

2022 ANNUAL REPORT



BRAEMAR
HOTELS & RESORTS

Dear Fellow Shareholder,

Not only was 2022 characterized by impressive internal growth from our existing properties, but it was also noteworthy for achieving the highest dollar volume of acquisitions in the Company's history. With over \$450 million in acquisitions in two fantastic resort assets, our predominantly luxury hotel portfolio was further reinforced as the most sought after amongst lodging REITs. Furthermore, our balance of resorts and urban properties has continued to serve us well as the urban segment is now also following the strong resurgence that we have seen in our luxury resorts over the past two years.

Although the year started off slowly with the fear of another virus variant haunting the industry in January and February, soon it was apparent that these fears were overblown and the industry would overcome this minor obstacle. Travel and tourism quickly resumed and the lodging industry began a dramatic surge through the balance of 2022. The lodging industry posted performance exceeding pre-pandemic levels as flight schedules were reinstated and cruise ships started sailing again. Growth was in full gear.

While supply chains were reconnecting and labor shortages replenishing, economists also realized that we were all going to have to pay for the historic levels of stimulus that had been pumped into the economy – in the form of excessively high inflation. The Fed acted swiftly and began a historically fast interest rate hiking program to quell this inflation, resulting in higher variable interest rates, depressed corporate profits and a corresponding correction in the stock market, layoffs, and predictions of a 2023 recession. Furthermore, higher interest rates meant that the hotel debt capital markets froze – at least temporarily – and only reopened with lower advance rates and higher interest costs. But to our benefit, this significantly tamped down buying competition from private equity investors in our sector.

However, this higher cost of capital also spelled bad news for the share prices of lodging REITs, resulting in compressing equity trading multiples to all-time lows. So, despite solid top line performance and enduring margins, the stock market all but abandoned the lodging sector,

including Braemar. By December, many of the lodging REITs were trading at 52-week lows or worse. We responded by initiating a share buyback program and reinstating our common equity dividend to demonstrate our confidence in the company and its outlook. The share price responded in kind.

While many of our peers spent the year stuck on the sidelines with their private equity brethren, we viewed this time as an opportunity to expand our footprint through acquisitions. Utilizing attractively priced capital raised from our non-traded preferred equity offering, we moved opportunistically to acquire the Ritz-Carlton Dorado Beach and the Four Seasons Scottsdale at Troon North at enticing valuations.

Looking forward, Braemar has emerged from the pandemic even bigger and stronger and ready to deliver superior stockholder returns. We are excited about the opportunities that lie ahead. Thank you for joining us on this journey.

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



The Ritz-Carlton Reserve Dorado Beach
Dorado, Puerto Rico



Mr. C Beverly Hills
Beverly Hills, 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



Four Seasons Resort Scottsdale at Troon North
Scottsdale, AZ

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, 2022

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

46-2488594

(State or other jurisdiction of incorporation or organization)

(IRS employer identification number)

14185 Dallas Parkway
Suite 1200
Dallas
Texas

75254

(Address of principal executive offices)

(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	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant 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. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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, 2022, the aggregate market value of 68,535,894 shares of the registrant's common stock held by non-affiliates was approximately \$294,019,000.

As of March 8, 2023, the registrant had 66,032,496 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement pertaining to the 2023 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, 2022
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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®, Four Seasons®, 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 factors discussed in this Annual Report under the sections entitled “Risk Factors,” “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”);
- our business and investment strategy;
- anticipated or expected purchases or sales of assets;
- our projected operating results;
- completion of any pending transactions;
- our understanding of our competition;
- projected capital expenditures; 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 Exchange Act;
- rising interest rates and inflation;
- macroeconomic conditions, such as a prolonged period of weak economic growth, and volatility in capital markets;
- extreme weather conditions may cause property damage or interrupt business;

- our ability to raise sufficient capital and/or take other actions to improve our liquidity position or otherwise meet our liquidity requirements;
- 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;
- 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;
- 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;
- 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; and
- future sales and issuances of our common stock or other securities might result in dilution and could cause the price of our common stock to decline.

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 STR, LLC. Two times the U.S. national average RevPAR was approximately \$187 for the year ended December 31, 2022. 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 8, 2023, we owned interests in 16 hotel properties in seven states, the District of Columbia, Puerto Rico and St. Thomas, U.S. Virgin Islands with 4,181 total rooms, or 3,946 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 14 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. Remington Hotels, a subsidiary of Ashford Inc., manages four of our 16 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, design and construction services, debt placement and related services, audio visual services, real estate advisory and brokerage services, insurance claims services, hypoallergenic premium rooms, watersport activities, travel/transportation services, mobile key technology and broker-dealer services. See note 15 to our consolidated financial statements.

As of December 31, 2022, Mr. Monty J. Bennett and Mr. Archie Bennett, Jr., together owned approximately 610,246 shares of Ashford Inc. common stock, which represented an approximate 19.6% ownership interest in Ashford Inc., and owned 18,758,600 shares of Ashford Inc. Series D Convertible Preferred Stock, which, along with all unpaid accrued and accumulated dividends thereon, is convertible (at a conversion price of \$117.50 per share) into an additional approximate 4,145,385 shares of Ashford Inc. common stock, which if converted as of December 31, 2022 would have increased the Bennetts' ownership interest in Ashford Inc. to approximately 65.5%, provided that prior to August 8, 2023, the voting power of the holders of the Ashford Inc. Series D Convertible Preferred Stock is limited to 40% of the combined voting power of all of the outstanding voting securities of Ashford Inc. entitled to vote on any given matter. The 18,758,600 shares of Series D Convertible Preferred Stock owned by Mr. Monty J. Bennett and Mr. Archie Bennett, Jr. include 362,959 shares owned by trusts.

As of December 31, 2022, Mr. Monty J. Bennett, chairman of our board of directors and his father, Mr. Archie Bennett, Jr., together owned approximately 4,553,919 common shares of the Company (including common units, long-term incentive plan ("LTIP") units and performance LTIP units), which represented an approximate 5.8% ownership in the Company.

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 STR, LLC 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 participation 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 performances. 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 (e.g., 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 for 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 8, 2023, we own interests in a high-quality, geographically diverse portfolio of 16 hotel properties located in seven states, the District of Columbia, Puerto Rico and St. Thomas, U.S. Virgin Islands. Our properties have 4,181 total rooms, or 3,946 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. Nine of the 16 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”), one is managed by Four Seasons Hotels Limited (“Four Seasons”) and four 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, 2022, approximately 79% of the rooms revenue was generated by transient business, approximately 19% 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, 2022:

Hotel Property	Location	Total Rooms	% Owned	Year Ended December 31, 2022				
				Occupancy	ADR	RevPAR	Hotel Net Income	Hotel EBITDA ⁽¹⁾
Hilton La Jolla Torrey Pines ⁽²⁾	La Jolla, CA	394	75 %	77.25 %	\$ 250.95	\$ 193.87	\$ 13,162	\$ 17,328
Capital Hilton	Washington, D.C.	550	75 %	65.17 %	228.36	148.82	1,125	10,174
Marriott Seattle Waterfront	Seattle, WA	361	100 %	56.88 %	286.14	162.75	3,790	9,217
The Clancy	San Francisco, CA	410	100 %	70.05 %	298.91	209.38	(2,872)	8,354
The Notary Hotel	Philadelphia, PA	499	100 %	55.92 %	218.34	122.10	(505)	7,673
The Ritz-Carlton Lake Tahoe ⁽³⁾	Truckee, CA	170	100 %	57.60 %	736.50	424.40	5,020	11,383
The Ritz-Carlton Sarasota	Sarasota, FL	276	100 %	74.47 %	617.66	459.97	17,641	30,377
Sofitel Chicago Magnificent Mile	Chicago, IL	415	100 %	65.36 %	250.78	163.92	2,226	8,288
Pier House Resort & Spa	Key West, FL	142	100 %	74.81 %	707.12	529.03	12,377	18,115
Bardessono Hotel and Spa ⁽⁴⁾	Yountville, CA	65	100 %	63.96 %	1,257.56	804.31	4,488	9,127
The Ritz-Carlton St. Thomas	St. Thomas, U.S. Virgin Islands	180	100 %	73.81 %	1,204.88	889.30	18,920	30,137
Park Hyatt Beaver Creek Resort & Spa	Beaver Creek, CO	190	100 %	60.58 %	601.05	364.13	5,668	13,620
Hotel Yountville	Yountville, CA	80	100 %	54.06 %	906.82	490.21	2,547	6,958
Mr. C Beverly Hills Hotel	Los Angeles, CA	143	100 %	74.26 %	347.57	258.10	(1,390)	3,157
The Ritz-Carlton Reserve Dorado Beach ⁽⁵⁾	Puerto Rico	96	100 %	63.53 %	1,928.50	1,225.27	7,583	14,887
Four Seasons Resort Scottsdale ⁽⁶⁾	Scottsdale, AZ	210	100 %	45.15 %	1,056.99	477.19	933	1,710
Total / Weighted Average ⁽⁷⁾		4,181		65.62 %	\$ 451.56	\$ 296.30	\$ 90,713	\$ 200,505

⁽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) The above information, excluding Hotel EBITDA, does not include the operations of the voluntary rental program with respect to condominium units not owned by the Company.
- (4) Subject to a ground lease that initially expires in 2065. The ground lease contains two 25-year extension options, at our election.
- (5) The above information, excluding Hotel EBITDA, does not include the operations of the voluntary rental program with respect to the residential units not owned by the Company. The results of the Ritz-Carlton Reserve Dorado Beach are included from March 11, 2022 through December 31, 2022.
- (6) The results of the Four Seasons Resort Scottsdale are included from December 1, 2022 through December 31, 2022.
- (7) Calculated on a portfolio basis for the 16 hotel properties in our portfolio as of December 31, 2022.

Hilton La Jolla Torrey Pines, La Jolla, California

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 \$32.3 million has been spent on capital expenditures since the acquisition of the hotel by Ashford HHC Partners III LP in 2007, which has 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 and provides exclusive tee times to guests staying at the hotel. Nearly every 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 event 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 Grille and Lounge, an all-purpose, three-meal restaurant with 205 seats and the Horizons Coffee Cafe. 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, lush gardens and pathways, 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.

Operating History. The following table shows certain historical information regarding the Hilton La Jolla Torrey Pines since 2020:

	Year Ended December 31,		
	2022	2021	2020
Rooms	394	394	394
Occupancy	77.3 %	57.8 %	37.8 %
ADR	\$ 250.95	\$ 203.63	\$ 175.17
RevPAR	\$ 193.87	\$ 117.70	\$ 66.29

Selected Financial Information. The following tables show certain selected financial information regarding the Hilton La Jolla Torrey Pines since 2020 (dollars in thousands):

	Year Ended December 31,		
	2022	2021	2020
Total Revenue	\$ 49,076	\$ 25,816	\$ 15,389
Rooms Revenue	27,880	16,927	9,559
Hotel net income	13,162	1,915	(4,013)
Hotel net income margin	26.8 %	7.4 %	(26.1)%
Hotel EBITDA ⁽¹⁾	17,328	6,235	353
Hotel EBITDA Margin ⁽¹⁾	35.3 %	24.2 %	2.3 %

⁽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 \$77.0 million has been spent on capital expenditures since the acquisition of the hotel by Ashford HHC Partners III LP in 2007, which has 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 health club, 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 2020:

	Year Ended December 31,		
	2022	2021	2020
Rooms	550	550	550
Occupancy	65.2 %	30.5 %	19.2 %
ADR	\$ 228.36	\$ 159.77	\$ 197.00
RevPAR	\$ 148.82	\$ 48.68	\$ 37.73

Selected Financial Information. The following tables show certain selected financial information regarding the Capital Hilton since 2020 (dollars in thousands):

	Year Ended December 31,		
	2022	2021	2020
Total Revenue	\$ 45,113	\$ 13,929	\$ 12,718
Rooms Revenue	29,877	9,773	7,595
Hotel net income	1,125	(11,082)	(12,722)
Hotel net income margin	2.5 %	(79.6)%	(100.0)%
Hotel EBITDA ⁽¹⁾	10,174	(3,342)	(5,076)
Hotel EBITDA Margin ⁽¹⁾	22.6 %	(24.0)%	(39.9)%

⁽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. 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, Washington

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 \$34.2 million has been spent on capital expenditures since the acquisition of the hotel in 2007. Capital improvements in 2017 included the relocation of the M Club from the eighth floor to the lobby level, which recaptured three guest rooms. A transformative guest room and corridor renovation occurred in 2022 which included case goods, flooring, wall covering, soft goods, lighting, and bathrooms.

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, which is 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 2020:

	Year Ended December 31,		
	2022	2021	2020
Rooms	361	361	361
Occupancy	56.9 %	52.2 %	20.7 %
ADR	\$ 286.14	\$ 219.51	\$ 205.12
RevPAR	\$ 162.75	\$ 114.64	\$ 42.41

Selected Financial Information. The following tables show certain selected financial information regarding the Marriott Seattle Waterfront since 2020 (dollars in thousands):

	Year Ended December 31,		
	2022	2021	2020
Total Revenue	\$ 26,385	\$ 18,315	\$ 7,021
Rooms Revenue	21,445	15,105	5,604
Hotel net income	3,790	(293)	(6,001)
Hotel net income margin	14.4 %	(1.6)%	(85.5)%
Hotel EBITDA ⁽¹⁾	9,217	3,557	(1,733)
Hotel EBITDA Margin ⁽¹⁾	34.9 %	19.4 %	(24.7)%

⁽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 Clancy, San Francisco, California

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 \$76.4 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 provide travelers with an intriguing and unique experience.

On October 1, 2020, we announced the opening of The Clancy, a conversion of 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, meeting spaces, public areas and the façade. The custom designed guest rooms are commensurate with an upper upscale brand. Adding a few additional amenities and accessories completed their transition to an Autograph Collection Hotel. The reimaged public space and modern guest rooms elevate The Clancy within the upper upscale market.

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 9,900 square feet of indoor meeting space and nearly 1,000 square feet of private outdoor reception areas. In 2022, we converted the former indoor swimming pool space into an approximate 1,200 square foot meeting room, which includes an outdoor balcony space overlooking the Block 9 Courtyard. Located on the second floor adjacent to the majority of the hotel’s meeting space, this new meeting room will allow the hotel to capture additional groups while providing much greater flexibility to the group meeting guests.
- *Food and Beverage:* The transformed food and beverage outlets at The Clancy include completely reconfigured spaces to meet the requirements of today’s discerning traveler. The Seven Square Tap Room, open for breakfast, lunch, dinner and cocktails, seats 118. The dining area seats 78. The bar and lounge area 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, seats 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 1,400 square foot fitness center. In 2022 we expanded the fitness center by approximately 600 square feet. SOMA Mercantile, a gift shop of approximately 100 square feet contains food, beverage 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. The Montgomery Street BART (Bay Area Rapid Transit) station is approximately three blocks from the hotel providing convenient access to the airport and East Bay communities.

Operating History. The following table shows certain historical information regarding The Clancy since 2020:

	Year Ended December 31,		
	2022	2021	2020
Rooms	410	410	410
Occupancy	70.1 %	56.0 %	19.5 %
ADR	\$ 298.91	\$ 174.64	\$ 281.66
RevPAR	\$ 209.38	\$ 97.74	\$ 54.97

Selected Financial Information. The following tables show certain selected financial information regarding The Clancy since 2020 (dollars in thousands):

	Year Ended December 31,		
	2022	2021	2020
Total Revenue	\$ 36,163	\$ 17,380	\$ 9,622
Rooms Revenue	31,334	14,627	8,249
Hotel net income	(2,872)	(15,467)	(16,177)
Hotel net income margin	(7.9)%	(89.0)%	(168.1)%
Hotel EBITDA ⁽¹⁾	8,354	(2,217)	(3,695)
Hotel EBITDA Margin ⁽¹⁾	23.1 %	(12.8)%	(38.4)%

⁽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, Pennsylvania

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 \$59.2 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 2020:

	Year Ended December 31,		
	2022	2021	2020
Rooms	499	499	499
Occupancy	55.9 %	36.9 %	24.2 %
ADR	\$ 218.34	\$ 176.70	\$ 166.25
RevPAR	\$ 122.10	\$ 65.27	\$ 40.24

Selected Financial Information. The following tables show certain selected financial information regarding The Notary Hotel since 2020 (dollars in thousands):

	Year Ended December 31,		
	2022	2021	2020
Total Revenue	\$ 27,536	\$ 14,158	\$ 9,000
Rooms Revenue	22,237	11,889	7,349
Hotel net income	(505)	(6,261)	(2,571)
Hotel net income margin	(1.8)%	(44.2)%	(28.6)%
Hotel EBITDA ⁽¹⁾	7,673	1,924	(1,633)
Hotel EBITDA Margin ⁽¹⁾	27.9 %	13.6 %	(18.1)%

⁽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, Illinois

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 \$19.9 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 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 10,000 square feet of meeting space.
- *Food and Beverage:* The Sofitel Chicago Magnificent Mile includes (i) CDA, an 82 seat French inspired casual restaurant; (ii) Le Bar, a 45 seat modern cocktail lounge; (iii) La Tarrasse, a 40-seat outdoor patio and lounge serving the cuisine of CDA; 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 2020:

	Year Ended December 31,		
	2022	2021	2020
Rooms	415	415	415
Occupancy	65.4 %	46.9 %	27.9 %
ADR	\$ 250.78	\$ 202.88	\$ 141.25
RevPAR	\$ 163.92	\$ 95.21	\$ 39.36

Selected Financial Information. The following table shows certain selected financial information regarding the Sofitel Chicago Magnificent Mile since 2020 (dollars in thousands):

	Year Ended December 31,		
	2022	2021	2020
Total Revenue	\$ 33,635	\$ 18,993	\$ 7,882
Rooms Revenue	24,829	14,422	5,979
Hotel net income	2,226	(10,181)	(2,247)
Hotel net income margin	6.6 %	(53.6)%	(28.5)%
Hotel EBITDA ⁽¹⁾	8,288	(3,560)	(5,388)
Hotel EBITDA Margin ⁽¹⁾	24.6 %	(18.7)%	(68.4)%

⁽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, Florida

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 \$16.6 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. 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 2020:

	Year Ended December 31,		
	2022	2021	2020
Rooms	142	142	142
Occupancy	74.8 %	81.8 %	55.4 %
ADR	\$ 707.12	\$ 591.40	\$ 425.89
RevPAR	\$ 529.03	\$ 483.93	\$ 235.99

Selected Financial Information. The following table shows certain selected financial information regarding the Pier House Resort & Spa since 2020 (dollars in thousands):

	Year Ended December 31,		
	2022	2021	2020
Total Revenue	\$ 34,104	\$ 31,408	\$ 15,753
Rooms Revenue	27,419	25,082	12,265
Hotel net income	12,377	13,411	766
Hotel net income margin	36.3 %	42.7 %	4.9 %
Hotel EBITDA ⁽¹⁾	18,115	18,039	6,707
Hotel EBITDA Margin ⁽¹⁾	53.1 %	57.4 %	42.6 %

⁽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.

Bardessono Hotel and Spa, Yountville, California

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 and is LEED Platinum certified. 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 \$8.8 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. Complimentary 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 2020:

	Year Ended December 31,		
	2022	2021	2020
Rooms	65	65	65
Occupancy	64.0 %	67.9 %	40.3 %
ADR	\$ 1,257.56	\$ 1,141.39	\$ 778.43
RevPAR	\$ 804.31	\$ 775.18	\$ 313.89

Selected Financial Information. The following table shows certain selected financial information regarding the Bardessono Hotel and Spa since 2020 (dollars in thousands):

	Year Ended December 31,		
	2022	2021	2020
Total Revenue	\$ 25,259	\$ 23,329	\$ 9,921
Rooms Revenue	19,082	18,391	7,467
Hotel net income	4,488	5,053	(4,360)
Hotel net income margin	17.8 %	21.7 %	(43.9)%
Hotel EBITDA ⁽¹⁾	9,127	9,208	1,018
Hotel EBITDA Margin ⁽¹⁾	36.1 %	39.5 %	10.3 %

⁽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.

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 \$115.4 million has been spent on capital expenditures since the acquisition of the hotel in December 2015. Capital investment was primarily 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; and (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 2020:

	Year Ended December 31,		
	2022	2021	2020
Rooms	180	180	180
Occupancy	73.8 %	79.5 %	38.9 %
ADR	\$ 1,204.88	\$ 1,049.29	\$ 665.20
RevPAR	\$ 889.30	\$ 834.39	\$ 258.43

Selected Financial Information. The following table shows certain selected financial information regarding The Ritz-Carlton St. Thomas since 2020 (dollars in thousands):

	Year Ended December 31,		
	2022	2021	2020
Total Revenue	\$ 87,654	\$ 80,321	\$ 31,595
Rooms Revenue	58,426	54,819	16,771
Hotel net income	18,920	17,453	4,844
Hotel net income margin	21.6 %	21.7 %	15.3 %
Hotel EBITDA ⁽¹⁾	30,137	27,550	4,624
Hotel EBITDA Margin ⁽¹⁾	34.4 %	34.3 %	14.6 %

⁽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, Colorado

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, 22 suites and one suite parlor. The hotel underwent a full lobby renovation in 2019, which included a new lobby bar and the addition of an epicurean market. Approximately \$16.8 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 four food and beverage outlets, including the world-class 8100 Mountainside Bar & Grill, the Brass Bear Bar, 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, 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 events 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 2020:

	Year Ended December 31,		
	2022	2021	2020
Rooms	190	190	190
Occupancy	60.6 %	54.9 %	33.9 %
ADR	\$ 601.05	\$ 454.17	\$ 544.68
RevPAR	\$ 364.13	\$ 249.50	\$ 184.75

Selected Financial Information. The following table shows certain selected financial information regarding the Park Hyatt Beaver Creek Resort & Spa since 2020 (dollars in thousands):

	Year Ended December 31,		
	2022	2021	2020
Total Revenue	\$ 50,615	\$ 36,184	\$ 25,554
Rooms Revenue	25,253	17,303	12,847
Hotel net income	5,668	4,005	(2,204)
Hotel net income margin	11.2 %	11.1 %	(8.6)%
Hotel EBITDA ⁽¹⁾	13,620	9,609	4,977
Hotel EBITDA Margin ⁽¹⁾	26.9 %	26.6 %	19.5 %

⁽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.

Hotel Yountville, Yountville, California

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. Approximately \$3.2 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 4,400 square feet of indoor and outdoor event 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, California, 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 2020:

	Year Ended December 31,		
	2022	2021	2020
Rooms	80	80	80
Occupancy	54.1 %	57.9 %	29.5 %
ADR	\$ 906.82	\$ 762.15	\$ 526.17
RevPAR	\$ 490.21	\$ 441.29	\$ 155.01

Selected Financial Information. The following table shows certain selected financial information regarding the Hotel Yountville since 2020 (dollars in thousands):

	Year Ended December 31,		
	2022	2021	2020
Total Revenue	\$ 17,194	\$ 15,175	\$ 5,751
Rooms Revenue	14,314	12,886	4,539
Hotel net income	2,547	2,310	(4,772)
Hotel net income margin	14.8 %	15.2 %	(83.0)%
Hotel EBITDA ⁽¹⁾	6,958	6,433	(86)
Hotel EBITDA Margin ⁽¹⁾	40.5 %	42.4 %	(1.5)%

⁽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, Sarasota, Florida

On April 4, 2018, we acquired a 100% interest in The Ritz-Carlton Sarasota in Sarasota, Florida for \$171.4 million and a 22-acre plot of vacant land for \$9.7 million. Approximately \$17.2 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 276 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 as 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 276 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 2020:

	Year Ended December 31,		
	2022	2021	2020
Rooms	276	276	266
Occupancy	74.5 %	77.0 %	54.0 %
ADR	\$ 617.66	\$ 545.68	\$ 410.53
RevPAR	\$ 459.97	\$ 420.14	\$ 221.49

Selected Financial Information. The following table shows certain selected financial information regarding The Ritz-Carlton Sarasota since 2020 (dollars in thousands):

	Year Ended December 31,		
	2022	2021	2020
Total Revenue	\$ 98,364	\$ 82,808	\$ 49,531
Rooms Revenue	46,210	40,892	21,564
Hotel net income	17,641	15,342	(294)
Hotel net income margin	17.9 %	18.5 %	(0.6)%
Hotel EBITDA ⁽¹⁾	25,663	25,663	11,502
Hotel EBITDA Margin ⁽¹⁾	26.1 %	31.0 %	23.2 %

⁽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 Ritz-Carlton, Lake Tahoe, California

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 \$7.9 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, the 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 fireplaces 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 2020:

	Year Ended December 31,		
	2022	2021	2020
Rooms	170	170	170
Occupancy	57.6 %	55.0 %	43.7 %
ADR	\$ 736.50	\$ 642.81	\$ 553.44
RevPAR	\$ 424.40	\$ 353.56	\$ 241.72

The above information does not include the operations of the voluntary rental program with respect to condominium units not owned by the Company.

Selected Financial Information. The following table shows certain selected financial information regarding The Ritz-Carlton Lake Tahoe since 2020 (dollars in thousands):

	Year Ended December 31,		
	2022	2021	2020
Total Revenue	\$ 52,561	\$ 43,133	\$ 27,237
Rooms Revenue ⁽¹⁾	26,334	21,938	15,040
Hotel net income	5,020	2,793	(3,913)
Hotel net income margin	9.6 %	6.5 %	(14.4)%
Hotel EBITDA ⁽²⁾	11,383	7,835	1,867
Hotel EBITDA Margin ⁽²⁾	21.7 %	18.2 %	6.9 %

⁽¹⁾ Rooms revenue does not include the operations of the voluntary rental program with respect to condominium units not owned by the Company.

⁽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.

Mr. C Beverly Hills Hotel, Beverly Hills, California

On August 5, 2021, the Company acquired a 100% interest in the 138-room Mr. C Beverly Hills Hotel and five luxury residences adjacent to the hotel. Approximately \$819,000 has been spent on capital expenditures since the acquisition.

The Mr. C was built in 1965 and underwent an extensive renovation in 2011. It has 138 luxurious and spacious rooms, including 12 suites and 10 mini suites. It is a luxury hotel ideally located in close proximity to high-end shopping on Rodeo Drive and business demand from Century City and Culver City.

Additional property highlights include:

- *Meeting Space:* The property has over 24,000 sq. ft. of flexible indoor/outdoor meeting space. The 12th floor ballroom features unparalleled 360-degree panoramic views of Los Angeles.
- *Food and Beverage:* The property also boasts the acclaimed The Restaurant at Mr. C, which entices travelers and Angelenos alike with its truly authentic Italian flavor by the fourth generation Cipriani.
- *Other Amenities:* The property offers an outdoor pool terrace with daybeds and cabanas, state-of-the-art fitness center and a business center. Additionally, the property includes five newly-constructed and fully-furnished residences which blend contemporary architecture with elegant, minimalist design and range in size from 2,000 to 3,400 sq. ft. The residences are currently offered for extended-stay rentals.

Location and Access. With its premier location in the heart of West Los Angeles, the property is in the middle of more than 45 million sq. ft. of office space, supporting substantial corporate demand and a wide array of world-renowned leisure demand generators, including unrivaled shopping with high-end retailers, vibrant restaurants and various art and cultural attractions.

Operating History. The following table shows certain historical information regarding The Mr. C Beverly Hills Hotel since 2020:

	Year Ended December 31, 2022	Year Ended December 31, 2021 (combined)	Period from August 5, 2021 through December 31, 2021	Period from January 1, 2021 through August 4, 2021	Year Ended December 31, 2020
Rooms	143	143	143	143	143
Occupancy	74.3 %	50.1 %	63.9 %	40.7 %	30.5 %
ADR	\$ 347.57	\$ 327.85	\$ 332.86	\$ 322.42	\$ 336.43
RevPAR	\$ 258.10	\$ 164.36	\$ 212.62	\$ 131.07	\$ 102.67

Selected Financial Information. The following table shows certain selected financial information regarding The Mr. C Beverly Hills Hotel since 2021 (dollars in thousands):

	Year Ended December 31, 2022	Year Ended December 31, 2021 (combined)	Period from August 5, 2021 through December 31, 2021	Period from January 1, 2021 through August 4, 2021
Total Revenue	\$ 19,484	\$ 12,864	\$ 6,592	\$ 6,272
Rooms Revenue	13,472	8,579	4,531	4,048
Hotel net income ⁽¹⁾	(1,390)	(2,877)	(1,630)	(1,247)
Hotel net income margin	(7.1)%	(22.4)%	(24.7)%	(19.9)%
Hotel EBITDA ⁽²⁾	3,157	2,280	1,052	1,228
Hotel EBITDA Margin ⁽²⁾	16.2 %	17.7 %	16.0 %	19.6 %

⁽¹⁾ Hotel net income (loss) for the period before the Company's ownership includes the predecessor hotel net income (loss) and adjustments for depreciation and interest as if the Company owned the hotel during the predecessor period.

⁽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 period from August 5, 2021 through December 31, 2021 represent the operating results since the acquisition of the hotel on August 5, 2021. The hotel operating results for the period from January 1, 2021 through August 4, 2021 and for the year ended December 31, 2020 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. No financial statements were prepared, audited or reviewed for the year ended December 31, 2020 and for the period from January 1, 2021 through August 4, 2021.

The Ritz-Carlton Reserve, Dorado, Puerto Rico

On March 11, 2022, the Company acquired a 100% interest in the 96-room Ritz-Carlton Reserve Dorado Beach in Dorado, Puerto Rico. Approximately \$1.3 million has been spent on capital expenditures since the acquisition.

The Ritz-Carlton Reserve Dorado Beach opened in 2013. Situated on a portion of the original Rockefeller estate, the Ritz-Carlton Reserve Dorado Beach is an intimate refuge, infused with references to the surrounding natural landscape and diverse culture. It has 96 guest rooms, each of which features beautiful modern decor, a large wardrobe and marble floors. Some rooms also feature an en-suite plunge pool and spectacular ocean views.

Additional property highlights include:

- *Meeting Space:* The property offers entirely customizable meeting packages that combine ocean-view meeting space, bespoke services and meeting expertise. A private dining room and several lawns are also available for more social gatherings.
- *Food and Beverage:* The property features three dining outlets including COA, the property's signature steakhouse and Positivo, offering upscale open-air, ocean front dining with an Asian inspired influence.
- *Other Amenities:* The property offers an award winning spa, fitness center, kids club and excellent views of the Caribbean Sea.

