolving credit facility agreement as a result of the Company being in default on mortgage and mezzanine loans with an aggregate principal amount in excess of \$200 million. Pursuant to the terms of the applicable loan documents, such an Event of Default caused an automatic increase in the interest rate on our outstanding loan balance for the period such Event of Default remains outstanding. Following an Event of Default, our lenders can generally elect to accelerate all principal and accrued interest payments that remain outstanding under the applicable loan agreement and foreclose on the applicable hotel properties that are security for such loans. Such Event of Default under the senior revolving credit facility agreement was eliminated by the First Amendment to Second Amended and Restated Credit Agreement, dated June 8, 2020, which provides that defaults under mortgage and mezzanine loans with an aggregate principal amount in excess of \$200 million do not trigger a default under the senior revolving credit agreement unless such mortgage or mezzanine loans are also accelerated, and excluding from the \$200 million threshold, any default and acceleration under those certain mortgage and mezzanine loans having an aggregate principal amount of \$435 million and secured by the Marriott Seattle Waterfront, Sofitel Chicago Magnificent Mile, The Notary Hotel and The Clancy. During the second and third quarter of 2020, we reached forbearance and other agreements with our lenders relating to loans secured by the Pier House Resort & Spa, The Ritz-Carlton Sarasota, The Ritz-Carlton Lake Tahoe, Hotel Yountville, Bardessono Hotel and Spa, Sofitel Chicago Magnificent Mile, The Notary Hotel, The Clancy, Marriott Seattle Waterfront, Capital Hilton and Hilton La Jolla Torrey Pines. On June 8, 2020, the Company amended its secured revolving credit facility converting it into a \$65 million secured term loan and changed the terms of certain financial covenants, including a waiver of the Consolidated Fixed Charge Coverage Ratio (as defined in the Amendment) through March 31, 2021, that the Company was subject to under the secured revolving credit facility. On February 22, 2021, the Company further amended the term loan providing an extension of the waiver on the majority of the covenants through the fourth quarter of 2021 and a reduced fixed charge coverage ratio covenant through the end of 2022. The first period in which covenants will be tested is for the fiscal quarter ending March 31, 2022. As of December 31, 2020, no loans are in default.

Additionally, the Company did not make rental payments under two ground leases that are paid monthly; however, the Company executed a forbearance agreement with the landlord of the Bardessono Hotel and Spa and executed a rent deferral letter (consistent with the terms of Ordinance Number O-21177, passed by the Council of the City of San Diego on March 25, 2020) with the landlord of the Hilton La Jolla Torrey Pines, each of which temporarily resolved any potential events of default arising out of such non-payments. As of December 31, 2020, the Company is current on its rental payments.

In addition, the Company has taken proactive and aggressive actions to protect liquidity and reduce corporate expenses. The Company has also significantly reduced its planned spending for capital expenditures for fiscal year 2021 to approximately \$20 million to \$24 million and suspended its common stock dividends conserving approximately \$6 million per quarter.

When preparing financial statements for each annual and interim reporting period management has the responsibility to evaluate whether there are conditions or events, considered in the aggregate, that create substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued. In applying the accounting guidance, the Company considers its current financial condition and liquidity sources, including current funds available, forecasted future cash flows and its unconditional obligations due over the next 12 months.

As of December 31, 2020, the Company maintained unrestricted cash of \$78.6 million and restricted cash of \$34.5 million. During the three months ended December 31, 2020, we utilized cash, cash equivalents and restricted cash of ###. The vast

majority of the restricted cash is comprised of lender and manager held reserves. The Company worked with its property managers and lenders in order to utilize lender and manager held reserves to fund operating shortfalls. At the end of the quarter, there was also \$12.3 million due to the Company from third-party hotel managers, which is primarily the Company's cash held by one of its property managers which is also available to fund hotel operating costs.

We cannot predict when hotel operating levels will return to normalized levels after the effects of the pandemic subside, whether our hotels will be forced to shut down operations or whether one or more governmental entities may impose additional travel restrictions due to a resurgence of COVID-19 cases in the future. As a result of these factors resulting from the impact of the pandemic, we are unable to estimate future financial performance with certainty. However, based on our completed credit facility loan amendment and forbearance and other agreements, our current unrestricted and restricted cash on hand, our current cash utilization and forecast of future operating results for the next 12 months from the date of this report, and the actions we have taken to improve our liquidity, the Company has concluded that management's current plan alleviates the substantial doubt about its ability to continue as a going concern. Facts and circumstances could change in the future that are outside of management's control, such as additional government mandates, health official orders, travel restrictions and extended business shutdowns due to COVID-19.

2020 and Recent Developments

Pursuant to the terms of the Letter Agreement dated March 13, 2020 (the "Hotel Management Letter Agreement"), in order to allow Remington Hotels to better manage its corporate working capital and to ensure the continued efficient operation of our hotels, we agreed to pay the base fee and to reimburse all expenses on a weekly basis for the preceding week, rather than on a monthly basis. The Hotel Management Letter Agreement went into effect on March 13, 2020 and will continue until terminated by us.

On March 20, 2020, the Company entered into an agreement with Lismore Capital II LLC ("Lismore"), a subsidiary of Ashford Inc., to engage Lismore to seek modifications, forbearances or refinancings of the Company's loans (the "Lismore Agreement"). Pursuant to the Lismore Agreement, Lismore shall, during the agreement term, (which commenced on March 20, 2020 and shall end on the date that is 12 months following the commencement date, or upon it being terminated by the Company on not less than 30 days' written notice) negotiate the refinancing, modification or forbearance of the existing mortgage and mezzanine debt on the Company's hotels and secured revolving credit facility.

In connection with the services provided by Lismore, Lismore shall be paid an advisory fee (the "Advisory Fee") of up to 50 basis points (0.50%) of the aggregate amount of the modifications, forbearances or refinancings of the Company's mortgage and mezzanine debt and its secured revolving credit facility (the "Financing"), calculated and payable as follows: (i) 12.5 basis points (0.125%) of the aggregate amount of potential Financings upon execution of the Lismore Agreement; (ii) 12.5 basis points (0.125%) payable in six equal installments beginning April 20, 2020 and ending on September 20, 2020; provided, however, in the event the Company does not complete, for any reason, Financings during the term of the Lismore Agreement equal to or greater than \$1,091,250,000, then the Company shall offset, against any fees owed by the Company or its affiliates pursuant to the Advisory Agreement, a portion of the fee paid by the Company to Lismore equal to the product of (x) the amount of Financings completed during the term of the Lismore Agreement minus \$1,091,250,000 multiplied by (y) 0.125%; and (iii) 25 basis points (0.25%) payable upon the acceptance by the applicable lender of any Financing.

Upon entering into the agreement with Lismore, the Company made a payment of \$1.4 million. No amount of this payment can be clawed back. As of December 31, 2020, the Company has also paid \$1.4 million related to periodic installments of which \$683,000 has been expensed in accordance with the agreement and \$681,000 may be offset against future fees under the agreement that are eligible for claw back under the agreement. Further, the Company has paid \$1.4 million in success fees under the agreement in connection with each signed forbearance or other agreement, of which no amounts are available for claw back. As of December 31, 2020, the Company has paid Lismore approximately \$4.1 million and held a deposit of \$1.0 million, included in "other assets." For the year ended December 31, 2020, the Company has recognized expense of \$3.1 million which is included in "write-off of loan costs and exit fees."

In April 2020, certain subsidiaries of the Company applied for and received loans from Key Bank, N.A. under the PPP, which was established under the CARES Act. All funds borrowed under the PPP were returned on or before May 7, 2020.

On June 8, 2020, the Company entered into an Amendment that converted its \$75 million secured revolving credit facility into a \$65 million secured term loan. The Company had borrowed the full borrowing capacity of \$75 million under the Credit Facility and repaid \$10 million on June 8, 2020, in connection with the signing of the Amendment. Pursuant to the terms of the Amendment, borrowings will bear interest at a rate of LIBOR plus 3.50% or Base Rate plus 2.50% until June 30, 2021. After such date, the pricing will revert to the original terms of the Credit Facility. The Amendment also added principal amortization

of \$5 million per quarter commencing on March 31, 2021. The Amendment changes the terms of certain financial covenants that the Company was subject to under the Credit Facility. The Amendment has the same maturity date of October 25, 2022 but removes the two one-year extension options and also removes the Company's ability to reborrow amounts that have been repaid.

On July 28, 2020, the board of directors of the Company appointed Richard J. Stockton, the President and Chief Executive Officer of the Company, as a member of the board of directors, effective immediately, to serve a term ending on the date of the Company's 2021 Annual Meeting of Stockholders.

On March 16, 2020, the Company announced that in light of the uncertainty created by the effects of COVID-19, the annual cash retainer for each independent director serving on the Company's board of directors would be temporarily reduced by 25% and would continue in effect until the board of directors determined in its discretion that the effects of COVID-19 had subsided. The Company also disclosed at that time that any amounts relinquished pursuant to the reduction in fees may be paid in the future, as determined by the board of directors in its discretion. On August 6, 2020, the Company announced that for fiscal year 2020, the independent directors will receive the full value of their annual cash retainer (without reduction). The full value of such cash retainer will be paid 25% in either fully vested shares of common stock or LTIP units (at each director's election) and 75% in cash; however, each independent director may also elect to take all or any portion of such 75% in either fully vested shares of common stock or LTIP units. The remaining quarterly installments of such retainer will be adjusted so that, for fiscal 2020 in the aggregate, each independent director will have received the full value of the annual cash retainer in the mix of cash and fully vested common stock (or LTIP units) so elected. This arrangement does not apply to any additional cash retainers for committee service or service as lead director, or meeting fees, which will continue to be paid in cash. The board of directors currently intends to continue this arrangement through the Company's 2021 Annual Meeting of Stockholders, at which time the board of directors currently intends to re-examine the program.

On August 25, 2020, in light of the fact that Lismore negotiated access to the FF&E reserves but no forbearance on debt service for the \$435 million mortgage loan secured by the Marriott Seattle Waterfront, Sofitel Chicago Magnificent Mile, The Notary Hotel and The Clancy, the independent members of the board of directors of Ashford Inc. waived \$1.6 million of Lismore success fees.

On December 31, 2020, Ashford Inc., Ashford Trust and Braemar entered into an Amended and Restated Contribution Agreement pursuant to which Braemar had initially agreed to contribute, with Ashford Hospitality Trust, Inc. ("Ashford Trust"), up to \$15.0 million, based on an allocation percentage of 75% to Ashford Trust and 25% Braemar to fund the operations of Ashford Securities. The initial true-up date did not occur, and beginning on the effective date of the Amended and Restated Contribution Agreement, costs will be allocated based upon an allocation percentage of 50% to Ashford Inc., 50% to Braemar and 0% to Ashford Trust. Upon reaching the earlier of \$400 million in aggregate non-listed preferred equity offerings raised, or June 10, 2023, there will be an Amended and Restated true up (the "Amended and Restated True-up Date") among Ashford Inc., Ashford Trust and Braemar whereby the actual expense reimbursement paid by each company will be based on the actual amount of capital raised by Ashford Inc., Ashford Trust and Braemar, respectively. After the Amended and Restated True-Up Date, the expense reimbursements will be allocated among Ashford Inc., Ashford Trust and Braemar quarterly based on the actual capital raised through Ashford Securities. Additionally, Braemar's aggregate Capital Contributions under the Initial Contribution Agreement and the Amended and Restated Contribution Agreement shall not exceed \$3.75 million unless otherwise agreed to in writing by Braemar.

On February 4, 2021, the Company entered into a Standby Equity Distribution Agreement (the "SEDA") with YA II PN, Ltd. ("YA"), pursuant to which the Company will be able to sell up to 7,780,786 shares of its common stock (the "Commitment Amount") at the Company's request any time during the commitment period commencing on February 4, 2021, and terminating on the earliest of (i) the first day of the month next following the 36-month anniversary of the SEDA or (ii) the date on which YA shall have made payment of Advances (as defined in the SEDA) pursuant to the SEDA for shares of the Company's common stock equal to the Commitment Amount (the "Commitment Period"). Other than with respect to the Initial Advance (as defined below) the shares sold to YA pursuant to the SEDA would be purchased at 95% of the Market Price (as defined below) and would be subject to certain limitations, including that YA could not purchase any shares that would result in it owning more than 4.99% of the Company's common stock. "Market Price" shall mean the lowest daily VWAP (as defined below) of the Company's common stock during the 5 consecutive trading days commencing on the trading day following the date the Company submits an advance notice to YA. "VWAP" means, for any trading day, the daily volume weighted average price of the Company's common stock for such date on the principal market as reported by Bloomberg L.P. during regular trading hours.

At any time during the Commitment Period the Company may require YA to purchase shares of the Company's common stock by delivering a written notice to YA setting forth the Advance Shares (as defined in the SEDA) that the Company desires

to issue and sell to YA (the “Advance Notice”). The Company may deliver an Advance Notice for an initial Advance for up to 1,200,000 Advance Shares (the “Initial Advance”). The preliminary purchase price per share for such shares shall be 100% of the average daily VWAP for the 5 consecutive trading days immediately prior to the date of the Advance Notice (the “Preliminary Purchase Price”).

Pursuant to the SEDA, we currently intend to use the net proceeds from any sale of the shares for working capital purposes, including the repayment of outstanding debt. There are no other restrictions on future financing transactions. The SEDA does not contain any right of first refusal, participation rights, penalties or liquidated damages. We are not required to pay any additional amounts to reimburse or otherwise compensate YA in connection with the transaction except for a \$10,000 structuring fee. As of March 3, 2021, the Company has sold approximately 1.2 million shares of common stock and received proceeds of approximately \$6.4 million under the SEDA.

On February 22, 2021, the Company entered into the Second Amendment to Second Amended and Restated Credit Agreement on its term loan. The amendment provides an extension of the waiver on the majority of the covenants through the fourth quarter of 2021 and a reduced fixed charge coverage ratio covenant through the end of 2022. The first period in which covenants will be tested is for the fiscal quarter ending March 31, 2022. The amendment also allows the Company to utilize approximately \$9.3 million of cash held in FF&E reserve accounts at certain properties for discretionary capital expenditures.

Key Indicators of Operating Performance

We use a variety of operating and other information to evaluate the operating performance of our business. These key indicators include financial information that is prepared in accordance with GAAP as well as other financial measures that are non-GAAP measures. In addition, we use other information that may not be financial in nature, including statistical information and comparative data. We use this information to measure the operating performance of our individual hotels, groups of hotels and/or business as a whole. We also use these metrics to evaluate the hotels in our portfolio and potential acquisitions to determine each hotel’s contribution to cash flow and its potential to provide attractive long-term total returns. These key indicators include:

- **Occupancy.** Occupancy means the total number of hotel rooms sold in a given period divided by the total number of rooms available. Occupancy measures the utilization of our hotels’ available capacity. We use occupancy to measure demand at a specific hotel or group of hotels in a given period.
- **ADR.** ADR means average daily rate and is calculated by dividing total hotel rooms revenues by total number of rooms sold in a given period. ADR measures average room price attained by a hotel and ADR trends provide useful information concerning the pricing environment and the nature of the customer base of a hotel or group of hotels. We use ADR to assess the pricing levels that we are able to generate.
- **RevPAR.** RevPAR means revenue per available room and is calculated by multiplying ADR by the average daily occupancy. RevPAR is one of the commonly used measures within the hotel industry to evaluate hotel operations. RevPAR does not include revenues from food and beverage sales or parking, telephone or other non-rooms revenues generated by the property. Although RevPAR does not include these ancillary revenues, it is generally considered the leading indicator of core revenues for many hotels. We also use RevPAR to compare the results of our hotels between periods and to analyze results of our comparable hotels (comparable hotels represent hotels we have owned for the entire period). RevPAR improvements attributable to increases in occupancy are generally accompanied by increases in most categories of variable operating costs. RevPAR improvements attributable to increases in ADR are generally accompanied by increases in limited categories of operating costs, such as management fees and franchise fees.

RevPAR changes that are primarily driven by changes in occupancy have different implications for overall revenues and profitability than changes that are driven primarily by changes in ADR. For example, an increase in occupancy at a hotel would lead to additional variable operating costs (including housekeeping services, utilities and room supplies) and could also result in increased other operating department revenue and expense. Changes in ADR typically have a greater impact on operating margins and profitability as they do not have a substantial effect on variable operating costs.

Occupancy, ADR and RevPAR are commonly used measures within the lodging industry to evaluate operating performance. RevPAR is an important statistic for monitoring operating performance at the individual hotel level and across our entire business. We evaluate individual hotel RevPAR performance on an absolute basis with comparisons to budget and prior periods, as well as on a regional and company-wide basis. ADR and RevPAR include only rooms revenue. Rooms revenue is dictated by demand (as measured by occupancy), pricing (as measured by ADR) and our available supply of hotel rooms.

We also use funds from operations (“FFO”), Adjusted FFO, earnings before interest, taxes, depreciation and amortization for real estate (“EBITDAre”) and Adjusted EBITDAre as measures of the operating performance of our business. See “Non-GAAP Financial Measures.”

Principal Factors Affecting Our Results of Operations

The principal factors affecting our operating results include overall demand for hotel rooms compared to the supply of available hotel rooms, and the ability of our third-party management companies to increase or maintain revenues while controlling expenses.

Demand. The demand for lodging, including business travel, is directly correlated to the overall economy; as GDP increases, lodging demand typically increases. Historically, periods of declining demand are followed by extended periods of relatively strong demand, which typically occurs during the growth phase of the lodging cycle. Beginning in 2020, the COVID-19 pandemic had a direct impact on demand.

Supply. The development of new hotels is driven largely by construction costs, the availability of financing and expected performance of existing hotels. Short-term supply is also expected to be below long-term averages. While the industry is expected to have supply growth below historical averages, we may experience supply growth, in certain markets, in excess of national averages that may negatively impact performance. Beginning in 2020, the COVID-19 pandemic had a direct impact on supply.

We expect that our ADR, occupancy and RevPAR performance will be impacted by macroeconomic factors such as national and local employment growth, personal income and corporate earnings, GDP, consumer confidence, office vacancy rates and business relocation decisions, airport and other business and leisure travel, new hotel construction, the pricing strategies of competitors and currency fluctuations. In addition, our ADR, occupancy and RevPAR performance are dependent on the continued success of the Marriott, Hilton, Hyatt and Sofitel brands.

Revenue. Substantially all of our revenue is derived from the operation of hotels. Specifically, our revenue is comprised of:

- Rooms revenue—Occupancy and ADR are the major drivers of rooms revenue. Rooms revenue accounts for the substantial majority of our total revenue.
- Food and beverage revenue—Occupancy and the type of customer staying at the hotel are the major drivers of food and beverage revenue (i.e., group business typically generates more food and beverage business through catering functions when compared to transient business, which may or may not utilize the hotel’s food and beverage outlets or meeting and banquet facilities).
- Other hotel revenue—Occupancy and the nature of the property are the main drivers of other ancillary revenue, such as telecommunications, parking and leasing services.

Hotel Operating Expenses. The following presents the components of our hotel operating expenses:

- Rooms expense—These costs include housekeeping wages and payroll taxes, reservation systems, room supplies, laundry services and front desk costs. Like rooms revenue, occupancy is the major driver of rooms expense and, therefore, rooms expense has a significant correlation to rooms revenue. These costs can increase based on increases in salaries and wages, as well as the level of service and amenities that are provided.
- Food and beverage expense—These expenses primarily include food, beverage and labor costs. Occupancy and the type of customer staying at the hotel (i.e., catered functions generally are more profitable than restaurant, bar or other on-property food and beverage outlets) are the major drivers of food and beverage expense, which correlates closely with food and beverage revenue.
- Management fees—Base management fees are computed as a percentage of gross revenue. Incentive management fees generally are paid when operating profits exceed certain threshold levels.
- Other hotel expenses—These expenses include labor and other costs associated with the other operating department revenues, as well as labor and other costs associated with administrative departments, franchise fees, sales and marketing, repairs and maintenance and utility costs.

Most categories of variable operating expenses, including labor costs such as housekeeping, fluctuate with changes in occupancy. Increases in occupancy are accompanied by increases in most categories of variable operating expenses, while increases in ADR typically only result in increases in limited categories of operating costs and expenses, such as franchise fees, management fees and credit card processing fee expenses which are based on hotel revenues. Thus, changes in ADR have a more significant impact on operating margins than changes in occupancy.

RESULTS OF OPERATIONS

Year Ended December 31, 2020 Compared to Year Ended December 31, 2019

The following table summarizes changes in key line items from our consolidated statements of operations for the year ended December 31, 2020 and 2019 (in thousands except percentages):

	Year Ended December 31,		Favorable (Unfavorable)	
	2020	2019	\$ Change	% Change
Revenue				
Rooms.....	\$ 136,265	\$ 303,848	\$ (167,583)	(55.2)%
Food and beverage.....	50,263	115,085	(64,822)	(56.3)
Other.....	40,446	68,674	(28,228)	(41.1)
Total hotel revenue.....	226,974	487,607	(260,633)	(53.5)
Other.....	—	7	(7)	(100.0)
Total revenue	226,974	487,614	(260,640)	(53.5)
Expenses				
Hotel operating expenses:				
Rooms.....	38,054	70,297	32,243	45.9
Food and beverage.....	46,246	85,679	39,433	46.0
Other expenses.....	98,467	151,063	52,596	34.8
Management fees.....	7,210	16,573	9,363	56.5
Total hotel operating expenses.....	189,977	323,612	133,635	41.3
Property taxes, insurance and other.....	28,483	27,985	(498)	(1.8)
Depreciation and amortization.....	73,371	70,112	(3,259)	(4.6)
Advisory services fee.....	18,486	20,527	2,041	9.9
Transaction costs.....	—	704	704	100.0
Corporate general and administrative.....	6,657	5,435	(1,222)	(22.5)
Total expenses.....	316,974	448,375	131,401	29.3
Gain (loss) on insurance settlement and disposition of assets.....	10,149	25,165	(15,016)	(59.7)
Operating income (loss)	(79,851)	64,404	(144,255)	(224.0)
Equity in earnings (loss) of unconsolidated entity.....	(217)	(199)	(18)	(9.0)
Interest income.....	176	1,087	(911)	(83.8)
Other income (expense).....	(5,126)	(13,947)	8,821	63.2
Interest expense and amortization of loan costs.....	(45,104)	(54,507)	9,403	17.3
Write-off of loan costs and exit fees.....	(3,920)	(647)	(3,273)	(505.9)
Unrealized gain (loss) on investment in Ashford Inc.....	—	7,872	(7,872)	(100.0)
Unrealized gain (loss) on derivatives.....	4,959	(1,103)	6,062	549.6
Income (loss) before income taxes	(129,083)	2,960	(132,043)	(4,460.9)
Income tax (expense) benefit.....	4,406	(1,764)	6,170	349.8
Net income (loss)	(124,677)	1,196	(125,873)	(10,524.5)
(Income) loss attributable to noncontrolling interest in consolidated entities.....	6,436	(2,032)	(8,468)	(416.7)
Net (income) loss attributable to redeemable noncontrolling interests in operating partnership.....	12,979	1,207	(11,772)	(975.3)
Net income (loss) attributable to the Company	\$ (105,262)	\$ 371	\$ (105,633)	(28,472.5)%

All hotel properties owned for the year ended December 31, 2020 and 2019 have been included in our results of operations during the respective periods in which they were owned. Based on when a hotel property was acquired or disposed of, operating results for certain hotel properties are not comparable for the year ended December 31, 2020 and 2019. The hotel property listed below is not a comparable hotel property for the periods indicated and all other hotel properties are considered comparable hotel properties. The following acquisition affects reporting comparability related to our consolidated financial statements:

<u>Hotel Property</u>	<u>Location</u>	<u>Type</u>	<u>Date</u>
The Ritz-Carlton Lake Tahoe ⁽¹⁾	Truckee, CA	Acquisition	January 15, 2019

⁽¹⁾ The operating results of this hotel property has been included in our results of operations as of its acquisition date.

The following table illustrates the key performance indicators of all hotel properties for the periods indicated:

	<u>Year Ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Occupancy.....	30.27 %	78.73 %
ADR (average daily rate).....	\$ 329.83	\$ 295.94
RevPAR (revenue per available room).....	\$ 99.83	\$ 232.99
Rooms revenue (in thousands).....	\$ 136,265	\$ 303,848
Total hotel revenue (in thousands).....	\$ 226,974	\$ 487,607

The following table illustrates the key performance indicators of the twelve comparable hotel properties that were included for the full year ended December 31, 2020 and 2019:

	<u>Year Ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Occupancy.....	29.61 %	79.40 %
ADR (average daily rate).....	\$ 311.46	\$ 284.27
RevPAR (revenue per available room).....	\$ 92.21	\$ 225.72
Rooms revenue (in thousands).....	\$ 119,789	\$ 280,108
Total hotel revenue (in thousands).....	\$ 199,737	\$ 444,333

Net Income (Loss) Attributable to the Company. Net income (loss) attributable to the Company changed \$105.6 million, from net income of \$371,000 for the year ended December 31, 2019 (“2019”), to net loss of \$105.3 million for the year ended December 31, 2020 (“2020”), as a result of the factors discussed below.

Rooms Revenue. Rooms revenue decreased \$167.6 million, or 55.2%, to \$136.3 million during 2020 compared to 2019. During 2020, we experienced a 4,846 basis point decrease in occupancy and an 11.5% increase in room rates compared to 2019. The decrease in rooms revenue is due to the COVID-19 pandemic. Rooms revenue at our twelve comparable hotel properties decreased \$160.3 million due to a 4,979 basis point decrease in occupancy, partially offset by an increase in room rates of 9.6%.

The decrease in rooms revenue is a result of the changes in occupancy and ADR as reflected in the table below (dollars in thousands):

Hotel Property	Favorable (Unfavorable)		
	Rooms revenue	Occupancy (change in bps)	ADR (change in %)
Comparable			
Capital Hilton ⁽¹⁾	\$ (31,139)	(6,379)	(15.3) %
Marriott Seattle Waterfront	(23,631)	(6,254)	(23.1) %
The Notary Hotel	(18,667)	(4,795)	(16.0) %
The Clancy ⁽²⁾	(32,327)	(7,047)	(6.5) %
Sofitel Chicago Magnificent Mile	(19,387)	(5,448)	(30.5) %
Pier House Resort & Spa	(6,970)	(2,673)	(5.7) %
The Ritz-Carlton St. Thomas ⁽³⁾	13,477	(976)	7.8 %
Park Hyatt Beaver Creek Resort & Spa	(5,362)	(2,515)	22.5 %
Hotel Yountville	(7,516)	(4,445)	(5.8) %
The Ritz-Carlton Sarasota	(6,368)	(1,945)	4.7 %
Hilton La Jolla Torrey Pines	(16,263)	(4,522)	(19.0) %
Bardessono Hotel and Spa	(6,166)	(3,479)	(1.8) %
	\$ (160,319)	(4,979)	9.6 %
Non-Comparable			
The Ritz-Carlton Lake Tahoe	\$ (7,264)	(2,213)	0.6 %
Total	\$ (167,583)	(4,846)	11.5 %

⁽¹⁾ The hotel was closed from March 2020 until August 2020.

⁽²⁾ The hotel was being renovated during 2019 and 2020. Additionally the hotel was closed from April 11, 2020 through September 30, 2020

⁽³⁾ The hotel was closed for renovation starting in March 2019 due to the impact from Hurricane Irma. It re-opened in the fourth quarter of 2019.

Food and Beverage Revenue. Food and beverage revenue decreased \$64.8 million, or 56.3%, to \$50.3 million during 2020 compared to 2019. This decrease is primarily attributable to the impact of the COVID-19 pandemic. We experienced an aggregate decrease in food and beverage revenue of \$68.4 million at twelve hotel properties, partially offset by an increase of \$3.6 million at The Ritz-Carlton St. Thomas, which was closed for renovation for most of 2019.

Other Hotel Revenue. Other hotel revenue, which consists mainly of condo management fees, health center fees, resort fees, golf, telecommunications, parking, rentals and business interruption revenue, decreased \$28.2 million, or 41.1%, to \$40.4 million during 2020 compared to 2019. The decrease is attributable to an aggregate decrease in other hotel revenue of \$16.6 million at twelve hotel properties and lower business interruption revenue of approximately \$15.4 million. These decreases were partially offset by higher other hotel revenue of \$3.7 million at The Ritz-Carlton St. Thomas.

During 2020 and 2019, we recognized business interruption revenue of approximately \$4.0 million and approximately \$19.3 million, respectively, at The Ritz-Carlton St. Thomas as a result of Hurricane Irma.

Rooms Expense. Rooms expense decreased \$32.2 million, or 45.9%, to \$38.1 million in 2020 compared to 2019. The decrease is attributable to an aggregate decrease in rooms expense of \$35.1 million at twelve hotel properties, partially offset by an increase of \$2.9 million at The Ritz-Carlton St. Thomas.

Food and Beverage Expense. Food and beverage expense decreased \$39.4 million, or 46.0%, to \$46.2 million during 2020 compared to 2019. The decrease is attributable to an aggregate decrease of \$43.4 million at twelve hotel properties, partially offset by an increase of \$3.9 million at The Ritz-Carlton St. Thomas.

Other Operating Expenses. Other operating expenses decreased \$52.6 million, or 34.8%, to \$98.5 million in 2020 compared to 2019. Hotel operating expenses consist of direct expenses from departments associated with revenue streams and indirect expenses associated with support departments and incentive management fees. We experienced a decrease of \$5.2 million in direct expenses and \$47.4 million in indirect expenses and incentive management fees in 2020 compared to 2019. Direct expenses were 6.2% of total hotel revenue in 2020 and 4.0% in 2019.

The decrease in direct expenses is attributable to twelve hotel properties as a result of the COVID-19 pandemic, excluding The Ritz-Carlton St. Thomas, which had an increase in direct expense of \$1.9 million as a result of it being closed for renovation during most of 2019.

The decrease in indirect expenses is attributable to decreases in (i) marketing costs of \$17.1 million, comprised of a net decrease of \$15.7 million at our twelve comparable hotel properties and \$1.4 million at The Ritz-Carlton Lake Tahoe; (ii) general and administrative costs of \$18.4 million, comprised of a net decrease of \$17.8 million at our twelve comparable hotel properties and a decrease of \$633,000 at The Ritz-Carlton Lake Tahoe; (iii) repairs and maintenance of \$5.0 million, comprised of a net decrease of \$4.7 million at our twelve comparable hotel properties and \$325,000 at The Ritz-Carlton Lake Tahoe; (iv) incentive management fees of \$3.5 million as a result of lower revenues attributable to the COVID-19 pandemic; (v) energy costs of \$2.0 million, comprised of a net decrease of \$1.9 million at our twelve comparable hotel properties and \$69,000 at The Ritz-Carlton Lake Tahoe; and (vi) lease expense of \$1.5 million, comprised of a net decrease of \$1.5 million at our twelve comparable hotel properties, partially offset by an increase of \$42,000 at The Ritz-Carlton Lake Tahoe.

Management Fees. Base management fees decreased \$9.4 million, or 56.5%, to \$7.2 million in 2020 compared to 2019. This decrease is attributable to all of our hotel properties as a result of the COVID-19 pandemic.

Property Taxes, Insurance and Other. Property taxes, insurance and other increased \$498,000, or 1.8%, to \$28.5 million in 2020 compared to 2019, which is primarily due the receipt of a property tax refund of \$1.7 million in 2019 at the Park Hyatt Beaver Creek Resort & Spa.

Depreciation and Amortization. Depreciation and amortization increased \$3.3 million, or 4.6%, to \$73.4 million for 2020 compared to 2019 due to an aggregate increase of \$4.9 million at our twelve comparable hotel properties, partially offset by a decrease of \$1.7 million at The Ritz-Carlton Lake Tahoe.

Advisory Services Fee. Advisory services fee decreased \$2.0 million, or 9.9%, to \$18.5 million in 2020 compared to 2019 due to decreases in the base advisory fee of \$853,000, reimbursable expenses of \$499,000, incentive fee of \$678,000, and equity-based compensation of \$11,000. In 2020, we recorded an advisory services fee of \$18.5 million, which included a base advisory fee of \$10.0 million, reimbursable expenses of \$1.8 million, \$7.4 million associated with equity grants of our common stock and LTIP units awarded to the officers and employees of Ashford Inc. and a credit to the incentive fee of \$678,000 as a result of not meeting the FCCR threshold required for paying the final installment of the incentive fee incurred in 2018. In 2019, we recorded an advisory services fee of \$20.5 million, which included a base advisory fee of \$10.8 million, reimbursable expenses of \$2.3 million and \$7.4 million associated with equity grants of our common stock and LTIP units awarded to the officers and employees of Ashford Inc.

Transaction Costs. In 2019, we recorded transaction costs of \$704,000 primarily related to the acquisition of The Ritz-Carlton Sarasota. There were no transaction costs during 2020.

Corporate General and Administrative. Corporate general and administrative expense was \$6.7 million in 2020 and \$5.4 million in 2019. The increase in corporate general and administrative expenses is primarily due to higher professional fees of \$1.1 million, higher reimbursed operating expenses of Ashford Securities of \$344,000 and higher miscellaneous expenses of \$154,000, partially offset by lower public company costs of \$329,000.

Gain (loss) on Insurance Settlement and Disposition of Assets. In 2020, we recognized a gain of \$10.1 million as a result of finalizing the insurance settlement from Hurricane Irma. In 2019, we recorded gains of \$26.2 million and \$88,000 related to insurance settlements from Hurricane Irma at The Ritz-Carlton St. Thomas hotel and the Pier House Resort & Spa, respectively. The gains resulted from the receipt of proceeds in excess of the carrying value of the property upon settlement of a portion of the insurance claim. These gains were partially offset by a loss of \$1.2 million related to the disposition of FF&E resulting from the renovation at The Notary Hotel.

Equity in Earnings (Loss) of Unconsolidated Entity. In 2020 and 2019, we recorded equity in loss of unconsolidated entity of \$217,000 and \$199,000, respectively, related to our investment in OpenKey.

Interest Income. Interest income decreased \$911,000, or 83.8%, to \$176,000 for 2020 compared to 2019.

Other Income (Expense). Other expense decreased \$8.8 million, or 63.2% to \$5.1 million in 2020 compared to 2019. In 2020, we recorded realized losses of \$3.6 million and \$1.3 million on our disposition of interest rate floors and CMBX credit default swaps, respectively. We also recorded expense of \$191,000 related to CMBX premiums and interest paid on collateral. In 2019, we recorded a realized loss of \$13.4 million on our disposition of our investment in Ashford Inc., expense of \$253,000

related to CMBX premiums and interest paid on collateral and a realized loss of \$278,000 on interest rate floors, partially offset by other income of \$10,000.

Interest Expense and Amortization of Loan Costs. Interest expense and amortization of loan costs decreased \$9.4 million, or 17.3%, to \$45.1 million for 2020 compared to 2019. The decrease is primarily due to a lower average LIBOR rate, partially offset by higher interest expense associated with our corporate term loan as well as default interest and late charges recorded on loans that were previously in default. The average LIBOR rates for 2020 and 2019 were 0.52% and 2.22%, respectively.