Location and Access. Puerto Rico's capital of San Juan is 25 miles away, and guests can reach Luis Muñoz Marín International Airport within a 50-minute drive of the property.

Operating History. The following table shows certain historical information regarding Ritz-Carlton Reserve Dorado Beach since 2020:

	Year Ended December 31, 2022 (combined)	Period from March 11, 2022 through December 31, 2022	Period from January 1, 2022 through March 10, 2022	Year Ended December 31,	
				2021	2020
Rooms	96	96	96	96	96
Occupancy	61.6 %	63.5 %	53.1 %	64.9 %	30.2 %
ADR	\$ 2,015.83	\$ 1,928.50	\$ 2,462.11	\$ 1,674.08	\$ 1,415.31
RevPAR	\$ 1,240.97	\$ 1,225.27	\$ 1,308.32	\$ 1,086.05	\$ 427.42

The above information does not include the operations of the voluntary rental program with respect to residential units not owned by the Company.

Selected Financial Information. The following table shows certain selected financial information regarding The Ritz-Carlton Reserve Dorado Beach since 2021 (dollars in thousands):

	Year Ended December 31, 2022 (combined)	Period from March 11, 2022 through December 31, 2022	Period from January 1, 2022 through March 10, 2022	Year Ended December 31, 2021
Total Revenue.....	\$ 76,415	\$ 61,246	\$ 15,169	\$ 74,138
Rooms Revenue ⁽¹⁾	43,484	34,817	8,666	38,055
Hotel net income ⁽²⁾	9,672	7,583	2,089	9,099
Hotel net income margin.....	12.7 %	12.4 %	13.8 %	12.3 %
Hotel EBITDA ⁽³⁾	18,521	14,887	3,634	16,838
Hotel EBITDA Margin ⁽³⁾	24.2 %	24.3 %	24.0 %	22.7 %

- (1) Rooms revenue does not include the operations of the voluntary rental program with respect to residential units not owned by the Company.
- (2) Hotel net income (loss) for the periods before the Company's ownership includes the predecessor hotel net income (loss) and adjustments for depreciation and interest as if the Company owned the hotel during the predecessor periods.
- (3) 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 11, 2022 through December 31, 2022 represent the operating results since the acquisition of the hotel on March 11, 2022. The hotel operating results for the period from January 1, 2022 through March 10, 2022 and for the years ended December 31, 2021 and 2020 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, 2021 were audited and included in an amendment to our Current Report on Form 8-K filed on March 11, 2022. No financial statements were prepared, audited or reviewed for the year ended December 31, 2020 and for the period from January 1, 2022 through March 10, 2022.

Four Seasons Resort, Scottsdale, Arizona

On December 1, 2022, the Company acquired a 100% interest in the 210-room Four Seasons Resort Scottsdale at Troon North in Scottsdale, Arizona. Approximately \$383,000 has been spent on capital expenditures since the acquisition.

The Four Seasons Resort Scottsdale was opened in 1999. It has 210 luxurious and spacious guest rooms, including 22 suites that average 1,214 sq. ft. in size, all boasting private patios or balconies overlooking the colorful desert landscapes.

Additional property highlights include:

- *Meeting Space:* The property boasts 35,900 square feet of total indoor and landscaped outdoor event space including three ballrooms and a variety of private meeting rooms including two dedicated boardrooms
- *Food and Beverage:* Guests have multiple dining options including indulging at the 100-seat Talavera steakhouse, sampling American homestyle fare at 180-seat Proof cantina, enjoying desert and pool views at the 55-seat Saguaro Blossom poolside restaurant, or enjoying handcrafted cocktails at the 100-seat Onyx Bar and Lounge.
- *Other Amenities:* The property offers locally inspired spa treatments at the 9,000 sq. ft. spa, a bi-level pool. It also offers guests opportunities for outdoor adventure, including close shuttle access to two world-class golf courses, four pickleball and two tennis courts, as well as the opportunities to hike, bike or rock climb surrounding hills.

Location and Access. Set in the majestic Sonoran Desert, Four Seasons Resort Scottsdale at Troon North is minutes from outdoor adventures and two world-class golf courses. The bustling downtowns of Scottsdale and Phoenix are 30 and 40 minutes away, respectively, but dining, shopping and area attractions are only a short drive from the Resort.

Operating History. The following table shows certain historical information regarding the Four Seasons Resort Scottsdale since 2020:

	Year Ended December 31, 2022 (combined)	Period from December 1, 2022 through December 31, 2022	Period from January 1, 2022 through November 30, 2022	Year Ended December 31,	
				2021	2020
Rooms.....	210	210	210	210	210
Occupancy.....	46.3 %	45.2 %	46.4 %	41.7 %	33.3 %
ADR.....	\$ 914.43	\$ 1,056.99	\$ 901.55	\$ 853.53	\$ 636.90
RevPAR.....	\$ 423.18	\$ 477.19	\$ 418.17	\$ 356.17	\$ 211.90

Selected Financial Information. The following table shows certain selected financial information regarding the Four Seasons Resort Scottsdale Hotel since 2021:

(dollars in thousands):

	Year Ended December 31, 2021 (combined)	Period from December 1, 2022 through December 31, 2022	Period from January 1, 2022 through November 30, 2022	Year Ended December 31, 2021
Total Revenue	\$ 61,253	\$ 5,194	\$ 56,059	\$ 49,827
Rooms Revenue	32,437	3,107	29,330	27,299
Hotel net income ⁽¹⁾	4,095	933	3,162	2,581
Hotel net income margin	6.7 %	18.0 %	5.6 %	5.2 %
Hotel EBITDA ⁽²⁾	19,497	1,710	17,787	16,402
Hotel EBITDA Margin ⁽²⁾	31.8 %	32.9 %	31.7 %	32.9 %

⁽¹⁾ Hotel net income (loss) for the periods before the Company's ownership includes the predecessor hotel net income (loss) and adjustments for depreciation and interest as if the Company owned the hotel during the predecessor periods.

⁽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 period from December 1, 2022 through December 31, 2022 represent the operating results since the acquisition of the hotel on December 1, 2022. The hotel operating results for the period from January 1, 2022 through November 30, 2022 and for the years ended December 31, 2021 and 2020 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 years ended December 31, 2021 and 2020 were audited and as of and for the nine months ended September 30, 2022 and 2021 were reviewed and included in our Current Report on Form 8-K filed on December 1, 2022. No financial statements were prepared, audited or reviewed for the period from October 1, 2022 through November 30, 2022.

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 with key executives of 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

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."

Design and Construction Services

Ashford Inc. also provides us with design and construction services through Premier, including construction management, interior design, architectural oversight, and the purchasing, expediting, warehousing coordination, freight management and supervision of installation of furniture, fixtures and equipment ("FF&E"), and related services. See "Certain Agreements—Premier Master Project Management Agreement."

Third-Party Agreements

Hotel Management Agreements. Twelve of our hotel properties are operated pursuant to a hotel management agreement with one of five brand management companies and four 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 management company receives a base management fee and may also be 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 management agreements with Marriott (or its affiliates), Hilton (or its affiliates), Four Seasons, Hyatt or Accor allow twelve of our hotel properties to operate under the Marriott, Autograph Collection, The Ritz-Carlton, Ritz-Carlton Reserve, Hilton, Four Seasons, Park Hyatt or Sofitel brand names, as applicable, and provide benefits typically associated with franchise agreements, including, among others, the use of Marriott’s (or its affiliates), Hilton’s (or its affiliates), Four Seasons’ (or its affiliates), Hyatt’s (or its affiliates) or Accor’s (or its affiliates), applicable, reservation system and guest loyalty and reward program. Any intellectual property and trademarks of its affiliates), Hilton (or its affiliates), Four Seasons (or its affiliates), Hyatt (or its affiliates) or Accor (or its affiliates), as applicable, are exclusively owned and controlled by the applicable manager (or its affiliates) and the management agreement with Marriott (or its affiliates), Hilton (or its affiliates), Four Seasons, Hyatt, and Accor grant the applicable manager the 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, which allows the hotel to use The Ritz-Carlton name and mark 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 Licensed and Royalty Agreement is coterminous with the management agreement. In connection with our ability to use The Ritz-Carlton name and mark, 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.

Additionally, in conjunction with the Mr. C Beverly Hills Hotel acquisition on August 5, 2021, we entered into an Intellectual Property Sublicense Agreement, which allows us to continue to use certain proprietary marks associated with the Mr. C brand name. In return, we pay licensing fees of: (i) 1% of total operating revenue; (ii) 2% of gross food and beverage revenues; and (iii) 25% of food and beverage profits. The agreement expires on August 5, 2023.

Further, the Ritz-Carlton Reserve Dorado Beach is subject to a License and Royalty Agreement, which allows the hotel to use the Ritz-Carlton name and mark for 30 years, subject to automatic renewal for two 10-year periods, unless the licensor notifies us of election not to renew at least 18 months before the end of the initial term or the then-current renewal term. The License and Royalty Agreement is coterminous with the management agreement. In connection with our ability to use The Ritz-Carlton name and mark, we are obligated to pay a royalty fee of 2.6% of gross revenues and an incentive royalty equal to the sum of (a) \$250,000 if operating profit is equal to or greater than owner’s priority, to be paid out of owner’s priority, plus (b) 20% of operating profit in excess of owner’s priority.

Furthermore, Four Seasons Resort Scottsdale is subject to a Hotel License Agreement, which allows the hotel to use the Four Seasons name and mark until December 31, 2039, subject to automatic renewal for two 20-year periods, unless the licensor notifies us of election not to renew at least 12 months before the end of the current term (or any renewal thereof). The Hotel License Agreement is coterminous with the management agreement. In connection with our ability to use Four Seasons name and mark, we are obligated to pay a royalty fee of 0.5% of gross revenues.

Our Financing Strategy

As of December 31, 2022, our indebtedness was approximately \$1.3 billion, with a weighted average interest rate of 6.36% per annum, taking into account in-the-money interest rate caps. Approximately 6.5% of our debt bears interest at a fixed rate of 4.5% and the remaining 93.5% bears interest at the variable rate of LIBOR/SOFR plus 2.57%. 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 35% 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 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, and as further amended on August 16, 2021, 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, design and construction 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 omissions (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 $1/12^{\text{th}}$ 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 fifth 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
- $1/12^{\text{th}}$ 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 quarter by each member of a select peer group, divided by the total market capitalization of such peer group member. The peer group for the 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 our Second Amended and Restated 2013 Equity Incentive Plan (as amended, the “2013 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 STR, LLC 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 repossession 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 composed 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.

Hotel Management Agreements

General

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, Hotel Yountville and Mr. C Beverly Hills Hotel (which are operated by Remington Hotels), are operated pursuant to a hotel management agreement with one of five independent hotel management companies: (1) Hilton Management LLC, (2) Marriott Hotel Services, Inc. (or its affiliates, The Ritz-Carlton Hotel Company, L.L.C., Ritz-Carlton (Virgin Islands), Inc., and Luxury Hotels International of Puerto Rico, Inc.) (3) Four Seasons, (4) Accor, and (5) Hyatt. “Hilton” is a registered trademark of Hilton International Holding LLC. “Marriott” is a registered trademark of Marriott International, Inc. “Autograph Collection” is a registered trademark of Marriott International, Inc. “The Ritz-Carlton”, “Ritz-Carlton”, and “Ritz-Carlton Reserve” are registered trademarks of The Ritz-Carlton Hotel Company, L.L.C., an affiliate of Marriott International, Inc. “Park Hyatt” is a registered trademark of Hyatt Corporation. “Four Seasons” is a registered trademark of Four Seasons Hotels Limited. 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	12/31/2033	Two 10-year options
Capital Hilton	12/17/2003	12/31/2033	Two 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
Mr. C Beverly Hills Hotel	8/5/2021	08/05/2031	Three 7-year options and one 4-year option
The Ritz-Carlton Reserve Dorado Beach	7/30/2008	12/31/2042	Two 10-year options
Four Seasons Resort Scottsdale	3/29/1996	12/31/2039	Two 20-year options

Each hotel management company receives a base management fee (expressed as a percentage of gross revenues) ranging from 3.0%–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	\$140,076,304

Hotel	Management Fee ⁽¹⁾	Incentive Fee	Marketing Fee	Owner's Priority ⁽²⁾	Owner's Investment ⁽²⁾
Marriott Seattle Waterfront	3%	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 \$15,113,000 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 \$15,113,000 plus 10.75% of owner-funded capital expenses, and 50% of the operating profit in excess of such sum	\$89,732,668
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.	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	1.5% of gross room sales	2021 and after: \$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	\$13,664,662 plus 8% of all expenditures to fund capital improvements	Not applicable
Pier House Resort & Spa	Greater of \$16,294 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 \$16,294 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 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	Not applicable
Park Hyatt Beaver Creek Resort & Spa	Greater of 3.0% or \$2,405,544 on an annual basis (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 \$16,294 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 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% of the amount by which Adjusted House Profit ("AHP") for such Fiscal Year exceeds the owner's priority; 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	\$8,208,965.08 plus 10% of the amount of certain owner-funded renovation expenditures, plus 10% of any other owner-funded capital expenditures after 1/1/2022 that were approved by manager, plus a varying additional credit based on the number of condominium units (which are to be constructed) in the voluntary rental program	Not applicable
Mr. C Beverly Hills Hotel	Greater of \$16,294 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 Reserve Dorado Beach	3%, comprised of a management fee of 0.4% and a royalty fee of 2.6%	\$250,000 if Net House Profit exceeds Owner's Priority plus 20% of the excess of Net House Profit over Owner's Priority with annual true-up	1% of Gross Revenues plus allocation of reimbursable expenses	\$11,670,000 plus (a) 11% of any operating losses funded by owner, plus (b) 11% of certain non-routine capital expenditures incurred by manager and certain non-routine owner-funded capital expenditures, plus (c) \$100,000 time the number of condominium units in the voluntary rental program at the beginning of each FY, plus (d) an amount negotiated at the beginning of each year for the West Beach Estates and East Beach Villas participating in the standard and flexible voluntary rental program	Not applicable
Four Seasons Resorts Scottsdale	3%	7.5% of the amount of operating profit (after deducting property taxes, insurance premiums, and expenditures from the capital reserve) for a particular period, minus the Hurdle Amount applicable for the same period. If there is a negative incentive fee in any year, the negative balance will carry forward and operate as a hurdle to future incentive fees	1.47% of budgeted gross revenues.	\$10,499,207 (to be reduced to zero in January 1, 2033) plus 11.5% of Additional Capital after January 1, 2018 in excess of the FF&E Reserve. (Any Additional Capital will be reduced to zero 15 years after made).	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.

The hotel management agreements allow each hotel to operate under the Marriott, Autograph Collection, The Ritz-Carlton, Ritz-Carlton Reserve, Hilton, Four Seasons, Sofitel, and Park Hyatt brand names, as applicable, and provide benefits typically associated with franchise agreements, including, among others, the use of the Marriott's (or its affiliates), Hilton's (or its affiliates), Four Seasons' (or its affiliates), Accor's (or its affiliates), or Hyatt's (or its affiliates), as applicable, reservation system and guest loyalty and reward program. Any intellectual property and trademarks of Marriott (or its affiliates), including, without limitation, The Ritz-Carlton, Hilton (or its affiliates), Four Seasons (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, Accor, Hyatt, Four Seasons, and Remington Hotels.

Marriott Management Agreements

Term. The remaining base term of each of our seven management agreements with Marriott (or its affiliates) ranges from approximately 5 to 43 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 extensions 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, The Clancy, and The Ritz-Carlton Reserve Dorado Beach, 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 Marriott-managed hotel properties after 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 Ritz-Carlton Reserve Dorado Beach, 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, (a) in the case of Marriott Seattle Waterfront is 9.5% of the approximate total investment in the hotel, (b) in the case of The Clancy is 82.6% of the owner’s priority return (as defined in the hotel management agreement), (c) in the case of The Notary Hotel is 85% of the owner’s priority return (as defined in the hotel management agreement), (d) in the case of The Ritz-Carlton St. Thomas is \$6,000,000, *plus* 85% of 10.25% of owner-funded capital expenditures incurred after November 20, 2019, (e) in the case of The Ritz-Carlton Sarasota is \$6,000,000, (f) in the case of The Ritz-Carlton Lake Tahoe is \$7,200,000 minus (b) (i) the annual amount of certain shared facilities expenses relating to offsite parcels that are deemed to gross operating expenses for a fiscal year, and (g) in the case of Dorado Beach, a Ritz-Carlton Reserve, it is 75% 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 ranges from 0.65 to 1.80 (this item is currently being negotiated for Dorado Beach, a Ritz-Carlton Reserve), and (iii) the fact that the criteria set forth in (i) or (ii) is not the result of certain disruptive events, such force majeure, major renovation, 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 (i) we are in default under the hotel management agreement, (ii) the transferee is known to be of bad moral character or has been convicted of a felony or is in control of or is controlled by persons who have been convicted of felonies, (iii) the transferee does not (in the reasonable judgment of manager) have sufficient financial resources and liquidity to fulfill the owner's obligations under the hotel management agreement, (iv) the transferee has an ownership interest, either directly or indirectly, in a brand or group of hotels that competes with the manager or any affiliate thereof, or (v) the transferee is a person designated by the U.S. Department of Treasury's Office of Foreign Assets Control or other governmental entity from time to time as a "specially designated national or blocked person" or similar status, is a person described in Section 1 of U.S. Executive Order 13224, or is a person otherwise identified by any government or legal authority as being someone with whom Marriott is prohibited from transacting business. 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 15 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; the Ritz-Carlton Reserve Dorado Beach management agreements requires that the sale must occur within 18 months after the 30-day 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. All of these agreements have been extended through December 31, 2033, and all of these agreements have 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 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. If an applicable hotel is substantially damaged by fire or other casualty such that it cannot be restored within 240 days, or if 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.

Four Seasons Management Agreement

Term. The base term of our management agreement with Four Seasons was 20 years, expiring December 31, 2019. It has been extended through December 31, 2039, and Four Seasons has two 20-year automatic extension options remaining, at the discretion of the manager.

Events of Default. An "event of default" under the hotel management agreement with Four Seasons 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 material 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 written notice to the defaulting party.

Performance Termination. The hotel management agreement with Four Seasons provides 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 RevPAR for such fiscal years is less than the RevPAR of the top three hotels (a) having substantially the same number of rooms as the Four Seasons Resort Scottsdale, (b) located in the Phoenix metropolitan area, (c) having substantially similar operating philosophy and components as the Four Seasons Resort Scottsdale, and (d) competing for substantially similar market segments as the Four Seasons Resort Scottsdale during the same fiscal years (ranked in terms of achieved room revenue); and (ii) the gross operating profit for the Four Seasons Resort Scottsdale is less than 80% of the amount of budgeted gross operating profit. Four Seasons has a right to avoid a performance termination by paying to us an amount equal to the amount by which the Four Seasons Resort Scottsdale failed to achieve 80% of budgeted gross operating profit for either or both of the fiscal years during the test period, but if Four Seasons pays such amount with respect to only one fiscal year of the applicable test period, the other fiscal year in the test period and the fiscal year immediately following the applicable test period will be deemed to constitute the next test period. Four Seasons may not exercise its cure right twice during each 20-year extension term. Notwithstanding the foregoing, we will not have the right to terminate this agreement if during either fiscal year during an applicable test period, one or more of the following events occurs and, in their totality, after giving effect to proceeds received from any applicable business interruption insurance, they adversely affect gross operating profit or RevPAR: casualty, condemnation, a force majeure event, a capital refurbishing program affecting 20% or more of the Four Seasons Resort Scottsdale.

Early Termination for Casualty. If the Four Seasons Resort Scottsdale is damaged by fire or other casualty and the cost to repair, rebuild, or replace the hotel that is not covered by insurance would exceed 20% of the replacement cost of the hotel, then we may terminate the hotel management agreement. We may also terminate the hotel management agreement if the casualty occurs in the last five years of the last extension term and the cost to repair, rebuild, or replace the hotel is estimated to exceed 20% of the replacement cost of the hotel. Operator may have the right to reinstate the hotel management agreement if Owner commences the repair, rebuilding, or replacement of the hotel within five years after the termination of the hotel management agreement as a result of a fire or other casualty.

Early Termination for Condemnation. If all or substantially all of the Four Seasons Resort Scottsdale is taken in any condemnation or similar proceeding which, in ours and Four Season's opinion, makes it imprudent or unreasonable to continue to operate the remaining portion of the hotel in accordance with the hotel management agreement, the hotel management agreement shall terminate.

Assignment and Sale. The hotel management agreement with Four Seasons provides that we cannot, without Four Seasons' prior written consent, sell, assign, transfer, or otherwise dispose of the Four Seasons Resort Scottsdale, which includes the transfer of an equity interest, or engage in certain change of control actions, if the buyer, assignee, transferee, or other recipient (i) is, or is an affiliate of, an individual or entity (either on its own or in conjunction with its affiliates) that has as a primary business (a) the operation and management of hotels or resorts, (b) the ownership and operation and management of hotels and resorts, or (c) the ownership of hotels or resorts on an active basis (as distinguished from the ownership of hotels or resorts on a passive basis) and can be foreseen to be a competitor of Four Season or any of its affiliates in the operation and management of hotels or resorts; (ii) does not have adequate financial capacity to perform its obligations under hotel management agreement; (iii) is of ill repute; or (iv) is in any other manner an individual or entity with whom or with which a prudent business person would not wish to associate in a commercial venture.

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 Accor 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 \$10.5 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 Accor management agreement because of a casualty, or 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 15 days' written notice to the defaulting party.

Early Termination for Casualty. If 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 design and construction 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, Hotel Yountville and Mr. C Beverly Hills Hotel. 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:

- \$16,294 (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;
- 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.* If there is 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 stepchildren) 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. Upon 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. Upon 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. Upon 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 or 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 design and construction 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 design and construction services to be provided to us by Premier, solely in order to effect the transfer of the design and construction 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 design and construction services to all of our hotels. The master project management agreement will also govern the provision of design and construction services to hotels we acquire in the future, as Premier has the right to provide design and construction 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 design and construction 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 design and construction 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;
- 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.* If there is 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 design and construction 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 design and construction 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 stepchildren) 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. Upon 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. Upon 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. Upon 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. If 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. If 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 stepchildren) 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. If 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 (December 31, 2026 in the case of the Mr. C Beverly Hills Hotel). 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. If there is 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 or 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, cybersecurity, directors and officers, 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, global pandemics war or acts of God as well as certain types of coverages previously available under policies set forth above (for example, communicable disease, abuse & molestation coverages previously available under general liability policies). 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 102 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 pandemics, 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 Chief 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. These risks are discussed more fully below and include, but are not limited to, risks related to:

- 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;
- 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.

We did not pay dividends on our common stock in fiscal years 2020 and 2021 and we may not pay dividends on our common stock or preferred stock in the future.

The board of directors declared cash dividends on the Company’s 5.5% Series B Cumulative Convertible Preferred Stock, 8.25% Series D Cumulative Preferred Stock, Series E Redeemable Preferred Stock and Series M Redeemable Preferred Stock for the quarters ending March 30, 2022, June 30, 2022, September 30, 2022, December 31, 2022 and March 31, 2023 in amounts that such holders of our preferred stock are entitled to receive. We did not pay dividends on our common stock in fiscal years 2020 and 2021. In March 2022, the board of directors approved an update to our previously announced dividend policy for 2022 to revise our then-expectation to pay a quarterly dividend of \$0.01 per share of common stock during 2022. Our board of directors declared quarterly cash dividends of \$0.01 per diluted share for the Company’s common stock for the quarters ending March 30, 2022, June 30, 2022 and September 30, 2022. On December 8, 2022, our board of directors increased the quarterly cash dividend from \$0.01 per diluted share to \$0.05 per diluted share beginning with the Company’s common stock dividend for the fourth quarter of 2022 and approved the Company’s dividend policy for 2023. The Company expects to pay a quarterly cash dividend of \$0.05 per share for the Company’s common stock for 2023, or \$0.20 per share on an annualized basis. The approval of our dividend policy does not commit our board of directors to declare future dividends with respect to any quantity or the amount thereof and the board of directors may decide not to pay any dividends on our common stock and/or preferred stock. We may not pay dividends on our common stock or preferred stock in the future. If we fail to pay dividends on our common stock or preferred stock, the market price of our common stock or preferred stock will likely be adversely affected.

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), 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 monthly payments to our advisor equal to the minimum base management fee, 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 \$16,000 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 \$16,000 per hotel (increased annually based on consumer price index adjustments), which could adversely impact our liquidity and financial condition.

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, Scottsdale, Seattle, Philadelphia, Chicago, Key West, Vail/Beaver Creek, Lake Tahoe, Los Angeles 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 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.

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, Alex Rose, Deric S. Eubanks, 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 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), Four Seasons, 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 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 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, Hotel Yountville and Mr. C Beverly Hills Hotel. 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. On February 23, 2022, Ashford TRS Chicago II and Accor filed a stipulation of discontinuance dismissing all claims, counterclaims, and cross-claims in the January 6, 2020 action with prejudice. Arbitration occurred on October 12 and 13, 2022. The arbitrator returned his decision on November 21, 2022, and the decision did not result in any additional amounts being owed to, or payable by, the Company.

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.

Nine 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.

Nine of our 16 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.

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. 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. Further, there has been a surge in widespread cyber-attacks during and since the COVID-19 pandemic, and the use of remote work environments and virtual platforms may increase our risk of cyber-attack or data security breaches. 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 or natural disasters.

Our properties are susceptible to extreme weather conditions, which may cause property damage or interrupt business, which could harm our business and results of operations. Certain of our hotels are located in areas that may be subject to extreme weather conditions, including, but not limited to, hurricanes, floods, tornados and winter storms in the United States and the Caribbean. Such extreme weather conditions may interrupt our operations, damage our hotels, and reduce the number of guests who visit our hotels in such areas. In addition, our operations could be adversely impacted by a drought or other cause of water shortage. A severe drought of extensive duration experienced in California or in the other regions in which we operate or source critical supplies could adversely affect our business. 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, tornados, floods and other severe weather conditions and natural disasters. 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.

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, 2022, we had approximately \$1.3 billion of outstanding indebtedness, including approximately \$1.3 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. 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 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, 2022, we had approximately \$1.3 billion of outstanding indebtedness, including approximately \$1.3 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 may enter into other transactions that 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 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 senior convertible notes, 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 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, 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. If 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 or SOFR reporting practices, the method in which LIBOR or SOFR is determined or the transition away from LIBOR to SOFR or other alternative reference rates.

In July 2017, the United Kingdom regulator that regulates London Interbank Offered Rate (“LIBOR”) announced its intention to phase out LIBOR rates by the end of 2021. On March 5, 2021, the ICE Benchmark Administration Limited, the administrator of LIBOR, and the Financial Conduct Authority announced that all LIBOR rates will either cease to be published by any benchmark administrator, or no longer be representative immediately after December 31, 2021 for all GBP, EUR, CHF and JPY LIBOR rates and one-week and two-month U.S. dollar LIBOR rates, and immediately after June 30, 2023 for the remaining U.S. dollar LIBOR rates. As of January 1, 2022, publication of one-week and two-month U.S. dollar LIBOR has ceased, and regulated U.S. financial institutions are no longer permitted to enter into new contracts referencing any LIBOR rates. The Alternative Reference Rates Committee (“ARRC”), a committee convened by the Federal Reserve Board and the New York Federal Reserve Bank, has proposed replacing U.S. dollar LIBOR with a new index based on trading in overnight repurchase agreements, the Secured Overnight Financing Rate (“SOFR”). The ARRC has formally announced and recommended SOFR as an alternative reference rate to LIBOR. As of December 31, 2022, we had approximately \$1.3 billion of variable interest rate debt as well as interest rate derivatives including caps on the majority of our variable rate debt that are indexed to LIBOR.

The methodology of calculating SOFR is different to that of LIBOR, as SOFR is calculated using short-term repurchase agreements backed by U.S. Treasury securities and is backward looking, while LIBOR is an estimated forward-looking rate and relies, to some degree, on the expert judgment of submitting panel members. In addition since SOFR is a secured rate backed by government securities, it does not take into account bank credit risk (as is the case with LIBOR). SOFR also may be more volatile than LIBOR. In July 2021, the ARRC formally recommended the use of forward-looking term rates based on SOFR published by CME Group (the “Term SOFR”) on commercial loans. While Term SOFR matches more closely the term structure and forward-looking features of LIBOR, as a calculation based on a secured overnight financing rate it still does not match the credit risk-sensitive nature of LIBOR as an unsecured term rate. At this time, there is no guarantee that such transition from LIBOR to SOFR will not result in financial market disruptions.

Our financial instruments may require changes to documentation as well as enhancements and modifications to systems, controls, procedures and models, which could present operational and legal challenges for us and our clients, customers, investors and counterparties. There can be no assurance that we will be able to modify all existing financial instruments before the discontinuation of LIBOR. If such financial instruments are not remediated to provide a method for transitioning from LIBOR to an alternative reference rate, the New York state LIBOR legislation and proposed federal legislation related to the LIBOR transition may provide statutory solutions to implement an alternative reference rate and provide legal protection against litigation. 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. We continue to monitor developments in the LIBOR transition and the proposed federal legislation related to the LIBOR transition to facilitate an orderly transition away from the use of LIBOR.

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 design and construction 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, 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.

We provide funds to Ashford Inc. to fund the formation, registration and ongoing funding needs of Ashford Securities, which could result in certain conflicts of interest. There can be no assurance Ashford Securities will continue to 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 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. There can be no assurance that Ashford Securities will continue to 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, Hotel Yountville and Mr. C Beverly Hills Hotel. We expect Remington Hotels will manage certain of the hotels we acquire in the future. Premier, also a subsidiary of Ashford Inc., currently provides design and construction services to us. We expect Premier will also provide design and construction 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, 2022, 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 610,246 shares of Ashford Inc. common stock, which represented an approximate 19.6% ownership interest in Ashford Inc., and owned 18,758,600 shares of Ashford Inc. Series D Convertible Preferred Stock, which, along with all unpaid accrued and accumulated dividends thereon, was convertible (at a conversion price of \$117.50 per share) into an additional approximate 4,145,385 shares of Ashford Inc. common stock, which if converted as of December 31, 2022 would have increased the Bennetts' ownership interest in Ashford Inc. to 65.5%. The 18,758,600 shares of Series D Convertible Preferred Stock owned by Mr. Monty J. Bennett and Mr. Archie Bennett, Jr. include 362,959 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, if 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. As a result of unrealized built-in gain attributable to contributed property at the time of contribution, some holders of common units 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. Vaziri 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.

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.

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 at, displacement of revenue at, and damage to operating hotels, including revenue lost while rooms, restaurants or meeting space under renovation are out of service;
- increases in operating costs at our hotels, to the extent they rely on portions of development sites for hotel operations;
- 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;
- disputes with franchisors or hotel managers regarding compliance with relevant franchise agreements or management agreements; and
- development related liabilities, such as claims for design/construction defects.

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, Tripadvisor.com, 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.

Tax increases and changes in tax rules may adversely affect our financial results.

As a company conducting business with physical operations throughout North America, we are exposed, both directly and indirectly, to the effects of changes in U.S., state and local tax rules. Taxes for financial reporting purposes and cash tax liabilities in the future may be adversely affected by changes in such tax rules. Such changes may put us at a competitive disadvantage compared to some of our major competitors, to the extent we are unable to pass the tax costs through to our customers.

The Biden administration has announced in 2021 and 2022, and in certain cases has enacted, a number of tax proposals to fund new government investments in infrastructure, healthcare, and education, among other things. Certain of these proposals involve an increase in the domestic corporate tax rate, which if implemented could have a material impact on our future results of operations and cash flows. On August 16, 2022, the Inflation Reduction Act of 2022 (“IRA”) was signed into law, with tax

provisions primarily focused on implementing a 15% corporate alternative minimum tax on global adjusted financial statement income and a 1% excise tax on share repurchases. The IRA also creates a number of potentially beneficial tax credits to incentivize investments in certain technologies and industries. Certain provisions of the IRA will become effective beginning in fiscal 2023. We do not believe the IRA will have a material negative impact on our business.

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. If a substantial loss occurs, 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 the Maryland General Corporation Law (the “MGCL”) 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 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 8, 2023, we had 66,032,496 shares of our common stock issued and outstanding, 3,078,017 shares of our Series B Cumulative Convertible Preferred Stock, 1,600,000 shares of our Series D Cumulative Preferred Stock, 16,466,721 shares of our Series E Redeemable Preferred Stock and 1,959,333 shares of our Series M Redeemable 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. No shares of Series C Preferred Stock are issued. Our charter allows us to

create new series of preferred stock at any time. Accordingly, we may issue up to an additional 183,967,504 shares of common stock and 56,895,929 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 could 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.

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 in the future choose to pay taxable dividends in our common stock instead of 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 (10% for distributions declared on or after November 1, 2021, and on or before June 30, 2022).

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, 2022, our high common stock price was \$6.64 and the low common stock price was \$3.41.

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, 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 on a one-for-one basis or, at our option, cash. 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 redemption of 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.

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 \$25 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 8, 2023, we have completed the \$25.0 million repurchase authorization. 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 1200, Dallas, Texas 75254.

Hotel Properties

As of December 31, 2022, we held ownership interests in 16 hotel properties that were included in our consolidated operations, which included direct ownership in 14 hotel properties and 75% ownership in two hotel properties through equity investments with our partner. Fourteen of our hotel properties are located in the United States, one is located in Puerto Rico, one is located in the U.S. Virgin Islands. As of December 31, 2022, all 16 hotel properties were encumbered by loans as described in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Indebtedness."

Hotel Properties

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

Hotel Property	Location	Total Rooms	% Owned	Owned Rooms	Year Ended December 31, 2022			
					Occupancy	ADR	RevPAR	
Fee Simple Properties								
Capital Hilton	Washington, D.C.	550	75 %	413	65.17 %	\$ 228.36	\$ 148.82	
Marriott Seattle Waterfront	Seattle, WA	361	100 %	361	56.88 %	286.14	162.75	
The Notary Hotel	Philadelphia, PA	499	100 %	499	55.92 %	218.34	122.10	
The Clancy	San Francisco, CA	410	100 %	410	70.05 %	298.91	209.38	
Sofitel Chicago Magnificent Mile	Chicago, IL	415	100 %	415	65.36 %	250.78	163.92	
Pier House Resort & Spa	Key West, FL	142	100 %	142	74.81 %	707.12	529.03	
The Ritz-Carlton St. Thomas	St. Thomas, USVI	180	100 %	180	73.81 %	1,204.88	889.30	
Park Hyatt Beaver Creek Resort & Spa	Beaver Creek, CO	190	100 %	190	60.58 %	601.05	364.13	
Hotel Yountville	Yountville, CA	80	100 %	80	54.06 %	906.82	490.21	
The Ritz-Carlton Sarasota	Sarasota, FL	276	100 %	276	74.47 %	617.66	459.97	
The Ritz-Carlton Lake Tahoe ⁽¹⁾	Truckee, CA	170	100 %	170	57.60 %	736.50	424.40	
Mr. C Beverly Hills Hotel ⁽²⁾	Los Angeles, CA	143	100 %	143	74.26 %	347.57	258.10	
The Ritz-Carlton Reserve Dorado Beach ⁽³⁾	Dorado, Puerto Rico	96	100 %	96	63.53 %	1,928.50	1,225.27	
Four Seasons Resort Scottsdale ⁽⁴⁾	Scottsdale, AZ	210	100 %	210	45.15 %	1,056.99	477.19	
Ground Lease Properties ⁽⁵⁾								
Hilton La Jolla Torrey Pines ⁽⁶⁾	La Jolla, CA	394	75 %	296	77.25 %	250.95	193.87	
Bardessono Hotel and Spa ⁽⁷⁾	Yountville, CA	65	100 %	65	63.96 %	1,257.56	804.31	
Total		4,181		3,946	65.62 %	\$ 451.56	\$ 296.30	

⁽¹⁾ The above information does not include the operations of the voluntary rental program with respect to condominium units not owned by the Company.

⁽²⁾ Includes 138 hotel rooms and five residences adjacent to the hotel.

⁽³⁾ The above information does not include the operations of the voluntary rental program with respect to residential units not owned by the Company. The results of the hotel are included from March 11, 2022 through December 31, 2022.

⁽⁴⁾ The results of the hotel are included from December 1, 2022 through December 31, 2022.

⁽⁵⁾ Some of our hotel properties are on land subject to ground leases, two of which cover the entire property.

⁽⁶⁾ 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.

⁽⁷⁾ 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 Accor's 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 under the Accor management agreement has occurred and an injunction to prevent Ashford TRS Chicago II from terminating the Accor management agreement. 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 damages and a 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, in which Accor asserted two causes of action: First, Accor asserted a counterclaim for declaratory judgment that Accor correctly calculated the amount payable to Ashford TRS Chicago II under the Accor management agreement to "cure" Accor's performance test failure (the "Cure Amount"). Second, Accor asserted a counterclaim for breach of contract alleging that Ashford TRS Chicago II breached the Accor 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. On February 16, 2022, the parties entered into a settlement agreement agreeing to: 1) amend the Accor management agreement; 2) dismiss the lawsuit and counterclaims; 3) stipulate to the failure of the performance tests and cure amounts for 2018 of \$867,682 and 2019 of \$784,919; and 4) arbitrate whether the performance tests for 2020 and 2021 were valid and/or required equitable adjustment. On February 23, 2022, Ashford TRS Chicago II and Accor filed a stipulation of discontinuance dismissing all claims, counterclaims, and cross-claims in the January 6, 2020 action with prejudice. Arbitration occurred on October 12 and 13, 2022. The arbitrator returned his decision on November 21, 2022, and the decision did not result in any additional amounts being owed to, or payable by, the Company. As a result of the settlement related to the 2018 performance test failure, the Company recorded a gain of approximately \$868,000 in 2022, that is recorded as a reduction of management fees and included in "management fees" on the Company's consolidated statement of operations.

On December 20, 2016, a class action lawsuit was filed against one of the Company's hotel management companies in the Superior Court of the State of California in and for the County of Contra Costa 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 written 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 had until April 4, 2021 to opt out of the class; however, the total number of employees in the class has not been definitively determined and is the subject of continuing discovery. While we believe it is reasonably possible that we may incur a loss associated with this litigation, because there remains uncertainty under California law with respect to a significant legal issue, discovery relating to class members continues, and the trial judge retains discretion to award lower penalties than set forth in the applicable California employment laws, we do not believe any potential loss to the Company is reasonably estimable at this time. As of December 31, 2022, 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 and 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." On March 8, 2023, there were 601 holders of record.

Distributions and Our Distribution Policy

The board of directors declared cash dividends on the Company's 5.5% Series B Cumulative Convertible Preferred Stock, 8.25% Series D Cumulative Preferred Stock, Series E Redeemable Preferred Stock and Series M Redeemable Preferred Stock for the quarters ending March 30, 2022, June 30, 2022, September 30, 2022, December 31, 2022 and March 31, 2023 in amounts that such holders of our preferred stock are entitled to received. We did not pay dividends on our common stock in fiscal years 2020 and 2021. In March 2022, the board of directors approved an update to our previously announced dividend policy for 2022 to revise our then-expectation to pay a quarterly dividend of \$0.01 per share of common stock during 2022. Our board of directors declared a quarterly cash dividend of \$0.01 per diluted share for the Company's common stock for the quarters ended March 30, 2022, June 30, 2022 and September 30, 2022. On December 8, 2022, our board of directors increased the quarterly cash dividend from \$0.01 per diluted share to \$0.05 per diluted share beginning with the Company's common stock dividend for the fourth quarter of 2022 and approved the Company's dividend policy for 2023. The Company expects to pay a quarterly cash dividend of \$0.05 per share for the Company's common stock for 2023, or \$0.20 per share on an annualized basis. The approval of our dividend policy does not commit our board of directors to declare future dividends with respect to any quantity or the amount thereof. The board will continue to review its dividend policy on a quarter-to-quarter basis.

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 new 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:

	2022		2021		2020	
	Amount	%	Amount	%	Amount	%
Common Stock (cash):						
Ordinary taxable dividend	\$ 0.0300 ⁽¹⁾	100.0000 %	\$ —	— %	\$ —	— %
Capital gain distribution	—	—	—	—	—	—
Unrecaptured 1250 gain	—	—	—	—	—	—
Return of capital	—	—	—	—	0.1600 ⁽¹⁾	100.0000
Total	<u>\$ 0.0300</u>	<u>100.0000 %</u>	<u>\$ —</u>	<u>— %</u>	<u>\$ 0.1600</u>	<u>100.0000 %</u>
Preferred Stock – Series B:						
Ordinary taxable dividend	\$ 1.3752 ⁽¹⁾	100.0000 %	\$ —	— %	\$ —	— %
Capital gain distribution	—	—	—	—	—	—
Unrecaptured 1250 gain	—	—	—	—	—	—
Return of capital	—	—	1.3752 ⁽¹⁾	100.0000	1.3752 ⁽¹⁾	100.0000
Total	<u>\$ 1.3752</u>	<u>100.0000 %</u>	<u>\$ 1.3752</u>	<u>100.0000 %</u>	<u>\$ 1.3752</u>	<u>100.0000 %</u>
Preferred Stock – Series D:						
Ordinary taxable dividend	\$ 2.0624 ⁽¹⁾	100.0000 %	\$ —	— %	\$ —	— %
Capital gain distribution	—	—	—	—	—	—
Unrecaptured 1250 gain	—	—	—	—	—	—
Return of capital	—	—	2.0624 ⁽¹⁾	100.0000	2.0624 ⁽¹⁾	100.0000
Total	<u>\$ 2.0624</u>	<u>100.0000 %</u>	<u>\$ 2.0624</u>	<u>100.0000 %</u>	<u>\$ 2.0624</u>	<u>100.0000 %</u>
Preferred Stock – Series E:						
Ordinary taxable dividend	\$ 1.9732 ⁽¹⁾⁽²⁾	100.0000 %	—	—	—	—
Capital gain distribution	—	—	—	—	—	—
Unrecaptured 1250 gain	—	—	—	—	—	—
Return of capital	—	—	0.8330 ⁽¹⁾	100.0000	—	—
Total	<u>\$ 1.9732</u>	<u>100.0000 %</u>	<u>\$ 0.8330</u>	<u>100.0000 %</u>	<u>\$ —</u>	<u>— %</u>
Preferred Stock – Series M (CUSIP #10482B705):						
Ordinary taxable dividend	2.0621 ⁽¹⁾⁽²⁾	100.0000 %	—	—	—	—
Capital gain distribution	—	—	—	—	—	—
Unrecaptured 1250 gain	—	—	—	—	—	—
Return of capital	—	—	0.6832 ⁽¹⁾	100.0000	—	—
Total	<u>\$ 2.0621</u>	<u>100.0000 %</u>	<u>\$ 0.6832</u>	<u>100.0000 %</u>	<u>\$ —</u>	<u>— %</u>
Preferred Stock – Series M (CUSIP #10482B887):						
Ordinary taxable dividend	2.0538 ⁽¹⁾⁽²⁾	100.0000 %	—	—	—	—
Capital gain distribution	—	—	—	—	—	—
Unrecaptured 1250 gain	—	—	—	—	—	—
Return of capital	—	—	0.6832 ⁽¹⁾	100.0000	—	—
Total	<u>\$ 2.0538</u>	<u>100.0000 %</u>	<u>\$ 0.6832</u>	<u>100.0000 %</u>	<u>\$ —</u>	<u>— %</u>
Preferred Stock – Series M (CUSIP #10482B796, 10482B861, 10482B770 and 10482B846):						
Ordinary taxable dividend	1.8788 ⁽¹⁾⁽²⁾	100.0000 %	—	—	—	—
Capital gain distribution	—	—	—	—	—	—
Unrecaptured 1250 gain	—	—	—	—	—	—
Return of capital	—	—	—	—	—	—
Total	<u>\$ 1.8788</u>	<u>100.0000 %</u>	<u>\$ —</u>	<u>— %</u>	<u>\$ —</u>	<u>— %</u>

⁽¹⁾ 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. The fourth quarter 2021 distributions paid January 18, 2022 to stockholders of record as of December 31, 2021 are treated as 2022 distributions for tax purposes. The distributions paid January 17, 2023 to stockholders of record as of December 30, 2022 are treated as 2023 distributions for tax purposes.

⁽²⁾ Distributions per share reflects the annual rate per share for distributions reportable in 2022.

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 ⁽¹⁾	Weighted-Average Exercise Price Of Outstanding Options, Warrants, And Rights	Number of Securities Remaining Available for Future Issuance ⁽²⁾
Equity compensation plans approved by security holders	972,728	N/A	1,469,068
Equity compensation plans not approved by security holders .	None	N/A	None
Total	972,728	N/A	1,469,068

⁽¹⁾ Consists of rights to acquire our common stock subject to the satisfaction of service and or performance vesting conditions (with the amount shown assuming the maximum level of performance under the 2021 and 2022 PSU awards). The number of shares subject to issuance under the PSUs (if any) will depend on the ultimate actual performance level, and the Company in its discretion may settle the 2022 PSUs in cash rather than shares of common stock.

⁽²⁾ As of December 31, 2022, approximately 1,469,000 shares of our common stock, or securities convertible into approximately 1.5 million shares of our common stock, remained available for issuance under our 2013 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 7, 2022, our board of directors approved a new stock repurchase program pursuant to which the board 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 \$25 million. The Board's authorization replaced any previous repurchase authorizations.

During the year ended December 31, 2022, we repurchased 1.5 million shares of our common stock for approximately \$6.1 million. Subsequent to December 31, 2022, the Company repurchased approximately 3.9 million shares of its common stock for approximately \$18.9 million. The Company repurchased approximately 5.4 million shares of its common stock for approximately \$25.0 million and has completed the \$25.0 million repurchase authorization.

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, 2022:

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	12,597	\$ — ⁽²⁾	—	\$ 50,000,000
November 1 to November 30	342	\$ — ⁽²⁾	—	\$ 50,000,000
December 1 to December 31	1,524,346 ⁽¹⁾	\$ 4.04	1,511,044	\$ 18,897,710
Total	1,537,285	\$ 4.04	1,511,044	

⁽¹⁾ Includes 13,302 shares in December 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 12,597 and 342 of our common stock in October and November, respectively.

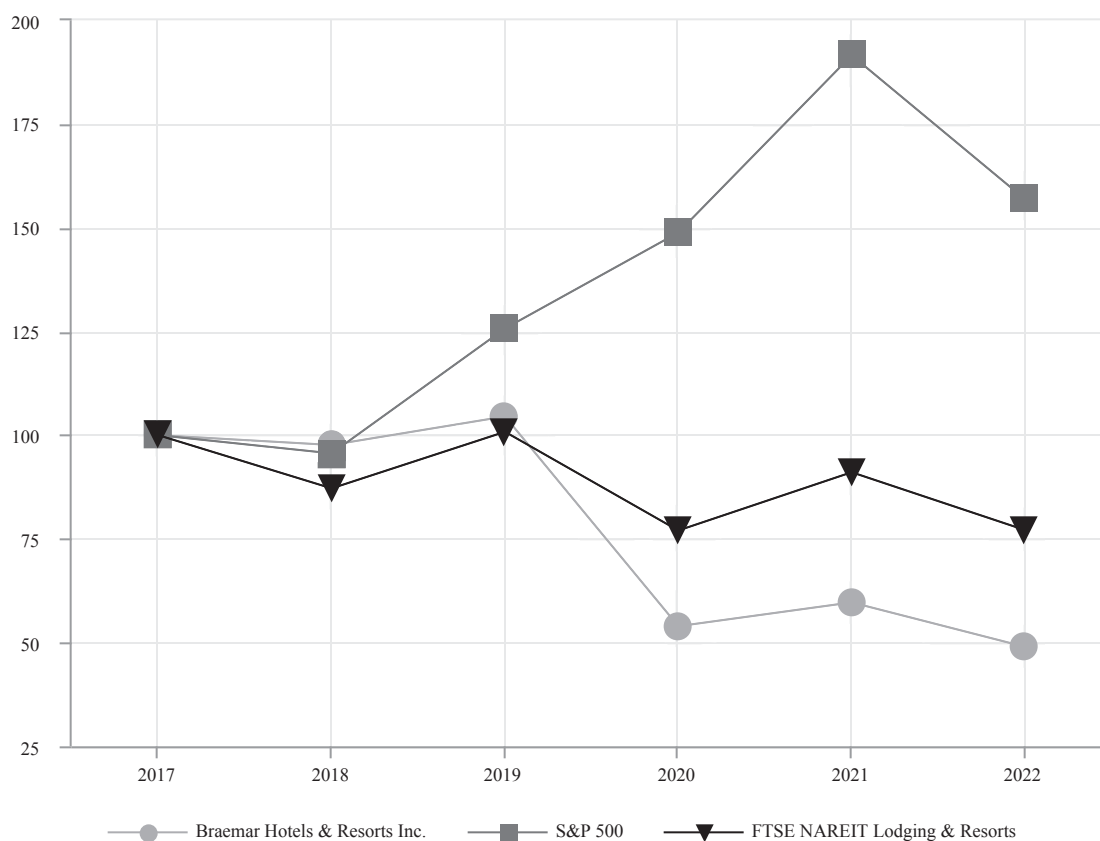
Performance Graph

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, 2017 through December 31, 2022, assuming an initial investment of \$100 in stock on December 31, 2016 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 1200, 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. Reserved

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 2022 and 2021 items and year-to-year comparisons between 2022 and 2021. Discussions of 2020 items and year-to-year comparisons between 2021 and 2020 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, 2021.

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 STR, LLC. Two times the U.S. national average was \$187 for the year ended December 31, 2022. 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, 2022, we owned interests in 16 hotel properties in seven states, the District of Columbia, Puerto Rico and St. Thomas, U.S. Virgin Islands with 4,181 total rooms, or 3,946 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 14 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, 2022, Remington Hotels, a subsidiary of Ashford Inc., managed four of our 16 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 design and construction services, debt placement and related services, broker-dealer and distribution services, audio visual services, real estate advisory and brokerage services, insurance claims services, hypoallergenic premium rooms, watersport activities, travel/transportation services and mobile key technology.

Recent Developments

In September 2022, given the recent increases in interest rates on short-term U.S. Treasury securities, the independent members of our board of directors approved the engagement of our Advisor to actively manage and invest the Company’s excess cash in short-term U.S. Treasury securities (the “Cash Management Strategy”). As consideration for the Advisor’s services under this engagement, the Company will pay the Advisor an annual fee equal to the lesser of (i) 20 basis points (0.20%) of the average daily balance of the Company’s excess cash invested by the Advisor and (ii) the actual rate of return realized by the Cash Management Strategy (the “Cash Management Fee”); provided that in no event will the Cash Management Fee be less than zero. The Cash Management Fee will be calculated and payable monthly in arrears. Investment of the Company’s excess cash pursuant to the Cash Management Strategy commenced in October 2022.

On December 1, 2022, the Company acquired a 100% interest in the 210-room Four Seasons Resort Scottsdale at Troon North for \$267.8 million in cash.

On December 7, 2022, our board of directors approved a new 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 \$25 million. The board of director’s authorization replaced any previous repurchase authorizations. During the year ended December 31, 2022, we repurchased 1.5 million shares of our common stock for approximately \$6.1 million. Subsequent to December 31, 2022, the Company repurchased approximately 3.9 million shares of its common stock for approximately \$18.9 million. The Company repurchased approximately 5.4 million shares of its common stock for approximately \$25.0 million and has completed the \$25.0 million repurchase authorization.

On December 23, 2022, we entered into a \$100 million mortgage loan, secured by the Four Seasons Resort Scottsdale at Troon North. The mortgage loan has a three-year initial term and two one-year extension options, subject to satisfaction of certain conditions. The mortgage loan is interest only and bears interest at a rate of SOFR + 3.75% with a SOFR floor of 1.00%.

On January 18, 2023, the Company paid off its existing mortgage loan associated with the Ritz-Carlton Reserve Dorado Beach. Prior to the pay-off, the mortgage loan had an outstanding balance of \$54 million.

On February 24, 2023, at the option of Mr. Monty J. Bennett, Mr. Bennett's 169,523 vested LTIP units that achieved economic parity with his common units were redeemed for common units on a one-for-one basis. On February 24, 2023, the Company received a Notice of Exercise of Redemption Right (the "Redemption Notice"), pursuant to which Mr. Bennett elected to redeem the common units and such redemption was settled in cash at the Company's election based on the average of the closing price of the Company's common stock for the ten consecutive trading days ending on February 23, 2023. Additionally, on February 24, 2023, Mr. Bennett elected to redeem an additional 1,254,254 common units and following receipt of the Redemption Notice, such redemption was settled in cash at the Company's election at a price per common unit based on the average of the closing price of the Company's common stock for the ten consecutive trading days ending on February 23, 2023. The cash redemption for the 1,423,777 common units totaled approximately \$7.0 million. Additionally, based on information previously reported by Mr. Bennett in a Form 4 filed on March 1, 2023, Mr. Bennett subsequently sold 417,491 shares of common stock beneficially owned by him into the public markets.

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.

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.

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, Four Seasons, 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, 2022 Compared to Year Ended December 31, 2021

The following table summarizes changes in key line items from our consolidated statements of operations for the years ended December 31, 2022 and 2021 (in thousands except percentages):

	Year Ended December 31,		Favorable (Unfavorable)	
	2022	2021	\$ Change	% Change
Revenue				
Rooms	\$ 431,515	\$ 280,568	\$ 150,947	53.8 %
Food and beverage	159,241	90,299	68,942	76.3
Other	78,829	56,675	22,154	39.1
Total hotel revenue	669,585	427,542	242,043	56.6
Expenses				
Hotel operating expenses:				
Rooms	94,410	59,818	(34,592)	(57.8)
Food and beverage	125,555	75,177	(50,378)	(67.0)
Other expenses	205,373	138,914	(66,459)	(47.8)
Management fees	20,149	13,117	(7,032)	(53.6)
Total hotel operating expenses	445,487	287,026	(158,461)	(55.2)
Property taxes, insurance and other	30,766	34,997	4,231	12.1
Depreciation and amortization	78,122	73,762	(4,360)	(5.9)
Advisory services fee	28,847	22,641	(6,206)	(27.4)
(Gain) loss on legal settlements	(114)	(917)	(803)	(87.6)
Transaction costs	—	563	563	100.0
Corporate general and administrative	18,084	8,717	(9,367)	(107.5)
Total expenses	601,192	426,789	(174,403)	(40.9)
Gain (loss) on insurance settlement and disposition of assets	—	696	(696)	(100.0)
Operating income (loss)	68,393	1,449	66,944	(4,620.0)
Equity in earnings (loss) of unconsolidated entity	(328)	(252)	(76)	(30.2)
Interest income	2,677	48	2,629	5,477.1
Interest expense and amortization of discounts and loan costs	(52,166)	(30,901)	(21,265)	(68.8)
Write-off of loan costs and exit fees	(146)	(1,963)	1,817	92.6
Realized and unrealized gain (loss) on derivatives	4,961	32	4,929	15,403.1
Income (loss) before income taxes	23,391	(31,587)	54,978	174.1
Income tax (expense) benefit	(4,043)	(1,324)	(2,719)	(205.4)
Net income (loss)	19,348	(32,911)	52,259	158.8
(Income) loss attributable to noncontrolling interest in consolidated entities	(2,063)	2,650	(4,713)	(177.8)
Net (income) loss attributable to redeemable noncontrolling interests in operating partnership	476	3,597	(3,121)	(86.8)
Net income (loss) attributable to the Company	<u>\$ 17,761</u>	<u>\$ (26,664)</u>	<u>\$ 44,425</u>	<u>166.6 %</u>

All hotel properties owned for the years ended December 31, 2022 and 2021 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, the operating results for certain hotel properties are not comparable for the years ended December 31, 2022 and 2021. The hotel properties listed below are not comparable hotel properties for the periods indicated and all other hotel properties are considered comparable hotel properties. The following acquisitions affect reporting comparability related to our consolidated financial statements:

Hotel Properties	Location	Type	Date
Mr. C Beverly Hills Hotel.....	Los Angeles, California	Acquisition	August 5, 2021
The Ritz-Carlton Reserve Dorado Beach	Dorado, Puerto Rico	Acquisition	March 11, 2022
Four Seasons Resort Scottsdale	Scottsdale, Arizona	Acquisition	December 1, 2022

The following table illustrates the key performance indicators of all hotel properties for the periods indicated:

	Year Ended December 31,	
	2022	2021
Occupancy.....	65.62 %	52.47 %
ADR (average daily rate)	\$ 451.56	\$ 386.45
RevPAR (revenue per available room)	\$ 296.30	\$ 202.76
Rooms revenue (in thousands)	\$ 431,515	\$ 280,568
Total hotel revenue (in thousands)	\$ 669,585	\$ 427,542

The following table illustrates the key performance indicators of the 13 hotel properties that were included for the full year ended December 31, 2022 and 2021:

	Year Ended December 31,	
	2022	2021
Occupancy.....	65.50 %	52.29 %
ADR (average daily rate)	\$ 421.09	\$ 387.47
RevPAR (revenue per available room)	\$ 275.83	\$ 202.61
Rooms revenue (in thousands)	\$ 376,861	\$ 276,038
Total hotel revenue (in thousands)	\$ 583,659	\$ 420,949

Net Income (Loss) Attributable to the Company. Net income (loss) attributable to the Company changed \$44.4 million, from a net loss of \$26.7 million for the year ended December 31, 2021 (“2021”), to net income of \$17.8 million for the year ended December 31, 2022 (“2022”), as a result of the factors discussed below.

Rooms Revenue. Rooms revenue increased \$150.9 million, or 53.8%, to \$431.5 million during 2022 compared to 2021. During 2022, we experienced a 1,315 basis point increase in occupancy and a 16.8% increase in room rates compared to 2021. The increase in rooms revenue is due to the hotel properties recovering from the COVID-19 pandemic as well as increases in rooms revenue of \$8.9 million from the acquisition of the Mr. C Beverly Hills Hotel on August 5, 2021, \$38.1 million from the acquisition of The Ritz-Carlton Reserve Dorado Beach on March 11, 2022, and \$3.1 million from the acquisition of the Four Seasons Resort Scottsdale.

Fluctuations in rooms revenue between 2022 and 2021 are a result of the changes in occupancy and ADR between 2022 and 2021 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	\$ 20,104	3,470	42.9 %
Marriott Seattle Waterfront ⁽¹⁾	6,340	465	30.4 %
The Notary Hotel	10,348	1,898	23.6 %
The Clancy	16,707	1,408	71.2 %
Sofitel Chicago Magnificent Mile	10,407	1,843	23.6 %
Pier House Resort & Spa	2,337	(701)	19.6 %
The Ritz-Carlton St. Thomas	3,607	(571)	14.8 %
Park Hyatt Beaver Creek Resort & Spa	7,950	565	32.3 %
Hotel Yountville	1,429	(384)	19.0 %
The Ritz-Carlton Sarasota	5,318	(253)	13.2 %
Hilton La Jolla Torrey Pines	10,953	1,945	23.2 %
Bardessono Hotel and Spa	691	(396)	10.2 %
The Ritz-Carlton Lake Tahoe	4,631	73	16.5 %
Total	\$ 100,822	1,321	8.7 %
Non-comparable			
Mr. C Beverly Hills Hotel	\$ 8,941	1,038	4.4 %
The Ritz-Carlton Reserve Dorado Beach	38,077	n/a	n/a
Four Seasons Resort Scottsdale	3,107	n/a	n/a
Total	\$ 50,125		

⁽¹⁾ This hotel was under renovation during the 2022 period.

Food and Beverage Revenue. Food and beverage revenue increased \$68.9 million, or 76.3%, to \$159.2 million during 2022 compared to 2021. This increase is primarily driven by the recovery from the COVID-19 pandemic. We experienced an aggregate increase in food and beverage revenue of \$50.2 million at 13 comparable hotel properties as well as increases of \$3.0 million, \$14.2 million and \$1.4 million at the Mr. C Beverly Hills Hotel, The Ritz-Carlton Reserve Dorado Beach and the Four Seasons Resort Scottsdale, respectively.

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, increased \$22.2 million, or 39.1%, to \$78.8 million during 2022 compared to 2021.