Write-off of Loan Costs and Exit Fees. Write-off of loan costs and exit fees was \$3.9 million in 2020, resulting from several amendments executed with various lenders, which included deferral of debt service payments and allowed the use of reserves for property-level operating shortfalls and/or to cover debt service payments. Third-party fees incurred in conjunction with these amendments, totaling \$3.9 million, were expensed in accordance with applicable accounting guidance. Write-off of loan costs and exit fees was \$647,000 for 2019, resulting from the write-off of unamortized loan costs of \$338,000 and other costs of \$309,000 associated with a loan modification and the refinancing of two mortgage loans.

Unrealized Gain (Loss) on Investment in Ashford Inc. Unrealized gain on investment in Ashford Inc. was \$7.9 million in 2019, which is associated with the recognition of the associated realized loss on the disposition of our investment in Ashford Inc. in the fourth quarter of 2019.

Unrealized Gain (Loss) on Derivatives. Unrealized gain on derivatives of \$5.0 million for 2020 consisted of a \$3.6 million unrealized gain on interest rate floors associated with the recognition of realized losses and a \$1.4 million unrealized gain on CMBX credit default swaps associated with the recognition of realized losses, partially offset by an unrealized loss of \$93,000 on interest rate caps. Unrealized loss on derivatives of \$1.1 million for 2019 consisted of a \$1.1 million unrealized loss on CMBX credit default swaps and a \$134,000 unrealized loss on interest rate caps, partially offset by a \$126,000 unrealized gain on interest rate floors. The fair value of the interest rate caps and floors is primarily based on movements in the LIBOR forward curve and the passage of time. The fair value of credit default swaps is based on the change in value of CMBX indices.

Income Tax (Expense) Benefit. Income tax (expense) benefit changed \$6.2 million, from income tax expense of \$1.8 million in 2019 to an income tax benefit of \$4.4 million in 2020. This change was primarily due to a decrease in the profitability of our TRS entities in 2020 compared to 2019.

(Income) Loss Attributable to Noncontrolling Interest in Consolidated Entities. Our noncontrolling interest partner in consolidated entities was allocated a loss of \$6.4 million and income of \$2.0 million for 2020 and 2019, respectively. At both December 31, 2020 and 2019, noncontrolling interest in consolidated entities represented an ownership interest of 25% in two hotel properties held by one entity.

Net (Income) Loss Attributable to Redeemable Noncontrolling Interests in Operating Partnership. Noncontrolling interests in operating partnership were allocated a net loss of \$13.0 million and \$1.2 million for 2020 and 2019, respectively. Redeemable noncontrolling interests represented ownership interests in Braemar OP of approximately 9.43% and 10.96% as of December 31, 2020 and 2019, respectively.

Indebtedness

As of December 31, 2020, gross outstanding indebtedness was approximately \$1.1 billion. The following table sets forth our indebtedness (dollars in thousands):

<u>Lender/Property(ies)</u>	<u>Number of Assets Encumbered</u>	<u>Outstanding Balance at December 31, 2020</u>	<u>Interest Rate at December 31, 2020</u>	<u>Amortization</u>	<u>Maturity Date ⁽¹⁾</u>	<u>Fully Extended Maturity Date</u>
BAML Term loan ⁽²⁾	Equity	\$ 61,495	4.00 %	Interest only ⁽²⁾	Oct-2022	Oct-2022
Equity Securitized ⁽³⁾	1	67,500	2.89 %	Interest only	Apr-2021	Apr-2022
Park Hyatt Beaver Creek Resort & Spa, Beaver Creek, CO						
Securitized ⁽⁴⁾	4	435,000	2.30 %	Interest only	Jun-2021	Jun-2025
The Notary Hotel, Philadelphia, PA						
The Clancy, San Francisco, CA						
Marriott Seattle Waterfront, Seattle, WA						
Sofitel Chicago Magnificent Mile, Chicago, IL						
Apollo ⁽⁵⁾	1	42,500	4.95 %	Interest only	Aug-2021	Aug-2024
The Ritz-Carlton, St. Thomas, USVI						
BAML ⁽⁶⁾	1	51,000	2.80 %	Interest only	May-2022	May-2022
Hotel Yountville, Yountville, CA						
BAML ⁽⁶⁾	1	40,000	2.80 %	Interest only	Aug-2022	Aug-2022
Bardessono Hotel and Spa, Yountville, CA						
BAML ⁽⁷⁾	1	100,000	2.90 %	Interest only ⁽⁸⁾	Apr-2023	Apr-2023
The Ritz-Carlton, Sarasota, FL						
BAML ⁽⁸⁾	1	54,000	2.35 %	Interest only	Jan-2024	Jan-2024
The Ritz-Carlton, Lake Tahoe, CA						
Prudential ⁽⁹⁾	2	197,229	1.84 %	Interest only	Feb-2024	Feb-2024
Capital Hilton, Washington, D.C.						
Hilton La Jolla Torrey Pines, La Jolla, CA						
BAML ⁽¹⁰⁾	1	80,000	2.10 %	Interest only	Sep-2024	Sep-2024
Pier House Resort & Spa, Key West, FL						
Total/Weighted Average.....	<u>13</u>	<u>\$ 1,128,724</u>	<u>2.53 %</u>			

(1) Maturity date assumes no future extensions.

(2) Bears interest at a rate of LIBOR plus 3.50% or base rate plus 2.50% until June 30, 2021. After such date, the pricing will revert to the original terms of the Credit Facility, which bears interest at a range of 1.25% to 2.50% over base rate or 2.25% to 3.50% over LIBOR. The term loan has a LIBOR floor of 0.50%. Also principal amortization of \$5 million per quarter commencing on March 31, 2021.

(3) Interest rate is variable at LIBOR plus 2.75%. This mortgage loan requires that we maintain an interest rate cap agreement with a counterparty, and the terms of that agreement provide for a LIBOR cap of 3.0%. This mortgage loan includes three one-year extension options subject to satisfaction of certain conditions, of which the second was exercised in April 2020.

(4) Interest rate is variable at LIBOR plus 2.16%. This mortgage loan requires that we maintain an interest rate cap agreement with a counterparty, and the terms of that agreement provide for a LIBOR cap of 4.0%. This mortgage loan includes five one-year extension options subject to the satisfaction of certain conditions, of which the first was exercised in June 2020.

(5) Interest rate is variable at LIBOR plus 3.95%. This mortgage loan requires that we maintain an interest rate cap agreement with a counterparty, and the terms of that agreement provide for a LIBOR cap of 3.0%. This mortgage loan has three one-year extension options, subject to the satisfaction of certain conditions.

(6) Interest rate is variable at LIBOR plus 2.55%, with a LIBOR floor of 0.25%.

(7) Interest rate is variable at LIBOR plus 2.65%. This mortgage loan requires that we maintain an interest rate cap agreement with a counterparty, and the terms of that agreement provide for a LIBOR cap of 3.5%. The mortgage loan is interest only until July 1, 2021 and then amortizes 1% annually for the remaining term.

(8) Interest rate is variable at LIBOR plus 2.10%. This mortgage loan requires that we maintain an interest rate cap agreement with a counterparty, and the terms of that agreement provide for a LIBOR cap of 3.5%.

(9) Interest rate is variable at LIBOR plus 1.70%.

(10) Interest rate is variable at LIBOR plus 1.85%. This mortgage loan requires that we maintain an interest rate cap agreement with a counterparty, and the terms of that agreement provide for a LIBOR cap of 3.5%.

On June 8, 2020, we entered into the First Amendment to the Second Amended and Restated Credit Agreement (the “Amendment”). The Amendment converted the \$75 million Second Amended and Restated Credit Agreement, dated October 25, 2019 (the “Credit Facility”), which was a secured revolving credit facility, into a \$65 million secured term loan. We had borrowed the full borrowing capacity of \$75 million under the Credit Facility and repaid \$10 million on June 8, 2020, in connection with the signing of the Amendment. Pursuant to the terms of the Amendment, borrowings will bear interest at a rate of LIBOR plus 3.50% or Base Rate plus 2.50% until June 30, 2021. After such date, the pricing will revert to the original terms of the Credit Facility. The Amendment also added principal amortization of \$5 million per quarter commencing on March 31, 2021. The Amendment changes the terms of certain financial covenants that we were subject to under the Credit Facility. The Amendment has the same maturity date of October 25, 2022 but removes the two one-year extension options and also removes our ability to reborrow amounts that have been repaid.

On February 22, 2021, the Company entered into the Second Amendment to Second Amended and Restated Credit Agreement (the “Second Amendment”). The amendment provides an extension of the waiver on the majority of the covenants through the fourth quarter of 2021 and a reduced fixed charge coverage ratio covenant through the end of 2022. The first period in which covenants will be tested is for the fiscal quarter ending March 31, 2022. The amendment also allows the Company to utilize approximately \$9.3 million of cash held in FF&E reserve accounts at certain properties for discretionary capital expenditures.

The following loans include various financial cash trap triggers. The BAML Pier House loan, the BAML Bardessono loan, the BAML Yountville loan, the BAML Sarasota loan and the BAML Lake Tahoe loan all have a 1.20x debt service coverage ratio requirement. The Park Hyatt Beaver Creek Resort & Spa loan has a 9.0% debt yield requirement, the 4 pack loan has a 7.5% debt yield requirement, and the Apollo loan has a 10.0% debt yield requirement. When these provisions are triggered, substantially all of the profits generated by the hotel properties securing such loan are deposited directly into lockbox accounts and then swept into cash management accounts for the benefit of our various lenders. This could affect our liquidity and our ability to make distributions to our stockholders until such time that a cash trap is no longer in effect for such loan.

LIQUIDITY AND CAPITAL RESOURCES

COVID-19, Management’s Plans and Liquidity

In December 2019, COVID-19 was identified in Wuhan, China, subsequently spread to other regions of the world, and has resulted in significant travel restrictions and extended shutdown of numerous businesses in every state in the United States. In March 2020, the World Health Organization declared COVID-19 to be a global pandemic. Beginning in late February 2020, we have experienced a significant decline in occupancy and RevPAR associated with COVID-19 as we experienced significant reservation cancellations as well as a significant reduction in new reservations. The prolonged presence of the virus has resulted in health and other government authorities imposing widespread restrictions on travel and other businesses. The hotel industry and our portfolio have experienced the postponement or cancellation of a significant number of business conferences and similar events. Following the government mandates and health official orders in March 2020, the Company temporarily suspended operations at 11 of its 13 hotels and dramatically reduced staffing and expenses at its hotels that remained operational. COVID-19 has had a significant negative impact on the Company’s operations and financial results to date. The full financial impact of the reduction in hotel demand caused by the pandemic and suspension of operations at the Company’s hotels cannot be reasonably estimated at this time due to uncertainty as to its severity and duration. In addition, one or more possible recurrences of COVID-19 cases could result in further reductions in business and personal travel and could cause state and local governments to reinstate travel restrictions. The Company expects that the COVID-19 pandemic will continue to have a negative impact on the Company’s results of operations, financial position and cash flow in 2021 and potentially much longer. As a result, in March 2020, the Company fully drew down its \$75 million secured revolving credit facility, which was later converted into a term loan, suspended the quarterly cash dividend on its common stock, reduced planned capital expenditures, and, working closely with its hotel managers, significantly reduced its hotels’ operating expenses. See note 7 to our consolidated financial statements for term loan details.

All of the Company’s property-level debt is non-recourse. Beginning on April 1, 2020, we did not make at least one interest payment under nearly all of our loan agreements, which constituted an “Event of Default” as such term is defined under the applicable loan documents. Further, the Company triggered an “Event of Default,” as defined under the secured revolving credit facility agreement as a result of the Company being in default on mortgage and mezzanine loans with an aggregate principal amount in excess of \$200 million. Pursuant to the terms of the applicable loan documents, such an Event of Default caused an automatic increase in the interest rate on our outstanding loan balance for the period such Event of Default remains outstanding. Following an Event of Default, our lenders can generally elect to accelerate all principal and accrued interest payments that remain outstanding under the applicable loan agreement and foreclose on the applicable hotel properties that are security for such loans. Such Event of Default under the senior revolving credit facility agreement was eliminated by the First

Amendment to Second Amended and Restated Credit Agreement, dated June 8, 2020, which provides that defaults under mortgage and mezzanine loans with an aggregate principal amount in excess of \$200 million do not trigger a default under the senior revolving credit agreement unless such mortgage or mezzanine loans are also accelerated, and excluding from the \$200 million threshold, any default and acceleration under those certain mortgage and mezzanine loans having an aggregate principal amount of \$435 million and secured by the Marriott Seattle Waterfront, Sofitel Chicago Magnificent Mile, The Notary Hotel and The Clancy. During the second and third quarter of 2020, we reached forbearance and other agreements with our lenders relating to loans secured by the Pier House Resort & Spa, The Ritz-Carlton Sarasota, The Ritz-Carlton Lake Tahoe, Hotel Yountville, Bardessono Hotel and Spa, Sofitel Chicago Magnificent Mile, The Notary Hotel, The Clancy, Marriott Seattle Waterfront, Capital Hilton and Hilton La Jolla Torrey Pines. The Company amended its secured revolving credit facility converting it into a \$65 million secured term loan and changed the terms of certain financial covenants, including a waiver of the Consolidated Fixed Charge Coverage Ratio (as defined in the Amendment) through March 31, 2021, that the Company was subject to under the secured revolving credit facility. On February 22, 2021, the Company further amended the term loan providing an extension of the waiver on the majority of the covenants continuing through the fourth quarter of 2021 and a reduced fixed charge coverage ratio covenant through the end of 2022. The first period in which covenants will be tested is for the fiscal quarter ending March 31, 2022. As of December 31, 2020, no loans are in default.

Additionally, the Company did not make rental payments under two ground leases that are paid monthly; however, the Company executed a forbearance agreement with the landlord of the Bardessono Hotel and Spa and executed a rent deferral letter (consistent with the terms of Ordinance Number O-21177, passed by the Council of the City of San Diego on March 25, 2020) with the landlord of the Hilton La Jolla Torrey Pines, each of which temporarily resolved any potential events of default arising out of such non-payments. As of December 31, 2020, the Company is current on its rental payments.

In addition, the Company has taken proactive and aggressive actions to protect liquidity and reduce corporate expenses. The Company has also significantly reduced its planned spending for capital expenditures for fiscal year 2021 to approximately \$20 million to \$24 million and suspended its common stock dividends conserving approximately \$6 million per quarter.

When preparing financial statements for each annual and interim reporting period management has the responsibility to evaluate whether there are conditions or events, considered in the aggregate, that create substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued. In applying the accounting guidance, the Company considers its current financial condition and liquidity sources, including current funds available, forecasted future cash flows and its unconditional obligations due over the next 12 months.

As of December 31, 2020, the Company maintained unrestricted cash of \$78.6 million and restricted cash of \$34.5 million. During the three months ended December 31, 2020, we utilized cash, cash equivalents and restricted cash of ###. The vast majority of the restricted cash is comprised of lender and manager held reserves. The Company worked with its property managers and lenders in order to utilize lender and manager held reserves to fund operating shortfalls. At the end of the quarter, there was also \$12.3 million due to the Company from third-party hotel managers, which is primarily the Company's cash held by one of its property managers which is also available to fund hotel operating costs.

We cannot predict when hotel operating levels will return to normalized levels after the effects of the pandemic subside, whether our hotels will be forced to shut down operations or whether one or more governmental entities may impose additional travel restrictions due to a resurgence of COVID-19 cases in the future. As a result of these factors resulting from the impact of the pandemic, we are unable to estimate future financial performance with certainty. However, based on our completed credit facility loan amendment and forbearance and other agreements, our current unrestricted and restricted cash on hand, our current cash utilization and forecast of future operating results for the next 12 months from the date of this report, and the actions we have taken to improve our liquidity, the Company has concluded that management's current plan alleviates the substantial doubt about its ability to continue as a going concern. Facts and circumstances could change in the future that are outside of management's control, such as additional government mandates, health official orders, travel restrictions and extended business shutdowns due to COVID-19.

Our short-term liquidity requirements consist primarily of funds necessary to pay for operating expenses and other expenditures directly associated with our hotel properties, including:

- advisory fees payable to Ashford LLC;
- recurring maintenance necessary to maintain our hotel properties in accordance with brand standards;
- interest expense and scheduled principal payments on outstanding indebtedness, including our secured term loan (see "Contractual Obligations and Commitments");
- distributions, if any, in the form of dividends on our common stock, necessary to qualify for taxation as a REIT;

- dividends on our preferred stock; and
- capital expenditures to improve our hotel properties.

We expect to meet our short-term liquidity requirements generally through net cash provided by operations, capital market activities and existing cash balances.

Pursuant to the advisory agreement between us and our advisor, we must pay our advisor on a monthly basis a base advisory fee, subject to a minimum base advisory fee. The minimum base advisory fee is equal to the greater of: (i) 90% of the base fee paid for the same month in the prior fiscal year; and (ii) 1/12th of the “G&A Ratio” for the most recently completed fiscal quarter multiplied by our total market capitalization on the last balance sheet date included in the most recent quarterly report on Form 10-Q or annual report on Form 10-K that we file with the SEC. Thus, even if our total market capitalization and performance decline, we will still be required to make payments to our advisor equal to the minimum base advisory fee, which could adversely impact our liquidity and financial condition.

Our long-term liquidity requirements consist primarily of funds necessary to pay for the costs of acquiring additional hotel properties and redevelopments, renovations, expansions and other capital expenditures that need to be made periodically with respect to our hotel properties and scheduled debt payments. We expect to meet our long-term liquidity requirements through various sources of capital, including future common and preferred equity issuances, existing working capital, net cash provided by operations, hotel mortgage indebtedness and other secured and unsecured borrowings. However, there are a number of factors that may have a material adverse effect on our ability to access these capital sources, including the current and ongoing effects of COVID-19 on our business and the hotel industry, the state of overall equity and credit markets, our degree of leverage, our unencumbered asset base and borrowing restrictions imposed by lenders (including as a result of any failure to comply with financial covenants in our existing and future indebtedness), general market conditions for REITs, our operating performance and liquidity and market perceptions about us. The success of our business strategy will depend, in part, on our ability to access these various capital sources. While management cannot provide any assurances, management believes that our cash flow from operations and our existing cash balances will be adequate to meet upcoming anticipated requirements for interest and principal payments on debt (excluding any potential final maturity principal payments), working capital, and capital expenditures for the next 12 months and dividends required to maintain our status as a REIT for U.S. federal income tax purposes.

Our hotel properties will require periodic capital expenditures and renovation to remain competitive. In addition, acquisitions, redevelopments or expansions of hotel properties may require significant capital outlays. We may not be able to fund such capital improvements solely from net cash provided by operations because we must distribute annually at least 90% of our REIT taxable income, determined without regard to the deductions for dividends paid and excluding net capital gains, to qualify and maintain our qualification as a REIT, and we are subject to tax on any retained income and gains. As a result, our ability to fund capital expenditures, acquisitions or hotel redevelopment through retained earnings is very limited. Consequently, we expect to rely heavily upon the availability of debt or equity capital for these purposes. If we are unable to obtain the necessary capital on favorable terms, or at all, our financial condition, liquidity, results of operations and prospects could be materially and adversely affected.

Certain of our loan agreements contain cash trap provisions that may be triggered if the performance of our hotel properties decline. When these provisions are triggered, substantially all of the profit generated by the hotel properties securing such loan is deposited directly into lockbox accounts and then swept into cash management accounts for the benefit of our various lenders. This could affect our liquidity and our ability to make distributions to our stockholders until such time that a cash trap is no longer in effect for such loan. These cash trap provisions have been triggered on some of our mortgage loans.

On December 5, 2017, our board of directors approved the stock repurchase program pursuant to which the board of directors granted a repurchase authorization to acquire shares of the Company’s common stock, par value \$0.01 per share and preferred stock having an aggregate value of up to \$50 million. The board of directors’ authorization replaced any previous repurchase authorizations. No shares were repurchased during the year ended December 31, 2020, pursuant to this authorization.

On December 11, 2017, we entered into equity distribution agreements with certain sales agents to sell from time to time shares of our common stock having an aggregate offering price of up to \$50.0 million. Sales of shares of our common stock, if any, may be made in negotiated transactions or transactions that are deemed to be “at-the-market” offerings as defined in Rule 415 of the Securities Act, including sales made directly on the NYSE, the existing trading market for our common stock, or sales made to or through a market maker other than on an exchange or through an electronic communications network. We will pay each of the sales agents a commission, which in each case shall not be more than 2.0% of the gross sales price of the shares

of our common stock sold through such sales agent. On July 7, 2020, we entered into a side letter (the “Side Letter”) with the sales agents pursuant to which we agreed to pay all reasonable documented out-of-pocket expenses, including the reasonable fees and disbursements of counsel incurred by the sales agents, in connection with the ongoing services contemplated by the equity distribution agreements (subject to a \$75,000 cap on certain expenses incurred in June 2020). Pursuant to the Side Letter, the sales agents have agreed to reimburse us for up to \$50,000 of such expenses, if the sales agents offer and sell an amount of our common stock with an aggregate offering price of \$15,000,000, and have agreed to reimburse us for up to an additional \$50,000 of such expenses, provided the sales agents offer and sell an amount of our common stock with an aggregate offering price of \$30,000,000. As of March 3, 2021, the Company has sold approximately 5.7 million shares of common stock and received proceeds of approximately \$19.7 million under this program.

On November 13, 2019, we filed an initial registration statement with the SEC, as amended on January 24, 2020, for shares of our non-traded Series E Redeemable Preferred Stock (the “Series E Preferred Stock”) and our non-traded Series M Redeemable Preferred Stock (the “Series M Preferred Stock”). The registration statement became effective on February 21, 2020, and contemplates the issuance and sale of up to 20,000,000 shares of Series E Preferred Stock or Series M Preferred Stock in a primary offering and up to 8,000,000 shares of Series E Preferred Stock or Series M Preferred Stock offered pursuant to a dividend reinvestment plan. On February 25, 2020, we filed our prospectus with the SEC. Ashford Securities, a subsidiary of Ashford Inc. serves as the dealer manager and wholesaler of our Series E Preferred Stock and Series M Preferred Stock. As of March 3, 2021, no shares of Series E Preferred Stock or Series M Preferred Stock have been issued.

On December 4, 2019, we entered into equity distribution agreements with certain sales agents to sell from time to time shares of our Series B Cumulative Convertible Preferred Stock having an aggregate offering price of up to \$40.0 million. Sales of shares of our Series B Cumulative Convertible Preferred Stock may be made in negotiated transactions or transactions that are deemed to be “at-the-market” offerings as defined in Rule 415 of the Securities Act, including sales made directly on the NYSE, the existing trading market for our Series B Cumulative Convertible Preferred Stock, or sales made to or through a market maker other than on an exchange or through an electronic communications network. We will pay each of the sales agents a commission, which in each case shall not be more than 2.0% of the gross sales price of the shares of our Series B Cumulative Convertible Preferred Stock sold through such sales agents. Since the inception of the program, we issued approximately 63,000 shares of our Series B Cumulative Convertible Preferred Stock through our “at-the-market” equity offering program resulting in gross proceeds of approximately \$1.2 million before discounts and commissions to the selling agents of approximately \$19,000.

On February 4, 2021, the Company entered into the SEDA, pursuant to which the Company will be able to sell the Commitment Amount at the Company’s request any time during the commitment period commencing on February 4, 2021, and terminating at the end of the Commitment Period. Other than with respect to the Initial Advance the shares sold to YA pursuant to the SEDA would be purchased at 95% of the Market Price and would be subject to certain limitations, including that YA could not purchase any shares that would result in it owning more than 4.99% of the Company’s common stock.

At any time during the Commitment Period the Company may require YA to purchase shares of the Company’s common stock by delivering an Advance Notice. The Company may deliver an Initial Advance for up to 1,200,000 Advance Shares. The Preliminary Purchase Price per share for such shares shall be 100% of the average daily VWAP for the 5 consecutive trading days immediately prior to the date of the Advance Notice.

Pursuant to the SEDA, we currently intend to use the net proceeds from any sale of the shares for working capital purposes, including the repayment of outstanding debt. There are no other restrictions on future financing transactions. The SEDA does not contain any right of first refusal, participation rights, penalties or liquidated damages. We are not required to pay any additional amounts to reimburse or otherwise compensate YA in connection with the transaction except for a \$10,000 structuring fee. As of March 3, 2021, the Company has sold approximately 1.2 million shares of common stock and received proceeds of approximately \$6.4 million under the SEDA.

Dividend Policy. In December 2019, the board of directors approved our 2020 dividend policy which stated our then-expectation to pay a quarterly dividend payment of \$0.16 per share of our common stock for 2020. As previously disclosed, the approval of our dividend policy did not commit our board of directors to declare future dividends. On March 16, 2020, the Company and its board of directors announced a suspension of its previously disclosed 2020 common stock dividend policy. The Company did not pay a dividend on its common stock for 2020. The board of directors will continue to review our dividend policy and make future announcements with respect thereto. We may incur indebtedness to meet distribution requirements imposed on REITs under the Code to the extent that working capital and cash flow from our investments are insufficient to fund required distributions. Alternatively, we may elect to pay dividends on our common stock in cash or a combination of cash and shares of securities as permitted under U.S. federal income tax laws governing REIT distribution requirements. We may pay dividends in excess of our cash flow.

Secured Revolving Credit Facility and Secured Term Loan

Prior to June 8, 2020, we had a senior secured revolving credit facility in the amount of \$75.0 million, including \$15 million available in letters of credit and \$15 million available in swingline loans.

The secured revolving credit facility also contained customary terms, covenants, negative covenants, events of default, limitations and other conditions for credit facilities of this type. Subject to certain exceptions, we are subject to restrictions on incurring additional indebtedness, mergers and fundamental changes, sales or other dispositions of property, changes in the nature of our business, investments and capital expenditures.

We also were subject to certain financial covenants, as set forth below, which were tested by the borrower on a consolidated basis (net of the amounts attributable to the non-controlling interest held by our partner in a majority-owned consolidated entity) and include, but are not limited to, the following:

- consolidated indebtedness (less cash and cash equivalents in excess of \$10,000,000) to total asset value not to exceed 65%.
- consolidated recourse indebtedness other than the secured revolving credit facility not to exceed \$50,000,000.
- consolidated fixed charge coverage ratio not less than 1.40x initially, with such ratio being increased beginning July 1, 2020 to 1.50x.
- indebtedness of the consolidated parties that accrues interest at a variable rate (other than the secured revolving credit facility) that is not subject to a “cap,” “collar,” or other similar arrangement not to exceed 25% of consolidated indebtedness.
- consolidated tangible net worth not less than 75% of the consolidated tangible net worth on June 30, 2019, plus 75% of the net proceeds of any future equity issuances.
- secured debt that is secured by real property not to exceed 70% of the as-is appraised value of such real property.

All financial covenants were tested and certified by the borrower on a quarterly basis. Beginning April 1, 2020, the Company did not make at least one interest payment on nearly all of its mortgage and mezzanine loans, which constituted an “Event of Default” as such term is defined under the applicable loan documents. Further, the Company triggered an “Event of Default,” as defined under the secured revolving credit facility agreement as a result of the Company being in default on mortgage and mezzanine loans with an aggregate principal amount in excess of \$200 million. Such Event of Default under the senior revolving credit facility agreement was eliminated by the First Amendment to Second Amended and Restated Credit Agreement, dated June 8, 2020, which provides that defaults under mortgage and mezzanine loans with an aggregate principal amount in excess of \$200 million do not trigger a default under the senior revolving credit agreement unless such mortgage or mezzanine loans are also accelerated, and excluding from the \$200 million threshold, any default and acceleration under those certain mortgage and mezzanine loans having an aggregate principal amount of \$435 million and secured by the Marriott Seattle Waterfront, Sofitel Chicago Magnificent Mile, The Notary Hotel and The Clancy.

The secured revolving credit facility included customary events of default, and the occurrence of an event of default will permit the lenders to terminate commitments to lend under the secured revolving credit facility and accelerate payment of all amounts outstanding thereunder. If a default occurs and is continuing, we will be precluded from making distributions on our shares of common stock (other than those required to allow us to qualify and maintain our status as a REIT, so long as such default does not arise from a payment default or event of insolvency).

Borrowings under the secured revolving credit facility bore interest, at our option, at either LIBOR for a designated interest period plus an applicable margin, or the Base Rate (as defined in the credit agreement) plus an applicable margin. The applicable margin for borrowings under the secured revolving credit facility for base rate loans range from 1.25% to 2.50% per annum and the applicable margin for borrowings under the secured revolving credit facility for LIBOR loans range from 2.25% to 3.50% per annum, depending on the ratio of consolidated indebtedness to EBITDA, with the lowest rate applying if such ratio is less than 4.0x and the highest rate applying if such ratio is greater than 6.0x.

The First Amendment to Second Amended and Restated Credit Agreement (the “Amendment”)

On June 8, 2020, we entered into an Amendment which converted the \$75 million secured revolving credit facility into a \$65 million secured term loan. We had borrowed the full borrowing capacity of \$75 million under the Credit Facility and repaid \$10 million on June 8, 2020, in connection with the signing of the Amendment. Pursuant to the terms of the Amendment, borrowings will bear interest at a rate of LIBOR plus 3.50% or Base Rate plus 2.50% until June 30, 2021. After such date, the pricing will revert to the original terms of the Credit Facility. The Amendment also added amortization of \$5 million per quarter

commencing on March 31, 2021. The Amendment has the same maturity date of October 25, 2022 but removes the two one-year extension options and also removes the Company's ability to reborrow amounts that have been repaid.

The Amendment changed the terms of certain financial covenants that the Company was subject to under the Credit Facility, which are summarized as follows:

- The requirement that the Consolidated Fixed Charge Coverage Ratio (as defined in the Amendment) be not less than 1.40 has been waived through March 31, 2021 (the "Covenant Waiver Period"). At the end of the Covenant Waiver Period, the Consolidated Fixed Charge Coverage Ratio (as defined in the Credit Facility) becomes 1.0 for the second quarter of 2021, 1.10 for the third and fourth quarters of 2021, 1.20 for the first quarter of 2022, and then returns to 1.40 thereafter.
- The covenant that required the Company's consolidated recourse indebtedness (other than the Credit Facility) not exceed \$50 million was permanently reduced to zero (\$0) and a new covenant was also added that requires the Company to have minimum liquidity (comprised of unrestricted cash) of \$20 million through June 30, 2021, which shall be tested monthly. Our cash and cash equivalents were \$78.6 million at December 31, 2020.

The Amendment added limitations on the Company's ability prior to June 30, 2021, to incur or guaranty additional indebtedness, grant liens, make restricted payments (with the exception of existing preferred dividend payments) or engage in asset sales, discretionary capital expenditures or additional investments. The Amendment also added mandatory prepayments that require the Company to prepay and reduce the balance of the term loan by an amount equal to 50% of net proceeds from any asset sales, equity offerings (including the offering of Series E, Series M and other preferred equity offerings) or incurrence of indebtedness (including refinancings), except that the first \$50 million of any common equity offering (including sales of shares of common stock under the Company's "at-the-market" equity distribution program) is subject to a mandatory prepayment in an amount equal to 25% of net proceeds. The Company was in compliance with all covenants as of December 31, 2020.

The Second Amendment to Second Amended and Restated Credit Agreement (the "Second Amendment")

On February 22, 2021, the Company entered into the Second Amendment to Second Amended and Restated Credit Agreement. The Second Amendment waives certain covenants through the fourth quarter of 2021 and amends certain other terms, as described further below. The first period in which covenants will be tested is for the fiscal quarter ending March 31, 2022.

Pursuant to the terms of the Second Amendment, borrowings will bear interest at a rate of LIBOR plus 3.65% or Base Rate plus 2.65% until the Company provides a compliance certificate for the quarter ending March 31, 2022. After such date, the pricing will revert to the original terms of the Credit Facility.

The Second Amendment changes the terms of certain financial covenants that the Company was subject to under the Credit Facility. The requirement that the Consolidated Fixed Charge Coverage Ratio (as defined in the Credit Facility) be not less than 1.40 has been waived through December 31, 2021 (the "Covenant Waiver Period"). At the end of the Covenant Waiver Period, the Consolidated Fixed Charge Coverage Ratio becomes 1.0 for the first quarter of 2022, 1.10 for the second and third quarters of 2022, 1.20 for the fourth quarter of 2022, and then returns to 1.40 thereafter.

The Second Amendment permits funding of select renovation projects from existing furniture, fixtures and equipment (FF&E) reserves at the Ritz-Carlton Sarasota; the Ritz-Carlton Lake Tahoe, Park Hyatt Beaver Creek Resort & Spa, Hilton La Jolla Torrey Pines, and Marriott Seattle Waterfront, subject to a cap on amounts to be spent consistent with the forecasted spend information provided pursuant to the Second Amendment. The Credit Facility includes mandatory prepayments that require the Company to prepay and reduce the balance of the Credit Facility by an amount equal to 50% of net proceeds from any asset sales, equity offerings (including the offering of Series E, Series M and other preferred equity offerings) or incurrence of indebtedness (including refinancings), except that the first \$50 million of any common equity offering (including sales of shares of common stock under the Company's "at-the-market" equity distribution program) is subject to a mandatory prepayment amount, which was increased from 25% of net proceeds to 35% of net proceeds in the Second Amendment.

Sources and Uses of Cash

We had approximately \$78.6 million and \$72.0 million of cash and cash equivalents at December 31, 2020 and December 31, 2019, respectively.

We anticipate that our principal sources of funds to meet our cash requirements will include cash on hand, positive cash flow from operations and capital market activities. We anticipate using funds to pay for (i) capital expenditures for our thirteen

hotel properties, estimated to be approximately \$20 million to \$24 million in fiscal year 2021 and (ii) debt interest payments are estimated to be approximately \$28 million in 2021 based on future payments using the one month LIBOR rate as of December 31, 2020. This estimate will fluctuate based on changes in the one month LIBOR rate.

Net Cash Flows Provided by (Used in) Operating Activities. Net cash flows provided by (used in) operating activities were \$(50.3) million and \$66.3 million for the year ended December 31, 2020 and 2019, respectively. Cash flows from operations were impacted by the COVID-19 pandemic, changes in hotel operations of our twelve comparable hotel properties as well as the acquisition of The Ritz-Carlton Lake Tahoe on January 15, 2019. Cash flows from operations are also impacted by the timing of working capital cash flows such as collecting receivables from hotel guests, paying vendors, settling with derivative counterparties, settling with related parties, settling with hotel managers and timing differences between the receipt of proceeds from business interruption insurance claims and the recognition of the related revenue.

Net Cash Flows Provided by (Used in) Investing Activities. For the year ended December 31, 2020, net cash flows used in investing activities were \$16.5 million. These cash outflows were primarily attributable to \$25.6 million of capital improvements made to various hotel properties offset by \$9.0 million of insurance proceeds received related to Hurricane Irma.

For the year ended December 31, 2019, net cash flows used in investing activities were \$226.4 million. These cash outflows were primarily attributable to \$111.8 million for the acquisition of The Ritz-Carlton Lake Tahoe, \$136.3 million of capital improvements made to various hotel properties and a \$332,000 investment in OpenKey, partially offset by \$10.3 million of net cash proceeds from the sale of FF&E pursuant to the ERFP, \$11.0 million of insurance proceeds received related to Hurricane Irma and proceeds of \$597,000 from the sale of our investment in Ashford Inc.

Net Cash Flows Provided by (Used in) Financing Activities. For the year ended December 31, 2020, net cash flows provided by financing activities were \$49.6 million. Cash inflows primarily consisted of borrowings on indebtedness of \$109.3 million, net proceeds of \$13.3 million from the “at-the-market” common stock offering and \$474,000 from the issuance of preferred stock, partially offset by repayments of indebtedness of \$47.8 million, \$16.2 million of dividend and distribution payments, \$6.5 million of payments for loan costs and fees associated with loan forbearance, and distributions of \$2.6 million to the holder of a noncontrolling interest in consolidated entities.

For the year ended December 31, 2019, net cash flows provided by financing activities were \$32.1 million. Cash inflows primarily consisted of borrowings on indebtedness of \$329.5 million and proceeds of \$645,000 from the issuance of preferred stock, net of discounts and offering expenses, partially offset by \$257.1 million for repayments of indebtedness, \$33.4 million of dividend and distribution payments, \$4.4 million for payments of loan costs and other fees and \$2.7 million for distributions to the holder of a noncontrolling interest in consolidated entities.

Inflation

We rely entirely on the performance of our properties and the ability of the properties’ managers to increase revenues to keep pace with inflation. Hotel operators can generally increase room rates rather quickly, but competitive pressures may limit their ability to raise rates faster than inflation. Our general and administrative costs, real estate and personal property taxes, property and casualty insurance, and utilities are subject to inflation as well.

Off-Balance Sheet Arrangements

In the normal course of business, we may form or invest in partnerships or joint ventures. We evaluate each partnership and joint venture to determine whether the entity is a variable interest entity (“VIE”). If the entity is determined to be a VIE we assess whether we are the primary beneficiary and need to consolidate the entity. For further discussion see note 2 to our consolidated financial statements. We have no other off-balance sheet arrangements.

Contractual Obligations and Commitments

The table below summarizes future obligations for principal and estimated interest payments on our debt and future minimum lease payments on our operating leases, each as of December 31, 2020, assuming no exercise of loan extension options (in thousands):

	Payments Due by Period				Total
	< 1 Year	1-3 Years	3-5 Years	> 5 Years	
Contractual obligations excluding extension options:					
Long-term debt obligations ⁽¹⁾	\$ 567,229	\$ 232,495	\$ 329,000	\$ —	\$ 1,128,724
Estimated interest obligations ⁽²⁾	20,464	21,889	3,151	—	45,504
Operating lease obligations	3,283	6,484	6,502	146,008	162,277
Capital commitments	12,232	—	—	—	12,232
Total contractual obligations	<u>\$ 603,208</u>	<u>\$ 260,868</u>	<u>\$ 338,653</u>	<u>\$ 146,008</u>	<u>\$ 1,348,737</u>

⁽¹⁾ Certain loans contain extension options. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Indebtedness”

⁽²⁾ For variable-rate indebtedness, interest obligations are estimated based on the LIBOR interest rate as of December 31, 2020.

In addition to the amounts discussed above, we also have management agreements which require us to pay monthly management fees, incentive fees, group service fees and other general fees, if required. These management agreements expire from December 2023 through December 2065. See “Item 1. Business - Hotel Management Agreements.”

Some of our loan agreements contain financial and other covenants. If we violate these covenants, we could be required to repay a portion of our indebtedness before maturity at a time when we might be unable to arrange financing for such repayment on attractive terms, if at all. We were in compliance with all covenants at December 31, 2020.

Beginning on April 1, 2020, we did not make at least one interest payment under nearly all of our loan agreements, which constituted an “Event of Default” as such term is defined under the applicable loan documents. Further, the Company triggered an “Event of Default,” as defined under the secured revolving credit facility agreement as a result of the Company being in default on mortgage and mezzanine loans with an aggregate principal amount in excess of \$200 million. Pursuant to the terms of the applicable loan documents, such an Event of Default caused an automatic increase in the interest rate on our outstanding loan balance for the period such Event of Default remains outstanding. Following an Event of Default, our lenders can generally elect to accelerate all principal and accrued interest payments that remain outstanding under the applicable loan agreement and foreclose on the applicable hotel properties that are security for such loans. Such Event of Default under the senior revolving credit facility agreement was eliminated by the First Amendment to Second Amended and Restated Credit Agreement, dated June 8, 2020, which provides that defaults under mortgage and mezzanine loans with an aggregate principal amount in excess of \$200 million do not trigger a default under the senior revolving credit agreement unless such mortgage or mezzanine loans are also accelerated, and excluding from the \$200 million threshold, any default and acceleration under those certain mortgage and mezzanine loans having an aggregate principal amount of \$435 million and secured by the Marriott Seattle Waterfront, Sofitel Chicago Magnificent Mile, The Notary Hotel and The Clancy. During the second and third quarter of 2020, we reached forbearance and other agreements with our lenders relating to loans secured by the Pier House Resort & Spa, The Ritz-Carlton Sarasota, The Ritz-Carlton Lake Tahoe, Hotel Yountville, Bardessono Hotel and Spa, Sofitel Chicago Magnificent Mile, The Notary Hotel, The Clancy, Marriott Seattle Waterfront, Capital Hilton and Hilton La Jolla Torrey Pines. As of December 31, 2020, no loans are in default.

Additionally, the Company did not make rental payments under two ground leases that are paid monthly; however, the Company executed a forbearance agreement with the landlord of the Bardessono Hotel and Spa and executed a rent deferral letter (consistent with the terms of Ordinance Number O-21177, passed by the Council of the City of San Diego on March 25, 2020) with the landlord of the Hilton La Jolla Torrey Pines, each of which temporarily resolved any potential events of default arising out of such non-payments. As of December 31, 2020, the Company is current on its rental payments.

Critical Accounting Policies

Our accounting policies are fully described in note 2 to our consolidated financial statements included in “Item 8. Financial Statements and Supplementary Data.” We believe that the following discussion addresses our most critical accounting policies,

representing those policies considered most vital to the portrayal of our financial condition and results of operations and require management's most difficult, subjective and complex judgments.

Impairment of Investments in Hotel Properties. Hotel properties are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Recoverability of the hotel is measured by comparison of the carrying amount of the hotel to the estimated future undiscounted cash flows, which take into account current market conditions and our intent with respect to holding or disposing of the hotel. If our analysis indicates that the carrying value of the hotel is not recoverable on an undiscounted cash flow basis, we recognize an impairment charge for the amount by which the property's net book value exceeds its estimated fair value, or fair value, less cost to sell. In evaluating the impairment of hotel properties, we make many assumptions and estimates, including projected cash flows, expected holding period and expected useful life. Fair value is determined through various valuation techniques, including internally developed discounted cash flow models, comparable market transactions and third-party appraisals, where considered necessary. Asset write-downs resulting from property damage are recorded up to the amount of the allocable property insurance deductible in the period that the property damage occurs. There was no impairment charge recorded for the year ended December 31, 2020.

Income Taxes. At December 31, 2020 and 2019, we had a valuation allowance of approximately \$14.9 million and \$11.6 million, respectively, to partially reserve our deferred tax assets of our TRSs. At each reporting date, we evaluate whether it is more likely than not that we will utilize all or a portion of our deferred tax assets. We consider all available positive and negative evidence, including historical results of operations, projected future taxable income, carryback potential and scheduled reversals of deferred tax liabilities. In evaluating the objective evidence that historical results provide, we consider three years of consolidated cumulative operating income (loss). At December 31, 2020, we had TRS net operating loss carry forwards for U.S. federal income tax purposes of \$68.7 million, of which \$54.0 million will begin to expire in 2023. The remainder was generated after December 31, 2017 and is not subject to expiration under the Tax Cuts and Jobs Act. The loss carry forwards subject to expiration may be available to offset future taxable income, if any, for 2023 through 2029, with the remainder available to offset taxable income beyond 2029; however, there could be substantial limitations on their use imposed by the Code. Management determined that it is more likely than not that \$14.9 million of our net deferred tax assets will not be realized and a valuation allowance has been recorded accordingly.

The "Income Taxes" Topic of the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") addresses the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. The guidance requires us to determine whether tax positions we have taken or expect to take in a tax return are more likely than not to be sustained upon examination by the appropriate taxing authority based on the technical merits of the positions. Tax positions that do not meet the more likely than not threshold would be recorded as additional tax expense in the current period. We analyze all open tax years, as defined by the statute of limitations for each jurisdiction, which includes the federal jurisdiction and various states. We classify interest and penalties related to underpayment of income taxes as income tax expense. We and our subsidiaries file income tax returns in the U.S. federal jurisdiction and various states and cities. Tax years 2016 through 2020 remain subject to potential examination by certain federal and state taxing authorities.

Recently Adopted Accounting Standards

In June 2016, the FASB issued Accounting Standards Update ("ASU") 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"). The ASU sets forth an "expected credit loss" impairment model to replace the current "incurred loss" method of recognizing credit losses. The standard requires measurement and recognition of expected credit losses for most financial assets held. The ASU is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. In November 2018, the FASB issued ASU 2018-19, Codification Improvements to Topic 326, Financial Instruments - Credit Losses ("ASU 2018-19"). ASU 2018-19 clarifies that receivables arising from operating leases are not within the scope of Subtopic 326-20. Instead, impairment of receivables arising from operating leases should be accounted for in accordance with Topic 842, Leases. In November 2019, the FASB issued ASU 2019-10, Financial Instruments - Credit Losses (Topic 326), Derivatives and Hedging (Topic 815) and Leases (Topic 842): Effective Dates ("ASU 2019-10"). ASU 2019-10 updates the effective dates for ASU 2016-13, but there is no change for public companies. In November 2019, the FASB issued ASU 2019-11, Codification Improvements to Topic 326, Financial Instruments - Credit Losses ("ASU 2019-11"). ASU 2019-11, clarifies specific issues within the amendments of ASU 2016-13. We adopted the standard effective January 1, 2020 and the adoption of this standard did not have a material impact on our consolidated financial statements.

Recently Issued Accounting Standards

In January 2020, the FASB issued ASU 2020-01, *Investments – Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815) – Clarifying the Interactions between Topic 321, Topic 323, and Topic 815 (a consensus of the Emerging Issues Task Force)* (“ASU 2020-01”), which clarifies the interaction between the accounting for equity securities, equity method investments, and certain derivative instruments. The ASU, among other things, clarifies that a company should consider observable transactions that require a company to either apply or discontinue the equity method of accounting under *Topic 323, Investments—Equity Method and Joint Ventures*, for the purposes of applying the measurement alternative in accordance with Topic 321 immediately before applying or upon discontinuing the equity method. ASU 2020-01 is effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years and should be applied prospectively. Early adoption is permitted. We are currently evaluating the impact that ASU 2020-01 will have on our consolidated financial statements and related disclosures.

In March 2020, the FASB issued ASU 2020-04, Reference Rate Reform (Topic 848) (“ASU 2020-04”). ASU 2020-04 contains practical expedients for reference rate reform related activities that impact debt, leases, derivatives and other contracts. The guidance in ASU 2020-04 is optional and may be elected over time as reference rate reform activities occur. The Company continues to evaluate the impact of the guidance and may apply the elections as applicable as changes in the market occur.

In August 2020, the FASB issued ASU 2020-06, Debt - Debt with Conversion and Other Options (Subtopic 470- 20) and Derivatives and Hedging - Contracts in Entity’s Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity (“ASU 2020-06”), which simplifies the accounting for certain financial instruments with characteristics of liabilities and equity. This ASU (1) simplifies the accounting for convertible debt instruments and convertible preferred stock by removing the existing guidance in ASC 470-20, Debt: Debt with Conversion and Other Options, that requires entities to account for beneficial conversion features and cash conversion features in equity, separately from the host convertible debt or preferred stock; (2) revises the scope exception from derivative accounting in ASC 815-40 for freestanding financial instruments and embedded features that are both indexed to the issuer’s own stock and classified in stockholders’ equity, by removing certain criteria required for equity classification; and (3) revises the guidance in ASC 260, Earnings Per Share, to require entities to calculate diluted earnings per share (EPS) for convertible instruments by using the if-converted method. In addition, entities must presume share settlement for purposes of calculating diluted EPS when an instrument may be settled in cash or shares. For SEC filers, excluding smaller reporting companies, this ASU is effective for fiscal years beginning after December 15, 2021 including interim periods within those fiscal years. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020. Entities should adopt the guidance as of the beginning of the fiscal year of adoption and cannot adopt the guidance in an interim reporting period. We are currently evaluating the impact that ASU 2020-06 may have on our consolidated financial statements and related disclosures.

Non-GAAP Financial Measures

The following non-GAAP presentations of EBITDA, EBITDAre, Adjusted EBITDAre, Funds From Operations (“FFO”) and Adjusted FFO are presented to help our investors evaluate our operating performance.

EBITDA is defined as net income (loss) before interest expense and amortization of loan costs, depreciation and amortization, income taxes, equity in (earnings) loss of unconsolidated entity and after the Company’s portion of EBITDA of OpenKey. In addition, we excluded impairment on real estate, (gain) loss on insurance settlement, disposition of assets and sale of hotel property and Company’s portion of EBITDAre of OpenKey from EBITDA to calculate EBITDA for real estate, or EBITDAre, as defined by NAREIT.

We then further adjust EBITDAre to exclude certain additional items such as amortization of favorable (unfavorable) contract assets (liabilities), transaction and conversion costs, write-off of loan costs and exit fees, legal, advisory and settlement costs, advisory services incentive fee, other/income expense, Company’s portion of adjustments to EBITDAre of OpenKey and non-cash items such as unrealized gain/loss on investments, unrealized gain/ loss on derivatives and stock/unit-based compensation.

We present EBITDA, EBITDAre and Adjusted EBITDAre because we believe they reflect more accurately the ongoing performance of our hotel assets and other investments and provide more useful information to investors as they are indicators of our ability to meet our future debt payment requirements, working capital requirements and they provide an overall evaluation of our financial condition. EBITDA, EBITDAre and Adjusted EBITDAre as calculated by us may not be comparable to EBITDA, EBITDAre and Adjusted EBITDAre reported by other companies that do not define EBITDA, EBITDAre and Adjusted EBITDAre exactly as we define the terms. EBITDA, EBITDAre and Adjusted EBITDAre do not represent cash generated from operating activities determined in accordance with GAAP, and should not be considered as an alternative to operating income or net income determined in accordance with GAAP as an indicator of performance or as an alternative to cash flows from operating activities as determined by GAAP as an indicator of liquidity.

The following table reconciles net income (loss) to EBITDA, EBITDAre and Adjusted EBITDAre (in thousands) (unaudited):

	Year Ended December 31,		
	2020	2019	2018
Net income (loss)	\$ (124,677)	\$ 1,196	\$ 2,585
Interest expense and amortization of loan costs	45,104	54,507	49,653
Depreciation and amortization	73,371	70,112	57,383
Income tax expense (benefit)	(4,406)	1,764	2,432
Equity in (earnings) loss of unconsolidated entity	217	199	234
Company’s portion of EBITDA of OpenKey	(214)	(195)	(220)
EBITDA	(10,605)	127,583	112,067
Impairment charges on real estate	—	—	71
(Gain) loss on insurance settlement, disposition of assets and sale of hotel property	(10,149)	(25,165)	(15,738)
EBITDAre	(20,754)	102,418	96,400
Amortization of favorable (unfavorable) contract assets (liabilities).....	834	651	195
Transaction and conversion costs	1,370	2,076	2,965
Other (income) expense	5,126	13,947	253
Write-off of loan costs and exit fees	3,920	647	4,178
Unrealized (gain) loss on investment in Ashford Inc.....	—	(7,872)	8,010
Unrealized (gain) loss on derivatives	(4,959)	1,103	82
Non-cash stock/unit-based compensation.....	7,892	7,943	7,004
Legal, advisory and settlement costs	2,023	527	(241)
Uninsured hurricane and wildfire related costs	—	—	412
Company’s portion of adjustments to EBITDAre of OpenKey.....	13	25	7
Adjusted EBITDAre	\$ (4,535)	\$ 121,465	\$ 119,265

The following table reconciles net income (loss) to EBITDA attributable to the Company and OP unitholders on a property-by-property basis for each of our hotel properties owned and on a corporate basis during the year ended December 31, 2020 (in thousands) (unaudited):

	Year Ended December 31, 2020														
	Hilton La Torrey Pines	Sofitel Chicago Magnificent Mile	Bardessono Hotel and Spa	Pier House Resort & Spa	Hotel Yountville	Park Hyatt Beaver Creek Resort & Spa	The Notary Hotel	The Clancy	The Ritz- Carlton Sarasota	The Ritz- Carlton Lake Tahoe	Marriott Seattle Waterfront	The Ritz- Carlton St. Thomas	Hotel Total	Corporate/ Allocated ⁽¹⁾	Braemar Hotels & Resorts Inc.
Net income (loss)	\$ (4,013)	\$ (12,230)	\$ (4,360)	\$ 766	\$ (4,772)	\$ (2,204)	\$ (10,642)	\$ (16,177)	\$ (294)	\$ (3,913)	\$ (6,001)	\$ 4,844	\$ (71,718)	\$ (52,959)	\$ (124,677)
Non-property adjustments ⁽²⁾	—	—	100	200	128	—	—	—	250	135	—	(10,149)	(9,336)	9,336	—
Interest income	(16)	—	—	—	—	—	(6)	(9)	(29)	—	(27)	(1)	(100)	100	—
Interest expense	—	—	1,474	2,426	1,865	2,281	—	—	4,634	1,769	—	2,283	16,732	24,963	41,695
Amortization of loan costs	—	—	145	282	153	13	—	—	334	136	—	104	1,167	2,242	3,409
Depreciation and amortization	7,648	6,667	3,126	3,006	2,441	4,562	8,768	12,028	5,992	2,772	3,949	7,380	73,371	—	73,371
Income tax expense (benefit)	—	—	—	—	—	—	(11)	—	—	—	—	(83)	(797)	(3,609)	(4,406)
Non-hotel EBITDA ownership expense (income)	10	53	533	27	99	325	258	463	615	968	346	246	4,118	(4,118)	—
Hotel EBITDA including amounts attributable to noncontrolling interest	(5,076)	353	1,018	6,707	(86)	4,977	(1,633)	(3,695)	11,502	1,867	(1,733)	4,624	13,437	(24,045)	(10,608)
Less: EBITDA adjustments attributable to consolidated noncontrolling interest	1,269	(88)	—	—	—	—	—	—	—	—	—	—	1,181	(1,181)	—
Equity in earnings (loss) of unconsolidated entities	—	—	—	—	—	—	—	—	—	—	—	—	—	217	217
Company's portion of EBITDA of OpenKey	—	—	—	—	—	—	—	—	—	—	—	—	—	(214)	(214)
Hotel EBITDA attributable to the Company and OP unitholders	\$ (3,807)	\$ 265	\$ 1,018	\$ 6,707	\$ (86)	\$ 4,977	\$ (1,633)	\$ (3,695)	\$ 11,502	\$ 1,867	\$ (1,733)	\$ 4,624	\$ 14,618	\$ (25,223)	\$ (10,605)

(1) Represents expenses not recorded at the individual hotel property level.

(2) Includes allocated amounts which were not specific to hotel properties, such as gain on sale of hotel property, corporate taxes, insurance and legal expenses.

The following table reconciles net income (loss) to EBITDA attributable to the Company and OP unitholders on a property-by-property basis for each of our hotel properties owned and on a corporate basis during the year ended December 31, 2019. The results of The Ritz-Carlton Lake Tahoe are included from its acquisition date through December 31, 2019 (in thousands) (unaudited):

	Year Ended December 31, 2019														
	Hilton La Torrey Pines	Sofitel Chicago Magnificent Mile	Bardessono Hotel and Spa	Pier House Resort & Spa	Hotel Yountville	Park Hyatt Beaver Creek Resort & Spa	The Notary Hotel	The Clancy	The Ritz- Carlton Sarasota	The Ritz- Carlton Lake Tahoe	Marriott Seattle Waterfront	The Ritz- Carlton St. Thomas	Hotel Total	Corporate/ Allocated ⁽¹⁾	Braemar Hotels & Resorts Inc.
Net income (loss)	\$ 9,817	\$ (24)	\$ (36)	\$ 8,303	\$ 868	\$ 1,609	\$ (493)	\$ 3,739	\$ (484)	\$ 606	\$ 10,124	\$ 30,595	\$ 70,844	\$ (69,648)	\$ 1,196
Non-property adjustments ⁽²⁾	—	—	—	(89)	(9)	—	1,186	—	(23)	—	—	(25,953)	(24,888)	24,888	—
Interest income	(75)	—	—	—	—	—	(20)	(16)	(69)	—	(48)	(2)	(287)	287	—
Interest expense	—	—	1,952	764	2,489	3,427	—	—	5,847	2,294	—	3,087	19,860	30,304	50,164
Amortization of loan costs	—	—	138	69	146	138	—	—	318	129	—	154	1,092	3,251	4,343
Depreciation and amortization	7,915	6,659	3,108	2,615	2,576	4,495	8,369	10,355	7,715	4,426	3,976	2,476	70,301	(189)	70,112
Income tax expense (benefit)	—	—	—	—	—	—	(42)	—	—	—	—	77	286	1,478	1,764
Non-hotel EBITDA ownership expense (income)	63	86	534	38	132	473	850	170	322	720	198	965	4,999	(4,999)	—
Hotel EBITDA including amounts attributable to noncontrolling interest	14,141	15,695	7,169	11,700	6,202	10,142	9,850	14,248	13,626	8,175	14,250	11,399	142,207	(14,628)	127,579
Less: EBITDA adjustments attributable to consolidated noncontrolling interest	(3,535)	(3,924)	—	—	—	—	—	—	—	—	—	—	(7,459)	7,459	—
Equity in earnings (loss) of unconsolidated entities	—	—	—	—	—	—	—	—	—	—	—	—	—	199	199
Company's portion of EBITDA of OpenKey	—	—	—	—	—	—	—	—	—	—	—	—	—	(195)	(195)
Hotel EBITDA attributable to the Company and OP unitholders	\$ 11,771	\$ 7,169	\$ 5,610	\$ 11,700	\$ 6,202	\$ 10,142	\$ 9,850	\$ 14,248	\$ 13,626	\$ 8,175	\$ 14,250	\$ 11,399	\$ 134,748	\$ (7,165)	\$ 127,583

(1) Represents expenses not recorded at the individual hotel property level.

(2) Includes allocated amounts which were not specific to hotel properties, such as gain on sale of hotel property, corporate taxes, insurance and legal expenses.

The following table reconciles net income (loss) to EBITDA attributable to the Company and OP unitholders on a property-by-property basis for each of our hotel properties owned and on a corporate basis during the year ended December 31, 2018. The results of The Ritz-Carlton Sarasota are included from its acquisition date through December 31, 2018, and the results of the Tampa Renaissance hotel are excluded since its disposition date (in thousands) (unaudited):

	Year Ended December 31, 2018															
	Hilton La Jolla Torrey Pines	Softel Chicago Magnificent Mile	Bardessono Hotel and Spa	Pier House Resort & Spa	Hotel Yountville	Park Hyatt Beaver Creek Resort & Spa	The Notary Hotel	Plano Marrriott Legacy Town Center	The Clancy	The Ritz- Carlton Sarasota	Marrriott Seattle Waterfront	The Ritz- Carlton St. Thomas	Tampa Renaissance	Hotel Total	Corporate/ Allocated ⁽¹⁾	Braemar Hotels & Resorts Inc.
Net income (loss)	\$ 9,886	\$ (322)	\$ 1,059	\$ 8,972	\$ 1,137	\$ 1,852	\$ 8,174	\$ 83	\$ 5,523	\$ (4,619)	\$ 11,762	\$ 5,623	\$ 21,001	\$ 76,476	\$ (73,891)	\$ 2,585
Non-property adjustments ⁽²⁾	—	229	—	60	—	—	—	(9)	—	—	—	—	(15,437)	15,437	—	—
Interest income	(48)	—	—	—	—	—	(14)	—	(7)	(42)	(32)	(1)	(175)	175	—	—
Interest expense	—	1,299	1,822	—	2,320	3,235	—	—	—	4,272	—	2,952	—	15,900	29,493	45,393
Amortization of loan costs	—	—	132	—	141	538	—	—	—	228	—	—	—	1,039	3,221	4,260
Depreciation and amortization	7,312	5,683	2,754	2,244	2,688	3,537	5,951	—	7,803	6,891	4,150	708	1,294	57,383	—	57,383
Income tax expense (benefit)	99	(81)	—	—	—	—	96	—	—	—	—	25	—	139	2,293	2,432
Non-hotel EBITDA ownership expense (income)	22	89	697	(369)	132	76	(169)	(74)	515	412	5	984	(52)	2,296	(2,296)	—
Hotel EBITDA including amounts attributable to noncontrolling interest	13,748	15,468	6,464	10,907	6,418	9,238	14,038	—	13,834	7,142	15,885	10,291	6,525	137,621	(25,568)	112,053
Less: EBITDA adjustments attributable to consolidated noncontrolling interest	(3,437)	(3,867)	—	—	—	—	—	—	—	—	—	—	—	(7,304)	7,304	—
Equity in earnings (loss) of unconsolidated entities	—	—	—	—	—	—	—	—	—	—	—	—	—	—	234	234
Company's portion of EBITDA of OpenKey	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(220)	(220)
Hotel EBITDA attributable to the Company and OP unitholders	\$ 10,311	\$ 11,601	\$ 7,663	\$ 10,907	\$ 6,418	\$ 9,238	\$ 14,038	\$ —	\$ 13,834	\$ 7,142	\$ 15,885	\$ 10,291	\$ 6,525	\$ 130,317	\$ (18,250)	\$ 112,067

(1) Represents expenses not recorded at the individual hotel property level.

(2) Includes allocated amounts which were not specific to hotel properties, such as gain on sale of hotel property, corporate taxes, insurance and legal expenses.

We calculate FFO and Adjusted FFO in the following table. FFO is calculated on the basis defined by NAREIT, which is net income (loss) attributable to common stockholders, computed in accordance with GAAP, excluding gains or losses on insurance settlement, disposition of assets and sale of hotel property, plus impairment charges on real estate, depreciation and amortization of real estate assets, and after redeemable noncontrolling interests in the operating partnership and adjustments for unconsolidated entities. NAREIT developed FFO as a relative measure of performance of an equity REIT to recognize that income-producing real estate historically has not depreciated on the basis determined by GAAP. Our calculation of Adjusted FFO excludes dividends on convertible preferred stock, transaction and conversion costs, write-off of loan costs and exit fees, amortization of loan costs, legal, advisory and settlement costs, advisory services incentive fee, other income/expense and non-cash items such as unrealized gain/loss on investments, interest expense accretion on refundable membership club deposits, unrealized gain/loss on derivatives, stock/unit-based compensation and the Company's portion of adjustments to FFO of OpenKey. FFO and Adjusted FFO exclude amounts attributable to the portion of a partnership owned by the third party. We consider FFO and Adjusted FFO to be appropriate measures of our ongoing normalized operating performance as a REIT. We compute FFO in accordance with our interpretation of standards established by NAREIT, which may not be comparable to FFO reported by other REITs that either do not define the term in accordance with the current NAREIT definition or interpret the NAREIT definition differently than us. FFO and Adjusted FFO do not represent cash generated from operating activities as determined by GAAP and should not be considered as an alternative to GAAP net income or loss as an indication of our financial performance or GAAP cash flows from operating activities as a measure of our liquidity. FFO and Adjusted FFO are also not indicative of funds available to satisfy our cash needs, including our ability to make cash distributions. However, to facilitate a clear understanding of our historical operating results, we believe that FFO and Adjusted FFO should be considered along with our net income or loss and cash flows reported in our consolidated financial statements.

The following table reconciles net income (loss) to FFO and Adjusted FFO (in thousands) (unaudited):

	Year Ended December 31,		
	2020	2019	2018
Net income (loss)	\$ (124,677)	\$ 1,196	\$ 2,585
(Income) loss attributable to noncontrolling interest in consolidated entities.....	6,436	(2,032)	(2,016)
Net (Income) loss attributable to redeemable noncontrolling interests in operating partnership.....	12,979	1,207	751
Preferred dividends.....	(10,219)	(10,142)	(7,205)
Net income (loss) attributable to common stockholders	(115,481)	(9,771)	(5,885)
Depreciation and amortization on real estate ⁽¹⁾	70,426	66,933	54,350
Impairment charges on real estate.....	—	—	71
Net income (loss) attributable to redeemable noncontrolling interests in operating partnership.....	(12,979)	(1,207)	(751)
Equity in (earnings) loss of unconsolidated entity.....	217	199	234
(Gain) loss on insurance settlement, disposition of assets and sale of hotel property.....	(10,149)	(25,165)	(15,738)
Company's portion of FFO of OpenKey.....	(216)	(201)	(224)
FFO available to common stockholders and OP unitholders	(68,182)	30,788	32,057
Series B Cumulative Convertible Preferred Stock dividends.....	6,919	6,842	6,829
Transaction and conversion costs.....	1,370	2,076	2,965
Other (income) expense.....	5,126	13,947	253
Interest expense accretion on refundable membership club benefits.....	818	864	676
Write-off of loan costs and exit fees.....	3,920	647	4,178
Amortization of loan costs ⁽¹⁾	3,332	4,263	4,164
Unrealized (gain) loss on investment in Ashford Inc.....	—	(7,872)	8,010
Unrealized (gain) loss on derivatives.....	(4,959)	1,103	82
Non-cash stock/unit-based compensation.....	7,892	7,943	7,004
Legal, advisory and settlement costs.....	2,023	527	(241)
Uninsured hurricane and wildfire related costs.....	—	—	412
Company's portion of adjustments to FFO of OpenKey.....	13	28	7
Adjusted FFO available to common stockholders, OP unitholders and Series B Cumulative Convertible preferred stockholders on an "as converted" basis	\$ (41,728)	\$ 61,156	\$ 66,396

⁽¹⁾ Net of adjustment for noncontrolling interest in consolidated entities. The following table presents the amounts of the adjustments for noncontrolling interests for each line item:

	Year Ended December 31,		
	2020	2019	2018
Depreciation and amortization on real estate.....	\$ (2,945)	\$ (3,179)	\$ (3,033)
Amortization of loan costs.....	(77)	(80)	(96)

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Our primary market risk exposure consists of changes in interest rates on borrowings under our debt instruments that bear interest at variable rates that fluctuate with market interest rates. To the extent that we acquire assets or conduct operations in an international jurisdiction, we will also have currency exchange risk. We may enter into certain hedging arrangements in order to manage interest rate and currency fluctuations. The analysis below presents the sensitivity of the market value of our financial instruments to selected changes in market interest rates.

At December 31, 2020, our total indebtedness of \$1.1 billion was comprised of 100% variable-rate debt. The impact on the results of operations of a 25-basis point change in the interest rate on the outstanding balance of variable-rate debt at December 31, 2020, would be approximately \$2.8 million per year.

The above amounts were determined based on the impact of hypothetical interest rates on our borrowings and assume no changes in our capital structure. The information presented above includes those exposures that existed at December 31, 2020, but it does not consider exposures or positions that could arise after that date. Accordingly, the information presented herein has limited predictive value. As a result, the ultimate realized gain or loss with respect to interest rate fluctuations will depend on exposures that arise during the period, the hedging strategies at the time, and the related interest rates.

Item 8. *Financial Statements and Supplementary Data*

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Report of Independent Registered Public Accounting Firm

Stockholders and Board of Directors
Braemar Hotels & Resorts Inc.
Dallas, Texas

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Braemar Hotels & Resorts Inc. (the “Company”) as of December 31, 2020 and 2019, the related consolidated statements of operations, and comprehensive income (loss), equity, and cash flows for each of the three years in the period ended December 31, 2020, and the related notes and schedule listed in the index at Item 15(a) (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) and our report dated March 5, 2021 expressed an adverse opinion thereon.

Adoption of New Accounting Standard

As discussed in Notes 2 and 18 to the consolidated financial statements, the Company changed its method of accounting for leases in the year ended December 31, 2019 due to the adoption of ASU No. 2016-02, Leases, and the associated amendments (Topic 842), using the modified retrospective method.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which it relates.

COVID-19, Management’s Plans and Liquidity

As described in Note 1 of the Company’s financial statements, in March 2020, the World Health Organization declared COVID-19 to be a global pandemic. Due to the widespread travel restrictions imposed by governments, the Company experienced postponements or cancellations of a significant number of business conferences and similar events and reduced occupancies at its hotel properties. Additionally, beginning on April 1, 2020, the Company did not make interest payments on

some of its debt, which resulted in an event of default on some its property-level debt as well as its credit facility. These events of default were cured in 2020 as part of management's plan to alleviate substantial doubt. Due to these events and conditions, the Company determined conditions existed that created substantial doubt about its ability to continue as a going concern for a period of at least one year from the date the financial statements are issued. However, management's plans, which primarily relied on currently available funds; amendments to debt agreements which were executed during 2020, including waivers on certain financial covenants; forecasted future cash flows, reduced operating expenses and suspended common stock dividends, alleviated the substantial doubt about the Company's ability to continue as a going concern.

We identified the hotels' forecasted future cash flows used in the going concern assessment as a critical audit matter. Auditing the hotel cash flows was especially challenging and required significant auditor judgment due to the uncertainties resulting from COVID-19 and its continuing impact on the hospitality industry as well as the Company, thereby creating challenges to forecast future hotel revenue trends or leverage historical information to forecast expected hotel revenue.

The primary procedures we performed to address the critical audit matter included:

- Comparing the hotels' prior cash flow forecasts to actual results to assess the Company's ability to accurately forecast future results.
- Assessing the reasonableness of management's key assumptions, including projected revenue, in the forecasted future cash flows by (1) considering available industry data on revenue trends and (2) evaluating positive and negative evidence that support or contradict the conclusions reached by management.

/s/ BDO USA, LLP

We have served as the Company's auditor since 2015.

Dallas, Texas

March 5, 2021

BRAEMAR HOTELS & RESORTS INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)

	December 31, 2020	December 31, 2019
ASSETS		
Investments in hotel properties, gross.....	\$ 1,784,849	\$ 1,791,174
Accumulated depreciation.....	(360,259)	(309,752)
Investments in hotel properties, net.....	1,424,590	1,481,422
Cash and cash equivalents.....	78,606	71,995
Restricted cash.....	34,544	58,388
Accounts receivable, net of allowance of \$227 and \$153, respectively.....	13,557	19,053
Inventories.....	2,551	2,794
Prepaid expenses.....	4,405	4,992
Investment in unconsolidated entity.....	1,708	1,899
Derivative assets.....	—	582
Operating lease right-of-use assets.....	81,260	82,596
Other assets.....	14,898	13,018
Intangible assets, net.....	4,640	5,019
Due from related parties, net.....	991	551
Due from third-party hotel managers.....	12,271	16,638
Total assets.....	\$ 1,674,021	\$ 1,758,947
LIABILITIES AND EQUITY		
Liabilities:		
Indebtedness, net.....	\$ 1,130,594	\$ 1,058,486
Accounts payable and accrued expenses.....	61,758	94,919
Dividends and distributions payable.....	2,736	9,143
Due to Ashford Inc.....	2,772	4,344
Due to third-party hotel managers.....	1,393	1,685
Operating lease liabilities.....	60,917	61,118
Other liabilities.....	18,077	17,508
Total liabilities.....	1,278,247	1,247,203
Commitments and contingencies (note 17)		
5.50% Series B cumulative convertible preferred stock, \$0.01 par value, 5,031,473 and 5,008,421 shares issued and outstanding at December 31, 2020 and December 31, 2019.....	106,949	106,920
Redeemable noncontrolling interests in operating partnership.....	27,655	41,570
Equity:		
Preferred stock, \$0.01 value, 80,000,000 shares authorized:		
8.25% Series D cumulative preferred stock, 1,600,000 shares issued and outstanding at December 31, 2020 and December 31, 2019.....	16	16
Common stock, \$0.01 par value, 250,000,000 shares authorized, 38,274,770 and 32,885,217 shares issued and outstanding at December 31, 2020 and December 31, 2019, respectively.....	382	329
Additional paid-in capital.....	541,870	519,551
Accumulated deficit.....	(266,010)	(150,629)
Total stockholders' equity of the Company.....	276,258	369,267
Noncontrolling interest in consolidated entities.....	(15,088)	(6,013)
Total equity.....	261,170	363,254
Total liabilities and equity.....	\$ 1,674,021	\$ 1,758,947

See Notes to Consolidated Financial Statements.