The increase is attributable to higher other hotel revenue of \$11.9 million at 11 comparable hotel properties, and an increase of \$917,000 at the Mr. C Beverly Hills Hotel, \$8.9 million at The Ritz-Carlton Reserve Dorado Beach, as well as \$657,000 at the Four Seasons Resort Scottsdale, partially offset by a decrease of \$257,000 at Marriott Seattle Waterfront and \$21,000 at the Pier House Resort & Spa.

Rooms Expense. Rooms expense increased \$34.6 million, or 57.8%, to \$94.4 million in 2022 compared to 2021. The increase is attributable to an aggregate increase in rooms expense of \$22.9 million at 13 comparable hotel properties due to the hotel properties recovering from the COVID-19 pandemic and increases of \$2.7 million at the Mr. C Beverly Hills Hotel, \$8.5 million at The Ritz-Carlton Reserve Dorado Beach as well as \$538,000 at the Four Seasons Resort Scottsdale.

Food and Beverage Expense. Food and beverage expense increased \$50.4 million, or 67.0%, to \$125.6 million during 2022 compared to 2021.

The increase is attributable to an aggregate increase of \$33.6 million at 13 comparable hotel properties and increases of \$2.8 million at the Mr. C Beverly Hills Hotel, \$12.7 million at The Ritz-Carlton Reserve Dorado Beach and \$1.3 million at the Four Seasons Resort Scottsdale.

Other Operating Expenses. Other operating expenses increased \$66.5 million, or 47.8%, to \$205.4 million in 2022 compared to 2021. 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 an increase of \$8.0 million in direct expenses and \$58.4 million in indirect expenses and incentive management fees in 2022 compared to 2021.

Direct expenses were 4.3% of total hotel revenue in 2022 and 4.9% in 2021. The increase in direct expenses is associated with higher direct expenses of approximately \$2.9 million at 11 comparable hotel properties as they are recovering from the COVID-19 pandemic, as well as an increase of \$61,000 at the Mr. C Beverly Hills Hotel, \$5.0 million at The Ritz-Carlton Reserve Dorado Beach as well as \$193,000 at the Four Seasons Resort Scottsdale, the increases are partially offset by lower direct expenses of \$58,000 at the Capital Hilton and Marriott Seattle Waterfront.

The increase in indirect expenses is attributable to increases in (i) general and administrative costs of \$24.6 million comprising an increase of \$15.6 million at our 13 comparable hotel properties and \$9.1 million at the three acquired hotel properties; (ii) marketing costs of \$15.7 million comprising an increase of \$11.5 million at our 13 comparable hotel properties and \$4.2 million at the three acquired hotel properties; (iii) repairs and maintenance of \$6.2 million comprising an increase of \$2.5 million at our 13 comparable hotel properties and \$3.7 million at the three acquired hotel properties; (iv) lease expense of \$1.3 million comprising an increase of \$1.1 million at our 13 comparable hotel properties and \$250,000 at the three acquired hotel properties; (v) energy costs of \$6.7 million comprised of an increase of \$3.3 million at our 13 comparable hotel properties and \$3.4 million at the three acquired hotel properties; and (vi) incentive management fees of \$3.8 million comprising an increase of \$2.9 million at our 13 comparable hotel properties and \$888,000 at the three acquired hotel properties.

Management Fees. Base management fees increased \$7.0 million, or 53.6%, to \$20.1 million in 2022 compared to 2021. Management fees increased approximately \$4.9 million at 12 of our comparable hotel properties, \$382,000 at the Mr. C Beverly Hills Hotel, \$1.9 million at The Ritz-Carlton Reserve Dorado Beach and \$157,000 at the Four Seasons Resort Scottsdale. These increases were partially offset by a decrease of \$444,000 at the Sofitel Chicago Magnificent Mile primarily as a result of a legal settlement with Accor. See Item 3. "Legal Proceedings."

Property Taxes, Insurance and Other. Property taxes, insurance and other decreased \$4.2 million, or 12.1%, to \$30.8 million in 2022 compared to 2021. The decrease primarily resulted from an aggregate decrease of \$8.5 million at five hotel properties, including a \$5.5 million and \$2.5 million decrease at the Sofitel Chicago Magnificent Mile and Marriott Seattle Waterfront, respectively, due to lower property tax assessments. The decrease is partially offset by increases of \$768,000 at the Mr. C Beverly Hills Hotel, \$2.1 million at The Ritz-Carlton Reserve Dorado Beach and \$78,000 at the Four Seasons Resort Scottsdale as a result of their acquisitions, as well as an aggregate increase of approximately \$1.3 million at eight hotel properties.

Depreciation and Amortization. Depreciation and amortization increased \$4.4 million, or 5.9%, to \$78.1 million for 2022 compared to 2021. The increase comprised \$1.5 million at the Mr. C Beverly Hills Hotel, \$5.1 million at The Ritz-Carlton Reserve Dorado Beach and \$781,000 at the Four Seasons Resort Scottsdale as a result of their acquisitions as well as an aggregate increase of \$2.2 million at the Park Hyatt Beaver Creek Resort & Spa, Marriott Seattle Waterfront, The Ritz-Carlton St. Thomas and The Ritz-Carlton Lake Tahoe. These increases were partially offset by an aggregate decrease of \$5.2 million at nine comparable hotel properties primarily due to fully depreciated assets.

Advisory Services Fee. Advisory services fee increased \$6.2 million, or 27.4%, to \$28.8 million in 2022 compared to 2021 due to increases in the base advisory fee of \$2.0 million, reimbursable expenses of \$2.4 million, equity-based compensation of \$1.1 million, and incentive fee of \$803,000.

In 2022, we recorded an advisory services fee of \$28.8 million, which included a base advisory fee of \$12.8 million, reimbursable expenses of \$4.7 million, \$10.6 million associated with equity grants of our common stock and LTIP units awarded to the officers and employees of Ashford Inc. and an incentive fee of \$803,000.

In 2021, we recorded an advisory services fee of \$22.6 million, which included a base advisory fee of \$10.8 million, reimbursable expenses of \$2.3 million and \$9.5 million associated with equity grants of our common stock and LTIP units awarded to the officers and employees of Ashford Inc.

(Gain) loss on legal settlements. In 2021, we recognized a gain of \$728,000 related to the settlement of a transfer tax matter with the City of San Francisco and \$189,000 related to a billing dispute. During 2022, the Company received an additional payment of approximately \$114,000 related to accrued interest on the initial settlement amount associated with the City of San Francisco transfer tax matter.

Transaction costs. In 2021, we recognized \$563,000 of transaction costs associated with the acquisition of the Mr. C Beverly Hills Hotel that closed on August 5, 2021. There were no transaction costs in 2022.

Corporate General and Administrative. Corporate general and administrative expense was \$18.1 million in 2022 and \$8.7 million in 2021. The increase in corporate general and administrative expenses is primarily due to higher professional fees of \$1.2 million, higher public company costs of \$108,000, higher reimbursed operating expenses of Ashford Securities of \$7.5 million and higher miscellaneous expenses of \$572,000. During 2022, the funding estimate to Ashford Securities was revised based on the latest capital raise estimates of the aggregate capital raised through Ashford Securities that resulted in additional expense of approximately \$7.2 million.

Gain (loss) on Insurance Settlement and Disposition of Assets. In 2021, we recognized a gain of \$481,000 associated with proceeds received from an insurance claim, a gain of \$18,000 upon disposition of certain fixed assets, as well as a gain of \$197,000 associated with the sale of certain ERFP assets to Ashford Inc. There was no such gain (loss) in 2022.

Equity in Earnings (Loss) of Unconsolidated Entity. In 2022 and 2021, we recorded equity in loss of unconsolidated entity of \$328,000 and \$252,000, respectively, related to our investment in OpenKey.

Interest Income. Interest income was \$2.7 million and \$48,000 in 2022 and 2021, respectively. The increase in interest income was primarily related to higher cash balances and higher interest rates in 2022 compared to 2021.

Interest Expense and Amortization of Discounts and Loan Costs. Interest expense and amortization of discounts and loan costs increased \$21.3 million, or 68.8%, to \$52.2 million for 2022 compared to 2021. The increase is primarily due to higher interest expense from a higher average LIBOR rate, as well as higher interest expense from our Convertible Senior Notes and the mortgage loans associated with the Mr. C Beverly Hills Hotel and The Ritz-Carlton Reserve Dorado Beach acquisitions. The average LIBOR rates for 2022 and 2021 were 1.91% and 0.10%, respectively.

Write-off of Loan Costs and Exit Fees. Write-off of loan costs and exit fees was \$146,000 in 2022 primarily resulting from the refinance of the Park Hyatt Beaver Creek Resort & Spa in February 2022, the assumption of the mortgage loan from the acquisition of The Ritz-Carlton Reserve Dorado Beach, the extension of The Ritz-Carlton St. Thomas mortgage loan and the amendments associated with Bardessono Hotel and Spa and The Ritz-Carlton Lake Tahoe mortgage loans.

Write-off of loan costs and exit fees was \$2.0 million in 2021. This included a \$1.2 million write-off of unamortized loan costs upon the payoff of our secured term loan payoff and \$387,000 of third-party fees from 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. These third-party fees incurred in conjunction with these amendments were expensed in accordance with applicable accounting guidance. In addition, there was a write-off of loan costs of approximately \$419,000 upon the \$20 million pay-down of the mortgage loan assumed with the acquisition of the Mr. C Beverly Hills Hotel.

Realized and Unrealized Gain (Loss) on Derivatives. Realized and Unrealized gain on derivatives of \$5.0 million for 2022 consisted of unrealized gains of approximately \$3.8 million on interest rate caps and approximately \$1.2 million on warrants and realized gains of \$497,000 associated with payments received from counterparties on interest rate caps.

Realized and unrealized gain on derivatives of \$32,000 for 2021 consisted of an unrealized gain of approximately \$94,000 on warrants, partially offset by an unrealized loss of approximately \$62,000 on interest rate caps.

Income Tax (Expense) Benefit. Income tax expense increased \$2.7 million, from \$1.3 million in 2021 to \$4.0 million in 2022. This increase was primarily due to an increase in the profitability of our TRS entities in 2022 compared to 2021.

(Income) Loss Attributable to Noncontrolling Interest in Consolidated Entities. Our noncontrolling interest partner in consolidated entities was allocated income of \$2.1 million and a loss of \$2.7 million in 2022 and 2021, respectively. At both December 31, 2022 and 2021, 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 \$476,000 in 2022 and \$3.6 million in 2021. Redeemable noncontrolling interests represented ownership interests in Braemar OP of approximately 7.69% and 8.83% as of December 31, 2022 and 2021, respectively.

LIQUIDITY AND CAPITAL RESOURCES

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:

- recurring maintenance necessary to maintain our hotel properties in accordance with brand standards;
- interest expense and scheduled principal payments on outstanding indebtedness;

- 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;
- capital expenditures to improve our hotel properties; and
- advisory fees payable to Ashford LLC.

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, 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, as discussed above. Our loans may remain subject to cash trap provisions for a substantial period of time which could limit our flexibility and adversely affect our financial condition or our qualification as a REIT. As of December 31, 2022, our \$435 million mortgage loan was in a cash trap and approximately \$298,000 of our restricted cash was subject to this cash trap.

Our estimated future obligations as of December 31, 2022 include both current and long-term obligations. With respect to our indebtedness, as discussed in note 6 to our consolidated financial statements, we have current obligations of \$667.0 million and long-term obligations of \$669.8 million. As of December 31, 2022, we held extension options to extend the principal for all of the debt due in the next twelve months except for \$189.5 million.

As discussed in note 17 to our consolidated financial statements, under our operating leases we have current obligations of approximately \$3.4 million and long-term obligations of approximately \$154.6 million. Additionally, as discussed in note 16 to our consolidated financial statements, we have short-term capital commitments of approximately \$39.4 million.

Equity Transactions

On December 7, 2022, our board of directors approved a new 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 \$25 million. The board of director's authorization replaced any previous repurchase authorizations. During the year ended December 31, 2022, we repurchased 1.5 million shares of our common stock for approximately \$6.1 million. Subsequent to December 31, 2022, the Company repurchased approximately 3.9 million shares of its common stock for approximately \$18.9 million. The Company repurchased approximately 5.4 million shares of its common stock for approximately \$25.0 million and has completed the \$25.0 million repurchase authorization.

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 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 the Series E Preferred Stock and Series M Preferred Stock. On April 2, 2021, the Company filed with the State Department of Assessments and Taxation of the State of Maryland (the "SDAT") articles supplementary to the Company's Articles of Amendment and Restatement that provided for: (i) reclassifying the existing 28,000,000 shares of Series E Preferred Stock and 28,000,000 shares of Series M Preferred Stock as unissued shares of preferred stock; (ii) reclassifying and designating 28,000,000 shares of the Company's authorized capital stock as shares of the Series E Preferred Stock (the "Series E Articles Supplementary"); and (iii) reclassifying and designating 28,000,000 shares of the Company's authorized capital stock as shares of the Series M Preferred Stock (the "Series M Articles Supplementary"). The Series E Articles Supplementary and Series M Articles Supplementary were filed to revise the preferred stock terms related to the dividend rate, our optional redemption right and certain other voting rights. The Company also caused its operating partnership to execute Amendment No. 5 to the Third Amended and Restated Agreement of Limited Partnership to amend the terms of its operating partnership agreement to conform to the terms of the Series E Articles Supplementary and Series M Articles Supplementary. As of March 8, 2023, the Company has issued approximately 16.4 million shares of Series E Preferred Stock and received net proceeds of approximately \$369.5 million and issued approximately 2.0 million shares of Series M Preferred Stock and received net proceeds of approximately \$47.6 million. The Company also issued approximately 68,000 shares of Series E Preferred Stock and approximately 4,000 shares of Series M Preferred Stock, respectively, pursuant to the dividend reinvestment plan. On February 21, 2023, the Company announced the closing of its offering of the Series E Preferred Stock and Series M Preferred Stock.

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" means the lowest daily VWAP of the Company's common stock during the five 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 five 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 8, 2023, the Company has sold approximately 1.7 million shares of common stock and received proceeds of approximately \$10.0 million under the SEDA.

On April 21, 2021, the Company entered into a purchase agreement (the “Lincoln Park Purchase Agreement”) with Lincoln Park Capital Fund, LLC (“Lincoln Park”), pursuant to which the Company may issue or sell to Lincoln Park up to 8,893,565 shares of the Company’s common stock from time to time during the term of the Lincoln Park Purchase Agreement. The issuance of the shares of common stock pursuant to the Lincoln Park Purchase Agreement has been registered pursuant to the Company’s shelf registration statement on Form S-3 (the “Registration Statement”), and the related base prospectus included in the Registration Statement, as supplemented by a prospectus supplement filed with the SEC on April 21, 2021. The Company and Lincoln Park also entered into a registration rights agreement, pursuant to which the Company agreed to maintain the effectiveness of the Registration Statement. Upon entering into the Lincoln Park Purchase Agreement, the Company issued 15,000 shares of the Company’s common stock as consideration for Lincoln Park’s execution and delivery of the Lincoln Park Purchase Agreement. As of March 8, 2023, the Company has issued approximately 766,000 shares of common stock for gross proceeds of approximately \$4.2 million under the Lincoln Park Purchase Agreement.

On July 12, 2021, the Company entered into an equity distribution agreement (the “Virtu July 2021 EDA”) with Virtu to sell from time to time shares of our common stock having an aggregate offering price of up to \$100 million. We will pay Virtu a commission of approximately 1.0% of the gross sales price of the shares of our common stock sold. The Company may also sell some or all of the shares of our common stock to Virtu as principal for its own account at a price agreed upon at the time of sale. As of March 8, 2023, the Company has sold approximately 4.7 million shares of common stock under the Virtu July 2021 EDA and received gross proceeds of approximately \$24.0 million.

Debt Transactions

On February 2, 2022, the Company refinanced its mortgage loan secured by the Park Hyatt Beaver Creek Resort & Spa, which had a final maturity date in April 2022. The new, non-recourse mortgage loan totals \$70.5 million and has a two-year initial term with three one-year extension options, subject to the satisfaction of certain conditions. The mortgage loan is interest only and provides for a floating interest rate of SOFR + 2.86%.

On March 11, 2022, in connection with the acquisition of The Ritz-Carlton Reserve Dorado Beach the Company assumed a \$54.0 million mortgage loan. See note 6 to our consolidated financial statements.

On October 27, 2022, the Company amended its \$40.0 million mortgage loan secured by the Bardessono Hotel and Spa. Terms of the agreement replaced the variable interest rate of LIBOR + 2.55% with SOFR + 2.65%.

On October 27, 2022, the Company amended its \$54.0 million mortgage loan secured by the Ritz-Carlton Lake Tahoe. Terms of the agreement replaced the variable interest rate of LIBOR + 2.10% with SOFR + 2.20%.

On September 29, 2022, the Company amended its \$80.0 million mortgage loan secured by the Pier House Resort & Spa. Terms of the agreement replaced the variable interest rate of LIBOR + 1.85% with SOFR + 1.95%.

On December 23, 2022, we entered into a \$100 million mortgage loan, secured by the Four Seasons Resort Scottsdale at Troon North. The mortgage loan has a three-year initial term and two one-year extension options, subject to satisfaction of certain conditions. The mortgage loan is interest only and bears interest at a rate of SOFR + 3.75% with a SOFR floor of 1.00%.

On January 18, 2023, the Company repaid its \$54.0 million mortgage loan secured by The Ritz-Carlton Reserve Dorado Beach.

Sources and Uses of Cash

We had approximately \$261.5 million and \$216.0 million of cash and cash equivalents at December 31, 2022 and December 31, 2021, respectively.

We anticipate using funds to pay for capital expenditures for our 16 hotel properties, estimated to be approximately \$80.0 million in fiscal year 2023 and debt interest payments, estimated to be approximately \$80.8 million in 2023 based on future payments using the one month LIBOR/SOFR rate as of December 31, 2022. This estimate will fluctuate based on changes in the one-month LIBOR/SOFR rate and any future changes in outstanding indebtedness.

Net Cash Flows Provided by (Used in) Operating Activities. Net cash flows provided by operating activities were \$109.5 million and \$64.0 million for the twelve months ended December 31, 2022 and 2021, respectively. Cash flows from operations were impacted by changes in hotel operations of our 13 comparable hotel properties as well as the acquisitions of the Mr. C Beverly Hills Hotel on August 5, 2021, The Ritz-Carlton Reserve Dorado Beach on March 11, 2022 and the Four Seasons Resort Scottsdale on December 1, 2022. 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 and settling with hotel managers.

Net Cash Flows Provided by (Used in) Investing Activities. For the year ended December 31, 2022, net cash flows used in investing activities were \$402.2 million. These cash outflows were primarily attributable to \$49.1 million of capital improvements made to various hotel properties, approximately \$354.4 million associated with the acquisition of The Ritz-Carlton Reserve Dorado Beach and the Four Seasons Resort Scottsdale and additional investments in OpenKey of \$328,000, partially offset by cash inflows of \$1.7 million associated with an amendment to a hotel management agreement.

Our capital improvements consisted of approximately \$28.0 million of return on investment capital projects and approximately \$21.2 million of renewal and replacement capital projects. Return on investment capital projects are designed to improve the positioning of our hotel properties within their markets and competitive sets. Renewal and replacement capital projects are designed to maintain the quality and competitiveness of our hotels.

For the year ended December 31, 2021, net cash flows used in investing activities were \$41.7 million. These cash outflows were primarily attributable to \$25.6 million of capital improvements made to various hotel properties, approximately \$17.6 million associated with the acquisition of the Mr. C Beverly Hills Hotel and earnest money associated with the acquisition of The Ritz-Carlton Reserve Dorado Beach, partially offset by proceeds of \$1.8 million from the sale of certain ERFP assets to Ashford Inc. Our capital improvements consisted of approximately \$12.8 million of return on investment capital projects and approximately \$12.9 million of renewal and replacement capital projects.

Net Cash Flows Provided by Financing Activities. For the year ended December 31, 2022, net cash flows provided by financing activities were \$345.1 million. Cash inflows primarily consisted of debt borrowings of \$170.5 million, \$278.6 million from the issuance of preferred stock and \$167,000 of proceeds from in-the-money interest rate caps. The cash inflows were partially offset by repayments of indebtedness of \$68.5 million, \$20.8 million of dividend and distribution payments, \$7.4 million related to payments for stock repurchases, \$4.1 million of payments for loan costs and fees, \$3.0 million of payments for derivatives, and \$499,000 for cash redemptions of Series E and Series M preferred stock.

For the year ended December 31, 2021, net cash flows provided by financing activities were \$128.0 million. Cash inflows primarily consisted of net proceeds of \$83.2 million from the issuance of our Convertible Senior Notes, \$102.5 million from the issuance of common stock, \$36.9 million from the issuance of preferred stock and contributions of \$1.2 million from a noncontrolling interest in consolidated entities. The cash inflows were partially offset by repayments of indebtedness of \$84.2 million, \$9.1 million of dividend and distribution payments and \$1.9 million of payments for loan costs and fees.

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.

Critical Accounting Policies and Estimates

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, complex judgments and can include significant estimates.

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 years ended December 31, 2022, 2021 and 2020.

Income Taxes. At December 31, 2022 and 2021, we had a valuation allowance of approximately \$18.6 million and \$17.3 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, 2022, we had TRS net operating loss carry forwards for U.S. federal income tax purposes of \$68.5 million, of which \$50.7 million is subject to expiration and 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 2034, with the remainder available to offset taxable income beyond 2034; however, there could be substantial limitations on their use imposed by the Code. At December 31, 2022, Braemar Hotels & Resorts Inc., our REIT, had net operating loss carryforwards for U.S. federal income tax purposes of \$109.7 million based on the latest filed tax return. Of this amount, \$2.2 million is subject to expiration in 2033. The remainder is not subject to expiration under the Tax Cuts and Jobs Act. Management determined that it is more likely than not that \$18.6 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 2018 through 2022 remain subject to potential examination by certain federal and state taxing authorities.

Recently Adopted Accounting Standards

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. 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 adopted ASU 2020-06 through the modified retrospective method on January 1, 2022. Upon adoption, our Convertible Senior Notes are recorded as a single debt instrument at amortized cost, instead of being recorded as both a liability and equity. The Company ceased recording non-cash interest expense associated with amortization of the debt discount associated with the conversion features. The adoption of ASU 2020-06 resulted in an adjustment to additional paid-in capital, accumulated deficit, and the carrying value of our Convertible Senior Notes. The impact of adopting ASU 2020-06 includes an increase to “indebtedness, net” and a decrease to stockholders’ equity of approximately \$5.6 million. The adoption of this standard did not have a material impact on our consolidated financial statements, beyond the impact to our Convertible Senior Notes described above.

The impact of adoption on our consolidated statement of operations for the year ended December 31, 2022 resulted in a decrease to net interest expense by approximately \$1.1 million relating to the non-cash interest expense associated with amortization of the debt discount. The impact on basic and diluted net loss per share of common stock attributable to common stockholders for the year ended December 31, 2022 was \$(0.02).

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848)* (“ASU 2020-04”), which provides optional guidance through December 31, 2022 to ease the potential burden in accounting for, or recognizing the effects of, reference rate reform on financial reporting. In January 2021, the FASB issued 2021-01, *Reference Rate Reform (Topic 848), Scope*, which further clarified the scope of the reference rate reform optional practical expedients and exceptions outlined in Topic 848. The amendments in ASU Nos. 2020-04 and 2021-01 apply to contract modifications that replace a reference rate affected by reference rate reform, providing optional expedients regarding the measurement of hedge effectiveness in hedging relationships that have been modified to replace a reference rate. The Company applied the optional expedient in evaluating debt modifications converting from LIBOR to SOFR. There was no material impact as a result of this adoption.

Non-GAAP Financial Measures

The following non-GAAP presentations of EBITDA, EBITDAre, Adjusted EBITDAre, 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 and disposition of assets 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, gain/loss on insurance settlements, legal, advisory and settlement costs, advisory services incentive fee, other/income expense, stock/unit-based compensation and the Company’s portion of adjustments to EBITDAre of OpenKey and non-cash items such as unrealized gain/ loss on derivatives.

We present EBITDA, EBITDAre and Adjusted EBITDAre because we believe they are useful to an investor in evaluating our operating performance because it provides investors with an indication of our ability to incur and service debt, to satisfy general operating expenses, to make capital expenditures and to fund other cash needs or reinvest cash into our business. We also believe it helps investors meaningfully evaluate and compare the results of our operations from period to period by removing the effect of our asset base (primarily depreciation and amortization) from our operating results. Our management team also uses EBITDA as one measure in determining the value of acquisitions and dispositions. 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,		
	2022	2021	2020
Net income (loss)	\$ 19,348	\$ (32,911)	\$ (124,677)
Interest expense and amortization of loan costs	52,166	30,901	45,104
Depreciation and amortization	78,122	73,762	73,371
Income tax expense (benefit)	4,043	1,324	(4,406)
Equity in (earnings) loss of unconsolidated entity	328	252	217
Company's portion of EBITDA of OpenKey	(334)	(250)	(214)
EBITDA	153,673	73,078	(10,605)
(Gain) loss on insurance settlement and disposition of assets	—	(696)	(10,149)
EBITDAre	153,673	72,382	(20,754)
Amortization of favorable (unfavorable) contract assets (liabilities)	463	512	834
Transaction and conversion costs	9,679	2,637	1,370
Other (income) expense	(497)	—	5,126
Write-off of loan costs and exit fees	146	1,963	3,920
(Gain) loss on insurance settlements	(55)	—	—
Unrealized (gain) loss on derivatives	(4,464)	(32)	(4,959)
Stock/unit-based compensation	11,285	10,204	7,892
Legal, advisory and settlement costs	2,170	(208)	2,023
Company's portion of adjustments to EBITDAre of OpenKey	8	7	13
Adjusted EBITDAre	<u>\$ 172,408</u>	<u>\$ 87,465</u>	<u>\$ (4,535)</u>

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, 2022. The results of The Ritz-Carlton Reserve Dorado Beach and Four Seasons Resort Scottsdale are included from its acquisition date through December 31, 2022 (in thousands) (unaudited):

	Year Ended December 31, 2022																		
	Capital Hilton	Hilton La Jolla 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	Mr. C. Beverly Hills Hotel	The Ritz-Carlton Dorado Beach	Four seasons Resort Scottsdale	Hotel Total	Corporate/Allocated ^(b)	Braemar Hotels & Resorts Inc.
Net income (loss)	\$ 1,125	\$ 13,162	\$ 2,226	\$ 4,488	\$ 12,377	\$ 2,547	\$ 5,668	\$ (505)	\$ (2,872)	\$ 17,641	\$ 5,020	\$ 3,790	\$ 18,920	\$ (1,390)	\$ 7,583	\$ 933	\$ 90,713	\$ (71,365)	\$ 19,348
Non-property adjustments ⁽²⁾	—	—	—	—	—	—	76	(16)	—	—	—	—	(40)	—	—	—	20	(20)	—
Interest income	(55)	(73)	—	—	—	—	—	(5)	(24)	(52)	—	(12)	(8)	—	—	(4)	(233)	233	—
Interest expense	—	—	—	1,674	2,802	2,165	3,228	—	—	4,919	2,017	26	2,557	1,822	1,747	—	22,957	26,753	49,710
Amortization of loan costs	—	—	—	135	307	102	713	—	—	370	150	—	43	167	—	—	1,987	2,456	—
Depreciation and amortization	7,420	4,118	5,975	2,371	2,611	2,046	3,932	8,028	11,226	5,326	3,234	5,406	8,072	2,452	5,124	781	78,122	—	78,122
Income tax expense (benefit)	—	—	—	—	—	—	—	19	—	—	—	—	415	—	333	—	767	3,276	4,043
Non-hotel EBITDA ownership expense (income)	1,684	121	87	459	18	98	3	152	24	2,173	962	7	178	106	100	—	6,172	(6,172)	—
Hotel EBITDA including amounts attributable to noncontrolling interest	10,174	17,328	8,288	9,127	18,115	6,958	13,620	7,673	8,354	30,377	11,383	9,217	30,137	3,157	14,887	1,710	200,505	(46,826)	153,679
Less: EBITDA adjustments attributable to consolidated noncontrolling interest	(2,543)	(4,333)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(6,876)	6,876	—
Equity in earnings (loss) of unconsolidated entities	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	328	328
Company's portion of EBITDA of OpenKey	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(334)	(334)
Hotel EBITDA attributable to the company and OP unitholders	\$ 7,631	\$ 12,995	\$ 8,288	\$ 9,127	\$ 18,115	\$ 6,958	\$ 13,620	\$ 7,673	\$ 8,354	\$ 30,377	\$ 11,383	\$ 9,217	\$ 30,137	\$ 3,157	\$ 14,887	\$ 1,710	\$ 193,629	\$ (39,956)	\$ 153,673

(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, 2021. The results of The Mr. C Beverly Hills Hotel are included from its acquisition date through December 31, 2021 (in thousands) (unaudited):

	Year Ended December 31, 2021																
	Hilton La Jolla 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	Mr. C Beverly Hills Hotel	Hotel Total	Corporate/ Allocated ⁽¹⁾	Braemar Hotels & Resorts Inc.	
	Capital Hilton																
Net income (loss)	\$ (11,082)	\$ 1,915	\$ (10,181)	\$ 5,053	\$ 13,411	\$ 2,310	\$ 4,005	\$ (6,261)	\$ (15,467)	\$ 15,342	\$ 2,793	\$ (293)	\$ 17,453	\$ (1,630)	\$ 17,368	\$ (50,279)	\$ (32,911)
Non-property adjustments ⁽²⁾	—	—	—	(117)	(96)	—	—	—	—	1	1	—	(671)	936	54	(54)	—
Interest income	—	—	—	—	—	—	—	—	(3)	(22)	—	(12)	(2)	—	(39)	39	—
Interest expense	—	—	—	1,039	1,606	1,303	2,075	—	—	3,518	1,205	54	2,134	644	13,578	15,117	28,695
Amortization of loan costs	—	—	—	162	294	180	14	—	—	352	144	—	68	66	1,280	926	2,206
Depreciation and amortization	7,448	4,293	6,582	2,581	2,883	2,572	3,526	8,333	13,258	6,347	2,931	3,965	8,071	972	73,762	—	73,762
Income tax expense (benefit)	—	(43)	—	—	—	—	—	(7)	—	—	—	—	101	—	51	1,273	1,324
Non-hotel EBITDA ownership expense (income)	292	70	39	490	(59)	68	(11)	(141)	(5)	125	761	(157)	396	64	1,932	(1,932)	—
Hotel EBITDA including amounts attributable to noncontrolling interest	(3,342)	6,235	(3,560)	9,208	18,039	6,433	9,609	1,924	(2,217)	25,663	7,835	3,557	27,550	1,052	107,986	(34,910)	73,076
Less: EBITDA adjustments attributable to consolidated noncontrolling interest	839	(1,562)	—	—	—	—	—	—	—	—	—	—	—	—	(723)	723	—
Equity in earnings (loss) of unconsolidated entities	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	252	252
Company's portion of EBITDA of OpenKey	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(250)	(250)
Hotel EBITDA attributable to the Company and OP unitholders	\$ (2,503)	\$ 4,673	\$ (3,560)	\$ 9,208	\$ 18,039	\$ 6,433	\$ 9,609	\$ 1,924	\$ (2,217)	\$ 25,663	\$ 7,835	\$ 3,557	\$ 27,550	\$ 1,052	\$ 107,263	\$ (34,185)	\$ 73,078

(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, 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.	
Capital Hilton	\$ (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)	
Net income (loss)	—	—	100	200	128	—	—	—	250	135	—	(10,149)	(9,336)	9,336	—	
Non-property adjustments ⁽²⁾	(12)	(16)	—	—	—	—	(6)	(9)	(29)	—	(27)	(1)	(100)	100	—	
Interest income	—	—	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	5,032	6,667	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)	—	(703)	—	—	—	—	(11)	—	—	—	—	(83)	(797)	(3,609)	(4,406)	
Non-hotel EBITDA ownership expense (income)	10	53	175	27	99	325	258	463	615	968	346	246	4,118	(4,118)	—	
Hotel EBITDA including amounts attributable to noncontrolling interest	(5,076)	353	(5,388)	1,018	(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	\$ (5,388)	\$ 1,018	\$ (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.