BRAEMAR HOTELS & RESORTS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)

	Year Ended December 31,		
	2020	2019	2018
REVENUE			
Rooms	\$ 136,265	\$ 303,848	\$ 282,775
Food and beverage	50,263	115,085	94,671
Other	40,446	68,674	53,952
Total hotel revenue	226,974	487,607	431,398
Other	—	7	—
Total revenue	226,974	487,614	431,398
EXPENSES			
Hotel operating expenses:			
Rooms	38,054	70,297	62,498
Food and beverage	46,246	85,679	66,386
Other expenses	98,467	151,063	128,100
Management fees	7,210	16,573	15,648
Total hotel operating expenses	189,977	323,612	272,632
Property taxes, insurance and other	28,483	27,985	26,027
Depreciation and amortization	73,371	70,112	57,383
Impairment charges	—	—	71
Advisory services fee	18,486	20,527	20,012
Transaction costs	—	704	949
Corporate general and administrative	6,657	5,435	4,237
Total expenses	316,974	448,375	381,311
Gain (loss) on insurance settlement, disposition of assets and sale of hotel property	10,149	25,165	15,738
OPERATING INCOME (LOSS)	(79,851)	64,404	65,825
Equity in earnings (loss) of unconsolidated entity	(217)	(199)	(234)
Interest income	176	1,087	1,602
Other income (expense)	(5,126)	(13,947)	(253)
Interest expense and amortization of loan costs	(45,104)	(54,507)	(49,653)
Write-off of loan costs and exit fees	(3,920)	(647)	(4,178)
Unrealized gain (loss) on investment in Ashford Inc.	—	7,872	(8,010)
Unrealized gain (loss) on derivatives	4,959	(1,103)	(82)
INCOME (LOSS) BEFORE INCOME TAXES	(129,083)	2,960	5,017
Income tax (expense) benefit	4,406	(1,764)	(2,432)
NET INCOME (LOSS)	(124,677)	1,196	2,585
(Income) loss attributable to noncontrolling interest in consolidated entities	6,436	(2,032)	(2,016)
Net (income) loss attributable to redeemable noncontrolling interests in operating partnership	12,979	1,207	751
NET INCOME (LOSS) ATTRIBUTABLE TO THE COMPANY	(105,262)	371	1,320
Preferred dividends	(10,219)	(10,142)	(7,205)
NET INCOME (LOSS) ATTRIBUTABLE TO COMMON STOCKHOLDERS	\$ (115,481)	\$ (9,771)	\$ (5,885)
INCOME (LOSS) PER SHARE - BASIC:			
Net income (loss) attributable to common stockholders	\$ (3.39)	\$ (0.32)	\$ (0.19)
Weighted average common shares outstanding – basic	33,998	32,289	31,944
INCOME (LOSS) PER SHARE - DILUTED:			
Net income (loss) attributable to common stockholders	\$ (3.39)	\$ (0.32)	\$ (0.19)
Weighted average common shares outstanding – diluted	33,998	32,289	31,944

See Notes to Consolidated Financial Statements.

BRAEMAR HOTELS & RESORTS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in thousands)

	Year Ended December 31,		
	2020	2019	2018
NET INCOME (LOSS)	\$ (124,677)	\$ 1,196	\$ 2,585
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX			
Total other comprehensive income (loss).....	—	—	—
TOTAL COMPREHENSIVE INCOME (LOSS)	(124,677)	1,196	2,585
Comprehensive (income) loss attributable to noncontrolling interest in consolidated entities.....	6,436	(2,032)	(2,016)
Comprehensive (income) loss attributable to redeemable noncontrolling interests in operating partnership.....	12,979	1,207	751
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO THE COMPANY	<u>\$ (105,262)</u>	<u>\$ 371</u>	<u>\$ 1,320</u>

See Notes to Consolidated Financial Statements.

BRAEMAR HOTELS & RESORTS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY
(in thousands except per share amounts)

	8.25% Series D Cumulative Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Noncontrolling Interests in Consolidated Entities	Total	5.50% Series B Cumulative Convertible Preferred Stock		Redeemable Noncontrolling Interest in Operating Partnership
	Shares	Amount	Shares	Amount					Shares	Amount	
Balance at December 31, 2017.....	—	\$ —	32,120	\$ 321	\$ 469,791	\$ (88,807)	\$ (4,753)	\$376,552	4,966	\$ 106,123	\$ 46,627
Purchase of common stock.....	—	—	(31)	—	(323)	—	—	(323)	—	—	—
Equity-based compensation.....	—	—	—	—	5,182	—	—	5,182	—	—	1,822
Issuance of restricted shares/units.....	—	—	429	4	54	—	—	58	—	—	18
Forfeiture of restricted common shares.....	—	—	(6)	—	—	—	—	—	—	—	—
Issuance of preferred shares.....	1,600	16	—	—	37,841	—	—	37,857	—	—	—
Dividends declared – common stock (\$0.64/share).....	—	—	—	—	—	(20,695)	—	(20,695)	—	—	—
Dividends declared – preferred stock - Series B (\$1.3750/share).....	—	—	—	—	—	(6,829)	—	(6,829)	—	—	—
Dividends declared – preferred stock - Series D (\$0.2349/share).....	—	—	—	—	—	(376)	—	(376)	—	—	—
Distributions to noncontrolling interests.....	—	—	—	—	—	—	(2,654)	(2,654)	—	—	(2,854)
Net income (loss).....	—	—	—	—	—	1,320	2,016	3,336	—	—	(751)
Redemption value adjustment.....	—	—	—	—	—	(23)	—	(23)	—	—	23
Balance at December 31, 2018.....	1,600	\$ 16	32,512	\$ 325	\$ 512,545	\$ (115,410)	\$ (5,391)	\$392,085	4,966	\$ 106,123	\$ 44,885
Impact of adoption of new accounting standard.....	—	—	—	—	—	(103)	—	(103)	—	—	—
Distribution of Ashford Inc. common stock.....	—	—	—	—	—	(3,509)	—	(3,509)	—	—	(456)
Purchase of common stock.....	—	—	(45)	—	(520)	—	—	(520)	—	—	—
Equity-based compensation.....	—	—	—	—	5,342	—	—	5,342	—	—	2,601
Issuance of restricted shares/units.....	—	—	260	2	(2)	—	—	—	—	—	8
Forfeiture of restricted common shares.....	—	—	(7)	—	—	—	—	—	—	—	—
Issuance of preferred shares.....	—	—	—	—	—	—	—	—	42	797	—
Preferred shares issuance costs.....	—	—	—	—	(13)	—	—	(13)	—	—	—
Dividends declared – common stock (\$0.64/share).....	—	—	—	—	—	(21,302)	—	(21,302)	—	—	—
Dividends declared – preferred stock - Series B (\$1.3750/share).....	—	—	—	—	—	(6,842)	—	(6,842)	—	—	—
Dividends declared – preferred stock - Series D (\$2.0625/share).....	—	—	—	—	—	(3,300)	—	(3,300)	—	—	—
Distributions to noncontrolling interests.....	—	—	—	—	—	—	(2,654)	(2,654)	—	—	(2,594)
Redemption/conversion of operating partnership units.....	—	—	165	2	2,199	—	—	2,201	—	—	(2,201)
Net income (loss).....	—	—	—	—	—	371	2,032	2,403	—	—	(1,207)
Redemption value adjustment.....	—	—	—	—	—	(534)	—	(534)	—	—	534
Balance at December 31, 2019.....	1,600	\$ 16	32,885	\$ 329	\$ 519,551	\$ (150,629)	\$ (6,013)	\$363,254	5,008	\$ 106,920	\$ 41,570
Purchase of common stock.....	—	—	(47)	—	(155)	—	—	(155)	—	—	—
Equity-based compensation.....	—	—	—	—	5,746	—	—	5,746	—	—	2,146
Issuance of restricted shares/units.....	—	—	379	3	(3)	—	—	—	—	—	—
Forfeiture of restricted common shares.....	—	—	(10)	—	—	—	—	—	—	—	—
Issuance of preferred shares.....	—	—	—	—	—	—	—	—	23	29	—
Issuance of common stock.....	—	—	4,729	47	13,280	—	—	13,327	—	—	—
PSU dividend claw back upon cancellation.....	—	—	—	—	—	202	—	202	—	—	—
Dividends declared – preferred stock - Series B (\$1.3750/share).....	—	—	—	—	—	(6,919)	—	(6,919)	—	—	—
Dividends declared – preferred stock - Series D (\$2.0625/share).....	—	—	—	—	—	(3,300)	—	(3,300)	—	—	—
Distributions to noncontrolling interests.....	—	—	—	—	—	—	(2,639)	(2,639)	—	—	—
Performance LTIP dividend claw back upon cancellation.....	—	—	—	—	—	—	—	—	—	—	270
Redemption/conversion of operating partnership units.....	—	—	339	3	3,451	—	—	3,454	—	—	(3,454)
Net income (loss).....	—	—	—	—	—	(105,262)	(6,436)	(111,698)	—	—	(12,979)
Redemption value adjustment.....	—	—	—	—	—	(102)	—	(102)	—	—	102
Balance at December 31, 2020.....	1,600	\$ 16	38,275	\$ 382	\$ 541,870	\$ (266,010)	\$ (15,088)	\$261,170	5,031	\$ 106,949	\$ 27,655

See Notes to Consolidated Financial Statements.

BRAEMAR HOTELS & RESORTS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31,		
	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss)	\$ (124,677)	\$ 1,196	\$ 2,585
Adjustments to reconcile net income (loss) to net cash flows provided by (used in) operating activities:			
Depreciation and amortization	73,371	70,112	57,383
Equity-based compensation	7,892	7,943	7,004
Bad debt expense	727	444	501
Amortization of loan costs and capitalized default interest	854	4,343	4,260
Write-off of loan costs and exit fees	3,920	647	4,178
Amortization of intangibles	834	651	194
Amortization of non-refundable membership initiation fees	(440)	(181)	(36)
Interest expense accretion on refundable membership club deposits	818	864	676
Write-off of income guarantee	—	—	2,000
(Gain) loss on insurance settlement, disposition of assets and sale of hotel property	(10,149)	(25,165)	(15,738)
Impairment charges	—	—	71
Realized and unrealized (gain) loss on investment in Ashford Inc.	—	5,552	8,010
Realized and unrealized (gain) loss on derivatives	(24)	1,381	82
Net settlement of trading derivatives	698	(1,076)	102
Equity in (earnings) loss of unconsolidated entity	217	199	234
Deferred income tax expense (benefit)	(956)	764	(807)
Changes in operating assets and liabilities, exclusive of the effects of hotel acquisition:			
Accounts receivable and inventories	4,057	(5,788)	5,249
Insurance receivable	—	—	8,825
Prepaid expenses and other assets	(1,460)	(2,228)	2,447
Accounts payable and accrued expenses	(10,499)	13,394	(8,172)
Operating lease right-of-use assets	541	518	—
Due to/from related parties, net	(440)	(775)	560
Due to/from third-party hotel managers	4,075	(5,484)	1,634
Due to/from Ashford Inc.	(1,674)	(555)	1,833
Operating lease liabilities	(223)	(194)	—
Other liabilities	2,251	(300)	(12,342)
Net cash provided by (used in) operating activities	<u>(50,287)</u>	<u>66,262</u>	<u>70,733</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from property insurance	9,037	11,020	32,364
Net proceeds from disposition of assets and sale of hotel property	—	10,300	65,336
Proceeds from sale of investment in Ashford Inc.	—	597	—
Acquisition of hotel properties, net of cash and restricted cash acquired	—	(111,751)	(184,960)
Investment in unconsolidated entity	(26)	(332)	(2,000)
Improvements and additions to hotel properties	(25,552)	(136,259)	(77,564)
Net cash provided by (used in) investing activities	<u>(16,541)</u>	<u>(226,425)</u>	<u>(166,824)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Borrowings on indebtedness	109,317	329,500	575,000
Repayments of indebtedness	(47,822)	(257,086)	(400,551)
Payments of loan costs and exit fees	(6,485)	(4,447)	(9,517)
Payments for derivatives	(92)	(115)	(362)
Purchase of common stock	(263)	(384)	(323)
Payments for dividends and distributions	(16,154)	(33,409)	(30,328)
Proceeds from issuance of preferred stock	474	645	37,954
Proceeds from issuance of common stock	13,259	—	—
Distributions to noncontrolling interest in consolidated entities	(2,639)	(2,654)	(2,654)
Other	—	8	18
Net cash provided by (used in) financing activities	<u>49,595</u>	<u>32,058</u>	<u>169,237</u>
Net change in cash, cash equivalents and restricted cash	(17,233)	(128,105)	73,146
Cash, cash equivalents and restricted cash at beginning of period	130,383	258,488	185,342
Cash, cash equivalents and restricted cash at end of period	<u>\$ 113,150</u>	<u>\$ 130,383</u>	<u>\$ 258,488</u>

	Year Ended December 31,		
	2020	2019	2018
SUPPLEMENTAL CASH FLOW INFORMATION			
Interest paid	\$ 27,900	\$ 49,645	\$ 43,886
Income taxes paid (refunded)	140	(11)	2,299
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES			
Dividends and distributions declared but not paid	\$ 2,736	\$ 9,143	\$ 8,514
Common stock purchases accrued but not paid	28	136	—
Capital expenditures accrued but not paid	8,993	18,572	10,637
Non-cash dividends paid	—	—	58
Distribution of Ashford Inc. common stock	—	3,965	—
Non-cash loan proceeds associated with accrued interest	2,229	—	—
Non-cash loan principal associated with default interest and late charges	9,859	—	—
Unsettled common stock offering proceeds	68	—	—
Unsettled preferred stock offering proceeds	—	75	—
Accrued preferred stock offering expenses	—	33	97
Non-cash settlement of note receivable	—	—	8,098
Non-cash settlement of TIF loan	—	—	8,098
SUPPLEMENTAL DISCLOSURE OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH			
Cash and cash equivalents at beginning of period	\$ 71,995	\$ 182,578	\$ 137,522
Restricted cash at beginning of period	58,388	75,910	47,820
Cash, cash equivalents and restricted cash at beginning of period	<u>\$ 130,383</u>	<u>\$ 258,488</u>	<u>\$ 185,342</u>
Cash and cash equivalents at end of period	\$ 78,606	\$ 71,995	\$ 182,578
Restricted cash at end of period	34,544	58,388	75,910
Cash, cash equivalents and restricted cash at end of period	<u>\$ 113,150</u>	<u>\$ 130,383</u>	<u>\$ 258,488</u>

See Notes to Consolidated Financial Statements.

BRAEMAR HOTELS & RESORTS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2020, 2019 and 2018

1. Organization and Description of Business

Braemar Hotels & Resorts Inc., together with its subsidiaries (“Braemar”), is a Maryland corporation that invests primarily in high revenue per available room (“RevPAR”) luxury hotels and resorts. High RevPAR, for purposes of our investment strategy, means RevPAR of at least twice the then-current U.S. national average RevPAR for all hotels as determined by Smith Travel Research. Braemar has elected to be taxed as a real estate investment trust (“REIT”) under the Internal Revenue Code of 1986, as amended (the “Code”). Braemar conducts its business and owns substantially all of its assets through its operating partnership, Braemar Hospitality Limited Partnership (“Braemar OP”). In this report, the terms the “Company,” “we,” “us” or “our” refers to Braemar Hotels & Resorts Inc. and, as the context may require, all entities included in its consolidated financial statements.

We are advised by Ashford Hospitality Advisors LLC (“Ashford LLC” or the “Advisor”) through an advisory agreement. Ashford LLC is a subsidiary of Ashford Inc. All of the hotel properties in our portfolio are currently asset-managed by Ashford LLC. We do not have any employees. All of the services that might be provided by employees are provided to us by Ashford LLC.

We do not operate any of our hotel properties directly; instead we employ hotel management companies to operate them for us under management contracts. Remington Hotels, a subsidiary of Ashford Inc. after November 6, 2019, manages three of our thirteen hotel properties. Third-party management companies manage the remaining hotel properties.

Ashford Inc. also provides other products and services to us or our hotel properties through certain entities in which Ashford Inc. has an ownership interest. These products and services include, but are not limited to project management services, debt placement and related services, broker-dealer and distribution services, audio visual services, real estate advisory services, insurance claims services, hypoallergenic premium rooms, watersport activities, travel/transportation services and mobile key technology.

The accompanying consolidated financial statements include the accounts of wholly-owned and majority-owned subsidiaries of Braemar OP that as of December 31, 2020, own thirteen hotel properties in six states, the District of Columbia and the U.S. Virgin Islands (“USVI”). The portfolio includes eleven wholly-owned hotel properties and two hotel properties that are owned through a partnership in which Braemar OP has a controlling interest. These hotel properties represent 3,722 total rooms, or 3,487 net rooms, excluding those attributable to our partner. As a REIT, Braemar is required to comply with limitations imposed by the Internal Revenue Code related to operating hotels. As of December 31, 2020, twelve of our thirteen hotel properties were leased by wholly-owned or majority-owned subsidiaries that are treated as taxable REIT subsidiaries (“TRS”) for federal income tax purposes (collectively the TRS entities are referred to as “Braemar TRS”). One hotel property, located in the USVI, is owned by our USVI TRS. Braemar TRS then engages third-party or affiliated hotel management companies to operate the hotel properties under management contracts. Hotel operating results related to the hotel properties are included in the consolidated statements of operations.

As of December 31, 2020, ten of the thirteen hotel properties were leased by Braemar’s wholly-owned TRS and the two hotel properties majority-owned through a consolidated partnership were leased to a TRS wholly-owned by such consolidated partnership. Each leased hotel is leased under a percentage lease that provides for each lessee to pay in each calendar month the base rent plus, in each calendar quarter, percentage rent, if any, based on hotel revenues. Lease revenue from Braemar TRS is eliminated in consolidation. The hotel properties are operated under management contracts with Marriott Hotel Services, Inc. (“Marriott”), Hilton Management LLC (“Hilton”), Accor Management US Inc. (“Accor”), Hyatt Corporation (“Hyatt”), Ritz-Carlton (Virgin Islands), Inc. and The Ritz-Carlton Hotel Company, L.L.C., each of which are affiliates of Marriott (“Ritz-Carlton”) and Remington Hotels, which are eligible independent contractors under the Internal Revenue Code.

COVID-19, Management’s Plans and Liquidity

In December 2019, COVID-19 was identified in Wuhan, China, subsequently spread to other regions of the world, and has resulted in significant travel restrictions and extended shutdown of numerous businesses in every state in the United States. In March 2020, the World Health Organization declared COVID-19 to be a global pandemic. Beginning in late February 2020, we have experienced a significant decline in occupancy and RevPAR associated with COVID-19 as we experienced significant reservation cancellations as well as a significant reduction in new reservations. The prolonged presence of the virus has resulted in health and other government authorities imposing widespread restrictions on travel and other businesses. The hotel industry and our portfolio have experienced the postponement or cancellation of a significant number of business conferences and similar events. Following the government mandates and health official orders in March 2020, the Company temporarily suspended operations at 11 of its 13 hotels and dramatically reduced staffing and expenses at its hotels that remained

BRAEMAR HOTELS & RESORTS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

operational. COVID-19 has had a significant negative impact on the Company's operations and financial results to date. The full financial impact of the reduction in hotel demand caused by the pandemic and suspension of operations at the Company's hotels cannot be reasonably estimated at this time due to uncertainty as to its severity and duration. In addition, one or more possible recurrences of COVID-19 cases could result in further reductions in business and personal travel and could cause state and local governments to reinstate travel restrictions. The Company expects that the COVID-19 pandemic will continue to have a negative impact on the Company's results of operations, financial position and cash flow in 2021 and potentially much longer. As a result, in March 2020, the Company fully drew down its \$75 million secured revolving credit facility, which was later converted into a term loan, suspended the quarterly cash dividend on its common stock, reduced planned capital expenditures, and, working closely with its hotel managers, significantly reduced its hotels' operating expenses. See note 7 for term loan details.

All of the Company's property-level debt is non-recourse. Beginning on April 1, 2020, we did not make at least one interest payment under nearly all of our loan agreements, which constituted an "Event of Default" as such term is defined under the applicable loan documents. Further, the Company triggered an "Event of Default," as defined under the secured revolving credit facility agreement as a result of the Company being in default on mortgage and mezzanine loans with an aggregate principal amount in excess of \$200 million. Pursuant to the terms of the applicable loan documents, such an Event of Default caused an automatic increase in the interest rate on our outstanding loan balance for the period such Event of Default remains outstanding. Following an Event of Default, our lenders can generally elect to accelerate all principal and accrued interest payments that remain outstanding under the applicable loan agreement and foreclose on the applicable hotel properties that are security for such loans. Such Event of Default under the senior revolving credit facility agreement was eliminated by the First Amendment to the Second Amended and Restated Credit Agreement, dated June 8, 2020, which provides that defaults under mortgage and mezzanine loans with an aggregate principal amount in excess of \$200 million do not trigger a default under the senior revolving credit agreement unless such mortgage or mezzanine loans are also accelerated, and excluding from the \$200 million threshold, any default and acceleration under those certain mortgage and mezzanine loans having an aggregate principal amount of \$435 million and secured by the Marriott Seattle Waterfront, Sofitel Chicago Magnificent Mile, The Notary Hotel and The Clancy. During the second and third quarter of 2020, we reached forbearance and other agreements with our lenders relating to loans secured by the Pier House Resort & Spa, The Ritz-Carlton Sarasota, The Ritz-Carlton Lake Tahoe, Hotel Yountville, Bardessono Hotel and Spa, Sofitel Chicago Magnificent Mile, The Notary Hotel, The Clancy, Marriott Seattle Waterfront, Capital Hilton and Hilton La Jolla Torrey Pines. The Company also amended its secured revolving credit facility converting it into a \$65 million secured term loan and changed the terms of certain financial covenants, including a waiver of the Consolidated Fixed Charge Coverage Ratio (as defined in the Amendment) through March 31, 2021, that the Company was subject to under the secured revolving credit facility. On February 22, 2021, the Company entered into the Second Amendment to Second Amended and Restated Credit Agreement. The amendment provides an extension of the waiver on the majority of the covenants through the fourth quarter of 2021 and a reduced fixed charge coverage ratio covenant through the end of 2022. The first period in which covenants will be tested is for the fiscal quarter ending March 31, 2022. The amendment also allows the Company to utilize approximately \$9.3 million of cash held in FF&E reserve accounts at certain properties for discretionary capital expenditures. As of December 31, 2020, no loans are in default.

Additionally, the Company did not make rental payments under two ground leases that are paid monthly; however, the Company executed a forbearance agreement with the landlord of the Bardessono Hotel and Spa and executed a rent deferral letter with the landlord of the Hilton La Jolla Torrey Pines, each of which temporarily resolved any potential events of default arising out of such non-payments. As of December 31, 2020, the Company is current on its rental payments.

When preparing financial statements for each annual and interim reporting period management has the responsibility to evaluate whether there are conditions or events, considered in the aggregate, that create substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued. In applying the accounting guidance, the Company considers its current financial condition and liquidity sources, including current funds available, forecasted future cash flows and its unconditional obligations due over the next 12 months.

As of December 31, 2020, the Company maintained unrestricted cash of \$78.6 million and restricted cash of \$34.5 million. The vast majority of the restricted cash is comprised of lender and manager held reserves. The Company worked with its property managers and lenders in order to utilize lender and manager held reserves to fund operating shortfalls. As of December 31, 2020, there was also \$12.3 million due to the Company from third-party hotel managers, which is the Company's cash held by one of its property managers which is also available to fund hotel operating costs.

We cannot predict when hotel operating levels will return to normalized levels after the effects of the pandemic subside, whether our hotels will be forced to shut down operations or whether one or more governmental entities may impose additional travel restrictions due to a resurgence of COVID-19 cases in the future. As a result of these factors resulting from the impact of

BRAEMAR HOTELS & RESORTS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

the pandemic, we are unable to estimate future financial performance with certainty. However, based on our completed credit facility loan amendment and forbearance and other agreements, our current unrestricted and restricted cash on hand, our current cash utilization and forecast of future operating results for the next 12 months from the date of this report, and the actions we have taken to improve our liquidity, the Company has concluded that management's current plan alleviates the substantial doubt about its ability to continue as a going concern. Facts and circumstances could change in the future that are outside of management's control, such as additional government mandates, health official orders, travel restrictions and extended business shutdowns due to COVID-19.

2. Significant Accounting Policies

Basis of Presentation and Principles of Consolidation—The accompanying consolidated financial statements include the accounts of Braemar Hotels & Resorts Inc., its majority-owned subsidiaries, and its majority-owned entities in which it has a controlling interest. All significant intercompany accounts and transactions between consolidated entities have been eliminated in these consolidated financial statements.

Braemar OP is considered to be a variable interest entity ("VIE"), as defined by authoritative accounting guidance. A VIE must be consolidated by a reporting entity if the reporting entity is the primary beneficiary because it has (i) the power to direct the VIE's activities that most significantly impact the VIE's economic performance and (ii) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE. All major decisions related to Braemar OP that most significantly impact its economic performance, including but not limited to operating procedures with respect to business affairs and any acquisitions, dispositions, financings, restructurings or other transactions with sellers, purchasers, lenders, brokers, agents and other applicable representatives, are subject to the approval of our wholly-owned subsidiary, Braemar OP General Partner LLC (formerly Ashford Prime OP General Partner LLC), its general partner. As such, we consolidate Braemar OP.

The following items affect reporting comparability of our historical consolidated financial statements:

- on April 4, 2018, we acquired The Ritz-Carlton Sarasota. The operating results of the hotel property have been included in the results of operations as of its acquisition date;
- on June 1, 2018, we sold the Tampa Renaissance; and
- on January 15, 2019, we acquired The Ritz-Carlton Lake Tahoe. The operating results of the hotel property have been included in the results of operations as of its acquisition date.

Use of Estimates—The preparation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents—Cash and cash equivalents include cash on hand or held in banks and short-term investments with an initial maturity of three months or less at the date of purchase.

Restricted Cash—Restricted cash includes reserves for debt service, real estate taxes, and insurance, as well as excess cash flow deposits and reserves for furniture, fixtures, and equipment ("FF&E") replacements of approximately 4% to 5% of property revenue for certain hotels, as required by certain management or mortgage debt agreement restrictions and provisions.

Accounts Receivable—Accounts receivable consists primarily of meeting and banquet room rental and hotel guest receivables. We generally do not require collateral. We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of guests to make required payments for services. The allowance is maintained at a level believed adequate to absorb estimated receivable losses. The estimate is based on past receivable loss experience, known and inherent credit risks, current economic conditions, and other relevant factors, including specific reserves for certain accounts.

Inventories—Inventories, which primarily consist of food, beverages, and gift store merchandise, are stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out method.

Investments in Hotel Properties, net—Hotel properties are generally stated at cost. For hotel properties owned through our majority-owned entities, the carrying basis attributable to the partners' minority ownership is recorded at historical cost, net of any impairment charges, while the carrying basis attributable to our majority ownership is recorded based on the allocated purchase price of our ownership interests in the entities. All improvements and additions which extend the useful life of the hotel properties are capitalized.

BRAEMAR HOTELS & RESORTS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Impairment of Investments in Hotel Properties—Hotel properties are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Recoverability of the hotel is measured by comparison of the carrying amount of the hotel to the estimated future undiscounted cash flows, which take into account current market conditions and our intent with respect to holding or disposing of the hotel. If our analysis indicates that the carrying value of the hotel is not recoverable on an undiscounted cash flow basis, we recognize an impairment charge for the amount by which the property's net book value exceeds its estimated fair value, or fair value, less cost to sell. In evaluating the impairment of hotel properties, we make many assumptions and estimates, including projected cash flows, expected holding period and expected useful life. Fair value is determined through various valuation techniques, including internally developed discounted cash flow models, comparable market transactions and third-party appraisals, where considered necessary. Asset write-downs resulting from property damage are recorded up to the amount of the allocable property insurance deductible in the period that the property damage occurs. See note 4.

Assets Held for Sale and Discontinued Operations—We classify assets as held for sale when we have obtained a firm commitment from a buyer, and consummation of the sale is considered probable and expected within one year. The related operations of assets held for sale are reported as discontinued if the disposal is a component of an entity or group of components that represents a strategic shift that has (or will have) a major effect on our operations and cash flows. Depreciation and amortization will cease as of the date assets have met the criteria to be deemed held for sale.

Investment in Unconsolidated Entity—As of December 31, 2020, we held a 8.2% ownership interest in OpenKey, which is accounted for under the equity method of accounting by recording the initial investment and our percentage of interest in the entities' net income/loss. We review our investment in unconsolidated entity for impairment in each reporting period pursuant to the applicable authoritative accounting guidance. An investment is impaired when its estimated fair value is less than the carrying amount of our investment. Any impairment is recorded in equity in earnings (loss) of unconsolidated entity. No such impairment was recorded for the years ended December 31, 2020, 2019 and 2018.

Our investment in unconsolidated entity is considered to be a variable interest in the underlying entity. VIEs, as defined by authoritative accounting guidance, must be consolidated by a reporting entity if the reporting entity is the primary beneficiary because it has (i) the power to direct the VIE's activities that most significantly impact the VIE's economic performance and (ii) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE. Because we do not have the power and financial responsibility to direct the unconsolidated entity's activities and operations, we are not considered to be the primary beneficiary of this entity on an ongoing basis and therefore such entity should not be consolidated.

Leases—We determine if an arrangement is a lease at the commencement date. Operating leases, as lessee, are included in operating lease right-of-use ("ROU") assets and operating lease liabilities on our consolidated balance sheets. We currently do not have any finance leases.

Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of future payments. The operating lease ROU asset also includes any lease payments made and initial direct costs incurred and excludes lease incentives. The lease terms used to calculate our right-of-use asset may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term. Subsequent to the initial recognition, lease liabilities are measured using the effective interest method. The ROU asset is generally reduced utilizing a straight-line method adjusted for the lease liability accretion during the period.

We have lease agreements with lease and non-lease components, which under the elected practical expedients under ASC 842, we are not accounting for separately. For certain equipment leases, such as office equipment, copiers and vehicles, we account for the lease and non-lease components as a single lease component.

As of January 1, 2019, we recorded operating lease liabilities as well as a corresponding operating lease ROU asset which includes deferred rent and the reclassified intangible assets and intangible liabilities associated with above/below market-rate leases where we are the lessee.

Intangible Assets, net—Intangible assets, net represents the customer relationships associated with The Ritz-Carlton Sarasota acquisition, which are amortized using the straight-line method over its expected useful life, which approximates amortization based on economic consumption. See note 20.

BRAEMAR HOTELS & RESORTS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Derivative Instruments—We use interest rate derivatives to hedge our risks and to capitalize on the historical correlation between changes in LIBOR (London Interbank Offered Rate) and RevPAR. Interest rate derivatives could include swaps, caps, floors and floorriders. We also use credit default swaps to hedge financial and capital market risk. All of our derivatives are subject to master-netting settlement arrangements and the credit default swaps are subject to credit support annexes. For credit default swaps, cash collateral is posted by us as well as our counterparty. We offset the fair value of the derivative and the obligation/right to return/reclaim cash collateral.

All derivatives are recorded at fair value in accordance with the applicable authoritative accounting guidance. None of our derivative instruments are designated as cash flow hedges. Interest rate derivatives, credit default swaps and options on futures contracts are reported as “derivative assets” in our consolidated balance sheets. For interest rate derivatives and credit default swaps changes in fair value and realized gains and losses are recognized in earnings as “unrealized gain (loss) on derivatives” and “other income (expense),” respectively, in our consolidated statements of operations.

Due to/from Related Parties, net—Due to/from related parties, net, represent current receivables and payables resulting from transactions related to hotel management with a related party. Due to/from related parties is generally settled within a period not exceeding one year. See note 16.

Due to/from Ashford Inc.—Due to/from Ashford Inc. represents payables related to the advisory services fee, including reimbursable expenses as well as other hotel products and services. These payables are generally settled within a period not exceeding one year. See note 16.

Due to/from Third-Party Hotel Managers—Due to/from third-party hotel managers primarily consists of amounts due from Marriott related to our cash reserves held at the Marriott corporate level related to our operations, real estate taxes, and other items, as well as current receivables and payables resulting from transactions with other third-party managers related to hotel management. These receivables and payables are generally settled within a period not exceeding one year.

Noncontrolling Interests—The redeemable noncontrolling interests in the operating partnership represent the limited partners’ proportionate share of equity in earnings/losses of the operating partnership, which is an allocation of net income/loss attributable to the common unitholders based on the weighted average ownership percentage of these limited partners’ common unit holdings throughout the period. The redeemable noncontrolling interests in our operating partnership is classified in the mezzanine section of our consolidated balance sheets as these redeemable operating partnership units do not meet the requirements for permanent equity classification prescribed by the authoritative accounting guidance because these redeemable operating partnership units may be redeemed by the holder for cash or registered shares in certain cases outside of the Company’s control. The carrying value of the noncontrolling interests in the operating partnership is based on the greater of the accumulated historical cost or the redemption value.

The noncontrolling interest in consolidated entities represents an ownership interest of 25% in two hotel properties at December 31, 2020 and 2019, and is reported in equity in our consolidated balance sheets.

Net income/loss attributable to redeemable noncontrolling interests in operating partnership and income/loss from consolidated entities attributable to noncontrolling interests in our consolidated entities are reported as deductions/additions from/to net income/loss. Comprehensive income/loss attributable to these noncontrolling interests is reported as reductions/additions from/to comprehensive income/loss.

Revenue Recognition—Rooms revenue represents revenues from the occupancy of our hotel rooms, which is driven by the occupancy and average daily rate. Rooms revenue includes revenue for guest no-shows, day use, and early/late departure fees. The contracts for room stays with customers are generally short in duration and revenues are recognized as services are provided over the course of the hotel stay.

Food & Beverage (“F&B”) revenue consists of revenue from the restaurants and lounges at our hotel properties, in-room dining and mini-bars revenue, and banquet/catering revenue from group and social functions. Other F&B revenue may include revenue from audiovisual equipment/services, rental of function rooms, and other F&B related revenues. Revenue is recognized as the services or products are provided. Our hotel properties may employ third parties to provide certain services at the property, for example, audio visual services. We evaluate each of these contracts to determine if the hotel is the principal or the agent in the transaction, and record the revenues as appropriate (i.e. gross vs. net).

Other revenue consists of ancillary revenue at the property, including attrition and cancellation fees, condo management fees, resort and destination fees, health center fees, spas, golf, telecommunications, parking, entertainment and other guest services, as well as rental revenue primarily from leased retail outlets at our hotel properties, and membership initiation fees and

BRAEMAR HOTELS & RESORTS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

dues, primarily from club memberships. Cancellation fees are recognized from non-cancellable deposits when the customer provides notification of cancellation in accordance with established management policy time frames. Non-refundable membership initiation fees are recognized over the expected life of an active membership.

Taxes specifically collected from customers and submitted to taxing authorities are not recorded in revenue. Interest income is recognized when earned.

Other Hotel Expenses—Other hotel expenses include Internet, telephone charges, guest laundry, valet parking, hotel-level general and administrative, sales and marketing expenses, repairs and maintenance, franchise fees and utility costs. They are expensed as incurred.

Advertising Costs—Advertising costs are charged to expense as incurred. For the years ended December 31, 2020, 2019 and 2018, we incurred advertising costs of \$2.1 million, \$4.5 million and \$3.8 million, respectively. Advertising costs are included in “other” hotel expenses in our consolidated statements of operations.

Equity-Based Compensation—Prior to the adoption of ASU 2018-07, *Compensation—Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting* (“ASU 2018-07”) in the third quarter of 2018, stock/unit-based compensation for non-employees was accounted for at fair value based on the market price of the shares at period end that resulted in recording expense, included in “advisory services fee” and “management fees,” equal to the fair value of the award in proportion to the requisite service period satisfied during the period. Performance stock units (“PSUs”) and Performance Long-Term Incentive Plan (“Performance LTIP”) units granted to certain executive officers were accounted for at fair value at period end based on a Monte Carlo simulation valuation model that resulted in recording expense, included in “advisory services fee,” equal to the fair value of the award in proportion to the requisite service period satisfied during the period. Stock/unit grants to certain independent directors are recorded at fair value based on the market price of the shares/units at grant date, which amount is fully expensed as the grants of stock/units are fully vested on the date of grant and included in “corporate general and administrative” expense in the consolidated statements of operations.

After the adoption of ASU 2018-07 in the third quarter of 2018, stock/unit-based compensation for non-employees is measured at the grant date and expensed ratably over the vesting period based on the original measurement as of the grant date. This results in the recording of expense, included in “advisory services fee,” “management fees” and “corporate general and administrative” expense, equal to the ratable amount of the grant date fair value based on the requisite service period satisfied during the period. PSUs and Performance LTIP units granted to certain executive officers vest based on time and market conditions and are measured at the grant date fair value based on a Monte Carlo simulation valuation model. The subsequent expense is then ratably recognized over the service period as the service is rendered regardless of when, if ever, the market conditions are satisfied. This results in recording expense, included in “advisory services fee,” equal to the ratable amount of the grant date fair value based on the requisite service period satisfied during the period. Stock/unit grants to certain independent directors are measured at the grant date based on the market price of the shares/units at grant date, which amount is fully expensed as the grants of stock/units are fully vested on the date of grant.

Depreciation and Amortization—Hotel properties are depreciated over the estimated useful life of the assets and leasehold improvements are amortized over the shorter of the lease term or the estimated useful life of the related assets. Presently, hotel properties are depreciated using the straight-line method over lives ranging from 7.5 to 39 years for buildings and improvements and 1.5 to 5 years for FF&E. While we believe our estimates are reasonable, a change in estimated useful lives could affect depreciation expense and net income (loss) as well as resulting gains or losses on potential hotel sales.

Income Taxes—As a REIT, we generally are not subject to federal corporate income tax on the portion of our net income (loss) that does not relate to TRSs. However, Braemar TRS and our USVI TRS are treated as TRSs for U.S. federal income tax purposes. In accordance with authoritative accounting guidance, we account for income taxes related to our TRSs using the asset and liability method under which deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. In addition, the analysis utilized by us in determining our deferred tax asset valuation allowance involves considerable management judgment and assumptions. See note 19.

The entities that own twelve of our thirteen hotel properties are considered partnerships for U.S. federal income tax purposes. Partnerships are not subject to U.S. federal income taxes. The partnerships’ revenues and expenses pass through to and are taxed on the owners. The states and cities where the partnerships operate follow the U.S. federal income tax treatment, with the exception of the District of Columbia and the city of Philadelphia. Accordingly, we provide for income taxes in these jurisdictions for the partnerships. The consolidated entities that operate the thirteen hotel properties are considered taxable corporations for U.S. federal, foreign, state, and city income tax purposes and have elected to be TRSs of Braemar. The entities

BRAEMAR HOTELS & RESORTS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

that operate the two hotel properties owned by a consolidated partnership elected to be treated as TRSs of Ashford Trust in April 2007, when the partnership was acquired by Ashford Trust. As a result of Ashford Trust's distribution of its remaining common units of Braemar OP and shares of common stock of Braemar on July 27, 2015, the Braemar TRSs revoked their elections to be TRSs of Ashford Trust effective July 29, 2015. The Braemar TRSs remain TRSs of Braemar.

The "Income Taxes" topic of the FASB's ASC addresses the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. The guidance requires us to determine whether tax positions we have taken or expect to take in a tax return are more likely than not to be sustained upon examination by the appropriate taxing authority based on the technical merits of the positions. Tax positions that do not meet the more likely than not threshold would be recorded as additional tax expense in the current period. We analyze all open tax years, as defined by the statute of limitations for each jurisdiction, which includes the federal jurisdiction and various states. We classify interest and penalties related to underpayment of income taxes as income tax expense. We and our subsidiaries file income tax returns in the U.S. federal jurisdiction and various states and cities. Tax years 2016 through 2020 remain subject to potential examination by certain federal and state taxing authorities.

Income (Loss) Per Share—Basic income (loss) per common share is calculated by dividing net income (loss) attributable to common stockholders by the weighted average common shares outstanding during the period using the two-class method prescribed by applicable authoritative accounting guidance. Diluted income (loss) per common share is calculated using the two-class method, or the treasury stock method, if more dilutive. Diluted income (loss) per common share reflects the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted into common shares, whereby such exercise or conversion would result in lower income per share.

Recently Adopted Accounting Standards—In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"). The ASU sets forth an "expected credit loss" impairment model to replace the current "incurred loss" method of recognizing credit losses. The standard requires measurement and recognition of expected credit losses for most financial assets held. The ASU is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. In November 2018, the FASB issued ASU 2018-19, Codification Improvements to Topic 326, Financial Instruments - Credit Losses ("ASU 2018-19"). ASU 2018-19 clarifies that receivables arising from operating leases are not within the scope of Subtopic 326-20. Instead, impairment of receivables arising from operating leases should be accounted for in accordance with Topic 842, Leases. In November 2019, the FASB issued ASU 2019-10, Financial Instruments - Credit Losses (Topic 326), Derivatives and Hedging (Topic 815) and Leases (Topic 842): Effective Dates ("ASU 2019-10"). ASU 2019-10 updates the effective dates for ASU 2016-13, but there is no change for public companies. In November 2019, the FASB issued ASU 2019-11, Codification Improvements to Topic 326, Financial Instruments - Credit Losses ("ASU 2019-11"). ASU 2019-11, clarifies specific issues within the amendments of ASU 2016-13. We adopted the standard effective January 1, 2020 and the adoption of this standard did not have a material impact on our consolidated financial statements.

Recently Issued Accounting Standards—In January 2020, the FASB issued ASU 2020-01, *Investments - Equity Securities (Topic 321), Investments - Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815) - Clarifying the Interactions between Topic 321, Topic 323, and Topic 815 (a consensus of the Emerging Issues Task Force)* ("ASU 2020-01"), which clarifies the interaction between the accounting for equity securities, equity method investments, and certain derivative instruments. The ASU, among other things, clarifies that a company should consider observable transactions that require a company to either apply or discontinue the equity method of accounting under *Topic 323, Investments - Equity Method and Joint Ventures*, for the purposes of applying the measurement alternative in accordance with Topic 321 immediately before applying or upon discontinuing the equity method. ASU 2020-01 is effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years and should be applied prospectively. Early adoption is permitted. We are currently evaluating the impact that ASU 2020-01 will have on our consolidated financial statements and related disclosures.

In March 2020, the FASB issued ASU 2020-04, Reference Rate Reform (Topic 848) ("ASU 2020-04"). ASU 2020-04 contains practical expedients for reference rate reform related activities that impact debt, leases, derivatives and other contracts. The guidance in ASU 2020-04 is optional and may be elected over time as reference rate reform activities occur. The Company continues to evaluate the impact of the guidance and may apply the elections as applicable as changes in the market occur.

In August 2020, the FASB issued ASU 2020-06, Debt - Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity ("ASU 2020-06"), which simplifies the accounting for certain financial instruments with characteristics of liabilities and equity. This ASU (1) simplifies the accounting for convertible debt instruments and convertible

BRAEMAR HOTELS & RESORTS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

preferred stock by removing the existing guidance in ASC 470-20, Debt: Debt with Conversion and Other Options, that requires entities to account for beneficial conversion features and cash conversion features in equity, separately from the host convertible debt or preferred stock; (2) revises the scope exception from derivative accounting in ASC 815-40 for freestanding financial instruments and embedded features that are both indexed to the issuer's own stock and classified in stockholders' equity, by removing certain criteria required for equity classification; and (3) revises the guidance in ASC 260, Earnings Per Share, to require entities to calculate diluted earnings per share (EPS) for convertible instruments by using the if-converted method. In addition, entities must presume share settlement for purposes of calculating diluted EPS when an instrument may be settled in cash or shares. For SEC filers, excluding smaller reporting companies, this ASU is effective for fiscal years beginning after December 15, 2021 including interim periods within those fiscal years. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020. Entities should adopt the guidance as of the beginning of the fiscal year of adoption and cannot adopt the guidance in an interim reporting period. We are currently evaluating the impact that ASU 2020-06 may have on our consolidated financial statements and related disclosures.

3. Revenue

The following tables present our revenue disaggregated by geographical areas (in thousands):

Primary Geographical Market	Year Ended December 31, 2020					
	Number of Hotels	Rooms	Food and Beverage	Other Hotel	Other	Total
California	5	\$ 46,291	\$ 13,573	\$ 8,056	\$ —	\$ 67,920
Colorado	1	12,847	6,178	6,529	—	25,554
Florida	2	33,829	17,009	14,446	—	65,284
Illinois	1	5,979	1,293	610	—	7,882
Pennsylvania	1	7,349	1,227	424	—	9,000
Washington	1	5,604	797	620	—	7,021
Washington, D.C.	1	7,595	3,519	1,604	—	12,718
USVI	1	16,771	6,667	8,157	—	31,595
Total	13	\$ 136,265	\$ 50,263	\$ 40,446	\$ —	\$ 226,974

Primary Geographical Market	Year Ended December 31, 2019					
	Number of Hotels	Rooms	Food and Beverage	Other Hotel	Other	Total
California	5	\$ 115,826	\$ 37,022	\$ 15,930	\$ —	\$ 168,778
Colorado	1	18,209	12,430	10,049	—	40,688
Florida	2	47,166	26,656	16,758	—	90,580
Illinois	1	25,366	7,839	1,565	—	34,770
Pennsylvania	1	26,016	4,738	1,133	—	31,887
Washington	1	29,235	6,633	1,629	—	37,497
Washington, D.C.	1	38,735	16,710	1,840	—	57,285
USVI	1	3,295	3,057	19,770	—	26,122
Corporate entities	—	—	—	—	7	7
Total	13	\$ 303,848	\$ 115,085	\$ 68,674	\$ 7	\$ 487,614

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Primary Geographical Market	Year Ended December 31, 2018					
	Number of Hotels	Rooms	Food and Beverage	Other Hotel	Other	Total
California.....	4	\$ 89,361	\$ 23,874	\$ 10,432	\$ —	\$ 123,667
Colorado.....	1	18,349	12,022	9,921	—	40,292
Florida.....	2	35,395	19,156	11,290	—	65,841
Illinois.....	1	25,909	8,173	1,316	—	35,398
Pennsylvania.....	1	28,107	5,641	1,235	—	34,983
Washington.....	1	31,688	6,798	1,405	—	39,891
Washington, D.C.....	1	39,191	14,752	1,138	—	55,081
USVI.....	1	6,604	1,379	13,651	—	21,634
Sold hotel properties.....	1	8,171	2,876	3,564	—	14,611
Corporate entities.....	—	—	—	—	—	—
Total.....	13	\$ 282,775	\$ 94,671	\$ 53,952	\$ —	\$ 431,398

For the years ended December 31, 2020, 2019 and 2018, the Company recorded revenue from business interruption losses associated with lost profits from hurricanes of \$4.0 million, \$19.3 million and \$13.9 million, respectively. Additionally, during the year ended December 31, 2018, the Company recorded revenue of \$1.9 million, net of deductibles of \$500,000, for business interruption losses associated with lost profits at the Bardessono Hotel and Spa and Hotel Yountville as a result of the Napa wildfires. These revenues are included in “other” hotel revenue in our consolidated statements of operations.

For the year ended December 31, 2018, the Company recorded \$3.4 million of business interruption income for the Tampa Renaissance related to a settlement for lost profits from the BP Deepwater Horizon oil spill in the Gulf of Mexico in 2010. These revenues are included in “other” hotel revenue in our consolidated statements of operations.

4. Investments in Hotel Properties, net

Investments in hotel properties, net consisted of the following (in thousands):

	December 31, 2020	December 31, 2019
Land.....	\$ 455,298	\$ 455,298
Buildings and improvements.....	1,190,437	1,173,151
Furniture, fixtures and equipment.....	127,692	129,595
Construction in progress.....	11,422	33,130
Total cost.....	1,784,849	1,791,174
Accumulated depreciation.....	(360,259)	(309,752)
Investments in hotel properties, net.....	<u>\$ 1,424,590</u>	<u>\$ 1,481,422</u>

The cost of land and depreciable property, net of accumulated depreciation, for U.S. federal income tax purposes was approximately \$1.3 billion and \$1.3 billion as of December 31, 2020 and 2019, respectively.

For the years ended December 31, 2020, 2019 and 2018, depreciation expense was \$72.8 million, \$69.5 million and \$56.8 million, respectively.

Impairment Charges and Insurance Recoveries

In September 2020, the Company reached a final settlement with its insurance carriers related to Hurricane Irma. Upon settlement, the Company recorded a gain of \$10.1 million as the proceeds received exceeded the carrying value of the hotel property at the time of the loss. Additionally, for the year ended December 31, 2019, the Company recorded a gain of \$26.2 million upon settlement of a portion of the insurance claim.

For the years ended December 31, 2020, 2019 and 2018, the Company received proceeds of \$14.5 million, \$36.6 million and \$48.1 million, respectively, from our insurance carriers for property damage and business interruption from Hurricane Irma.

During the years ended December 31, 2020 and 2019, no impairment charges were recorded. During the year ended December 31, 2018, the Company recorded an impairment charge of \$71,000, as a result of a change in estimate of property

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damage as a result of the hurricanes Maria and Irma. During the year ended December 31, 2019, the Company recorded a loss of \$1.2 million related to the disposition of FF&E resulting from the renovation at The Notary Hotel. As of December 31, 2019, the Company had a net liability of \$2.2 million included in “other liabilities” on the consolidated balance sheet, as it had received insurance proceeds in excess of the sum of its impairment, remediation expenses and business interruption revenue recorded through December 31, 2019.

5. Hotel Disposition

On June 1, 2018, the Company sold the Tampa Renaissance hotel for \$68.0 million in cash. The sale resulted in a gain of \$15.7 million for the year ended December 31, 2018 and is included in “gain (loss) on insurance settlement, disposition of assets and sale of hotel property” in our consolidated statements of operations. Since the sale of the hotel property did not represent a strategic shift that has (or will have) a major effect on our operations or financial results, its results of operations were not reported as discontinued operations in our consolidated financial statements.

We included the results of operations for this hotel property through the date of disposition in net income (loss) as shown in our consolidated statements of operations for the year ended December 31, 2018, respectively. The following table includes the condensed financial information from this hotel property (in thousands):

	Year Ended December 31, 2018
Total hotel revenue.....	\$ 14,611
Total hotel operating expenses.....	(7,431)
Property taxes, insurance and other.....	(529)
Depreciation and amortization.....	(1,294)
Impairment charges.....	(12)
Gain (loss) on insurance settlement, disposition of assets and sale of hotel property.....	15,738
Operating income (loss).....	21,083
Interest expense and amortization of loan costs.....	(791)
Income (loss) before income taxes.....	20,292
(Income) loss before income taxes attributable to redeemable noncontrolling interests in operating partnership.....	(2,277)
Income (loss) before income taxes attributable to the Company.....	\$ 18,015

6. Investment in Unconsolidated Entity

OpenKey is a hospitality-focused mobile key platform that provides a universal smart phone app and related hardware and software for keyless entry into hotel guest rooms. In 2018, the Company made an initial \$2.0 million investment in OpenKey, which is controlled and consolidated by Ashford Inc., for an initial 8.2% ownership interest. An additional investment of \$26,000 was made during the year ended December 31, 2020. All investments were recommended by our Related Party Transactions Committee and unanimously approved by the independent members of our board of directors. As of December 31, 2020, the Company has made investments in OpenKey totaling \$2.4 million.

Our investment is recorded as “investment in unconsolidated entity” in our consolidated balance sheets and is accounted for under the equity method of accounting as we have been deemed to have significant influence over the entity under the applicable accounting guidance. We review our investment in OpenKey for impairment in each reporting period pursuant to the applicable authoritative accounting guidance. An investment is impaired when its estimated fair value is less than the carrying amount of the investment. Any impairment is recorded in equity in earnings (loss) of unconsolidated entity. No such impairment was recorded for the years ended December 31, 2020, 2019 and 2018.

The following table summarizes our carrying value and ownership interest in OpenKey:

	December 31, 2020	December 31, 2019
Carrying value of the investment in OpenKey (in thousands).....	\$ 1,708	\$ 1,899
Ownership interest in OpenKey.....	8.2 %	8.6 %

BRAEMAR HOTELS & RESORTS INC. AND SUBSIDIARIES
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The following table summarizes our equity in earnings (loss) in OpenKey (in thousands):

Line Item	Year Ended December 31,		
	2020	2019	2018
Equity in earnings (loss) of unconsolidated entity.....	\$ (217)	\$ (199)	\$ (234)

7. Indebtedness, net

Indebtedness, net consisted of the following (dollars in thousands):

Indebtedness	Collateral	Maturity	Interest Rate	December 31, 2020		December 31, 2019	
				Debt Balance	Book Value of Collateral	Debt Balance	Book Value of Collateral
Secured revolving credit facility ⁽³⁾	Equity	October 2022	Base Rate ⁽²⁾ + 1.25% to 2.50% or LIBOR ⁽¹⁾ + 2.25% to 3.50%	\$ —	\$ —	\$ —	\$ —
Mortgage loan ⁽⁴⁾	Park Hyatt Beaver Creek Resort & Spa	April 2021	LIBOR ⁽¹⁾ + 2.75%	67,500	140,516	67,500	144,667
Mortgage loan ⁽⁵⁾	The Notary Hotel The Clancy Sofitel Chicago Magnificent Mile Marriott Seattle Waterfront	June 2021	LIBOR ⁽¹⁾ + 2.16%	435,000	439,215	435,000	465,005
Mortgage loan ⁽⁶⁾	The Ritz-Carlton St. Thomas	August 2021	LIBOR ⁽¹⁾ + 3.95%	42,500	130,216	42,500	134,796
Mortgage loan ⁽⁷⁾	Hotel Yountville	May 2022	LIBOR ⁽¹⁾ + 2.55%	51,000	87,795	51,000	90,088
Mortgage loan ⁽⁷⁾	Bardessono Hotel and Spa	August 2022	LIBOR ⁽¹⁾ + 2.55%	40,000	56,645	40,000	59,542
Term loan ⁽³⁾	Equity	October 2022	Base Rate ⁽²⁾ + 1.25% to 2.50% or LIBOR ⁽¹⁾ + 2.25% to 3.50%	61,495	—	—	—
Mortgage loan ⁽⁷⁾	The Ritz-Carlton Sarasota	April 2023	LIBOR ⁽¹⁾ + 2.65%	100,000	163,814	100,000	166,023
Mortgage loan ⁽⁷⁾	The Ritz-Carlton Lake Tahoe	January 2024	LIBOR ⁽¹⁾ + 2.10%	54,000	113,821	54,000	115,988
Mortgage loan ⁽⁸⁾	Capital Hilton Hilton La Jolla Torrey Pines	February 2024	LIBOR ⁽¹⁾ + 1.70%	197,229	203,918	195,000	215,163
Mortgage loan ⁽⁷⁾	Pier House Resort & Spa	September 2024	LIBOR ⁽¹⁾ + 1.85%	80,000	88,650	80,000	90,150
				<u>1,128,724</u>	<u>1,424,590</u>	<u>1,065,000</u>	<u>1,481,422</u>
Capitalized default interest and late charges.....				7,304	—	—	—
Deferred loan costs, net.....				(5,434)	—	(6,514)	—
Indebtedness, net.....				<u>\$ 1,130,594</u>	<u>\$ 1,424,590</u>	<u>\$ 1,058,486</u>	<u>\$ 1,481,422</u>

⁽¹⁾ LIBOR rates were 0.144% and 1.763% at December 31, 2020 and December 31, 2019, respectively.

⁽²⁾ Base Rate, as defined in the secured term loan agreement, is the greater of (i) the prime rate set by Bank of America, or (ii) federal funds rate + 0.5%, or (iii) LIBOR + 1.0%.

⁽³⁾ Effective June 8, 2020, we amended our secured revolving credit facility totaling \$75 million, which was the total borrowing capacity. In conjunction with the amendment, we repaid \$10.0 million of principal and converted the facility to a term loan with a principal balance of \$65 million. The amended term loan is interest only until March 2021 and bears interest at a rate of Base Rate + 1.25% - 2.50% or LIBOR + 2.25% - 3.5%, with a LIBOR floor of 0.50%.

⁽⁴⁾ This mortgage loan has three one-year extension options, subject to satisfaction of certain conditions, of which the second was exercised in April 2020.

⁽⁵⁾ Effective June 9, 2020, we executed a FF&E accommodation agreement for this mortgage loan. Terms of the agreement included lender-held reserves were made available to fund property-level operating expenses and monthly FF&E escrow deposits were waived through January 2021. This mortgage loan has five one-year extension options, subject to satisfaction of certain conditions, of which the first was exercised in June 2020.

⁽⁶⁾ The interest rate spread on this mortgage loan changed from 4.95% as of December 31, 2019, to 3.95% as of March 31, 2020, based on an appraisal received in accordance with the August 5, 2019 loan amendment. This mortgage loan has a LIBOR floor of 1.00%. This mortgage loan has three one-year extension options, subject to satisfaction of certain conditions.

⁽⁷⁾ Effective May 1, 2020, we executed a forbearance agreement for this mortgage loan. Terms of the agreement included adding a LIBOR floor of 0.25%; deferral of interest payments for three months with the option to extend the interest payment deferral an additional three months, which was exercised in August 2020, with all deferred payments due at maturity; lender-held reserves were made available to fund property-level operating expenses; and monthly FF&E escrow deposits were waived through December 2020.

⁽⁸⁾ Effective September 24, 2020, we executed a forbearance agreement for this mortgage loan. Terms of the agreement included deferral of interest payments for six months, lender-held reserves were made available to fund property-level operating expenses, and monthly FF&E escrow deposits were waived through December 2020. In conjunction with the forbearance agreement, deferred interest payments of \$2.2 million were capitalized into the principal balance and are to be repaid in 12 monthly installments beginning January 2021.

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On January 15, 2019, in connection with the acquisition of the 170-room Ritz-Carlton Lake Tahoe located in Truckee, California, the Company completed the financing of a \$54.0 million mortgage loan. This mortgage loan provides for an interest rate of LIBOR + 2.10%. The mortgage loan is interest only and has a five year term.

On January 22, 2019, the Company refinanced its existing mortgage loan with an outstanding balance of approximately \$186.8 million and a final maturity date in November 2021 with a new \$195.0 million mortgage loan that is interest only, bears interest at a rate of LIBOR + 1.70% and has a five-year term. The mortgage loan is secured by the same two hotels: the Capital Hilton and Hilton La Jolla Torrey Pines. These two hotels are held in a joint venture in which we have a 75% equity interest.

On August 5, 2019, the Company amended its mortgage loan with an outstanding balance of \$42.0 million with a new \$42.5 million mortgage loan that is interest only, originally bearing interest at a rate of LIBOR + 4.95% with a two-year initial term and three one-year extension options, subject to the satisfaction of certain conditions. The mortgage loan is secured by The Ritz-Carlton St. Thomas.

On September 30, 2019, the Company refinanced its mortgage loan with an outstanding balance of \$70.0 million with a new \$80.0 million mortgage loan that is interest only, bears interest at a rate of LIBOR + 1.85% and has a five-year term with no extension options. The mortgage loan is secured by the Pier House Resort & Spa.

On October 25, 2019, the Company entered into a new \$75.0 million secured revolving credit facility which replaces the Company's previous credit facility that was scheduled to mature on November 10, 2019. The new credit facility provides for a three-year revolving line of credit and bears interest at a range of 1.25% to 2.50% over Base Rate or 2.25% to 3.50% over LIBOR, depending on the leverage level of the Company. There are two, one-year extension options subject to the satisfaction of certain conditions. The new credit facility includes the opportunity to expand the borrowing capacity by up to \$175.0 million to an aggregate size of \$250.0 million. There was no amount outstanding on the Company's previous credit facility as of December 31, 2019.

In April 2020, certain subsidiaries of the Company applied for and received loans from Key Bank, N.A. under the Payroll Protection Program ("PPP"), which was established under the CARES Act. All funds borrowed under the PPP totaling \$34.3 million were returned on or before May 7, 2020.

On June 8, 2020, the Company entered into the First Amendment to the Second Amended and Restated Credit Agreement (the "Amendment"). The Amendment converted the \$75 million Second Amended and Restated Credit Agreement, dated October 25, 2019 (the "Credit Facility"), which was a secured revolving credit facility, into a \$65 million secured term loan. The Company had borrowed the full borrowing capacity of \$75 million under the Credit Facility and repaid \$10 million on June 8, 2020, in connection with the signing of the Amendment. Pursuant to the terms of the Amendment, borrowings will bear interest at a rate of LIBOR plus 3.50% or Base Rate plus 2.50% until June 30, 2021. After such date, the pricing will revert to the original terms of the Credit Facility. The Amendment also added principal amortization of \$5 million per quarter commencing on March 31, 2021. The Amendment changes the terms of certain financial covenants that the Company was subject to under the Credit Facility. The Amendment has the same maturity date of October 25, 2022 but removes the two one-year extension options and also removes the Company's ability to reborrow amounts that have been repaid.

On February 22, 2021, the Company entered into the Second Amendment to Second Amended and Restated Credit Agreement. The amendment provides an extension of the waiver on the majority of the covenants through the fourth quarter of 2021 and a reduced fixed charge coverage ratio covenant through the end of 2022. The first period in which covenants will be tested is for the fiscal quarter ending March 31, 2022. The amendment also allows the Company to utilize approximately \$9.3 million of cash held in FF&E reserve accounts at certain properties for discretionary capital expenditures.

We are required to maintain certain financial ratios under our secured term loan. If we violate covenants in any debt agreement, we could be required to repay all or a portion of our indebtedness before maturity at a time when we might be unable to arrange financing for such repayment on attractive terms, if at all. The assets of certain of our subsidiaries are pledged under non-recourse indebtedness and are not available to satisfy the debts and other obligations of the consolidated group. Beginning on April 1, 2020, we did not make at least one interest payment under nearly all of our loan agreements, which constituted an "Event of Default" as such term is defined under the applicable loan documents. Further, the Company triggered an "Event of Default," as defined under the secured revolving credit facility agreement as a result of the Company being in default on mortgage and mezzanine loans with an aggregate principal amount in excess of \$200 million. Pursuant to the terms of the applicable loan documents, such an Event of Default caused an automatic increase in the interest rate on our outstanding loan balance for the period such Event of Default remains outstanding. Following an Event of Default, our lenders can generally elect to accelerate all principal and accrued interest payments that remain outstanding under the applicable loan

BRAEMAR HOTELS & RESORTS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

agreement and foreclose on the applicable hotel properties that are security for such loans. Such Event of Default under the senior revolving credit facility agreement was eliminated by the First Amendment to Second Amended and Restated Credit Agreement, dated June 8, 2020, which provides that defaults under mortgage and mezzanine loans with an aggregate principal amount in excess of \$200 million do not trigger a default under the senior revolving credit agreement unless such mortgage or mezzanine loans are also accelerated, and excluding from the \$200 million threshold, any default and acceleration under those certain mortgage and mezzanine loans having an aggregate principal amount of \$435 million and secured by the Marriott Seattle Waterfront, Sofitel Chicago Magnificent Mile, The Notary Hotel and The Clancy.

During the second and third quarter of 2020, we reached forbearance and other agreements with our lenders relating to loans secured by the Pier House Resort & Spa, The Ritz-Carlton Sarasota, The Ritz-Carlton Lake Tahoe, Hotel Yountville, Bardessono Hotel and Spa, Sofitel Chicago Magnificent Mile, The Notary Hotel, The Clancy, Marriott Seattle Waterfront, Capital Hilton and Hilton La Jolla Torrey Pines. As of December 31, 2020, no loans are in default. See note 16 for discussion of the loan modification agreement with Lismore Capital LLC (“Lismore”).

As of December 31, 2020, the Company determined that all of the forbearance and other agreements evaluated were considered troubled debt restructurings due to terms that allowed for deferred interest and the forgiveness of default interest and late charges. No gain or loss was recognized during the year ended December 31, 2020, as the carrying amount of the original loans was not greater than the undiscounted cash flows of the modified loans. Additionally, as a result of the troubled debt restructurings all accrued default interest and late charges were capitalized into the applicable loan balances and will be amortized over the remaining term of the loan using the effective interest method. The amount of default interest and late charges capitalized into indebtedness as of December 31, 2020, was \$9.9 million. The amount of principal amortization during the year ended December 31, 2020 was \$2.6 million.

Maturities and scheduled amortization of indebtedness as of December 31, 2020, assuming no extension of existing extension options for each of the following five years and thereafter are as follows (in thousands):

2021.....	\$ 567,229
2022.....	132,495
2023.....	100,000
2024.....	329,000
2025.....	—
Thereafter.....	—
Total.....	<u>\$ 1,128,724</u>

8. Derivative Instruments

Interest Rate Derivatives—We are exposed to risks arising from our business operations, economic conditions and financial markets. To manage these risks, we primarily use interest rate derivatives to hedge our debt and our cash flows. The interest rate derivatives include interest rate caps and interest rate floors, which are subject to master netting settlement arrangements. All derivatives are recorded at fair value.

BRAEMAR HOTELS & RESORTS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The following table summarizes the interest rate derivatives we entered into over the applicable periods:

	Year Ended December 31,		
	2020	2019	2018
Interest rate caps:			
Notional amount (in thousands)	\$ 602,500	\$ 391,000	\$ 727,000
Strike rate low end of range	3.00 %	3.00 %	2.43 %
Strike rate high end of range	4.00 %	7.80 %	7.80 %
Effective date range	March 2020 - June 2020	January 2019 - December 2019	February 2018 - December 2018
Termination date range	April 2021 - June 2021	March 2020 - October 2021	March 2019 - June 2020
Total cost of interest rate caps (in thousands)	\$ 92	\$ 115	\$ 362
Interest rate floors:			
Notional amount (in thousands)	\$ —	\$ 2,000,000	\$ 4,000,000
Strike rate low end of range		1.63 %	1.38 %
Strike rate high end of range		1.63 %	2.00 %
Effective date		January 2019	July 2018
Termination date		March 2020	June 2019 - September 2019
Total cost of interest rate floors (in thousands)	\$ —	\$ 75	\$ 138

No instruments were designated as cash flow hedges.

Interest rate derivatives consisted of the following:

	December 31, 2020		December 31, 2019	
	\$	%	\$	%
Interest rate caps: ⁽¹⁾				
Notional amount (in thousands)	\$ 779,000		\$ 968,000	
Strike rate low end of range		3.00 %		3.00 %
Strike rate high end of range		4.00 %		7.80 %
Termination date range		February 2021 - October 2021		January 2020 - October 2021
Aggregate principal balance on corresponding mortgage loans (in thousands)	\$ 779,000		\$ 870,000	
Interest rate floors: ⁽¹⁾⁽²⁾				
Notional amount (in thousands)	\$ —		\$ 5,000,000	
Strike rate low end of range				(0.25)%
Strike rate high end of range				1.63 %
Termination date range				March 2020 - July 2020

⁽¹⁾ No instruments were designated as cash flow hedges.

⁽²⁾ Cash collateral is posted by us as well as our counterparties. We offset the fair value of the derivative and the obligation/right to return/reclaim cash collateral.

Credit Default Swap Derivatives—We use credit default swaps, tied to the CMBX index, to hedge financial and capital market risk. A credit default swap is a derivative contract that functions like an insurance policy against the credit risk of an entity or obligation. The seller of protection assumes the credit risk of the reference obligation from the buyer (us) of protection in exchange for annual premium payments. If a default or a loss, as defined in the credit default swap agreements, occurs on the underlying bonds, then the buyer of protection is protected against those losses. The only liability for us, the buyer, is the annual premium and any change in value of the underlying CMBX index (if the trade is terminated prior to maturity). For all CMBX trades completed to date, we were the buyer of protection. Credit default swaps are subject to master-netting settlement arrangements and credit support annexes. Cash collateral is posted by us as well as our counterparties. We offset the fair value of the derivative and the obligation/right to return/reclaim cash collateral. The change in market value of credit default swaps is settled net through posting cash collateral or reclaiming cash collateral between us and our counterparties when such change in market value is over \$250,000. During the fourth quarter of 2020, we disposed of all CMBX credit default swaps. See note 9.

BRAEMAR HOTELS & RESORTS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. Fair Value Measurements

Fair Value Hierarchy—Our financial instruments measured at fair value either on a recurring or a non-recurring basis are classified in a hierarchy for disclosure purposes consisting of three levels based on the observability of inputs in the market place as discussed below:

- Level 1: Fair value measurements that are quoted prices (unadjusted) in active markets that we have the ability to access for identical assets or liabilities. Market price data generally is obtained from exchange or dealer markets.
- Level 2: Fair value measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals.
- Level 3: Fair value measurements based on valuation techniques that use significant inputs that are unobservable. The circumstances for using these measurements include those in which there is little, if any, market activity for the asset or liability.

Fair value of interest rate caps is determined using the net present value of expected cash flows of each derivative based on the market-based interest rate curve and adjusted for credit spreads of us and our counterparties. Fair value of credit default swaps is obtained from a third party who publishes various information including the index composition and price data (Level 2 inputs). The fair value of credit default swaps does not contain credit-risk-related adjustments as the change in fair value is settled net through posting cash collateral or reclaiming cash collateral between us and our counterparty. Fair value of interest rate floors is calculated using a third-party discounted cash flow model based on future cash flows that are expected to be received over the remaining life of the floor.