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 and disposition of assets, 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 gain/loss on extinguishment of preferred stock, transaction and conversion costs, write-off of loan costs and exit fees, legal, advisory and settlement costs, advisory services incentive fee, other income/expense, stock/unit-based compensation, gain/loss on insurance settlements and non-cash items such as deemed dividends on redeemable preferred stock, interest expense accretion on refundable membership club deposits, amortization of loan costs, unrealized gain/loss on derivatives 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 present FFO and Adjusted FFO because we consider FFO and Adjusted FFO important supplemental measures of our operational performance and believe they are frequently used by securities analysts, investors and other interested parties in the evaluation of REITs, many of which present FFO and Adjusted FFO when reporting their results. FFO and Adjusted FFO are intended to exclude GAAP historical cost depreciation and amortization, which assumes that the value of real estate assets diminishes ratably over time. Historically, however, real estate values have risen or fallen with market conditions. Because FFO and Adjusted FFO exclude depreciation and amortization related to real estate assets, gains and losses from real property dispositions and impairment losses on real estate assets, FFO and Adjusted FFO provide performance measures that, when compared year over year, reflect the effect to operations from trends in occupancy, guestroom rates, operating costs, development activities and interest costs, providing perspective not immediately apparent from net income. 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,		
	2022	2021	2020
Net income (loss)	\$ 19,348	\$ (32,911)	\$ (124,677)
(Income) loss attributable to noncontrolling interest in consolidated entities	(2,063)	2,650	6,436
Net (Income) loss attributable to redeemable noncontrolling interests in operating partnership	476	3,597	12,979
Preferred dividends	(21,503)	(8,745)	(10,219)
Deemed dividends on preferred stock	(6,954)	—	—
Gain (loss) on extinguishment of preferred stock	—	(4,595)	—
Net income (loss) attributable to common stockholders	(10,696)	(40,004)	(115,481)
Depreciation and amortization on real estate ⁽¹⁾	75,508	71,072	70,426
Net income (loss) attributable to redeemable noncontrolling interests in operating partnership	(476)	(3,597)	(12,979)
Equity in (earnings) loss of unconsolidated entity	328	252	217
(Gain) loss on insurance settlement and disposition of assets	—	(696)	(10,149)
Company's portion of FFO of OpenKey	(333)	(251)	(216)
FFO available to common stockholders and OP unitholders	64,331	26,776	(68,182)
Deemed dividends on preferred stock	6,954	—	—
(Gain) loss on extinguishment of preferred stock	—	4,595	—
Transaction and conversion costs	9,679	2,637	1,370
Other (income) expense	—	—	5,126
Interest expense accretion on refundable membership club benefits	723	772	818
Write-off of loan costs and exit fees	146	1,963	3,920
Amortization of loan costs ⁽¹⁾	2,365	2,121	3,332
(Gain) loss on insurance settlements	(55)	—	—
Unrealized (gain) loss on derivatives	(4,464)	(32)	(4,959)
Stock/unit-based compensation	11,285	10,204	7,892
Legal, advisory and settlement costs	2,170	(208)	2,023
Company's portion of adjustments to FFO of OpenKey	8	7	13
Adjusted FFO available to common stockholders and OP unitholders	93,142	48,835	\$ (48,647)

⁽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,		
	2022	2021	2020
Depreciation and amortization on real estate	\$ (2,614)	\$ (2,690)	\$ (2,945)
Amortization of loan costs	(91)	(87)	(77)

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, 2022, our total indebtedness of approximately \$1.3 billion included approximately \$1.3 billion of 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, 2022, would be approximately \$3.1 million per year. However, we currently have various interest rate caps in place that limit this exposure. Interest rate changes have no impact on the remaining \$86.3 million of fixed-rate debt.

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, 2022, 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, 2022 and 2021, 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, 2022, 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, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022, 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, 2022, 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 10, 2023 expressed an adverse opinion thereon.

Change in Accounting Principle

As discussed in Notes 2 and 6 to the consolidated financial statements, the Company changed its method of accounting for convertible debt as of January 1, 2022, due to the adoption of Accounting Standards Update 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* 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 audit 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: (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of the 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.

Hotel Property Acquisitions

As described in Note 4 to the consolidated financial statements, during the year ended December 31, 2022, the Company acquired a 100% interest in the Ritz-Carlton Reserve Dorado Beach Hotel for \$140.9 million, as well as a 100% interest in the

Four Seasons Resort Scottsdale at Troon North for \$267.8 million (collectively, the “Acquisitions”). Management utilized various estimates in the determination of the relative fair values for these Acquisitions.

We identified the evaluation of the relative fair values allocated to the investment in hotel properties assets acquired in the Acquisitions as a critical audit matter. Specifically, there was judgment applied by management in determining the relative fair values of the acquired land, hotel buildings and respective improvements, as well as the furniture, fixtures, and equipment. The valuation included making judgments about the methodologies and inputs to the valuation models. Auditing these matters involved especially challenging auditor effort due to the specialized skills and knowledge required to evaluate the valuation methodologies and the reasonableness of the inputs used to determine the relative fair values of the acquired tangible assets.

The primary procedures we performed to address this critical audit matter utilized valuation professionals with specialized knowledge and skills, who assisted in:

- Assessing the appropriateness of the valuation methodologies utilized to determine the relative fair values;
- Evaluating the reasonableness of the assumptions utilized in developing the estimates for determining the relative fair values of the acquired land, hotel buildings and respective improvements, as well as the furniture, fixtures, and equipment; and
- Verifying the mathematical accuracy of the valuation models used by the Company to determine the relative fair values of the acquired tangible assets in the Acquisitions.

/s/ BDO USA, LLP

We have served as the Company’s auditor since 2015.

Dallas, Texas

March 10, 2023

BRAEMAR HOTELS & RESORTS INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)

	December 31, 2022	December 31, 2021
ASSETS		
Investments in hotel properties, gross	\$ 2,325,093	\$ 1,845,078
Accumulated depreciation	(440,492)	(399,481)
Investments in hotel properties, net	1,884,601	1,445,597
Cash and cash equivalents	261,541	215,998
Restricted cash	54,155	47,376
Accounts receivable, net of allowance of \$339 and \$134, respectively	51,448	23,701
Inventories	5,238	3,128
Prepaid expenses	7,044	4,352
Investment in unconsolidated entity	1,689	1,689
Derivative assets	6,482	139
Operating lease right-of-use assets	79,449	80,462
Other assets	14,621	23,588
Intangible assets, net	3,883	4,261
Due from related parties, net	938	1,770
Due from third-party hotel managers	26,625	27,461
Total assets	<u>\$ 2,397,714</u>	<u>\$ 1,879,522</u>
LIABILITIES AND EQUITY		
Liabilities:		
Indebtedness, net	\$ 1,334,130	\$ 1,172,678
Accounts payable and accrued expenses	133,978	96,316
Dividends and distributions payable	8,184	2,173
Due to Ashford Inc.	10,005	1,474
Due to third-party hotel managers	2,096	610
Operating lease liabilities	60,692	60,937
Other liabilities	22,343	20,034
Derivative liabilities	284	1,435
Total liabilities	<u>1,571,712</u>	<u>1,355,657</u>
Commitments and contingencies (note 16)		
5.50% Series B cumulative convertible preferred stock, \$0.01 par value, 3,078,017 shares issued and outstanding at December 31, 2022 and December 31, 2021	65,426	65,426
Series E redeemable preferred stock, \$0.01 par value, 12,656,529 and 1,710,399 shares issued and outstanding at December 31, 2022 and December 31, 2021, respectively	291,076	39,339
Series M redeemable preferred stock, \$0.01 par value, 1,428,332 and 29,044 shares issued and outstanding at December 31, 2022 and December 31, 2021, respectively	35,182	715
Redeemable noncontrolling interests in operating partnership	40,555	36,087
Equity:		
Preferred stock, \$0.01 par value, 80,000,000 shares authorized:		
8.25% Series D cumulative preferred stock, 1,600,000 shares issued and outstanding at December 31, 2022 and December 31, 2021	16	16
Common stock, \$0.01 par value, 250,000,000 shares authorized, 69,919,065 and 65,365,470 shares issued and outstanding at December 31, 2022 and December 31, 2021, respectively	699	653
Additional paid-in capital	734,134	707,418
Accumulated deficit	(324,740)	(309,240)
Total stockholders' equity of the Company	410,109	398,847
Noncontrolling interest in consolidated entities	(16,346)	(16,549)
Total equity	<u>393,763</u>	<u>382,298</u>
Total liabilities and equity	<u>\$ 2,397,714</u>	<u>\$ 1,879,522</u>

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,		
	2022	2021	2020
REVENUE			
Rooms	\$ 431,515	\$ 280,568	\$ 136,265
Food and beverage	159,241	90,299	50,263
Other	78,829	56,675	40,446
Total hotel revenue	669,585	427,542	226,974
EXPENSES			
Hotel operating expenses:			
Rooms	94,410	59,818	38,054
Food and beverage	125,555	75,177	46,246
Other expenses	205,373	138,914	98,467
Management fees	20,149	13,117	7,210
Total hotel operating expenses	445,487	287,026	189,977
Property taxes, insurance and other	30,766	34,997	28,483
Depreciation and amortization	78,122	73,762	73,371
Advisory services fee	28,847	22,641	18,486
(Gain) loss on legal settlements	(114)	(917)	—
Transaction costs	—	563	—
Corporate general and administrative	18,084	8,717	6,657
Total expenses	601,192	426,789	316,974
Gain (loss) on insurance settlement and disposition of assets	—	696	10,149
OPERATING INCOME (LOSS)	68,393	1,449	(79,851)
Equity in earnings (loss) of unconsolidated entity	(328)	(252)	(217)
Interest income	2,677	48	176
Other income (expense)	—	—	(5,126)
Interest expense and amortization of discounts and loan costs	(52,166)	(30,901)	(45,104)
Write-off of loan costs and exit fees	(146)	(1,963)	(3,920)
Realized and unrealized gain (loss) on derivatives	4,961	32	4,959
INCOME (LOSS) BEFORE INCOME TAXES	23,391	(31,587)	(129,083)
Income tax (expense) benefit	(4,043)	(1,324)	4,406
NET INCOME (LOSS)	19,348	(32,911)	(124,677)
(Income) loss attributable to noncontrolling interest in consolidated entities	(2,063)	2,650	6,436
Net (income) loss attributable to redeemable noncontrolling interests in operating partnership	476	3,597	12,979
NET INCOME (LOSS) ATTRIBUTABLE TO THE COMPANY	17,761	(26,664)	(105,262)
Preferred dividends	(21,503)	(8,745)	(10,219)
Deemed dividends on preferred stock	(6,954)	—	—
Gain (loss) on extinguishment of preferred stock	—	(4,595)	—
NET INCOME (LOSS) ATTRIBUTABLE TO COMMON STOCKHOLDERS	<u>\$ (10,696)</u>	<u>\$ (40,004)</u>	<u>\$ (115,481)</u>
INCOME (LOSS) PER SHARE - BASIC:			
Net income (loss) attributable to common stockholders	<u>\$ (0.15)</u>	<u>\$ (0.76)</u>	<u>\$ (3.39)</u>
Weighted average common shares outstanding – basic	<u>69,687</u>	<u>52,684</u>	<u>33,998</u>
INCOME (LOSS) PER SHARE - DILUTED:			
Net income (loss) attributable to common stockholders	<u>\$ (0.15)</u>	<u>\$ (0.76)</u>	<u>\$ (3.39)</u>
Weighted average common shares outstanding – diluted	<u>69,687</u>	<u>52,684</u>	<u>33,998</u>

See Notes to Consolidated Financial Statements.

BRAEMAR HOTELS & RESORTS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in thousands)

	Year Ended December 31,		
	2022	2021	2020
NET INCOME (LOSS)	<u>\$ 19,348</u>	<u>\$ (32,911)</u>	<u>\$ (124,677)</u>
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX			
Total other comprehensive income (loss)	<u>—</u>	<u>—</u>	<u>—</u>
TOTAL COMPREHENSIVE INCOME (LOSS)	<u>19,348</u>	<u>(32,911)</u>	<u>(124,677)</u>
Comprehensive (income) loss attributable to noncontrolling interest in consolidated entities	(2,063)	2,650	6,436
Comprehensive (income) loss attributable to redeemable noncontrolling interests in operating partnership	476	3,597	12,979
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO THE COMPANY	<u>\$ 17,761</u>	<u>\$ (26,664)</u>	<u>\$ (105,262)</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		Series E Redeemable Preferred Stock		Series M Redeemable Preferred Stock		Redeemable Noncontrolling Interest in Operating Partnership
	Shares	Amount	Shares	Amount					Shares	Amount	Shares	Amount	Shares	Amount	
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
Purchase of common stock	—	—	(50)	—	(348)	—	—	(348)	—	—	—	—	—	—	—
Equity-based compensation	—	—	—	—	6,891	—	—	6,891	—	—	—	—	—	—	3,292
Issuance of common stock	—	—	18,243	183	102,134	—	—	102,317	—	—	—	—	—	—	—
Issuance of restricted shares/units	—	—	764	8	(8)	—	—	—	—	—	1,710	36,211	29	582	—
Issuance of common units for hotel acquisition	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Forfeiture of restricted common shares	—	—	(26)	—	—	—	—	—	—	—	—	—	—	—	13,175
PSU dividend claw back upon cancellation	—	—	—	—	—	143	—	143	—	—	—	—	—	—	—
Dividends declared – preferred stock - Series B (\$1.3750/share)	—	—	—	—	—	(4,747)	—	(4,747)	—	—	—	—	—	—	—
Dividends declared – preferred stock - Series D (\$2.0625/share)	—	—	—	—	—	(3,300)	—	(3,300)	—	—	—	—	—	—	—
Dividends declared – preferred stock - Series E (\$1.00/share)	—	—	—	—	—	(683)	—	(683)	—	—	—	—	—	—	—
Dividends declared – preferred stock - Series M (\$0.85/share)	—	—	—	—	—	(15)	—	(15)	—	—	—	—	—	—	—
Contributions from noncontrolling interests	—	—	—	—	—	—	1,189	1,189	—	—	—	—	—	—	—
Performance LTIP dividend claw back upon cancellation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	38
Redemption/conversion of operating partnership units	—	—	868	9	4,575	—	—	4,584	—	—	—	—	—	—	(4,584)
Net income (loss)	—	—	—	—	—	(26,664)	(2,650)	(29,314)	—	—	—	—	—	—	(3,597)
Extinguishment of preferred stock	—	—	7,291	71	46,047	(4,595)	—	41,523	(1,953)	(41,523)	—	—	—	—	—
Equity component of Convertible Senior Notes	—	—	—	—	6,257	—	—	6,257	—	—	—	—	—	—	—
Redemption value adjustment - preferred stock	—	—	—	—	—	(3,261)	—	(3,261)	—	—	—	3,128	—	133	—
Redemption value adjustment	—	—	—	—	—	(108)	—	(108)	—	—	—	—	—	—	108
Balance at December 31, 2021	1,600	\$ 16	65,365	\$ 653	\$ 707,418	\$ (309,240)	\$ (16,549)	\$ 382,298	3,078	\$ 65,426	1,710	\$ 39,339	29	\$ 715	\$ 36,087
Purchase of common stock	—	—	(1,773)	(17)	(7,448)	—	—	(7,465)	—	—	—	—	—	—	—
Impact of adoption of new accounting standard	—	—	—	—	(6,257)	656	—	(5,601)	—	—	—	—	—	—	—
Equity-based compensation	—	—	—	—	5,475	—	—	5,475	—	—	—	—	—	—	5,810
Issuance of common stock	—	—	6,000	60	34,944	—	—	35,004	—	—	—	—	—	—	—
Issuance of preferred stock	—	—	—	—	—	—	—	—	—	—	10,961	245,827	1,404	33,922	—
Issuance of restricted shares/units	—	—	349	3	2	—	—	5	—	—	—	—	—	—	—

	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		Series E Redeemable Preferred Stock		Series M Redeemable Preferred Stock		Redeemable Noncontrolling Interest in Operating Partnership
	Shares	Amount	Shares	Amount					Shares	Amount	Shares	Amount	Shares	Amount	
Forfeiture of restricted common shares	—	—	(22)	—	—	—	—	—	—	—	—	—	—	—	—
PSU dividend claw back upon cancellation	—	—	—	—	—	7	—	7	—	—	—	—	—	—	—
Dividends declared - common stock - (\$0.08/share)	—	—	—	—	—	(5,672)	—	(5,672)	—	—	—	—	—	—	—
Dividends declared - preferred stock - Series B (\$1.3750/share)	—	—	—	—	—	(4,233)	—	(4,233)	—	—	—	—	—	—	—
Dividends declared - preferred stock - Series D (\$2.0625/share)	—	—	—	—	—	(3,300)	—	(3,300)	—	—	—	—	—	—	—
Dividends declared - preferred stock - Series E (\$1.97/share)	—	—	—	—	—	(12,694)	—	(12,694)	—	—	—	—	—	—	—
Dividends declared - preferred stock - Series M (\$2.05/share)	—	—	—	—	—	(1,276)	—	(1,276)	—	—	—	—	—	—	—
Contributions from noncontrolling interests	—	—	—	—	—	164	164	164	—	—	—	—	—	—	—
Distributions to noncontrolling interests	—	—	—	—	—	—	(2,024)	(2,024)	—	—	—	—	—	—	(665)
Performance LTIP dividend claw back upon cancellation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	4
Net income (loss)	—	—	—	—	—	17,761	2,063	19,824	—	—	—	—	—	—	(476)
Redemptions of preferred stock	—	—	—	—	—	—	—	—	—	—	(14)	(365)	(5)	(134)	—
Redemption value adjustment - preferred stock	—	—	—	—	—	(6,954)	—	(6,954)	—	—	—	6,275	—	679	—
Redemption value adjustment	—	—	—	—	—	205	—	205	—	—	—	—	—	—	(205)
Balance at December 31, 2022	1,600	\$ 16	69,919	\$ 699	\$ 734,134	\$ (324,740)	\$ (16,346)	\$ 393,763	3,078	\$ 65,426	12,657	\$ 291,076	1,428	\$ 35,182	\$ 40,555

See Notes to Consolidated Financial Statements.

BRAEMAR HOTELS & RESORTS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31,		
	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss)	\$ 19,348	\$ (32,911)	\$ (124,677)
Adjustments to reconcile net income (loss) to net cash flows provided by (used in) operating activities:			
Depreciation and amortization	78,122	73,762	73,371
Equity-based compensation	11,285	10,183	7,892
Bad debt expense	838	436	727
Amortization of loan costs, discounts and capitalized default interest	(816)	(205)	854
Write-off of loan costs and exit fees	146	1,963	3,920
Amortization of intangibles	474	512	834
Amortization of non-refundable membership initiation fees	(1,470)	(1,029)	(440)
Interest expense accretion on refundable membership club deposits	723	772	818
(Gain) loss on insurance settlement and disposition of assets	—	(696)	(10,149)
Realized and unrealized (gain) loss on derivatives	(4,961)	(32)	(24)
Net settlement of trading derivatives	—	—	698
Equity in (earnings) loss of unconsolidated entity	328	252	217
Deferred income tax expense (benefit)	51	(174)	(956)
Changes in operating assets and liabilities, exclusive of the effect of hotel acquisitions:			
Accounts receivable and inventories	(9,088)	(11,036)	4,057
Prepaid expenses and other assets	(501)	(793)	(1,460)
Accounts payable and accrued expenses	1,650	35,976	(10,499)
Operating lease right-of-use assets	588	574	541
Due to/from related parties, net	832	(779)	(440)
Due to/from third-party hotel managers	2,590	(15,491)	4,075
Due to/from Ashford Inc.	8,249	720	(1,674)
Operating lease liabilities	(294)	(268)	(223)
Other liabilities	1,389	2,214	2,251
Net cash provided by (used in) operating activities	109,483	63,950	(50,287)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from property insurance	36	—	9,037
Net proceeds from disposition of assets	—	1,816	—
Proceeds from hotel management agreement amendment	1,667	—	—
Acquisition of hotel properties, net of cash and restricted cash acquired	(354,445)	(17,615)	—
Investment in unconsolidated entity	(328)	(233)	(26)
Improvements and additions to hotel properties	(49,148)	(25,644)	(25,552)
Net cash provided by (used in) investing activities	(402,218)	(41,676)	(16,541)
CASH FLOWS FROM FINANCING ACTIVITIES			
Borrowings on indebtedness	170,500	83,231	109,317
Repayments of indebtedness	(68,500)	(84,224)	(47,822)
Payments of loan costs and exit fees	(4,080)	(1,898)	(6,485)
Payments for derivatives	(3,030)	(200)	(92)
Proceeds from derivatives	167	—	—
Purchase of common stock	(7,411)	(376)	(263)
Payments for dividends and distributions	(20,763)	(9,088)	(16,154)
Proceeds from issuance of preferred stock	278,621	36,855	474
Proceeds from issuance of common stock	—	102,461	13,259
Common stock offering costs	(112)	—	—
Contributions from noncontrolling interest in consolidated entities	164	1,189	—
Distributions to noncontrolling interest in consolidated entities	—	—	(2,639)
Redemption of preferred stock	(499)	—	—
Net cash provided by (used in) financing activities	345,057	127,950	49,595
Net change in cash, cash equivalents and restricted cash	52,322	150,224	(17,233)
Cash, cash equivalents and restricted cash at beginning of period	263,374	113,150	130,383
Cash, cash equivalents and restricted cash at end of period	\$ 315,696	\$ 263,374	\$ 113,150

	Year Ended December 31,		
	2022	2021	2020
SUPPLEMENTAL CASH FLOW INFORMATION			
Interest paid	\$ 48,901	\$ 31,635	\$ 27,900
Income taxes paid (refunded)	1,239	(14)	140
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES			
Dividends and distributions declared but not paid	\$ 8,184	\$ 2,173	\$ 2,736
Common stock purchases accrued but not paid	54	—	28
Issuance of common units for hotel acquisition	—	13,175	—
Issuance of warrants in hotel acquisition	—	1,528	—
Assumption of debt in hotel acquisition	58,601	49,815	—
Capital expenditures accrued but not paid	6,702	4,564	8,993
Issuance of common stock for hotel acquisition	35,040	—	—
Non-cash loan proceeds associated with accrued interest	—	—	2,229
Distributions declared but not paid to a noncontrolling interest in a consolidated entity	2,024	—	—
Non-cash loan principal associated with default interest and late charges	—	—	9,859
Non-cash extinguishment of preferred stock	—	41,523	—
Issuance of common stock from preferred stock exchange	—	46,118	—
Accrued common stock offering expense	—	76	—
Unsettled common stock offering proceeds	—	—	68
Accrued preferred stock offering expenses	23	101	—
Non-cash preferred stock dividends	1,050	39	—
Non-cash common stock dividends	5	—	—
Unsettled proceeds from derivatives	330	—	—
SUPPLEMENTAL DISCLOSURE OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH			
Cash and cash equivalents at beginning of period	\$ 215,998	\$ 78,606	\$ 71,995
Restricted cash at beginning of period	47,376	34,544	58,388
Cash, cash equivalents and restricted cash at beginning of period	<u>\$ 263,374</u>	<u>\$ 113,150</u>	<u>\$ 130,383</u>
Cash and cash equivalents at end of period	\$ 261,541	\$ 215,998	\$ 78,606
Restricted cash at end of period	54,155	47,376	34,544
Cash, cash equivalents and restricted cash at end of period	<u>\$ 315,696</u>	<u>\$ 263,374</u>	<u>\$ 113,150</u>

See Notes to Consolidated Financial Statements.

BRAEMAR HOTELS & RESORTS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2022, 2021 and 2020

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 STR, LLC. 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”). Terms such as 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., manages four of our 16 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, design and construction services, debt placement and related services, broker-dealer and distribution services, audio visual services, real estate advisory and brokerage 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, 2022, own 16 hotel properties in seven states, the District of Columbia, Puerto Rico and the U.S. Virgin Islands (“USVI”). The portfolio includes 14 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 4,181 total rooms, or 3,946 net rooms, excluding those attributable to our partner. As a REIT, Braemar is required to comply with limitations imposed by the Code related to operating hotels. As of December 31, 2022, 15 of our 16 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, 2022, 13 of the 16 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”), Four Seasons Hotels Limited (“Four Seasons”), Hyatt Corporation (“Hyatt”), The Ritz-Carlton Hotel Company, L.L.C. and its affiliates, each of which is also an affiliate of Marriott (“Ritz-Carlton”) and Remington Hotels, which are eligible independent contractors under the Code.

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

BRAEMAR HOTELS & RESORTS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 August 5, 2021, we acquired the Mr. C Beverly Hills Hotel and five adjacent luxury residences. The operating results of the hotel property have been included in the results of operations from its acquisition date;
- on March 11, 2022, we acquired The Ritz-Carlton Reserve Dorado Beach hotel located in Dorado, Puerto Rico. The operating results of the hotel property have been included in the results of operations from its acquisition date; and
- on December 1, 2022, we acquired the Four Seasons Resort Scottsdale. The operating results of the hotel property have been included in the results of operations from 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.

For property and equipment acquired in a business combination, we record the sets acquired based on their fair value as of the acquisition date. Replacements and improvements and finance leases are capitalized, while repairs and maintenance are expense as incurred. Property and equipment acquired in an asset acquisition are recorded at cost. The acquisition cost is allocated to land, buildings, improvements, furniture, fixtures and equipment, as well as identifiable intangible and lease assets and liabilities. Acquisition cost is allocated using relative fair values. We evaluate several factors, including weighted market data for similar assets, expected future cash flows discounted at risk adjusted rates, and replacement costs for assets to determine an appropriate exit cost when evaluating the fair values.

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.

BRAEMAR HOTELS & RESORTS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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, 2022, we held a 7.9% 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, 2022, 2021 and 2020. See note 5.

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.

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 19.

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), SOFR (Secured Overnight Financing Rate) and RevPAR. Interest rate derivatives could include swaps, caps, floors and floorridors.

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 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 "realized and unrealized gain (loss) on derivatives" in our consolidated statements of operations. Accrued interest on interest rate derivatives is included in "accounts receivable, net" in the consolidated balance sheets.

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 15.

BRAEMAR HOTELS & RESORTS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 15.

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, 2022 and 2021, 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. Advance deposits are recorded as liabilities when a customer or group of customers provides a deposit for a future stay or banquet event at our hotels. Advance deposits are converted to revenue when the services are provided to the customer or when the customer with a noncancellable reservation fails to arrive for part or all of the reservation. Conversely, advance deposits are generally refundable upon guest cancellation of the related reservation within an established period of time prior to the reservation. Our advance deposit balance as of December 31, 2022 and 2021 was \$46.0 million and \$31.8 million, respectively, and are generally recognized as revenue within a one-year period. These are included in "accounts payable and accrued expenses" on the consolidated balance sheets.

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 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.

BRAEMAR HOTELS & RESORTS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Advertising Costs—Advertising costs are charged to expense as incurred. For the years ended December 31, 2022, 2021 and 2020, we incurred advertising costs of \$6.5 million, \$4.0 million and \$2.1 million, respectively. Advertising costs are included in “other” hotel expenses in our consolidated statements of operations.

Equity-Based Compensation—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. The 2020 PSU and Performance LTIP unit grants to certain executive officers vest based on time and market conditions and were measured at the grant date fair value based on a Monte Carlo simulation valuation model.

With respect to the 2021 and 2022 award agreements, the compensation committee shifted to a new performance metric, pursuant to which, the performance awards will be eligible to vest, from 0% to 200% of target, based on achievement of certain performance targets over the three-year performance period. The performance criteria are based on performance conditions under the relevant literature. The corresponding compensation cost is recognized ratably over the service period for the award as the service is rendered, based on the grant date fair value of the award. The grant date fair value of the award may vary from period to period, as the number of performance grants earned may vary since the estimated probable achievement of certain performance targets may vary from period to period.

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 18.

The entities that own 15 of our 16 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, Puerto Rico and the city of Philadelphia. Accordingly, we provide for income taxes in these jurisdictions for the partnerships. The consolidated entities that operate the 16 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 “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 2018 through 2022 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 August 2020, the Financial Accounting Standards Board (“FASB”) issued ASU 2020-06, *Debt - Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in*

BRAEMAR HOTELS & RESORTS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 Accounting Standards Codification ("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. 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 adopted ASU 2020-06 through the modified retrospective method on January 1, 2022. Upon adoption, our Convertible Senior Notes are recorded as a single debt instrument at amortized cost, instead of being recorded as both a liability and equity. The Company ceased recording non-cash interest expense associated with amortization of the debt discount associated with the conversion features. The adoption of ASU 2020-06 resulted in an adjustment to additional paid-in capital, accumulated deficit, and the carrying value of our Convertible Senior Notes. The impact of adopting ASU 2020-06 includes an increase to "indebtedness, net" and a decrease to stockholders' equity of approximately \$5.6 million. The adoption of this standard did not have a material impact on our consolidated financial statements, beyond the impact to our Convertible Senior Notes described above.