When a majority of the inputs used to value our derivatives fall within Level 2 of the fair value hierarchy, the derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy. However, when the valuation adjustments associated with our derivatives utilize Level 3 inputs, such as estimates of current credit spreads, to evaluate the likelihood of default by us and our counterparties, which we consider significant (10% or more) to the overall valuation of our derivatives, the derivative valuations in their entirety are classified in Level 3 of the fair value hierarchy. Transfers of inputs between levels are determined at the end of each reporting period. In determining the fair values of our derivatives at December 31, 2020, the LIBOR interest rate forward curve (Level 2 inputs) assumed a downtrend from 0.144% to 0.131% for the remaining term of our derivatives. Credit spreads (Level 3 inputs) used in determining the fair values derivatives assumed an uptrend in nonperformance risk for us and all of our counterparties through the maturity dates.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following tables present our assets and liabilities measured at fair value on a recurring basis aggregated by the level within which measurements fall in the fair value hierarchy (in thousands):

	Quoted Market Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Counterparty and Cash Collateral Netting⁽²⁾	Total
<u>December 31, 2020</u>					
Assets					
Derivative assets:					
Interest rate derivatives - caps ⁽¹⁾	\$ —	\$ —	\$ —	\$ —	\$ —
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u> ⁽³⁾

BRAEMAR HOTELS & RESORTS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

	Quoted Market Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Counterparty and Cash Collateral Netting ⁽²⁾	Total
December 31, 2019					
Assets					
Derivative assets:					
Interest rate derivatives - floors.....	\$ —	\$ 1	\$ —	\$ 52	\$ 53
Interest rate derivatives - caps.....	—	1	—	—	1
Credit default swaps.....	—	(550)	—	1,078	528
	<u>\$ —</u>	<u>\$ (548)</u>	<u>\$ —</u>	<u>\$ 1,130</u>	<u>\$ 582</u>

⁽¹⁾ As of December 31, 2020, the Company has outstanding interest rate caps. See note 8.

⁽²⁾ Represents net cash collateral posted between us and our counterparties.

⁽³⁾ Reported as “derivative assets” in our consolidated balance sheets.

Effect of Fair Value Measured Assets and Liabilities on Consolidated Statements of Operations

The following table summarizes the effect of fair value measured assets and liabilities on our consolidated statements of operations (in thousands):

	Gain (Loss) Recognized in Income		
	Year Ended December 31,		
	2020	2019	2018
Assets			
Derivative assets:			
Interest rate derivatives - floors.....	\$ —	\$ (152)	\$ (179)
Interest rate derivatives - caps.....	(93)	(134)	(347)
Credit default swaps.....	117 ⁽¹⁾	(1,095) ⁽¹⁾	444 ⁽¹⁾
Total derivative assets.....	<u>\$ 24</u>	<u>\$ (1,381)</u>	<u>\$ (82)</u>
Non-derivative assets:			
Investment in Ashford Inc.....	\$ —	\$ (5,552)	\$ (8,010)
Total.....	\$ 24	\$ (6,933)	\$ (8,092)
Total combined			
Interest rate derivatives - floors.....	\$ 3,615	\$ 126	\$ (179)
Interest rate derivatives - caps.....	(93)	(134)	(347)
Credit default swaps.....	1,437	(1,095)	444
Options on futures contracts.....	—	—	—
Unrealized gain (loss) on derivatives.....	4,959	(1,103)	(82)
Realized gain (loss) on credit default swaps.....	(1,320)	—	—
Realized gain (loss) on interest rate floors.....	(3,615) ⁽²⁾	(278) ⁽²⁾	—
Unrealized gain (loss) on investment in Ashford Inc.....	—	7,872	(8,010)
Realized gain (loss) on investment in Ashford Inc.....	—	(13,424)	—
Net.....	<u>\$ 24</u>	<u>\$ (6,933)</u>	<u>\$ (8,092)</u>

⁽¹⁾ Excludes costs associated with credit default swaps of \$191, \$253, \$253 for the years ended December 31, 2020, 2019 and 2018, respectively, which is included in “other income (expense)” in our consolidated statements of operations.

⁽²⁾ Included in “other income (expense)” in our consolidated statements of operations.

BRAEMAR HOTELS & RESORTS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. Summary of Fair Value of Financial Instruments

Determining the estimated fair values of certain financial instruments such as indebtedness requires considerable judgment to interpret market data. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts. Accordingly, the estimates presented are not necessarily indicative of the amounts at which these instruments could be purchased, sold or settled.

The carrying amounts and estimated fair values of financial instruments were as follows (in thousands):

	December 31, 2020		December 31, 2019	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Financial assets and liabilities measured at fair value:				
Derivative assets.....	\$ —	\$ —	\$ 582	\$ 582
Financial assets not measured at fair value:				
Cash and cash equivalents.....	\$ 78,606	\$ 78,606	\$ 71,995	\$ 71,995
Restricted cash.....	34,544	34,544	58,388	58,388
Accounts receivable, net.....	13,557	13,557	19,053	19,053
Due from related parties, net.....	991	991	551	551
Due from third-party hotel managers.....	12,271	12,271	16,638	16,638
Financial liabilities not measured at fair value:				
Indebtedness.....	\$ 1,128,724	\$884,325 to \$977,411	\$ 1,065,000	\$1,003,863 to \$1,109,532
Accounts payable and accrued expenses.....	61,758	61,758	94,919	94,919
Dividends and distributions payable.....	2,736	2,736	9,143	9,143
Due to Ashford Inc.....	2,772	2,772	4,344	4,344
Due to third-party hotel managers.....	1,393	1,393	1,685	1,685

Cash, cash equivalents and restricted cash. These financial assets have maturities of less than 90 days and most bear interest at market rates. The carrying value approximates fair value due to their short-term nature. This is considered a Level 1 valuation technique.

Accounts receivable, net, due from related parties, net, accounts payable and accrued expenses, dividends and distributions payable, due to Ashford Inc. and due to/from third-party hotel managers. The carrying values of these financial instruments approximate their fair values due to the short-term nature of these financial instruments. This is considered a Level 1 valuation technique.

Derivative assets. See notes 8 and 9 for a complete description of the methodology and assumptions utilized in determining fair values.

Indebtedness, net. Fair value of indebtedness is determined using future cash flows discounted at current replacement rates for these instruments. Cash flows are determined using a forward interest rate yield curve. The current replacement rates are determined by using the U.S. Treasury yield curve or the index to which these financial instruments are tied, and adjusted for the credit spreads. Credit spreads take into consideration general market conditions, maturity and collateral. We estimated the fair value of the total indebtedness to be approximately 78.3% to 86.6% of the carrying value of \$1.1 billion at December 31, 2020, and approximately 94.3% to 104.2% of the carrying value of \$1.1 billion at December 31, 2019. These fair value estimates are considered a Level 2 valuation technique.

BRAEMAR HOTELS & RESORTS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. Income (Loss) Per Share

The following table reconciles the amounts used in calculating basic and diluted income (loss) per share (in thousands, except per share amounts):

	Year Ended December 31,		
	2020	2019	2018
<u>Net income (loss) attributable to common stockholders - basic and diluted:</u>			
Net income (loss) attributable to the Company.....	\$ (105,262)	\$ 371	\$ 1,320
Less: Dividends on preferred stock.....	(10,219)	(10,142)	(7,205)
Less: Dividends on common stock.....	—	(24,145)	(20,495)
Less: Dividends on unvested performance stock units.....	—	(261)	—
Add: Claw back of dividends on cancelled performance stock units.....	202	—	114
Less: Dividends on unvested restricted shares.....	—	(405)	(314)
Undistributed net income (loss) allocated to common stockholders.....	(115,279)	(34,582)	(26,580)
Add back: Dividends on common stock.....	—	24,145	20,495
Distributed and undistributed net income (loss) - basic and diluted.....	\$ (115,279)	\$ (10,437)	\$ (6,085)
<u>Weighted average common shares outstanding:</u>			
Weighted average common shares outstanding – basic and diluted.....	33,998	32,289	31,944
<u>Income (loss) per share - basic:</u>			
Net income (loss) allocated to common stockholders per share.....	\$ (3.39)	\$ (0.32)	\$ (0.19)
<u>Income (loss) per share - diluted:</u>			
Net income (loss) allocated to common stockholders per share.....	\$ (3.39)	\$ (0.32)	\$ (0.19)

Due to their anti-dilutive effect, the computation of diluted income (loss) per share does not reflect the adjustments for the following items (in thousands):

	Year Ended December 31,		
	2020	2019	2018
Net income (loss) allocated to common stockholders is not adjusted for:			
Income (loss) allocated to unvested restricted shares.....	\$ —	\$ 405	\$ 314
Income (loss) allocated to unvested performance stock units.....	—	261	(114)
Income (loss) attributable to redeemable noncontrolling interests in operating partnership.....	(12,979)	(1,207)	(751)
Dividends on preferred stock - Series B.....	6,919	6,842	6,829
Total.....	\$ (6,060)	\$ 6,301	\$ 6,278
Weighted average diluted shares are not adjusted for:			
Effect of unvested restricted shares.....	22	51	55
Effect of unvested performance stock units.....	—	193	48
Effect of assumed conversion of operating partnership units.....	3,923	4,219	4,159
Effect of assumed conversion of preferred stock - Series B.....	6,728	6,581	6,569
Total.....	10,673	11,044	10,831

12. Redeemable Noncontrolling Interests in Operating Partnership

Redeemable noncontrolling interests in the operating partnership represents the limited partners' proportionate share of equity and their allocable share of equity in earnings/losses of Braemar OP, which is an allocation of net income/loss attributable to the common unitholders based on the weighted average ownership percentage of these limited partners' common units of limited partnership interest in the operating partnership (the "common units") and units issued under our Long-Term Incentive Plan (the "LTIP units") that are vested. Each common unit may be redeemed, by the holder, for either cash or, at our sole discretion, up to one share of our REIT common stock, which is either: (i) issued pursuant to an effective registration statement; (ii) included in an effective registration statement providing for the resale of such common stock; or (iii) issued subject to a registration rights agreement.

BRAEMAR HOTELS & RESORTS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

LTIP units, which are issued to certain executives and employees of Ashford LLC as compensation, generally have vesting periods of three years. Additionally, certain independent members of the board of directors have elected to receive LTIP units as part of their compensation, which are fully vested upon grant. Upon reaching economic parity with common units, each vested LTIP unit can be converted by the holder into one common unit which can then be redeemed for cash or, at our election, settled in our common stock. An LTIP unit will achieve parity with the common units upon the sale or deemed sale of all or substantially all of the assets of our operating partnership at a time when our stock is trading at a level in excess of the price it was trading on the date of the LTIP issuance. More specifically, LTIP units will achieve full economic parity with common units in connection with (i) the actual sale of all or substantially all of the assets of our operating partnership or (ii) the hypothetical sale of such assets, which results from a capital account revaluation, as defined in the partnership agreement, for our operating partnership.

The compensation committee of the board of directors of the Company may authorize the issuance of Performance LTIP units to certain executive officers and directors from time to time. The award agreements provide for the grant of a target number of Performance LTIP units that will be settled in common units of Braemar OP, if, when and to the extent the applicable vesting criteria have been achieved following the end of the performance and service period, which is generally three years from the grant date. The number of Performance LTIP units actually earned may range from 0% to 200% of target based on achievement of a specified relative total stockholder return based on the formula determined by the Company's compensation committee on the grant date. As of December 31, 2020, there were approximately 220,000 Performance LTIP units, representing 200% of the target, outstanding. The performance criteria for the Performance LTIP units are based on market conditions under the relevant literature, and the Performance LTIP units were granted to non-employees. During the years ended December 31, 2020, 2019 and 2018, approximately 211,000, 281,000 and 312,000 Performance LTIP units were cancelled due to the market condition criteria not being met, respectively.

On March 16, 2020, the Company announced that in light of the uncertainty created by the effects of COVID-19, the annual cash retainer for each independent director serving on the Company's board of directors would be temporarily reduced by 25% and would continue in effect until the board of directors determined in its discretion that the effects of COVID-19 had subsided. The Company also disclosed at that time that any amounts relinquished pursuant to the reduction in fees may be paid in the future, as determined by the board of directors in its discretion. On August 6, 2020, the Company announced that for fiscal year 2020, the independent directors will receive the full value of their annual cash retainer (without reduction). The full value of such cash retainer will be paid 25% in either fully vested shares of common stock or LTIP units (at each director's election) and 75% in cash; however, each independent director may also elect to take all or any portion of such 75% in either fully vested shares of common stock or LTIP units. The remaining quarterly installments of such retainer will be adjusted so that, for fiscal 2020 in the aggregate, each independent director will have received the full value of the annual cash retainer in the mix of cash and fully vested common stock (or LTIP units) so elected. This arrangement does not apply to any additional cash retainers for committee service or service as lead director, or meeting fees, which will continue to be paid in cash.

On May 22, 2020, September 28, 2020 and December 15, 2020, approximately 17,000, 8,000 and 4,000 LTIP units, respectively, were issued to independent directors, with fair values of approximately \$44,000, \$20,000 and \$19,000, respectively, which vested immediately upon grant and have been expensed during the year ended December 31, 2020. These grants represented a portion of the annual cash retainer for each independent director serving on the Company's board of directors.

As of December 31, 2020, we have issued a total of approximately 1.1 million LTIP units (including Performance LTIP units), net of cancellations, all of which, other than approximately 104,000 LTIP units and 60,000 Performance LTIP units issued from March 2015 to December 2020, had reached full economic parity with, and are convertible into, common units.

BRAEMAR HOTELS & RESORTS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The following table presents compensation expense for Performance LTIP units and LTIP units (in thousands):

Type	Line Item	Year Ended December 31,		
		2020	2019	2018
Performance LTIP units.....	Advisory services fee	\$ 884	\$ 1,144	\$ 785
LTIP units.....	Advisory services fee	1,142	1,354	976
LTIP units - independent directors.....	Corporate, general and administrative	120	103	61
Total.....		<u>\$ 2,146</u>	<u>\$ 2,601</u>	<u>\$ 1,822</u>

The unamortized cost of the unvested Performance LTIP units of \$409,000 at December 31, 2020 will be expensed over a period of 2.0 years with a weighted average period of 1.7 years. The unamortized cost of the unvested LTIP units of \$771,000 at December 31, 2020, will be amortized over a period of 2.2 years with a weighted average period of 1.4 years.

A summary of the activity of the units in our operating partnership is as follows (in thousands):

	Year Ended December 31,		
	2020	2019	2018
Units outstanding at beginning of year.....	4,538	4,833	4,790
LTIP units issued.....	129	91	144
Performance LTIP units issued.....	160	60	211
Units redeemed for shares of common stock.....	(339)	(165)	—
Performance LTIP units cancelled.....	(211)	(281)	(312)
Units outstanding at end of year.....	<u>4,277</u>	<u>4,538</u>	<u>4,833</u>
Units convertible/redeemable at end of year.....	<u>3,823</u>	<u>4,027</u>	<u>4,045</u>

The following table presents the redeemable noncontrolling interests in Braemar OP (in thousands) and the corresponding approximate ownership percentage of our operating partnership:

	December 31, 2020	December 31, 2019
Redeemable noncontrolling interests in Braemar OP.....	\$ 27,655	\$ 41,570
Adjustments to redeemable noncontrolling interests ⁽¹⁾	\$ 167	\$ 65
Ownership percentage of operating partnership.....	9.43 %	10.96 %

⁽¹⁾ Reflects the excess of the redemption value over the accumulated historical cost.

We allocated net income (loss) to the redeemable noncontrolling interests and declared aggregate cash distributions to the holders of common units and holders of LTIP units, which are recorded as a reduction of redeemable noncontrolling interests in operating partnership, as illustrated in the table below (in thousands):

	Year Ended December 31,		
	2020	2019	2018
Net (income) loss attributable to redeemable noncontrolling interests in operating partnership.....	\$ 12,979	\$ 1,207	\$ 751
Distributions declared to holders of common units, LTIP units and Performance LTIP units.....	—	3,050	2,854
Performance LTIP dividend claw back upon cancellation.....	(270)	—	—

The following table presents the common units redeemed and the fair value at redemption (in thousands):

	Year Ended December 31,		
	2020	2019	2018
Common units converted to common stock.....	339	165	—
Fair value of common units converted.....	\$ 390 ⁽¹⁾	\$ 2,201	\$ —

⁽¹⁾ The redemption value is the greater of historical cost or fair value. The historical cost of the converted units was \$3.5 million.

BRAEMAR HOTELS & RESORTS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. Equity

Common Stock Dividends—The following table summarizes the common stock dividends declared during the period (in thousands):

	Year Ended December 31,		
	2020	2019	2018
Common stock dividends declared.....	\$ —	\$21,302	\$ 20,695
Claw back of dividends on cancelled Performance Stock Units.....	(202)	—	—

8.25% Series D Cumulative Preferred Stock—At December 31, 2020 and 2019, there were 1.6 million shares of 8.25% Series D cumulative preferred stock outstanding. The Series D cumulative preferred stock ranks senior to all classes or series of the Company’s common stock and future junior securities, on a parity with each series of the Company’s outstanding preferred stock (the Series B cumulative convertible preferred stock) and with any future parity securities and junior to future senior securities and to all of the Company’s existing and future indebtedness, with respect to the payment of dividends and the distribution of amounts upon liquidation, dissolution or winding up of the Company’s affairs. Series D cumulative preferred stock has no maturity date, and we are not required to redeem the shares at any time. Series D cumulative preferred stock is redeemable at our option for cash (on or after November 20, 2023), in whole or from time to time in part, at a redemption price of \$25.00 per share plus accrued and unpaid dividends, if any, at the redemption date. Series D cumulative preferred stock may be converted into shares of our common stock, at the option of the holder, in certain limited circumstances such as a change of control. Each share of Series D cumulative preferred stock is convertible into a maximum 5.12295 shares of our common stock. The actual number is based on a formula as defined in the Series D cumulative preferred stock agreement (unless the Company exercises its right to redeem the Series D cumulative preferred shares for cash, for a limited period upon a change in control). The necessary conditions to convert the Series D cumulative preferred stock to common stock have not been met as of period end. Therefore, Series D cumulative preferred stock will not impact our earnings per share. Series D cumulative preferred stock quarterly dividends are set at the rate of 8.25% of the \$25.00 liquidation preference (equivalent to an annual dividend rate of \$2.0625 per share). In general, Series D cumulative preferred stock holders have no voting rights.

The Series D Cumulative Preferred Stock dividend for all issued and outstanding shares is set at \$2.0625 per annum per share.

The following table summarizes dividends declared (in thousands):

	Year Ended December 31,		
	2020	2019	2018
Series D Cumulative Preferred Stock.....	\$ 3,300	\$ 3,300	\$ 376

Stock Repurchases—On October 27, 2014, our board of directors approved a share repurchase program under which the Company may purchase up to \$100 million of the Company’s common stock from time to time. The repurchase program does not have an expiration date. The specific timing, manner, price, amount and other terms of the repurchases is at management’s discretion and depends on market conditions, corporate and regulatory requirements and other factors. The Company is not required to repurchase shares under the repurchase program, and may modify, suspend or terminate the repurchase program at any time for any reason.

On December 5, 2017, our board of directors reapproved the stock repurchase program pursuant to which the board of directors granted a repurchase authorization to acquire shares of the Company’s common stock, par value \$0.01 per share having an aggregate value of up to \$50 million. The board of directors’ authorization replaced any previous repurchase authorizations. No shares were repurchased during the years ended December 31, 2020, 2019 and 2018. As of December 31, 2020, \$50 million remains authorized by the board of directors pursuant to the December 5, 2017 approval.

We repurchased approximately 47,000, 45,000 and 31,000 shares of our common stock in 2020, 2019 and 2018, respectively, to satisfy employees’ statutory minimum U.S. federal income tax obligations in connection with vesting of equity grants issued under our stock-based compensation plan.

At-the-Market Common Stock Equity Distribution Program—On December 11, 2017, the Company established an “at-the-market” equity distribution program pursuant to which it may, from time to time, sell shares of its common stock having an aggregate offering price of up to \$50 million. As of December 31, 2020, the Company has sold approximately 4.7 million shares of common stock and received proceeds of approximately \$14.5 million under this program.

BRAEMAR HOTELS & RESORTS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The issuance activity is summarized below (in thousands):

	Year Ended December 31,
	2020
Common shares issued	4,729
Gross proceeds received	\$ 14,717
Commissions and other expenses	184
Net proceeds	\$ 14,533

Noncontrolling Interest in Consolidated Entities—A partner had noncontrolling ownership interests of 25% in two hotel properties with a total carrying value of \$(15.1) million and \$(6.0) million at December 31, 2020 and 2019, respectively.

The following table summarizes the (income) loss allocated to noncontrolling interest in consolidated entities (in thousands):

	Year Ended December 31,		
	2020	2019	2018
(Income) loss from consolidated entities attributable to noncontrolling interests	\$ 6,436	\$ (2,032)	\$ (2,016)

14. 5.50% Series B Cumulative Convertible Preferred Stock

Each share of our 5.50% Series B Cumulative Convertible Preferred Stock (the “Series B Convertible Preferred Stock”) is convertible at any time, at the option of the holder, into a number of whole shares of common stock at a conversion price of \$18.70 (which represents a conversion rate of 1.3372 shares of our common stock, subject to certain adjustments). The Series B Convertible Preferred Stock is also subject to conversion upon certain events constituting a change of control. Holders of the Series B Convertible Preferred Stock have no voting rights, subject to certain exceptions. The Series B Convertible Preferred Stock dividend for all issued and outstanding shares is set at \$1.375 per annum per share.

The Company may, at its option, cause the Series B Convertible Preferred Stock to be converted in whole or in part, on a pro-rata basis, into fully paid and nonassessable shares of the Company’s common stock at the conversion price, provided that the “Closing Bid Price” (as defined in the Articles Supplementary) of the Company’s common stock shall have equaled or exceeded 110% of the conversion price for the immediately preceding 45 consecutive trading days ending three days prior to the date of notice of conversion.

Additionally, the Series B Convertible Preferred Stock contains cash redemption features that consist of: 1) an optional redemption in which on or after June 11, 2020, the Company may redeem shares of the Series B Convertible Preferred Stock, in whole or in part, for cash at a redemption price of \$25.00 per share, plus any accumulated, accrued and unpaid dividends; 2) a special optional redemption, in which on or prior to the occurrence of a Change of Control (as defined), the Company may redeem shares of the Series B Convertible Preferred Stock, in whole or in part, for cash at a redemption price of \$25.00 per share; and 3) a REIT Termination Event and Listing Event Redemption, in which at any time (i) a REIT Termination Event (defined below) occurs or (ii) the Company’s common stock fails to be listed on the NYSE, NYSE American, or NASDAQ, or listed or quoted on an exchange or quotation system that is a successor thereto (each a “National Exchange”), the holder of Series B Cumulative Preferred Stock shall have the right to require the Company to redeem any or all shares of Series B Cumulative Preferred Stock at 103% of the liquidation preference (\$25.00 per share, plus any accumulated, accrued, and unpaid dividends) in cash.

A REIT Termination Event, shall mean the earliest of:

- (i) filing of income tax return where the Company does not compute its income as a REIT;
- (ii) stockholders’ approval on ceasing to be qualified as a REIT;
- (iii) board of directors’ approval on ceasing to be qualified as a REIT;
- (iv) board’s determination based on advise of the counsel to cease to be qualified as a REIT; or
- (v) determination within the meaning of Section 1313(a) of IRC to cease to be qualified as a REIT.

On December 4, 2019, we entered into equity distribution agreements with certain sales agents to sell from time to time shares of our Series B Convertible Preferred Stock having an aggregate offering price of up to \$40.0 million. Sales of shares of our Series B Convertible Preferred Stock may be made in negotiated transactions or transactions that are deemed to be “at-the-market” offerings as defined in Rule 415 of the Securities Act, including sales made directly on the NYSE, the existing trading

BRAEMAR HOTELS & RESORTS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

market for our Series B Convertible Preferred Stock, or sales made to or through a market maker other than on an exchange or through an electronic communications network. We will pay each of the sales agents a commission, which in each case shall not be more than 2.0% of the gross sales price of the shares of our Series B Convertible Preferred Stock sold through such sales agents. As of December 31, 2020, we have sold approximately 65,000 shares of our Series B Convertible Preferred Stock and received proceeds of approximately \$1.2 million under this program.

The issuance activity is summarized below (in thousands):

	Year Ended December 31,	
	2020	2019
Series B Convertible Preferred Stock shares issued.....	23	42
Gross proceeds received.....	\$ 439	\$ 809
Commissions and other expenses.....	7	12
Net proceeds.....	\$ 432	\$ 797

Series B Convertible Preferred Stock does not meet the requirements for permanent equity classification prescribed by the authoritative guidance because of certain cash redemption features that are outside our control. As such, the Series B Convertible Preferred Stock is classified outside of permanent equity.

The following table summarizes dividends declared (in thousands):

	Year Ended December 31,		
	2020	2019	2018
Series B Convertible Preferred Stock.....	\$ 6,919	\$ 6,842	\$ 6,829

15. Stock-Based Compensation

Under the 2013 Equity Incentive Plan, as amended, we are authorized to grant 3.3 million restricted stock units or performance stock units of our common stock as incentive stock awards. At December 31, 2020, approximately 748,000 shares were available for future issuance under the 2013 Equity Incentive Plan.

Restricted Stock Units—We incur stock-based compensation expense in connection with restricted stock units awarded to certain employees of Ashford LLC and its affiliates. We also issue common stock to certain of our independent directors, which vests immediately upon issuance.

On May 22, 2020, September 28, 2020 and December 15, 2020, approximately 18,000, 9,000 and 5,000 shares of common stock, respectively, were issued to independent directors, with fair values of approximately \$48,000, \$23,000 and \$22,000, respectively, which vested immediately upon grant and have been expensed during the year ended December 31, 2020. These grants represented a portion of the annual cash retainer for each independent director serving on the Company's board of directors, resulting from the COVID-19 related modifications to our director compensation program discussed in note 12.

At December 31, 2020, the unamortized cost of unvested shares of restricted stock was \$2.6 million, which is expected to be recognized over a period of 2.2 years with a weighted average period of 1.6 years.

The following table summarizes the stock-based compensation expense for restricted stock units (in thousands):

Line Item	Year Ended December 31,		
	2020	2019	2018
Advisory services fee.....	\$ 2,672	\$ 2,468	\$ 2,277
Management fees.....	133	155	219
Corporate general and administrative - Premier.....	71	72	—
Corporate general and administrative - independent directors.....	130	208	243
	\$ 3,006	\$ 2,903	\$ 2,739

For the year ended December 31, 2018, approximately \$640,000 of the compensation expense was related to the accelerated vesting of equity awards granted to one of our executive officers upon his death, in accordance with the terms of the awards.

BRAEMAR HOTELS & RESORTS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

A summary of our restricted stock activity is as follows (shares in thousands):

	Year Ended December 31,					
	2020		2019		2018	
	Number of Units	Weighted Average Price at Grant	Number of Units	Weighted Average Price at Grant	Number of Units	Weighted Average Price at Grant
Outstanding at beginning of year.....	497	\$ 11.89	441	\$ 10.91	420	\$ 11.87
Restricted shares granted.....	359	4.13	261	12.68	257	9.90
Restricted shares vested.....	(310)	9.81	(198)	10.75	(229)	11.54
Restricted shares forfeited.....	(10)	7.25	(7)	11.59	(7)	10.50
Outstanding at end of year.....	<u>536</u>	<u>\$ 7.98</u>	<u>497</u>	<u>\$ 11.89</u>	<u>441</u>	<u>\$ 10.91</u>

Performance Stock Units—The compensation committee of the board of directors of the Company may authorize the issuance of grants of PSUs to certain executive officers and directors from time to time. The award agreements provide for the grant of a target number of PSUs that will be settled in shares of common stock of the Company, if, when and to the extent the applicable vesting criteria have been achieved following the end of the performance and service period, which is generally three years from the grant date. The number of PSUs actually earned may range from 0% to 200% of target based on achievement of a specified relative total stockholder return based on the formula determined by the Company’s compensation committee on the grant date. The performance criteria for the PSUs are based on market conditions under the relevant literature, and the PSUs were granted to non-employees. During the years ended December 31, 2020, 2019 and 2018, approximately 197,000, 119,000 and 262,000 PSUs were cancelled due to the market condition criteria not being met, respectively.

The following table summarizes the compensation expense for PSUs (in thousands):

Line Item	Year Ended December 31,		
	2020	2019	2018
Advisory services fee.....	\$ 2,695	\$ 2,439	2,443

For the year ended December 31, 2018, approximately \$1.6 million of the compensation expense was related to the accelerated vesting of PSUs granted to one of our executive officers upon his death, in accordance with the terms of the awards.

At December 31, 2020, the unamortized cost of unvested shares of PSUs was \$2.1 million, which is expected to be recognized over a period of 2.0 years with a weighted average period of 1.5 years.

A summary of our PSU activity is as follows (shares in thousands):

	Year Ended December 31,					
	2020		2019		2018	
	Number of Units	Weighted Average Price at Grant	Number of Units	Weighted Average Price at Grant	Number of Units	Weighted Average Price at Grant
Outstanding at beginning of year.....	420	\$ 16.91	316	\$ 12.29	381	\$ 11.97
PSUs granted.....	225	3.51	223	19.96	197	13.43
PSUs canceled.....	(197)	13.43	(119)	10.42	(262)	12.67
Outstanding at end of year.....	<u>448</u>	<u>\$ 11.71</u>	<u>420</u>	<u>\$ 16.91</u>	<u>316</u>	<u>\$ 12.29</u>

BRAEMAR HOTELS & RESORTS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. Related Party Transactions

Ashford Inc.

Advisory Agreement

Ashford LLC, a subsidiary of Ashford Inc., acts as our advisor. Our chairman Mr. Monty Bennett, also serves as chairman of the board of directors and chief executive officer of Ashford Inc. Under our advisory agreement, we pay advisory fees to Ashford LLC. We pay a monthly base fee equal to 1/12th of the sum of (i) 0.70% of the total market capitalization of our company for the prior month, plus (ii) the Net Asset Fee Adjustment (as defined in our advisory agreement), if any, on the last day of the prior month during which our advisory agreement was in effect; provided, however in no event shall the base fee for any month be less than the minimum base fee as provided by our advisory agreement. The base fee is payable on the 5th business day of each month.

The minimum base fee for Braemar for each month will be equal to the greater of:

- 90% of the base fee paid for the same month in the prior year; and
- 1/12th of the G&A Ratio (as defined) multiplied by the total market capitalization of Braemar.

We are also required to pay Ashford LLC an incentive fee that is measured annually (or for a stub period if the advisory agreement is terminated at other than year-end). Each year that our annual total stockholder return exceeds the average annual total stockholder return for our peer group we pay Ashford LLC an incentive fee over the following three years, subject to the Fixed Charge Coverage Ratio (“FCCR”) Condition, as defined in the advisory agreement, which relates to the ratio of adjusted EBITDA to fixed charges. We also reimburse Ashford LLC for certain reimbursable overhead and internal audit, risk management advisory and asset management services, as specified in the advisory agreement. We also recorded equity-based compensation expense for equity grants of common stock and LTIP units awarded to officers and employees of Ashford LLC in connection with providing advisory services.

The following table summarizes the advisory services fees incurred (in thousands):

	Year Ended December 31,		
	2020	2019	2018
Advisory services fee			
Base advisory fee.....	\$ 9,981	\$ 10,834	\$ 9,424
Reimbursable expenses ⁽¹⁾	1,790	2,289	2,072
Equity-based compensation ⁽²⁾	7,393	7,404	6,481
Incentive fee ⁽³⁾	(678)	—	2,035
Total	\$ 18,486	\$ 20,527	\$ 20,012

⁽¹⁾ Reimbursable expenses include overhead, internal audit, risk management advisory and asset management services.

⁽²⁾ Equity-based compensation is associated with equity grants of Braemar’s common stock, PSUs, LTIP units and Performance LTIP units awarded to officers and employees of Ashford LLC.

⁽³⁾ The \$(678,000) incentive fee in 2020 is a result of not meeting the FCCR threshold required for paying the final installment of the incentive fee incurred in 2018.

As of December 31, 2020 and 2019, due from related parties, net included a \$365,000 security deposit paid to Remington Hotel Corporation, an entity indirectly owned by Mr. Monty J. Bennett and Mr. Archie Bennett, Jr., for office space allocated to us under our advisory agreement. It will be held as security for the payment of our allocated share of office space rental. If unused it will be returned to us upon lease expiration or earlier termination.

Pursuant to the Company's hotel management agreements with each hotel management company, the Company bears the economic burden for casualty insurance coverage. Under the advisory agreement, Ashford Inc. secures casualty insurance policies to cover Braemar, Ashford Trust, their hotel managers, as needed, and Ashford Inc. The total loss estimates included in such policies are based on the collective pool of risk exposures from each party. Ashford Inc.'s risk management department manages the casualty insurance program. At the beginning of each year, Ashford Inc.'s risk management department collects funds from Braemar, Ashford Trust and their respective hotel management companies, to fund the casualty insurance program as needed, on an allocated basis.

BRAEMAR HOTELS & RESORTS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Lismore Advisory Fee

On March 20, 2020, the Company entered into an agreement with Lismore, a subsidiary of Ashford Inc., to engage Lismore to seek modifications, forbearances or refinancings of the Company's loans (the "Lismore Agreement"). Pursuant to the Lismore Agreement, Lismore shall, during the agreement term (which commenced on March 20, 2020 and shall end on the date that is 12 months following the commencement date, or upon it being terminated by the Company on not less than 30 days written notice), negotiate the refinancing, modification or forbearance of the existing mortgage and mezzanine debt on the Company's hotels and secured revolving credit facility.

In connection with the services provided by Lismore, Lismore shall be paid an advisory fee (the "Advisory Fee") of up to 50 basis points (0.50%) of the aggregate amount of the modifications, forbearances or refinancings of the Company's mortgage and mezzanine debt and its secured revolving credit facility (the "Financing"), calculated and payable as follows: (i) 12.5 basis points (0.125%) of the aggregate amount of potential Financings upon execution of the Lismore Agreement; (ii) 12.5 basis points (0.125%) payable in six equal installments beginning April 20, 2020 and ending on September 20, 2020; provided, however, in the event the Company does not complete, for any reason, Financings during the term of the Lismore Agreement equal to or greater than \$1,091,250,000, then the Company shall offset, against any fees owed by the Company or its affiliates pursuant to the Advisory Agreement, a portion of the fee paid by the Company to Lismore equal to the product of (x) the amount of Financings completed during the term of the Lismore Agreement minus \$1,091,250,000 multiplied by (y) 0.125%; and (iii) 25 basis points (0.25%) payable upon the acceptance by the applicable lender of any Financing.

Upon entering into the agreement with Lismore, the Company made a payment of \$1.4 million. No amount of this payment can be clawed back. As of December 31, 2020, the Company has also paid \$1.4 million related to periodic installments of which \$683,000 has been expensed in accordance with the agreement and \$681,000 may be offset against future fees under the agreement that are eligible for claw back under the agreement. Further, the Company has paid \$1.4 million in success fees under the agreement in connection with signed forbearance or other agreements, of which no amounts are available for claw back. As of December 31, 2020, the Company has paid Lismore approximately \$4.1 million, of which \$1.0 million is included in "other assets" on our consolidated balance sheets. For the year ended December 31, 2020, the Company has recognized expense of \$3.1 million, respectively, which is included in "write-off of loan costs and exit fees" in our consolidated statements of operations.

On August 25, 2020, in light of the fact that Lismore negotiated access to the FF&E reserves but no forbearance on debt service for the \$435 million mortgage loan secured by the Marriott Seattle Waterfront, Sofitel Chicago Magnificent Mile, The Notary Hotel and The Clancy, the independent members of the board of directors of Ashford Inc. waived \$1.6 million of Lismore success fees associated with items (ii) and (iii) above.