The impact of adoption on our consolidated statement of operations for the year ended December 31, 2022 resulted in a decrease to net interest expense by approximately \$1.1 million relating to the non-cash interest expense associated with amortization of the debt discount. The impact on basic and diluted net loss per share of common stock attributable to common stockholders for the year ended December 31, 2022 was \$(0.02).

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848)* ("ASU 2020-04"), which provides optional guidance through December 31, 2022 to ease the potential burden in accounting for, or recognizing the effects of, reference rate reform on financial reporting. In January 2021, the FASB issued 2021-01, *Reference Rate Reform (Topic 848), Scope*, which further clarified the scope of the reference rate reform optional practical expedients and exceptions outlined in Topic 848. The amendments in ASU Nos. 2020-04 and 2021-01 apply to contract modifications that replace a reference rate affected by reference rate reform, providing optional expedients regarding the measurement of hedge effectiveness in hedging relationships that have been modified to replace a reference rate. The Company applied the optional expedient in evaluating debt modifications converting from LIBOR to SOFR. There was no material impact as a result of this adoption.

3. Revenue

The following tables present our revenue disaggregated by geographical areas (in thousands):

Primary Geographical Market	Year Ended December 31, 2022				
	Number of Hotels	Rooms	Food and Beverage	Other Hotel	Total
California	6	\$ 134,635	\$ 45,952	\$ 19,152	\$ 199,739
Puerto Rico	1	38,077	14,238	8,931	61,246
Arizona	1	3,107	1,430	657	5,194
Colorado	1	25,253	16,397	8,965	50,615
Florida	2	73,629	34,068	24,771	132,468
Illinois	1	24,829	7,150	1,656	33,635
Pennsylvania	1	22,237	4,121	1,178	27,536
Washington	1	21,445	3,619	1,321	26,385
Washington, D.C.	1	29,877	13,276	1,960	45,113
USVI	1	58,426	18,990	10,238	87,654
Total	16	\$ 431,515	\$ 159,241	\$ 78,829	\$ 669,585

BRAEMAR HOTELS & RESORTS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Year Ended December 31, 2021					
Primary Geographical Market	Number of Hotels	Rooms	Food and Beverage	Other Hotel	Total
California.....	6	\$ 91,283	\$ 27,205	\$ 12,938	\$ 131,426
Colorado.....	1	17,303	10,936	7,945	36,184
Florida.....	2	65,974	27,148	21,094	114,216
Illinois.....	1	14,422	3,418	1,153	18,993
Pennsylvania.....	1	11,889	1,493	776	14,158
Washington.....	1	15,105	1,632	1,578	18,315
Washington, D.C.	1	9,773	3,014	1,142	13,929
USVI.....	1	54,819	15,453	10,049	80,321
Total	14	\$ 280,568	\$ 90,299	\$ 56,675	\$ 427,542

Year Ended December 31, 2020					
Primary Geographical Market	Number of Hotels	Rooms	Food and Beverage	Other Hotel	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

For the year ended December 31, 2020, the Company recorded revenue from business interruption losses associated with lost profits from Hurricane Irma of \$4.0 million. This revenue is included in “other” hotel revenue in our consolidated statement of operations. There was no such revenue recorded for the years ended December 31, 2022 and 2021 as the insurance claim was fully settled in 2020.

4. Investments in Hotel Properties, net

Investments in hotel properties, net consisted of the following (in thousands):

	December 31, 2022	December 31, 2021
Land.....	\$ 630,489	\$ 480,530
Buildings and improvements.....	1,511,949	1,215,810
Furniture, fixtures and equipment.....	147,019	123,954
Construction in progress.....	22,890	12,038
Residences.....	12,746	12,746
Total cost.....	2,325,093	1,845,078
Accumulated depreciation.....	(440,492)	(399,481)
Investments in hotel properties, net.....	\$ 1,884,601	\$ 1,445,597

For the years ended December 31, 2022, 2021 and 2020, depreciation expense was \$78.0 million, \$73.0 million and \$72.8 million, respectively.

Impairment Charges and Insurance Recoveries

For the year ended December 31, 2020, the Company received proceeds of \$14.5 million from our insurance carriers for property damage and business interruption from Hurricane Irma. 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.

BRAEMAR HOTELS & RESORTS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended December 31, 2021, we recognized a gain of \$481,000 associated with proceeds received from an insurance claim. There was no such gain recognized for the year ended December 31, 2022.

During the years ended December 31, 2022, 2021 and 2020, no impairment charges were recorded.

The Ritz-Carlton Reserve Dorado Beach

On March 11, 2022, the Company acquired a 100% interest in the 96-room Ritz-Carlton Reserve Dorado Beach in Dorado, Puerto Rico. The total consideration consisted of \$104.0 million of cash and 6.0 million shares of the Company's common stock with a fair value of approximately \$35.0 million. Additionally, the Company assumed a \$54.0 million mortgage loan with a fair value of approximately \$58.6 million. See note 6 for further discussion regarding the mortgage loan. On March 14, 2022, the Company filed a resale registration statement on Form S-3, which was declared effective by the SEC on April 1, 2022, to register for resale the 6.0 million shares of common stock.

We accounted for this acquisition as an asset acquisition because substantially all of the fair value of the gross assets acquired were concentrated in a group of similar identifiable assets. The cost of the acquisition including transaction costs of approximately \$1.9 million, was allocated to the individual assets acquired and liabilities assumed on a relative fair value basis, which is considered a Level 3 valuation technique.

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed in the acquisition (in thousands):

Land	\$ 79,711
Buildings and improvements	102,105
Furniture, fixtures and equipment	15,405
Investments in hotel properties	197,221
Restricted cash	1,091
Inventories	1,184
Mortgage loan	(58,601)
	\$ 140,895
Net other assets (liabilities)	\$ (9,966)

The results of operations of the hotel property have been included in our results of operations from the acquisition date. The table below summarizes the total revenue and net income (loss) in our consolidated statements of operations for the year ended December 31, 2022:

	Year Ended December 31, 2022
Total revenue	\$ 61,246
Net income (loss)	7,583

Four Seasons Resort Scottsdale

On December 1, 2022, the Company acquired a 100% interest in the 210-room Four Seasons Resort Scottsdale at Troon North in Scottsdale, Arizona. The total consideration for the acquisition was \$267.8 million.

We accounted for this acquisition as an asset acquisition because substantially all of the fair value of the gross assets acquired were concentrated in a group of similar identifiable assets. The cost of the acquisition including transaction costs of approximately \$538,000, was allocated to the individual assets acquired and liabilities assumed on a relative fair value basis, which is considered a Level 3 valuation technique.

BRAEMAR HOTELS & RESORTS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed in the acquisition (in thousands):

Land.....	\$ 70,248
Buildings and improvements.....	181,560
Furniture, fixtures and equipment	16,050
Investments in hotel properties	267,858
Inventories.....	480
	<u>\$ 268,338</u>
Net other assets (liabilities)	\$ (691)

The results of operations of the hotel property have been included in our results of operations from the acquisition date. The table below summarizes the total revenue and net income (loss) in our consolidated statements of operations for the year ended December 31, 2022:

	Year Ended December 31, 2022
Total revenue.....	\$ 5,194
Net income (loss)	934

5. 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 investment in OpenKey, which is controlled and consolidated by Ashford Inc., for an initial 8.2% ownership interest. All investments were recommended by our Related Party Transactions Committee and unanimously approved by the independent members of our board of directors. In 2022, the Company made additional investments in OpenKey of approximately \$328,000. As of December 31, 2022, the Company has made investments in OpenKey totaling \$2.9 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 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, 2022, 2021 and 2020.

The following table summarizes our carrying value and ownership interest in OpenKey:

	December 31, 2022	December 31, 2021
Carrying value of the investment in OpenKey (in thousands)	\$ 1,689	\$ 1,689
Ownership interest in OpenKey	7.9 %	7.8 %

The following table summarizes our equity in earnings (loss) in OpenKey (in thousands):

	Year Ended December 31,		
Line Item	2022	2021	2020
Equity in earnings (loss) of unconsolidated entity	\$ (328)	\$ (252)	\$ (217)

BRAEMAR HOTELS & RESORTS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. Indebtedness, net

Indebtedness, net consisted of the following (dollars in thousands):

Indebtedness	Collateral	Current Maturity	Final Maturity ⁽¹³⁾	Interest Rate	December 31, 2022		December 31, 2021	
					Debt Balance	Book Value of Collateral	Debt Balance	Book Value of Collateral
Mortgage loan ⁽³⁾	Park Hyatt Beaver Creek Resort & Spa	April 2022	April 2022	LIBOR ⁽¹⁾ + 3.00%	\$ —	\$ —	\$ 67,500	\$ 137,718
Mortgage loan ⁽⁴⁾	The Ritz-Carlton Sarasota	April 2023	April 2023	LIBOR ⁽¹⁾ + 2.65%	98,500	162,134	99,500	162,621
Mortgage loan ⁽⁴⁾	Hotel Yountville	May 2023	May 2023	LIBOR ⁽¹⁾ + 2.55%	51,000	84,180	51,000	85,847
Mortgage loan ⁽⁵⁾	The Notary Hotel	June 2023	June 2025	LIBOR ⁽¹⁾ + 2.16%	435,000	403,896	435,000	417,109
	The Clancy							
	Sofitel Chicago Magnificent Mile							
	Marriott Seattle Waterfront							
Mortgage loan ⁽⁴⁾⁽⁶⁾	Bardessono Hotel and Spa	August 2023	August 2023	LIBOR ⁽¹⁾ + 2.55%	—	—	40,000	53,413
Mortgage loan ⁽⁶⁾	Bardessono Hotel and Spa	August 2023	August 2023	SOFR ⁽²⁾ + 2.65%	40,000	51,514	—	—
Mortgage loan ⁽⁷⁾	The Ritz-Carlton St. Thomas	August 2023	August 2024	LIBOR ⁽¹⁾ + 3.95%	42,500	119,492	42,500	124,114
Mortgage loan ⁽⁴⁾⁽⁸⁾	The Ritz-Carlton Lake Tahoe	January 2024	January 2024	LIBOR ⁽¹⁾ + 2.10%	—	—	54,000	112,713
Mortgage loan ⁽⁸⁾	The Ritz-Carlton Lake Tahoe	January 2024	January 2024	SOFR ⁽²⁾ + 2.20%	54,000	112,777	—	—
Mortgage loan	Capital Hilton	February 2024	February 2024	LIBOR ⁽¹⁾ + 1.70%	195,000	194,770	195,000	193,194
	Hilton La Jolla Torrey Pines							
Mortgage loan ⁽³⁾	Park Hyatt Beaver Creek Resort & Spa	February 2024	February 2027	SOFR ⁽²⁾ + 2.86%	70,500	139,830	—	—
Mortgage loan ⁽⁹⁾	The Ritz-Carlton Reserve Dorado Beach	March 2024	March 2026	LIBOR ⁽¹⁾ + 6.00%	54,000	193,367	—	—
Mortgage loan ⁽¹⁰⁾	Mr. C Beverly Hills Hotel	August 2024	August 2024	LIBOR ⁽¹⁾ + 3.60%	30,000	71,820	30,000	73,587
Mortgage loan ⁽⁴⁾⁽¹¹⁾	Pier House Resort & Spa	September 2024	September 2024	LIBOR ⁽¹⁾ + 1.85%	—	—	80,000	85,281
Mortgage loan ⁽¹¹⁾	Pier House Resort & Spa	September 2024	September 2024	SOFR ⁽²⁾ + 1.95%	80,000	83,361	—	—
Mortgage loan ⁽¹²⁾	Four Seasons Resort Scottsdale	December 2025	December 2027	SOFR ⁽²⁾ + 3.75%	100,000	267,460	—	—
Convertible Senior Notes	Equity	June 2026	June 2026	4.50%	86,250	—	86,250	—
					<u>1,336,750</u>	<u>\$ 1,884,601</u>	<u>1,180,750</u>	<u>\$ 1,445,597</u>
Capitalized default interest and late charges, net					1,934		3,904	
Deferred loan costs, net					(5,054)		(3,538)	
Premiums/(discounts), net					500		(8,438)	
Indebtedness, net					<u>\$ 1,334,130</u>		<u>\$ 1,172,678</u>	

⁽¹⁾ LIBOR rates were 4.392% and 0.101% at December 31, 2022 and December 31, 2021, respectively.

⁽²⁾ SOFR rate was 4.358% at December 31, 2022.

⁽³⁾ On February 2, 2022, we refinanced this mortgage loan totaling \$67.5 million with a new \$70.5 million mortgage loan with a two-year initial term and three one-year extension options, subject to the satisfaction of certain conditions. The new mortgage loan is interest only and bears interest at a rate of SOFR + 2.86%.

⁽⁴⁾ This mortgage loan has a LIBOR floor of 0.25%.

⁽⁵⁾ This mortgage loan has five one-year extension options, subject to satisfaction of certain conditions, of which the third was exercised in June 2022.

⁽⁶⁾ On October 27, 2022, we amended this mortgage loan. Terms of the agreement replaced the variable interest rate of LIBOR + 2.55% with SOFR + 2.65%.

⁽⁷⁾ This mortgage loan has three one-year extension options, subject to satisfaction of certain conditions, of which the second was exercised in August 2022. This mortgage loan has a LIBOR floor of 1.00%.

⁽⁸⁾ On October 27, 2022, we amended this mortgage loan. Terms of the agreement replaced the variable interest rate of LIBOR + 2.10% with SOFR + 2.20%.

⁽⁹⁾ This mortgage loan has two one-year extension options, subject to satisfaction of certain conditions. This mortgage loan has a LIBOR floor of 0.75%.

⁽¹⁰⁾ This mortgage loan has a LIBOR floor of 1.50%.

⁽¹¹⁾ On September 29, 2022, we amended this mortgage loan. Terms of the agreement replaced the variable interest rate of LIBOR + 1.85% with SOFR + 1.95%.

⁽¹²⁾ On December 23, 2022, we entered into a new \$100 million mortgage loan with a three-year initial term and two one-year extension options, subject to satisfaction of certain conditions. The new mortgage loan is interest only and bears interest at a rate of SOFR + 3.75%. This mortgage loan has a SOFR floor of 1.00%.

⁽¹³⁾ The final maturity date assumes all available extensions options will be exercised.

During the second and third quarters 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 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.

As a result of the troubled debt restructurings, all accrued default interest and late charges were capitalized into the applicable loan balances and are being amortized over the remaining term of the loans using the effective interest method. The

BRAEMAR HOTELS & RESORTS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

amount of default interest and late charges capitalized into indebtedness for the year ended December 31, 2020 was \$9.9 million. The amount of principal amortization was approximately \$2.0 million, \$3.4 million and \$2.6 million, respectively, for the years ended December 31, 2022, 2021 and 2020. On March 11, 2022, in connection with the acquisition of The Ritz-Carlton Reserve Dorado Beach, the Company assumed a \$54 million mortgage loan. See note 4.

On December 23, 2022, the Company entered into a new \$100 million mortgage loan associated with Four Seasons Resort Scottsdale with a three-year initial term and two one-year extension options, subject to satisfaction of certain conditions. The new mortgage loan is interest only and bears interest at a rate of SOFR + 3.75%. This mortgage loan has a SOFR floor of 1.00%.

Convertible Senior Notes

In May 2021, the Company issued \$86.25 million aggregate principal amount of 4.50% Convertible Senior Notes due June 2026 (the “Convertible Senior Notes”). The net proceeds from this offering of the Convertible Senior Notes were approximately \$82.8 million after deducting the underwriting fees and other expenses paid by the Company.

The Convertible Senior Notes are governed by an indenture between the Company and U.S. Bank National Association, as trustee. The Convertible Senior Notes bear interest at a rate of 4.50% per annum, payable semi-annually in arrears on June 1 and December 1 of each year, beginning on December 1, 2021. The Convertible Senior Notes will mature on June 1, 2026. The Company recorded coupon interest expense of \$3.9 million and \$2.4 million for the years ended December 31, 2022 and 2021, respectively.

Upon issuance of the Convertible Senior Notes, the Company separated the Convertible Senior Notes into liability and equity components. The initial carrying amount of the liability component was calculated using a discount rate of 7.1%. The discount rate was based on the terms of debt instruments that were similar to the Convertible Senior Notes. The \$6.3 million carrying amount of the equity component representing the conversion option was determined by deducting the fair value of the liability component from the net proceeds of the Convertible Senior Notes. The amount recorded in equity was not subject to remeasurement or amortization. The initial discount of \$9.3 million was accreted to interest expense using the effective interest rate method over the contractual term of the Convertible Senior Notes. The Company recorded discount amortization of \$553,000 and \$974,000 related to the initial purchase discount for the years ended December 31, 2022 and 2021, with the remaining discount balance to be amortized through June 2026.

As a result of the Company's adoption of ASU 2020-06 on January 1, 2022, the Convertible Senior Notes are now recorded as a single liability with no portion recorded in equity. The Company also ceased recording non-cash interest expense associated with the amortization of the portion of the debt discount originally reflected in equity, while the initial purchase discount remains and will continue to be amortized through June 2026.

The Convertible Senior Notes are convertible at any time prior to the close of business on the business day immediately preceding the maturity date for cash, shares of the Company's common stock or a combination of cash and shares of the Company's common stock, at the election of the Company, based on an initial conversion rate of 157.7909 shares of the Company's common stock per \$1,000 principal amount of notes (equivalent to a conversion price of approximately \$6.34 per share of common stock), subject to adjustment of the conversion rate under certain circumstances. In addition, following the occurrence of certain corporate events, if the Company provides notice of redemption or if it exercises its option to convert the Convertible Senior Notes, the Company will, in certain circumstances, increase the conversion rate for a holder that converts its Convertible Senior Notes in connection with such corporate event, such notice of redemption, or such issuer conversion option, as the case may be.

The Company may redeem the Convertible Senior Notes at the Company's option, in whole or in part, on any business day on or after the date of issuance if the last reported sale price per share of the Company's common stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period ending on, and including, the trading day immediately preceding the date on which the Company provides a notice of redemption at a redemption price equal to 100% of the principal amount of the Convertible Senior Notes to be redeemed subject to certain adjustments, plus accrued and unpaid interest to, but excluding, the redemption date.

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. As of December 31, 2022, we were in compliance with all covenants.

BRAEMAR HOTELS & RESORTS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Maturities and scheduled amortization of indebtedness as of December 31, 2022, assuming no extension of existing extension options for each of the following five years and thereafter are as follows (in thousands):

2023	\$ 667,000
2024	483,500
2025	100,000
2026	86,250
2027	—
Thereafter	—
Total	<u>\$ 1,336,750</u>

7. 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, which include interest rate caps. All derivatives are recorded at fair value. Payments from counterparties on in-the money interest rate caps are recognized as realized gains on our consolidated statements of operations.

The following table summarizes the interest rate derivatives we entered into over the applicable periods:

	Year Ended December 31,		
	2022	2021	2020
Interest rate caps: ⁽¹⁾			
Notional amount (in thousands)	\$ 776,500	\$ 882,500	\$ 602,500
Strike rate low end of range	3.50 %	0.75 %	3.00 %
Strike rate high end of range	4.50 %	4.00 %	4.00 %
Effective date range	February 2022 - December 2022	January 2021 - September 2021	March 2020 - June 2020
Termination date range	May 2023 - January 2025	February 2022 - August 2024	April 2021 - June 2021
Total cost of interest rate caps (in thousands)	\$ 3,030	\$ 200	\$ 92

⁽¹⁾ No instruments were designated as cash flow hedges.

Interest rate derivatives consisted of the following:

	December 31, 2022	December 31, 2021
Interest rate caps: ⁽¹⁾		
Notional amount (in thousands)	\$ 960,500	\$ 882,500
Strike rate low end of range	2.00 %	0.75 %
Strike rate high end of range	4.50 %	4.00 %
Termination date range	January 2023 - January 2025	February 2022 - August 2024
Aggregate principal balance on corresponding mortgage loans (in thousands)	\$ 959,000	\$ 857,000

⁽¹⁾ No instruments were designated as cash flow hedges.

Warrants—On August 5, 2021, as part of the consideration paid to acquire the Mr. C Beverly Hills Hotel and five adjacent luxury residences, the Company issued 500,000 warrants for the purchase of Braemar common stock with a \$6.00 strike price on or after August 5, 2021 until August 5, 2024. The holder can choose to exercise the warrant by cash or by net issue exercise, in which event the Company shall issue to the holder a number of warrant shares which reflect the fair market value of the Company's common stock. As of December 31, 2022, no warrants have been exercised.

The initial fair value of the warrant was calculated using a Black-Scholes option pricing model with the following assumptions: three-year contractual term; 97.93% volatility; 0% dividend rate; and a risk-free interest rate of 0.38%. The estimated fair value of the warrants was approximately \$1.5 million on the date of issuance. The warrants are re-valued at each reporting period with the change in fair value recorded through earnings.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

In applying the guidance in ASC 815, it was determined that the warrants should be classified as a liability as a result of certain settlement provisions. The warrants are included in derivative liabilities on the consolidated balance sheets and changes in value are reported as a component of “realized and unrealized gain (loss) on derivatives” on the consolidated statements of operations. This is a Level 2 valuation technique.

8. 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 marketplace 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.

The fair value of interest rate caps are determined using the market standard methodology of discounting the future expected cash receipts that would occur if variable interest rates rise above the strike rates of the caps. Variable interest rates used in the calculation of projected receipts and payments on the caps are based on an expectation of future interest rates derived from observable market interest rate curves (LIBOR/SOFR forward curves) and volatilities (Level 2 inputs). We also incorporate credit valuation adjustments (Level 3 inputs) to appropriately reflect both our own nonperformance risk and the respective counterparty’s nonperformance risk.

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, 2022, the LIBOR/SOFR interest rate forward curve (Level 2 inputs) assumed an uptrend from 4.392% to 4.790% 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 table presents 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)	Total
December 31, 2022				
Assets				
Derivative assets:				
Interest rate derivatives - caps	\$ —	\$ 6,482	\$ —	\$ 6,482
Total	\$ —	\$ 6,482	\$ —	\$ 6,482 ⁽¹⁾
Liabilities				
Derivative liabilities:				
Warrants	—	(284)	—	(284) ⁽²⁾
Net	\$ —	\$ 6,198	\$ —	\$ 6,198

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)	Total
December 31, 2021				
Assets				
Derivative assets:				
Interest rate derivatives - caps	\$ —	\$ 139	\$ —	\$ 139
	\$ —	\$ 139	\$ —	\$ 139 ⁽¹⁾
Liabilities				
Derivative liabilities:				
Warrants	—	(1,435)	—	(1,435) ⁽²⁾
Net	\$ —	\$ (1,296)	\$ —	\$ (1,296)

⁽¹⁾ Reported as “derivative assets” in our consolidated balance sheets.

⁽²⁾ Reported as “derivative liabilities” 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,		
	2022	2021	2020
Assets			
Derivative assets:			
Interest rate derivatives - caps	\$ 3,810	\$ (62)	\$ (93)
Credit default swaps	—	—	117 ⁽²⁾
Total derivative assets	\$ 3,810	\$ (62)	\$ 24
Total	\$ 3,810	\$ (62)	\$ 24
Liabilities			
Derivative liabilities:			
Warrants	\$ 1,151	\$ 94	\$ —
Net	\$ 4,961	\$ 32	\$ 24
Total combined			
Interest rate derivatives - floors	\$ —	\$ —	\$ 3,615
Interest rate derivatives - caps	3,313	(62)	(93)
Credit default swaps	—	—	1,437
Warrants	1,151	94	—
Unrealized gain (loss) on derivatives	\$ 4,464 ⁽¹⁾	\$ 32 ⁽¹⁾	\$ 4,959 ⁽¹⁾
Realized gain (loss) on interest rate caps	497 ⁽¹⁾⁽⁴⁾	—	—
Realized gain (loss) on credit default swaps	—	—	(1,320) ⁽³⁾
Realized gain (loss) on interest rate floors	—	—	(3,615) ⁽³⁾
Net	\$ 4,961	\$ 32	\$ 24

⁽¹⁾ Reported in “realized and unrealized gain (loss) on derivatives” in our consolidated statements of operations.

⁽²⁾ Excludes costs associated with credit default swaps of \$191,000 for the year ended December 31, 2020, which is included in “other income (expense)” in our consolidated statements of operations.

⁽³⁾ Included in “other income (expense)” in our consolidated statements of operations.

⁽⁴⁾ Represents settled and unsettled payments from counterparties on interest rate caps.

9. 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

BRAEMAR HOTELS & RESORTS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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, 2022		December 31, 2021	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Financial assets measured at fair value:				
Derivative assets	\$ 6,482	\$ 6,482	\$ 139	\$ 139
Financial liabilities measured at fair value:				
Derivative liabilities	\$ 284	\$ 284	\$ 1,435	\$ 1,435
Financial assets not measured at fair value:				
Cash and cash equivalents	\$ 261,541	\$ 261,541	\$ 215,998	\$ 215,998
Restricted cash	54,155	54,155	47,376	47,376
Accounts receivable, net	51,448	51,448	23,701	23,701
Due from related parties, net	938	938	1,770	1,770
Due from third-party hotel managers	26,625	26,625	27,461	27,461
Financial liabilities not measured at fair value:				
Indebtedness	\$ 1,337,250	\$1,229,671 to \$1,359,110	\$ 1,172,312	\$1,022,408 to \$1,130,029
Accounts payable and accrued expenses	133,978	133,978	96,316	96,316
Dividends and distributions payable	8,184	8,184	2,173	2,173
Due to Ashford Inc., net	10,005	10,005	1,474	1,474
Due to third-party hotel managers	2,096	2,096	610	610

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 and derivative liabilities. See notes 7 and 8 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 92.0% to 101.6% of the carrying value of \$1.3 billion at December 31, 2022, and approximately 87.2% to 96.4% of the carrying value of \$1.2 billion at December 31, 2021. These fair value estimates are considered a Level 2 valuation technique.

BRAEMAR HOTELS & RESORTS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. 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,		
	2022	2021	2020
Net income (loss) attributable to common stockholders - basic and diluted:			
Net income (loss) attributable to the Company	\$ 17,761	\$ (26,664)	\$ (105,262)
Less: Dividends on preferred stock	(21,503)	(8,745)	(10,219)
Less: Deemed dividends on preferred stock	(6,954)	—	—
Less: Dividends on common stock	(5,598)	—	—
Less: Loss on extinguishment of preferred stock - Series B	—	(4,595)	—
Less: Dividends on unvested performance stock units	(36)	—	—
Add: Claw back of dividends on cancelled performance stock units	7	143	202
Less: Dividends on unvested restricted shares	(38)	—	—
Undistributed net income (loss) allocated to common stockholders	\$ (16,361)	\$ (39,861)	(115,279)
Add back: Dividends on common stock	5,598	—	—
Distributed and undistributed net income (loss) - basic and diluted	\$ (10,763)	\$ (39,861)	\$ (115,279)
Weighted average common shares outstanding:			
Weighted average common shares outstanding – basic and diluted	69,687	52,684	33,998
Income (loss) per share - basic:			
Net income (loss) allocated to common stockholders per share	\$ (0.15)	\$ (0.76)	\$ (3.39)
Income (loss) per share - diluted:			
Net income (loss) allocated to common stockholders per share	\$ (0.15)	\$ (0.76)	\$ (3.39)

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,		
	2022	2021	2020
Net income (loss) allocated to common stockholders is not adjusted for:			
Income (loss) allocated to unvested restricted shares	\$ 38	\$ —	\$ —
Income (loss) allocated to unvested performance stock units	30	—	—
Income (loss) attributable to redeemable noncontrolling interests in operating partnership	(476)	(3,597)	(12,979)
Dividends on preferred stock - Series B	4,233	4,747	6,919
Loss on extinguishment of preferred stock - Series B	—	4,595	—
Interest expense on Convertible Senior Notes	4,435	3,378	—
Dividends on preferred stock - Series E (inclusive of deemed dividends)	18,969	683	—
Dividends on preferred stock - Series M (inclusive of deemed dividends)	1,955	15	—
Total	\$ 29,184	\$ 9,821	\$ (6,060)
Weighted average diluted shares are not adjusted for:			
Effect of unvested restricted shares	39	99	22
Effect of unvested performance stock units	—	—	—
Effect of assumed conversion of operating partnership units	5,907	4,980	3,923
Effect of assumed conversion of preferred stock - Series B	4,116	4,614	6,728
Effect of assumed conversion of exchanged preferred stock - Series B	—	364	—
Effect of contingently issuable shares	1	—	—
Effect of assumed conversion of Convertible Senior Notes	13,609	8,450	—
Effect of assumed conversion of preferred stock - Series E	34,730	1,345	—
Effect of assumed conversion of preferred stock - Series M	3,366	32	—
Total	61,768	19,884	10,673

BRAEMAR HOTELS & RESORTS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. 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.

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. As of December 31, 2022, there were approximately 2.0 million Performance LTIP units, representing 200% of the target, outstanding.

With respect to the 2020 award agreements, the number of Performance LTIP units to be earned ranged 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 Performance LTIP units are based on market conditions under the relevant literature. The corresponding compensation cost is recognized ratably over the service period for the award as the service is rendered, based on the grant date fair value of the award, regardless of the actual outcome of the market condition. During the year end December 31, 2022, approximately 113,000 Performance LTIP units granted in 2020 were canceled due to the market conditions criteria not being met.

With respect to the 2021 and 2022 award agreements, the compensation committee shifted to a new performance metric, pursuant to which, the performance awards will be eligible to vest, from 0% to 200% of target, based on achievement of certain performance targets over the three-year performance period. The performance criteria for the 2021 and 2022 performance grants are based on performance conditions under the relevant literature. The corresponding compensation cost is recognized ratably over the service period for the award as the service is rendered, based on the grant date fair value of the award. The grant date fair value of the award may vary from period to period, as the number of performance grants earned may vary since the estimated probable achievement of certain performance targets may vary from period to period.

As of December 31, 2022, we have issued a total of approximately 3.5 million LTIP and Performance LTIP units, net of Performance LTIP cancellations. All LTIP and Performance LTIP units, other than approximately 569,000 LTIP units and 840,000 Performance LTIP units issued from March 2015 to May 2021, 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,		
		2022	2021	2020
Performance LTIP units	Advisory services fee	\$ 4,301	\$ 1,765	\$ 884
LTIP units	Advisory services fee	1,229	1,372	1,142
LTIP units	Corporate, general and administrative	28	12	—
LTIP units - independent directors	Corporate, general and administrative	252	164	120
Total		<u>\$ 5,810</u>	<u>\$ 3,313</u>	<u>\$ 2,146</u>

The unamortized cost of the unvested Performance LTIP units of approximately \$7.0 million at December 31, 2022 will be expensed over a period of 2.0 years with a weighted average period of 1.6 years. The unamortized cost of the unvested LTIP units of approximately \$1.3 million at December 31, 2022, will be amortized over a period of 1.2 years with a weighted average period of 1.2 years.

A summary of the activity of the units in our operating partnership is as follows (in thousands):

	Year Ended December 31,		
	2022	2021	2020
Units outstanding at beginning of year	7,158	4,277	4,538
LTIP units issued	44	469	129
Performance LTIP units issued	1,194	840	160
Common units issued for hotel acquisition	—	2,500	—
Units redeemed for shares of common stock	—	(868)	(339)
Performance LTIP units cancelled	(113)	(60)	(211)
Units outstanding at end of year	<u>8,283</u>	<u>7,158</u>	<u>4,277</u>
Units convertible/redeemable at end of year	<u>5,841</u>	<u>5,533</u>	<u>3,823</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, 2022	December 31, 2021
Redeemable noncontrolling interests in Braemar OP	\$ 40,555	\$ 36,087
Adjustments to redeemable noncontrolling interests ⁽¹⁾	\$ 70	\$ 275
Ownership percentage of operating partnership	7.69 %	8.83 %

⁽¹⁾ Reflects the excess of the redemption value over the accumulated historical cost.

We allocated net (income) loss to the redeemable noncontrolling interests as illustrated in the table below (in thousands):

	Year Ended December 31,		
	2022	2021	2020
Net (income) loss attributable to redeemable noncontrolling interests in operating partnership	\$ 476	\$ 3,597	\$ 12,979
Distributions declared to holders of common units, LTIP units and Performance LTIP units	665	—	—
Performance LTIP dividend claw back upon cancellation	(4)	(38)	(270)

The following table presents the common units redeemed and the fair value at redemption (in thousands):

	Year Ended December 31,		
	2022	2021	2020
Common units converted to common stock	—	868	339
Fair value of common units converted	\$ —	\$ 4,122 ⁽²⁾	\$ 390 ⁽¹⁾

⁽¹⁾ The redemption value is the greater of historical cost or fair value. The historical cost of the converted units was \$3.5 million.

⁽²⁾ The redemption value is the greater of historical cost or fair value. The historical cost of the converted units was \$4.6 million.

BRAEMAR HOTELS & RESORTS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. Equity

Common Stock Dividends—The following table summarizes the common stock dividends declared during the period (in thousands):

	Year Ended December 31,		
	2022	2021	2020
Common stock dividends declared	\$ 5,665	\$ —	\$ —

8.25% Series D Cumulative Preferred Stock—At December 31, 2022 and 2021, 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 stockholders have no voting rights.

The Series D 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,		
	2022	2021	2020
Series D Cumulative Preferred Stock	\$ 3,300	\$ 3,300	\$ 3,300

Stock Repurchases—On December 7, 2022, our board of directors approved a new stock repurchase program pursuant to which the board 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 \$25 million. The board of directors’ authorization replaced any previous repurchase authorizations. During the year ended December 31, 2022, we repurchased 1.5 million shares of our common stock for approximately \$6.1 million. No shares were repurchased under any stock repurchase program during the years ended December 31, 2021 and 2020. As of December 31, 2022, \$18.9 million remains authorized by the board of directors pursuant to the December 7, 2022 approval. See note 22.

We repurchased approximately 262,000, 50,000 and 47,000 shares of our common stock in 2022, 2021 and 2020, 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, 2022, the Company has sold approximately 7.4 million shares of common stock and received net proceeds of approximately \$30.5 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,		
	2022	2021	2020
Common shares issued	—	2,711	4,729
Gross proceeds received	\$ —	\$ 16,119	\$ 14,717
Commissions	—	202	184
Net proceeds	\$ —	\$ 15,917	\$ 14,533

Standby Equity Distribution Agreement—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 five 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 five 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 December 31, 2022, the Company has sold approximately 1.7 million shares of common stock and received proceeds of approximately \$10.0 million under the SEDA.

The issuance activity under the SEDA is summarized below (in thousands):

	Year Ended December 31,	
	2022	2021
Common shares sold to YA	—	1,700
Proceeds received	\$ —	\$ 10,000

Common Stock Resale Agreement—On April 21, 2021, the Company entered into a purchase agreement (the “Lincoln Park Purchase Agreement”) with Lincoln Park Capital Fund, LLC (“Lincoln Park”), pursuant to which the Company may issue or sell to Lincoln Park up to 8,893,565 shares of the Company’s common stock from time to time during the term of the Lincoln Park Purchase Agreement.

Upon entering into the Lincoln Park Purchase Agreement, the Company issued 15,000 shares of the Company’s common stock as consideration for Lincoln Park’s execution and delivery of the Lincoln Park Purchase Agreement.

As of December 31, 2022, the Company has issued approximately 766,000 shares of common stock for gross proceeds of approximately \$4.2 million under the Lincoln Park Purchase Agreement.

BRAEMAR HOTELS & RESORTS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The issuance activity under the Lincoln Park Purchase Agreement is summarized below (in thousands):

	Year Ended December 31,	
	2022	2021
Common shares sold to Lincoln Park	—	766
Additional commitment shares	—	15
Total common shares issued to Lincoln Park	<u>—</u>	<u>781</u>
Proceeds received	\$ —	\$ 4,217

At-the-Market Equity Distribution Agreement—On May 25, 2021, the Company entered into an equity distribution agreement (the “Virtu May 2021 EDA”) with Virtu Americas LLC (“Virtu”), to sell from time to time shares of the Company’s common stock having an aggregate offering price of up to \$50 million. We will pay Virtu a commission of approximately 1.0% of the gross sales price of the shares of our common stock sold. The Company may also sell some or all of the shares of our common stock to Virtu as principal for its own account at a price agreed upon at the time of sale.

As of December 31, 2022, all shares of common stock under the Virtu May 2021 EDA have been sold.

The issuance activity under the Virtu May 2021 EDA is summarized below (in thousands):

	Year Ended December 31,	
	2022	2021
Common shares issued	—	8,339
Gross proceeds received	\$ —	\$ 50,000
Commissions	—	500
Net proceeds	<u>\$ —</u>	<u>\$ 49,500</u>

On July 12, 2021, the Company entered into an equity distribution agreement (the “Virtu July 2021 EDA”) with Virtu Americas LLC (“Virtu”) to sell from time to time shares of our common stock having an aggregate offering price of up to \$100 million. We will pay Virtu a commission of approximately 1.0% of the gross sales price of the shares of our common stock sold. The Company may also sell some or all of the shares of our common stock to Virtu as principal for its own account at a price agreed upon at the time of sale.

As of December 31, 2022, the Company has sold approximately 4.7 million shares of common stock under the Virtu July 2021 EDA and received gross proceeds of approximately \$24.0 million.

The issuance activity under the Virtu July 2021 EDA is summarized below (in thousands):

	Year Ended December 31,	
	2022	2021
Common shares issued	—	4,712
Gross proceeds received	\$ —	\$ 24,020
Commissions	—	240
Net proceeds	<u>\$ —</u>	<u>\$ 23,780</u>

Noncontrolling Interest in Consolidated Entities—A partner has a noncontrolling ownership interest of 25% in two hotel properties with a total carrying value of \$(16.3) million and \$(16.5) million at December 31, 2022 and 2021, respectively.

The following table summarizes the (income) loss allocated to the noncontrolling interest in consolidated entities (in thousands):

	Year Ended December 31,		
	2022	2021	2020
(Income) loss from consolidated entities attributable to noncontrolling interests	\$ (2,063)	\$ 2,650	\$ 6,436

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. Redeemable Preferred Stock

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 in the Articles Supplementary), 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 (as 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 Convertible Preferred Stock shall have the right to require the Company to redeem any or all shares of Series B Convertible 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 the advice of counsel to cease to be qualified as a REIT; or
- (v) determination within the meaning of Section 1313(a) of the Code 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 of 1933, as amended (the “Securities Act”), including sales made directly on the NYSE, the existing trading 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, 2022, 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,		
	2022	2021	2020
Series B Convertible Preferred Stock shares issued	—	—	23
Gross proceeds received	\$ —	\$ —	\$ 439
Commissions	—	—	7
Net proceeds	\$ —	\$ —	\$ 432

BRAEMAR HOTELS & RESORTS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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,		
	2022	2021	2020
Series B Convertible Preferred Stock	\$ 4,233	\$ 4,747	\$ 6,919

During the year ended December 31, 2021, Braemar entered into privately negotiated exchange agreements with certain holders of the Series B Convertible Preferred Stock, in reliance on Section 3(a)(9) of the Securities Act.

The table below summarizes the activity (in thousands):

	Year Ended December 31, 2021	
	Preferred Shares Tendered	Common Shares Issued
Series B Convertible Preferred Stock	1,953	7,291

There were no preferred stock exchanges for the year ended December 31, 2022.

Series E Redeemable Preferred Stock

On April 2, 2021, the Company entered into equity distribution agreements with certain sales agents to sell, from time to time, shares of the Series E Redeemable Preferred Stock (the “Series E Preferred Stock”). Pursuant to such equity distribution agreements, the Company is offering a maximum of 20,000,000 shares of Series E Preferred Stock in a primary offering price of \$25.00 per share. The Company is also offering a maximum of 8,000,000 shares of the Series E Preferred Stock pursuant to a dividend reinvestment plan (the “DRIP”) at \$25.00 per share (the “Stated Value”).

The Series E 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 Convertible Preferred stock, the Series D Preferred Stock and the Series M Preferred Stock (as defined below)) 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.

Holders of the Series E Preferred Stock shall have the right to vote for the election of directors of the Company and on all other matters requiring stockholder action by the holders of the common stock, each share being entitled to vote to the same extent as one share of the Company’s common stock, and all such shares voting together as a single class. If and whenever dividends on any shares of the Series E Preferred Stock shall be in arrears for 18 or more monthly periods, whether or not such quarterly periods are consecutive the number of directors then constituting the board shall be increased by two and the holders of such shares of Series E Preferred Stock shall be entitled to vote for the election of the additional directors of the Company who shall each be elected for one-year terms.

Each share is redeemable at any time, at the option of the holder, at a redemption price of \$25.00 per share, plus any accumulated, accrued, and unpaid dividends, less a redemption fee. Starting on the second anniversary, each share is redeemable at any time, at the option of the Company, at a redemption price of \$25.00 per share, plus any accumulated, accrued, and unpaid dividends (with no redemption fee). The Series E Preferred Stock is also subject to conversion upon certain events constituting a change of control. Upon such change of control events, holders have the option to convert their shares of Series E Preferred Stock into a maximum of 5.69476 shares of our common stock.

The redemption fee shall be an amount equal to:

- 8.0% of the stated value of \$25.00 per share (the “Stated Value”) beginning on the Original Issue Date (as defined in the Articles Supplementary) of the shares of the Series E Preferred Stock to be redeemed;
- 5.0% of the Stated Value beginning on the second anniversary from the Original Issue Date of the shares of the Series E Preferred Stock to be redeemed; and
- 0% of the Stated Value beginning on the third anniversary from the Original Issue Date of the shares of the Series E Preferred Stock to be redeemed.

BRAEMAR HOTELS & RESORTS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The Company has the right, in its sole discretion, to redeem the shares in cash, or in an equal of shares of common stock or any combination thereof, calculated based on the closing price per share for the single trading day prior to the date of redemption.

The Series E Preferred Stock cash dividends are as follows:

- 8.0% per annum of the Stated Value beginning on the date of the first settlement of the Series E Preferred Stock (the “Date of Initial Closing”);
- 7.75% per annum of the Stated Value beginning on the first anniversary from the Date of Initial Closing; and
- 7.5% per annum of the Stated Value beginning on the second anniversary from the Date of Initial Closing.

Dividends will be authorized and declared on a monthly basis and payable in arrears on the 15th day of each month to holders of record at the close of business on the last business day of each month immediately preceding the applicable thereafter dividend payment date. Dividends will be computed on the basis of twelve 30-day months and a 360-day year.

The Company has a DRIP that allows for participating holders to have their Series E Preferred Stock dividend distributions automatically reinvested in additional shares of the Series E Preferred Stock at a price of \$25.00 per share.

The issuance activity of the Series E Preferred Stock is summarized below (in thousands):

	Year Ended December 31,	
	2022	2021
Series E Preferred Stock shares issued ⁽¹⁾	10,914	1,709
Net proceeds	\$ 245,575	\$ 38,450

⁽¹⁾ Exclusive of shares issued under the dividend reinvestment plan.

The Series E 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 of the Company’s control. As such, the Series E Preferred Stock is classified outside of permanent equity.

At the date of issuance, the carrying amount of the Series E Preferred Stock was less than the redemption value. As a result of the Company’s determination that redemption is probable the carrying value will be adjusted to the redemption amount each reporting period.

The redemption value adjustment of Series E Preferred Stock is summarized below (in thousands):

	December 31, 2022	December 31, 2021
Series E Preferred Stock	\$ 291,076	\$ 39,339
Adjustments to Series E Preferred Stock ⁽¹⁾	\$ 9,403	\$ 3,128

⁽¹⁾ Reflects the excess of the redemption value over the accumulated carrying value.

The following table summarizes dividends declared (in thousands):

	Year Ended December 31,	
	2022	2021
Series E Preferred Stock	\$ 12,694	\$ 683

The redemption activities of Series E Preferred Stock is summarized below (in thousands):

	Year Ended December 31,	
	2022	2021
Series E Preferred Stock shares redeemed	14	—
Redemption amount, net of redemption fees	\$ 365	\$ —

BRAEMAR HOTELS & RESORTS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Series M Redeemable Preferred Stock

On April 2, 2021, the Company entered into equity distribution agreements with certain sales agents to sell, from time to time, shares of the Series M Redeemable Preferred Stock (the “Series M Preferred Stock”). Pursuant to such equity distribution agreements, the Company is offering a maximum of 20,000,000 shares of the Series M Preferred Stock (par value \$0.01) in a primary offering price of \$25.00 per share (or “Stated Value”). The Company is also offering a maximum of 8,000,000 shares of Series M Preferred Stock pursuant to the DRIP at \$25.00 per share.

The Series M 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 Convertible Preferred Stock, the Series D Preferred Stock and the Series E 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.

Holders of the Series M Preferred Stock shall have the right to vote for the election of directors of the Company and on all other matters requiring stockholder action by the holders of the common stock, each share being entitled to vote to the same extent as one share of the Company’s common stock, and all such shares voting together as a single class. If and whenever dividends on any shares of Series E Preferred Stock shall be in arrears for 18 or more monthly periods, whether or not such quarterly periods are consecutive the number of directors then constituting the board shall be increased by two and the holders of such shares of Series M Preferred Stock shall be entitled to vote for the election of the additional directors of the Company who shall each be elected for one-year terms.

Each share is redeemable at any time, at the option of the holder, at a redemption price of \$25.00 per share, plus any accumulated, accrued, and unpaid dividends, less a redemption fee. Starting on the second anniversary, each share is redeemable at any time, at the option of the Company, at a redemption price of \$25.00 per share, plus any accumulated, accrued, and unpaid dividends (with no redemption fee). The Series M Preferred Stock is also subject to conversion upon certain events constituting a change of control. Upon such change of control events, holders have the option to convert their shares of Series M Preferred Stock into a maximum of 5.69476 shares of our common stock.

The redemption fee shall be an amount equal to:

- 1.5% of the Stated Value of \$25.00 per share beginning on the Series M Original Issue Date (as defined below) of the shares of Series M Preferred Stock to be redeemed; and
- 0% of the Stated Value beginning on the first anniversary from the Series M Original Issue Date of the shares of Series M Preferred Stock to be redeemed.

The Company has the right, in its sole discretion, to redeem the shares in cash, or in an equal number of shares of common stock or any combination thereof, calculated based on the closing price per share for the single trading day prior to the date of redemption.

Holders of Series M Preferred Stock are entitled to receive cumulative cash dividends at the initial rate of 8.2% per annum of the Stated Value of \$25.00 per share (equivalent to an annual dividend rate of \$2.05 per share). Beginning one year from the date of original issuance of each share of Series M Preferred Stock (the “Series M Original Issue Date”) and on each one-year anniversary thereafter for such share of Series M Preferred Stock, the dividend rate shall increase by 0.10% per annum; provided, however, that the dividend rate for any share of Series M Preferred Stock shall not exceed 8.7% per annum of the Stated Value.

Dividends will be authorized and declared on a monthly basis and payable in arrears on the 15th day of each month to holders of record at the close of business on the last business day of each month immediately preceding the applicable dividend payment date. Dividends will be computed on the basis of twelve 30-day months and a 360-day year.

The Company has a DRIP that allows for participating holders to have their Series M Preferred Stock dividend distributions automatically reinvested in additional shares of the Series M Preferred Stock at a price of \$25.00 per share.

BRAEMAR HOTELS & RESORTS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The issuance activity of Series M Preferred Stock is summarized below (in thousands):

	Year Ended December 31,	
	2022	2021
Series M Preferred Stock shares issued ⁽¹⁾	1,402	29
Net proceeds	\$ 34,009	\$ 704

⁽¹⁾ Exclusive of shares issued under the dividend reinvestment plan.

The Series M 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 the Company's control. As such, the Series M Preferred Stock is classified outside of permanent equity.

At the date of issuance, the carrying amount of the Series M Preferred Stock was less than the redemption value. As a result of the Company's determination that redemption is probable the carrying value will be adjusted to the redemption amount each reporting period.

The redemption value adjustment of Series M Preferred stock is summarized below (in thousands):

	December 31, 2022	December 31, 2021
Series M Preferred Stock	\$ 35,182	\$ 715
Adjustments to Series M Preferred Stock ⁽¹⁾	\$ 812	\$ 133

⁽¹⁾ Reflects the excess of the redemption value over the accumulated carrying value.

The following table summarizes dividends declared (in thousands):

	Year Ended December 31,	
	2022	2021
Series M Preferred Stock	\$ 1,276	\$ 15

The redemption activities of Series M Preferred Stock is summarized below (in thousands):

	Year Ended December 31,	
	2022	2021
Series M Preferred Stock shares redeemed	5	—
Redemption amount, net of redemption fees	\$ 134	\$ —

14. Stock-Based Compensation

Under the 2013 Equity Incentive Plan, as amended, we are authorized to grant 7.0 million restricted stock or performance stock units of our common stock as incentive stock awards. At December 31, 2022, approximately 1.5 million shares were available for future issuance under the 2013 Equity Incentive Plan.

Restricted Stock—We incur stock-based compensation expense in connection with restricted stock 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.

At December 31, 2022, the unamortized cost of unvested shares of restricted stock was \$1.5 million, which is expected to be recognized over a period of 1.2 years with a weighted average period of 1.0 years.

BRAEMAR HOTELS & RESORTS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The following table summarizes the stock-based compensation expense for restricted stock (in thousands):

Line Item	Year Ended December 31,		
	2022	2021	2020
Advisory services fee	\$ 2,195	\$ 3,028	\$ 2,672
Management fees	26	56	133
Corporate general and administrative	126	111	71
Corporate general and administrative - independent directors	252	322	130
	<u>\$ 2,599</u>	<u>\$ 3,517</u>	<u>\$ 3,006</u>

A summary of our restricted stock activity is as follows (shares in thousands):

	Year Ended December 31,					
	2022		2021		2020	
	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	957	\$ 6.94	536	\$ 7.98	497	\$ 11.89
Restricted shares granted	45	5.63	764	7.02	359	4.13
Restricted shares vested	(543)	5.86	(317)	6.31	(310)	9.81
Restricted shares forfeited	(22)	6.77	(26)	6.94	(10)	7.25
Outstanding at end of year	<u>437</u>	<u>\$ 6.46</u>	<u>957</u>	<u>\$ 6.94</u>	<u>536</u>	<u>\$ 7.98</u>

The fair value of restricted stock vested during the years ended December 31, 2022, 2021 and 2020 was approximately \$3.1 million, \$2.1 million and \$1.2 million, respectively.

Performance Stock Units—The compensation committee of the board of directors of the Company may authorize the issuance of grants of performance stock units (“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.

With respect to the 2020 award agreements, the number of PSUs to be earned ranged 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. The corresponding compensation cost is recognized ratably over the service period for the award as the service is rendered, based on the grant date fair value of the award, regardless of the actual outcome of the market condition.

With respect to the 2021 and 2022 award agreements, the compensation committee shifted to a new performance metric, pursuant to which, the performance awards will be eligible to vest, from 0% to 200% of target, based on achievement of certain performance targets over the three-year performance period. The performance criteria for the 2021 and 2022 performance grants are based on performance conditions under the relevant literature, and the 2021 and 2022 performance grants were issued to non-employees. The corresponding compensation cost is recognized ratably over the service period for the award as the service is rendered, based on the grant date fair value of the award, which may vary from period to period, as the number of performance grants earned may vary since the estimated probable achievement of certain performance targets may vary from period to period.

During the years ended December 31, 2022, 2021 and 2020, approximately 225,000 PSUs granted in 2020, 223,000 PSUs granted in 2019 and 197,000 PSUs granted in 2018, were canceled due to the market condition criteria not being met. As a result there was a claw back of the previously declared dividends in the amount of \$7,000, \$143,000 and \$202,000, respectively.

BRAEMAR HOTELS & RESORTS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The following table summarizes the compensation expense for PSUs (in thousands):

Line Item	Year Ended December 31,		
	2022	2021	2020
Advisory services fee	\$ 2,876	\$ 3,374	2,695

At December 31, 2022, the unamortized cost of unvested shares of PSUs was \$1.9 million, which is expected to be recognized over a period of 2.0 years with a weighted average period of 1.1 years.

A summary of our PSU activity is as follows (shares in thousands):

	Year Ended December 31,					
	2022		2021		2020	
	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	671	\$ 5.84	448	\$ 11.71	420	\$ 16.91
PSUs granted	41	5.63	446	7.01	225	3.51
PSUs vested	(152)	4.69	—	—	—	—
PSUs canceled	(225)	3.51	(223)	19.96	(197)	13.43
Outstanding at end of year	<u>335</u>	\$ 5.84	<u>671</u>	\$ 5.84	<u>448</u>	\$ 11.71

15. 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 fifth 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.

BRAEMAR HOTELS & RESORTS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The following table summarizes the advisory services fees incurred (in thousands):

	Year Ended December 31,		
	2022	2021	2020
Advisory services fee			
Base advisory fee	\$ 12,790	\$ 10,806	\$ 9,981
Reimbursable expenses ⁽¹⁾	4,653	2,297	1,790
Equity-based compensation ⁽²⁾	10,601	9,538	7,393
Incentive fee	803	—	(678) ⁽³⁾
Total	<u>\$ 28,847</u>	<u>\$ 22,641</u>	<u>\$ 18,486</u>

⁽¹⁾ Reimbursable expenses include overhead, internal audit, risk management advisory, asset management services and deferred cash awards.

⁽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.

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 Hospitality Trust, Inc. ("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. 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.

On March 10, 2022, the Company entered into a Limited Waiver Under Advisory Agreement (the "Limited Waiver") with Braemar OP, Braemar TRS and its advisor. The advisory agreement (i) allocates responsibility for certain employee costs between the Company and its advisor and (ii) permits the Company's board of directors to issue annual equity awards in the Company or Braemar OP to employees and other representatives of its advisor based on achievement by the Company of certain financial or other objectives or otherwise as the Company's board of directors sees fit. Pursuant to the Limited Waiver, the Company, Braemar OP, Braemar TRS and the Company's advisor waived the operation of any provision in the advisory agreement that would otherwise limit its ability, in its discretion and at the Company's cost and expense, to award during the first and second fiscal quarters of calendar year 2022 cash incentive compensation to employees and other representatives of its advisor.

Lismore

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"). The Lismore Agreement was terminated effective March 20, 2021. For the years ended December 31, 2021 and 2020, the Company recognized expense of \$341,000 and \$3.1 million. These expenses are included in "write-off of loan costs and exit fees" in the consolidated statement 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.

The Company engaged Lismore to negotiate, on the Company's behalf, one or more modifications to the terms of the mortgage loan assumed in connection with the acquisition of the Mr. C Beverly Hills Hotel. Upon closing of the hotel on August 5, 2021, the Company paid Lismore a fee of \$150,000.

In connection with the refinancing of the Park Hyatt Beaver Creek mortgage loan in February 2022, the Company paid an affiliate of Lismore a fee of approximately \$637,000. Additionally, in connection with the closing of the Four Seasons Resort Scottsdale mortgage loan in December 2022, the Company paid Lismore a fee of approximately \$750,000.

BRAEMAR HOTELS & RESORTS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Ashford Securities

On December 31, 2020, an Amended and Restated Contribution Agreement (the “Amended and Restated Contribution Agreement”) was entered into by Ashford Inc., Ashford Trust and Braemar (collectively, the “Parties” and each individually a “Party”) with respect to funding certain expenses of Ashford Securities LLC, a subsidiary of Ashford Inc. (“Ashford Securities”). 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 capital raised, or June 10, 2023, there will be a true up (the “Amended and Restated True-Up Date”) among Ashford Inc., Ashford Trust and Braemar whereby the actual amount contributed by each company will be based on the actual amount of capital raised by Ashford Inc., Ashford Trust and Braemar, respectively, through Ashford Securities (the resulting ratio of contributions among the Parties, the “Initial True-up Ratio”). On January 27, 2022, Ashford Trust, Braemar and Ashford Inc. entered into a Second Amended and Restated Contribution Agreement which provided for an additional \$18 million in expenses to be reimbursed with all expenses allocated 45% to Ashford Trust, 45% to Braemar and 10% to Ashford Inc.

On February 1, 2023, Braemar entered into a Third Amended and Restated Contribution Agreement with Ashford Inc. and Ashford Trust. The Third Amended and Restated Contribution Agreement states that after the Amended and Restated True-Up Date occurs, capital contributions for the remainder of fiscal year 2023 will be divided between each Party based on the Initial True-Up Ratio. Thereafter on a yearly basis at year-end, starting with the year-end of 2023, there will be a true-up between the Parties whereby there will be adjustments so that the capital contributions made by each Party will be based on the cumulative amount of capital raised by each Party through Ashford Securities as a percentage of the total amount raised by the Parties collectively through Ashford Securities since June 10, 2019 (the resulting ratio of capital contributions among Braemar, Ashford Inc. and Ashford Trust following this true-up, the “Cumulative Ratio”). Thereafter, the capital contributions will be divided among each Party in accordance with the Cumulative Ratio, as recalculated at the end of each year.

As of December 31, 2022, Braemar has funded approximately \$5.6 million. During the year ended December 31, 2022, the funding estimate was revised based on the latest capital raise estimates of the aggregate capital raised through Ashford Securities. This resulted in additional expense of approximately \$7.2 million for the year ended December 31, 2022. As of December 31, 2022, the payable amount that is included in “due to Ashford Inc., net” on the consolidated balance sheet is \$6.6 million. As of December 31, 2021, \$338,000 of the pre-funded amount was included in “other assets” on the consolidated balance sheet.

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,		
	2022	2021	2020
Corporate, general and administrative.....	\$ 9,461	\$ 1,983	\$ 658

Enhanced Return Funding Program

Concurrent with Amendment No. 1 to the Fifth Amended and Restated Advisory Agreement with Ashford Inc. (“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, design and construction 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 Braemar and Ashford Inc., 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 was two years (the “Initial Term”). At the end of the Initial Term, the ERFP Agreement automatically renewed for one year and 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 60 days in advance of the

BRAEMAR HOTELS & RESORTS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

expiration of the Initial Term or Renewal Term, as applicable, that such notifying party intends not to renew the ERFPA Agreement. On November 8, 2021, the Company received written notice from the Advisor of its intention not to renew the ERFPA program. As a result, the ERFPA Agreement terminated in accordance with its terms on January 15, 2022.

Design and Construction Services

In connection with Ashford Inc.'s August 8, 2018 acquisition of Remington Lodging's design and construction business, we entered into a design and construction services agreement with Ashford Inc.'s subsidiary, Premier Project Management LLC ("Premier"), pursuant to which Premier provides design and construction 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 design and construction services agreement, we pay Premier: (a) design and construction fees of up to 4% of project costs; and (b) for the following services: (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 design and construction services 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 Services

At December 31, 2022, Remington Hotels managed four of our 16 hotel properties.

We pay monthly hotel management fees equal to the greater of approximately \$16,000 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.

Ashford Trust

As of December 31, 2021, the Company had a \$728,000 receivable from Ashford Trust, included in "due from related parties, net." The receivable relates to a legal settlement between Ashford Trust and the City of San Francisco regarding a transfer tax matter associated with the transfer of The Clancy from Ashford Trust to Braemar upon Braemar's 2013 spin-off from Ashford Trust. The transfer taxes were initially paid by Braemar at the time of the spin-off. In January 2022, the City of San Francisco remitted payment to Ashford Trust, which subsequently remitted payment to Braemar. During the second quarter of 2022 the Company received an additional payment of approximately \$114,000 related to accrued interest on the initial settlement amount, which is included in "(gain) loss on legal settlements" on the consolidated statements of operations for the year ended December 31, 2022.