Ashford Securities

On September 25, 2019, Ashford Inc. announced the formation of Ashford Securities LLC ("Ashford Securities") to raise retail capital in order to grow its existing and future platforms. In conjunction with the formation of Ashford Securities, Braemar has entered into a contribution agreement with Ashford Inc. pursuant to which Braemar has agreed to contribute, with Ashford Hospitality Trust, Inc. ("Ashford Trust"), up to \$15.0 million to fund the operations of Ashford Securities. Costs for all operating expenses of Ashford Securities that were contributed by Ashford Trust and Braemar will be expensed as incurred. These costs were allocated initially to Ashford Trust and Braemar based on an allocation percentage of 75% to Ashford Trust and 25% Braemar. Upon reaching the earlier of \$400 million in aggregate non-listed preferred equity offerings raised or June 10, 2023, there will be a true up (the "Initial True-up Date") between Ashford Trust and Braemar whereby the actual capital contributions contributed by each company will be based on the actual amount of capital raised by Ashford Trust and Braemar, respectively. After the Initial True-Up Date, the capital contributions will be allocated between Ashford Trust and Braemar quarterly based on the actual capital raised through Ashford Securities.

On December 31, 2020, an Amended and Restated Contribution Agreement was entered into by Ashford Inc., Ashford Trust and Braemar with respect to expenses to be reimbursed by Ashford Securities. The Initial True-Up Date did not occur, and beginning on the effective date of the Amended and Restated Contribution Agreement, costs will be allocated based upon an allocation percentage of 50% to Ashford Inc., 50% to Braemar and 0% to Ashford Trust. Upon reaching the earlier of \$400 million in aggregate non-listed preferred equity offerings raised, or June 10, 2023, there will be an Amended and Restated true up (the "Amended and Restated True-up Date") among Ashford Inc., Ashford Trust and Braemar whereby the actual expense reimbursement paid by each company will be based on the actual amount of capital raised by Ashford Inc., Ashford Trust and Braemar, respectively. After the Amended and Restated True-Up Date, the expense reimbursements will be allocated among Ashford Inc., Ashford Trust and Braemar quarterly based on the actual capital raised through Ashford Securities.

BRAEMAR HOTELS & RESORTS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Additionally, Braemar’s aggregate Capital Contributions under the Initial Contribution Agreement and the Amended and Restated Contribution Agreement shall not exceed \$3.75 million unless otherwise agreed to in writing by Braemar.

As of December 31, 2020, Braemar has funded approximately \$996,000. As of December 31, 2020 and December 31, 2019, \$63,000 and \$520,000, respectively, of the pre-funded amounts were included in “other assets” on our consolidated balance sheets.

The table below summarizes the amount Braemar has expensed related to reimbursed operating expenses of Ashford Securities (in thousands):

Line Item	Year Ended December 31,	
	2020	2019
Corporate, general and administrative.....	\$ 658	\$ 314

Enhanced Return Funding Program

Concurrent with the Amendment No. 1, on January 15, 2019, the Company also entered into the Enhanced Return Funding Program Agreement (the “ERFP Agreement”) with Ashford Inc. The “key money investments” concept previously contemplated by our advisory agreement was replaced with the ERFP Agreement. The Fifth Amended and Restated Advisory Agreement was also amended to name Ashford Inc. and its subsidiaries as the Company’s sole and exclusive provider of asset management, project management and other services offered by Ashford Inc. or any of its subsidiaries. The independent members of our board of directors and the independent members of the board of directors of Ashford Inc., with the assistance of separate and independent legal counsel, engaged to negotiate the ERFP Agreement on behalf of Ashford Inc. and Braemar, respectively.

The ERFP Agreement generally provides that Ashford LLC will provide funding to facilitate the acquisition of properties by Braemar OP that are recommended by Ashford LLC, in an aggregate amount of up to \$50 million (subject to increase to up to \$100 million by mutual agreement). Each funding will equal 10% of the property acquisition price and will be made either at the time of the property acquisition or at any time generally within the two-year period following the date of such acquisition, in exchange for FF&E for use at the acquired property or any other property owned by Braemar OP.

The initial term of the ERFP Agreement is two years (the “Initial Term”), unless earlier terminated pursuant to the terms of the ERFP Agreement. At the end of the Initial Term, the ERFP Agreement shall automatically renew for successive one-year periods (each such period a “Renewal Term”) unless either Ashford Inc. or Braemar provides written notice to the other at least sixty days in advance of the expiration of the Initial Term or Renewal Term, as applicable, that such notifying party intends not to renew the ERFP Agreement. As a result of The Ritz-Carlton Lake Tahoe acquisition, Braemar was entitled to receive \$10.3 million from Ashford LLC in the form of future purchases of FF&E at Braemar hotel properties that will be leased to us by Ashford LLC rent free. As of December 31, 2020, Ashford LLC has remitted payments of \$10.3 million to the Company as further described below.

On June 26, 2019 and July 1, 2019, the Company sold \$1.4 million and \$8.9 million, respectively, of hotel FF&E from Braemar hotel properties to Ashford LLC which was subsequently leased back to the Company rent free. In accordance with ASC 842, the Company evaluated the transactions and concluded that the transaction qualified as a sale. As a result, the Company recorded gains of \$9,000 and \$23,000, respectively, for the year ended December 31, 2019. The gains are recorded in “gain (loss) on insurance settlement, disposition of assets and sale of hotel property” in our consolidated statements of operations.

Under the applicable accounting guidance in ASC 842, the Company has not recorded an operating lease right-of-use asset, an operating lease liability or lease expense for rents as the related party lease has no economic substance because the related party lease is provided rent free. For the year ended December 31, 2020, the Company purchased FF&E of approximately \$1.6 million from Ashford Inc. upon expiration of the underlying ERFP lease.

In 2015, prior to the inception of the ERFP program, \$2.0 million of key money consideration was invested in FF&E by Ashford LLC to be used by Braemar, which represented all of the key money consideration for the Bardessono Hotel and Spa. Upon adoption of ASC 842, we evaluated this arrangement, which is accounted for as a lease that expired in 2020. Under the applicable guidance in ASC 842, as the related party lease is provided rent-free, there is no economic substance related to the lease which results in not recording an operating lease right-of-use asset, an operating lease liability or lease expense for rents. Upon expiration of the lease the underlying FF&E was purchased from Ashford Inc. for \$200,000.

BRAEMAR HOTELS & RESORTS INC. AND SUBSIDIARIES
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Project Management Agreement

In connection with Ashford Inc.'s August 8, 2018 acquisition of Remington Lodging's project management business, we entered into a project management agreement with Ashford Inc.'s subsidiary, Premier Project Management LLC ("Premier"), pursuant to which Premier provides project management services to our hotels, including construction management, interior design, architectural services, and the purchasing, freight management, and supervision of installation of FF&E and related services. Pursuant to the project management agreement, we pay Premier: (a) project management fees of up to 4% of project costs; and (b) for the following services as follows: (i) architectural (6.5% of total construction costs); (ii) construction management for projects without a general contractor (10% of total construction costs); (iii) interior design (6% of the purchase price of the FF&E designed or selected by Premier); and (iv) FF&E purchasing (8% of the purchase price of FF&E purchased by Premier; provided that if the purchase price exceeds \$2.0 million for a single hotel in a calendar year, then the purchasing fee is reduced to 6% of the FF&E purchase price in excess of \$2.0 million for such hotel in such calendar year). On March 20, 2020, we amended the project management agreement to provide that Premier's fees shall be paid by the Company to Premier upon the completion of any work provided by third party vendors to the Company.

Hotel Management Agreement

On November 6, 2019, Ashford Inc. completed the acquisition of Remington Lodging's hotel management business. Following the acquisition, hotel management services are provided by Remington Hotels, a subsidiary of Ashford Inc., under the respective hotel management agreement with each customer, including Ashford Trust and Braemar.

At December 31, 2020, Remington Hotels managed three of our thirteen hotel properties.

We pay monthly hotel management fees equal to the greater of approximately \$14,000 per hotel (increased annually based on consumer price index adjustments) or 3% of gross revenues as well as annual incentive management fees, if certain operational criteria were met and other general and administrative expense reimbursements primarily related to accounting services.

Pursuant to the terms of the Letter Agreement dated March 13, 2020 (the "Hotel Management Letter Agreement"), in order to allow Remington Hotels to better manage its corporate working capital and to ensure the continued efficient operation of our hotels, we agreed to pay the base fee and to reimburse all expenses on a weekly basis for the preceding week, rather than on a monthly basis. The Hotel Management Letter Agreement went into effect on March 13, 2020 and will continue until terminated by us.

We also have a mutual exclusivity agreement with Remington Hotels, pursuant to which: (i) we have agreed to engage Remington Hotels to provide management services with respect to any hotel we acquire or invest in, to the extent we have the right and/or control the right to direct the management of such hotel; and (ii) Remington Hotels has agreed to grant us a right of first refusal to purchase any opportunity to develop or construct a hotel that it identifies that meets our initial investment guidelines. We are not, however, obligated to engage Remington Hotels if our independent directors either: (i) unanimously vote to hire a different manager or developer; or (ii) by a majority vote elect not to engage such related party because either special circumstances exist such that it would be in the best interest of our Company not to engage such related party, or, based on related party's prior performance, it is believed that another manager could perform the management or other duties materially better.

Remington Lodging (prior to Ashford Inc. acquisition)

Remington Lodging was a hotel and project management company, wholly owned by our chairman, Mr. Monty J. Bennett and Mr. Archie Bennett, Jr. who is Ashford Trust's chairman emeritus. We had master hotel and project management agreements and hotel and project management mutual exclusivity agreements with Remington Lodging.

On August 8, 2018, Ashford Inc. completed the acquisition of Remington Lodging's project management business, Premier Project Management LLC ("Premier"). As a result of Ashford Inc.'s acquisition, the project management services are no longer provided by Remington Lodging and are now provided by a subsidiary of Ashford Inc. under the respective project management agreement with each customer, including Ashford Trust and Braemar.

On November 6, 2019, Ashford Inc. completed the acquisition of Remington Lodging's hotel management business. As a result of the acquisition, hotel management services that were previously provided by Remington Lodging are now be provided by a subsidiary of Ashford Inc. under the respective hotel management agreement with each customer, including Ashford Trust and Braemar under the Remington Hotels name.

BRAEMAR HOTELS & RESORTS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Prior to August 8, 2018, we paid Remington Lodging: a) monthly hotel management fees equal to the greater of approximately \$14,000 (increased annually based on consumer price index adjustments) or 3% of gross revenues as well as annual incentive management fees, if certain operational criteria are met; b) project management fees of up to 4% of project costs; c) market service fees including purchasing, design and construction management not to exceed 16.5% of project budget cumulatively, including project management fees; and d) other general and administrative expense reimbursements, primarily related to accounting services. This related party allocated such charges to us based on various methodologies, including headcount and actual amounts incurred.

Between August 8, 2018 and November 5, 2019, we paid Remington Lodging monthly hotel management fees equal to the greater of approximately \$14,000 (increased annually based on consumer price index adjustments) or 3% of gross revenues as well as annual incentive hotel management fees, if certain operational criteria were met and other general and administrative expense reimbursements primarily related to accounting services.

The following table presents the fees related to our hotel and project management agreements with Remington Lodging prior to its transactions with Ashford Inc. (in thousands):

	Year Ended December 31,	
	2019	2018
Hotel management fees, including incentive hotel management fees.....	\$ 1,738	\$ 1,762
Market service and project management fees.....	—	3,328
Corporate general and administrative.....	297	333
Total.....	<u>\$ 2,035</u>	<u>\$ 5,423</u>

Summary of Transactions

In accordance with our advisory agreement, our advisor, or entities in which our advisor has an interest, has a right to provide products or services to our hotel properties, provided such transactions are evaluated and approved by our independent directors. The following tables summarize the entities in which our advisor has an interest with which we or our hotel properties contracted for products and services, the amounts recorded by us for those services and the applicable classification on our consolidated financial statements (in thousands):

		Year Ended December 31, 2020								
Company	Product or Service	Total	Investments in Hotel Properties, net⁽¹⁾	Other Assets	Other Hotel Revenue	Other Hotel Expenses	Management fees	Property Taxes, Insurance and Other	Advisory Services Fee	Write-off of Premiums, Loan Costs and Exit Fees
Ashford LLC.....	FF&E purchases	\$ 1,816	\$ 1,816		\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Ashford LLC.....	Insurance claims services	108	—	—	—	—	—	108	—	—
J&S Audio Visual.....	Audio visual services	592	—	—	592	—	—	—	—	—
Lismore Capital.....	Debt placement and related services	4,093	—	1,022	—	—	—	—	—	3,071
OpenKey.....	Mobile key app	38	—	—	—	38	—	—	—	—
Premier.....	Project management services	2,849	2,505	—	—	—	—	—	344	—
Pure Wellness.....	Hypoallergenic premium rooms	52	—	—	—	52	—	—	—	—
RED Leisure.....	Watersports activities and travel/ transportation services	139	—	—	139	—	—	—	—	—
Remington Hotels.....	Hotel management services ⁽²⁾	1,446	—	—	—	410	1,036	—	—	—

BRAEMAR HOTELS & RESORTS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

		Year Ended December 31, 2019									
Company	Product or Service	Total	Investments in Hotel Properties, net ⁽¹⁾	Indebtedness, net ⁽²⁾	Other Hotel Revenue	Other Hotel Expenses	Management fees	Property Taxes, Insurance and Other	Advisory Services Fee	Corporate General and Administrative	Write-off of Premiums, Loan Costs and Exit Fees
Ashford LLC	Insurance claims services	\$ 135	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 135	\$ —	\$ —	\$ —
J&S Audio Visual	Audio visual services	560	—	—	560	—	—	—	—	—	—
Lismore Capital	Debt placement and related services	1,208	—	(995)	—	—	—	—	—	—	213
OpenKey	Mobile key app	34	—	—	—	34	—	—	—	—	—
Premier	Project management services	10,123	9,584	—	—	—	—	—	539	—	—
Pure Wellness	Hypoallergenic premium rooms	194	148	—	—	46	—	—	—	—	—
RED Leisure	Watersports activities and travel/transportation services	946	—	—	—	946	—	—	—	—	—
Remington Hotels	Hotel management services ⁽³⁾	572	—	—	—	323	249	—	—	—	—

		Year Ended December 31, 2018				
Company	Product or Service	Total	Investments in Hotel Properties, net ⁽¹⁾	Indebtedness, net ⁽²⁾	Other Hotel Expenses	Corporate General and Administrative
Ashford LLC	Insurance claims services	\$ 137	\$ —	\$ —	\$ —	\$ 137
Lismore Capital	Debt placement and related services	999	—	(999)	—	—
OpenKey	Mobile key app	33	12	—	21	—
Pure Wellness	Hypoallergenic premium rooms	265	228	—	37	—
Premier	Project management services	3,958	3,958	—	—	—
RED Leisure	Watersports activities and travel/transportation services	720	—	—	720	—

(1) Recorded in FF&E and depreciated over the estimated useful life.

(2) Recorded as deferred loan costs, which are included in “indebtedness, net” on our consolidated balance sheets and amortized over the initial term of the applicable loan agreement.

(3) Other hotel expenses include incentive hotel management fees and other hotel management costs.

The following table summarizes the components of due to Ashford Inc. (in thousands):

		Due to Ashford Inc.	
Company	Product or Service	December 31, 2020	December 31, 2019
Ashford LLC	Advisory services	\$ 165	\$ 1,606
Ashford LLC	FF&E purchases	1,816	—
Ashford LLC	Insurance claims services	12	44
J&S Audio Visual	Audio visual services	1	173
OpenKey	Mobile key app	3	—
Pure Wellness	Hypoallergenic premium rooms	—	3
Premier	Project management services	631	2,433
RED Leisure	Watersports activities and travel/transportation services	144	85
		<u>\$ 2,772</u>	<u>\$ 4,344</u>

As of December 31, 2020 and 2019, due from related parties, net included a net receivable from Remington Hotels of \$626,000 and \$185,000, respectively, primarily related to advances made by Braemar and accrued base and incentive management fees.

17. Commitments and Contingencies

Restricted Cash—Under certain management and debt agreements for our hotel properties existing at December 31, 2020, escrow payments are required for insurance, real estate taxes and debt service. In addition, for certain properties based on the terms of the underlying debt and management agreements, we escrow 4% to 5% of gross revenues for capital improvements.

Management Fees—Under hotel management agreements for our hotel properties existing at December 31, 2020, we pay a monthly hotel management fee equal to the greater of approximately \$14,000 per hotel (increased annually based on

BRAEMAR HOTELS & RESORTS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

consumer price index adjustments) or 3% of gross revenues, or in some cases 2.5% to 5.0% of gross revenues, as well as annual incentive management fees, if applicable. These management agreements expire from December 2023 through December 2065, with renewal options. If we terminate a management agreement prior to its expiration, we may be liable for estimated management fees through the remaining term, liquidated damages or, in certain circumstances, we may substitute a new management agreement.

Income Taxes—We and our subsidiaries file income tax returns in the federal jurisdiction and various states. Tax years 2016 through 2020 remain subject to potential examination by certain federal and state taxing authorities.

Litigation—On October 24, 2019, the Company provided notice to Accor of the material breach of its responsibilities under the Accor management agreement for the Sofitel Chicago Magnificent Mile at 20 East Chestnut Street in Chicago, Illinois. On November 7, 2019, Accor filed a complaint against Ashford TRS Chicago II in the Supreme Court of the State of New York, New York County, seeking a declaratory judgment that no breach has occurred. Accor’s complaint was dismissed on or about February 27, 2020. On January 6, 2020, Ashford TRS Chicago II filed a complaint against Accor in the Supreme Court of the State of New York, New York County, alleging breach of the Accor management agreement and seeking declaration of its right to terminate the Accor management agreement. On July 20, 2020, Accor filed an Amended Answer and Counterclaims against Ashford TRS Chicago II. Accor asserts two causes of action: First, Accor asserts a counterclaim for declaratory judgment that Accor correctly calculated the amount payable to Ashford TRS Chicago II under the management agreement to “cure” Accor’s performance test failure (the “Cure Amount”). Second, Accor asserts a counterclaim for breach of contract on the basis that Ashford TRS Chicago II breached the management agreement by wrongfully maintaining that the Cure Amount for the 2018 and 2019 Performance Test failure is \$1,031,549 instead of \$535,120. As of December 31, 2020, no amounts have been accrued.

One of the Company’s hotel management companies is currently involved in litigation regarding its employment policies and practices at multiple California hotels, including one of the Company’s hotels. The Company believes it is probable that the litigation will result in a loss due to a potential pre-trial settlement, in which case the Company estimates its potential loss will be approximately \$500,000; however, it is entitled to indemnification for a portion of such loss. As of December 31, 2020, approximately \$500,000 has been accrued.

In June 2020, each of the Company, Ashford Trust, Ashford Inc., and Lismore, a subsidiary of Ashford Inc. (collectively with the Company, Ashford Trust, Ashford Inc. and Lismore, the “Ashford Companies”), received an administrative subpoena from the SEC. The Company’s administrative subpoena requires the production of documents and other information since January 1, 2018 relating to, among other things, (1) related party transactions among the Ashford Companies (including the Lismore Agreement between the Company and Lismore pursuant to which the Company engaged Lismore to negotiate the refinancing, modification or forbearance of certain mortgage debt) or between any of the Ashford Companies and any officer, director or owner of the Ashford Companies or any entity controlled by any such person, and (2) the Company’s accounting policies, procedures, and internal controls related to such related party transactions. In addition, in October 2020, Mr. Monty J. Bennett, chairman of our board of directors, received an administrative subpoena from the SEC requiring testimony and the production of documents and other information substantially similar to the requests in the subpoenas received by the Ashford Companies. The Company and Mr. Monty J. Bennett are responding to the administrative subpoenas.

A class action lawsuit has been filed against one of the Company’s hotel management companies alleging violations of certain California employment laws, which class action affects two hotels owned by subsidiaries of the Company. The court has entered an order granting class certification with respect to: (1) a statewide class of non-exempt employees of our manager who were allegedly deprived of rest breaks as a result of our manager’s previous policy requiring its employees to stay on premises during rest breaks; and (2) a derivative class of non-exempt former employees of our manager who were not paid for allegedly missed breaks upon separation from employment. Notices to potential class members were sent out on February 2, 2021. Potential class members have until April 4, 2021 to opt out of the class. There is a Case Management Conference scheduled for March 5, 2021, at which time the parties expect the court to address the timing for any motions for summary judgment and trial. While we believe it is reasonably possible that we may incur a loss associated with this litigation, because the class size has not yet been determined and there is uncertainty under California law with respect to a significant legal issue, we do not believe any potential loss to the Company is reasonably estimable at this time. As of December 31, 2020, no amounts have been accrued.

We are also engaged in other legal proceedings that have arisen but have not been fully adjudicated. To the extent the claims giving rise to these legal proceedings are not covered by insurance, they relate to the following general types of claims: employment matters, tax matters, matters relating to compliance with applicable law (for example, the ADA and similar state laws. The likelihood of loss from these legal proceedings is based on the definitions within contingency accounting literature. We recognize a loss when we believe the loss is both probable and reasonably estimable. Based on the information available to

BRAEMAR HOTELS & RESORTS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

us relating to these legal proceedings and/or our experience in similar legal proceedings, we do not believe the ultimate resolution of these proceedings, either individually or in the aggregate, will have a material adverse effect on our consolidated financial position, results of operations, or cash flow. However, our assessment may change depending upon the development of these legal proceedings, and the final results of these legal proceedings cannot be predicted with certainty. If we do not prevail in one or more of these legal matters, and the associated realized losses exceed our current estimates of the range of potential losses, our consolidated financial position, results of operations, or cash flows could be materially adversely affected in future periods.

Leases—We lease land under two non-cancelable operating ground leases, which expire in 2067 and 2065, related to our hotel properties in La Jolla, CA and Yountville, CA, respectively. The lease in La Jolla, CA contains one extension option of either 10 or 20 years dependent upon capital investment spend during the lease term. The lease in Yountville, CA contains two 25-year extension options. These leases are subject to base rent plus contingent rent based on each hotel property’s financial results and escalation clauses. For the year ended December 31, 2018, we recognized rent expense of \$5.7 million, which included contingent rent of \$1.8 million. Rent expense is included in “other” hotel expenses in our consolidated statements of operations.

Capital Commitments—At December 31, 2020, we had capital commitments of \$12.2 million, including commitments that will be satisfied with insurance proceeds, relating to general capital improvements that are expected to be paid in the next twelve months.

18. Leases

On January 1, 2019, we adopted ASC 842 on a modified retrospective basis. We elected the practical expedients which allowed us to apply the new guidance at its effective date on January 1, 2019 without adjusting the comparative prior period financial statements. The package of practical expedients also allowed us to carry forward the historical lease classification. Additionally, we elected the practical expedients allowing us not to separate lease and non-lease components and not record short-term leases on the balance sheet across all existing asset classes.

The adoption of this standard has resulted in the recognition of operating lease ROU assets and lease liabilities primarily related to our ground lease arrangements for which we are the lessee. As of January 1, 2019, we recorded operating lease liabilities of \$60.6 million as well as a corresponding operating lease ROU asset of \$82.5 million, which includes, among other things, the reclassified intangible assets of \$22.3 million. The standard did not have a material impact on our consolidated statements of operations and statements of cash flows.

The majority of our leases are operating ground leases. We also have operating equipment leases, such as copier and vehicle leases, at our hotel properties. Some leases include one or more options to renew, with renewal terms that can extend the lease term from one to 50 years. The exercise of lease renewal options is at our sole discretion. Some leases have variable payments, however, if variable payments are contingent, they are not included in the ROU assets and liabilities. We have no finance leases as of December 31, 2020.

The discount rate used to calculate the lease liability and ROU asset related to our ground leases is based on our incremental borrowing rate (“IBR”), as the rate implicit in each lease is not readily determinable. The IBR is determined at commencement of the lease, or upon modification of the lease, as the interest rate a lessee would have to pay to borrow on a fully collateralized basis over a similar term and at an amount equal to the lease payments in a similar economic environment.

As of December 31, 2020 and 2019, our leased assets and liabilities consisted of the following (in thousands):

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Assets		
Operating lease right-of-use assets.....	\$ 81,260	\$ 82,596
Liabilities		
Operating lease liabilities.....	\$ 60,917	\$ 61,118

BRAEMAR HOTELS & RESORTS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

We incurred the following lease costs related to our operating leases (in thousands):

	Classification	Year Ended December 31,	
		2020	2019
Operating lease cost ⁽¹⁾	Hotel operating expenses - other	\$ 4,373	\$ 5,834

⁽¹⁾ For the years ended December 31, 2020 and 2019, operating lease cost includes approximately \$(305,000) and \$1.4 million, respectively, of variable lease cost associated with the ground leases, with the credit in 2020 primarily caused by the ground lease percentage rent true-up for fiscal year 2019-2020 at Hilton La Jolla Torrey Pines. Additionally, we recorded \$834,000 and \$651,000, respectively, of amortization costs related to the intangible assets that were reclassified to "operating lease right-of-use assets" upon adoption of ASC 842. Short-term lease costs in aggregate are immaterial.

Other information related to leases is as follows:

	Year Ended December 31,	
	2020	2019
Supplemental Cash Flows Information		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases (in thousands)	\$ 3,261	\$ 3,223
Weighted Average Remaining Lease Term		
Operating leases ⁽¹⁾	47 years	47 years
Weighted Average Discount Rate		
Operating leases ⁽¹⁾	4.98 %	4.98 %

⁽¹⁾ Calculated using the lease term, excluding extension options, and discount rates of the ground leases.

Future minimum lease payments due under non-cancellable leases as of December 31, 2020 were as follows (in thousands):

	<u>Operating Leases</u>
2021	3,283
2022	3,241
2023	3,243
2024	3,244
2025	3,258
Thereafter	146,008
Total future minimum lease payments ⁽¹⁾	162,277
Less: interest	(101,360)
Present value of operating lease liabilities	<u>\$ 60,917</u>

⁽¹⁾ Based on payment amounts as of December 31, 2020.

19. Income Taxes

For U.S. federal income tax purposes, we elected to be taxed as a REIT under the Code. To qualify as a REIT, we must meet certain organizational and operational stipulations, including a requirement that we distribute at least 90% of our REIT taxable income, excluding net capital gains, to our stockholders. We currently intend to adhere to these requirements and maintain our REIT status. If we fail to qualify as a REIT in any taxable year, we will be subject to U.S. federal income taxes at regular corporate rates (including any applicable alternative minimum tax) and may not qualify as a REIT for four subsequent taxable years. Even if we qualify for taxation as a REIT, we may be subject to certain state and local taxes as well as to federal income and excise taxes on our undistributed taxable income.

At December 31, 2020, twelve of our hotel properties were leased to TRS lessees and The Ritz-Carlton St. Thomas was owned by our USVI TRS. The TRS entities recognized net book income (loss) before income taxes of \$(27.0) million, \$31.0 million and \$16.4 million for the years ended December 31, 2020, 2019 and 2018, respectively.

BRAEMAR HOTELS & RESORTS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The following table reconciles the income tax expense at statutory rates to the actual income tax expense recorded (in thousands):

	Year Ended December 31,		
	2020	2019	2018
Income tax (expense) benefit at federal statutory income tax rate of 21%	\$ 5,619	\$ (6,509)	\$ (3,452)
State income tax (expense) benefit, net of U.S. federal income tax benefit	3,136	107	(248)
State and local income tax (expense) benefit on pass-through entity subsidiaries	(5)	(16)	(64)
Gross receipts and margin taxes	(13)	(67)	(100)
Benefit of USVI Economic Development Commission credit	783	5,614	950
Other	311	16	(311)
Valuation allowance	(5,425)	(909)	793
Total income tax (expense) benefit	<u>\$ 4,406</u>	<u>\$ (1,764)</u>	<u>\$ (2,432)</u>

The components of income tax expense are as follows (in thousands):

	Year Ended December 31,		
	2020	2019	2018
Current:			
Federal	\$ 3,431	\$ (765)	\$ (2,536)
State	19	(235)	(703)
Total current income tax (expense) benefit	<u>3,450</u>	<u>(1,000)</u>	<u>(3,239)</u>
Deferred:			
Federal	1,262	(357)	(80)
State	(306)	(407)	887
Total deferred income tax (expense) benefit	<u>956</u>	<u>(764)</u>	<u>807</u>
Total income tax (expense) benefit	<u>\$ 4,406</u>	<u>\$ (1,764)</u>	<u>\$ (2,432)</u>

For the years ended December 31, 2020, 2019 and 2018, income tax expense included interest and penalties paid to taxing authorities of \$7,000, \$27,000 and \$18,000, respectively. At December 31, 2020 and 2019, we determined that there were no amounts to accrue for interest and penalties due to taxing authorities.

BRAEMAR HOTELS & RESORTS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

At December 31, 2020 and 2019, our net deferred tax asset, included in “other assets,” and net deferred tax liability, included in “accounts payable and accrued expenses,” respectively, on our consolidated balance sheets, consisted of the following (in thousands):

	December 31,	
	2020	2019
Deferred tax assets (liabilities):		
Tax intangibles basis greater than book basis.....	\$ 718	\$ 1,101
Allowance for doubtful accounts.....	50	36
Unearned income.....	1,314	469
Federal and state net operating losses.....	14,166	13,344
Capital Loss Carryforward.....	523	192
Other.....	399	(4)
Accrued expenses.....	465	659
Tax property basis greater than book basis.....	(2,721)	(2,910)
Prepaid expenses.....	(91)	(2,377)
Net deferred tax asset.....	14,823	10,510
Valuation allowance.....	(14,938)	(11,581)
Net deferred tax asset (liability).....	<u>\$ (115)</u>	<u>\$ (1,071)</u>

At December 31, 2020 and 2019, we recorded a valuation allowance of \$14.9 million and \$11.6 million, respectively, to partially reserve the deferred tax assets of our TRSs. Primarily as a result of the limitation imposed by the Code on the utilization of net operating losses of acquired subsidiaries and the history of losses of our USVI TRS, we believe it is more likely than not that \$14.9 million of our deferred tax assets will not be realized, and therefore, have provided a valuation allowance to reserve against the balances.

At December 31, 2020, we had TRSs net operating loss carryforwards for U.S. federal income tax purposes of \$68.7 million, of which \$54.0 million will begin to expire in 2023. The remainder was generated after December 2017 and is not subject to expiration under the Tax Cuts and Jobs Act. \$53.3 million of net operating loss carryforwards are attributable to acquired subsidiaries and are subject to substantial limitation on their use. We do not recognize deferred tax assets and a valuation allowance for the REIT since the REIT distributes its taxable income as dividends to stockholders, and in turn, the stockholders incur income taxes on those dividends.

The following table summarizes the changes in the valuation allowance (in thousands):

	Year Ended December 31,		
	2020	2019	2018
Balance at beginning of year.....	\$ 11,581	\$ 14,483	\$ 15,422
Additions.....	3,357	—	—
Deductions.....	—	(2,902)	(939)
Balance at end of year.....	<u>\$ 14,938</u>	<u>\$ 11,581</u>	<u>\$ 14,483</u>

The USVI TRS operates under a tax holiday in the U.S. Virgin Islands, which is effective through December 31, 2028, and may be extended if certain additional requirements are satisfied. The tax holiday is conditional upon our meeting certain employment and investment thresholds. The impact of this tax holiday decreased current foreign taxes by \$0, \$807,000 and \$40,000 for the years ended December 31, 2020, 2019 and 2018, respectively. The benefit of the tax holiday on net income (loss) per share was approximately, \$0.00, \$0.02 and \$0.00 for the years ended December 31, 2020, 2019 and 2018, respectively.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) was signed into law and includes certain income tax provisions relevant to businesses. The Company is required to recognize the effect on the consolidated financial statements in the period the law was enacted. For the year ended December 31, 2020, the CARES Act allowed us to record a tax benefit of \$3.4 million for the 2020 net operating loss at our TRS that will be carried back to prior tax years.

BRAEMAR HOTELS & RESORTS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

On December 27, 2020, the Consolidated Appropriations Act, 2021 was signed into law, and extended several COVID-19 tax related measures passed as part of the “CARES Act”. The Company is required to recognize the effect on the consolidated financial statements in the period the law was enacted, which is the period ended December 31, 2020. The Consolidated Appropriations Act, 2021 did not have a material impact on the Company’s consolidated financial statements for the year ended December 31, 2020.

20. Intangible Assets, net

Intangible assets, net consisted of the following (in thousands):

	December 31,	
	2020	2019
Cost.....	\$ 5,682	\$ 5,682
Accumulated amortization.....	(1,042)	(663)
	\$ 4,640	\$ 5,019

As of December 31, 2018, intangible assets represented favorable market-rate leases which relate to the acquisitions of the Hilton La Jolla Torrey Pines hotel in La Jolla, CA and the Bardessono Hotel and Spa in Yountville, CA, which are being amortized over the lease terms with expiration dates of 2067 and 2105, respectively. Intangible assets also include the customer relationships associated with The Ritz-Carlton Sarasota acquisition on April 4, 2018. The customer relationships are being amortized over the 15 year expected life.

Prior to June 1, 2018 we held an intangible liability that represented an unfavorable market-rate lease which related to the acquisition of the Tampa Renaissance in Tampa, FL, which was being amortized over the remaining initial lease term that was set to expire in 2080. The hotel property was sold on June 1, 2018. The unamortized balance was written off as of the time of the sale and included in the calculation of gain/loss. See note 5.

Following the adoption of ASC 842 on January 1, 2019, we derecognized the intangible assets associated with favorable market-rate leases where we are the lessee in the amount of \$22.3 million. The carrying amount of the ROU assets was then adjusted by the corresponding amount. See notes 2 and 18. As a result, as of December 31, 2020, intangible assets include the customer relationships associated with The Ritz-Carlton Sarasota acquisition only.

For the years ended December 31, 2020, 2019 and 2018, amortization related to intangible assets was \$379,000, \$379,000 and \$549,000, respectively, and amortization related to the intangible liability was \$0, \$0 and \$23,000, respectively.

Estimated future amortization expense for intangible assets, net for each of the next five years and thereafter is as follows (in thousands):

	Intangible Assets, net
2021.....	\$ 379
2022.....	379
2023.....	379
2024.....	379
2025.....	379
Thereafter.....	2,745
Total.....	\$ 4,640

BRAEMAR HOTELS & RESORTS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

21. Concentration of Risk

Our investments are all concentrated within the hotel industry. All of our hotel properties are located within the U.S. and its territories. For the year ended December 31, 2020, four of our hotel properties generated revenues in excess of 10% of total hotel revenue amounting to 59% of total hotel revenue.

Financial instruments that potentially subject us to significant concentrations of credit risk consist principally of cash and cash equivalents. We are exposed to credit risk with respect to cash held at various financial institutions that are in excess of the FDIC insurance limits of \$250,000 and amounts due or payable under our derivative contracts. Our counterparties to our derivative contracts are investment grade financial institutions.

22. Segment Reporting

We operate in one business segment within the hotel lodging industry: direct hotel investments. Direct hotel investments refers to owning hotel properties through either acquisition or new development. We report operating results of direct hotel investments on an aggregate basis as substantially all of our hotel investments have similar economic characteristics and exhibit similar long-term financial performance. As of December 31, 2020 and December 31, 2019, all of our hotel properties were in the U.S. and its territories.