BRAEMAR HOTELS & RESORTS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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, 2022									
Company	Product or Service	Total	Investments in Hotel Properties, net ⁽¹⁾	Indebtedness, net ⁽²⁾	Other Hotel Revenue	Other Hotel Expenses	Management fees	Preferred Stock ⁽³⁾	Property Taxes, Insurance and Other	Advisory Services Fee	Corporate General and Administrative
Ashford LLC	Insurance claims services	\$ 3	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 3	\$ —	\$ —
Ashford Securities ..	Broker/Dealer	9,735	—	—	—	—	—	274	—	—	9,461
Ashford Securities ..	Dealer Manager Fees	5,766	—	—	—	—	—	5,766	—	—	—
INSPIRE	Audio visual services	3,800	—	—	3,800	—	—	—	—	—	—
Lismore Capital	Debt placement and related services	750	—	750	—	—	—	—	—	—	—
Lismore Capital	Broker Services	637	—	637	—	—	—	—	—	—	—
OpenKey	Mobile key app	39	—	—	—	39	—	—	—	—	—
Premier	Design and construction services	9,875	9,262	—	—	—	—	—	—	613	—
Pure Wellness	Hypoallergenic premium rooms	150	—	—	—	150	—	—	—	—	—
RED Leisure	Watersports activities and travel/ transportation services	525	—	—	236	761	—	—	—	—	—
Remington Hotels ..	Hotel management services ⁽⁴⁾	4,288	—	—	—	1,416	2,872	—	—	—	—

		Year Ended December 31, 2021											
Company	Product or Service	Total	Investments in Hotel Properties, net ⁽¹⁾	Indebtedness, net ⁽²⁾	Other Assets	Other Hotel Revenue	Other Hotel Expenses	Preferred Stock ⁽³⁾	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	\$ 7	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 7	\$ —	\$ —	\$ —
Ashford Securities ..	Broker/Dealer	1,983	—	—	—	—	—	—	—	—	—	1,983	—
Ashford Securities ..	Dealer Manager Fees	410	—	—	—	—	—	410	—	—	—	—	—
INSPIRE	Audio visual services	1,001	—	—	—	1,001	—	—	—	—	—	—	—
Lismore Capital	Debt placement and related services	491	—	150	—	—	—	—	—	—	—	—	341
Lismore Capital	Broker services	3	—	—	—	—	—	—	—	—	—	—	3
OpenKey	Mobile key app	38	—	—	—	—	38	—	—	—	—	—	—
Premier	Design and construction services	3,009	2,653	—	—	—	—	—	—	—	356	—	—
Pure Wellness	Hypoallergenic premium rooms	141	—	—	—	—	141	—	—	—	—	—	—
RED Leisure	Watersports activities and travel/ transportation services	321	—	—	—	321	—	—	—	—	—	—	—
Remington Hotels ..	Hotel management services ⁽⁴⁾	3,243	—	—	—	—	934	—	2,309	—	—	—	—

		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	—	—
INSPIRE	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	Design and construction 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 ⁽⁴⁾	1,446	—	—	—	410	1,036	—	—	—

⁽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⁾ Recorded as a reduction of Series E and Series M Redeemable Preferred Stock proceeds.

⁽⁴⁾ Other hotel expenses include incentive hotel management fees and other hotel management costs.

BRAEMAR HOTELS & RESORTS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The following table summarizes the components of due to Ashford Inc. (in thousands):

Company	Product or Service	Due to Ashford Inc.	
		December 31, 2022	December 31, 2021
Ashford LLC	Advisory services	\$ 1,576	\$ 394
Ashford LLC	FF&E purchases	—	—
Ashford LLC	Insurance claims services	2	1
INSPIRE	Audio visual services	952	418
OpenKey	Mobile key app	—	—
Ashford securities	Capital raise services	6,514	—
Premier	Design and construction services	829	470
RED Leisure	Watersports activities and travel/transportation services	132	191
		<u>\$ 10,005</u>	<u>\$ 1,474</u>

As of December 31, 2022 and 2021, due from related parties, net included a net receivable from Remington Hotels of \$573,000 and \$677,000, respectively, primarily related to advances made by Braemar and accrued base and incentive management fees.

As of December 31, 2022 and December 31, 2021, 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.

16. Commitments and Contingencies

Restricted Cash—Under certain management and debt agreements for our hotel properties existing at December 31, 2022, 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.

Licensing Fees—In conjunction with the Mr. C Beverly Hills Hotel acquisition on August 5, 2021, we entered into an Intellectual Property Sublease Agreement, which allows us to continue to use certain proprietary marks associated with the Mr. C brand name. In return, we pay licensing fees of: (i) 1% of total operating revenue; (ii) 2% of gross food and beverage revenues; and (iii) 25% of food and beverage profits. The agreement expires on August 5, 2023.

The table below summarizes the licensing fees incurred (in thousands):

Line Item	Year Ended December 31,	
	2022	2021
Other hotel expenses	<u>\$ 467</u>	<u>\$ 133</u>

Management Fees—Under hotel management agreements for our hotel properties existing at December 31, 2022, we pay a monthly hotel management fee equal to the greater of approximately \$16,000 per hotel (increased annually based on consumer price index adjustments) or 3% of gross revenues, or in some cases 3.0% 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 2018 through 2022 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 Accor's 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 under the Accor management agreement has occurred and an injunction to prevent Ashford TRS Chicago II from terminating the Accor management agreement. 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 damages and a 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, in which Accor asserted two causes of

BRAEMAR HOTELS & RESORTS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

action: First, Accor asserted a counterclaim for declaratory judgment that Accor correctly calculated the amount payable to Ashford TRS Chicago II under the Accor management agreement to “cure” Accor’s performance test failure (the “Cure Amount”). Second, Accor asserted a counterclaim for breach of contract alleging that Ashford TRS Chicago II breached the Accor 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. On February 16, 2022, the parties entered into a settlement agreement agreeing to: 1) amend the Accor management agreement; 2) dismiss the lawsuit and counterclaims; 3) stipulate to the failure of the performance tests and cure amounts for 2018 of \$867,682 and 2019 of \$784,919; and 4) arbitrate whether the performance tests for 2020 and 2021 were valid and/or required equitable adjustment. On February 23, 2022, Ashford TRS Chicago II and Accor filed a stipulation of discontinuance dismissing all claims, counterclaims, and cross-claims in the January 6, 2020 action with prejudice. Arbitration occurred on October 12 and 13, 2022. The arbitrator returned his decision on November 21, 2022, and the decision did not result in any additional amounts being owed to, or payable by, the Company. As a result of the settlement related to the 2018 performance test failure, the Company recorded a gain of approximately \$868,000 in 2022, that is recorded as a reduction of management fees and included in “management fees” on the Company’s consolidated statement of operations.

On December 20, 2016, a class action lawsuit was filed against one of the Company’s hotel management companies in the Superior Court of the State of California in and for the County of Contra Costa 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 written 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 had until April 4, 2021 to opt out of the class; however, the total number of employees in the class has not been definitively determined and is the subject of continuing discovery. While we believe it is reasonably possible that we may incur a loss associated with this litigation, because there remains uncertainty under California law with respect to a significant legal issue, discovery relating to class members continues, and the trial judge retains discretion to award lower penalties than set forth in the applicable California employment laws, we do not believe any potential loss to the Company is reasonably estimable at this time. As of December 31, 2022, 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 and 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.

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, California and Yountville, California, respectively. The lease in La Jolla, California contains one extension option of either 10 or 20 years dependent upon capital investment spend during the lease term. The lease in Yountville, California 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.

Capital Commitments—At December 31, 2022, we had capital commitments of \$39.4 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.

17. Leases

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, 2022.

BRAEMAR HOTELS & RESORTS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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, 2022 and 2021, our leased assets and liabilities consisted of the following (in thousands):

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Assets		
Operating lease right-of-use assets	\$ 79,449	\$ 80,462
Liabilities		
Operating lease liabilities	\$ 60,692	\$ 60,937

We incurred the following lease costs related to our operating leases (in thousands):

	<u>Classification</u>	<u>Year Ended December 31,</u>		
		<u>2022</u>	<u>2021</u>	<u>2020</u>
Operating lease cost ⁽¹⁾	Hotel operating expenses - other	\$ 6,653	\$ 5,349	\$ 4,373

⁽¹⁾ For the years ended December 31, 2022, 2021 and 2020, operating lease cost includes approximately \$2.2 million, \$954,000 and \$(305,000), 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 \$474,000, \$512,000 and \$834,000, 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:

	<u>Year Ended December 31,</u>		
	<u>2022</u>	<u>2021</u>	<u>2020</u>
Supplemental Cash Flows Information			
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows from operating leases (in thousands)	\$ 3,307	\$ 3,302	\$ 3,261
Weighted Average Remaining Lease Term			
Operating leases ⁽¹⁾	44 years	45 years	47 years
Weighted Average Discount Rate			
Operating leases ⁽¹⁾	4.98 %	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, 2022 were as follows (in thousands):

	<u>Operating Leases</u>
2023	\$ 3,365
2024	3,329
2025	3,321
2026	3,334
2027	3,342
Thereafter	141,300
Total future minimum lease payments ⁽¹⁾	157,991
Less: interest	(97,299)
Present value of operating lease liabilities	<u>\$ 60,692</u>

⁽¹⁾ Based on payment amounts as of December 31, 2022.

BRAEMAR HOTELS & RESORTS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. 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, 2022, 15 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 \$25.4 million, \$12.6 million and \$(27.0) million for the years ended December 31, 2022, 2021 and 2020, respectively.

The following table reconciles the income tax expense at statutory rates to the actual income tax expense recorded (in thousands):

	Year Ended December 31,		
	2022	2021	2020
Income tax (expense) benefit at federal statutory income tax rate of 21%	\$ (6,463)	\$ (2,652)	\$ 5,619
State income tax (expense) benefit, net of U.S. federal income tax benefit	(1,961)	574	3,136
State and local income tax (expense) benefit on pass-through entity subsidiaries	(17)	(9)	(5)
Gross receipts and margin taxes	(69)	(26)	(13)
Benefit of USVI Economic Development Commission credit	3,358	3,346	783
Benefits of Puerto Rico tax incentives	1,474	—	—
Other	126	(251)	311
Valuation allowance	(491)	(2,306)	(5,425)
Total income tax (expense) benefit	<u>\$ (4,043)</u>	<u>\$ (1,324)</u>	<u>\$ 4,406</u>

The components of income tax expense are as follows (in thousands):

	Year Ended December 31,		
	2022	2021	2020
Current:			
Federal	\$ (3,745)	\$ (1,477)	\$ 3,431
State	(247)	(21)	19
Total current income tax (expense) benefit	<u>(3,992)</u>	<u>(1,498)</u>	<u>3,450</u>
Deferred:			
Federal	(51)	131	1,262
State	—	43	(306)
Total deferred income tax (expense) benefit	<u>(51)</u>	<u>174</u>	<u>956</u>
Total income tax (expense) benefit	<u>\$ (4,043)</u>	<u>\$ (1,324)</u>	<u>\$ 4,406</u>

For the years ended December 31, 2022, 2021 and 2020, income tax expense included interest and penalties paid to taxing authorities of \$1,000, \$3,000 and \$7,000, respectively. At December 31, 2022 and 2021, 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, 2022 and 2021, our net deferred tax asset, included in “other assets,” on our consolidated balance sheets, consisted of the following (in thousands):

	December 31,	
	2022	2021
Deferred tax assets (liabilities):		
Tax intangibles basis greater than book basis	\$ 722	\$ 722
Allowance for doubtful accounts	76	28
Unearned income	2,769	2,147
Federal and state net operating losses	16,452	15,677
Capital loss carryforward	525	529
Other	(48)	178
Accrued expenses	1,133	612
Tax property basis greater than book basis	(2,935)	(2,487)
Prepaid expenses	(59)	(4)
Net deferred tax asset	18,635	17,402
Valuation allowance	(18,627)	(17,343)
Net deferred tax asset (liability)	<u>\$ 8</u>	<u>\$ 59</u>

At December 31, 2022 and 2021, we recorded a valuation allowance of \$18.6 million and \$17.3 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, we believe it is more likely than not that \$18.6 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, 2022, we had TRSs net operating loss carryforwards for U.S. federal income tax purposes of \$68.5 million, of which \$50.7 million is subject to expiration and 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. \$50.0 million of net operating loss carryforwards are attributable to acquired subsidiaries and are subject to substantial limitation on their use. At December 31, 2022, Braemar Hotels & Resorts Inc., our REIT, had net operating loss carryforwards for U.S. federal income tax purposes of \$109.7 million based on the latest filed tax return. Of this amount, \$2.2 million is subject to expiration in 2033. The remainder is not subject to expiration under the Tax Cuts and Jobs Act. 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,		
	2022	2021	2020
Balance at beginning of year	\$ 17,343	\$ 14,938	\$ 11,581
Additions	1,284	2,405	3,357
Deductions	—	—	—
Balance at end of year	<u>\$ 18,627</u>	<u>\$ 17,343</u>	<u>\$ 14,938</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 \$3.4 million, \$907,000 and \$0 for the years ended December 31, 2022, 2021 and 2020, respectively. The benefit of the tax holiday on net income (loss) per share was approximately, \$0.05, \$0.02 and \$0.00 for the years ended December 31, 2022, 2021 and 2020, respectively.

In 2022, we acquired the Ritz-Carlton Reserve Dorado Beach in Dorado, Puerto Rico. Our taxable entities in Puerto Rico operate under a tax holiday which is effective through April 2, 2028. The tax holiday is conditional upon meeting certain employment and investment thresholds. The impact of this tax holiday decreased current foreign taxes by \$2.5 million for the year ended December 31, 2022. The benefit of this tax holiday on net income (loss) per share was approximately \$0.04 for the year ended December 31, 2022.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 was carried back to prior tax years.

19. Intangible Assets, net

Intangible assets, net consisted of the following (in thousands):

	December 31,	
	2022	2021
Cost	\$ 5,682	\$ 5,682
Accumulated amortization	(1,799)	(1,421)
	\$ 3,883	\$ 4,261

Intangible assets 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.

For the years ended December 31, 2022, 2021 and 2020, amortization related to intangible assets was \$378,000, \$379,000 and \$379,000, 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
2023	\$ 379
2024	379
2025	379
2026	379
2027	379
Thereafter	1,988
Total	\$ 3,883

20. 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, 2022, the Ritz-Carlton St. Thomas and the Ritz-Carlton Sarasota generated revenues in excess of 10% of total hotel revenue amounting to 28% 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.

21. 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, 2022 and December 31, 2021, all of our hotel properties were in the U.S. and its territories.

22. Subsequent Events

On January 18, 2023, the Company repaid its \$54.0 million mortgage loan secured by The Ritz-Carlton Reserve Dorado Beach.

BRAEMAR HOTELS & RESORTS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Subsequent to December 31, 2022, the Company issued approximately 3.8 million shares of Series E Preferred Stock and received net proceeds of approximately \$85.4 million and issued approximately 533,000 shares of Series M Preferred Stock and received net proceeds of approximately \$12.9 million. On February 21, 2023, the Company announced the closing of its offering of the Series E Preferred Stock and Series M Preferred Stock.

Subsequent to December 31, 2022, the Company repurchased approximately 3.9 million shares of its common stock for approximately \$18.9 million. The Company has repurchased approximately 5.4 million shares of its common stock for approximately \$25.0 million and has completed the \$25.0 million repurchase authorization authorized by the board of directors on December 7, 2022.

On February 24, 2023, at the option of Mr. Monty J. Bennett, Mr. Bennett's 169,523 vested LTIP units that achieved economic parity with his common units were redeemed for common units on a one-for-one basis. On February 24, 2023, the Company received a Notice of Exercise of Redemption Right (the "Redemption Notice"), pursuant to which Mr. Bennett elected to redeem the common units and such redemption was settled in cash at the Company's election based on the average of the closing price of the Company's common stock for the ten consecutive trading days ending on February 23, 2023. Additionally, on February 24, 2023, Mr. Bennett elected to redeem an additional 1,254,254 common units and following receipt of the Redemption Notice, such redemption was settled in cash at the Company's election at a price per common unit based on the average of the closing price of the Company's common stock for the ten consecutive trading days ending on February 23, 2023. The cash redemption for the 1,423,777 common units totaled approximately \$7.0 million.

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, 2022. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2022, as a result of the material weakness in our internal control over financial reporting related to the accounting for earnings per share described below, and for which it was not possible for the Company to remediate during the fourth quarter of 2022 because there were no similar transactions to evaluate, our disclosure controls and procedures were not effective to ensure that information required to be disclosed in reports that we file or submit under the Exchange Act (i) is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms; and (ii) 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, 2022. 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").

In accordance with guidance issued by the SEC, companies are permitted to exclude acquisitions from their final assessment of internal control over financial reporting for the fiscal year in which the acquisition occurred. Management's evaluation of internal control over financial reporting excluded the internal control activities of the Four Seasons Resort Scottsdale. The Four Seasons Resort Scottsdale represented approximately 0.8% of consolidated revenues and approximately 4.8% of consolidated net income for the year ended December 31, 2022 and approximately 11.9% of total assets and approximately 20.8% of net assets as of December 31, 2022.

Based on management's assessment of these criteria, we concluded that, as of December 31, 2022, our internal control over financial reporting is not effective.

During our financial statement close process for the period ended December 31, 2022, a material weakness was identified in the Company's control over the evaluation of complex transactions as a result of the error identified in the treatment of deemed dividends on redeemable preferred stock in arriving at net income (loss) attributable to common stockholders, which impacted the calculation of earnings per share. 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.

The Company is evaluating remediation steps, which could include: (1) arranging for additional training for our associates and (2) designing new or enhanced controls whereby management evaluates the nature of equity transactions and where appropriate engages third-party accounting experts to assist management in assessing the accounting in its consolidated financial statements. The material weakness will not be considered remediated until management designs and implements effective controls that operate for a sufficient period of time and management has concluded, through testing, that these controls are effective.

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 are fairly stated in all material respects in accordance with GAAP.

The effectiveness of our internal control over financial reporting as of December 31, 2022 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.

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, 2022 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

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, 2022, 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, 2022, 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, 2022 and 2021, 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, 2022, and the related notes and schedule (collectively referred to as "the financial statements") and our report dated March 10, 2023 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 was identified regarding management's failure to design and maintain effective controls over the evaluation of complex transactions 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 2022 financial statements, and this report does not affect our report dated March 10, 2023 on those financial statements.

As described in Management's Annual Report on Internal Control Over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of the Four Seasons Resort Scottsdale at Troon North, which was acquired on December 1, 2022, and which is included in the consolidated balance sheet of the Company as of December 31, 2022, and the related consolidated statements of operations, comprehensive income (loss), equity, and cash flows for the year then ended. The Four Seasons Resort Scottsdale at Troon North constituted 11.9% and 20.8% of total assets and net assets, respectively, as of December 31, 2022, and 0.8% and 4.8% of revenues and net income (loss), respectively, for the year then ended. Management did not assess the effectiveness of internal control over financial reporting of the Four Seasons Resort Scottsdale at Troon North because of the timing of the acquisition which was completed on December 1, 2022. Our audit of internal control over financial reporting of the Company also did not include an evaluation of the internal control over financial reporting of the Four Seasons Resort Scottsdale at Troon North.

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 10, 2023

Item 9B. Other Information

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.

Not applicable.

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 109 through 157 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 169 through page 170 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, as amended by Amendment No. 1 on March 17, 2022 and by Amendment No. 2 on February 23, 2023 (incorporated by reference to Exhibit 3.2 to the Current Report on Form 8-K filed on February 23, 2023) (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 April 2, 2021 (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed on April 2, 2021) (File No. 001-35972)
3.10	Certificate of Correction of Series E Articles Supplementary of Braemar Hotels & Resorts Inc., accepted for record and certified by the SDAT on November 4, 2021 (incorporated by reference to Exhibit 3.1 to the Quarterly Report on Form 10-Q filed on November 5, 2021) (File No. 001-35972)
3.11	Articles Supplementary Establishing the Series M Redeemable Preferred Stock of Braemar Hotels & Resorts Inc., accepted for record and certified by the SDAT on April 2, 2021 (incorporated by reference to Exhibit 3.2 to the Current Report on Form 8-K filed on April 2, 2021) (File No. 001-35972)

- 3.12 Certificate of Correction of Series M Articles Supplementary of Braemar Hotels & Resorts Inc., accepted for record and certified by the SDAT on November 4, 2021 (incorporated by reference to Exhibit 3.1 to the Quarterly Report on Form 10-Q filed on November 5, 2021) (File No. 001-35972)
- 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 Indenture, dated as of May 18, 2021, by and among the Company, as issuer, and the Trustee, as trustee, including the Form of Note representing the Company's 4.50% Convertible Senior Notes due 2026. (incorporated by reference to Exhibit 1.1 to the Current Report on Form 8-K filed on May 18, 2021) (File No. 001-35972)
- 4.6* 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)
- 10.1.4 Amendment No. 5 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 April 2, 2021) (File No. 001-35972)
- 10.1.5 Amendment No. 6 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 May 18, 2021) (File No. 001-35972)
- 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)
- 10.2.2 Amendment No. 2 to the Fifth Amended and Restated Advisory Agreement, dated as of August 16, 2021, 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 August 17, 2021) (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† Second Amended and Restated Braemar Hotels & Resorts Inc. 2013 Equity Incentive Plan, as amended and restated through May 11, 2022 (incorporated by reference to Exhibit 10.1 to the Registrant's Form S-8 filed on May 12, 2022) (File No. 001-35972)
- 10.17.1†* Form of 2023 Deferred Cash Award Agreement
- 10.17.2†* Form of 2023 Performance Stock Unit Award Agreement
- 10.17.3†* Form of 2023 Performance LTIP Unit Award Agreement
- 10.18† Form of 2021 Performance LTIP Unit Award Agreement (filed as Exhibit 10.7 to the Quarterly Report on Form 10-Q filed on May 7, 2021) (File No. 001-35972)
- 10.19† Form of 2021 Performance Stock Unit Award Agreement (filed as Exhibit 10.6 to the Quarterly Report on Form 10-Q filed on May 7, 2021) (File No. 001-35972)
- 10.20† 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)
- 10.21.1 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)
- 10.21.2 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)

- 10.21.3 Second Amendment to Second Amended and Restated Credit Agreement, dated February 22, 2021.(incorporated by reference to Exhibit 10.1 of Form 8-K filed February 22, 2021) (File No. 001-35972)
- 10.22 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)
- 10.23 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)
- 10.23.1 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)
- 10.23.2 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)
- 10.24 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)
- 10.24.1 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)
- 10.25 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)
- 10.26† 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)
- 10.27 First Amendment to Amended and Restated Employment Agreement, dated as of May 12, 2022, 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 May 12, 2022) (File No. 001-35972)
- 10.28 Standby Equity Distribution Agreement, dated as of February 4, 2021, by and between Braemar Hotels & Resorts Inc. and YA II PN. Ltd. (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on February 4, 2021) (File No. 001-35972)
- 10.29 Purchase Agreement, dated as of April 21, 2021, by and between the Company and Lincoln Park Capital Fund, LLC (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on April 21, 2021) (File No. 001-35972)
- 10.30 Purchase Agreement, dated as of May 13, 2021, by and among the Company, the Operating Partnership, the Advisor and UBS Securities LLC, as the Initial Purchaser. (incorporated by reference to Exhibit 1.1 to the Current Report on Form 8-K filed on May 18, 2021) (File No. 001-35972)
- 10.31 Amendment No. 1 to the Braemar Master Project Management Agreement (filed as Exhibit 10.5 to the Quarterly Report on Form 10-Q filed on August 6, 2021) (File No. 001-35972)
- 10.32 Limited Waiver Under Advisory Agreement, dated as of March 10, 2022, 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 10.39 to the Annual Report on Form 10-K filed on March 10, 2022) (File No. 001-35972)
- 10.33* Purchase and Sale Agreement, dated as of October 31, 2022, by and between SHR FSST, LLC and STRS FSST and BHR Scottsdale LP
- 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.)
- 99.1 Release and waiver, by and between, Ashford Hospitality Services, LLC and Jeremy Welter, dated April 15, 2022 (incorporated by reference to Exhibit 99.1 to the Current Report on Form 8-K filed on April 19, 2022)

* 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, 2022 are formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheets; (ii) Consolidated Statements of Operations; (iii) Consolidated Statements Comprehensive Income (Loss); (iv) Consolidated Statements of Equity;(v) Consolidated Statements of Cash Flows; and (vi) 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 10, 2023.

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 10, 2023
<u>/s/ RICHARD J. STOCKTON</u> Richard J. Stockton	President and Chief Executive Officer (Principal Executive Officer)	March 10, 2023
<u>/s/ DERIC S. EUBANKS</u> Deric S. Eubanks	Chief Financial Officer (Principal Financial Officer)	March 10, 2023
<u>/s/ MARK L. NUNNELEY</u> Mark L. Nunneley	Chief Accounting Officer (Principal Accounting Officer)	March 10, 2023
<u>/s/ STEFANI D. CARTER</u> Stefani D. Carter	Director	March 10, 2023
<u>/s/ MATTHEW D. RINALDI</u> Matthew D. Rinaldi	Director	March 10, 2023
<u>/s/ REBECA ODINO-JOHNSON</u> Rebeca Odino-Johnson	Director	March 10, 2023
<u>/s/ KENNETH H. FEARN, JR.</u> Kenneth H. Fearn, Jr.	Director	March 10, 2023
<u>/s/ ABTEEN VAZIRI</u> Abteen Vaziri	Director	March 10, 2023
<u>/s/ MARY CANDACE EVANS</u> Mary Candace Evans	Director	March 10, 2023

SCHEDULE III
BRAEMAR HOTELS & RESORTS INC. AND SUBSIDIARIES
REAL ESTATE AND ACCUMULATED DEPRECIATION
December 31, 2022
(in thousands)

Column A	Column B	Column C		Column D		Column E		Column F	Column G	Column H	Column I									
		Initial Cost		Costs Capitalized Since Acquisition		Gross Carrying Amount At Close of Period														
		Land	FF&E, Buildings and improvements	Land	FF&E, Buildings and improvements	Land	FF&E, Buildings and improvements					Total	Accumulated Depreciation	Construction Date	Acquisition Date	Income Statement				
Capital Hilton		Washington, D.C.	\$	106,245	\$	—	\$	40,495	\$	45,721	\$	146,740	\$	192,461	\$	67,028	—	April 2007	(1),(2),(3)	
Hilton La Jolla Torrey Pines		La Jolla, CA		114,614		—		7,031		—		121,645		121,645		52,308	—	April 2007	(1),(2),(3)	
Marriott Seattle Waterfront		Seattle, WA		112,176		—		23,587		31,888		135,763		167,651		49,559	—	April 2007	(1),(2),(3)	
The Notary Hotel		Philadelphia, PA		94,029		—		34,366		9,814		128,395		138,209		60,453	—	April 2007	(1),(2),(3)	
The Clancy		San Francisco, CA		72,731		—		53,830		22,653		126,561		149,214		61,516	—	April 2007	(1),(2),(3)	
Sofitel Chicago Magnificent Mile		Chicago, IL		140,369		—		4,269		12,631		144,638		157,269		36,919	—	February 2014	(1),(2),(3)	
Pier House Resort & Spa		Key West, FL		33,011		—		3,197		59,731		36,208		95,939		12,578	—	March 2014	(1),(2),(3)	
Bardessono Hotel and Spa		Yountville, CA		64,184		—		1,895		—		66,079		66,079		14,565	—	July 2015	(1),(2),(3)	
Hotel Yountville		Yountville, CA		48,567		—		(4,577)		47,849		43,990		91,839		7,659	—	May 2017	(1),(2),(3)	
Park Hyatt Beaver Creek Resort & Spa		Beaver Creek, CO		56,383		—		11,206		89,117		67,589		156,706		16,876	—	March 2017	(1),(2),(3)	
The Ritz-Carlton Sarasota		Sarasota, FL		99,782		—		(5,755)		83,630		94,027		177,657		15,523	—	April 2018	(1),(2),(3)	
The Ritz-Carlton St. Thomas		St. Thomas, USVI		38,467		—		80,355		25,533		118,822		144,355		24,863	—	December 2015	(1),(2),(3)	
The Ritz-Carlton Lake Tahoe		Truckee, CA		91,603		—		5,759		26,731		97,362		124,093		11,316	—	January 2019	(1),(2),(3)	
Mr. C Beverly Hills Hotel		Beverly Hills, CA		45,078		—		820		29,346		45,898		75,244		3,424	—	August 2021	(1),(2),(3)	
The Ritz-Carlton Reserve Dorado Beach		Dorado, Puerto Rico		117,510		—		1,270		79,711		118,780		198,491		5,124	—	March 2022	(1),(2),(3)	
Four Seasons Resort Scottsdale		Scottsdale, AZ		197,610		—		383		70,248		197,993		268,241		781	—	December 2022	(1),(2),(3)	
Total			\$	1,250,500	\$	634,603	\$	1,432,359	\$	—	\$	258,131	\$	1,690,490	\$	2,325,093	\$	440,492		

(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) The cost of land and depreciable property, net of accumulated depreciation, for U.S. federal income tax purposes was approximately \$1.9 billion as of December 31, 2022.

	Year Ended December 31,		
	2022	2021	2020
Investment in real estate:			
Beginning balance	\$ 1,845,078	\$ 1,784,849	\$ 1,791,174
Additions	516,754	95,663	16,067
Write-offs	(36,739)	(32,677)	(22,392)
Sales/disposals	—	(2,757)	—
Ending balance	\$ 2,325,093	\$ 1,845,078	\$ 1,784,849
Accumulated depreciation:			
Beginning balance	399,481	360,259	309,752
Depreciation expense	77,750	73,054	72,899
Write-offs	(36,739)	(32,677)	(22,392)
Sales/disposals	—	(1,155)	—
Ending balance	\$ 440,492	\$ 399,481	\$ 360,259
Investment in real estate, net	\$ 1,884,601	\$ 1,445,597	\$ 1,424,590

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

Alex Rose

Executive Vice President,
General Counsel & Secretary

BOARD OF DIRECTORS

Monty J. Bennett

Chairman of the Board

Stefani D. Carter

Attorney

Candace Evans

Founder & Publisher
CandysDirt.com & SecondShelters.com

Kenneth H. Fearn JR.

Managing Partner
Integrated Capital

Rebeca-Odino Johnson

Senior Vice President, Donor Experience
and Direct Response Marketing
American Heart Association

Matthew D. Rinaldi

General Counsel
Quantas 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 2022 was filed with the Securities and Exchange Commission on March 10, 2023 and 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 Wednesday, May 10, 2023, at 8:30 a.m. MST at the Four Seasons Resort Scottsdale at Troon North 10600 East Crescent Moon Drive, Scottsdale, AZ 85262-8342. Shareholders of record as of the close of business on March 10, 2023 will be entitled to vote at this meeting.