23. Subsequent Events

On February 4, 2021, the Company entered into a Standby Equity Distribution Agreement (the “SEDA”) with YA II PN, Ltd. (“YA”), pursuant to which the Company will be able to sell up to 7,780,786 shares of its common stock. As of March 3, 2021, the Company has sold approximately 1.2 million shares of common stock and received proceeds of approximately \$6.4 million have been sold under the SEDA.

On February 22, 2021, the Company entered into the Second Amendment to Second Amended and Restated Credit Agreement. The amendment provides an extension of the waiver on the majority of the covenants through the fourth quarter of 2021 and a reduced fixed charge coverage ratio covenant through the end of 2022. The first period in which covenants will be tested is for the fiscal quarter ending March 31, 2022. The amendment also allows the Company to utilize approximately \$9.3 million of cash held in FF&E reserve accounts at certain properties for discretionary capital expenditures.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, our management has evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of December 31, 2020. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2020, as a result of the material weakness in our internal control over financial reporting related to the accounting for troubled debt restructurings described below that was identified in the third quarter of 2020 and for which it was not possible for the Company to remediate during the fourth quarter of 2020 because there were no similar transactions to evaluate, our disclosure controls and procedures were not effective to ensure that (i) information required to be disclosed in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) information required to be disclosed in the reports that we file or submit under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures.

Management's Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting and for the assessment of the effectiveness of our internal control over financial reporting. The internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and our expenditures are being made only in accordance with authorizations of management and our directors and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2020. In making the assessment of the effectiveness of our internal control over financial reporting, management has utilized the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, (2013 framework) (“COSO”).

Based on management's assessment of these criteria, we concluded that, as of December 31, 2020, our internal control over financial reporting is not effective.

During our financial statement close process for the period ended September 30, 2020, we identified a material weakness related solely to the review controls over accounting for troubled debt restructurings as of September 30, 2020 (the “Debt Accounting Review”). A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. As part of the Debt Accounting Review, the Company inappropriately applied the related GAAP accounting standard when accounting for its forbearance and other agreements that allowed for the forgiveness of default interest and late charges. This error resulted in a misstatement of the Company's previously issued second quarter and third quarter earnings press releases furnished on Form 8-K.

The execution of the applicable control is highly complex, and the facts and circumstances underlying the deficiency do not occur frequently. Because the Company's review controls did not result in the Company applying GAAP specifically related to troubled debt restructurings correctly in its consolidated financial statements, the Company's control was deemed to be ineffective.

The Company's previously issued financial results for the three and six months ended June 30, 2020 and the three and nine months ended September 30, 2020 were corrected in the Quarterly Report on Form 10-Q for the quarter ended September 30, 2020 to properly reflect the correct accounting for troubled debt restructurings.

To prevent future material weaknesses from arising in similar circumstances, during the fourth quarter of 2020, the Company designed a new control whereby management will engage a third-party accounting expert to assist management in assessing the accounting for similar transactions in its consolidated financial statements. However, the Company did not enter into any similar transactions during the fourth quarter of 2020, and therefore it was not possible for the Company to test whether the new control was designed and operating effectively as of December 31, 2020. As a result, the material weakness still exists as of December 31, 2020.

We reviewed the results of management's assessment with the audit committee of our board of directors.

Notwithstanding the material weakness described above, management has concluded that our consolidated financial statements included in this Annual Report on Form 10-K are fairly stated in all material respects in accordance with GAAP.

The effectiveness of our internal control over financial reporting as of December 31, 2020 has been audited by BDO USA LLP, an independent registered public accounting firm, as stated in their report which appears in this Annual Report on Form 10-K.

Report of Independent Registered Public Accounting Firm

Stockholders and Board of Directors
Braemar Hotels & Resorts Inc.
Dallas, Texas

Opinion on Internal Control over Financial Reporting

We have audited Braemar Hotels & Resorts Inc.'s (the "Company's") internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO criteria"). In our opinion, the Company did not maintain, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on the COSO criteria.

We do not express an opinion or any other form of assurance on management's statements referring to any corrective actions taken by the Company after the date of management's assessment.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of the Company as of December 31, 2020 and 2019, the related consolidated statements of operations, comprehensive income (loss), equity, and cash flows for each of the three years in the period ended December 31, 2020, and the related notes and schedule (collectively referred to as "the financial statements") and our report dated March 5, 2021 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Item 9A, Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit of internal control over financial reporting in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. A material weakness regarding management's failure to design and maintain effective controls over accounting for troubled debt restructurings has been identified and is more fully described in management's assessment. This material weakness was considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2020 financial statements, and this report does not affect our report dated March 5, 2021 on those financial statements.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ BDO USA, LLP

Dallas, Texas
March 5, 2021

Changes in Internal Control over Financial Reporting

There were no changes in our internal controls over financial reporting during our most recent fiscal quarter ended December 31, 2020 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required in response to this Item 10 is incorporated herein by reference to our definitive proxy statement to be filed with the SEC pursuant to Regulation 14A promulgated under the Exchange Act not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

Item 11. Executive Compensation

The information required in response to this Item 11 is incorporated herein by reference to our definitive proxy statement to be filed with the SEC pursuant to Regulation 14A promulgated under the Exchange Act not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required in response to this Item 12 is incorporated herein by reference to our definitive proxy statement to be filed with the SEC pursuant to Regulation 14A promulgated under the Exchange Act not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required in response to this Item 13 is incorporated herein by reference to our definitive proxy statement to be filed with the SEC pursuant to Regulation 14A promulgated under the Exchange Act not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

Item 14. Principal Accountant Fees and Services

The information required in response to this Item 14 is incorporated herein by reference to our definitive proxy statement to be filed with the SEC pursuant to Regulation 14A promulgated under the Exchange Act not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a), (c) Financial Statement Schedules

See “Item 8. Financial Statements and Supplementary Data,” on pages 120 through 165 hereof, for a list of our consolidated financial statements and report of independent registered public accounting firm.

The following financial statement schedule is included herein on page 176 through page 177 hereof.

Schedule III – Real Estate and Accumulated Depreciation

All other financial statement schedules have been omitted because such schedules are not required under the related instructions, such schedules are not significant, or the required information has been disclosed elsewhere in the consolidated financial statements and related notes thereto.

(b) Exhibits

Exhibit Number	Exhibit Description
2.1	Separation and Distribution Agreement between Ashford Hospitality Prime, Inc., Ashford Hospitality Trust, Inc. and the other parties thereto (incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K filed on November 12, 2013) (File No. 001-35972)
2.2	Separation and Distribution Agreement Correction between Ashford Hospitality Prime, Inc., Ashford Hospitality Trust, Inc. and the other parties thereto (incorporated by reference to Exhibit 2.2 of the Registration Statement on Form S-11 filed on December 19, 2013) (File No. 001-35972)
2.3	Agreement of Purchase and Sale, dated as of May 20, 2016, by and between Washington Real Estate Holdings, LLC and Ashford Seattle Downtown LP (incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K filed on July 7, 2016) (File No. 001-35972)
3.1	Articles of Amendment and Restatement of Ashford Hospitality Prime, Inc. (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed on April 29, 2016) (File No. 001-35972)
3.1.1	Amendment Number One to the Articles of Amendment and Restatement of Ashford Hospitality Prime, Inc. (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed on December 8, 2017) (File No. 001-35972)
3.1.2	Amendment Number Two to Articles of Amendment and Restatement of Braemar Hotels & Resorts Inc. (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed on April 23, 2018) (File No. 001-35972)
3.1.3	Articles of Amendment of Braemar Hotels & Resorts Inc., accepted for record and certified by the SDAT on January 23, 2020 (incorporated by reference to Exhibit 3.13 to Amendment No. 1 to the Registration Statement on Form S-3 (File No. 333-234663) filed with the SEC on January 24, 2020)
3.2	Fourth Amended and Restated Bylaws of Braemar Hotels & Resorts Inc. (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed on August 20, 2018) (File No. 001-35972)
3.3	Articles of Amendment of Ashford Hospitality Prime, Inc. (incorporated by reference to Exhibit 3.2 to the Current Report on Form 8-K filed on April 29, 2016) (File No. 001-35972)
3.4	Articles Supplementary of Ashford Hospitality Prime, Inc. (incorporated by reference to Exhibit 3.3 to the Current Report on Form 8-K filed on April 29, 2016) (File No. 001-35972)
3.5	Articles Supplementary for 5.50% Series A Cumulative Convertible Preferred Stock of Ashford Hospitality Prime, Inc., as amended by a Certificate of Correction (incorporated by reference to Exhibit 3.4 to the Current Report on Form 8-K filed on April 29, 2016) (File No. 001-35972)
3.6	Articles Supplementary for 5.50% Series B Cumulative Convertible Preferred Stock of Ashford Hospitality Prime, Inc., accepted for record and certified by the Maryland State Department of Assessments and Taxation on December 4, 2015 (incorporated by reference to Exhibit 3.5 to the Current Report on Form 8-K filed on April 29, 2016) (File No. 001-35972)
3.6.1	Articles Supplementary Establishing Additional Shares of the Series B Preferred Stock of Ashford Hospitality Prime, Inc., as filed with the State Department of Assessments and Taxation of Maryland on March 3, 2017 (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed on March 7, 2017) (File No. 001-35972)
3.6.2	Articles Supplementary Establishing Additional Shares of Series B Preferred Stock of Braemar Hotels & Resorts Inc., accepted for record and certified by the Maryland State Department of Assessments and Taxation on December 4, 2019 (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed on December 4, 2019) (File No. 001-35972)
3.7	Articles Supplementary for the Series C Preferred Stock of Ashford Hospitality Prime, Inc., as filed with the State Department of Assessments and Taxation of Maryland on February 1, 2016 (incorporated by reference to Exhibit 3.6 to the Current Report on Form 8-K filed on April 29, 2016) (File No. 001-35972)
3.8	Articles Supplementary for the Series D Cumulative Preferred Stock, accepted for record and certified by the Maryland State Department of Assessments and Taxation on November 19, 2018 (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed on November 19, 2018) (File No. 001-35972)
3.9	Articles Supplementary Establishing the Series E Redeemable Preferred Stock of Braemar Hotels & Resorts Inc., accepted for record and certified by the SDAT on January 23, 2020 (incorporated by reference to Exhibit 3.14 to Amendment No. 1 to the Registration Statement on Form S-3 (File No. 333-234663) filed with the SEC on January 24, 2020)
3.10	Articles Supplementary Establishing the Series M Redeemable Preferred Stock of Braemar Hotels & Resorts Inc., accepted for record and certified by the SDAT on January 23, 2020 (incorporated by reference to Exhibit 3.15 to Amendment No. 1 to the Registration Statement on Form S-3 (File No. 333-234663) filed with the SEC on January 24, 2020)

- 4.1 Specimen Common Stock Certificate of Ashford Hospitality Prime, Inc. (incorporated by reference to Exhibit 4.1 to Amendment No. 4 to the Registration Statement on Form 10 filed on October 23, 2013) (File No. 001-35972)
- 4.2 Preemptive Rights Agreement, dated as of June 9, 2015, by and among Ashford Hospitality Prime, Inc. and certain investors in the Series A Preferred Stock (incorporated by reference to Exhibit 4.3 to the Current Report on Form 8-K filed on June 15, 2015) (File No. 001-35972)
- 4.3 Registration Rights Agreement, dated December 4, 2015, by and among the Company, the Operating Partnership, the Advisor and certain holders of the Series B Preferred Stock (Incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K filed on December 10, 2015) (File No. 001-35972)
- 4.4 Preemptive Rights Agreement, dated as of December 4, 2015, by and among the Company and the Series B Investors (incorporated by reference to Exhibit 4.3 to the Current Report on Form 8-K filed on December 10, 2015) (File No. 001-35972)
- 4.5 * Description of Securities
 - 10.1 Third Amended and Restated Agreement of Limited Partnership of Ashford Hospitality Prime Limited Partnership, dated March 7, 2017 (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on March 7, 2017) (File No. 001-35972)
 - 10.1.1 Amendment No. 2 to the Third Amended and Restated Agreement of Limited Partnership of Braemar Hotels & Resorts Limited Partnership, dated November 20, 2018 (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on November 20, 2018) (File No. 001-35972)
 - 10.1.2 Amendment No. 3 to the Third Amended and Restated Agreement of Limited Partnership of Braemar Hospitality Limited Partnership (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on December 4, 2019) (File No. 001-35972)
 - 10.1.3 Amendment No. 4 to the Third Amended and Restated Agreement of Limited Partnership of Braemar Hospitality Limited Partnership (incorporated by reference to Exhibit 10.1 of Form 8-K filed on January 24, 2020)
 - 10.2 Fifth Amended and Restated Advisory Agreement, dated as of April 23, 2018, among Braemar Hotels & Resorts Inc., Braemar Hospitality Limited Partnership, Braemar TRS Corporation, Ashford Hospitality Advisors LLC and Ashford Inc. (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed on April 23, 2018) (File No. 001-35972)
 - 10.2.1 Enhanced Return Funding Program Agreement and Amendment No. 1 to the Fifth Amended and Restated Advisory Agreement, dated January 15, 2019, by and among Braemar Hotels & Resorts Inc., Braemar Hospitality Limited Partnership, Braemar TRS Corporation, Ashford Inc. and Ashford Hospitality Advisors LLC (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed on January 18, 2019) (File No. 001-35972)
- 10.3 Right of First Offer Agreement between Ashford Hospitality Trust, Inc. and Ashford Hospitality Prime, Inc., dated November 19, 2013 (incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K filed on November 25, 2013) (File No. 001-35972)
- 10.4 Amended and Restated Ashford Hospitality Prime, Inc. 2013 Equity Incentive Plan, dated November 5, 2013 (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on November 12, 2013) (File No. 001-35972)
- 10.5† Ashford Hospitality Prime, Inc. Advisor Equity Incentive Plan (incorporated by reference to Exhibit 10.5 of the Registration Statement on Form S-11 filed on December 19, 2013) (File No. 001-35972)
- 10.6 Option Agreement Pier House Resort & Spa by and between Ashford Hospitality Prime Limited Partnership and Ashford Hospitality Limited Partnership with respect to the Properties Entities, and Ashford TRS Corporation and Ashford Prime TRS Corporation with respect to the TRS Entity, dated November 19, 2013 (incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K filed on November 25, 2013) (File No. 001-35972)
- 10.7 Amended and Restated Braemar Mutual Exclusivity Agreement, dated August 8, 2018, by and among Braemar Hospitality Limited Partnership, Braemar Hotels & Resorts, Inc., Remington Lodging & Hospitality, LLC, as consented to by Monty J. Bennett (incorporated by reference to Exhibit 10.3 of the Current Report on Form 8-K filed August 14, 2018) (File No. 001-35972)
 - 10.7.1 Braemar Mutual Exclusivity Agreement, dated August 8, 2018, by and among Braemar Hospitality Limited Partnership, Braemar Hotels & Resorts, Inc. and Project Management LLC (incorporated by reference to Exhibit 10.4 of the Current Report on Form 8-K filed August 14, 2018) (File No. 001-35972)
- 10.8 Amended and Restated Braemar Hotel Master Management Agreement, dated August 8, 2018, by and among Braemar TRS Corporation, CHH III Tenant Parent Corp., RC Hotels (Virgin Islands), Inc. and Remington Lodging & Hospitality, LLC (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed August 14, 2018) (File No. 001-35972)
 - 10.8.1 Braemar Master Project Management Agreement, dated August 8, 2018, by and among Braemar TRS Corporation, CHH III Tenant Parent Corp., RC Hotels (Virgin Islands), Inc., Braemar Hospitality Limited Partnership and Project Management LLC (incorporated by reference to Exhibit 10.2 of the Current Report on Form 8-K filed August 14, 2018) (File No. 001-35972)

- 10.9 Registration Rights Agreement by and between Ashford Hospitality Prime, Inc., Ashford Hospitality Limited Partnership and Ashford Hospitality Advisors LLC, dated November 19, 2013 (incorporated by reference to Exhibit 10.8 to the Current Report on Form 8-K filed on November 25, 2013) (File No. 001-35972)
- 10.10 Registration Rights Agreement between Ashford Hospitality Prime, Inc., for the benefit of the holders of common partnership units in Ashford Hospitality Prime Limited Partnership named therein, dated November 19, 2013 (incorporated by reference to Exhibit 10.9 to the Current Report on Form 8-K filed on November 25, 2013) (File No. 001-35972)
- 10.11 Schedule of Agreements omitted pursuant to Instruction 2 to Item 601 of Regulation S-K (incorporated by reference to Exhibit 10.13a to Amendment No. 3 to the Registration Statement on Form 10 filed on September 24, 2013) (File No. 001-35972)
- 10.12 Licensing Agreement between Ashford Hospitality Trust, Inc., Ashford Hospitality Prime, Inc. and Ashford Hospitality Prime Limited Partnership, dated November 19, 2013 (incorporated by reference to Exhibit 10.10 to the Current Report on Form 8-K filed on November 25, 2013) (File No. 001-35972)
- 10.13 Loan Agreement, dated as of March 9, 2015, among Ashford Pier House LP, Ashford TRS Pier House LLC, and Credit Agricole Corporate and Investment Bank (incorporated by reference to Exhibit 10.33 to the Annual Report on Form 10-K filed on March 16, 2015) (File No. 001-35972)
- 10.14 Recourse Liability Agreement, dated as of March 9, 2015, made by Ashford Pier House LP, Ashford TRS Pier House LLC, and Ashford Hospitality Prime Limited Partnership for the benefit of Credit Agricole Corporate and Investment Bank (incorporated by reference to Exhibit 10.34 to the Annual Report on Form 10-K filed on March 16, 2015) (File No. 001-35972)
- 10.15 Environmental Indemnity, dated as of March 9, 2015, made by Ashford Pier House LP, Ashford TRS Pier House LLC, and Ashford Hospitality Prime Limited Partnership for the benefit of Credit Agricole Corporate and Investment Bank (incorporated by reference to Exhibit 10.35 to the Annual Report on Form 10-K filed on March 16, 2015) (File No. 001-35972)
- 10.16 Letter Agreement, dated September 17, 2015, by and between Ashford Hospitality Prime, Inc. and Ashford Inc. (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on September 18, 2015) (File No. 001-35972)
- 10.17 Amendment No. 1 to Second Amended and Restated Agreement of Limited Partnership of Ashford Hospitality Prime Limited Partnership (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on April 8, 2016) (File No. 001-35972)
- 10.18† Second Amended and Restated 2013 Equity Incentive Plan of Ashford Hospitality Prime, Inc. (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on August 9, 2016) (File No. 001-35972)
- 10.18.1† Amendment Number One to the Second Amended and Restated 2013 Equity Incentive Plan of Ashford Hospitality Prime, Inc. (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on June 15, 2017) (File No. 001-35972)
- 10.19† Amended and Restated Form of Performance Stock Unit Award Agreement (filed as Exhibit 10.43 to the Annual Report on Form 10-K filed on February 28, 2017) (File No. 001-35972)
- 10.20† Amended and Restated Form of Performance LTIP Unit Award Agreement (filed as Exhibit 10.44 to the Annual Report on Form 10-K filed on February 28, 2017) (File No. 001-35972)
- 10.21† Form of LTIP Unit Award Agreement (filed as Exhibit 10.21 to the Annual Report on Form 10-K filed on March 13, 2020) (File No. 001-35972)
- 10.22† Form of Performance LTIP Unit Award Agreement (filed as Exhibit 10.22 to the Annual Report on Form 10-K filed on March 13, 2020) (File No. 001-35972)
- 10.23† Form of Performance Stock Unit Award Agreement (filed as Exhibit 10.23 to the Annual Report on Form 10-K filed on March 13, 2020) (File No. 001-35972)
- 10.24† Restricted Stock Award Agreement, dated as of November 2, 2016, by and between Ashford Hospitality Prime, Inc. and Richard J. Stockton (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on November 2, 2016) (File No. 001-35972)
- 10.25† Employment Agreement, dated as of November 2, 2016, by and among Ashford Inc., Ashford Hospitality Advisors, LLC and Richard J. Stockton (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed on November 2, 2016) (File No. 001-35972)
- 10.26 Amended and Restated Credit Agreement, dated as of November 10, 2016, by and among Ashford Hospitality Prime Limited Partnership, Ashford Hospitality Prime, Inc., Bank of America, N.A. and the other lenders party thereto (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on November 17, 2016) (File No. 001-35972)

- 10.26.1 Second Amended and Restated Credit Agreement, dated as of October 25, 2019, by and among Braemar Hotels & Resorts Inc., Braemar Hospitality Limited Partnership, Bank of America, N.A. and the other lenders party thereto (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on October 28, 2019) (File No. 001-35972)
- 10.26.2 First Amendment to Second Amended and Restated Credit Agreement, dated June 8, 2020 (incorporated by reference to Exhibit 10.1 of Form 8-K filed June 11, 2020)
- 10.27 Form of Indemnification Agreement between Ashford Hospitality Prime, Inc. and each of its executive officers and directors (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on March 8, 2017) (File No. 001-35972)
- 10.28 Agreement of Purchase and Sale, dated January 13, 2017 between Ashford Hospitality Prime Limited Partnership, a Delaware limited partnership and Hotel Yountville, LLC a California limited liability company, Hotel Yountville Holdings, LLC, a California limited liability company, Altamura Family, LLC, a California limited liability company, and George Altamura, Jr., LLC, a California limited liability company (incorporated by reference to Exhibit 10.1 of the Quarterly Report on Form 10-Q filed on May 9, 2017) (File No. 001-35972)
- 10.28.1 First Amendment of Agreement of Purchase and Sale, dated January 30, 2017, between Hotel Yountville, LLC, a California limited liability company, Hotel Yountville Holdings, LLC, a California limited liability company, Altamura Family, LLC, a California limited liability company, and George Altamura, Jr., LLC, a California limited liability company and Ashford Hospitality Prime Limited Partnership, a Delaware limited partnership (incorporated by reference to Exhibit 10.1.1 of the Quarterly Report on Form 10-Q filed on May 9, 2017) (File No. 001-35972)
- 10.28.2 Second Amendment of Agreement of Purchase and Sale, dated February 28, 2017, by and among Hotel Yountville, LLC, a California limited liability company, Hotel Yountville Holdings, LLC, a California limited liability company, Altamura Family, LLC, a California limited liability company, and George Altamura, Jr., LLC, a California limited liability company and Ashford Hospitality Prime Limited Partnership, a Delaware limited partnership (incorporated by reference to Exhibit 10.1.2 of the Quarterly Report on Form 10-Q filed on May 9, 2017) (File No. 001-35972)
- 10.29 Sale and Purchase Agreement, dated March 9, 2017, by and between, WTCC Beaver Creek Investors V, L.L.C., a Delaware limited liability company, and Ashford Hospitality Prime Limited Partnership, a Delaware limited partnership (incorporated by reference to Exhibit 10.2 of the Quarterly Report on Form 10-Q filed on May 9, 2017) (File No. 001-35972)
- 10.29.1 First Amendment To Sale and Purchase Agreement, dated March 13, 2017, by and between WTCC Beaver Creek Investors V, L.L.C., a Delaware limited liability company, and Ashford Hospitality Prime Limited Partnership, a Delaware limited partnership (incorporated by reference to Exhibit 10.2.1 of the Quarterly Report on Form 10-Q filed on May 9, 2017) (File No. 001-35972)
- 10.30 Form of Director Confidentiality Agreement (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed on July 7, 2017) (File No. 001-35972)
- 10.31 Amended and Restated Employment Agreement, dated as of April 30, 2019, by and among Ashford Inc., Ashford Hospitality Advisors, LLC, and Richard J. Stockton (incorporated by reference to Exhibit 10.28 to the Annual Report on Form 10-K/A filed on April 30, 2019) (File No. 001-35972)
- 10.32 Second Amended and Restated Credit Agreement, dated as of October 25, 2019, by and among Braemar Hotels & Resorts Inc., Braemar Hospitality Limited Partnership, Bank of America, N.A. and the other lenders party thereto (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on October 28, 2019) (File No. 001-35972)
- 10.33 Letter Agreement, dated March 13, 2020, by and between Remington Lodging & Hospitality, LLC and Braemar TRS Corporation (incorporated by reference to Exhibit 10.2 of Form 8-K filed on March 16, 2020)
- 21.1* List of Subsidiaries of Braemar Hotels & Resorts Inc.
- 21.2* List of Special Purpose Entities of Braemar Hotels & Resorts Inc.
- 23.1* Consent of BDO USA, LLP
- 31.1* Certification of the Chief Executive Officer required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended
- 31.2* Certification of the Chief Financial Officer required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended
- 32.1** Certification of the Chief Executive Officer required by Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended (In accordance with SEC Release 33-8212, this exhibit is being furnished, and is not being filed as part of this report or as a separate disclosure document, and is not being incorporated by reference into any Securities Act of 1933 registration statement.)

32.2** Certification of the Chief Financial Officer required by Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended (In accordance with SEC Release 33-8212, this exhibit is being furnished, and is not being filed as part of this report or as a separate disclosure document, and is not being incorporated by reference into any Securities Act of 1933 registration statement.)

* Filed herewith.

** Furnished herewith

† Management contract or compensatory plan or arrangement.

The following materials from the Company's Annual Report on Form 10-K for the year ended December 31, 2020 are formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheets; (ii) Consolidated Statements of Operations; (iii) Consolidated Statements Comprehensive Income (Loss); (iii) Consolidated Statements of Equity; (iv) Consolidated Statements of Cash Flows; and (v) Notes to Consolidated Financial Statements. In accordance with Rule 402 of Regulation S-T, the XBRL related information in Exhibit 101 to this Annual Report on Form 10-K shall not be deemed to be "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and shall not be part of any registration statement or other document filed under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the XBRL document	
101.SCH	Inline XBRL Taxonomy Extension Schema Document.	<i>Submitted electronically with this report.</i>
101.CAL	Inline XBRL Taxonomy Calculation Linkbase Document.	<i>Submitted electronically with this report.</i>
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.	<i>Submitted electronically with this report.</i>
101.LAB	Inline XBRL Taxonomy Label Linkbase Document.	<i>Submitted electronically with this report.</i>
101.PRE	Inline XBRL Taxonomy Presentation Linkbase Document.	<i>Submitted electronically with this report.</i>
104	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101)	

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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, on March 5, 2021.

BRAEMAR HOTELS & RESORTS INC.

By: /s/ RICHARD J. STOCKTON

Richard J. Stockton

President and Chief Executive Officer

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, this report has been signed below on behalf of the Registrant in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ MONTY J. BENNETT</u> Monty J. Bennett	Chairman of the Board of Directors	March 5, 2021
<u>/s/ RICHARD J. STOCKTON</u> Richard J. Stockton	President and Chief Executive Officer (Principal Executive Officer)	March 5, 2021
<u>/s/ DERIC S. EUBANKS</u> Deric S. Eubanks	Chief Financial Officer (Principal Financial Officer)	March 5, 2021
<u>/s/ MARK L. NUNNELEY</u> Mark L. Nunneley	Chief Accounting Officer (Principal Accounting Officer)	March 5, 2021
<u>/s/ STEFANI D. CARTER</u> Stefani D. Carter	Director	March 5, 2021
<u>/s/ CURTIS B. MCWILLIAMS</u> Curtis B. McWilliams	Director	March 5, 2021
<u>/s/ MATTHEW D. RINALDI</u> Matthew D. Rinaldi	Director	March 5, 2021
<u>/s/ KENNETH H. FEARN, JR.</u> Kenneth H. Fearn, Jr.	Director	March 5, 2021
<u>/s/ ABTEEN VAZIRI</u> Abteen Vaziri	Director	March 5, 2021
<u>/s/ MARY CANDACE EVANS</u> Mary Candace Evans	Director	March 5, 2021

SCHEDULE III
BRAEMAR HOTELS & RESORTS INC. AND SUBSIDIARIES
REAL ESTATE AND ACCUMULATED DEPRECIATION
December 31, 2020
(in thousands)

Column A Hotel Property	Column B Encumbrances	Column C Initial Cost		Column D Costs Capitalized Since Acquisition		Column E Gross Carrying Amount At Close of Period		Column F Accumulated Depreciation	Column G Construction Date	Column H Acquisition Date	Column I Income Statement	
		FF&E, Buildings and improvements		FF&E, Buildings and improvements		FF&E, Buildings and improvements						Total
		Land	Buildings and improvements	Land	Buildings and improvements	Land	Buildings and improvements					
Capital Hilton	\$ 108,223	\$ 45,721	\$ 106,245	\$ —	\$ 36,991	\$ 45,721	\$ 143,236	\$ 188,957	—	04/2007	(1),(2),(3)	
Hilton La Jolla Torrey Pines	89,006	—	114,614	—	9,856	—	124,470	124,470	—	04/2007	(1),(2),(3)	
Marriott Seattle Waterfront	134,700	31,888	112,176	—	6,241	31,888	118,417	150,305	—	04/2007	(1),(2),(3)	
The Notary Hotel	84,600	9,814	94,029	—	38,562	9,814	132,591	142,405	—	04/2007	(1),(2),(3)	
The Clancy	116,300	22,653	72,731	—	67,013	22,653	139,744	162,397	—	04/2007	(1),(2),(3)	
Sofitel Chicago Magnificent Mile	99,400	12,631	140,369	—	12,018	12,631	152,387	165,018	—	02/2014	(1),(2),(3)	
Pier House Resort & Spa	80,000	59,731	33,011	—	6,272	59,731	39,283	99,014	—	03/2014	(1),(2),(3)	
Bardessono Hotel and Spa	40,000	—	64,184	—	3,968	—	68,152	68,152	—	07/2015	(1),(2),(3),(4)	
Hotel Yountville	51,000	47,849	48,567	—	(321)	47,849	48,246	96,095	—	05/2017	(1),(2),(3)	
Park Hyatt Beaver Creek Resort & Spa	67,500	89,117	56,383	—	4,932	89,117	61,315	150,432	—	03/2017	(1),(2),(3)	
The Ritz-Carlton Sarasota	100,000	83,630	99,782	—	(5,340)	83,630	94,442	178,072	—	04/2018	(1),(2),(3)	
The Ritz-Carlton St. Thomas	42,500	25,533	38,467	—	76,466	25,533	114,933	140,466	—	12/2015	(1),(2),(3)	
The Ritz-Carlton Lake Tahoe	54,000	26,731	91,603	—	732	26,731	92,335	119,066	—	01/2019	(1),(2),(3)	
Total	\$ 1,067,229	\$ 455,298	\$ 1,072,161	\$ —	\$ 257,390	\$ 455,298	\$ 1,329,551	\$ 1,784,849	\$ 360,259			

(1) Estimated useful life for buildings is 39 years.

(2) Estimated useful life for building improvements is 7.5 years.

(3) Estimated useful life for furniture and fixtures is 1.5 to 5 years.

(4) Amount includes transfer of FF&E to Ashford Inc. in return for the key money consideration.

	Year Ended December 31,		
	2020	2019	2018
Investment in real estate:			
Beginning balance	\$ 1,791,174	\$ 1,562,806	\$ 1,403,110
Additions	16,067	262,541	267,224
Write-offs	(22,392)	(14,445)	(22,134)
Impairment	—	(476)	(5,885)
Sales/disposals	—	(19,252)	(79,509)
Ending balance	<u>\$ 1,784,849</u>	<u>\$ 1,791,174</u>	<u>\$ 1,562,806</u>
Accumulated depreciation:			
Beginning balance	309,752	262,905	257,268
Depreciation expense	72,899	69,195	56,884
Impairment	—	(105)	(3,570)
Write-offs	(22,392)	(14,445)	(22,134)
Sales/disposals	—	(7,798)	(25,543)
Ending balance	<u>\$ 360,259</u>	<u>\$ 309,752</u>	<u>\$ 262,905</u>
Investment in real estate, net	<u>\$ 1,424,590</u>	<u>\$ 1,481,422</u>	<u>\$ 1,299,901</u>

Officers and Directors

OFFICERS

Richard J. Stockton

Chief Executive Officer
& President

Deric S. Eubanks

Chief Financial Officer and Treasurer

Mark L. Nunneley

Chief Accounting Officer

Jeremy J. Welter

Chief Operating Officer

Robert G. Haiman

Executive Vice President
General Counsel & Secretary

BOARD OF DIRECTORS

Monty J. Bennett

Chairman of the Board

Stefani D. Carter

Litigation Shareholder
Ferguson Braswell Fraser Kubasta PC

Mary C. Evans

Founder & Publisher
CandysDirt.com & SecondShelters.com

Kenneth H. Fearn JR.

Managing Partner
Integrated Capital

Curtis B. McWilliams

President & CEO
CNL Real Estate Advisors, Inc (Retired)

Matthew D. Rinaldi

General Counsel
Qantas Healthcare Management

Richard J. Stockton

Chief Executive Officer
& President

Abteen Vaziri

Managing Director
Brevet Capital Management

Corporate Information

Corporate Office

Braemar Hotels & Resorts Inc.
14185 Dallas Parkway, Suite 1200
Dallas, Texas 75254
Telephone: (972) 490-9600
www.bhrreit.com

Registrar and Transfer Agent

Computershare Trust Company, N.A.
Canton, Massachusetts

Independent Auditors

BDO USA, LLP
Dallas, Texas

Legal Counsel

Cadwalader, Wickersham & Taft, LLP
New York, New York

Annual Report on Form 10-K/Investor Contact

A copy of the Braemar Hotels & Resorts Annual Report on Form 10-K for fiscal 2020, was filed with the Securities and Exchange Commission on March 5, 2021 is included with this report. Additional copies of the report and copies of the exhibits referenced therein are available from the Company. Requests for these items and other investor contacts should be directed to Joseph Calabrese of Financial Relations Board at (212) 827-3772.

Forward-Looking Statements

This report contains forward-looking statements within the meaning of the federal securities laws. Braemar Hotels & Resorts, Inc (the "Company" or "we" or "our") cautions investors that any forward-looking statements presented herein, or which management may make orally or in writing from time to time, are based on management's beliefs and assumptions at that time. Throughout this report, words such as "anticipate," "believe," "expect," "intend," "may," "might," "plan," "estimate," "project," "should," "will," "result," and other similar expressions, which do not relate solely to historical matters, are intended to identify forward-looking statements. Such statements are subject to risks, uncertainties, and assumptions and are not guarantees of future performance, which may be affected by known and unknown risks, trends, uncertainties, and factors beyond our control. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated, or projected. We caution investors that while forward-looking statements reflect our good faith beliefs at the time they are made, such statements are not guarantees of future performance and are impacted by actual events that occur after such statements are made. We expressly disclaim any responsibility to update forward-looking statements, whether as a result of new information, future events, or otherwise. Accordingly, investors should use caution in relying on past forward-looking statements, which are based on results and trends at the time they are made, to anticipate future results or trends. Some of the risks and uncertainties that may cause our actual results, performance, or achievements to differ materially from those expressed or implied by forward-looking statements include, among others, those discussed in our Annual Report on Form 10-K under the heading "Risk Factors." These risks and uncertainties continue to be relevant to our performance and financial condition. Moreover, we operate in a very competitive and rapidly changing environment where new risk factors emerge from time to time. It is not possible for management to predict all such risk factors, nor can it assess the impact of all such risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results.

Annual Meeting

The annual meeting of shareholders will be held on May 11, 2021, at 9:00 a.m. CT at Embassy Suites by Hilton Dallas Near the Galleria 14021 Noel Road, Dallas, TX 75240. Shareholders of record as of the close of business on March 15, 2021 will be entitled to vote at this meeting.

